

12 February 2015

Impairment of assets: non-cash charge of \$1.6 billion after tax

Santos advises that it expects to recognise a non-cash impairment charge of approximately \$1.6 billion after tax in its 2014 full-year accounts.

The impairment charge reflects the lower oil price environment and is a non-cash accounting adjustment that relates to the historical book value of the company's assets. Impairment outcomes are subject to finalisation of the full-year accounts, which will be released on 20 February.

In undertaking the impairment analysis, Santos has used future oil price estimates which assume short-term market prices for four years, reverting to a long-term price of US\$90 real from 2019 (refer Note 1 below). The future A\$/US\$ exchange rate is assumed to be 0.80 in all years.

There is no impairment of GLNG, which is on track for first LNG in the second half of 2015, within budget.

The non-cash impairment charges are not expected to impact Santos' investment grade credit rating or debt facilities. The expected charges by asset are summarised in the table below.

| | Before tax A\$million | After tax A\$million | Comments |
|--|-----------------------------|----------------------------|--|
| Producing Assets | | | |
| Cooper Basin (SA, Qld) | 688 | 482 | Oil assets only, no impairment of Cooper gas assets |
| Mereenie (NT) | 100 | 70 | Oil asset, minimal gas sales |
| Carnarvon Basin (WA) | 201 | 95 | Oil assets including Stag, Barrow, Thevenard and ME/FF. No impairment of Carnarvon gas assets. |
| Vietnam | 97 | 65 | Chim Sao/Dua |
| Papua New Guinea | 7 | 4 | SE Gobe |
| Subtotal Producing | 1,093 | 716 | |
| Exploration and Evaluation assets | | | |
| Gunnedah Basin (NSW) | 808 | 566 | Reflecting lower reserves (Note 2) and later start-up for the Narrabri project |
| Cooper Basin (SA, Qld) | 70 | 49 | Cooper unconventional |
| Carnarvon Basin (WA) | 198 | 83 | Winchester and Zola/Bianchi |
| Browse Basin (WA) | 57 | 24 | Bassett West (WA-408-P) only |
| Bangladesh | 49 | 49 | Magnama |
| Indonesia | 67 | 67 | CBM assets as per 2014 half-year accounts |
| Subtotal Exploration and Evaluation | 1,249 | 838 | |
| Interests in Joint Ventures | | | |
| Easternwell Drilling | 14 | 10 | Lower rig utilisation |
| Net impairment at December 2014 | 2,356 | 1,564 | |

Note 1: Impairment analysis based on Brent oil price estimates of US\$55/bbl in 2015, US\$70/bbl in 2016, US\$80/bbl in 2017, US\$90/bbl in 2018 and US\$90 (2014 real) long-term from 1 Jan 2019.

Note 2: As advised at its 2014 investor seminar on 26 November 2014, Santos' proved plus probable (2P) reserves in the Gunnedah Basin are expected to be approximately 30% lower than previous estimates. Gunnedah Basin reserves and resources will be finalised as part of Santos' annual reserves process. For further information, refer to pages 66 and 84 of Santos' 2014 investor seminar presentation which is available on the company's website.

Media enquiries

Rob Malinauskas
+61 8 8116 5918 / +61 (0) 438 862 132
robert.malinauskas@santos.com

Investor enquiries

Andrew Nairn
+61 8 8116 5314 / +61 (0) 437 166 497
andrew.nairn@santos.com

Santos Limited ABN 80 007 550 923

GPO Box 2455, Adelaide SA 5001
T: +61 8 8116 5000 / F: +61 8 8116 5131
www.santos.com