Annual Report 2015

Santos
We have the energy.

Santos Limited
ABN 80 007 550 923

CONTENTS

This 2015 Annual Report is a summary of Santos' operations, activities and financial position as at 31 December 2015.

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

An electronic version of this report is available on Santos' website, **www.santos.com**

Santos' Corporate Governance Statement can be viewed at: **www.santos.com/who-we-are/corporate-governance**

Organisation chart

BOARD COMMITTEES

- Audit and Risk
- Environment, Health, Safety and Sustainability
- Nomination
- People and Remuneration

BOARD OF DIRECTORS

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

SANTOS LEADERSHIP TEAM

Comprises the Managing Director and his reports

Drive business strategy and operations

CORPORATE CENTRE

Allocate capital and provide governance and policy

- Human Resources, Health, Aboriginal Affairs
- Finance, Strategy, Legal, Investor Relations, Treasury, Risk and Audit, Information Technology and Procurement
- Government and Public Affairs
- Corporate Secretariat

BUSINESS UNITS

Business execution and delivery

- Asia Pacific
- Eastern Australia
- GLNG
- Western Australia and Northern Territory

TECHNICAL DISCIPLINES

Provide excellence, service and assurance

- Exploration and Subsurface
- Drilling and Completions and Engineering
- Safety and Environment

Message from the Chairman

Peter Coates

Dear Shareholder,

The sustained low oil price environment continues to impact oil and gas companies around the globe. Sharp cuts have been made to exploration and production programs, supply continues to outpace demand and the outlook for stronger global economic growth remains at risk.

Despite the challenging backdrop, our confidence in the long-term demand for energy remains strong. Natural gas, in particular, is well positioned to benefit from not only a rapidly growing and increasingly urbanised global population but also the move toward cleaner burning fuels.

Whilst we are confident in the long term demand for energy, the volatility exhibited by external markets is beyond our control. Our commitment, therefore, is to ensure the company is self-sustaining in a low oil price environment, now and into the future. We have already implemented significant initiatives to drive costs out, improve productivity and ultimately, produce more for less, but there is still much to be done. The Board, senior management and all employees are committed and engaged to improve efficiencies and restore shareholder value.

Despite the successful delivery of first LNG in September 2015 from our GLNG project, I accept, that when key LNG investment decisions were made, like most in the sector, we did not fully anticipate the timing, speed and depth of the down cycle for oil prices. Santos, however, is running a long-term business. Over the past five years, our multi-billion dollar investments in PNG LNG and GLNG were made with this in mind. While they have required us to increase our debt level in the short-term, they are by no means short-term projects. Any final judgement on the success of our LNG strategy should be measured through the oil price cycle and not based on the spot price today.

Looking to the future, one of our key advantages is that our LNG assets have low operating costs. They can operate effectively in a low oil price environment and will materially benefit shareholders as and when market conditions improve. These strategic assets are underpinned by world class resources, high quality partners and binding long-term offtake agreements that will generate cash for decades to come.

The growing demand for energy coupled with the significant cuts to investment by oil and gas companies globally is expected to lead to a recalibration of oil prices to higher levels. Santos, with its key infrastructure position, abundant resources and LNG exposure, is well-placed to benefit.

STRENGTHENING THE BALANCE SHEET

In November 2014, the Organisation of Petroleum Exporting Countries (OPEC) announced its intention to maintain high levels of oil output to protect their market-share against the rise of non-OPEC production, particularly shale oil out of the USA.

Following this announcement, Santos reacted quickly and sought to reposition the company for a lower oil price environment.

In December 2014, we announced a 25% reduction to the 2015 capital expenditure budget and negotiated a $1 billion bilateral bank facility to further strengthen our balance sheet. In February 2015 a recruitment freeze was announced, approximately 500 positions were removed from the company, and a 10% reduction in unit production costs was targeted over the remainder of the year.

Despite these early initiatives, as the year progressed, it became increasingly evident that oil prices were to remain under significant pressure for longer than we, and the market, had anticipated. OPEC reaffirmed their commitment to maintain high crude output, US shale production proved to be unexpectedly resilient, and market sentiment continued to be negatively impacted by the expectation of higher oil exports from Iran and the risk of lower economic growth out of China.

> With our major LNG investment program behind us, we are now firmly focused on becoming a low cost producer.

Against this deteriorating external backdrop, on 9 November 2015, the company announced $3.5 billion of capital initiatives to strengthen the balance sheet and reduce net debt.

The first initiative was the sale of Santos' 35% interest in the Kipper gas field, offshore Victoria, for $520 million. Further asset sales were considered at this time but the Board determined that it was not in the best interests of shareholders to sell tier one assets at prices that did not adequately reflect their long-term value.

The second initiative was the $500 million private placement to Hony Capital. This was done at a substantial premium to the then share price. This share placement to Hony at $6.80 per share reflected a clear vote of confidence in Santos' long-term value proposition.

Finally, the decision to raise equity was not taken lightly but ultimately, given an external environment characterised by extreme uncertainty, it was determined that it was in the best interest of shareholders. With strong shareholder support, we raised $2.5 billion via a 1 for 1.7 accelerated pro-rata renounceable entitlement offer.

As a result of these initiatives, our balance sheet today is much stronger. We have retained our investment grade credit rating and have a very strong liquidity position with $4.8 billion in cash and undrawn debt facilities as at 31 December 2015. The initiatives undertaken in 2015 were firmly focused on strengthening the company's balance sheet and we now have a capital buffer to reinforce the company through a lower oil price environment.

NEW DIVIDEND POLICY

A revised dividend framework was also announced at this time to better reflect the company's exposure to oil-linked LNG pricing and the cyclical characteristics of global oil markets.

Dividends will now be set as a payout ratio of earnings. Subject to business conditions, this is expected to be a minimum of 40% of underlying net profit after tax. For the 2015 final dividend, a fully franked 5 cents per share dividend was declared.

MANAGEMENT RENEWAL

As a business, we have also started to change the way we do things. With our major LNG investment program behind us, we are now firmly focused on becoming a low cost producer. With this in mind, the Board was pleased to appoint Mr Kevin Gallagher as the new Managing Director and CEO.

Mr Gallagher was previously Chief Executive Officer of the engineering services group, Clough Limited and has 25 years' experience managing oil and gas operations in Australia, the USA and North and West Africa. He is widely recognised for his achievements in driving strong financial performance and is ideally suited to lead the company as the focus moves from major strategic developments to delivering strong operational results in a low oil price environment. Indeed, he has a clear mandate from the Board to continue to lower the cost base of the company's operations and ensure Santos is sustainable and self-funding at low oil prices.

Mr Gallagher started at Santos on 1 February 2016.

We can be confident in the strong and growing demand for energy and our portfolio of high quality assets is well placed to benefit.

CONFIDENCE FOR THE FUTURE

Finally, in what has been an extremely challenging year, I would like to thank you, our shareholders, for your continued support. The company has gone through a significant investment phase and the focus now is to consolidate the business and drive efficiencies to ensure Santos is self-sustaining in a lower oil price environment. We have made material and sustainable cost reductions but there is a lot more to be done.

In 2016, we are scaling back our short-term investment plans on a number of projects as we work through funding priorities in response to the lower oil price. Our growth options are incremental, low risk and will be prioritised to ensure the best return for shareholders. We will continue to refine our strategy and update the market in due course.

We can be confident in the strong and growing demand for energy and our portfolio of high-quality assets is well placed to benefit.

We are determined to restore and maximise shareholder value.

PETER COATES
Chairman

Introducing

Kevin Gallagher,
Managing Director
and Chief Executive Officer

Kevin joined Santos as Managing Director and Chief Executive Officer on 1 February 2016.

Kevin is a senior executive with more than 25 years' experience in managing oil and gas operations in Australia, the USA and North and West Africa.

A qualified mechanical engineer, Kevin commenced his career as a drilling engineer with Mobil North Sea Ltd, before joining Woodside Petroleum Ltd in 1998. During a 13 year tenure with Woodside, he led the drilling organisation through rapid growth, delivering several Australian and international development projects and exploration campaigns. In his last role he was accountable for profit and loss on Australia's largest resource project, the North West Shelf, where he held the positions of Executive Vice President, North West Shelf Business Unit and CEO of the North West Shelf Venture.

Appointed Managing Director and CEO of Clough Ltd in 2011, Kevin implemented strategies that transformed the business. He established a strong leadership team, improved cost and operational performance and delivered record financial results. He oversaw the development of innovative programs to improve safety and drive productivity and executed an M&A and international expansion strategy which saw Clough enter five new regions including the US, UK, Canada, Africa and Asia.

In 2013 Kevin was recognised by Australia's CEO Magazine as the CEO of the Year, and the Energy and Resources Executive of the Year.

Dear Shareholder,

Since joining Santos two months ago I have focused my efforts on getting up to speed to understand the issues and the opportunities across our portfolio of assets. I am working hard to develop a clear strategy for the future and am determined to build an organisation with a reputation for delivering what we promise.

There is no question that lower oil prices present significant challenges to the oil and gas industry, to Santos and to you, our shareholders. The dynamics of supply and demand have brought into stark reality the need to ensure that our assets are operated in a disciplined and efficient manner.

If we look at the 2015 production and safety results, operationally we have a lot to work with. What cannot be ignored, however, is the steep decline in the oil price and the impact this is having on our business. It is clear that we must do better.

Production of 57.7 million barrels of oil equivalent in 2015 was the company's highest in seven years, underpinned by a full-year of production from PNG LNG, the start-up of GLNG in the third quarter and record annual production from Darwin LNG.

The first cargo departed GLNG in October and marked a significant milestone in a project that is set to run for decades to come. Train 1 production has regularly exceeded 10% above nameplate capacity and as at the end of February 2016 the project had produced approximately 1.2 million tonnes of LNG and shipped 18 cargoes.

The PNG LNG project shipped 101 cargoes in 2015 as strong upstream deliverability and reliable plant performance resulted in the plant operating 7% above its nameplate capacity at an annualised rate of 7.4 million tonnes per annum.

We recorded some exploration success in 2015, announcing a significant oil discovery in March 2015 from the Bestari-1 exploration well located offshore Malaysia. Further, in the Cooper Basin, the first stand-alone Permian Source Rock play producer, the Tirrawarra South-1 well, was successfully brought online in May and is flowing liquids-rich gas in line with forecasts.

> I am working hard to develop a clear strategy for the future and am determined to build an organisation with a reputation for delivering what we promise.

Despite this operational performance, a net loss of $2.7 billion was reported, reflecting after tax impairments of $2.8 billion. The impairment charges are primarily a result of the current lower oil price environment. The impairment charge is an accounting adjustment that relates to the historical book value of the company's assets.

The impairment charge was attributed predominantly to the company's Cooper Basin, GLNG and Gunnedah Basin assets. Although the lower oil price has resulted in a reduction of capital expenditure and the deferral of field development plans, we remain committed to meeting our contractual obligations from the Cooper Basin and the GLNG project, and will continue to progress the evaluation and approvals processes for the Narrabri Gas opportunity.

EBITDAX[1] of $1.9 billion was down 17% on the previous year despite the oil price declining by almost 50%. Underlying net profit after tax was $50 million, 91% lower than the prior year, a result again impacted by the weak oil price. Operating cash flow was strong at $1.1 billion, due in part to the defensive nature of our domestic gas assets.

Over the course of 2015 we reduced capex by 54%, cut 825 employee positions across the company and secured $230 million in savings across the supply chain. Unit production costs were down 10% to $14.40 per barrel of oil equivalent. We remain committed to further driving costs out of the business and working closely with our joint venture partners to improve efficiencies.

These savings can only be achieved through the hard work of all of our teams, and are reflective of a new mind-set where producing more for less is expected. We have made a significant start, but we are certainly not done and we must continue to improve our performance.

It is vital that we continue to take costs out of our business. My first priority and absolute focus is to look closely at our operations. I am scrutinising our portfolio of assets and the structure and processes that we have in place to manage them.

I am working hard to develop the right management team, the right strategy and the right culture to make Santos self-sustaining in a low oil price environment and well positioned to take full advantage of rising commodity prices in the future.

We must continue to adapt to changing market conditions. Change is required if we are to stay competitive and I will be working quickly to identify further actions that are essential to effectively manage the business.

In a period of significant operational and cultural change, it was pleasing to see in 2015 the company record its best safety performance on record with a Lost Time Injury Frequency Rate (LTIFR) of 0.1 per million hours worked. We must, however, remain vigilant across all of our operations to ensure everyone goes home without injury. In addition, we were recognised for our sustainable operations and placed in the top 10% of the leading 2,500 companies globally by the Dow Jones Sustainability Index. Companies are selected for inclusion in the index based on a comprehensive assessment of long-term economic, environmental and social criteria. For further information I would encourage you to read our 2015 Sustainability Report, available on our website at www.santos.com/sustainability

I look forward to the challenges ahead and will update you on the progress we make in due course.

This is a great company with a great history. It's an incredible honour for me to lead and serve this company and I have high expectations that Santos will emerge from this period a stronger and more sustainable business.

K. T. Gallagher

KEVIN GALLAGHER
Managing Director and Chief Executive Officer

1 Earnings before interest, tax, depreciation, depletion, amortisation and exploration.

Board of Directors

PETER COATES AO

Chairman

BSc (Mining Engineering), FAICD, FAusIMM

Independent non-executive Director. Member of the Board since March 2008, Chairman from December 2009 to May 2013, reappointed Chairman April 2015 and appointed Executive Chairman from August 2015 to January 2016. A Director of Santos Finance Ltd and Chair of the Nomination Committee.

Non-executive Director of Glencore plc since its float in April 2011 until its merger with Xstrata plc in May 2013. Joined the Board of the merged company in June 2013 and worked as an Executive Director assisting with the integration of Glencore and Xstrata before resuming the position as a non-executive Director from 1 January 2014. Non-executive Chairman of Glencore majority owned Sphere Minerals Ltd since May 2013.

Non-executive Director of Event Hospitality & Entertainment Limited (formerly Amalgamated Holdings Limited) since July 2009.

Former non-executive Chairman of Xstrata Australia Pty Limited from January 2008 to August 2009 and former Chairman and non-executive Director of Minara Resources Limited from April 2008 to April 2011. Previously Chief Executive of Xstrata Coal, Xstrata plc's global coal business. Past Chairman of the Minerals Council of Australia, the NSW Minerals Council and the Australian Coal Association.

Made an Officer of the Order of Australia in June 2009 and was awarded the 2010 Australasian Institute of Mining and Metallurgy Medal.

KEVIN GALLAGHER

Managing Director and Chief Executive Officer

BEng (Mechanical) Hons, FIEAust

Kevin joined Santos as Managing Director and Chief Executive Officer on 1 February 2016.

Prior to this Kevin was CEO and Managing Director at Clough Limited. Kevin is a Senior Executive with more than 25 years' experience in managing oil and gas operations in Australia, the USA and North and West Africa.

A qualified mechanical engineer, Kevin commenced his career as a drilling engineer with Mobil North Sea Ltd, before joining Woodside in 1998. During his 13-year tenure with Woodside, Kevin led the drilling organisation through rapid growth, delivering several Australian and international development projects and exploration campaigns. He also led the Australian Oil Business Unit consisting of five floating production storage offload (FPSO) operations and east coast domestic gas plants.

Kevin was also responsible for production on Australia's largest resource project, the North West Shelf, where he held the positions of Executive Vice President, North West Shelf Business Unit and CEO, North West Shelf Venture at Woodside.

At Clough, Kevin implemented strategies that transformed the business. He established a strong leadership team, improved cost and operational performance and delivered record financial results. He oversaw the development of innovative programs to improve safety and drive productivity and executed an M&A and international expansion strategy which saw Clough enter five new regions including the US, UK, Canada, Africa and Asia.

YASMIN ALLEN

BCom FAICD

Independent non-executive Director since 22 October 2014. A member of the Environment, Health, Safety and Sustainability and Audit and Risk Committees of the Board.

Ms Allen has more than 20 years' experience in finance and investment banking, including senior roles at Deutsche Bank AG, ANZ and HSBC Group Plc.

She is a Director of Cochlear Limited, chairs its Audit Committee and is a member of the Nomination and Remuneration Committee.

She is a member of the George Institute for Global Health Board and a Director of the National Portrait Gallery. In February 2015 Ms Allen was appointed non-executive Director of the Board of ASX Limited.

Ms Allen was a former non-executive Director of Insurance Australia Group Limited, until 30 September 2015 and a former national Director and acting Chair of the Australian Institute of Company Directors.

KENNETH DEAN

BCom (Hons), FCPA, FAICD

Independent non-executive Director since 23 February 2005. Member of the Audit and Risk and Nomination Committees of the Board. Director of Santos Finance Limited since 30 September 2005.

Non-executive Director of Bluescope Steel Limited since April 2009 and Chairman of Bluescope's Audit and Risk Committee. Independent non-executive Director of EnergyAustralia Holdings Limited since June 2012.

Appointed to the Australian Securities & Investment Commission's Director Advisory Panel, effective 1 October 2015.

Previously Chief Financial Officer of Alumina Limited, October 2005 to February 2009, alternate Director of Alumina Limited, and non-executive Director of Alcoa of Australia Ltd, Alcoa World Alumina LLC and related companies. Director of Shell Australia Ltd from 1997 to 2001 and Woodside Petroleum Ltd from 1998 to 2004.

Over 40 years' experience in the oil and gas industry. Fellow of the Australian Society of Certified Practising Accountants and Fellow of the Australian Institute of Company Directors. Former Chief Executive Officer of Shell Financial Services and member of the La Trobe University Council. In 2015 Mr Dean was appointed to the Board of Mission Australia.

ROY FRANKLIN OBE

BSc (Hons)

Independent non-executive Director since 28 September 2006. Chair of the Environment, Health, Safety and Sustainability Committee, member of the People and Remuneration Committee of the Board and member of the Nomination Committee effective 25 June 2015.

Non-executive Director of Keller Group plc since July 2007 and Chairman since August 2009 and Chairman of Cuadrilla Resources Holdings Limited since April 2015. Appointed deputy Chairman of Statoil with effect from 1 July 2015, and as a Director of Amec Foster Wheeler plc with effect from 1 January 2016.

Chief Executive Officer of Paladin Resources plc from 1997 to 2005 and former Group Managing Director of Clyde Petroleum plc. Chairman of BRINDEX, the trade association for UK independent oil and gas companies from 2002 to 2005 and a former member of PILOT, the joint industry/UK Government task force set up to maximise hydrocarbon recovery from the UK North Sea 2002 to 2005.

In 2004, awarded the OBE for services to the UK oil and gas industry.

HOCK GOH

BEng (Hons) Mech Eng

Independent non-executive Director since 22 October 2012. Member of the Environment, Health, Safety and Sustainability Committee and the Audit and Risk Committee of the Board.

More than 30 years' experience in the global oil and gas industry, having spent 25 years with Schlumberger Limited, including as President of Network and Infrastructure Solutions division in London, President of Asia, and Vice President and General Manager of China. Previously held managerial and staff positions in Asia, the Middle East and Europe.

Chairman of MEC Resources Ltd since October 2006. Appointed as non-executive Director of Stora Enso Oyj (Finland) in April 2012. Also a non-executive Director of AB SKF (Sweden) since March 2014 and Vesuvius PLC (UK) since April 2015.

Previously a non-executive Director of BPH Energy Ltd from 2007 to March 2015, an Operating Partner of Baird Capital Partners Asia, based in China, from 2007 to June 2012, and non-executive Director of Xaloy Holding Inc in the US from 2006 to 2008.

JANE HEMSTRITCH

BSc (Hons), FCA, FAICD

Independent non-executive Director since 16 February 2010. Member of the People and Remuneration Committee and Chair of the Audit and Risk Committee.

Broad experience in the oil and gas, telecommunications, government, financial services and manufacturing sectors. Former Director of Commonwealth Bank of Australia and spent 25 years of her career with Accenture and Andersen Consulting. Formerly Accenture's Managing Director Resources Operating Group Asia Pacific, and before that, Country Managing Director Australia.

Non-executive Director of Lend Lease Group since September 2011 and Tabcorp Holdings Ltd since November 2008. Chairman of Victorian Opera since February 2013, having formerly been non-executive Director since 2010. Director of the Walter and Eliza Hall Institute of Medical Research since November 2013. In July 2015 Ms Hemstritch was appointed as a non-executive member to the Herbert Smith Freehills Global Council.

A member of the Council of the National Library of Australia. A Fellow of the Institutes of Chartered Accountants in Australia and in England and Wales, a Fellow of the Australian Institute of Company Directors and a member of Chief Executive Women Inc.

GREGORY MARTIN

BEc, LLB, FAIM, MAICD

Independent non-executive Director since 29 October 2009. Chair of the People and Remuneration Committee and a member of the Audit and Risk Committee of the Board.

Chairman of Iluka Resources Limited from 18 December 2013. Chairman and Joint Managing Partner of Prostar Capital since July 2012 and independent non-executive Chairman of Sydney Desalination Plant Pty Ltd from December 2012. On 1 February 2015 Mr Martin was appointed to the CoAG Energy Council Energy Selection Panel. The role of the Panel is to provide recommendations to CoAG's Energy Council on appointments to the Australian Energy Market Operator, Australian Energy Market Commission, Australian Energy Regulator and Energy Consumers Australia. In April 2015 Mr Martin was appointed to the Board of Electricity Networks Corporation, trading as Western Power, as Deputy Chairman.

Previous non-executive Director of Australian Energy Market Operator Limited (July 2008–November 2014) and Energy Developments Limited (May 2006–October 2015), Deputy Chairman of the Australian Gas Association and inaugural Chairman of the Energy Supply Association of Australia. Past member of the Business Council of Australia, Committee for the Economic Development of Australia, and the Council on Australia Latin America Relations. Formerly Managing Director and Chief Executive Officer of AGL, Chief Executive Infrastructure at Challenger Financial Services Group and Managing Director of Murchison Metals Limited.

SCOTT SHEFFIELD

BS Petroleum Engineering

Mr Sheffield is an independent non-executive Director, effective 24 February 2014. He is Chairman and Chief Executive Officer of Pioneer Natural Resources Company, which is listed on the New York Stock Exchange and included in the S&P 500 Index. He has been Chief Executive Officer since 1997 and Chairman since 1999.

Serves on various industry and education-related boards, including the National Petroleum Council and the Maguire Energy Institute of the SMU Cox School of Business.

Recipient of the Permian Basin Association's Top Hand award, which recognises individuals who have demonstrated exceptional leadership within the oil and gas industry and the Permian Basin community. He is also a 2013 inductee into the Permian Basin Petroleum Museum Hall of Fame.

COMMITTEES OF THE BOARD

Audit and Risk Committee

Ms J Hemstritch (Chair)
Mr K Dean
Mr G Martin
Mr H Goh
Ms Y Allen

Nomination Committee

Mr P Coates (Chair)
Mr K Dean
Mr R Franklin

People and Remuneration Committee

Mr G Martin (Chair)
Ms J Hemstritch
Mr R Franklin

Environment, Health, Safety and Sustainability Committee

Mr R Franklin (Chair)
Mr H Goh
Ms Y Allen
Mr K Gallagher

Santos Leadership Team

1/KEVIN GALLAGHER
Managing Director and Chief Executive Officer

For bio see page 6.

2/ANDREW SEATON
Chief Financial Officer
BEng Hons (Chem), GradDip BusAdmin

Andrew Seaton was appointed Chief Financial Officer in 2010, and is responsible for Santos' corporate finance, accounting, taxation, treasury, investor relations, risk, audit, insurance, information systems and procurement functions.

Andrew has over 25 years of oil and gas industry experience, encompassing finance, banking, commercial and engineering roles. Prior to joining Santos in 2005, Andrew held senior positions in investment banking where he worked on a broad range of mergers and acquisitions, equity and debt transactions. His early career included 10 years of operations, engineering design and project management experience.

3/JOHN ANDERSON
Vice President Asia & Western Australia and Northern Territory
LLB, BEc, GDCL

John Anderson is the Vice President responsible for Santos' business in Asia, Western Australia and the Northern Territory.

John joined Santos in 1996 as a Corporate Counsel in Brisbane having previously worked for 10 years as a solicitor with a large corporate law firm in Brisbane and Melbourne.

John has held a number of senior roles in Santos including Vice President Commercial, Vice President Strategic Projects and Group Executive Business Development.

In 2009, John relocated to Perth to run Santos' WA & NT operations including domestic gas and oil production in the Carnarvon Basin, exploration activity in the Browse and Bonaparte basins and the company's first LNG project, Darwin LNG.

In 2014, John moved to Singapore after his responsibilities were extended to include Santos' Asian activities including the company's second LNG project, PNG LNG, as well as oil and gas production assets in Indonesia and Vietnam, and a variety of other interests including exploration opportunities in Malaysia and Bangladesh.

4/JOE ARIYARATNAM
General Manager Western Australia & Northern Territory
BE (Hons), BSc

Joe Ariyaratnam is responsible for Santos' activities in Western Australia and its offshore interests in Northern Territory and South Australia, including exploration, development, production, commercial and finance, business development, and operated assets.

Joe joined Santos in April 2012 and managed Santos' assets across Northern Australia, and later also took the added responsibility of managing technical activity for the company's Perth-based WA and NT business unit in 2013.

