

# Third Quarter Activities Report

For period ending 30 September 2018

ASX: STO | ADR: SSLZY

# Santos

18 October 2018

## Key Highlights

### Strong production and revenue growth

- Third quarter production up 6% to 15 mmbœ due to strong performance across the core assets
- Sales revenue up 10% to \$973 million, including record quarterly LNG revenues of \$405 million
- PNG LNG achieved record daily rates equivalent to ~9.2 mtpa annualised production

### Cooper Basin growth

- Cooper Basin oil production up 17%, including the highest monthly production rates since 2009
- Fourth rig commenced operations. Expect to drill 85-90 wells in 2018
- Moomba South Phase 1 appraisal drilling initiated

### Strong balance sheet to support growth

- Net debt reduction target achieved at quarter-end, more than a year ahead of plan
- As at 30 September 2018, Santos had cash and cash equivalents of \$1.8 billion and total debt of \$3.8 billion, resulting in net debt of \$2 billion.

### Dividend reinstated

- Dividends to shareholders reinstated with the US3.5 cent per share fully-franked interim dividend paid

### Value accretive Quadrant Energy acquisition announced for \$2.15 billion<sup>1</sup>

- Low-cost, long-life gas and oil assets with stable cash flows and significant near-term development and exploration upside

### Sale of non-core Asian assets completed

- In September, Santos received \$144 million in cash proceeds from the sale of its Asian assets

Santos Managing Director and Chief Executive Officer Kevin Gallagher said: "Santos' third quarter results serve to highlight the benefits of a cash generative core asset portfolio and our low-cost, disciplined Operating Model. During the quarter we paid our first dividend in two and a half years and achieved our net debt target of \$2 billion more than a year ahead of plan."

"With a balance sheet now supportive of growth, we also announced the value accretive acquisition of Quadrant Energy's high quality portfolio of low-cost, long-life conventional natural gas assets in Western Australia that will further reduce our free cash flow breakeven oil price and importantly, significantly enhance our operating capability. The acquisition will also give us a leading position in the highly prospective Bedout Basin, including the recent significant Dorado-1 oil discovery."

"Santos is now positioned for growth with a number of upstream brownfield development opportunities leveraging existing infrastructure positions across each of our five core assets and is targeting production of more than 100 mmbœ by 2025, almost doubling current levels of production."

"Strong operating performance during the third quarter saw sales, production and sales revenues all higher than the previous quarter," Mr Gallagher said.

<sup>1</sup> Quadrant Energy acquisition is subject to customary consents and regulatory approvals and is expected to complete by the end of 2018

## Comparative performance

Santos share	Units	Q3 2018	Q2 2018	Change	2018 YTD	2017 YTD	Change
Production	mmbœ	15.0	14.2	+6%	43.1	44.5	-3%
Sales volume	mmbœ	20.3	19.0	+7%	58.3	61.6	-5%
Average realised oil price	US\$/bbl	81.1	78.6	+3%	77.1	54.3	+42%
Sales revenue	US\$million	973	885	+10%	2,653	2,246	+18%
Capital expenditure <sup>1</sup>	US\$million	180	167	+8%	487	478	+2%

<sup>1</sup> Capital expenditure including restoration expenditure and acquisition of exploration assets but excluding capitalised interest.

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## Sales volumes (Santos share)

Product	Unit	Q3 2018	Q2 2018	Q3 2017	2018 YTD	2017 YTD
LNG	000 t	738.6	630.9	743.4	2,011.8	2,227.2
Domestic sales gas and ethane	PJ	55.7	52.6	59.6	162.0	168.1
Crude oil	000 bbls	2,296.7	2,863.9	2,589.3	7,594.5	7,360.6
Condensate	000 bbls	1,063.3	811.6	1,202.3	2,952.9	3,240.6
LPG	000 t	41.3	43.8	62.7	106.6	132.2
Sales						
Own product	mmboe	15.0	13.5	15.2	42.3	44.3
Third party	mmboe	5.2	5.6	6.3	16.0	17.3
<b>Total sales volume</b>	<b>mmboe</b>	<b>20.3</b>	<b>19.1</b>	<b>21.5</b>	<b>58.3</b>	<b>61.6</b>

Third quarter sales volumes were higher than the prior quarter primarily due to a full quarter of production from PNG LNG following the impact of the earthquake in the first-half and the planned one-month maintenance shutdown of the Bayu Undan/Darwin LNG facilities in May, partially offset by lower crude oil sales volumes due to the cessation of production from the Mutineer Exeter/Fletcher Finucane asset in Western Australia in the second quarter and the completion of the sale of the non-core Asian assets on 6 September 2018.

## Sales revenues (Santos share)

Product	Unit	Q3 2018	Q2 2018	Q3 2017	2018 YTD	2017 YTD
LNG	US\$m	405	323	293	1,004	855
Domestic sales gas and ethane	US\$m	272	254	271	788	762
Crude oil	US\$m	186	225	137	586	399
Condensate	US\$m	84	61	64	216	170
LPG	US\$m	25	23	27	60	59
Sales						
Own product	US\$m	724	598	557	1,881	1,618
Third party	US\$m	249	288	236	772	628
<b>Total sales revenue</b>	<b>US\$m</b>	<b>973</b>	<b>886</b>	<b>793</b>	<b>2,653</b>	<b>2,246</b>
Third party product purchases	US\$m	197	209	189	605	467

Third quarter sales revenues were higher than the prior quarter primarily due to higher commodity prices, a full quarter of production from PNG LNG following the impact of the earthquake in the first-half and the planned one-month maintenance shutdown of the Bayu Undan/Darwin LNG facilities in May.