Joe has a subsurface and developments background, and has 18 years' industry experience including senior management and technical roles. Prior to joining Santos, Joe most recently worked with BP in Australia and overseas, in roles spanning subsurface and concept development activity.

5/JAMES BAULDERSTONE
Vice President Corporate Development
LLB (Hons), BSc (Hons)

James Baulderstone is responsible for corporate development, commercial and marketing, public affairs and sustainability, and the company's New South Wales assets.

James joined Santos in 2007 as General Counsel and Company Secretary after previously holding similar roles at Mayne Group and BlueScope Steel. James has 25 years of extensive legal, commercial and business development experience and was responsible for Santos' East Coast operations for the previous 5 years.

6/TREVOR BROWN
Vice President Queensland
BSc (Hons)

Trevor Brown has responsibility for leading all aspects of the development and operation of the gas fields and gas supply infrastructure of the GLNG project. Trevor has extensive international experience in exploration, new ventures, onshore and offshore developments and leadership of major projects. A geologist by background Trevor has over 30 years' experience in the international oil and gas industry including 11 years in Indonesia managing onshore and offshore exploration and development projects. Trevor has held Australian and international roles with Woodside, VICO and Unocal prior to joining Santos in 2001.

7/ROD DUKE
Vice President
Downstream GLNG
BEng (Hons) Chemical, GradDip Management

Rod Duke is responsible for leading the downstream activities of the Santos GLNG project, including the successful delivery of the GLNG gas transmission pipeline and the LNG plant and port projects, ongoing plant operations, commercial, LNG marketing and production planning for GLNG.

Rod has extensive global experience in the LNG industry including with Woodside and Singapore LNG. He has over 30 years of experience in project management, engineering, construction, commissioning, operations, commercial, marketing and business development areas of the upstream natural gas and LNG industry.

8/RICHARD ELLIOTT
Head of Projects
and Chief Engineer
BSc (Mechanical Engineering)

Richard Elliott is responsible for all drilling and completions activities and the projects, surface engineering, production engineering, safety and environment corporate functions.

Richard joined Santos in 2013 from Hess, where he was project manager for Equus in Western Australia. Richard has more than 35 years' experience in the oil and gas industry including major oil, gas, LNG and pipeline projects in the United States, Indonesia, Trinidad and Tobago, and the United Kingdom. He has worked with Exxon, ARCO, BP and Hess prior to joining Santos.

9/JOANNE FOX
Chief Human
Resources Officer
BMgt, GradCert
Energy & Resources, MBA

Joanne Fox is responsible for Santos' human resources function which supports the company in matters relating to people and organisational effectiveness.

She has over 25 years' experience working in the area of human resources for ASX listed companies in the health, pharmaceuticals, FMCG, and oil and gas sectors.

Since joining Santos in 2003, Joanne has been involved in all facets of Santos' business and has been responsible for a broad range of roles and projects.

10/DAVID LIM
Company Secretary
BEc, LLB, Ch.Sec

David Lim is accountable to the Board for the effectiveness of corporate governance processes, ensuring adherence to the Board's principles and procedures and coordinating all Board business, and provides the Santos Board with independent advice and support in relation to these matters.

David has over 20 years of experience in commercial and corporate legal practice. He is an accredited Chartered Secretary.

11/ANDREW NAIRN
Group Executive
Investor Relations
B.Comm

Andrew Nairn is responsible for Santos' investor relations.

He has over 20 years' resources industry experience, encompassing finance, commercial and investor relations roles. Andrew joined Santos in 2008 from BHP Billiton.

Andrew is a member of the Board of the Australasian Investor Relations Association.

12/BILL OVENDEN
General Manager
Exploration & Subsurface
BSc (Hons) (Geology and Geophysics)

Bill Ovenden is responsible for exploration budget and strategy, and ensuring excellence in subsurface activities across Santos' upstream programs.

Bill is a geologist with over 30 years of experience in the oil and gas industry. He has worked on exploration projects in Australia, Central and South-East Asia, North Africa, the Middle East and South America, with companies including Sun Oil, Kufpec, ExxonMobil and Ampolex.

He joined Santos in 2002 after working for ExxonMobil in Indonesia.

13/CHRISTIAN PAECH
General Counsel
LLB (Hons) BCom

Christian Paech advises the Santos Board and management on legal matters affecting the company and its operations. He is responsible for Santos' legal function, which supports the corporate team and the business units in joint venture agreements, project development, dispute resolution, statutory compliance, mergers and acquisitions, gas sales and production sharing contracts.

Christian has over 20 years of legal experience and joined Santos in 2004 after working in national and international firms in Australia and overseas where he focused on large-scale corporate transactions and corporate governance.

14/BRETT WOODS
Vice President
Eastern Australia
BSc (Hons) Geology and Geophysics

Brett Woods is responsible for production, development and commercialisation of the company's oil and gas resources in Central Australia.

Brett joined Santos in February 2013 as the Manager Exploration for the company's Perth-based WA and NT business unit. Brett is a geologist and geophysicist, and has over 20 years of oil and gas industry experience including senior management, technical and business development roles with Woodside, Japan Australia LNG (MIMI) and UK-listed Sterling Resources.

He was also managing director of dual-listed E&P company, Rialto Energy, which had interests throughout Africa and Australia.

Brett has worked around the world in many challenging environments and led multidisciplinary teams. He is currently a Board member of APPEA.

Production and Sales

	2015		2014	
	Field units	**mmboe**	Field units	mmboe
Sales gas and ethane (PJ)				
Cooper	**63.0**	**10.8**	63.3	10.9
Carnarvon	**51.6**	**8.9**	54.2	9.3
Indonesia	**23.8**	**4.1**	25.1	4.3
Denison/Scotia/ Spring Gully/Combabula	**14.3**	**2.5**	12.4	2.1
Otway	**13.0**	**2.2**	16.0	2.8
GLNG domestic	**4.7**	**0.8**	7.9	1.4
Vietnam	**4.0**	**0.7**	3.2	0.5
Other[1]	**1.6**	**0.2**	0.4	0.1
Total production	**176.0**	**30.2**	182.5	31.4
Total sales volume	**184**	**31.6**	207.0	35.6
Total sales revenue ($million)		**993**		1,028
Sales gas to LNG (PJ)				
PNG LNG	**59.5**	**10.2**	34.0	5.9
Darwin LNG	**19.5**	**3.4**	16.5	2.8
GLNG	**5.7**	**1.0**	-	-
Total production	**84.7**	**14.6**	50.5	8.7
Total sales volume ('000 t)	**1,484.3**	**14.2**	766.5	7.3
Total sales revenue ($million)		**925**		659
Condensate ('000 bbls)				
PNG LNG	**1,441.9**	**1.4**	915.6	0.9
Cooper	**943.9**	**0.9**	1,036.9	1.0
Bayu-Undan	**682.1**	**0.6**	695.4	0.6
Carnarvon	**511.8**	**0.5**	533.4	0.5
Other[2]	**54.6**	**-**	60.7	-
Total production	**3,634.3**	**3.4**	3,242.0	3.0
Total sales volume	**3,574.3**	**3.3**	3,127.4	2.9
Total sales revenue ($million)		**243**		317

	2015		2014	
	Field units	**mmboe**	Field units	mmboe
LPG ('000 t)				
Cooper	**114.2**	**1.0**	128.4	1.1
Bayu-Undan	**37.5**	**0.3**	39.0	0.3
Total production	**151.7**	**1.3**	167.4	1.4
Total sales volume	**168.2**	**1.4**	172.6	1.5
Total sales revenue ($million)		**103**		155
Crude oil ('000 bbls)				
Cooper	**2,840.4**	**2.8**	3,230.6	3.2
Vietnam	**2,610.4**	**2.6**	2,822.0	2.8
Mutineer-Exeter/ Fletcher Finucane	**972.0**	**1.0**	1,443.6	1.5
Stag	**817.1**	**0.8**	1,085.5	1.1
Barrow	**483.8**	**0.5**	526.7	0.5
Indonesia	**162.3**	**0.2**	168.2	0.2
Other[3]	**259.7**	**0.3**	318.1	0.3
Total production	**8,145.7**	**8.2**	9,594.7	9.6
Total sales volume	**13,746.6**	**13.8**	16,446.1	16.4
Total sales revenue ($million)		**982**		1,878
TOTAL				
Production (mmboe)	**57.7**		54.1	
Sales volume (mmboe)	**64.3**		63.7	
Sales revenue ($million)	**3,246**		4,037	

1 Amadeus and Gunnedah
2 Amadeus, Otway, Indonesia and Queensland
3 Amadeus, Queensland and PNG

Reserves Statement
for the year ended 31 December 2015

RESERVES SUMMARY

- Proved (1P) reserves at year end were 485 mmboe, 22% lower than 2014.
- Proved plus probable (2P) reserves were 945 mmboe, 24% lower than 2014.
- The impact of the lower oil price environment combined with asset divestments and 2015 production of 58 mmboe were the key factors in the reduction in booked reserves in 2015.
- Gunnedah Basin reserves reclassified to contingent resources.
- Developed 2P reserves represent 51% of total 2P reserves, up from 43% in 2014.
- 2P Reserves life of 16 years, based on 2015 production of 58 mmboe.

Santos proved plus probable (2P) petroleum reserves were 945 million barrels of oil equivalent (mmboe) as at the end of 2015, 24% lower than 2014.

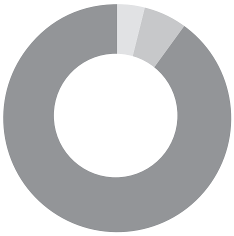
The key movements in 2P reserves before production in 2015 were:

- 133 mmboe reduction due to the reclassification of Gunnedah Basin reserves to contingent resources.
- 66 mmboe reduction due to the sale of interests in the Kipper, Mereenie and Stag assets.
- 38 mmboe reduction in Cooper Basin reserves due mainly to lower oil price assumptions and work program results.

RESERVES AND 2C CONTINGENT RESOURCES (SANTOS SHARE)

Santos share		2015	2014	%change
Proved reserves	mmboe	485	622	(22)
Proved plus probable reserves	mmboe	945	1,245	(24)
Contingent resources	mmboe	1,853	1,721	8

Proved plus probable reserves by product
%



Crude oil	4%
NGLs	6%
Natural gas	90%

Proved plus probable reserves by area
%

Eastern Australia	58%
WA&NT	17%
Asia Pacific	25%

Reserves Statement
continued

COOPER BASIN

Cooper Basin proved plus probable reserves by product (Santos share)

Santos share		2015	2014	%change
Sales gas	PJ	726	972	(25)
Crude oil	mmbbl	20	26	(22)
Condensate	mmbbl	11	15	(23)
LPG	000 tonnes	1,457	1,791	(19)
Total	mmboe	**168**	**222**	**(24)**

Sales gas proved plus probable reserves decreased by 19% before 2015 production, primarily due to the adoption of lower oil and gas price assumptions and the consequent removal or reclassification of sub-economic projects. Revisions were also made based on work program results and project updates, primarily in the Baryulah, Coonatie, Tirrawarra-Gooranie, Big Lake and Moomba fields.

GLNG

GLNG Reserves and 2C contingent resources (GLNG share)

GLNG share		2015	2014	%change
Proved reserves	PJ	2,540	2,245	13
Proved plus probable reserves	PJ	5,546	5,603	(1)
Contingent resources	PJ	1,328	1,202	10

GLNG proved reserves increased 15% before 2015 production, while proved plus probable reserves were broadly in-line with the prior year.

In addition to the reserves in the table above, GLNG has executed Santos portfolio and third party gas supply agreements for an aggregate of between approximately 2,100 PJ and 2,500 PJ over periods of up to 20 years.

GUNNEDAH BASIN

Santos' focus in the current lower oil price environment is to improve the operating efficiency of its producing assets and reduce capital expenditure. While the company is progressing the evaluation and approvals processes for the proposed Narrabri Gas Project, reserves in the Gunnedah Basin have been reclassified as contingent resources.

2C CONTINGENT RESOURCES

Contingent resources increased by 8% or 132 mmboe to approximately 1.8 billion barrels of oil equivalent.

Key movements in contingent resources included:

- 46 mmboe addition following the integration of successful appraisal drilling results in the Barossa field.
- 29 mmboe addition from exploration discoveries, including the Bestari oil discovery offshore Malaysia.
- 50 mmboe reduction from asset divestments, including Meerenie, Sole and Stag.
- 83 mmboe net overall increase due to a categorisation review and the reclassification of Gunnedah Basin reserves to contingent resources.

OIL PRICE ASSUMPTIONS

In undertaking its 2015 reserves process, Santos has taken into account its oil price forecasts used for impairment analysis in its 2015 full-year accounts.

PROVED RESERVES

Year-end 2015 (Santos share)

Basin/Area	Sales gas PJ	Crude oil mmbbl	Condensate mmbbl	LPG 000 tonnes	All products mmboe Developed	Undeveloped	Total
Eastern Australia							
Surat/Bowen	903	0	0	-	78	77	155
Cooper/Eromanga	336	9	5	628	45	31	76
Gippsland/Otway	49	-	0	-	2	7	8
Gunnedah	0	-	-	-	0	-	0
Total EA	**1,288**	**9**	**5**	**628**	**125**	**115**	**240**
Western Australia & Northern Territory							
Carnarvon	360	3	4	-	47	21	69
Bonaparte	72	-	2	96	14	1	15
Amadeus	17	2	0	149	3	3	6
Total WA&NT	**450**	**5**	**6**	**245**	**65**	**25**	**90**
Asia Pacific							
Papua New Guinea	752	0	12	-	90	51	141
Vietnam	8	7	-	-	8	-	8
Indonesia	36	0	0	-	6	-	6
Total Asia Pacific	**796**	**7**	**12**	**-**	**105**	**51**	**155**
Total 1P	**2,534**	**21**	**23**	**873**	**295**	**191**	**485**
Proportion of total proved reserves that are unconventional							**32%**

Proved reserves reconciliation

Product		Reserves Year-end 2014	Production	Revisions and extensions	Discoveries	Net acquisitions and divestments	Reserves Year-end 2015
Sales gas	PJ	**3,204**	(261)	(226)	-	(184)	**2,534**
Crude oil	mmbbl	**28**	(8)	3	-	(3)	**21**
Condensate	mmbbl	**32**	(4)	(2)	-	(4)	**23**
LPG	000 tonnes	**1,520**	(152)	(36)	-	(459)	**873**
Total 1P	**mmboe**	**622**	**(58)**	**(37)**	**-**	**(42)**	**485**

Reserves Statement
continued

PROVED PLUS PROBABLE RESERVES

Year-end 2015 (Santos share)

Basin/Area	Sales gas PJ	Crude oil mmbbl	Condensate mmbbl	LPG 000 tonnes	All products mmboe Developed	Undeveloped	Total
Eastern Australia							
Surat/Bowen	2,136	0	0	-	89	279	367
Cooper/Eromanga	726	20	11	1,457	106	61	168
Gippsland/Otway	74	-	0	-	4	9	13
Gunnedah	0	-	-	-	0	-	0
Total EA	**2,935**	**20**	**11**	**1,457**	**199**	**349**	**548**
Western Australia & Northern Territory							
Carnarvon	606	9	7	-	78	41	119
Bonaparte	93	-	3	178	17	3	20
Amadeus	61	4	1	299	12	6	18
Total WA&NT	**760**	**12**	**11**	**476**	**107**	**50**	**157**
Asia Pacific							
Papua New Guinea	1,173	0	20	-	153	68	220
Vietnam	11	9	-	-	11	-	11
Indonesia	52	0	0	-	9	-	9
Total Asia Pacific	**1,236**	**9**	**20**	**-**	**172**	**68**	**240**
Total 2P	**4,931**	**42**	**42**	**1,933**	**478**	**466**	**945**
Proportion of total proved plus probable reserves that are unconventional							**39%**

Proved plus probable reserves reconciliation

Product		Reserves Year-end 2014	Production	Revisions and extensions	Discoveries	Net acquisitions and divestments	Reserves Year-end 2015
Sales gas	PJ	**6,450**	(261)	(1,028)	-	(231)	**4,931**
Crude oil	mmbbl	**61**	(8)	(3)	-	(8)	**42**
Condensate	mmbbl	**53**	(4)	(2)	-	(6)	**42**
LPG	000 tonnes	**3,002**	(152)	(221)	-	(697)	**1,933**
Total 2P	**mmboe**	**1,245**	**(58)**	**(184)**	**-**	**(59)**	**945**

2C CONTINGENT RESOURCES

Year-end 2015 (Santos share)

Basin/Area	Sales gas PJ	Crude oil mmbbl	Condensate mmbbl	LPG 000 tonnes	All products mmboe
Eastern Australia	5,715	35	25	3,370	1,070
Western Australia & Northern Territory	3,559	20	42	56	672
Asia Pacific	273	62	2	-	111
Total 2C	**9,547**	**118**	**69**	**3,426**	**1,853**

2C Contingent resources reconciliation

Product	Contingent resources Year-end 2014	Production	Revisions and extensions	Discoveries	Net acquisitions and divestments	Contingent resources Year-end 2015
Total 2C (mmboe)	**1,721**	**-**	**153**	**29**	**(50)**	**1,853**

Notes

1. This reserves statement:
   a. is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, the qualified petroleum reserves and resources evaluators listed in note 14 of this reserves statement. Details of each qualified petroleum reserves and resources evaluator's employment and professional organisation membership are set out in note 14 of this reserves statement; and
   b. as a whole has been approved by Barbara Pribyl, who is a qualified petroleum reserves and resources evaluator and whose employment and professional organisation membership details are set out in note 14 of this reserves statement; and
   c. is issued with the prior written consent of Barbara Pribyl as to the form and context in which the estimated petroleum reserves and contingent resources and the supporting information are presented.
2. The estimates of petroleum reserves and contingent resources contained in this reserves statement are as at 31 December 2015.
3. Santos prepares its petroleum reserves and contingent resources estimates in accordance with the Petroleum Resources Management System (PRMS) sponsored by the Society of Petroleum Engineers (SPE).
4. This reserves statement is subject to risk factors associated with the oil and gas industry. It is believed that the expectations of petroleum reserves and contingent resources reflected in this statement 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, 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.
5. All estimates of petroleum reserves and contingent resources reported by Santos are prepared by, or under the supervision of, a qualified petroleum reserves and resources evaluator or evaluators. Processes are documented in the Santos Reserves Guidelines which are overseen by a Reserves Committee. The frequency of reviews is dependent on the magnitude of the petroleum reserves and contingent resources and changes indicated by new data. If the changes are material, they are reviewed by the Santos internal technical leaders, prior to overall approval by management and the Reserves Committee.
6. Santos engages independent experts Gaffney, Cline & Associates, Netherland, Sewell & Associates, Inc. and DeGolyer and MacNaughton to audit and/or evaluate reserves and contingent resources. Each auditor found, based on the outcomes of its respective audit and evaluation, and its understanding of the estimation processes employed by Santos, that Santos' 31 December 2015 petroleum reserves and contingent resources quantities in aggregate compare reasonably to those estimates prepared by each auditor. Thus, in the aggregate, the total volumes summarised in the tables included in this reserves statement represent a reasonable estimate of Santos' petroleum reserves and contingent resources position as at 31 December 2015.
7. Unless otherwise stated, all references to petroleum reserves and contingent resources quantities in this reserves statement are Santos' net share.
8. Reference points for Santos' petroleum reserves and contingent resources and production are defined points within Santos' operations where normal exploration and production business ceases, and quantities of produced product are measured under defined conditions prior to custody transfer. Fuel, flare and vent consumed to the reference points are excluded.
9. Petroleum reserves and contingent resources are aggregated by arithmetic summation by category and as a result, proved reserves may be a very conservative estimate due to the portfolio effects of arithmetic summation.
10. Petroleum reserves and contingent resources are typically prepared by deterministic methods with support from probabilistic methods.
11. Any material concentrations of undeveloped petroleum reserves that have remained undeveloped for more than 5 years: (a) are intended to be developed when required to meet contractual obligations; and (b) have not been developed to date because they have not yet been required to meet contractual obligations.
12. Petroleum reserves replacement ratio is the ratio of the change in petroleum reserves (excluding production) divided by production.
13. Information on petroleum reserves and contingent resources quoted in this reserves statement is rounded to the nearest whole number. Some totals in the tables may not add due to rounding. Items that round to zero are represented by the number 0, while items that are actually zero are represented with a dash "-".
14. Qualified Petroleum Reserves and Resources Evaluators

Name	Employer	Professional Organisation
B Pribyl	Santos Ltd	SPE
P Lyford	Santos Ltd	SPE
B Camac	Santos Ltd	SPE, PESA
A Western	Santos Ltd	SPE
M Woolley	Santos Ltd	SPE
A Hill	Santos Ltd	PESA
E Klettke	Santos Ltd	SPE, APEGA
N Pink	Santos Ltd	SPE
A Wisnugroho	Santos Ltd	SPE
J Telford	Santos Ltd	SPE
R Price	Santos Ltd	SPE
C Harwood	Santos Ltd	PESA, AAPG
D Smith	NSAI	SPE

SPE: Society of Petroleum Engineers

APEGA: The Association of Professional Engineers and Geoscientists of Alberta

PESA: Petroleum Exploration Society of Australia

AAPG: American Association of Petroleum Geologists

Abbreviations and conversion factors

Abbreviations	
1P	proved reserves
2P	proved plus probable reserves
GJ	gigajoules
LNG	liquefied natural gas
LPG	liquefied petroleum gas
mmbbl	million barrels
mmboe	million barrels of oil equivalent
NGLs	natural gas liquids
PJ	petajoules
TJ	terajoules

Conversion factors	
Sales gas and ethane, 1 PJ	171,937 boe
Crude oil, 1 barrel	1 boe
Condensate, 1 barrel	0.935 boe
LPG, 1 tonne	8.458 boe

10-year Summary

As at 31 December	2006	2007	2008	2009	2010	2011	2012	2013	2014	**2015**
Santos average realised oil price (A$/bbl)[3]	89.35	92.00	117.45	78.83	87.35	115.29	113.78	120.96	114.21	**71.44**
Financial performance ($million)[4,5]										
Product sales revenue[3]	2,750	2,489	2,762	2,181	2,228	2,721	3,223	3,602	4,037	**3,246**
Total revenue[3]	2,779	2,518	2,805	2,251	2,306	2,803	3,289	3,651	4,099	**3,294**
Foreign currency gains/(losses)[6]	1	0	24	(28)	(10)	18	(2)	24	161	**251**
Profit from ordinary activities before tax[6]	964	719	2,533	717	793	1,282	911	869	(1,378)	**(3,598)**
Income tax relating to ordinary activities[6]	321	196	768	205	244	440	318	296	(316)	**(868)**
Royalty-related taxes[1]		164	115	78	51	91	75	57	(127)	**(32)**
Net profit after tax attributable to the shareholders of Santos Ltd	643	359	1,650	434	500	753	519	516	(935)	**(2,698)**
Financial position ($million)[4,5]										
Total assets	6,903	7,320	9,802	11,361	13,769	15,814	16,988	20,664	22,345	**21,926**
Net debt/ (cash)	1,450	1,839	506	(605)	(1,201)	(205)	1,334	4,918	7,490	**6,530**
Total equity	3,356	3,093	4,478	6,967	7,603	8,963	9,354	10,212	9,413	**10,202**
Reserves and production (mmboe)										
Proven plus probable reserves (2P)	819	879	1,013	1,440	1,445	1,364	1,406	1,368	1,245	**945**
Production	61.0	59.1	54.4	54.4	49.9	47.2	52.1	51.0	54.1	**58.0**
Exploration[2]										
Wells drilled (number)	25	10	13	6	3	4	4	12	9	**4**
Expenditure ($million)[4]	259	150	233	181	90	151	162	391	323	**272**
Other capital expenditure ($million)[4,5]										
Delineation and development[2]	866	955	1,290	1,204	1,684	2,769	2,960	3,704	3,247	**1,367**
Buildings, plant and equipment	182	202	105	172	107	149	231	274	261	**179**
General										
Number of employees (excluding contractors)	1,679	1,786	1,940	2,096	2,367	2,847	3,289	3,502	3,636	**2,946**
Number of shareholders	83,566	77,498	78,933	107,138	112,145	113,173	111,135	112,397	140,509	**161,854**
Market capitalisation ($million)	5,907	8,274	8,696	11,721	11,506	11,560	10,669	14,222	8,116	**6,500**
Netback ($/boe)[3]	32.9	32.9	35.9	22.9	23.0	27.6	31.1	33.9	33.4	**27.8**

As at 31 December	2006	2007	2008	2009	2010	2011	2012	2013	2014	**2015**
Share information										
Share issues	Employee Share Plan/ Executive Share Plan/ Exercise of Options/ Dividend Reinvestment Plan	Employee Share Plan/ Executive Share Plan/ Non-executive Director Share Plan/ Exercise of Options/ Dividend Reinvestment Plan/ Buy Back	Employee Share Plan/ Executive Share Plan/ Non-executive Director Share Plan/ Exercise of Options/ Dividend Reinvestment Plan/ Buy Back	Employee Share Plan/ Executive Share Plan/ Exercise of Options/ Dividend Reinvestment Plan/2 for 5 Rights Issue/ Redemption of FUELS/ Convertible Preference Shares	Employee Share Plan/ Executive Share Plan/ Non-executive Director Share Plan/ Exercise of Options/ Dividend Reinvestment Plan/ Placement (institutional)	Employee Share Plan/ Executive Share Plan/ Exercise of Options/ Dividend Reinvestment Plan/ ESG Plan/ ESG Scheme of Arrangement	Employee Share Plan/ Executive Share Plan/ Dividend Reinvestment Plan	Employee SharePlan/ Executive Share Plan/ Dividend Reinvestment Plan/Exercise of Options	Employee SharePlan/ Executive Share Plan/ Dividend Reinvestment Plan/Exercise of Options	Employee Share Plan/ Executive Share Plan/ Dividend Reinvestment Plan / Placement/ Rights Issue/non-executive Director Share Plan
Number of issued ordinary shares at year end (million)	598.5	586.1	584.9	831.9	875.1	944.6	961.2	972.1	983.8	**1,766.0**
Weighted average number of issued ordinary shares (million)	647.3	641.2	641.4	781.1	836.3	888.7	954.9	967.5	978.2	**1,152.0**
Dividends – ordinary shares										
Paid during the period (cents per share)	40	40	42	42	42	30	30	30	35	**30**
Declared in respect of the period (cents per share)	40	40	42	42	37	30	30	30	35	**20**
Paid during the period ($million)[5]	238	235	248	299	350	263	285	289	341	**298**
Number of issued preference shares at year end (million)	6.0	6.0	6.0	-	-	-	-	-	-	**-**
Dividends – preference shares										
Paid during the period ($ per share)										
– *ordinary*	5.1	5.6	6.3	4.6	-	-	-	-	-	**-**
– *special*	-	-	-	-	-	-	-	-	-	**-**
Declared in respect of the period ($ per share)										
– *ordinary*	5.3	5.9	6.3	-	-	-	-	-	-	**-**
– *special*	-	-	-	-	-	-	-	-	-	**-**
Paid during the period ($million)[5]										
– *ordinary*	30	34	38	28	-	-	-	-	-	**-**
– *special*	-	-	-	-	-	-	-	-	-	**-**
Earnings per share (cents)	94.7	50.8	251.4	52.0	59.8	84.8	54.4	53.3	(95.6)	**(234.2)**
Return on total revenue (%)[1,4]	23.1	14.3	58.8	19.3	21.7	26.9	15.7	14.1	(22.8)	**(81.9)**
Return on average ordinary equity (%)	23.9	12.4	50.6	7.5	6.9	9.1	5.7	5.3	(9.5)	**(27.5)**
Return on average capital employed (%)	15.1	9.0	34.1	7.3	7.3	8.7	4.4	3.8	(5.7)	**(15.2)**
Net debt/ (net debt + equity) (%)	30.2	37.3	10.2	(9.5)	(18.7)	(2.3)	12.4	32.5	44.3	**38.1**
Net interest cover (times)	10.1	7.4	38.5	(45.3)	(19.1)	700.9	14.6	4.8	(5.3)	**(8.7)**

1 From 2007, 'Royalty related taxes' have been accounted for as a tax.

2 Exploration expenditure includes wildcat wells. Delineation and development expenditure includes appraisal, near-field exploration wells and CSG expenditure.

3 From 2012, Cooper Basin oil purchases have been recorded as product sales/third-party purchases on a gross basis. Previously they had been recorded as trading income on a net basis. Only 2011 amounts have been restated.

4 Prior year figures have been restated as whole numbers in order to achieve consistency with current year disclosures.

5 2012 figures have been restated to reflect adjustments required from the adoption of AASB 11 Joint Arrangements. Prior year amounts have not been restated.

6 2014 prior year figures have been restated to reflect a reclassification change of foreign exchange losses/(gains) on Australian dollar-denominated tax bases of group entities with functional currencies other than Australian dollars to be classified as tax gains/losses, as released by the IFRS Interpretations Committee during 2015

Directors' Report

CONTENTS

Directors' Report

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report of the consolidated entity, being Santos Limited ("Santos" or "the Company") and its controlled entities, for the financial year ended 31 December 2015, and the Auditor's Report thereon. Information in the Annual Report referred to in this report, including the Remuneration Report, or contained in a note to the financial statements referred to in this report forms part of, and is to be read as part of, this report.

DIRECTORS, DIRECTORS' SHAREHOLDINGS AND DIRECTORS' MEETINGS

Directors and Directors' shareholdings

The names of Directors of the Company in office at the date of this report and details of the relevant interest of each of those Directors in shares in the Company at that date are as set out below:

Surname	Other names	Shareholdings in Santos Limited
Allen	Yasmin Anita	15,883
Coates	Peter Roland (Chairman)	92,872
Dean	Kenneth Alfred	67,581
Franklin	Roy Alexander	25,104
Gallagher	Kevin Thomas	100,000
Goh	Hock	33,407
Hemstritch	Jane Sharman	63,482
Martin	Gregory John Walton	38,912
Sheffield	Scott Douglas	63,529

The above-named Directors held office during and since the end of the financial year, other than Mr Gallagher who was appointed to the Board on 16 February 2016. Mr Kenneth Borda was a Director and Chairman until his retirement at the Annual General Meeting on 30 April 2015. Mr David Knox was Managing Director and CEO until his retirement from the Board on 12 November 2015. There were no other persons who acted as Directors at any time during the financial year and up to the date of this report. All shareholdings are of fully paid ordinary shares. No Director holds a relevant interest in a related body corporate of Santos Limited.

At the date of this report, Mr Gallagher holds 333,822 share acquisition rights ("SARs"). No other Director holds options or SARs.

Details of the qualifications, experience and special responsibilities of each Director and the Company Secretary are set out on the Directors' and Executives' biography pages of the Annual Report. This information includes details of other listed company directorships held during the last three years.

Directors' Report
continued

Directors' meetings

The number of Directors' meetings and meetings of committees of Directors held during the financial year and the number of meetings attended by each Director are set out below:

Table of Directors' meetings

Director		Directors' Meeting	Audit & Risk Committee	Environment, Health, Safety & Sustainability Committee	People & Remuneration Committee	Finance Committee[2]	Nomination Committee
		Attended/Held[1]	Attended/Held[1]	Attended/Held[1]	Attended/Held[1]	Attended/Held[1]	Attended/Held[1]
Allen[3]	Yasmin A.	15 of 16	3 of 3	5 of 5	n/a	n/a	n/a
Borda[4]	Kenneth C.	3 of 5	n/a	n/a	1 of 1	1 of 2	1 of 1
Coates[5]	Peter R.	16 of 16	n/a	5 of 5	n/a	n/a	8 of 8
Dean	Kenneth A.	15 of 16	5 of 5	n/a	n/a	2 of 2	8 of 8
Franklin[6]	Roy A.	16 of 16	n/a	5 of 5	5 of 5	n/a	5 of 5
Goh	Hock	13 of 16	5 of 5	4 of 5	n/a	n/a	n/a
Hemstritch	Jane S.	15 of 16	5 of 5	n/a	5 of 5	n/a	n/a
Knox[7]	David J. W.	10 of 12	n/a	4 of 5	n/a	n/a	n/a
Martin	Gregory J. W.	13 of 16	5 of 5	n/a	5 of 5	2 of 2	n/a
Sheffield	Scott D.	10 of 16	n/a	n/a	n/a	2 of 2	n/a

1 Reflects the number of meetings held during the time the Director held office, or was a member of the Committee, during the year
2 The Finance Committee was discontinued on 1 May 2015
3 Ms YA Allen became a member of the Audit & Risk Committee on 1 May 2015
4 Mr KC Borda retired as a non-executive Director on 30 April 2015
5 Mr PR Coates was elected Chairman on 1 May 2015
6 Mr RA Franklin became a member of the Nomination Committee on 25 June 2015
7 Mr DJW Knox retired as Managing Director and CEO on 12 November 2015

OPERATING AND FINANCIAL REVIEW

Santos' principal activities during 2015 were the exploration for, and development, production, transportation and marketing of, hydrocarbons. There were no significant changes in the nature of these activities during the year. Revenue is derived primarily from the sale of gas and liquid hydrocarbons.

A review of the operations and of the results of those operations of the consolidated entity during the year is as follows:

Summary of results table

	2015 mmboe	2014 mmboe	Variance %
Production volume	**57.7**	54.1	7
Sales volume	**64.3**	63.7	1
	$million	$million	
Product sales	**3,246**	4,037	(20)
EBITDAX[1]	**1,919**	2,319	(17)
Exploration and evaluation expensed	**(244)**	(256)	(5)
Depreciation and depletion	**(1,059)**	(988)	7
Net impairment loss	**(3,924)**	(2,356)	67
EBIT[1]	**(3,308)**	(1,281)	(158)
Net finance costs	**(290)**	(97)	199
Taxation benefit	**900**	443	103
Net loss for the period and attributable to equity holders of Santos	**(2,698)**	(935)	(189)
Underlying profit for the period[1]	**50**	**533**	**(91)**

1 EBITDAX (earnings before interest, tax, depreciation, depletion, exploration and evaluation and impairment), EBIT (earnings before interest and tax) and underlying profit are non-IFRS measures that are presented to provide an understanding of the underlying performance of Santos' operations. Underlying profit excludes the impacts of asset acquisitions, disposals and impairments, as well as items that are subject to significant variability from one period to the next, including the effects of fair value adjustments and fluctuations in exchange rates. Please refer to page 24 for the reconciliation from net loss to underlying profit for the period. The non-IFRS financial information is unaudited however the numbers have been extracted from the audited financial statements.

Production and sales

Santos' 2015 full-year production of 57.7 million barrels of oil equivalent (mmboe) was the Company's highest annual production since 2007 and a 7% increase on the prior year, primarily due to a full year of production from PNG LNG, a record number of cargoes shipped from Darwin LNG and the start-up of GLNG in the third quarter, offset by lower crude oil production from Mutineer Exeter / Fletcher Finucane due to the Floating Production Storage Offloading ("FPSO") vessel being offline for maintenance repairs.

Sales volumes were flat year on year at 64.3 mmboe as higher LNG sales volumes were offset by lower crude oil volumes due to the Mutineer Exeter / Fletcher Finucane FPSO being offline for maintenance repairs and lower Santos own and third party crude oil volumes in the Cooper Basin due to a reduction in development activity in response to lower oil prices.

Sales revenue of $3.2 billion was 20% lower than 2014 reflecting sharply lower realised oil prices. The average realised crude oil price for the year was A$71.44, 37% lower than 2014.

Directors' Report
continued

Review of operations

Santos' operations are reported in four business units based on the different geographic regions of the Company's operations: Eastern Australia; Western Australia & Northern Territory; Asia Pacific and GLNG.

Eastern Australia

Santos is a leading producer of natural gas, gas liquids and crude oil in eastern Australia. Gas is sold primarily to domestic retailers, industry and for the production of liquefied natural gas, while gas liquids and crude oil are sold in the domestic and export markets.

Eastern Australia Business Unit EBITDAX was $421 million, 39% lower than 2014 primarily due to lower commodity prices.

Santos' share of Cooper Basin gas production of 63.0 petajoules ("PJ") was in line with 2014 production of 63.3 PJ reflecting lower raw gas capacity due to the deferral of development activity, offset by lower downtime and lower fuel, flare and vent. Santos' share of Cooper Basin condensate production was 943,900 barrels, 9% lower than 2014 due to lower raw gas production and lower yields due to the development of drier gas fields.

Santos' share of gas production from the Otway Basin offshore Victoria was 13.0 PJ, 19% lower than 2014 due to natural well decline.

Santos' share of Cooper Basin oil production of 2.8 million barrels (mmbbl) was 12% lower than 2014 due to reduced development activity and natural field decline. Volumes of third party crude oil processed at Moomba decreased as activity in the Basin was curtailed in response to lower oil prices.

Santos continued to progress appraisal of the unconventional gas potential in the Cooper Basin with the successful exploration campaign within the Patchawarra wet gas fairway resulting in seven discoveries from eight wells and the Basin's first stand-alone deep coal producer, Tirrawarra South 1, brought on-line in May.

Western Australia & Northern Territory

Santos is one of the largest producers of domestic natural gas in Western Australia and is also a significant producer of gas liquids and crude oil. Santos also has an interest in the Bayu-Undan/Darwin LNG project.

Santos' Western Australia gas and condensate production of 51.6 PJ and 511,800 barrels respectively, were both slightly lower than 2014 due to lower customer nominations and outages.

Western Australia Business Unit EBITDAX was $424 million, 33% lower than 2014 primarily due to lower global oil prices, combined with the Mutineer Exeter / Fletcher Finucane FPSO being offline for repairs in the first half of 2015.

Santos' share of Western Australia oil production of 2.3 mmbbl was 26% lower than 2014, primarily due to maintenance repairs on the Mutineer Exeter / Fletcher Finucane FPSO vessel.

First gas from Bayu-Undan Phase 3 development was delivered ahead of schedule in March. Darwin LNG continued to perform strongly, producing a record 3.8 million tonnes of LNG and shipping a record 58 cargoes over the course of 2015. Santos' net entitlement to gas production of 19.5 PJ was 18% more than the prior year.

Asia Pacific

Santos is building a material business in Asia with producing assets presently in three countries, Papua New Guinea, Indonesia and Vietnam and exploration assets in Malaysia, Papua New Guinea, Indonesia and Bangladesh.

Asia Pacific Business Unit EBITDAX was $827 million, 11% higher than 2014 primarily due to a full year of production from PNG LNG.

In Papua New Guinea, the PNG LNG project (Santos 13.5% interest) shipped 101 LNG cargoes as strong upstream deliverability and reliable plant performance resulted in the plant operating 7% above nameplate capacity at an annualised rate of approximately 7.4 mtpa. Santos' share of gas and condensate production was 59.5 PJ and 1.4 mmbbl respectively.

Also in Papua New Guinea, drilling concluded during the first quarter on the exploration component of the Hides F1 well after reaching a total depth of 4,633 metres. Despite intersecting thick argillaceous sandstone intervals in the Koi lange formation, wireline logging confirmed poor reservoir quality. The exploration component of the well was plugged and abandoned and the development section completed as a gas producer for the PNG LNG project.

Santos' net entitlement to oil production in Vietnam of 2.6 mmbbl was 7% lower than 2014 due to operations being shut down for most of August for repairs to the firewater system on the FPSO swivel.

Santos' net entitlement to gas production in Indonesia of 23.8 PJ was 5% lower than 2014, primarily due to Maleo field decline and lower Oyong entitlement, partially offset by higher Peluang and Wortel gross gas production and contractor entitlement.

Santos and its partners made a significant oil discovery with the Bestari-1 exploration well located in the Deepwater Block R Production Sharing Contract offshore Malaysia. In water depths ranging from 100 metres to 1,400 metres, the Bestari-1 well encountered 67 metres of net oil pay in multiple sand packages within the primary Miocene age formation at true vertical subsea depths ranging from 1,860m to 2,702m. The oil bearing sands are of high quality with good porosity and permeability. Initial results from an appraisal well on the discovery drilled during the fourth quarter were in line with expectations and further evaluation will be carried out over 2016.

GLNG

Sanctioned in January 2011, the GLNG project (Santos 30% interest) produced first LNG on 24 September 2015 and shipped its first cargo on 16 October 2015.

A total of seven cargoes were shipped by year end.

Average feed rate to the plant for the fourth quarter was 370 TJ/d, which includes downtime for the planned two-week shutdown completed during November. Average feed gas to the plant for the quarter was approximately 50 per cent GLNG-owned gas production, with the remaining feed gas supplied from third party and Santos portfolio-purchased quantities. Santos' share of fourth quarter sales gas production of 5.4 PJ from GLNG's upstream fields was a 218% increase on the corresponding quarter, reflecting the successful ramp-up of LNG Train 1 over the period.

Train 1 produced 544,000 tonnes of LNG during the fourth quarter and achieved daily LNG production rates more than 10% above nameplate capacity.

Commissioning work on the second LNG train is underway with first LNG expected in the second quarter of 2016.

The GLNG Business Unit results include domestic gas production and sales from the GLNG coal seam natural gas fields in south-western Queensland. GLNG Business Unit EBITDAX was $8 million, 180% higher than 2014 due to the commencement of LNG sales during the fourth quarter, partially offset by lower domestic gas nominations.

Santos' share of GLNG domestic gas production was 4.7 PJ, 41% lower than 2014 due to lower domestic gas nominations.

Directors' Report
continued

Net loss

The 2015 net loss attributable to equity holders of Santos Limited of $2,698 million is $1,763 million higher than the net loss of $935 million in 2014. This increase is primarily due to higher impairment losses of $2,761 million after tax ($1,563 million in 2014) and lower sales revenue as a result of the decline in global oil prices.

Net loss includes items before tax of $3,725 million ($2,748 million after tax), as referred to in the reconciliation of net loss to underlying profit below.

Reconciliation of net loss to underlying profit[1]

	2015 $million			2014 $million		
	Gross	**Tax**	**Net**	Gross	Tax	Net
Net loss after tax attributable to equity holders of Santos Limited			**(2,698)**			(935)
Add/(deduct) the following:						
Net gains on sales of non-current assets	**(2)**	**1**	**(1)**	(4)	1	(3)
Impairment losses	**3,924**	**(1,163)**	**2,761**	2,356	(793)	1,563
Foreign exchange (gains)/ losses	**(251)**	**223**	**(28)**	(161)	164	3
Fair value adjustments on embedded derivatives and hedges	**(15)**	**5**	**(10)**	(59)	17	(42)
Remediation (income)/costs for incidents net of related insurance recoveries	**–**	**–**	**–**	(6)	2	(4)
Other expense items[2]	**69**	**(21)**	**48**	–	–	–
Other tax adjustments	**–**	**(22)**	**(22)**	–	(49)	(49)
	3,725	**(977)**	**2,748**	2,126	(658)	1,468
Underlying profit[1]			**50**			533

1 Underlying profit is a non-IFRS measure that is presented to provide an understanding of the underlying performance of Santos' operations. The measure excludes the impacts of asset acquisitions, disposals and impairments, as well as items that are subject to significant variability from one period to the next, including the effects of fair value adjustments and fluctuations in exchange rates. The non-IFRS financial information is unaudited, however the numbers have been extracted from the financial statements which have been subject to audit by the Company's auditor.

2 Other expense items in 2015 relates to Business Unit restructure costs including redundancy payments.

Financial position

Summary of financial position

	2015 $million	2014 $million	Variance $million
Exploration and evaluation assets	**715**	1,106	(391)
Oil and gas assets and other land, buildings, plant and equipment	**17,301**	18,689	(1,388)
Restoration provision	**(2,443)**	(2,157)	(286)
Other net assets/(liabilities)[1]	**624**	(207)	831
Total funds employed	**16,197**	17,431	(1,234)
Net debt[2]	**(6,530)**	(7,490)	960
Net tax assets/(liabilities)[3]	**535**	(528)	1,063
Net assets/equity	**10,202**	9,413	789

1 Other net assets/(liabilities) comprises trade and other receivables, prepayments, inventories, other financial assets, share of investments in joint ventures, offset by trade and other payables, deferred income, provisions and other financial liabilities.

2 Net debt reflects the net borrowings position and includes interest-bearing loans, net of cash and interest rate and cross-currency swap contracts.

3 Net tax assets/(liabilities) comprises deferred tax assets and tax receivable, offset by deferred tax liabilities and current tax payable.

Impairment of assets

During the Company's regular review of asset carrying values, Santos undertook an impairment review against the lower oil price environment as part of the preparation of its 2015 full-year accounts.

Some assets were assessed to be impaired and non-cash after-tax impairment losses of $2,761 million have been recognised in the 2015 accounts.

The impairment losses primarily relate to oil and gas assets, including in the Cooper Basin and GLNG, and certain exploration and evaluation assets, including the Narrabri assets.

Exploration and evaluation assets

Exploration and evaluation assets were $715 million compared to $1,106 million at the end of 2014, a decrease of $391 million, mainly due to impairment losses before tax of $685 million and exploration and evaluation expensed, offset by 2015 capital expenditure, including drilling unconventional Cooper Basin gas wells and the Bestari wells in Malaysia in addition to acquisition costs comprising interests in Block R in Malaysia and PPL 269 in Papua New Guinea.

Oil and gas assets and other land, buildings, plant and equipment

Oil and gas assets and other land and buildings, plant and equipment of $17,301 million were $1,388 million lower than in 2014 mainly due to impairment losses before tax of $3,201 million and depreciation and depletion charges, offset by 2015 capital expenditure, including GLNG, PNG LNG and the Cooper Basin.

Restoration provision

Restoration provision balances have increased by $286 million to $2,443 million mainly due to revised restoration cost estimates, unfavourable exchange rate movements and unwinding the effect of discounting on the provisions.

Net debt

Net debt of $6,530 million was $960 million lower than at the end of 2014 primarily as a result of debt repayments from equity raising proceeds, partially offset by the impact of the AUD:USD exchange rate on US$ denominated debt.

Net tax assets/(liabilities)

Net tax assets of $535 million have increased by $1,063 million from a net tax liability of $528 million at the end of 2014 primarily as a result of higher carry-forward tax losses recognised by the group.

Net assets/equity

Total equity increased by $789 million to $10,202 million at year end. The increase primarily reflects the increase in shares issued from the rights issue and private placement during 2015 and the impact of the AUD:USD exchange rate on foreign operations ($465 million), partially offset by the net loss after tax attributable to owners of Santos of $2,698 million.

Future commitments

Due to the nature of Santos' operations, the Company has future obligations for capital expenditure, for which no amounts have been provided in the financial statements. Santos also has certain requirements to perform minimum exploration work and spend minimum amounts of money pursuant to the terms of the granting of petroleum exploration permits in order to maintain rights of tenure. The minimum exploration commitments are less than the normal level of exploration expenditures expected to be undertaken by the Company.

Santos leases LNG carriers and tug facilities under finance leases. The leases have terms of between 10 and 20 years with varying renewal options. At the reporting date, finance lease liabilities for a purpose-built LNG carrier and tug boats were recorded on the balance sheet. Santos also leases floating production, storage and offtake facilities, floating storage offloading facilities, LNG carriers and mobile offshore production units under operating leases. These leases typically run for a period of four to six years and may have an option to renew after that time. The group also leases building office space and a warehouse under operating leases. These leases are generally for a period of 10 years, with an option to renew the lease after that date.

Directors' Report
continued

Business strategy and prospects for future financial years

Business strategy

Santos' vision is to be a leading energy company in Australia and Asia.

The Company has a three-pronged strategy to achieve this:

- **Australia:** Driving value and performance in the base business and unlocking resources to meet gas demand.

  With one of the largest exploration and production acreages in Australia and an extensive infrastructure position, Santos is committed to supplying the domestic markets, unlocking resources and driving value and performance from its existing operations.
- **LNG:** Leveraging existing and new LNG infrastructure and capabilities.

  Santos has interests in three producing LNG projects. GLNG commenced production in 2015, PNG LNG in 2014 and Darwin LNG in 2006. All three projects are underpinned by long-term offtake agreements to high-quality Asian buyers.
- **Asia:** Building a focused, high-value position in South-East Asia.

  In South-East Asia, Santos' business continues to grow through the successful delivery of key projects in Papua New Guinea, Vietnam and Indonesia, and through high impact exploration opportunities.

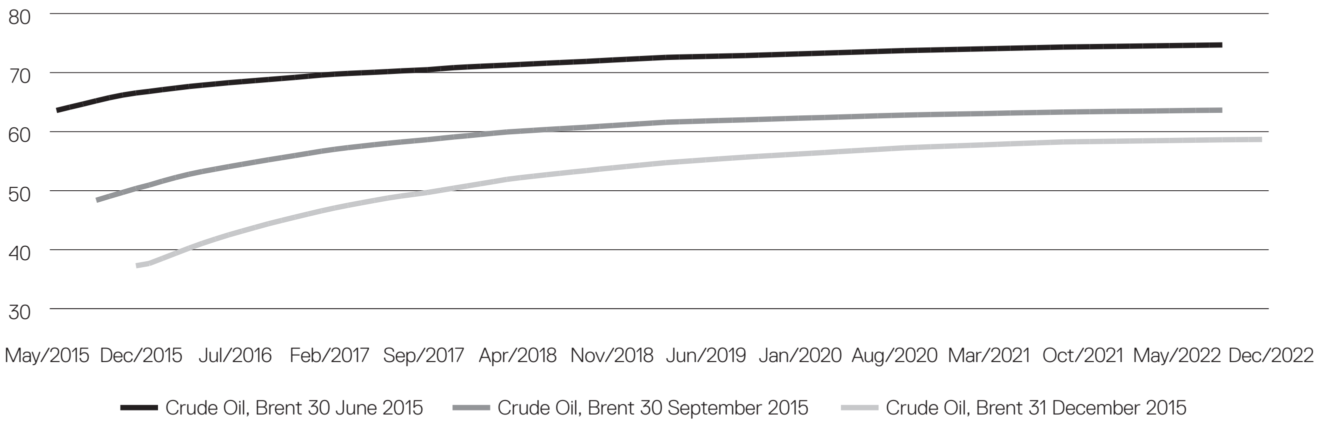
Between June 2014 and the end of 2015, the Brent Crude oil price deteriorated 68% from US$112 to US$36 per barrel, significantly impacting oil and gas companies around the globe. Substantial cuts have been made to capital expenditure budgets, and development and exploration programs across the industry have been either cancelled or postponed.