## Average realised prices

	Unit	Q3 2018	Q2 2018	Q3 2017	2018 YTD	2017 YTD
LNG price	US\$/mmBtu	10.43	9.74	7.50	9.50	7.31
Domestic sales gas price	US\$/GJ	4.89	4.83	4.56	4.86	4.54
Oil price	US\$/bbl	81.09	78.61	53.28	77.10	54.26
Condensate price	US\$/bbl	78.78	74.52	52.72	73.02	52.38
LPG price	US\$/t	616.89	525.03	421.27	561.57	445.42

## Production (Santos share)

Product	Unit	Q3 2018	Q2 2018	Q3 2017	2018 YTD	2017 YTD
Sales gas to LNG plant	PJ	32.4	26.6	32.0	86.0	94.1
Domestic sales gas and ethane	PJ	40.2	40.9	39.7	119.5	117.7
Crude oil	000 bbls	1,457.8	1,555.9	1,576.1	4,648.2	4,875.9
Condensate	000 bbls	865.9	727.4	795.9	2,279.1	2,462.3
LPG	000 t	34.5	37.8	36.8	106.8	107.4
<b>Total production</b>	<b>mmboe</b>	<b>15.0</b>	<b>14.2</b>	<b>15.0</b>	<b>43.1</b>	<b>44.5</b>

Third quarter production was higher than the prior quarter due to strong production across the core assets, including PNG LNG producing at record rates following the earthquake-related shutdown in the first half and the planned one month maintenance shutdown of the Bayu Undan/Darwin facilities in May. Santos ceased recording production from the non-core Asian assets following the completion of their sale to Ophir Energy plc effective 6 September 2018. The Asian asset sale combined with the cessation of production from the Mutineer Exeter/Fletcher Finucane asset in Western Australia in the second quarter resulted in lower oil production in the third quarter, notwithstanding higher Cooper Basin oil production.

## 2018 Guidance

Production and sales volumes guidance for 2018 has been narrowed by lifting the lower end of both ranges, reflecting strong performance by the company's core assets and despite the sale of the Asian assets completed in early September.

Capital expenditure guidance has been lowered to reflect current internal forecasts and timing of expenditures. There is no change to well guidance for the Cooper Basin and GLNG for 2018, which is maintained at 85-90 and ~300 wells, respectively.

Guidance shown in the table below excludes any potential impact from the acquisition of Quadrant Energy.

Item	Previous guidance	Updated guidance
Sales volumes	72-76 mmboe	74-76 mmboe
Production	55-58 mmboe	56-58 mmboe
Upstream production costs	US\$8.0-8.6/boe	No change
Depreciation, depletion and amortisation (DD&A)	US\$650-700 million	No change
Capital expenditure (incl exploration, evaluation & restoration, excl cap. int.)	US\$775-825 million	US\$725-775 million

Further detail of 2018 year-to-date capital expenditure, including exploration and evaluation expenditure, is reported in the table on page 10 of this report.

## Oil price hedging

3.2 million barrels of oil hedging expired in the third quarter under the zero-cost three way collar hedges.

The following oil price hedging positions were in place as at 8 October 2018.

2018 Open oil price positions	2018
Zero-cost three-way collars (barrels) <sup>1</sup>	3,151,000
Brent short call price (\$/bbl)	US\$60.30
Brent long put price (\$/bbl)	US\$48.48
Brent short put price (\$/bbl)	US\$40.80

<sup>1</sup> When Brent price is above the weighted average short call price, Santos realises short call price. When Brent price is between the long put price and the weighted average short call price, Santos realises Brent price. When Brent price is between the long put price and the short put price, Santos realises the long put price. When Brent price is below the short put price, Santos realises Brent price plus the difference between the long put price and the short put price.

2019 Open oil price positions	2019
Zero-cost collars (barrels) <sup>1</sup>	3,431,000
Ceiling (\$/bbl)	US\$79.27
Floor (\$/bbl)	US\$45.00

<sup>1</sup> When Brent price is above the weighted average ceiling price, Santos realises ceiling price. When Brent price is between the floor and ceiling price, Santos realises Brent price. When Brent price is below the floor price, Santos realises floor price.

## Cooper Basin

Santos share	Units	Q3 2018	Q2 2018	Q3 2017	2018 YTD	2017 YTD
<b>Sales volume</b>						
Sales gas and ethane						
Own product	PJ	18.0	14.2	17.5	47.7	52.6
Third party	PJ	1.3	0.6	0.7	2.8	2.0
Total	PJ	19.1	14.8	18.2	50.1	54.6
Condensate						
Own product	000 bbls	429.3	314.8	534.5	1,184.8	1,242.2
Third party	000 bbls	58.0	52.6	85.4	209.9	164.0
Total	000 bbls	487.3	367.4	619.9	1,394.7	1,406.2
LPG						
Own product	000 t	33.8	41.6	42.6	81.7	94.2
Third party	000 t	4.2	2.9	7.3	13.1	11.3
Total	000 t	38.0	44.5	49.9	94.8	105.5
Crude oil						
Own product	000 bbls	558.2	604.1	583.7	1,634.9	1,663.8
Third party	000 bbls	1,205.2	1,489.9	1,048.8	3,750.7	2,849.6
Total	000 bbls	1,763.4	2,094.0	1,632.5	5,385.6	4,513.4
<b>Total sales volume</b>	<b>mmboe</b>	<b>5.8</b>	<b>5.4</b>	<b>5.7</b>	<b>16.1</b>	<b>16.1</b>
<b>Total sales revenue</b>	<b>US\$million</b>	<b>306</b>	<b>278</b>	<b>212</b>	<b>808</b>	<b>591</b>
<b>Production</b>						
Sales gas and ethane	PJ	15.3	15.4	14.4	45.0	43.0
Condensate	000 bbls	253.1	240.8	219.9	701.8	633.8
LPG	000 t	30.2	35.2	29.1	93.1	82.5
Crude oil	000 bbls	901.9	769.1	644.0	2,329.8	1,976.6
<b>Total production</b>	<b>mmboe</b>	<b>4.0</b>	<b>3.9</b>	<b>3.6</b>	<b>11.5</b>	<b>10.7</b>
Capital expenditure	US\$million	<b>57</b>	<b>48</b>	<b>54</b>	<b>165</b>	<b>138</b>