The severe and protracted deterioration of the oil price is primarily due to an over-supply of oil to global markets on the back of the Organisation of Petroleum Exporting Countries ("OPEC") resolving to maintain high levels of production in an effort to defend market share against the rise of non-OPEC production, particularly shale oil from the United States.

Following the initial endorsement of this strategy by OPEC in November 2014, Santos reacted quickly and sought to reposition the Company for the lower oil price environment. In December 2014, the Company announced a 25% reduction in the 2015 capital expenditure budget from $2.7 billion to $2 billion and negotiated a $1 billion bilateral bank facility to further strengthen the balance sheet. At the full-year results in February 2015, Santos announced a recruitment freeze, removed approximately 500 positions from the Company and targeted a greater than 10% reduction in unit production costs over the course of the calendar year.

Despite these early initiatives, as 2015 unfolded it became increasingly evident that the oil price environment was to remain under significant pressure for longer than the market had originally anticipated. Chart 1 illustrates the downward revisions to the Brent oil price forward curve over the course of the year as the market became increasingly focussed on the continued growth in crude inventories, the easing of international sanctions on oil exports from Iran and weaker than expected growth in China.

Chart 1: Brent oil forward curve
US$/barrel



As any expectation of a short-term recovery in the oil price diminished, the Board announced on 21 August 2015 that it would conduct a full Strategic Review to examine all options to restore and maximise shareholder value, the outcome of which resulted in the following $3.5 billion in capital initiatives to strengthen the balance sheet and reduce net debt:

- **$520 million from the sale of Santos' interest in the Kipper gas field**

  Santos reached agreement to sell its 35% non-operated interest in the Kipper gas field, located in the Gippsland Basin, offshore Victoria to Mitsui E&P Australia Pty Ltd ("Mitsui").

  Under the terms of the transaction, Mitsui agreed to pay Santos $520 million in cash. The sale is subject to customary consents and regulatory approvals and is expected to complete in the first quarter of 2016.

  Whilst further asset sales were considered as part of the Strategic Review, the Board determined that it was not in the best interests of shareholders to sell tier one assets at prices that did not adequately reflect their long-term value. Further, while the capital initiatives announced under the Strategic Review mean that Santos is under no pressure to sell further assets, inbound interest may continue and the Company will respond accordingly in the normal course of business. Santos will only sell assets where there is a compelling value case for our shareholders and it is consistent with the Company's strategy.

- **$500 million private placement to Hony Capital**

  Santos entered into a binding Share Subscription Agreement with an affiliate of Hony Capital ("Hony"), a major global financial investor. Under the terms of the agreement, Hony subscribed for 73,529,412 fully paid ordinary shares in Santos, at a price of $6.80 per share pre the Entitlement Offer.

  Hony provided binding commitments to take up its full pro-rata entitlement under the Entitlement Offer and not to increase its total holding in Santos above 9.9% for a period of three months. Hony also agreed not to divest to any unrelated party any of its shares in Santos acquired through the placement and Entitlement Offer for a period of 12 months, without the Company's consent, subject to limited exceptions.

  The share placement to Hony reflected a clear vote of confidence in Santos' long-term value proposition.

- **$2.5 billion fully underwritten accelerated pro-rata renounceable Entitlement Offer**

  The Santos Board gave careful consideration to the question of an equity issue and agreed to take action to strengthen the Santos balance sheet through a $2.5 billion fully underwritten, 1 for 1.7 accelerated pro rata renounceable Entitlement Offer.

  The decision to raise equity was not taken lightly but ultimately, given an external environment characterised by uncertainty, the Board determined that it was in the best interests of shareholders to safeguard the Company's future and strengthen the balance sheet.

A revised dividend framework was also announced at completion of the Strategic Review to better reflect the Company's exposure to oil-linked LNG pricing and the cyclical characteristics of global oil markets. Dividends will now be set as a payout ratio of earnings. Subject to business conditions, this is expected to be a minimum of 40% of underlying net profit after tax. For the 2015 final dividend only, a 5 cents per share dividend was declared on the expanded capital base following the placement and Entitlement Offer.

The outcome of the Strategic Review and associated capital initiatives reinforced Santos' balance sheet, resulting in a significant liquidity position of more than $4.8 billion in cash and undrawn debt facilities at year end as well as making a significant step towards restoring long-term value for shareholders.

In conjunction with the outcome of the Strategic Review, it was announced that Kevin Gallagher, previously Chief Executive Officer of the engineering services group, Clough Limited, would assume the role of Managing Director and Chief Executive Officer. With nearly 25 years' experience in managing oil and gas operations in Australia, the USA and North and West Africa, Mr Gallagher is widely recognised for his achievements in driving strong financial performance and is ideally suited to lead the Company as the focus moves from major strategic developments to delivering strong operational results in a low oil price environment. Mr Gallagher commenced with Santos on 1 February 2016.

Throughout 2015 Santos management and employees remained focused on driving operational and capital efficiencies. Capital expenditure guidance was moderated further in the fourth quarter from $2 billion to $1.8 billion and at year end came in under guidance at $1.7 billion. Unit production costs of $14.4 / barrel of oil equivalent (boe) were 10% lower than in 2014 and production was up 7% year on year to 57.7 mmboe. A total of 825 employee positions were also removed from the Company in 2015 resulting in targeted gross labour cost savings of $160 million per annum.

Despite the initiatives undertaken to right size the business for a lower oil price environment, operational performance remained strong in 2015 as evidenced by the delivery of the GLNG project, strong production from PNG LNG and Darwin LNG, exploration success in Malaysia and the Cooper Basin and an outstanding safety record.

The GLNG project produced first LNG from Train 1 in September on schedule and within budget and by year end had shipped seven commissioning cargoes. Commissioning work on the second LNG train is underway with first LNG expected in the second quarter of 2016.

Directors' Report
continued

The PNG LNG project shipped 101 LNG cargoes as strong upstream deliverability and reliable plant performance resulted in the plant operating 7% above its nameplate capacity at an annualised rate of approximately 7.4 mtpa. Darwin LNG produced a record 3.8 million tonnes of LNG and shipped a record 58 cargoes.

On the exploration front, a significant oil discovery was announced in March from the Bestari-1 exploration well located offshore Malaysia, and in the Cooper Basin the first stand-alone Permian Source Rock play producer, Tirrawarra South 1, was successfully brought online in May and is flowing liquids-rich gas in line with forecasts.

Finally, despite a period of significant project delivery and organisational change, the Company recorded its lowest annual Lost-Time Injury Frequency Rate (LTIFR) on record of 0.1 per million hours worked.

Prospects for future financial years

Santos is well placed to withstand an extended period of low oil prices, with more than $4.8 billion in cash and committed undrawn debt facilities as at 31 December 2015 and no material debt maturities until 2019. Santos will continue to focus on reducing capital expenditure and build on the significant improvements made in 2015 to operating efficiency.

As a leading energy company in Australia and Asia, the Company's portfolio will be increasingly leveraged to Asian energy demand and its revenue to Asian energy prices. Santos' portfolio exposure to oil-linked pricing will continue to grow as GLNG ramps-up, PNG LNG produces at plateau and an increasing proportion of Santos' domestic sales gas production is sold at oil-linked prices.

Santos' portfolio of LNG assets is backed by long-term offtake agreements which will see shareholders benefit from strong cash flows for decades to come. Once GLNG is fully ramped up, Santos will be exporting more than 3 million tonnes of LNG per annum to customers throughout Asia.

We remain focused on strengthening our balance sheet, reducing our capital expenditure and making significant improvements to our operating efficiency in order to withstand the lower oil price environment.

We remain confident in the long-term underlying demand for energy on the back of Asian economic growth, the rising global population and rapid urbanisation in developing economies. Large cuts in capital expenditure by oil and gas companies are expected to lead to falling production and a recalibration of oil prices to higher levels. However, we are well on our way to resetting the cost base in order to operate profitably and sustainably in periods of prolonged weakness in the oil price, and are confident that in time the measures taken will drive better returns for shareholders.

Material business risks

The achievement of the business strategy, production growth outlook and future financial performance is subject to various risks including the material business risks summarised below. Santos undertakes steps to identify, assess and manage these risks and operates under a Board-approved enterprise-wide Risk Management Policy. This summary refers to significant risks identified at a whole of entity level relevant to Santos. It is not an exhaustive list of all risks that may affect the Company nor have they been listed in any particular order of importance.

Volatility in oil and gas prices

- Santos' business relies primarily on the production and sale of oil and gas products (including LNG) to a variety of buyers under a range of short-term and long-term contracts. While the existence of oil-linked pricing means that downward movements in oil price have an effect on Santos' revenue, the Company also receives revenue from non oil-linked contracts. Crude oil prices are affected by numerous factors beyond the Company's control and have fluctuated widely historically.
- Oil prices in 2015 saw Santos continue to manage risks associated with a lower oil price operating environment. Steps taken in 2015 included an organisation-wide strategic review, asset interest sales, a private equity placement, an underwritten pro-rata investor entitlement offer and an ongoing focus on operational efficiencies and reduction of capital expenditure and production costs.

Project development risk

- Santos undertakes investment in a variety of oil and gas projects to extract, process and supply oil and gas to a variety of customers including long-term high-volume contracts to supply feedstock gas to the GLNG project. Such projects may be delayed or be unsuccessful for many reasons, including unanticipated economic, financial, operational, engineering, technical, environmental, contractual, regulatory, community or political events. Delays, changes in scope, cost increases or poor performance outcomes pose risks that may impact the Company's financial performance.
- Santos has comprehensive project and risk management and reporting systems in place and the progress and performance of material projects is regularly reviewed by senior management and the Board.

Oil and gas reserves

- Estimations of recoverable oil and gas reserves and resources contain significant uncertainties, which are inherent in the reservoir geology, seismic and well data available and other factors such as project development and operating costs, together with commodity prices.
- Santos has adopted a reserves management system that is consistent with the Society of Petroleum Engineers' Petroleum Resource Management System. The Company's reserves and resources estimations are subject to annual independent audits and evaluations.

Exploration risk

- Santos' future long-term prospects are also directly related to the success of efforts to replace existing oil and gas reserves as they are depleted through production. Exploration is a high risk endeavour subject to geological and technological uncertainties and the failure to replace utilised reserves with additional proved reserves is a risk inherent in the oil and gas exploration and production industry.
- Santos employs a well-established exploration prospect evaluation methodology and risking process to manage the risks associated with exploration.

Regulatory risks

- Santos' business is subject to various laws and regulations, in each of the countries in which it operates, relating to the development, production, marketing, pricing, transportation and storage of its products. A change in the laws which apply to the Company's business or the way in which it is regulated could have a material adverse effect on its business, results of operations and financial condition. For example, a change in taxation laws, environmental laws or the application of existing laws could also have a material effect on Santos.
- A number of Santos' interests are located within areas which are the subject of one or more claims or applications for native title determination. In Australia, compliance with the requirements of the *Native Title Act 1993* (Cth) can delay the grant of mineral and petroleum tenements and consequently impact generally the timing of exploration, development and production operations.
- Santos continually monitors legislative and regulatory developments and engages appropriately with legislative and regulatory bodies to manage this risk.

Litigation risks

- The nature of Santos' business means that it is likely to be involved in litigation or regulatory actions arising from a wide range of matters. Santos may also be involved in investigations, inquiries or disputes, debt recoveries, commercial and contractual disputes, native title claims, land tenure and access disputes, environmental claims or occupational health and safety claims. Any of these claims or actions could result in delays, increase costs or otherwise adversely impact Santos' assets and operations, and adversely impact Santos' financial performance and future financial prospects.
- Santos' legal team actively monitors and manages potential and actual claims, actions and disputes.

Environmental and safety risks and social licence to operate

- A range of health, safety and environmental risks exists with oil and gas exploration and production activities. Accidents, environmental incidents and real or perceived threats to the environment or the amenity of local communities could result in a loss of the Company's social licence to operate, leading to delays, disruption or the shut-down of exploration and production activities.
- Santos has a comprehensive environmental, health and safety management system to mitigate the risk of incidents. The Company also has highly informed and dedicated community affairs teams who engage with local communities to ensure that issues are understood and addressed appropriately.

Joint venture arrangements

- Santos' business is carried out through joint ventures. The use of joint ventures is common in the exploration and production industry and serves to mitigate the risk and associated cost of exploration, production and operational failure. However, failure of agreement or alignment with joint venture partners or the failure of third party joint venture operators could have a material effect on Santos' business. The failure of joint venture partners to meet their commitments and share costs and liabilities can result in increased costs to Santos.
- Santos works closely with its joint venture partners in order to reduce the risk of misalignment in joint venture activities.

Directors' Report
continued

Financial risks

- Foreign currency risk

  Santos is exposed to foreign currency risk principally through the sale of products denominated in US dollars, borrowings denominated in US dollars and Euros and foreign currency capital and operating expenditure.

- Credit risk

  Credit risk for Santos represents a potential financial loss if counterparties fail to perform as contracted, and arises from investments in cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers including outstanding receivables and committed transactions.

- Access to capital and liquidity

  Santos' business and, in particular, the development of large-scale projects, relies on access to debt and equity financing. The ability to secure financing, or financing on acceptable terms may be adversely affected by volatility in the financial markets, globally or affecting a particular geographic region, industry or economic sector, or by a downgrade in its credit rating.

Santos' overall financial risk management strategy is to seek to ensure that Santos is able to fund its corporate objectives and meet its obligations to stakeholders. Financial risk management is carried out by a central treasury department which operates under Board-approved policies. The policies govern the framework and principles for overall financial risk management and covers specific financial risks, such as foreign exchange risk, interest rate risk and credit risk, approved derivative and non-derivative financial instruments, and liquidity management.

Material prejudice

As permitted by sections 299(3) and 299A(3) of the *Corporations Act 2001*, Santos has omitted some information from the above Operating and Financial Review in relation to the Company's business strategy, future prospects and likely developments in operations and the expected results of those operations in future financial years on the basis that such information, if disclosed, would be likely to result in unreasonable prejudice (for example, because the information is premature, commercially sensitive, confidential or could give a third party a commercial advantage). The omitted information typically relates to internal budgets, forecasts and estimates, details of the business strategy, and contractual pricing.

Forward looking statements

This report contains forward-looking statements, including statements of current intention, opinion and predictions regarding the Company's present and future operations, possible future events and future financial prospects. While these statements reflect expectations at the date of this report, they are, by their nature, not certain and are susceptible to change. Santos makes no representation, assurance or guarantee as to the accuracy or likelihood of fulfilling of any such forward-looking statements (whether express or implied) and, except as required by applicable law or the ASX Listing Rules, disclaims any obligation or undertaking to publicly update such forward-looking statements.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Directors consider that matters or circumstances that have significantly affected, or may significantly affect, the operations, results of operations or the state of affairs of the Company in subsequent financial years are as follows:

Oil prices

Between June 2014 and the end of 2015, the Brent Crude oil price deteriorated by 68% from US$112 to US$36 per barrel. Despite significant cuts to capital expenditure budgets by oil and gas companies around the globe, in 2016 markets remain concerned that the continued growth in crude inventories, the easing of international sanctions on oil exports from Iran and weaker than expected growth in China will continue to exert downward pressure on the price of crude oil.

Over the course of 2015 Santos cut capital expenditure by 54%, made the difficult decision to reduce our headcount by over 800 positions across the Company resulting in targeted gross labour cost savings of $160 million per annum and delivered a further $230 million in gross savings across the supply chain. Santos will continue to focus on reducing operating costs and driving productivity gains so that the Company is well placed to operate profitably and sustainably in a low oil price environment.

Dividends

On 19 February 2016, the Directors resolved to pay a fully franked final dividend of 5 cents per fully paid ordinary share on 30 March 2016 to shareholders registered in the books of the Company at the close of business on 26 February 2016 ("Record Date"). This final dividend amounts to approximately $88 million. The Board also resolved that the Santos Dividend Reinvestment Plan ("DRP") will continue to be in operation for this dividend. Shares issued under the DRP will be allocated at the arithmetic average of the daily volume weighted-average market price over a period of seven business days commencing on the second business day after the Record Date less a 1.5% discount. The last date to elect to participate in the DRP is 29 February 2016.

A fully franked final dividend of $148 million (15 cents per fully paid ordinary share) was paid on 25 March 2015 in respect of the year ended 31 December 2014, as disclosed in the 2014 Annual Report. In addition, a fully franked interim dividend of $150 million (15 cents per fully paid ordinary share) was paid to members on 30 September 2015. The DRP was in operation for both of these dividends and shares were allocated based on the DRP issue price that was advised to the market for each dividend.

Environmental regulation

The consolidated entity's Australian operations are subject to various environmental regulations under Commonwealth, State and Territory legislation. Applicable legislation and requisite environmental licences are specified in the consolidated entity's EHS Compliance Database, which forms part of the consolidated entity's overall Environmental Management System. Compliance performance is monitored on a regular basis and in various forms, including environmental audits conducted by regulatory authorities and by the Company, either through internal or external resources.

In 2015, the consolidated entity received $34,155 in fines relating to three Infringement Notices issued pursuant to the *Environmental Protection Act 1994* (Qld). The consolidated entity undertook corrective measures in respect of the infringements to prevent re-occurrences.

POST BALANCE DATE EVENTS

Except as mentioned below or elsewhere in this report, in the opinion of the Directors there has not arisen, in the interval between the end of the financial year and the date of this report, any matter or circumstance that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

On 19 February 2016, the Directors of Santos Limited declared a final dividend on ordinary shares in respect of the 2015 financial year. The dividend has not been provided for in the 31 December 2015 financial statements. Refer to note 2.6 of the financial statements for dividends declared after 31 December 2015.

SHARES UNDER OPTION AND UNVESTED SHARE ACQUISITION RIGHTS

Options

Unissued ordinary shares of Santos Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares[1]	Number of options
24 October 2006	24 October 2016	$10.48	263,300
4 May 2006	3 May 2016	$11.36	2,500,000
1 July 2007	30 June 2017	$14.14	203,900
1 July 2007	30 June 2017	$14.14	47,400
3 September 2007	2 September 2017	$12.81	100,000
3 May 2008	2 May 2018	$15.39	447,540
3 May 2008	2 May 2018	$15.39	227,951
28 July 2008	27 July 2018	$17.36	81,948
02 March 2009	2 March 2019	$14.81	50,549
			3,922,588

1 This is the exercise price payable by the option holder.

Options do not confer an entitlement to participate in a bonus or rights issue, prior to the exercise of the option.

Directors' Report
continued

Unvested SARs

Unissued ordinary shares of Santos Limited under unvested SARs at the date of this report are as follows:

Date SARs granted	Number of shares under unvested SARs
3 May 2012	205,339
6 March 2013	20,829
1 July 2013	321,702
21 January 2014	27,378
7 March 2014	2,921,580
1 July 2014	386,917
6 March 2015	2,419,795
28 July 2015	805,361
10 February 2016	333,822
	7,442,723

No amount is payable on the vesting of SARs. SARs do not confer an entitlement to participate in a bonus or rights issue, prior to the vesting of the SAR. Further details regarding the SARs (including when they will lapse) are contained in the Remuneration Report commencing on page 36 of this report and in note 7.2 to the financial statements.

SHARES ISSUED ON THE EXERCISE OF OPTIONS AND ON THE VESTING OF SARS

Options

No options were exercised during the year ended 31 December 2015 or up to the date of this report.

Vested SARs

The following ordinary shares of Santos Limited were issued during the year ended 31 December 2015 on the vesting of SARs granted under the Santos Employee Equity Incentive Plan ("SEEIP") (formerly known as the Santos Employee Share Purchase Plan ("SESAP")) and ShareMatch Plan ("ShareMatch"). No amount is payable on the vesting of SARs and accordingly no amounts are unpaid on any of the shares.

Date SARs granted	Number of shares issued
15 May 2013	15,127
2 July 2012	381,569
3 January 2013	45,378
1 July 2013	70,619
21 January 2014	3,932
1 July 2014	74,560
28 July 2015	20,433
	611,618

Since 31 December 2015, the following ordinary shares of Santos Limited have been issued on the vesting of SARs granted under the SEEIP and ShareMatch.

Date SARs granted	Number of shares issued
1 July 2013	4,201
1 July 2014	4,822
28 July 2015	8,576
	17,599

DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

Details of the Company's remuneration policies and the nature and amount of the remuneration of the Directors and senior management (including shares, options and SARs granted during the financial year) are set out in the Remuneration Report commencing on page 36 of this report and in note 7.2 to the financial statements.

Remuneration in brief

This section is in addition to the Remuneration Report on pages 36 to 53. This section therefore does not form part of the audited Remuneration Report. It provides additional information in relation to the amount of remuneration paid to the Company's former Managing Director and Chief Executive Officer ("CEO"), David Knox, and Senior Executives during 2015. The Company has chosen to do this so that investors have the benefit of this information in addition to the Remuneration Report on pages 36 to 53, which has been prepared in accordance with statutory requirements and accounting standards.

RESPONSE TO THE GLOBAL OIL PRICE ENVIRONMENT

Despite strong operational performance during 2015, including the shipment of GLNG's first cargo on 16 October 2015 with a total of seven LNG cargoes shipped during the year and annual production of 57.7 mmboe being the highest since 2007, the Company's share price fell sharply, in line with the severe fall in the global Brent Crude oil price. The Company has responded by repositioning the business for a low oil price environment, including cutting capital expenditure by 54% over the course of 2015 and driving down unit production costs by 10%.

The Company's ongoing response to the low oil price environment included:

Frozen pay	Total Fixed Remuneration comprising base pay and superannuation ("TFR") remained fixed at 2014 levels. No pay rises were awarded except where on account of a change in role or responsibilities, or other appropriate circumstances.
Zero CEO & CFO STI	Both the CEO and Chief Financial Officer ("CFO") declined to receive any Short-Term Incentive ("STI") award in respect of 2015.
Reduced STI **and** **Zero cash STI**	Although the scorecard result would have resulted in 50% – 70% of maximum payout, the Board exercised its discretion so that Senior Executives did not receive any payout from the Company scorecard, except for the Environmental, Safety and Sustainability components. This reflects the importance the Company places on these targets. As a result, Senior Executives received a significantly reduced STI award of between 22% and 42% of maximum. In addition, any STI award received by Senior Executives will be deferred into equity for two years. No cash STI was paid to any Senior Executives.
Nil LTI vesting	None of the Long-Term Incentives ("LTI") granted to the CEO and Senior Executives vested.
Zero Director fee increase	Fees paid to non-executive Directors ("NED") have remained fixed since October 2013.

ACTUALLY REALISED REMUNERATION

The table below shows remuneration "actually realised" by the CEO and Senior Executives in relation to 2015, namely, cash payments on account of TFR, cash STI awards earned in respect of 2015 performance and Share Acquisition Rights ("SARs") granted as part of the LTI program, only if they vest, valued on the basis of their closing price on the date of vesting.

These amounts differ from the amounts reported in the Remuneration Report which are prepared in accordance with the *Corporations Act 2001* (Cth) ("Corporations Act") and Accounting Standards. This is because the Accounting Standards require a value to be placed on "share based payments" at the time of grant, and for that "accounting value" to be reported as remuneration, even though the CEO and Senior Executives may ultimately NOT realise any actual value from the "share based payments" (e.g. because the performance conditions are not satisfied, as was the case for the 2013–2015 Total Shareholder Return LTI award tested at the end of 2015).

Annual, long service and other leave entitlements are not included in the table below.

Actually realised remuneration (unaudited and non-IFRS)

	Year	TFR[1]	Cash STI[2]	LTI[3]	Other[4]	Total
		$	$	$	$	$
D Knox[5]	2015	2,421,787	–	302,487[6]	–	2,724,274
MD and CEO	2014	2,421,787	983,200	–	–	3,404,987
J Anderson	2015	712,016	–	–	45,000	757,016
Vice President ("VP") Asia and Western Australia & Northern Territory ("WA&NT")	2014	706,830	241,500	86,226	45,000	1,079,556
J Baulderstone[7]	2015	775,137	–	–	17,720	792,857
VP Corporate Development	2014	768,947	253,700	92,694	26,131	1,141,472
T Brown	2015	724,914	–	–	1,477	726,391
VP Queensland	2014	718,786	280,400	84,350	17,720	1,101,256
A Seaton	2015	770,752	–	–	–	770,752
CFO	2014	764,596	256,800	72,338	–	1,093,734
B Woods[8]	2015	561,167	–	–	9,804	570,971
VP Eastern Australia	2014	N/A	N/A	N/A	N/A	N/A

1 TFR comprises base salary and superannuation. There were no TFR increases in 2015 except in relation to Mr Woods (see note 8 below). The slight increase in TFR in 2015 from 2014 reflects the first three months of 2014 being at the lower 2013 levels, as the 2014 TFR increase was effective from April 2014.

2 Senior Executives (with the exception of the CEO and CFO, who both declined to receive any STI) will receive their STI payout as deferred equity, subject to a two-year service-based period. They did not receive any STI in cash.

3 No LTI vested in 2015. The LTI which vested in 2014 related to the last of the service-based SARs which were awarded in 2011. For the value of share-based payments calculated in accordance with the Accounting Standards, see Table 6 "2014 and 2015 Senior Executive remuneration details" on page 45.

4 "Other" comprises ad hoc payments treated as remuneration, such as assignment and mobilisation allowances.

5 Although Mr Knox ceased to be a KMP on 12 November 2015 when he stepped down as CEO (as announced to the ASX on 9 November 2015), his TFR for the entire year is included here for the purpose of comparison. The figures in this table do not include Mr Knox's termination payments, details of which are set out on page 41.

6 Mr Knox's 2012 Strategic Grant was assessed for performance and resulted in 88,706 shares vesting (see Table 3 on page 41 for details). The amount reflected is based on the closing share price of $3.41 on 16 February 2016, the date the Board assessed and confirmed the final vesting outcome. This value may not reflect his actual benefit received when the shares are issued to Mr Knox later in February 2016.

7 Mr Baulderstone ceased to be a KMP on 2 August 2015 upon accepting the new role of VP Corporate Development. Although Mr Baulderstone was a KMP for only part of the year, his remuneration for the entire year is included for the purpose of comparison.

8 Mr Woods became a KMP on 3 August 2015 when he was appointed to the role of VP Eastern Australia Business Unit. Mr Woods was formerly General Manager WA&NT and received a pay increase in relation to the new appointment. Although Mr Woods was a KMP for only part of the year, his remuneration for the entire year is included. 2014 details are not shown as he was not a KMP at that time.

The total remuneration amounts determined in accordance with the requirements of the Corporations Act and Accounting Standards are set out in Table 6 "2014 and 2015 Senior Executive remuneration details" (see page 45).

Remuneration Report

The Directors of Santos Limited (referred to as the "Company" or "Santos") present this Remuneration Report for the consolidated entity for the year ended 31 December 2015. The information provided in this Report has been audited as required by section 308(3C) of the *Corporations Act 2001* (Cth) ("Corporations Act") and forms part of the Directors' Report.

The Remuneration Report outlines the Company's key remuneration activities in 2015 and remuneration information pertaining to the Company's Directors, former Managing Director and Chief Executive Officer ("CEO") David Knox and Senior Executives who are the key management personnel ("KMP") of the consolidated entity for the purposes of the Corporations Act and the Accounting Standards.

REMUNERATION POLICY

The diagram below shows the key objectives of Santos' Remuneration Policy and how these are implemented through the Company's remuneration framework.

Attracting and retaining talented and qualified executives	Encouraging executives to strive for superior performance	Aligning executive and shareholder interests
• Remuneration levels are market-aligned against similar roles in comparable companies.	• A significant component of remuneration is "at risk" under short-term and long-term incentive plans. Value to the executive is dependent on meeting challenging targets. • Short-term incentives are aligned to key performance milestones including safety, environment, production, cashflow, project delivery and reserves development.	• Long-term incentives and deferred short-term incentives are delivered through equity instruments linked to Santos ordinary shares. • Vesting of performance-based long-term incentives are contingent on Santos' performance relative to the ASX100 and the S&P Global 1200 Energy Index as measured by the relative total shareholder return at the end of the four-year performance period. • Long-term incentives and deferred short-term incentives are "at risk" and executives cannot hedge equity instruments that are unvested or subject to restrictions. These incentives are also subject to "clawback".

REMUNERATION GOVERNANCE

People and Remuneration Committee

The People and Remuneration Committee ("Committee") oversees and formulates recommendations to the Board on the remuneration policies and practices of the Company generally, including the remuneration of non-executive Directors, the CEO and Senior Executives.

External advisors and remuneration advice

In performing their roles, the Board and the Committee directly commission and receive information, advice and recommendations from independent external advisors. This assists the Directors to make informed decisions when considering the Company's remuneration policies and practices. The Board has adopted a protocol to formally record the process for engaging and seeking advice from remuneration consultants, which ensures remuneration recommendations in relation to KMPs are free from undue influence by management.

During 2015, the Company engaged *3 degrees consulting* to provide remuneration recommendations as defined under the Corporations Act in relation to CEO and Senior Executive remuneration levels. *3 degrees consulting* was paid $39,750 for these services.

The Board is satisfied that this advice received from *3 degrees consulting* was made free from undue influence from the KMP to whom the recommendations relate as *3 degrees consulting* was engaged by, and reported directly to, the Chair of the Committee.

In this regard, in addition to adhering to Board-approved protocols, *3 degrees consulting* provided a formal declaration to the Chair of the Committee.

In addition to providing remuneration recommendations, *3 degrees consulting* provided market practice data and advice on other aspects of the Company's remuneration framework throughout the year, including legal and stakeholder communications. *3 degrees consulting* also provides CEO and non-executive Director search and succession planning services. The Company engaged these services in relation to the appointment of non-executive Director, Yasmin Allen, in late 2014, and in relation to the search for the new CEO, Kevin Gallagher, in late 2015. Together, for these additional remuneration related and search services, *3 degrees consulting* was paid $342,451.

REMUNERATION FRAMEWORK

Benchmarking

Total Fixed Remuneration comprising base pay and superannuation ("TFR"), Short-Term Incentives ("STI") and Long-Term Incentives ("LTI") are set by reference to market comparable data in order to ensure that the Company is competitive and able to attract and retain the skills it needs for business operations and project delivery. In relation to Senior Executives, the Company references remuneration levels for similar roles in a benchmarking group comprised of peer companies in the oil and gas sector, and closely related mining and engineering sectors.

At risk remuneration

STI ("at risk" because the amount earned (if any) depends on the extent to which targets are met)

The Company sets a range of short-term operational and financial targets to be achieved annually. These are chosen to encourage outcomes and behaviours that support the safe operation and delivery of the base business while pursuing long-term growth in shareholder value, and are reviewed annually by the Board. Table 1 on page 38 outlines the short-term objectives used in 2015 to measure performance for STI purposes and the reasons why these objectives were chosen.

The Company's policy is to deliver part of any STI award for the CEO and Senior Executives into "Deferred STI shares". These are ordinary shares or SARs that will only vest at the end of a two-year deferral period. If a Senior Executive resigns during this period, they will ordinarily forfeit their Deferred STI shares. This promotes a focus on long-term performance as the value of the shares is linked to the ongoing performance of the Company.

Further details are provided in relation to the STI program on page 52.

LTI ("at risk" because the amount earned (if any) depends on the extent to which vesting conditions are met)

In order to align the interests of executives with the creation of long-term shareholder value, the Company awards SARs. The SARs are granted at no cost, however only vest if the Company's relative Total Shareholder Return ("TSR") over a four year performance period is in the 51st percentile or more against a comparator group comprised of companies in the ASX 100 and S&P Global Energy Index ("GEI").

Prior to 2014, the performance period was three years and the comparator group comprised companies in the ASX 100 only.

Further details are provided in relation to the LTI program on page 53.

Clawback

The share plan rules give the Company the discretion to lapse or forfeit unvested LTI and deferred STI awards as well as claw back any vested shares or cash paid in certain circumstances. These include dishonest or fraudulent conduct, breach of material obligations, miscalculation or error, a material misstatement or omission in the accounts of a group company or events which require re-statement of the group's financial accounts in circumstances where an LTI or deferred STI award would not otherwise have been granted or would not have vested. This is in addition to any rights the Company has under the plan rules and general legal principles to seek to recover payments made in error.

Remuneration Report
continued

Link between performance and remuneration

STI

The Company's performance against the 2015 STI scorecard as assessed by the Board resulted in a score of 67%. The table below summarises the short-term objectives in the scorecard, their rationale and the Company's performance against them.

Table 1: 2015 STI scorecard performance

	STI measure	Rationale	Performance	Score
EHS (20%)	***Personnel safety*** Measured by the number of Lost-Time Injuries per million hours worked. ***Process safety*** Measured by the number of Tier 1 incidents of loss of containment of hydrocarbons and the level of Safety Critical Maintenance performed on plant and equipment in enclosed and open areas. ***Environmental incidents*** Measured by the number of environmental incidents of moderate or greater consequence. ***Sustainability*** Measured by the Company's performance as assessed by the Dow Jones Sustainability Index.	The Company takes safety and the environment very seriously. The integrated targets represent the Company's holistic approach aimed at reducing the number of injuries to employees and contractors, the likelihood of low-frequency but high-impact incidents such as fires and explosions and the incidence of significant environmental incidents. The Company also recognises the increasing importance that investors and other stakeholders are placing on Corporate Social Responsibility performance. The Dow Jones Sustainability Indices serve as benchmarks for investors who integrate sustainability considerations into their portfolios. The world's largest 3,400 companies are invited to take part in the annual Corporate Sustainability Assessment.	Santos' safety record in 2015 exceeded all targets with a Lost Time Injury Frequency Rate of 0.12, Safety Critical Maintenance of 99%, no environmental incidents of moderate or greater consequence and a Dow Jones Sustainability Index score of 72, which puts the Company in the top 10% of the Index.	19.7%
Financial and operational (45%)	***Production***	Production is critical to the Company's profitability, which is a key measure of the Company's overall performance and underpins annual earnings and cash flow for distribution to shareholders and for re-investment for future growth.	Production of 57.7 mmboe, the highest annual production since 2007, was slightly below target.	31.3%
	Operating cash flow	Operating cash flow was introduced to ensure a focus on liquidity in 2015 against a backdrop of a declining oil price and its impact on revenue and cash inflows.	Operating cash flow of $1,094 million was slightly below target.	

	STI measure	Rationale	Performance	Score
Growth (30%)	***Project delivery*** Progress against milestones in key projects (including GLNG) are identified and measured. ***Reserves Replacement & Resource Add*** The volume of proven and probable (2P) reserves and contingent resources (2C) added by the Company organically (through exploration and exploitation efforts as opposed to acquisitions) compared to the volume of reserves used in the current year's production.	Project delivery underpins the future production, growth and profitability of the Company. In the current climate of rising costs and large capital expenditure commitments, it is essential that the Company delivers its long-term projects on time and within budget to achieve future production. The Company's ability to replace the reserves it uses in production and to convert contingent resources into proven and probable reserves is critical to the long-term future of the Company.	GLNG delivered on several major milestones in 2015 including completion of LNG Train 1 on schedule and within budget, delivery of 7 LNG cargoes and commencement of LNG Train 2 commissioning. The 2P reserves replacement and 2C resources growth targets were not achieved.	15.7%
Other Value Add (5%)	***Other Value Add*** To capture any other achievements which were not covered by the rest of the specific objectives.	In order to incentivise and reward high performance which may not be captured in the scorecard.	Having regard to the loss in shareholder value due to the global oil price decline, it was not appropriate to allocate any score for this item.	0%
			Total	**67%**

Remuneration Report
continued

LTI

The Company's TSR for the period 1 January 2013 to 31 December 2015 ranked below the 51st percentile in the comparator group comprised of the companies in the ASX 100. As a result, none of the SARs granted to the CEO and Senior Executives as part of the 2013–2015 LTI grant vested. This reflects the alignment of the Company's LTI program with the interests and long-term returns of shareholders.

More details about how performance targets are set and tested for the purposes of STI and LTI awards are set out in the section "Detailed Information about Linking Company Performance to Incentives" on pages 52 and 53.

Table 2 sets out the Company's performance over the past five years in respect of several key financial and non-financial indicators and the STI and LTI awards during this period.

Table 2: Key metrics of company performance 2011–2015

	2011	2012	2013	2014	2015
Injury frequency:					
total recordable case frequency rate	3.3	5.0	3.8	3.5	2.8
lost time injury frequency rate	1.2	0.7	0.6	0.7	0.1
Production (mmboe)	47.2	52.1	51.0	54.1	57.7
Reserve replacement rate – 2P organic (%)	173	136	3	0	0
Net profit/(loss) after tax ($m)	751	518	516	(935)	(2,698)
Dividends per ordinary share (cents)	30	30	30	35	20
Share price – closing price on first trading day of year	$13.19	$12.34	$11.11	$14.63	$8.25[1]
LTI performance (% vesting) – shown against final year of performance period	0%	0%	0%	0%	0%
Average STI paid (% of maximum)	69%	68%	60%	58%[2]	67%

1 Closing share price at 31 December 2015 was $3.68.

2 Whilst the 2014 company performance result was 78%, the actual STI payout was reduced by the Board to 58%.

CEO TRANSITION

Mr Knox stepped down as Managing Director and CEO on 12 November 2015 and continued to assist the Company in handover and transitional duties until he ceased employment on 31 December 2015. This section provides details of Mr Knox's remuneration during the year, the outcomes of the Strategic Grant awarded in 2012 and his termination arrangements.

Santos' new Managing Director and CEO, Mr Kevin Gallagher, commenced employment on 1 February 2016. Details of Mr Gallagher's remuneration and other contractual arrangements are outlined in an announcement that was made to the ASX on 9 November 2015.

During the transition period from August 2015 until the commencement of Mr Gallagher, the Chair of the Board, Mr Peter Coates, held the temporary position of Executive Chairman. Details of Mr Coates' remuneration are provided in Table 12 on page 48.

Remuneration during the year for former CEO Mr Knox

Mr Knox's TFR did not change during 2015 and he declined to receive any STI. No LTI vested in 2015.

In accordance with the approval of shareholders at the 2015 AGM, Mr Knox received an LTI grant in 2015 with a performance period from 1 January 2015 to 31 December 2018.

2012–2015 Strategic Grant

As approved by shareholders at the AGM held on 3 May 2012, Mr Knox received a Strategic Grant of SARs in 2012, the vesting of which was conditional upon the achievement of performance conditions over the period 1 January 2012 to 31 December 2015. Mr Knox achieved a result of 43% of the maximum total SARs available from the Strategic Grant (57% of maximum forfeited). The key details and outcomes of the Strategic Grant are set out in Table 3 below.

Table 3: Former CEO Strategic Grant 2012–2015

TARGETS	NO OF SARS IN EACH TRANCHE	VESTING PARAMETERS	PERFORMANCE	NUMBER AND % OF SHARES TO VEST FROM EACH TRANCHE
GLNG START-UP	41,068	100% if first cargo by 30 June 2015 0% if first cargo on 31 March 2016	16-Oct-15	**25,051** (61%)
GLNG CAPEX (TO END 2015)	41,068	Although the actual capital expenditure was within the US$18.5bn budget, the Board exercised discretion to lapse this tranche in full.		
PRODUCTION (BY END 2015)	41,068	100% if 77 mmboe 0% if 70 mmboe	57.7 mmboe	**0**
R/P RATIO* (AT END 2015)	41,068	100% for R/P ratio of 18 years 0% for R/P ratio of 12 years	17.4 years	**36,961** (90%)
OPERATIONAL INTEGRITY (AVERAGE EHS SCORE OVER 2012–2015)	41,067	100% vesting for average score of 90% 0% vesting for average score of 70%	83% average score	**26,694** (65%)
TOTAL	205,339			**88,706** (43%)

*R/P ratio refers to Organic Reserves / Production ratio calculated by dividing 2P Reserves at the end of 2015, excluding acquisitions and divestments, by total production in 2015.

Termination arrangements

In accordance with the service agreement between the Company and Mr Knox, the shareholder approval obtained at the 2012 AGM and the STI and LTI Plan Rules, the following termination arrangements were agreed with Mr Knox:

- a separation payment equivalent to 12 months of TFR of $2,421,787;
- a payment for accrued but untaken annual leave, pro-rata long service leave and any other statutory entitlements of $749,864;
- the restrictions on his previously earned Deferred STI shares from the 2014 award were lifted; and
- a pro-rata portion of his unvested LTI from the 2014 and 2015 grants will remain on foot until the expiry of the relevant performance periods when they will be tested against the relevant performance conditions.

Remuneration Report
continued

SENIOR EXECUTIVE REMUNERATION

Overview of 2015 earnings

Fixed remuneration	
What was the increase in Senior Executives' TFR?	Nil. Senior Executives' TFR was frozen at 2014 levels. Mr Woods received a TFR increase on his appointment to the role of VP Eastern Australian Business Unit.
Short-term incentives	
What was the maximum STI Senior Executives could receive?	Between 70% and 85% of TFR.
How were STI payments calculated?	***Company performance against overall corporate scorecard (60%)*** To promote collaboration among Senior Executives and to focus their efforts towards the overall benefit of the Company, 60% of their STI is based on Company performance against the overall Corporate scorecard (see Table 1 on page 38). The Company's performance against the 2015 STI scorecard as assessed by the Board resulted in a score of 67%. However, in light of the decline in the share price and loss of shareholder value, the Board exercised its discretion so that Senior Executives did not receive any payment from the Company scorecard, except the Environmental, Safety and Sustainability components. This reflects the importance the Company places on these targets. ***Individual performance against specific targets (40%)*** The remaining 40% is based on each executive's individual performance against business, operational, financial and qualitative objectives such as specific safety, environmental, production and profitability targets as well as leadership, staff development and other strategic measures in relation to their own business units or areas of responsibility.
How was performance assessed for STI purposes?	Company performance against the overall corporate scorecard was assessed by the Committee and the Board. Senior Executives' performance against individual targets was assessed by the Executive Chairman, and reviewed and endorsed by the Committee.
How much STI will Senior Executives receive in respect of 2015 performance?	Although the Company performance score would have resulted in an award of 50% to 70% of maximum payout, the Board exercised its discretion to reduce STI awards made to Senior Executives in respect of 2015 performance so that they ranged from 22% to 42% of maximum (see Table 6 on page 45). This compares to 55% to 65% of maximum awarded in respect of 2014. The difference between the actual STI award and maximum STI potential will not be carried forward.
Long-term incentives	
How much LTI was granted to Senior Executives in 2015?	In 2015, all Senior Executives received an LTI award equivalent to between 50% and 60% of TFR for a four-year performance period ending on 31 December 2018.
What are the performance conditions?	Vesting is based on the Company's relative TSR performance over the relevant performance period. The comparator group for 75% of each grant is the ASX 100 and the comparator group for the remaining 25% is the S&P GEI. See the vesting schedule provided in the section "Detailed Information about Linking Company Performance to Incentives" on pages 52 and 53.
What proportion of prior year LTI grants vested in 2015?	Nil. The testing of the 2013 LTI grant with a performance period 1 January 2013 to 31 December 2015 occurred in early 2016. As the performance hurdle was not achieved, there was no vesting of the grant and this was forfeited.

Further details for each individual Senior Executive's remuneration are provided in Table 6 "2014 and 2015 Senior Executive remuneration details" on page 45.

Service agreements and termination entitlements

The Company has entered into service agreements with the Senior Executives. For all existing Senior Executives, the service agreements are ongoing until termination by the Company upon giving between 6 and 12 months' notice, or by the Senior Executive giving 6 months' notice. In a Company-initiated termination, the Company may make a payment in lieu of notice equivalent to the TFR that the Senior Executive would have received over the notice period. All Senior Executives' service agreements may be terminated immediately for cause, whereupon no payments in lieu of notice or other termination payments are payable under the agreement.

AT RISK REMUNERATION SUMMARY

At risk remuneration

A higher proportion of the CEO's total remuneration package is "at risk" relative to that of the Senior Executives because the CEO has the greatest scope to personally influence the Company's performance.

Table 4: Relative weightings of remuneration components for CEO and Senior Executives[1]

			At Risk Remuneration			
		Fixed remuneration	STI[2]	LTI	Total "at risk"	Total
CEO	**2015**	**33.33%**	**33.33%**	**33.33%**	**66.66%**	**100%**
	2014	33.33%	33.33%	33.33%	66.66%	100%
Senior Executives	**2015**	**40.80%**	**34.70%**	**24.50%**	**59.20%**	**100%**
	2014	40.80%	34.70%	24.50%	59.20%	100%

1 These figures do not reflect the actual relative value derived by the Executive from each of the components, which is dependent on actual performance against targets for the "at risk" components. The figures represent maximum potential of each component.

2 Also includes deferred STI component.

NON-EXECUTIVE DIRECTOR REMUNERATION

Remuneration Policy

The diagram below shows the key objectives of Santos' non-executive Director Remuneration Policy and how these are implemented through the Company's remuneration framework.

Securing and retaining talented, qualified Directors

Fee levels are set with regard to:

- time commitment and workload;
- the risk and responsibility attached to the role;
- experience and expertise; and
- market benchmarking.

Promoting independence and impartiality

- Fee levels do not vary according to the performance of the Company or individual Director performance from year to year.

Aligning Director and shareholder interests

- Santos encourages its non-executive Directors to build a long-term stake in the Company and established a Minimum Shareholding Requirement of 15,000 shares for all non-executive Directors within three-years.
- Non-executive Directors can acquire shares through acquisition on market during trading windows and/or through the non-executive Director Share Plan.

Remuneration Report
continued

Maximum aggregate amount

Total fees paid to all non-executive Directors in a year, including Board Committee fees, must not exceed $2,600,000, being the amount approved by shareholders at the 2013 AGM.

Directors may also be paid additional fees for special duties or exertions, and are entitled to be reimbursed for all business-related expenses.

Remuneration

There have been no increases in non-executive Director fees since October 2013.

As announced to the market on 7 September 2015, Peter Coates received an additional special duties and exertions fee of $45,000 a month inclusive of superannuation. This fee related to his additional responsibilities as Executive Chairman from 24 August 2015 to 31 January 2016 and was not paid out of the aggregate non-executive Director fee pool.

Remuneration details for the non-executive Directors are provided in Table 12 "2014 and 2015 non-executive Director remuneration details" on page 48.

Fee structure

Table 5: Non-executive Directors' fees per annum[1]

	Chair[2]	Member
Board	$503,550	$167,550
Audit & Risk Committee	$42,000	$21,000
Environment, Health, Safety and Sustainability Committee	$22,000	$15,000
Finance Committee[3]	$22,000	$15,000
Nomination Committee[4]	N/A	$10,000
People and Remuneration Committee	$30,000	$16,000

1 Fees are shown exclusive of superannuation.

2 The Chair of the Board does not receive any additional fees for serving on or chairing any Board committee. The Chair of the Board is the Chair of the Nomination Committee, in accordance with its Charter.

3 The Finance Committee was discontinued on 1 May 2015.

4 The Chair of the Board is the Chair of the Nomination Committee, in accordance with its Charter.

Superannuation and retirement benefits

Superannuation contributions are made on behalf of non-executive Directors in accordance with the requirements of the Company's statutory superannuation obligations. Non-executive Directors are not entitled to retirement benefits (other than mandatory statutory entitlements).

DETAILED REMUNERATION INFORMATION

Table 6 presents summarised details of the remuneration for the CEO and Senior Executives in 2014 and 2015 as required under the Corporations Act.

Table 6: 2014 and 2015 Senior Executive remuneration details

		Short-term employee benefits			Post-employment	Share-based payments[1]								
		Base salary	STI[2]	Other[3]	Superannuation contributions	LTI	Deferred STI[4]	Options	Cash based	Total share-based payments	Termination	Other long-term benefits (long service)[5]	Total	Total "at risk"
		$	$	$	$	$	$	$	$	$	$	$	$	%
DJW Knox[6]	2015	2,076,657	–	–	22,225	2,262,265	229,987	–	–	2,492,252	2,421,787	27,721	7,040,642	35%
	2014	2,403,508	983,200	–	18,279	3,131,544	143,705	–	–	3,275,249	–	102,466	6,782,702	63%
JH Anderson	2015	685,124	–	45,000	26,892	406,624	112,112	–	–	518,736	–	4,693	1,280,445	41%
	2014	688,551	241,500	45,000	18,279	455,981	34,406	–	–	490,387	–	19,483	1,503,200	49%
JL Baulderstone[7]	2015	443,834	–	10,432	12,496	260,424	46,969	–	–	307,393	–	7,281	781,436	39%
	2014	750,668	253,700	26,131	18,279	492,284	36,143	–	–	528,427	–	32,790	1,609,995	49%
TJ Brown	2015	705,869	–	1,477	19,046	413,415	118,907	–	–	532,322	–	7,655	1,266,369	42%
	2014	700,507	280,400	17,720	18,279	455,263	39,948	–	–	495,211	–	20,603	1,532,720	51%
AJ Seaton	2015	743,861	–	–	26,892	439,802	35,586	–	–	475,388	–	9,134	1,255,275	38%
	2014	746,317	256,800	–	18,279	494,342	36,585	–	–	530,927	–	20,414	1,572,737	50%
BK Woods[8]	2015	247,409	–	9,804	12,339	68,752	23,616	–	–	92,368	–	6,158	368,078	25%
	2014	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1 In accordance with the requirements of the Australian Accounting Standards Board, remuneration includes a proportion of the value of the equity-linked compensation determined as at the grant date and progressively expensed over the vesting period. The amount allocated as remuneration is not relative to or indicative of the actual benefit (if any) that the Senior Executives may ultimately realise should the equity instruments vest. The value of equity-linked compensation was determined in accordance with AASB 2 *Share-based Payments* applying the Monte Carlo simulation method. Details of the assumptions underlying the valuation are set out in note 7.2 to the financial statements.