Third quarter production was higher compared to the prior quarter driven predominantly by a 17% increase in oil production, with both August and September averaging over 10,000 bopd net to Santos, levels not seen since 2009. With four rigs now in operation including one rig dedicated to the oil program, Santos expects to drill approximately 85-90 wells in 2018. Cycle times continue to be reduced with some gas wells progressing from spud to sales in less than 50 days. This efficiency and early realisation of revenue from the capital investment supports the asset's ability to generate free cash flow at <US\$40/bbl under the disciplined Operating Model.

Year-to-date production is up 7% to 11.5 mmboe, demonstrating Santos' success in arresting the production decline in the Cooper Basin and returning the asset to growth.

In the third quarter, 24 wells were drilled comprising seven exploration wells, three appraisal wells and fourteen development wells.

At the end of the third quarter, the drilling of Moomba 229, the first of the Moomba South appraisal wells targeting a significant 2C contingent resource commenced.

A summary of exploration and appraisal activity is included on page 11 of this report.

## Queensland & NSW<sup>1</sup>

Santos share	Units	Q3 2018	Q2 2018	Q3 2017	2018 YTD	2017 YTD
<b>Sales volume</b>						
GLNG Joint Venture						
LNG	000 t	343.5	382.6	384.8	1,074.1	1,153.6
Domestic contracts	PJ	7.0	6.0	9.1	20.0	18.9
Eastern Queensland (non-GLNG) <sup>2</sup>	PJ	6.1	4.9	2.1	18.1	13.6
<b>Total sales volume<sup>3</sup></b>	<b>mmboe</b>	<b>5.5</b>	<b>5.5</b>	<b>5.6</b>	<b>16.5</b>	<b>16.2</b>
<b>Total sales revenue<sup>3</sup></b>	<b>US\$million</b>	<b>259</b>	<b>253</b>	<b>188</b>	<b>722</b>	<b>542</b>
<b>Production</b>						
GLNG Joint Venture						
Sales gas to LNG	PJ	9.6	10.8	10.9	30.8	31.1
Domestic contracts	PJ	2.6	1.0	0.7	4.5	2.4
Eastern Queensland (non-GLNG) <sup>2</sup>	PJ	5.8	5.5	5.7	16.9	16.6
NSW <sup>1</sup>	PJ	0.2	0.2	0.1	0.6	0.5
<b>Total production<sup>3</sup></b>	<b>mmboe</b>	<b>3.1</b>	<b>3.0</b>	<b>3.0</b>	<b>9.1</b>	<b>8.6</b>
Capital expenditure	US\$million	64	63	52	174	131

<sup>1</sup> New South Wales entered the core portfolio on 1 January 2018.

<sup>2</sup> Combabula, Scotia (Santos legacy domestic volumes), Spring Gully and Denison.

<sup>3</sup> Total sales volume, sales revenue and production include minor condensate production from Denison and sales gas from NSW assets. Denison conventional assets were sold in April 2018.

GLNG operational data (gross)	Units	Q3 2018	Q2 2018	Q3 2017	2018 YTD	2017 YTD
<b>Production</b>						
Sales gas to the domestic market	PJ	29	25	37	81	92
LNG <sup>1</sup>	000 t	1,178	1,239	1,332	3,634	3,846
Sales gas to LNG plant						
GLNG equity gas	PJ	37	37	36	107	95
Santos portfolio gas	PJ	15	14	16	45	47
Third-party	PJ	19	23	22	68	77
<b>Total sales gas to LNG plant</b>	<b>PJ</b>	<b>71</b>	<b>75</b>	<b>74</b>	<b>220</b>	<b>219</b>
LNG cargoes shipped		20	21	20	60	62

<sup>1</sup> Includes LNG produced from GLNG equity gas, Santos portfolio gas and third-party quantities.

Third quarter LNG production of 1.2 million tonnes was in line with the previous quarter and 20 cargoes were loaded.

Higher GLNG equity gas production contributed to higher volumes delivered to the domestic market, while GLNG equity gas delivered to the LNG plant was in line with the prior quarter at 37PJ.

Gross GLNG-operated upstream sales gas production was 562 TJ/d at the end of the quarter, supported by a strong ramp in Scotia production and continued steady incline in Roma.

Gross daily production from Fairview was 423 TJ/day at the end of the quarter. Focus continues to be on improving well availability.

Gross daily production from Roma increased to 74 TJ/day at the end of the quarter. Field production is expected to continue building as new development areas come online. Drilling continues in the Roma East project with 95 wells drilled to date. 15 wells are now on flare with early dewatering commenced.

Gross daily production from the Scotia field grew to 57 TJ/d at the end of the quarter. Production from the field continues to grow as the reservoir de-pressures.

Production from the Arcadia field remained steady. The next phase of development for Arcadia Valley was sanctioned during the quarter with first production expected in late 2019.