2 No STI was paid in cash in 2015.

3 "Other" comprises ad hoc payments treated as remuneration, such as assignment and mobilisation allowance.

4 This amount represents a proportion of the estimated value of the deferred STI (SARs or shares), determined in accordance with the requirements of AASB 2 *Share-based Payments* and progressively expensed over a 3-year vesting period being the year of performance and a 2-year period of service to which the grant relates. The amount allocated as remuneration is not relative to or indicative of the actual benefit (if any) that the Senior Executives may ultimately realise should the equity instruments vest. The value has been calculated in accordance with AASB 2 *Share-based Payments* based on an estimate of the fair value of the equity instruments.

5 "Other long-term benefits" represents the movement in the Senior Executive's long service leave entitlements measured as the present value of the estimated future cash outflows to be made in respect of the Senior Executive's service between the respective reporting dates.

6 Mr Knox ceased to be a KMP on 12 November 2015. Figures shown for 2015 are for the period 1 January 2015 to 12 November 2015. Mr Knox's 2014 deferred STI (deferred shares) amortisation expense have been accelerated to reflect his end of contract date of 31 December 2015.

7 Mr Baulderstone ceased to be a KMP on 2 August 2015. Figures shown for Mr Baulderstone are for the period 1 January 2015 to 2 August 2015.

8 Mr Woods became a KMP on 3 August 2015. Figures shown for Mr Woods are for the period 3 August 2015 to 31 December 2015. Mr Woods was not a KMP in 2014.

Remuneration Report
continued

Tables 7 and 8 contains details of the number and value of Deferred Shares and SARs granted, vested and lapsed for Mr Knox in 2015. Mr Knox did not have any options granted, vesting or lapsing in 2015. Mr Knox did not exercise any options in 2015.

Table 7: 2015 SARs outcomes for CEO

	Granted		Vested		Lapsed
	Number	Maximum Value	Number[2]	Value[3]	Number[4]
SARs	505,509	2,749,156[1]	88,706	302,487	(974,018)

1 Maximum value represents the fair value of LTI grants received in 2015 determined in accordance with AASB 2 *Share-based Payments*. The fair values of the grants as at the grant date of 7 May 2015 were $5.44 and $5.43 (weighted $5.437). Details of the assumptions underlying the valuations are set out in note 7.2 to the financial statements. The minimum total value of the grant, if the applicable vesting conditions are not met, is nil in all cases.

2 Relates to 2012–2015 Strategic Grant as detailed in Table 3.

3 These figures show the value of the 2012–2015 Strategy Grant, using the share price of $3.41 on 16 February 2016, the date the Board assessed and confirmed the final vesting outcome.

4 Remuneration for Mr Knox includes SARs which lapsed after he ceased to be a KMP on 12 November 2015. The number of lapsed SARs includes 116,633 granted during 2012, 243,652 granted during 2013, 234,453 granted during 2014 and 379,280 granted during 2015.

Table 8: 2015 Deferred Share outcomes for CEO

	Granted		Vested		Lapsed
	Number[1]	Maximum Value[2]	Number[3]	Value[4]	Number
Shares	55,520	408,627	55,520	204,314	–

1 The grant relates to the 2014 deferred STI granted on 16 April 2015.

2 Maximum value represents the fair value of 2014 STI grant received in 2015 determined in accordance with AASB 2 *Share-based Payments*. The fair value of the grant as at the grant date of 16 April 2015 was $7.36.

3 The restrictions on Mr Knox's 2014 deferred shares were lifted on 31 December 2015, the date he ceased employment with the Company.

4 These figures show the value of the shares deferred which vested on 31 December 2015 at a closing share price of $3.68.

Tables 9 and 10 contains details of the number and value of Deferred Shares and SARs granted, vested and lapsed for Senior Executives in 2015. No Senior Executive had any options granted, vesting or lapsing in 2015. No options were exercised in 2015.

Table 9: 2015 SARs outcomes for Senior Executives

	Granted		Vested		Lapsed
	Number[1]	Maximum Value[2]	Number	Value	Number[5]
JH Anderson	89,186	356,967	–	–	(42,981)
JL Baulderstone[3]	97,093	388,615	–	–	(46,655)
TJ Brown	90,802	363,435	–	–	(43,548)
AJ Seaton	96,544	386,417	–	–	(46,392)
BK Woods[4]	–	–	–	–	(10,881)
Total	**373,625**	**1,495,434**	**–**	**–**	**(190,457)**

1 The grant relates to the Senior Executives' full LTI award for the four year performance period ended on 31 December 2018.

2 Maximum value represents the fair value of LTI grants received in 2015 determined in accordance with AASB 2 *Share-based Payments*. The fair values of the grants as at the grant date of 16 April 2015 were $4.13 and $3.96 (weighted $4.00). Details of the assumptions underlying the valuations are set out in note 7.2 to the financial statements. The minimum total value of the grant, if the applicable vesting conditions are not met, is nil in all cases.

3 Remuneration for Mr Baulderstone includes SARs which lapsed after he ceased to be a KMP on 2 August 2015.

4 Mr Woods held 105,829 SARs before becoming a KMP however his remuneration is disclosed only as his time as a KMP. His 2013 LTI has 10,881 SARs that lapsed.

5 Lapsed SARs relate to the 2013 LTI grant.

Table 10: 2015 share outcomes for Senior Executives

	Granted		Vested		Lapsed
	Number[1]	Maximum Value[2]	Number	Value	Number
JH Anderson	13,636	100,361	–	–	–
JL Baulderstone	14,321	105,403	–	–	–
TJ Brown	15,823	116,457	–	–	–
AJ Seaton	14,505	106,757	–	–	–
BK Woods[3]	–	–	–	–	–
Total	**58,285**	**428,978**	**–**	**–**	**–**

1 This relates to the 30% of the 2014 STI award deferred into shares for two years, granted on 16 April 2015.

2 Maximum value represents the fair value of 2014 STI shares received in 2015 determined in accordance with AASB 2 Share-based Payments. The fair value of the grant as at the grant date of 16 April 2015 was $7.36.

3 Remuneration disclosed for Mr Woods is for the period from 3 August 2015 when he became a KMP. None of Mr Woods' 2014 STI award was deferred as the STI deferral program only applied to KMPs.

Table 11 outlines the LTI grants that were tested or still in progress in 2015.

Table 11: LTI grants

Grant year	Grant type	Vesting condition(s)	Performance/ vesting period	Status
2012	CEO Strategy Grant	Conditional upon the achievement of strategic performance conditions.	1 January 2012 to 31 December 2015	Testing completed. Resulted in 43% of the grant vesting.
2013	Performance Award	Relative TSR performance against ASX 100 companies	1 January 2013 to 31 December 2015	Testing completed. Resulted in 0% of the grant vesting.
2014	Three-year transitionary Performance Award	Relative TSR performance against ASX 100 companies (75%) and S&P GEI (25%)	1 January 2014 to 31 December 2016	In progress.
	Four-year Performance Award	Relative TSR performance against ASX 100 companies (75%) and S&P GEI (25%)	1 January 2014 to 31 December 2017	In progress.
2015	Four-year Performance Award	Relative TSR performance against ASX 100 companies (75%) and S&P GEI (25%)	1 January 2015 to 31 December 2018	In progress.

Full details of all grants made prior to 2015 can be found in note 7.2 to the financial statements and in prior Remuneration Reports.

Remuneration Report
continued

Details of the fees and other benefits paid to non-executive Directors in 2015 are set out in Table 12. No fee increases were received in 2015. Differences in fees received between 2014 and 2015 reflect changes in roles and responsibilities (i.e. Chair or committee appointments) and superannuation payments. No share-based payments were made to any non-executive Directors.

Table 12: 2014 and 2015 non-executive Director remuneration details

Director		Short-term benefits			Retirement benefits		
Director	Year	Directors' fees (incl. committee fees)	Fees for special duties or exertions	Other	Superannuation[9]	Share-based payments	Total
		$	$	$	$	$	$
YA Allen[1]	2015	195,289	–	–	18,552	–	213,841
	2014	35,314	–	–	3,355	–	38,669
KC Borda[2]	2015	166,940	–	–	8,620	–	175,560
	2014	503,046	–	–	18,279	–	521,325
PR Coates[3]	2015	398,624	175,192	–	35,542	–	609,358
	2014	186,517	–	–	17,492	–	204,009
KA Dean[4]	2015	204,780	–	–	18,750	–	223,530
	2014	213,046	–	–	18,279	–	231,325
RA Franklin[5]	2015	226,768	–	–	1,721	–	228,489
	2014	222,066	–	–	1,259	–	223,325
H Goh[6]	2015	220,518	–	–	807	–	221,325
	2014	203,623	–	–	786	–	204,409
JS Hemstritch	2015	224,280	–	–	19,046	–	243,326
	2014	225,046	–	–	18,279	–	243,325
GJW Martin[7]	2015	224,588	–	–	19,046	–	243,634
	2014	240,046	–	–	18,279	–	258,325
SD Sheffield[8]	2015	189,723	–	–	585	–	190,308
	2014	166,537	–	–	600	–	167,137

1 Ms Allen was appointed to the Board in October 2014 and became a member of the Audit & Risk Committee on 1 May 2015.

2 Mr Borda retired as Chair of the Board and a non-executive Director on 30 April 2015.

3 Mr Coates was appointed as the Chair of the Board on 1 May 2015. In addition to his role as Chair of the Board Mr Coates has been acting as the Executive Chairman since 24 August 2015. His remuneration in this Table 12 shows his fees as both the Chair of the Board and the Executive Chairman.

4 Mr Dean ceased to be a member of the Finance Committee when it was discontinued in May 2015.

5 Mr Franklin became a member of the Nomination Committee on 25 June 2015.

6 Mr Goh was appointed to the Audit & Risk Committee in October 2014.

7 Mr Martin is the current Chair of the People and Remuneration Committee. Mr Martin ceased to be the Chair of the Finance Committee when it was discontinued in May 2015.

8 Mr Sheffield was appointed to the Board in February 2014 and was a member of the member of the Finance Committee until May 2015 when it was discontinued.

9 Includes superannuation guarantee payments. Superannuation guarantee payments are made to Mr Franklin, Mr Goh and Mr Sheffield only in relation to days worked in Australia.

(a) Loans to key management personnel

There have been no loans made, guaranteed or secured, directly or indirectly, by the Company or any of its subsidiaries at any time throughout the year to any key management person, including their related party.

(b) Equity holdings of key management personnel

Options and SARs holdings

The movement during the reporting period in the number of options and SARs over ordinary shares of the Company held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Opening balance	Granted[1]	Options exercised/ rights vested[2]	Other changes[3]	Sold/ transferred	Closing balance	Vested at end of the year	Vested and exercisable at end of the year	Vested but not exercisable at end of the year
2015									
Options									
Directors									
Knox, David John Wissler[4]	257,512	–	–	(257,512)	–	–	–	–	–
Senior Executives									
Anderson, John Hugh	117,693	–	–	–	–	117,693	117,693	117,693	–
Baulderstone, James Leslie[5]	86,238	–	–	(86,238)	–	–	–	–	–
Brown, Trevor John	37,137	–	–	–	–	37,137	37,137	37,137	–
Seaton, Andrew John	22,213	–	–	–	–	22,213	22,213	22,213	–
Total	**520,793**	**–**	**–**	**(343,750)**	**–**	**177,043**	**177,043**	**177,043**	**–**
SARs									
Directors									
Knox, David John Wissler[4]	1,009,920	505,592	(88,706)	(1,426,806)	–	–	–	–	–
Senior Executives									
Anderson, John Hugh	141,929	89,186	–	(42,981)	–	188,134	–	–	–
Baulderstone, James Leslie[5]	154,374	97,093	–	(251,467)	–	–	–	–	–
Brown, Trevor John	144,288	90,802	–	(43,548)	–	191,542	–	–	–
Seaton, Andrew John	153,502	96,544	–	(46,392)	–	203,654	–	–	–
Woods, Brett Kenneth[6]	–	53,444	–	41,504	–	94,948	–	–	–
Total	**1,604,013**	**932,661**	**(88,706)**	**(1,769,690)**	**–**	**678,278**	**–**	**–**	**–**

Remuneration Report
continued

	Opening balance	Granted	Options exercised/ rights vested	Other changes	Sold/ transferred	Closing balance	Vested at end of the year	Vested and exercisable at end of the year	Vested but not exercisable at end of the year
2015									
Deferred shares									
Directors									
Knox, David John Wissler[4]	–	55,520	(55,520)	–	–	–	–	–	–
Senior Executives									
Anderson, John Hugh	–	13,636	–	–	–	13,636	–	–	–
Baulderstone, James Leslie[5]	–	14,321	–	(14,321)	–	–	–	–	–
Brown, Trevor John	–	15,823	–	–	–	15,823	–	–	–
Seaton, Andrew John	–	14,505	–	–	–	14,505	–	–	–
Woods, Brett Kenneth	–	–	–	–	–	–	–	–	–
Total	**–**	**113,805**	**(55,520)**	**(14,321)**	**–**	**43,964**	**–**	**–**	**–**

1 SARs granted to Senior Executives including the CEO relate to the 4-year LTI grants as disclosed in Tables 7 and 9.
2 Relates to 2012–2015 Strategic Grant as detailed in Table 3.
3 SARs that did not vest due to the non-fulfilment of vesting conditions and were forfeited during the year, as well as changes resulting from individuals ceasing to be and becoming KMPs during the period.
4 Mr Knox ceased to be a KMP on 12 November 2015.
5 Mr Baulderstone ceased to be a KMP on 2 August 2015 upon accepting the new role of VP Corporate Development.
6 Mr Woods became a KMP on 3 August 2015 when he was appointed to the role of VP Eastern Australia Business Unit. Mr Woods held 105,829 SARs when he was appointed as a KMP on 3 August 2015 and subsequently 10,881 lapsed on 31 December 2015.

SHARE HOLDINGS

	Opening balance	Received vesting of SARs	Purchased[1]	Sold	Deferred 2014 STI	Other changes[2]	Closing balance	Balance held nominally at end of the year
2015								
Ordinary shares – fully paid								
Directors								
Allen, Yasmin Anita	10,000	–	5,883	–	–	–	15,883	–
Borda, Kenneth Charles	87,874	–	54,523	–	–	4,813	147,210	–
Coates, Peter Roland	48,879	–	41,269	–	–	2,724	92,872	–
Dean, Kenneth Alfred	32,130	–	33,620	–	–	1,831	67,581	–
Franklin, Roy Alexander	15,215	–	9,297	–	–	592	25,104	–
Goh, Hock	15,000	–	17,373	–	–	1,034	33,407	–
Hemstritch, Jane Sharman	39,192	–	23,513	–	–	777	63,482	–
Knox, David John Wissler[3]	108,665	–	97,462	–	55,520	(261,647)[4]	–	–
Martin, Gregory John Walton	24,500	–	14,412	–	–	–	38,912	–
Sheffield, Scott Douglas	40,000	–	23,529	–	–	–	63,529	–
Senior Executives								
Anderson, John Hugh	69,825	–	41,334	–	–	–	111,159	–
Baulderstone, James Leslie[5]	61,217	–	–	–	–	(61,217)	–	–
Brown, Trevor John	397,680	–	140,000	(100,000)	–	–	437,680	–
Seaton, Andrew John	31,325	–	27,037	–	–	132	58,494	–
Woods, Brett Kenneth	–	–	–	–	–	–	–	–
Total	**981,502**	**–**	**529,252**	**(100,000)**	**55,520**	**(310,961)**	**1,155,313**	**–**

1 Includes purchases on market, participation in the 2015 rights issue and shares issues from post-tax fees under the non-executive Director Share Plan.
2 Dividend Reinvestment Plan allocations as well as changes resulting from individuals ceasing to be KMPs during the period.
3 Mr Knox ceased to be a KMP on 12 November 2015.
4 Other changes for Mr Knox included the amount of 1,499 Dividend Reinvestment Plan allocations.
5 Mr Baulderstone ceased to be a KMP on 2 August 2015 upon accepting the new role of VP Corporate Development.

Remuneration Report
continued

DETAILED INFORMATION ABOUT LINKING COMPANY PERFORMANCE TO INCENTIVES

Short-term incentives

How are the Company's short-term performance targets determined?	The Company's short-term performance targets comprise a combination of strategic, financial and operational targets, all of which are agreed with the Board and directly related to the strategic plan. These are captured in the Company's annual performance scorecard.
What is measured in the Company's annual performance scorecard?	The Company's scorecard includes a range of Company performance measures used to drive balanced business performance. These measures include lagging indicators to assess the Company's past performance, as well as forward-looking indicators to ensure the Company is positioning itself effectively for future growth – see Table 1 "2015 STI scorecard performance" on page 38. The Board believes that this scorecard is balanced and focusses CEO and Senior Executive attention on achieving the key conditions and milestones necessary to deliver Santos' strategic plan.
How is Company performance assessed?	Company performance is formally assessed by the Committee against the overall Company scorecard at the end of each financial year, and this forms the basis of a recommendation to the Board. Each metric is assessed against an agreed target and assigned a percentage weighting of the total scorecard. The actual versus target performance of each metric is assigned a score between 0% and 100%. The weightings are then applied to these scores to derive a rating for that metric. The sum of each metric's rating is used to determine the Company's overall performance score. The Board believes the above method of assessment is rigorous and provides a balanced assessment of the Company's performance.
How does Company performance impact the STI program?	First, the Company's overall performance score sets the budget available for STI allocations across the organisation in respect of that performance year. This is calculated by applying the percentage performance score to the maximum potential STIs of all eligible employees. Secondly, the Company's overall performance score contributes to the actual STI payment made to individuals in a given year. For the CEO, the Company performance outcome determines 75% of his STI payment. The other 25% is based on performance against additional goals. For Senior Executives, the Company performance outcome determines 60% of their STI payment. The other 40% is based on their individual performance assessment.

Long-term incentives

<table>
<tr><td>How are long-term incentives linked to Company performance?</td><td>LTI aligns the rewards received by the CEO and Senior Executives with the longer-term performance of Santos relative to other ASX 100 companies and international energy sector peers. Recipients also have the opportunity to grow the long-term value of their LTI by delivering results for the Company that increase the share price. All 2015 LTI grants were solely performance based, ensuring further alignment with shareholder interests.</td></tr>
<tr><td>How is LTI awarded?</td><td>All LTI grants are delivered in the form of SARs, i.e. a conditional entitlement to a fully paid ordinary share at zero price, subject to satisfaction of the performance condition. Nothing is payable by Senior Executives if and when SARs vest. The Board has discretion to settle the SARs in cash if they vest.</td></tr>
<tr><td>What is the performance period?</td><td>SARs issued under the annual LTI program after 2014 have a four-year performance period. This period represents an appropriate balance between providing a genuine and foreseeable incentive to Senior Executives and fostering a long-term view of shareholder interests.</td></tr>
<tr><td>What performance hurdles are applied to the LTI?</td><td>Vesting of the 2015 LTI grants is based on the Company's relative TSR against the companies comprising the ASX 100 (75%) and S&P GEI (25%). The Board has discretion to adjust the comparator group; for example to take account of takeovers, mergers and demergers that occur during the performance period. Relative TSR performance is tested by an independent third party and reviewed by the Board prior to vesting.</td></tr>
<tr><td>Why has relative TSR been chosen as the company's LTI performance hurdle?</td><td>The Board believes that relative TSR effectively aligns the interests of individual Senior Executives with that of the Company's shareholders, by motivating Senior Executives to achieve superior shareholder outcomes relative to Santos' competitors for investor capital and its energy sector peers. TSR takes into account share price and dividend yield and is therefore a robust and objective measure of shareholder returns. Individual LTI awards in 2015 were divided so that the TSR hurdle for 75% of the award is measured relative to companies in the ASX 100 and 25% is measured against companies in the S&P GEI.</td></tr>
<tr><td>Why have the ASX 100 and S&P Global Energy Index been chosen?</td><td>The ASX 100 represents the companies in which most of the Company's shareholders would invest as an alternative to Santos. If Santos performs well relative to these companies, it means that Santos shareholders' investments have performed well relative to alternative investments. The S&P GEI was chosen as a second comparator group because the global energy market is of increasing relevance to Santos. Many of the companies that comprise the S&P GEI have oil and gas operations and are likely to be affected by similar global cyclical issues as Santos. Santos' major competitors are included in the Index, along with other leading industry players based in various countries.</td></tr>
<tr><td>How is vesting determined?</td><td>Vesting of the 2015 LTI grants will be in accordance with the following schedule:
<table>
<tr><th>TSR percentile ranking</th><th>% of grant vesting</th></tr>
<tr><td>< 51st percentile</td><td>0%</td></tr>
<tr><td>= 51st percentile</td><td>50%</td></tr>
<tr><td>52nd to 75th percentile</td><td>Further 2% for each percentile improvement above the 51st percentile</td></tr>
<tr><td>76th to 100th percentile</td><td>100%</td></tr>
</table>
This vesting scale applies to both the CEO and Senior Executives' annual LTI grants. There is no re-testing of the performance condition. SARs that do not vest upon testing of the performance condition will lapse.</td></tr>
<tr><td>When can vested SARs be traded?</td><td>Upon vesting of SARs, shares will automatically be allocated to the Senior Executive. Trading in these shares is subject to compliance with the Company's Securities Trading Policy.</td></tr>
</table>

Directors' Report
continued

INDEMNIFICATION

Rule 61 of the Company's Constitution provides that the Company indemnifies, on a full indemnity basis and to the full extent permitted by law, officers of the Company for all losses or liabilities incurred by the person as an officer of the Company, a related body corporate or trustee of a company-sponsored superannuation fund. Rule 61 does not permit the Company to indemnify an officer for any liability involving a lack of good faith.

Rule 61 also permits the Company to purchase and maintain a Directors' and Officers' insurance policy.

In conformity with Rule 61, the Company is party to Deeds of Indemnity in favour of each of the Directors referred to in this report who held office during the year and certain Senior Executives of the consolidated entity. The indemnities operate to the full extent permitted by law and are not subject to a monetary limit. Santos is not aware of any liability having arisen, and no claims have been made, during or since the financial year ending 31 December 2015 under the Deeds of Indemnity.

During the year, the Company paid premiums in respect of Directors' and Officers' Liability and Legal Expenses insurance contracts for the year ended 31 December 2015 and since the end of the year the Company has paid, or agreed to pay, premiums in respect of such contracts for the year ending 31 December 2016. The insurance contracts insure against certain liability (subject to exclusions) persons who are or have been directors or officers of the Company and its controlled entities. A condition of the contracts is that the nature of the liability indemnified and the premium payable not be disclosed.

NON-AUDIT SERVICES

Amounts paid or payable to the Company's auditor, Ernst & Young, for non-audit services provided during the year were:

Taxation and other services	$84,000
Assurance services	$507,000

The Directors are satisfied, based on the advice of the Audit & Risk Committee, that the provision of the non-audit services detailed above by Ernst & Young is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The reason for forming this opinion is that all non-audit services have been reviewed by the Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 122.

ROUNDING

Australian Securities and Investments Commission Class Order 98/100, dated 10 July 1998, applies to the Company. Accordingly, amounts have been rounded off in accordance with that Class Order, unless otherwise indicated.

This report is made out on 19 February 2016 in accordance with a resolution of the Directors.