Santos' share of production from the non-operated Combabula and Spring Gully fields was 41 TJ/day.

91 wells were drilled across the GLNG acreage in the third quarter and activity remains on schedule to drill about 300 wells in 2018. 47 development wells were drilled across Santos' non-operated Eastern Queensland acreage in the quarter.

## PNG

Santos share	Units	Q3 2018	Q2 2018	Q3 2017	2018 YTD	2017 YTD
<b>Sales volume</b>						
PNG LNG						
LNG <sup>1</sup>	000 t	303.5	203.4	285.7	687.8	818.6
Condensate	000 bbls	327.3	252.1	503.3	829.4	1,230.3
Crude oil	000 bbls	2.7	1.9	1.4	8.0	11.9
<b>Total sales volume</b>	<b>mmboe</b>	<b>3.2</b>	<b>2.1</b>	<b>3.2</b>	<b>7.3</b>	<b>9.0</b>
<b>Total sales revenue</b>	<b>US\$million</b>	<b>191</b>	<b>115</b>	<b>139</b>	<b>406</b>	<b>387</b>
<b>Production</b>						
PNG LNG						
Sales gas to LNG <sup>1</sup>	PJ	17.8	13.3	17.1	41.5	48.9
Condensate	000 bbls	378.9	286.8	384.9	887.0	1,119.8
Crude oil	000 bbls	3.7	2.2	4.6	8.7	15.0
<b>Total production</b>	<b>mmboe</b>	<b>3.4</b>	<b>2.6</b>	<b>3.3</b>	<b>8.0</b>	<b>9.5</b>
Capital expenditure	US\$million	16	9	6	31	22

<sup>1</sup> Includes SE Gobe

PNG LNG operational data (gross)	Units	Q3 2018	Q2 2018	Q3 2017	2018 YTD	2017 YTD
<b>Production</b>						
LNG	Mt	2.2	1.6	2.2	5.2	6.2
Sales gas to LNG plant	PJ	133	99	128	310	368
Condensate <sup>1</sup>	000 bbls	2,818	2,125	2,832	6,579	8,276
Sales gas (SE Gobe) <sup>2</sup>	PJ	2	1	5	5	13
LNG cargoes shipped		31	18	29	69	82

<sup>1</sup> Measured at the Kutubu entry point.

<sup>2</sup> Purchased by PNG LNG.

PNG LNG sales volumes and production were higher than the prior quarter following the impact of a severe earthquake in the first-half. Full production resumed in April and during the third quarter, PNG LNG achieved record daily rates equivalent to annualised rates of approximately 9.2 mtpa, primarily through compressor optimisation.

PNG LNG expansion opportunities continue to be progressed with a farm-in proposal to PRL 3 (P'nyang) under negotiation.

Santos along with the other PNG LNG parties and the Papua LNG Joint Venture are also continuing discussions to build alignment for the proposed construction of three additional LNG trains at the PNG LNG site, with two trains to process gas from the Papua LNG project and one train for the planned PNG LNG expansion.

## Northern Australia

Santos share	Units	Q3 2018	Q2 2018	Q3 2017	2018 YTD	2017 YTD
<b>Sales volume</b>						
Darwin LNG						
LNG	000 t	91.6	44.8	72.9	249.9	255.0
Bayu Undan						
Condensate	000 bbls	54.3	44.5	59.8	207.2	380.9
LPG	000 t	3.6	(0.8)	12.8	12.0	26.7
<b>Total sales volume</b>	<b>mmboe</b>	<b>1.0</b>	<b>0.4</b>	<b>0.8</b>	<b>2.7</b>	<b>3.0</b>
<b>Total sales revenue</b>	<b>US\$million</b>	<b>51</b>	<b>28</b>	<b>34</b>	<b>127</b>	<b>112</b>
<b>Production</b>						
Darwin LNG						
Sales gas to LNG	PJ	5.1	2.5	4.0	13.8	14.1
Bayu Undan						
Condensate	000 bbls	66.3	34.0	69.4	210.0	355.7
LPG	000 t	4.4	2.5	7.7	13.7	24.9
<b>Total production</b>	<b>mmboe</b>	<b>1.0</b>	<b>0.5</b>	<b>0.8</b>	<b>2.7</b>	<b>2.9</b>
Capital expenditure	US\$million	24	20	12	53	56

Darwin LNG / Bayu-Undan operational data (gross)	Units	Q3 2018	Q2 2018	Q3 2017	2018 YTD	2017 YTD
<b>Production</b>						
LNG	000 t	934	540	715	2,422	2,413
Sales gas to LNG plant	PJ	57	34	43	148	146
Condensate	000 bbls	808	535	1,345	2,347	4,307
LPG	000 t	52	32	78	147	235
LNG cargoes shipped		14	9	11	38	37

Darwin LNG sales volumes and production were higher than the prior quarter following a scheduled one-month Bayu Undan/Darwin LNG shutdown in May.

The Bayu Undan Infill Well project is advancing ahead of schedule and under budget. The first well (W12-ST1) was delivered ahead of schedule with better condensate yield and reservoir quality than expected and is currently producing at a rate of about 150 mmscf/d. The second well, DS05, was completed ahead of schedule and cleaned up at 150 mmscf/d with first gas expected in early November once subsea tie-in activities are completed. The third well, D10, is currently being drilled.

Following FEED entry in April 2018, a final investment decision on the Barossa project to backfill Darwin LNG is targeted towards the end of 2019. The FPSO design competition between Modec and the TechnipFMC/Samsung consortium is progressing well. The successful development of Barossa would extend the operating life of Darwin LNG for more than 20 years and deliver ~9mmboe average annual net production to Santos.



## Western Australia<sup>1</sup>

Santos share	Units	Q3 2018	Q2 2018	Q3 2017	2018 YTD	2017 YTD
<b>Sales volume</b>						
Sales gas	PJ	13.5	14.9	14.6	42.3	40.0
Condensate	000 bbls	193.8	146.4	16.8	517.6	219.2
Crude oil	000 bbls	110.0	139.5	314.4	549.8	985.0
<b>Total sales volume</b>	<b>mmboe</b>	<b>2.6</b>	<b>2.9</b>	<b>2.9</b>	<b>8.3</b>	<b>8.1</b>
<b>Total sales revenue</b>	<b>US\$million</b>	<b>82</b>	<b>81</b>	<b>75</b>	<b>250</b>	<b>228</b>
<b>Production</b>						
Sales gas	PJ	12.9	14.6	13.7	40.9	37.6
Condensate	000 bbls	165.8	163.3	119.6	473.4	344.7
Crude oil	000 bbls	118.3	151.9	342.3	594.0	1,031.0
<b>Total production</b>	<b>mmboe</b>	<b>2.5</b>	<b>2.8</b>	<b>2.8</b>	<b>8.1</b>	<b>7.8</b>
Capital expenditure	US\$million	11	15	18	29	53

<sup>1</sup> Includes Western Australia oil assets. The comparative periods have been restated accordingly.

Sales gas production volumes were lower than the prior quarter due to the timing of customer demand.

Condensate sales volumes were higher than the prior quarter due to the timing of liftings.

Crude oil sales volumes and production were lower than the prior quarter due to the Mutineer-Exeter/Fletcher Finucane fields ceasing production during the second quarter as planned.

## Asia<sup>1</sup>

Santos share	Units	Q3 2018	Q2 2018	Q3 2017	2018 YTD	2017 YTD
<b>Sales volume</b>						
Sales gas	PJ	3.0	4.2	5.0	11.5	17.3
Condensate	000 bbls	0.9	2.4	2.5	5.7	3.8
Crude oil	000 bbls	420.6	628.6	650.0	1,651.2	1,883.1
<b>Total sales volume</b>	<b>mmboe</b>	<b>0.9</b>	<b>1.4</b>	<b>1.6</b>	<b>3.6</b>	<b>4.9</b>
<b>Total sales revenue</b>	<b>US\$million</b>	<b>47</b>	<b>70</b>	<b>64</b>	<b>181</b>	<b>194</b>
<b>Production</b>						
Sales gas	PJ	3.3	4.2	5.1	11.7	17.6
Condensate	000 bbls	1.8	2.5	2.3	6.7	8.2
Crude oil	000 bbls	433.9	632.6	585.2	1,715.7	1,853.3
<b>Total production</b>	<b>mmboe</b>	<b>1.0</b>	<b>1.4</b>	<b>1.5</b>	<b>3.8</b>	<b>5.0</b>
Capital expenditure	US\$million	3	3	8	7	17

<sup>1</sup> As at 1 January 2018, the 'Other' reporting segment was restructured to comprise Santos' Asian assets only. New South Wales entered the core portfolio and is now reported under the segment 'Queensland and NSW' and WA Oil is now reported under the segment 'Western Australia'. The comparative periods have been restated accordingly.

Santos announced in May 2018 the sale of its non-core Asian portfolio to Ophir Energy plc.

The completion of the sale of the producing assets occurred on 6 September 2018. Santos received cash proceeds of US\$144 million at completion, which represented the sale price of US\$221 million after standard adjustments including net free cash flows generated by the assets and received by Santos from the transaction effective date of 1 January 2018 through to completion.

## Corporate, exploration and eliminations

Santos share	Units	Q3 2018	Q2 2018	Q3 2017	2018 YTD	2017 YTD
<b>Total sales volume</b>	<b>mmboe</b>	<b>1.2</b>	<b>1.3</b>	<b>1.7</b>	<b>3.7</b>	<b>4.3</b>
<b>Total sales revenue</b>	<b>US\$million</b>	<b>37</b>	<b>62</b>	<b>81</b>	<b>160</b>	<b>192</b>
Capital expenditure	US\$million	6	9	39	29	56

Sales volumes and revenues in the corporate segment primarily represents gas trading activities. Capital expenditure primarily represents exploration and evaluation activities not recorded against assets.

## Capital expenditure

Total exploration, evaluation and development expenditure is summarised in the table below.

US\$million	Q3 2018	Q2 2018	Q3 2017	2018 YTD	2017 YTD
<b>Capital expenditure</b>					
Exploration <sup>1</sup>	14	21	45	52	86
Evaluation	34	11	17	57	70
Development and other capex (including restoration)	132	135	127	378	322
<b>Capital expenditure excl capitalised interest</b>	<b>181</b>	<b>167</b>	<b>188</b>	<b>487</b>	<b>478</b>
Capitalised interest	(0)	2	1	3	5
<b>Total capital expenditure<sup>1</sup></b>	<b>181</b>	<b>169</b>	<b>188</b>	<b>490</b>	<b>483</b>
<b>Exploration and evaluation expensed</b>					
Exploration	13	19	9	49	49
Evaluation	4	6	9	13	17
<b>Total current year expenditure</b>	<b>17</b>	<b>25</b>	<b>18</b>	<b>62</b>	<b>66</b>
Write-off of amounts capitalised in prior years	-	-	1	-	5
<b>Total expensed</b>	<b>17</b>	<b>25</b>	<b>18</b>	<b>62</b>	<b>71</b>

<sup>1</sup> Includes acquisition of exploration assets

## Exploration and appraisal activity

### **Cooper**

During the quarter, five near field exploration wells and three appraisal wells were drilled. The exploration program has resulted in three new field discoveries.