Director

Financial Report

Consolidated Income Statement
for the year ended 31 December 2015

	Note	2015 $million	2014 $million
Product sales	2.2	**3,246**	4,037
Cost of sales	2.3	**(2,513)**	(2,899)
Gross profit		**733**	1,138
Other revenue		**48**	62
Other income		**13**	12
Impairment of non-current assets	3.3	**(3,924)**	(2,356)
Other expenses	2.3	**(192)**	(154)
Finance income	5.2	**7**	19
Finance costs	5.2	**(297)**	(116)
Share of net profit of joint ventures	6.3(c)	**14**	17
Loss before tax		**(3,598)**	(1,378)
Income tax benefit	2.4(a)	**868**	316
Royalty-related tax benefit	2.4(b)	**32**	127
Total tax benefit		**900**	443
Net loss for the period attributable to owners of Santos Limited		**(2,698)**	(935)
Earnings per share attributable to the equity holders of Santos Limited (¢)			
Basic loss per share	2.5	**(234.2)**	(95.6)
Diluted loss per share	2.5	**(234.2)**	(95.6)
Dividends per share (¢)			
Paid during the period	2.6	**30**	35
Declared in respect of the period	2.6	**20**	35

The consolidated income statement is to be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2015

	2015 $million	2014 $million
Net loss for the period	**(2,698)**	(935)
Other comprehensive income, net of tax:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange gain on translation of foreign operations	**958**	623
Tax effect	**–**	–
	958	623
Loss on foreign currency loans designated as hedges of net investments in foreign operations	**(704)**	(450)
Tax effect	**211**	135
	(493)	(315)
Loss on derivatives designated as cash flow hedges	**7**	(13)
Tax effect	**(2)**	4
	5	(9)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**470**	299
Items not to be reclassified to profit or loss in subsequent periods:		
Remeasurement of defined benefit obligation	**10**	–
Tax effect	**(3)**	–
	7	–
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	**7**	–
Other comprehensive income, net of tax	**477**	299
Total comprehensive loss attributable to owners of Santos Limited	**(2,221)**	(636)

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of Financial Position
for the year ended 31 December 2015

	Note	2015 $million	2014 $million
Current assets			
Cash and cash equivalents	4.1	**1,154**	775
Trade and other receivables	4.2	**539**	633
Prepayments		**64**	91
Inventories	4.3	**495**	443
Other financial assets	5.5(f)	**1**	66
Tax receivable		**117**	57
Assets held for sale	3.6	**551**	–
Total current assets		**2,921**	2,065
Non-current assets			
Receivables	4.2	**6**	10
Prepayments		**28**	189
Investments in joint ventures	6.3(b)	**98**	97
Other financial assets	5.5(f)	**217**	166
Exploration and evaluation assets	3.1	**715**	1,106
Oil and gas assets	3.2	**17,052**	18,422
Other land, buildings, plant and equipment		**249**	267
Deferred tax assets	2.4(d)	**640**	23
Total non-current assets		**19,005**	20,280
Total assets		**21,926**	22,345
Current liabilities			
Trade and other payables	4.4	**849**	1,382
Deferred income		**9**	51
Interest-bearing loans and borrowings	5.1	**210**	327
Current tax liabilities		**11**	14
Provisions	3.4, 7.1	**172**	169
Other financial liabilities	5.5(f)	**3**	3
Liabilities directly associated with assets held for sale	3.6	**19**	–
Total current liabilities		**1,273**	1,946
Non-current liabilities			
Deferred income		**218**	150
Interest-bearing loans and borrowings	5.1	**7,211**	7,925
Deferred tax liabilities	2.4(d)	**211**	594
Provisions	3.4, 7.1	**2,387**	2,136
Other financial liabilities	5.5(f)	**424**	181
Total non-current liabilities		**10,451**	10,986
Total liabilities		**11,724**	12,932
Net assets		**10,202**	9,413
Equity			
Issued capital	5.3	**10,192**	6,905
Reserves	5.4	**985**	346
Accumulated losses	5.4	**(975)**	2,166
Equity attributable to owners of Santos Limited		**10,202**	9,417
Non-controlling interests		**–**	(4)
Total equity		**10,202**	9,413

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 December 2015

	Note	2015 $million	2014 $million
Cash flows from operating activities			
Receipts from customers		**3,562**	4,399
Dividends received		**17**	18
Pipeline tariffs and other receipts		**88**	130
Payments to suppliers and employees		**(2,035)**	(2,222)
Exploration and evaluation seismic and studies		**(151)**	(150)
Royalty and excise paid		**(57)**	(97)
Borrowing costs paid		**(219)**	(49)
Carbon costs paid		**(20)**	(52)
Income taxes paid		**(68)**	(115)
Royalty-related tax paid		**(58)**	(49)
Other operating activities		**35**	30
Net cash provided by operating activities	4.1(b)	**1,094**	1,843
Cash flows from investing activities			
Payments for:			
Exploration and evaluation assets		**(370)**	(455)
Oil and gas assets		**(1,487)**	(2,834)
Other land, buildings, plant and equipment		**(22)**	(52)
Acquisitions of oil and gas assets		**(128)**	(33)
Acquisitions of controlled entities		**–**	(8)
Proceeds from disposal of non-current assets	2.2	**77**	1
Borrowing costs paid		**(146)**	(223)
Other investing activities		**(26)**	(7)
Net cash used in investing activities		**(2,102)**	(3,611)
Cash flows from financing activities			
Dividends paid		**(215)**	(196)
Drawdown of borrowings		**904**	2,167
Repayment of borrowings		**(2,516)**	(86)
Proceeds from issues of ordinary shares		**3,193**	10
Net cash provided by financing activities		**1,366**	1,895
Net increase in cash and cash equivalents		**358**	127
Cash and cash equivalents at the beginning of the period		**775**	644
Effects of exchange rate changes on the balances of cash held in foreign currencies		**21**	4
Cash and cash equivalents at the end of the period	4.1	**1,154**	775

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2015

		Equity attributable to owners of Santos Limited							
	Note	Issued capital $million	Translation reserve $million	Hedging reserve $million	Accumulated profits reserve $million	Accumulated profits/(losses) $million	Total equity $million	Non-controlling interests $million	Total equity $million
Balance at 1 January 2014		6,749	57	(10)	–	3,420	10,216	(4)	10,212
Loss for the period		–	–	–	–	(935)	(935)	–	(935)
Other comprehensive income/(loss) for the period		–	308	(9)	–	–	299	–	299
Total comprehensive income/(loss) for the period		–	308	(9)	–	(935)	(636)	–	(636)
Transactions with owners in their capacity as owners:									
Shares issued	5.3	156	–	–	–	–	156	–	156
Dividends to shareholders	2.6	–	–	–	–	(341)	(341)	–	(341)
Share-based payment transactions		–	–	–	–	22	22	–	22
Balance at 31 December 2014		6,905	365	(19)	–	2,166	9,417	(4)	9,413
Balance at 1 January 2015		**6,905**	**365**	**(19)**	**–**	**2,166**	**9,417**	**(4)**	**9,413**
Transfer retained profits to accumulated profits reserve	5.4	**–**	**–**	**–**	**167**	**(167)**	**–**	**–**	**–**
Items of comprehensive income:									
Loss for the period		**–**	**–**	**–**	**–**	**(2,698)**	**(2,698)**	**–**	**(2,698)**
Other comprehensive income for the period		**–**	**465**	**5**	**–**	**7**	**477**	**–**	**477**
Total comprehensive income/(loss) for the period		**–**	**465**	**5**	**–**	**(2,691)**	**(2,221)**	**–**	**(2,221)**
Transactions with owners in their capacity as owners:									
Shares issued	5.3	**3,287**	**–**	**–**	**–**	**–**	**3,287**	**–**	**3,287**
Dividends to shareholders	2.6	**–**	**–**	**–**	**–**	**(298)**	**(298)**	**–**	**(298)**
Share-based payment transactions		**–**	**–**	**–**	**–**	**21**	**21**	**–**	**21**
Non-controlling interest exit from foreign operations		**–**	**2**	**–**	**–**	**(6)**	**(4)**	**4**	**–**
Balance at 31 December 2015		**10,192**	**832**	**(14)**	**167**	**(975)**	**10,202**	**–**	**10,202**

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2015

STRUCTURE OF THE FINANCIAL REPORT

In preparing the 2015 financial report a thorough review of the content and structure has been conducted, resulting in changes to its layout and wording. These changes have been made to reduce complexity and increase relevance to users. The revised notes include information that is considered material and relevant to an understanding of the results of the Group.

The notes are organised into key sections to provide an enhanced understanding of the Group's performance that is aligned with management's view of the business, as shown below.

Significant and other accounting policies that summarise the measurement bases and that are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Notes to the Consolidated Financial Statements
Section 1: Basis of Preparation

This section provides information about the basis of preparation of the financial report, and certain accounting policies that are not disclosed elsewhere in the financial report. Accounting policies specific to individual elements of the financial statements are located with the relevant section of the report.

1.1 STATEMENT OF COMPLIANCE

The consolidated financial report of Santos Limited ("the Company") for the year ended 31 December 2015 was authorised for issue in accordance with a resolution of the Directors on 19 February 2016.

The consolidated financial report of the Company for the year ended 31 December 2015 comprises the Company and its controlled entities ("the Group"). Santos Limited ("the Parent") is a company limited by shares incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange ("ASX") and is the ultimate parent entity in the Group. The Group is a for-profit entity for the purpose of preparing the financial report. The nature of the operations and principal activities of the Group are described in the Directors' Report.

This consolidated financial report is:

- a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB");
- compliant with Australian Accounting Standards as issued by the AASB and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, including new and amended accounting standards issued and effective for reporting periods beginning on or after 1 January 2015;
- presented in Australian dollars;
- prepared on the historical cost basis except for derivative financial instruments, fixed rate notes that are hedged by an interest rate swap or a cross-currency swap, and available-for-sale financial assets, which are measured at fair value; and
- rounded to the nearest million dollars, unless otherwise stated, in accordance with ASIC Class Order 98/100.

1.2 KEY EVENTS IN THE CURRENT PERIOD

The financial position and performance of the Group was particularly impacted by the following events and transactions during the year:

- first production and sale of LNG from the GLNG project in October 2015;
- completion of a Strategic Review in November 2015 culminating in the raising of $3,000 million of equity and the agreement to sell the Group's share in the Kipper gas project for $520 million (the sale remains subject to outstanding conditions which have not yet been met, and therefore has not been recorded during the 2015 year);
- production of 57.7mmboe compared to 54.1mmboe in 2014; and
- average realised oil price of A$71.44 per barrel compared to A$114.21 per barrel in 2014.

1.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The carrying amounts of certain assets and liabilities are often determined based on management's judgement regarding estimates and assumptions of future events. The key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the next annual reporting period are disclosed in the following notes:

- Note 2.4 Taxation
- Note 3.1 Exploration and evaluation assets
- Note 3.2 Oil and gas assets – Estimates of reserve quantities
- Note 3.3 Impairment of non-current assets
- Note 3.4 Restoration obligations

In addition to the significant judgements referenced above, other areas of estimation and judgement are highlighted throughout the financial report.

1.4 FOREIGN CURRENCY

Functional and presentation currency

Both the currency of the Parent and the presentation currency of the Group are Australian dollars. Some subsidiaries have a functional currency other than Australian dollars which is translated to the presentation currency.

Transactions and balances

Transactions in currencies other than an entity's functional currency are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than an entity's functional currency are retranslated at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognised in the income statement.

Foreign exchange differences that arise on the translation of monetary items that form part of the net investment in a foreign operation are recognised in the translation reserve in the consolidated financial statements.

Non-monetary assets and liabilities that are measured in terms of historical cost in currencies other than an entity's functional currency are translated using the exchange rate at the date of the initial transaction. Non-monetary assets and liabilities denominated in currencies other than an entity's functional currency that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The year-end exchange rate used was A$/US$ 1:0.7274 (2014: 1:0.8181).

Group companies

The results of subsidiaries with a functional currency other than Australian dollars are translated to Australian dollars as at the date of each transaction. The assets and liabilities are translated to Australian dollars at foreign exchange rates ruling at the reporting date. Foreign exchange differences arising on retranslation are recognised directly in the translation reserve.

Exchange differences arising from the translation of the net investment in foreign operations and of related hedges are recognised in the translation reserve. They are released into the income statement upon disposal of the foreign operation.

Also refer to note 5.5(b) Foreign currency risk.

Notes to the Consolidated Financial Statements
Section 2: Financial Performance

This section focuses on the operating results and financial performance of the Group. It includes disclosures of segmental financial information, taxes, dividends, and earnings per share including the relevant accounting policies adopted in each area.

2.1 SEGMENT INFORMATION

The Group has identified its operating segments to be the four business units of Eastern Australia; Western Australia and Northern Territory ("WA&NT"); Asia Pacific; and Gladstone LNG ("GLNG"), based on the nature and geographical location of the assets. This is the basis on which internal reports are provided to the Chief Executive Officer for assessing performance and determining the allocation of resources within the Group.

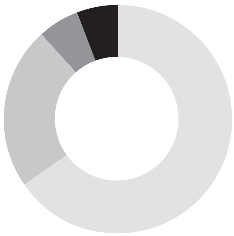
The Chief Executive Officer monitors the operating results of the business units separately for the purposes of allocating resources and assessing performance. Segment performance is measured based on earnings before interest, tax, impairment, exploration and evaluation, and gains or losses on sale of non-current assets and controlled entities "EBITX". Corporate and exploration expenditure and inter-segment eliminations are included in the segment disclosure for reconciliation purposes.

2.1 SEGMENT INFORMATION (CONTINUED)

$million	Eastern Australia 2015	WA&NT 2015	Asia Pacific 2015	GLNG 2015	Corporate, exploration, eliminations 2015	Total 2015
Revenue						
Sales to external customers	1,307	722	1,123	94	–	3,246
Inter-segment sales[1]	18	–	–	16	(34)	–
Other revenue from external customers	25	–	13	6	4	48
Total segment revenue	**1,350**	**722**	**1,136**	**116**	**(30)**	**3,294**
Costs						
Production costs	(305)	(304)	(209)	(33)	57	(794)
Other operating costs	(157)	(4)	(78)	(29)	–	(268)
Third-party product purchases	(413)	–	(1)	(62)	–	(476)
Inter-segment purchases[1]	(16)	–	–	(18)	34	–
Results						
EBITDAX	**421**	**424**	**827**	**8**	**239**	**1,919**
Depreciation and depletion	(420)	(225)	(278)	(92)	(44)	(1,059)
Less (gains)/losses on sale of non-current assets	2	(4)	–	–	–	(2)
EBITX	**3**	**195**	**549**	**(84)**	**195**	**858**
Add back gains/(losses) on sale of non-current assets	(2)	4	–	–	–	2
Exploration and evaluation expensed	–	–	–	–	(244)	(244)
Net impairment loss	(2,774)	(340)	(186)	(624)	–	(3,924)
EBIT	**(2,773)**	**(141)**	**363**	**(708)**	**(49)**	**(3,308)**
Net finance costs					(290)	(290)
Loss before tax						(3,598)
Income tax benefit					868	868
Royalty-related tax benefit	70	(40)	–	2	–	32
Net loss						**(2,698)**
Asset additions and acquisitions:						
Exploration and evaluation assets	96	10	287	17	–	410
Oil and gas assets	739	182	135	614	–	1,670
	835	**192**	**422**	**631**	**–**	**2,080**

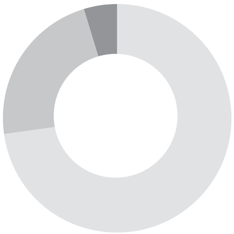
1 Inter-segment pricing is determined on an arm's length basis. Inter-segment sales and purchases are eliminated on consolidation.

2015 Revenue from external customers by geographical location $million



Australia	2,157
Papua New Guinea	753
Vietnam	199
Other countries	185
Total	3,294

2015 Non-current assets by geographical location (excluding financial and deferred tax assets) $million



Australia	13,203
Papua New Guinea	4,071
Other countries	840
Total	18,114

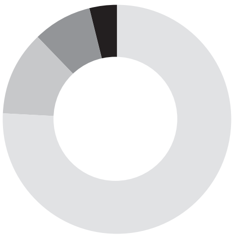
Notes to the Consolidated Financial Statements
Section 2: Financial Performance

2.1 SEGMENT INFORMATION (CONTINUED)

$million	Eastern Australia 2014	WA&NT 2014	Asia Pacific 2014	GLNG 2014	Corporate, exploration, eliminations 2014	Total 2014
Revenue						
Sales to external customers	1,964	1,057	972	44	–	4,037
Inter-segment sales[1]	–	–	–	13	(13)	–
Other revenue from external customers	37	–	13	2	10	62
Total segment revenue	**2,001**	**1,057**	**985**	**59**	**(3)**	**4,099**
Costs						
Production costs	(340)	(385)	(170)	(12)	60	(847)
Other operating costs	(198)	(10)	(71)	(20)	–	(299)
Third-party product purchases	(749)	(1)	–	(36)	–	(786)
Inter-segment purchases[1]	(13)	–	–	–	13	–
Results						
EBITDAX	**693**	**635**	**743**	**(10)**	**258**	**2,319**
Depreciation and depletion	(438)	(257)	(218)	(34)	(41)	(988)
Less (gains)/losses on sale of non-current assets	(5)	–	–	–	1	(4)
EBITX	**250**	**378**	**525**	**(44)**	**218**	**1,327**
Add back gains/(losses) on sale of non-current assets	5	–	–	–	(1)	4
Exploration and evaluation expensed	–	–	–	–	(256)	(256)
Net impairment loss	(1,666)	(456)	(220)	–	(14)	(2,356)
EBIT	**(1,411)**	**(78)**	**305**	**(44)**	**(53)**	**(1,281)**
Net finance costs						(97)
Loss before tax						**(1,378)**
Income tax benefit					316	316
Royalty-related tax benefit	26	100	–	1	–	127
Net loss						**(935)**
Asset additions and acquisitions:						
Exploration and evaluation assets	278	61	166	10	–	515
Oil and gas assets	1,255	280	435	1,582	–	3,552
	1,533	**341**	**601**	**1,592**	**–**	**4,067**

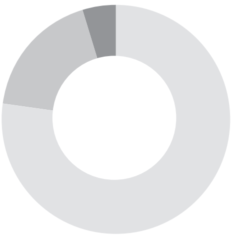
1 Inter-segment pricing is determined on an arm's length basis. Inter-segment sales and purchases are eliminated on consolidation.

2014 Revenue from external customers by geographical location $million



Australia	3,115
Papua New Guinea	492
Vietnam	337
Other countries	155
Total	4,099

2014 Non-current assets by geographical location (excluding financial and deferred tax assets) $million



Australia	15,410
Papua New Guinea	3,561
Other countries	921
Total	19,892

2.2 REVENUE

Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is recognised and measured at the fair value of the consideration or contributions received, net of goods and services tax or similar taxes, to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sales revenue

Sales revenue is recognised on the basis of the Group's interest in a producing field ("entitlements" method), when the physical product and associated risks and rewards of ownership pass to the purchaser, which is generally at the time of ship or truck loading, or on the product entering the pipeline.

Revenue earned under a production sharing contract ("PSC") is recognised on a net entitlements basis according to the terms of the PSC. Generally, under these terms the local government retains title to the resources, and is therefore entitled to its share of the production and revenue, after allowing for the joint venture partners to extract and sell their share of hydrocarbons to recover specified costs and a profit margin.

During the year, revenue from one customer amounted to $620 million (2014: $1,153 million from two customers), arising from sales from all segments of the Group.

Deferred income

A liability is recorded for obligations under sales contracts to deliver natural gas in future periods for which payment has already been received.

Sales revenue	**2015 $million**	2014 $million
Product sales:		
Gas, ethane and liquefied natural gas	**1,918**	1,687
Crude oil	**982**	1,878
Condensate and naphtha	**243**	317
Liquefied petroleum gas	**103**	155
Total product sales[1]	**3,246**	4,037

1 Total product sales include third-party product sales of $589 million (2014: $932 million).

Notes to the Consolidated Financial Statements
Section 2: Financial Performance

2.2 REVENUE (CONTINUED)

Sale of non-current assets	**2015 $million**	2014 $million
Net gain on sale of non-current assets		
Proceeds on disposals	**127**	7
Book value of oil and gas assets disposed	**(77)**	(2)
Book value of other land, buildings, plant and equipment disposed	**(3)**	(1)
Book value of exploration and evaluation assets disposed	**(35)**	–
Recoupment of current year exploration and evaluation expenditure	**(12)**	–
Book value of working capital disposed	**2**	–
Total net gain on sale of non-current assets	**2**	4
Comprising:		
Net gain on sale of exploration and evaluation assets	**4**	–
Net (loss)/gain on sale of oil and gas assets	**(4)**	5
Net gain/(loss) on sale of other land, buildings, plant and equipment	**2**	(1)
	2	4
Reconciliation to cash inflows from proceeds on disposal of non-current assets		
Proceeds after recoupment of current year exploration and evaluation expenditure	**115**	7
Amounts receivable	**(38)**	(6)
Amounts received from current year disposals	**77**	1
Total proceeds on disposal of non-current assets	**77**	1
Comprising:		
Proceeds from disposal of oil and gas assets	**42**	1
Proceeds from disposal of exploration and evaluation assets	**35**	–
	77	1

2.3 EXPENSES

	2015 $million	2014 $million
Cost of sales:		
Production costs:		
Production expenses	**696**	746
Production facilities operating leases	**98**	101
Total production costs	**794**	847
Other operating costs:		
LNG plant costs	**39**	16
Pipeline tariffs, processing tolls and other	**143**	136
Royalty and excise	**56**	99
Carbon costs	**–**	30
Shipping costs	**30**	18
Total other operating costs	**268**	299
Total cash cost of production	**1,062**	1,146
Depreciation of plant, equipment and buildings	**628**	529
Depletion of subsurface assets	**428**	459
Total depreciation and depletion	**1,056**	988
Third-party product purchases	**476**	786
Increase in product stock	**(81)**	(21)
Total cost of sales	**2,513**	2,899
Other expenses:		
Selling	**27**	25
Corporate	**172**	93
Depreciation	**3**	–
Foreign exchange losses/(gains)[1]	**(251)**	(161)
Losses from change in fair value of derivative financial assets designated as fair value through profit or loss	**6**	4
Fair value hedges, (gains)/losses:		
On the hedging instrument	**65**	(83)
On the hedged item attributable to the hedged risk	**(86)**	20
Exploration and evaluation expensed	**244**	256
Other	**12**	–
Total other expenses	**192**	154

1. Reclassification: foreign exchange losses/(gains) previously included the effects of foreign exchange on Australian dollar-denominated tax bases of Group entities with functional currencies other than Australian dollars. Further accounting guidance on the matter was released by the IFRS Interpretations Committee during 2015 and early 2016 clarifying that such amounts are to be classified as tax gains/losses rather than foreign exchange gains/losses. Consequently a $213 million loss in 2015 has been classified as a tax expense, and a $166 million loss in 2014 has been re-classified from foreign exchange gains to tax expense.

Notes to the Consolidated Financial Statements
Section 2: Financial Performance

2.4 TAXATION

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except in relation to items recognised directly in equity.

Current tax is the amount of income tax payable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

The Company and all of its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Santos Limited is the head entity in the tax-consolidated group. The head entity and the controlled entities in the tax-consolidated group continue to account for their own current and deferred tax amounts. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

The Company and the other entities in the tax-consolidated group have entered into a tax funding agreement and a tax sharing agreement.

2.4 TAXATION (CONTINUED)

Royalty-related tax

Petroleum Resource Rent Tax ("PRRT"), Resource Rent Royalty and Timor-Leste's Additional Profits Tax are accounted for as income tax.

Recognised in the income statement	2015 $million	2014 $million
(a) Income tax expense/(benefit)		
Current tax expense/(benefit)		
Current year	**10**	(156)
Adjustments for prior years	**22**	(4)
	32	(160)
Deferred tax benefit		
Origination and reversal of temporary differences	**(809)**	(144)
Adjustments for prior years	**(91)**	(12)
	(900)	(156)
Total income tax benefit	**(868)**	(316)
(b) Royalty-related tax expense/(benefit)		
Current tax expense/(benefit)		
Current year	**35**	47
	35	47
Deferred tax benefit		
Origination and reversal of temporary differences	**(67)**	(174)
	(67)	(174)
Total royalty-related tax benefit	**(32)**	(127)
(c) Numerical reconciliation between pre-tax net loss and tax benefit		
Loss before tax	**(3,598)**	(1,378)
Prima facie income tax benefit at 30% (2014: 30%)	**(1,079)**	(413)
Increase/(decrease) in income tax (benefit)/expense due to:		
Foreign losses not recognised	**39**	17
Non-deductible expenses	**11**	12
Exchange and other translation variations	**150**	100
Tax adjustments relating to prior years	**7**	(6)
Other	**4**	(26)
Income tax benefit	**(868)**	(316)
Royalty-related tax benefit	**(32)**	(127)
Total tax benefit	**(900)**	(443)

Notes to the Consolidated Financial Statements
Section 2: Financial Performance

2.4 TAXATION (CONTINUED)

Deferred tax assets and liabilities

Deferred tax is determined using the statement of financial position approach, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the appropriate tax bases.

The following temporary differences are not provided for:

- the initial recognition of assets or liabilities that affect neither accounting or taxable profit; nor
- differences relating to investments in subsidiaries to the extent it is probable that they will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Significant judgement – Deferred taxes recognised

The calculation of the Group's tax charge involves a degree of estimation and judgement in respect of certain items for which the ultimate tax determination is uncertain.

The Group recognises deferred tax assets only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

	Assets		Liabilities		Net	
Recognised assets and liabilities	**2015 $million**	2014 $million	**2015 $million**	2014 $million	**2015 $million**	2014 $million
Exploration and evaluation assets	**–**	19	**(76)**	(274)	**(76)**	(255)
Oil and gas assets	**–**	–	**(339)**	(721)	**(339)**	(721)
Available-for-sale financial assets	**–**	–	**(28)**	(24)	**(28)**	(24)
Other assets	**11**	3	**(58)**	(31)	**(47)**	(28)
Derivative financial instruments	**80**	4	**–**	–	**80**	4
Interest-bearing loans and borrowings	**240**	151	**–**	(7)	**240**	144
Provisions	**60**	130	**–**	–	**60**	130
Royalty-related tax	**–**	–	**(74)**	(120)	**(74)**	(120)
Other items	**8**	3	**(16)**	(7)	**(8)**	(4)
Tax value of carry-forward losses recognised	**621**	303	**–**	–	**621**	303
Tax assets/(liabilities)	**1,020**	613	**(591)**	(1,184)	**429**	(571)
Set-off of tax	**(380)**	(590)	**380**	590	**–**	–
Net tax assets/(liabilities)	**640**	23	**(211)**	(594)	**429**	(571)

2.4 TAXATION (CONTINUED)

Accounting judgement and estimate – Deferred taxes unrecognised

Deferred tax assets have not been recognised in respect of the following items because it is not probable that the temporary differences will reverse in the future and that there will be sufficient future taxable profits against which the benefits can be utilised. Tax losses of $89 million (2014: $79 million) will expire between 2021 and 2028. The remaining deductible temporary differences and tax losses do not expire under current tax legislation.