An eight well appraisal drilling campaign has commenced at Moomba South to delineate a large existing contingent gas resource in the Patchawarra Formation, and to test the prospective potential of an underlying Tirrawarra resource opportunity. The first of these appraisals, Moomba 229, is currently being cased and suspended for future production testing.

### **Eastern Queensland**

The ATP-1191-P Mahalo permit Mira pilot was shut-in after 10 months of testing. The Mira-2/6 SIS well pair reached a maximum gas rate of 1.4 mmscf/d, exceeding expectations. The Mahalo JV is working towards further appraisal drilling and testing in 2018/19 to confirm a promising coal seam gas resource.

### **Northern Australia**

The acquisition of the Beehive 3D seismic survey was completed. A decision will be made during 2019 on whether to exercise the option to farm-in to exploration permit WA-488-P and drill the Beehive-1 exploration well.

Planning to recommence exploration/appraisal activities in the McArthur Basin in the 2019 dry season is continuing. These activities are subject to regulatory approval.

### **PNG**

Barikewa-3 well intersected 25 metres of net gas pay within the Toro and Hedinia reservoir objectives. The reservoir quality exceeding pre-drill expectations. A drill-stem test was conducted across the Toro interval and the well flowed at 35 mmscf/d on a 68/64" choke. Refer ASX release 8 August 2018.

The Muruk-2 appraisal well is on schedule to spud in the fourth quarter.

## Drilling summary

### Near-field exploration (NFE) / Appraisal wells

Cooper Basin oil			
Well name	Basin/area	Santos	Well status
Agentsmith 1	QLD	70%	P&A
Chookola 1	QLD	54.64%	P&A
Cogydd 1	QLD	55%	P&A
Steggles 1	QLD	70%	C&S, successful

Cooper Basin gas			
Well name	Basin/area	Santos	Well status
Aztec 1	QLD	60.06%	C&S, successful
Bearcat 1	QLD	60.06%	C&S, successful
Coonaberry 4	QLD	60.06%	C&C, successful
Tillamook 1	QLD	60.06%	Drilling
Wackett 18	QLD	70%	P&A
Aroona 2	SA	66.6%	C&S, successful
Moomba 229	SA	66.6%	Drilling

Papua New Guinea gas			
Well name	Basin/area	Santos	Well status
Barikewa 3 <sup>#*</sup>	Gulf Province PNG	40%	P&A gas discovery, successful

<sup>#</sup> Not operated by Santos

\* Spud in Q2, completed in Q3

### Development wells

Cooper Basin oil			
Well name	Basin/area	Santos	Well status
Cocinero 9 (Hz)	QLD	55%	C&S, successful

Hz - Horizontal

Cooper Basin gas			
Well name	Basin/area	Santos	Well status
Bagundi 7	SA	66.6%	C&S, successful
Big Lake 144	SA	66.6%	C&S, successful
Big Lake 145	SA	66.6%	C&S, successful
Big Lake 146	SA	66.6%	C&S, successful
Big Lake 147	SA	66.6%	Drilling
Kidman 11	SA	66.6%	C&S, successful
Kidman 12	SA	66.6%	C&S, successful
Kidman North 5	SA	66.6%	P&A
Moomba 217	SA	66.6%	C&S, successful
Moomba 218	SA	66.6%	C&S, successful
Moomba 219	SA	66.6%	C&S, successful
Moomba 220	SA	66.6%	C&S, successful

Northern Australia gas			
Well name	Basin/area	Santos	Well status
Bayu Undan D10 <sup>#</sup>	Bonaparte	11.49%	Drilling
Bayu Undan DS05 <sup>#</sup>	Bonaparte	11.49%	C&C, successful
Bayu Undan W12ST1 <sup>#*</sup>	Bonaparte	11.49%	C&C, successful

<sup>#</sup> Not operated by Santos

\* Spud in Q2, completed in Q3

Queensland - GLNG gas			
Well name	Basin/area	Santos	Well status
Sunnyholt 16	Arcadia	30%	C&S, successful
Sunnyholt 18	Arcadia	30%	C&S, successful
Sunnyholt 19	Arcadia	30%	C&S, successful
Sunnyholt 20	Arcadia	30%	C&S, successful
Sunnyholt 21	Arcadia	30%	C&S, successful
Sunnyholt 25	Arcadia	30%	C&S, successful
Taroola Station 6	Arcadia	30%	C&S, successful
Taroola Station 7	Arcadia	30%	C&S, successful
Taroola Station 8	Arcadia	30%	C&S, successful
Taroola Station 9	Arcadia	30%	C&S, successful
Taroola Station 10	Arcadia	30%	C&S, successful
Taroola Station 11	Arcadia	30%	C&S, successful
Taroola Station 12	Arcadia	30%	C&S, successful

Tarcoola Station 13	Arcadia	30%	C&S, successful	RM49-32-1	Roma	30%	C&S, successful
Tarcoola Station 14	Arcadia	30%	C&S, successful	RM49-37-1	Roma	30%	C&S, successful
Tarcoola Station 15	Arcadia	30%	C&S, successful	RM49-38-1	Roma	30%	C&S, successful
Tarcoola Station 16	Arcadia	30%	C&S, successful	RM49-39-1	Roma	30%	C&S, successful
Tarcoola Station 17	Arcadia	30%	C&S, successful	RM49-40-1	Roma	30%	C&S, successful
FV11-49-21	Fairview	23.85%	C&C, successful	RM49-41-1	Roma	30%	C&S, successful
FV11-75-21*	Fairview	23.85%	C&S, successful	RM49-42-1	Roma	30%	C&S, successful
FV11-75-22	Fairview	23.85%	C&C, successful	RM49-43-1	Roma	30%	C&S, successful
FV11-84-1*	Fairview	23.85%	C&S, successful	RM49-44-1	Roma	30%	C&S, successful
FV11-85-1*	Fairview	23.85%	C&S, successful	RM49-49-1	Roma	30%	C&S, successful
FV11-86-1*	Fairview	23.85%	C&C, successful	RM49-50-1	Roma	30%	C&S, successful
FV11-88-1*	Fairview	23.85%	C&S, successful	RM49-51-1	Roma	30%	C&S, successful
FV12-44-1*	Fairview	23.85%	C&S, successful	RM49-52-1	Roma	30%	C&S, successful
FV12-48-1	Fairview	23.85%	C&S, successful	RM49-53-1	Roma	30%	C&S, successful
FV12-48-2	Fairview	23.85%	C&S, successful	RM49-54-1	Roma	30%	C&S, successful
FV12-48-3	Fairview	23.85%	C&S, successful	RM49-55-1	Roma	30%	C&S, successful
FV12-52-1	Fairview	23.85%	C&S, successful	RM49-56-1	Roma	30%	C&C, successful
FV12-54-1	Fairview	23.85%	C&S, successful	RM49-62-1	Roma	30%	C&S, successful
FV12-56-1	Fairview	23.85%	C&C, successful	RM49-64-1	Roma	30%	C&S, successful
FV13-26-1*	Fairview	23.85%	C&S, successful	RM49-65-1	Roma	30%	C&S, successful
FV13-33-1*	Fairview	23.85%	C&S, successful	RM49-66-1	Roma	30%	C&C, successful
FV13-67-1*	Fairview	23.85%	C&S, successful	RM49-67-1	Roma	30%	C&C, successful
FV16-55-1	Fairview	23.85%	C&S, successful	RM49-73-1	Roma	30%	C&S, successful
FV16-56-1	Fairview	23.85%	C&S, successful	RM49-76-1	Roma	30%	C&C, successful
FV16-57-1	Fairview	23.85%	C&S, successful	RM49-85-1	Roma	30%	C&S, successful
FV16-58-1	Fairview	23.85%	C&S, successful	RM49-86-1	Roma	30%	C&S, successful
FV18-44-1	Fairview	23.85%	C&S, successful	RM49-87-1	Roma	30%	C&S, successful
FV18-47-1*	Fairview	23.85%	C&S, successful	RM49-96-1	Roma	30%	C&S, successful
FV18-48-1	Fairview	23.85%	C&C, successful	RM50-61-1	Roma	30%	C&C, successful
FV18-55-1*	Fairview	23.85%	C&S, successful	Collingwood 1	Scotia	30%	C&S, successful
FV18-57-1*	Fairview	23.85%	C&S, successful	Collingwood 2	Scotia	30%	C&S, successful
FV18-58-1*	Fairview	23.85%	C&S, successful	Collingwood 3	Scotia	30%	C&S, successful
RM49-16-1	Roma	30%	C&S, successful	Collingwood 5	Scotia	30%	C&S, successful
RM49-17-1	Roma	30%	C&S, successful	Collingwood 6	Scotia	30%	C&S, successful
RM49-18-1	Roma	30%	C&S, successful	Collingwood 8	Scotia	30%	C&S, successful
RM49-19-1	Roma	30%	C&S, successful	Collingwood 9	Scotia	30%	C&S, successful
RM49-20-1	Roma	30%	C&S, successful	Collingwood 10	Scotia	30%	C&S, successful
RM49-21-1	Roma	30%	C&S, successful	Collingwood 11	Scotia	30%	C&S, successful
RM49-24-1	Roma	30%	C&S, successful	Collingwood 12	Scotia	30%	C&S, successful
RM49-25-1	Roma	30%	C&S, successful	Collingwood 13	Scotia	30%	C&S, successful
RM49-26-1	Roma	30%	C&S, successful	Collingwood 14	Scotia	30%	C&S, successful
RM49-27-1	Roma	30%	C&S, successful	Collingwood 15	Scotia	30%	C&S, successful
RM49-28-1	Roma	30%	C&S, successful	Collingwood 16	Scotia	30%	C&S, successful
RM49-29-1	Roma	30%	C&C, successful	Collingwood 17	Scotia	30%	C&S, successful
RM49-30-1	Roma	30%	C&S, successful	Scotia 48	Scotia	30%	C&S, successful
RM49-31-1	Roma	30%	C&S, successful				

\* Spud in Q2, completed in Q3

Queensland - Eastern Queensland gas (EQ)							
Well name	Basin/area	Santos	Well status				
Pine Hills 298 <sup>#</sup>	Combabula	7.28%	C&S, successful	Reedy Creek 275 <sup>#</sup>	Combabula	7.28%	C&S, successful
Pine Hills 324 <sup>#</sup>	Combabula	7.28%	C&S, successful	Reedy Creek South 4 <sup>#</sup>	Combabula	7.28%	C&S, successful
Pine Hills 325 <sup>#</sup>	Combabula	7.28%	C&S, successful	Reedy Creek South 9 <sup>#</sup>	Combabula	7.28%	C&S, successful
Pine Hills 326 <sup>#</sup>	Combabula	7.28%	C&S, successful	Reedy Creek South 10 <sup>#</sup>	Combabula	7.28%	C&S, successful
Pine Hills 327 <sup>#</sup>	Combabula	7.28%	C&S, successful	Reedy Creek South 11 <sup>#</sup>	Combabula	7.28%	C&S, successful
Pine Hills 331 <sup>#</sup>	Combabula	7.28%	C&S, successful	Reedy Creek South 12 <sup>#</sup>	Combabula	7.28%	C&S, successful
Pine Hills 332 <sup>#</sup>	Combabula	7.28%	C&S, successful	Reedy Creek South 13 <sup>#</sup>	Combabula	7.28%	C&S, successful
Reedy Creek 29 <sup>#</sup>	Combabula	7.28%	C&S, successful	Reedy Creek South 14 <sup>#</sup>	Combabula	7.28%	C&S, successful
Reedy Creek 183 <sup>#</sup>	Combabula	7.28%	C&S, successful	Reedy Creek South 15 <sup>#</sup>	Combabula	7.28%	C&S, successful
Reedy Creek 184 <sup>#</sup>	Combabula	7.28%	C&S, successful	Reedy Creek South 22 <sup>#</sup>	Combabula	7.28%	C&S, successful
Reedy Creek 209 <sup>#</sup>	Combabula	7.28%	C&S, successful	Reedy Creek South 23 <sup>#</sup>	Combabula	7.28%	C&S, successful
Reedy Creek 210 <sup>#</sup>	Combabula	7.28%	C&S, successful	Reedy Creek South 24 <sup>#</sup>	Combabula	7.28%	C&S, successful
Reedy Creek 211 <sup>#</sup>	Combabula	7.28%	C&S, successful	Reedy Creek South 29 <sup>#</sup>	Combabula	7.28%	C&S, successful
Reedy Creek 213 <sup>#</sup>	Combabula	7.28%	C&S, successful	Reedy Creek South 30 <sup>#</sup>	Combabula	7.28%	C&S, successful
Reedy Creek 214 <sup>#</sup>	Combabula	7.28%	C&S, successful	Reedy Creek South 31 <sup>#</sup>	Combabula	7.28%	C&S, successful
Reedy Creek 216 <sup>#</sup>	Combabula	7.28%	C&S, successful	Reedy Creek South 32 <sup>#</sup>	Combabula	7.28%	C&S, successful
Reedy Creek 217 <sup>#</sup>	Combabula	7.28%	C&S, successful	Reedy Creek South 49 <sup>#</sup>	Combabula	7.28%	C&S, successful
Reedy Creek 219 <sup>#</sup>	Combabula	7.28%	C&S, successful	Reedy Creek South 50 <sup>#</sup>	Combabula	7.28%	C&S, successful
Reedy Creek 239 <sup>#</sup>	Combabula	7.28%	C&S, successful	Reedy Creek South 51 <sup>#</sup>	Combabula	7.28%	C&S, successful
Reedy Creek 240 <sup>#</sup>	Combabula	7.28%	C&S, successful				
Reedy Creek 243 <sup>#</sup>	Combabula	7.28%	C&S, successful				
Reedy Creek 245 <sup>#</sup>	Combabula	7.28%	C&S, successful				
Reedy Creek 246 <sup>#</sup>	Combabula	7.28%	C&S, successful				
Reedy Creek 247 <sup>#</sup>	Combabula	7.28%	C&S, successful				
Reedy Creek 248 <sup>#</sup>	Combabula	7.28%	C&S, successful				
Reedy Creek 249 <sup>#</sup>	Combabula	7.28%	C&S, successful				
Reedy Creek 272 <sup>#</sup>	Combabula	7.28%	C&S, successful				
Reedy Creek 274 <sup>#</sup>	Combabula	7.28%	C&S, successful				

<sup>#</sup> Not operated by Santos

## Seismic activity

The table below details seismic activity during the quarter and status.

Permit	Basin/area	Survey	Type	km/km <sup>2</sup>	Status
NTP85, NTP2	Bonaparte	Bethany 3D Offshore	3D	334 km <sup>2</sup> of 4,365 km <sup>2</sup>	100% complete
WA-488-P	Bonaparte	Beehive 3D Offshore	3D	697 km <sup>2</sup> of 697 km <sup>2</sup>	100% complete

## Abbreviations and conversion factors

Abbreviations		Conversion factors	
C&C	cased and completed	Sales gas and ethane, 1 PJ	171.937 boe x 10 <sup>3</sup>
C&S	cased and suspended	Crude oil, 1 barrel	1 boe
gas	coal seam gas	Condensate, 1 barrel	0.935 boe
DES	delivered ex ship	LPG, 1 tonne	8.458 boe
FPSO	floating production, storage and offloading	LNG, 1 PJ	18,040 tonnes
GJ	Gigajoules	LNG, 1 tonne	52.54 mmBtu
kbbbls	thousand barrels		
kt	thousand tonnes		
LNG	liquefied natural gas		
LPG	liquefied petroleum gas		
m	Million		
mmbbl	million barrels		
mmboe	million barrels of oil equivalent		
mmBtu	million British thermal units		
mmscf	million standard cubic feet		
mt	million tonnes		
mtpa	million tonnes per annum		
NFE	near-field exploration		
P&A	plugged and abandoned		
pa	per annum		
PJ	petajoules		
PSC	production sharing contract		
t	tonnes		
TJ	terajoules		

## Disclaimer

This report contains forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a range of variables which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, geotechnical factors, drilling and production results, gas commercialisation, development progress, operating results, engineering estimates, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial markets conditions in various countries, approvals and cost estimates.

All references to dollars, cents or \$ in this document are to United States currency, unless otherwise stated.