Unrecognised deferred tax assets	**2015 $million**	2014 $million
Deferred tax assets have not been recognised in respect of the following items:		
Temporary differences in relation to investments in subsidiaries	**7,597**	5,536
Deductible temporary differences relating to royalty-related tax (net of income tax)	**6,090**	4,817
Other deductible temporary differences	**303**	172
Tax losses	**503**	443
	14,493	10,968

Notes to the Consolidated Financial Statements
Section 2: Financial Performance

2.5 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit or loss for the year attributable to ordinary equity holders of Santos Limited by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by adjusting basic earnings per share by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Earnings used in the calculation of basic and diluted earnings per share reconciles to the net profit or loss after tax in the income statement as follows:

	2015 $million	2014 $million
Statutory earnings used in the calculation of basic and diluted earnings per share	**(2,698)**	(935)
Underlying earnings (refer reconciliation below) used in the calculation of underlying earnings per share	**50**	533

The weighted average number of shares used for the purpose of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows:

	2015 Number of shares	2014 Number of shares
Basic earnings per share	**1,151,977,771**	978,166,528
Dilutive potential ordinary shares[1]	**–**	–
Diluted earnings per share	**1,151,977,771**	978,166,528

Earnings per share attributable to the equity holders of Santos Limited	**2015 ¢**	2014 ¢
Basic earnings per share	**(234.2)**	(95.6)
Diluted earnings per share	**(234.2)**	(95.6)
Underlying earnings per share	**4.3**	54.5

Underlying earnings

Underlying earnings is presented to provide an understanding of the Group's underlying performance as used by management. Underlying earnings excludes the impacts of asset acquisitions, disposals and impairments, and items that are subject to significant variability from one period to the next, including the effects of fair-value adjustments and fluctuations in exchange rates.

Reconciliation of underlying profit	**2015 $million**	2014 $million
Net loss after tax attributable to equity holders of Santos Limited	**(2,698)**	(935)
Add/(deduct) the following items (after impact of tax):		
Net gain on sale of non-current assets	**(1)**	(3)
Impairment losses after tax	**2,761**	1,563
Foreign exchange (gains)/losses	**(28)**	3
Fair value adjustments on embedded derivatives and hedges	**(10)**	(42)
Remediation (income)/costs net of insurance recoveries	**–**	(4)
Other expense items, including redundancy and restructure costs	**48**	–
Other tax adjustments	**(22)**	(49)
Underlying profit[2]	**50**	533

1 Due to a net loss after tax in 2014 and 2015, potential ordinary shares are anti-dilutive and therefore excluded from the calculation of diluted earnings per share.

2 Underlying profit is a non-IFRS measure that is unaudited. However, the numbers have been extracted from the financial statements which have been subject to audit by the Company's auditor.

2.6 DIVIDENDS

Dividends are recognised as a liability at the time the Directors resolve to pay or declare the dividend.

Dividends recognised during the year	Dividend per share ¢	Total $million
2015		
Interim 2015 ordinary – paid 30 Sep 2015	**15**	**150**
Final 2014 ordinary – paid 25 Mar 2015	**15**	**148**
	30	**298**
2014		
Interim 2014 ordinary – paid 30 Sep 2014	20	195
Final 2013 ordinary – paid 26 Mar 2014	15	146
	35	341

Dividends declared in respect of the year	Dividend per share ¢	Total $million
2015		
Final 2015 ordinary[1] – to be paid 30 Mar 2016	**5**	**88**
Interim 2015 ordinary – paid 30 Sep 2015	**15**	**150**
	20	**238**
2014		
Final 2014 ordinary – paid 25 Mar 2015	15	148
Interim 2014 ordinary – paid 30 Sep 2014	20	195
	35	343

1. After the reporting date, the final 2015 ordinary dividend of 5 cents per share was proposed by the Directors. The financial effect of these dividends has not been brought to account in the financial statements for the year ended 31 December 2015 and will be recognised in the subsequent period.

All dividends declared during the year were franked dividends and were franked at the tax rate of 30%.

Dividend franking account	2015 $million	2014 $million
30% franking credits available to the shareholders of Santos Limited for future distribution, after adjusting for franking credits which will arise from the payment of the current tax liability at 31 December	**590**	737

The impact on the dividend franking account of dividends proposed after the reporting date but not recognised as a liability is to reduce it by $38 million (2014: $63 million).

Notes to the Consolidated Financial Statements
Section 3: Capital Expenditure, Operating Assets and Restoration Obligations

This section includes information about the assets used by the Group to generate profits and revenue, specifically information relating to exploration and evaluation assets, oil and gas assets, associated restoration obligations, and commitments for capital expenditure not yet recognised as a liability.

The life cycle of our assets is summarised as follow:

Exploration and evaluation ▶ Appraisal drilling ▶ Development ▶ Production ▶ Decomissioning ▶ Abandonment and restoration

Key information to note in this section includes:

- the carrying values of various exploration and evaluation assets and oil and gas assets were written down at 31 December 2015. As a result a pre-tax impairment charge of $3,924 million was recognised in impairment expenses; and
- significant movements in oil and gas assets resulted from the continued construction of the GLNG and PNG LNG projects, with the completion of various aspects of these projects seeing the assets transition from assets in development to producing assets.

3.1 EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Expenditure in respect of each area of interest is accounted for using the successful efforts method of accounting.

The successful efforts method requires all exploration and evaluation expenditure to be expensed in the period it is incurred, except the costs of acquiring interests in new exploration and evaluation assets, the cost of successful wells and appraisal costs relating to determining development feasibility, which are capitalised as intangible exploration and evaluation assets.

Exploration and evaluation expenditure is recognised in relation to an area of interest when the rights to tenure of the area of interest are current and either:

- such expenditure is expected to be recovered through successful development and commercial exploitation of the area of interest or, alternatively, by its sale; or
- the exploration activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Where an ownership interest in an exploration and evaluation asset is exchanged for another, the transaction is recognised by reference to the carrying value of the original interest. Any cash consideration paid, including transaction costs, is accounted for as an acquisition of exploration and evaluation assets. Any cash consideration received, net of transaction costs, is treated as a recoupment of costs previously capitalised with any excess accounted for as a gain on disposal of non-current assets.

No amortisation is charged during the exploration and evaluation phase.

Acquisition of assets

All assets acquired are recorded at their cost of acquisition, being the amount of cash or cash equivalents paid, and the fair value of assets given, shares issued or liabilities incurred. The cost of an asset comprises the purchase price including any incidental costs directly attributable to the acquisition; any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating; and the estimate of the costs of dismantling and removing the asset and restoring the site on which it is located.

Exploration licence and leasehold property acquisition costs are capitalised as intangible assets. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

3.1 EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Significant judgement – Exploration and evaluation

The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, particularly in relation to the assessment of whether economic quantities of resources have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off through the income statement.

	2015 $million	2014 $million
Cost	**2,521**	2,336
Less impairment	**(1,806)**	(1,230)
Balance at 31 December	**715**	1,106
Reconciliation of movements		
Balance at 1 January	**1,106**	1,964
Acquisitions	**129**	64
Additions	**281**	451
Disposals and recoupment	**(34)**	–
Expensed	**(114)**	(95)
Impairment losses	**(685)**	(1,170)
Transfer to oil and gas assets in development	**–**	(10)
Transfer to oil and gas assets in production	**(1)**	(123)
Exchange differences	**33**	25
Balance at 31 December	**715**	1,106
Comprising:		
Acquisition costs	**285**	409
Successful exploration wells	**320**	581
Pending determination of success	**110**	116
	715	1,106

3.2 OIL AND GAS ASSETS

Oil and gas assets are usually single oil or gas fields being developed for future production or that are in the production phase. Where several individual oil or gas fields are to be produced through common facilities, the individual oil or gas field and the associated production facilities are managed and reported as a single oil and gas asset.

Assets in development

When the technical and commercial feasibility of an undeveloped oil or gas field has been demonstrated and approval of commercial development occurs, the field enters its development phase from the exploration and evaluation phase. Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines, and the drilling of development wells, as well as exploration and evaluation costs, are capitalised as tangible assets within oil and gas assets. Other subsurface expenditures include the costs of de-watering coal seam gas fields to provide access to coal seams to enable production from coal seam gas reserves. De-watering costs include the costs of extracting, transporting, treating and disposing of water during the development phase of the coal seam gas fields.

When commercial operation commences the accumulated costs are transferred to oil and gas producing assets.

Notes to the Consolidated Financial Statements
Section 3: Capital Expenditure, Operating Assets and Restoration Obligations

3.2 OIL AND GAS ASSETS (CONTINUED)

Producing assets

The costs of oil and gas assets in production are separately accounted for as tangible assets and include past exploration and evaluation costs, pre-production development costs and the ongoing costs of continuing to develop reserves for production and to expand or replace plant and equipment and any associated land and buildings.

Ongoing exploration and evaluation activities

Often the initial discovery and development of an oil or gas asset will lead to ongoing exploration for, and evaluation of, potential new oil or gas fields in the vicinity with the intention of producing any near-field discoveries using the infrastructure in place.

Exploration and evaluation expenditure associated with oil and gas assets is accounted for in accordance with the policy note in 3.1. Exploration and evaluation amounts capitalised in respect of oil and gas assets are separately disclosed in the table on page 79.

Depreciation and depletion

Depreciation charges are calculated to write off the value of buildings, plant and equipment over their estimated economic useful lives to the Group. Each component of an item of buildings, plant and equipment with a cost that is significant in relation to the total cost of the asset is depreciated separately.

Depreciation of onshore buildings, plant and equipment and corporate assets is calculated using the straight-line method of depreciation from the date the asset is available for use, unless a units of production method represents a more reasonable allocation of the asset's depreciable value over its economic useful life.

The estimated useful lives for each class of onshore assets for the current and comparative periods are generally as follows:

- Buildings 20 – 50 years
- Pipelines 10 – 30 years
- Plant and facilities 10 – 50 years

Depreciation of offshore plant and equipment is calculated using the units of production method from the date of commencement of production.

Significant judgement – Estimates of reserve quantities

The estimated quantities of Proven plus Probable ("2P") hydrocarbon reserves reported by the Group are integral to the calculation of depletion and depreciation expense and to assessments of possible impairment of assets. Estimated reserve quantities are based upon interpretations of geological and geophysical models and assessments of the technical feasibility and commercial viability of producing the reserves. These assessments require assumptions to be made regarding future development and production costs, commodity prices, exchange rates and fiscal regimes. The estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of operations. Reserves estimates are prepared in accordance with the Group's policies and procedures for reserves estimation which conform to guidelines prepared by the Society of Petroleum Engineers.

Accounting judgement and estimate – Depletion charges

Depletion and certain depreciation charges are calculated using the units of production method. This is based on barrels of oil equivalent which will amortise the cost of carried forward exploration, evaluation and subsurface development expenditure ("subsurface assets") over the life of the estimated 2P hydrocarbon reserves for an asset or group of assets, together with future subsurface costs necessary to develop the hydrocarbon reserves in the respective asset or group of assets.

3.2 OIL AND GAS ASSETS (CONTINUED)

	2015			2014		
	Subsurface assets $million	**Plant and equipment $million**	**Total $million**	Subsurface assets $million	Plant and equipment $million	Total $million
Cost	**13,278**	**21,400**	**34,678**	12,494	19,259	31,753
Less accumulated depreciation, depletion and impairment	**(9,692)**	**(7,934)**	**(17,626)**	(7,864)	(5,467)	(13,331)
Balance at 31 December	**3,586**	**13,466**	**17,052**	4,630	13,792	18,422
Reconciliation of movements						
Assets in development						
Balance at 1 January	**424**	**5,567**	**5,991**	1,225	7,832	9,057
Additions	**16**	**363**	**379**	248	1,637	1,885
Capitalised depreciation	**–**	**32**	**32**	–	15	15
Transfer from exploration and evaluation assets	**–**	**–**	**–**	10	–	10
Transfer to oil and gas assets in production	**(225)**	**(5,208)**	**(5,433)**	(1,094)	(4,386)	(5,480)
Transfer to oil and gas assets held for sale net of impairment	**(97)**	**(135)**	**(232)**	–	–	–
Net impairment losses on assets transferred to held for sale	**(13)**	**(19)**	**(32)**	–	–	–
Exchange differences	**27**	**694**	**721**	35	469	504
Balance at 31 December	**132**	**1,294**	**1,426**	424	5,567	5,991
Producing assets						
Balance at 1 January	**4,206**	**8,225**	**12,431**	3,417	3,349	6,766
Acquisitions of oil and gas assets	**1**	**–**	**1**	6	10	16
Additions	**536**	**722**	**1,258**	757	879	1,636
Transfer from exploration and evaluation assets	**1**	**–**	**1**	123	–	123
Transfer from oil and gas assets in development	**225**	**5,208**	**5,433**	1,094	4,386	5,480
Disposals	**(70)**	**(32)**	**(102)**	(7)	(3)	(10)
Depreciation and depletion	**(428)**	**(616)**	**(1,044)**	(459)	(499)	(958)
Net impairment losses	**(1,227)**	**(1,930)**	**(3,157)**	(820)	(273)	(1,093)
Impairment of exploration and evaluation expenditure pending commercialisation	**(44)**	**–**	**(44)**	(70)	–	(70)
Exchange differences	**254**	**595**	**849**	165	376	541
Balance at 31 December	**3,454**	**12,172**	**15,626**	4,206	8,225	12,431
Total oil and gas assets	**3,586**	**13,466**	**17,052**	4,630	13,792	18,422
Comprising:						
Exploration and evaluation expenditure pending commercialisation	**283**	**–**	**283**	184	–	184
Other capitalised expenditure	**3,303**	**13,466**	**16,769**	4,446	13,792	18,238
	3,586	**13,466**	**17,052**	4,630	13,792	18,422

Notes to the Consolidated Financial Statements
Section 3: Capital Expenditure, Operating Assets and Restoration Obligations

3.3 IMPAIRMENT OF NON-CURRENT ASSETS

The carrying amounts of the Group's oil and gas assets are reviewed at each reporting date to determine whether there is any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made.

Indicators of impairment – exploration and evaluation assets

The carrying amounts of the Group's exploration and evaluation assets are reviewed at each reporting date, to determine whether any of the following indicators of impairment exists:

(i) tenure over the licence area has expired during the period or will expire in the near future, and is not expected to be renewed; or

(ii) substantive expenditure on further exploration for, and evaluation of, mineral resources in the specific area is not budgeted or planned; or

(iii) exploration for, and evaluation of, resources in the specific area have not led to the discovery of commercially viable quantities of resources, and the Group has decided to discontinue activities in the specific area; or

(iv) sufficient data exists to indicate that although a development is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or from sale.

Cash generating units – oil and gas assets

Oil and gas assets, land, buildings, plant and equipment are assessed for impairment on a cash-generating unit basis. A cash-generating unit is the smallest grouping of assets that generates independent cash inflows, and generally represents an individual oil or gas field. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit on a pro-rata basis.

Individual assets within a cash-generating unit may become impaired if their ongoing use changes or that the benefits to be obtained from ongoing use are likely to be less than the carrying value of the individual asset. An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

3.3 IMPAIRMENT OF NON-CURRENT ASSETS (CONTINUED)

Recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal ("FVLCD") (based on level 3 fair value hierarchy) and its value-in-use ("VIU"), using an asset's estimated future cash flows (as described below) discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Significant judgement – Impairment of oil and gas assets

For oil and gas assets, the expected future cash flow estimation is based on a number of factors, variables and assumptions, the most important of which are estimates of reserves, future production profiles, commodity prices, costs and foreign exchange rates. In most cases, the present value of future cash flows is most sensitive to estimates of future oil price and discount rates.

The estimated future cash flows for the VIU calculation are based on estimates, the most significant of which are 2P hydrocarbon reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves. Under a FVLCD calculation, future cash flows are based on estimates of 2P hydrocarbon reserves in addition to other relevant factors such as value attributable to additional resource and exploration opportunities beyond 2P reserves based on production plans.

Estimates of future commodity prices are based on the Group's best estimate of future market prices with reference to external market analysts' forecasts, current spot prices and forward curves. Future commodity prices are reviewed at least annually. Where volumes are contracted, future prices are based on the contracted price. Future prices (US$/bbl) used were:

2016	2017	2018	2019[1]	2020[1]	2021[1]
40.00	60.00	70.00	80.77	82.79	84.86

1. Based on US$75/bbl (2016 real) from 2019 escalated at 2.5%.

Forecasts of the foreign exchange rate for foreign currencies, where relevant, are estimated with reference to observable external market data and forward values, including analysis of broker and consensus estimates. The future estimated rate applied is A$/US$ of 0.70 in 2016 and 2017, and A$/US$ of 0.75 in all subsequent years.

The discount rates applied to the future forecast cash flows are based on the Group's weighted average cost of capital, adjusted for risks where appropriate, including functional currency of the asset, and risk profile of the countries in which the asset operates. The range of pre-tax discount rates that have been applied to non-current assets is between 9.0% and 17.9%.

In the event that future circumstances vary from these assumptions, the recoverable amount of the Group's oil and gas assets could change materially and result in impairment losses or the reversal of previous impairment losses.

Due to the interrelated nature of the assumptions, movements in any one variable can have an indirect impact on others and individual variables rarely change in isolation. Additionally, management can be expected to respond to some movements, to mitigate downsides and take advantage of upsides, as circumstances allow. Consequently, it is impracticable to estimate the indirect impact that a change in one assumption has on other variables and hence, on the likelihood, or extent, of impairments or reversals of impairments under different sets of assumptions in subsequent reporting periods.

Notes to the Consolidated Financial Statements
Section 3: Capital Expenditure, Operating Assets and Restoration Obligations

3.3 IMPAIRMENT OF NON-CURRENT ASSETS (CONTINUED)

Impairment expense	Note	2015 $million	2014 $million
Current assets			
Assets held for sale	3.6	**32**	–
Other assets		**6**	9
Total impairment of current assets		**38**	9
Non-current assets			
Exploration and evaluation assets		**685**	1,170
Oil and gas assets		**3,201**	1,163
Investments in joint ventures	6.3(b)	**–**	14
Total impairment of non-current assets		**3,886**	2,347
Total impairment		**3,924**	2,356

Recoverable amounts and resulting impairment write-downs recognised in the year ended 31 December 2015 are:

2015	Segment	Subsurface assets $million	Plant and equipment $million	Total $million	Recoverable amount[1] $million
Exploration and evaluation assets:					
Gunnedah Basin	Eastern Australia	563	25	588	nil
Cooper – unconventional resources	Eastern Australia	23	–	23	102
Papua New Guinea	Asia Pacific	52	–	52	112
Malaysia	Asia Pacific	22	–	22	104
Total impairment of exploration and evaluation assets		660	25	685	
Oil and gas assets-producing:					
Cooper Basin	Eastern Australia	783	1,312	2,095	1,371
Mereenie	Eastern Australia	–	13	13	62
Patricia Baleen	Eastern Australia	10	7	17	26
Barrow	WA&NT	96	152	248	64
WA&NT oil assets	WA&NT	73	19	92	25
Vietnam (Chim Sáo/Dua)	Asia Pacific	64	42	106	162
SE Gobe	Asia Pacific	1	5	6	nil
GLNG	GLNG	224	341	565	9,414
Denison	GLNG	20	39	59	nil
Total impairment of oil and gas assets		1,271	1,930	3,201	
Total impairment of non-current assets		1,931	1,955	3,886	

1 Recoverable amounts represent the carrying values of assets before deducting the carrying value of restoration liabilities. All producing oil and gas asset amounts are calculated using the VIU method, whilst all exploration and evaluation asset amounts use the FVLCD method.

3.3 IMPAIRMENT OF NON-CURRENT ASSETS (CONTINUED)

The impairment charges noted above primarily result from the lower oil price environment and, in some cases, a consequential reduction or delay in future capital expenditure that diminishes or removes the path to commercialisation.

As the CGUs above have been written down to their respective recoverable amounts, any change in key assumptions on which the valuations are based would further impact asset carrying values. When modelled in isolation, it is estimated that changes in the key assumptions would result in the following additional impairment in 2015 on the CGUs which are already impaired:

Sensitivity	Discount rate increase 0.50% $million	Oil price decrease US$5/bbl all years $million
Cooper Basin	95	487
Mereenie	4	11
Patricia Baleen	1	nil
Barrow	2	18
WA&NT oil assets	1	7
Vietnam (Chim Sáo/Dua)	2	27
GLNG	551	1,010

As identified above, the impact of changes in key assumptions such as 2P reserves, production levels, commodity prices and discount rates are significant on the determination of recoverable amount. Due to the number of factors that could impact any of these assumptions, as well as any actions taken to respond to adverse changes, actual future determinations of recoverable amount may vary from those stated above.

Recoverable amounts and resulting impairment write-downs recognised in the year ended 31 December 2014 were:

2014	Segment	Subsurface assets $million	Plant and equipment $million	Total $million	Recoverable amount[1] $million
Exploration and evaluation assets:					
Gunnedah Basin	Eastern Australia	808	–	808	543
Carnarvon Basin (Winchester, Zola/Bianchi)	WA&NT	198	–	198	nil
Browse Basin (Bassett-West)	WA&NT	57	–	57	nil
Bangladesh (Magnama)	Asia Pacific	49	–	49	nil
Indonesia (CBM interests)	Asia Pacific	58	–	58	nil
Total impairment of exploration and evaluation assets		1,170	–	1,170	
Oil and gas assets:					
Cooper Basin (specific oil assets)	Eastern Australia	574	114	688	883
Cooper Basin (unconventional resources)	Eastern Australia	70	–	70	70
Mereenie	Eastern Australia	68	32	100	145
Carnarvon Basin (Stag, Barrow, Thevenard, Mutineer-Exeter/Fletcher Finucane)	WA & NT	113	88	201	456
Vietnam (Chim Sáo/Dua)	Asia Pacific	60	37	97	336
SE Gobe	Asia Pacific	5	2	7	nil
Total impairment of oil and gas assets		890	273	1,163	
Total impairment of non-current assets		2,060	273	2,333	

1 Recoverable amounts represent the carrying values of assets before deducting the carrying value of restoration liabilities.

Notes to the Consolidated Financial Statements
Section 3: Capital Expenditure, Operating Assets and Restoration Obligations

3.4 RESTORATION OBLIGATIONS

Provisions for future removal and environmental restoration costs are recognised where there is a present obligation as a result of exploration, development, production, transportation or storage activities having been undertaken, and it is probable that future outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas and is the best estimate of the present value of the future expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements. Any changes in the estimate are reflected in the present value of the restoration provision at the reporting date, with a corresponding change in the cost of the associated asset.

The amount of the provision for future restoration costs relating to exploration, development and production facilities is capitalised and depleted as a component of the cost of those activities.

Significant judgement – Provision for restoration

The Group estimates the future removal and restoration costs of oil and gas production facilities, wells, pipelines and related assets at the time of installation of the assets and reviews these assessments periodically. In most instances the removal of these assets will occur many years in the future. The estimate of future removal costs therefore requires management to make judgements regarding the removal date, future environmental legislation, the extent of restoration activities required and future removal technologies.

The Group has recorded provisions for restoration obligations as follows:

	2015 $million	2014 $million
Current provision	**71**	36
Non-current provision	**2,372**	2,121
	2,443	2,157

Movements in the provision during the financial year are set out below:

	Total restoration $million
Balance at 1 January 2015	**2,157**
Provisions made during the year	**147**
Provisions used during the year	**(34)**
Unwind of discount	**63**
Disposal of provision	**(25)**
Change in discount rate	**91**
Transferred to liabilities held for sale	**(18)**
Exchange differences	**62**
Balance at 31 December 2015	**2,443**

Other provisions – current

In addition to the provision for restoration shown above and employee provisions in note 7.1, other items for which a current provision has been recorded are carbon, nil in 2015 (2014: $20 million), and other provisions, $18 million (2014: $9 million).

3.5 COMMITMENTS FOR EXPENDITURE

The Group has certain obligations to perform minimum exploration work and expend minimum amounts of money pursuant to the terms of the granting of petroleum exploration permits in order to maintain rights of tenure.

These commitments may be varied as a result of renegotiations of the terms of the exploration permits, licences or contracts or alternatively upon their relinquishment. The minimum exploration commitments are less than the normal level of exploration expenditures expected to be undertaken by the Group.

The Group leases floating production, storage and offtake facilities, floating storage offloading facilities, LNG carriers and mobile offshore production units under operating leases. The leases typically run for a period of four to six years, and may have an option to renew after that time.

The Group also leases building office space and a warehouse under operating leases. The leases are generally for a period of 10 years, with an option to renew the lease after that date. The lease payments typically increase annually by the Consumer Price Index.

During the year ended 31 December 2015, the Group recognised $98 million (2014: $101 million) as an expense in the income statement in respect of operating leases.

The Group has the following commitments for expenditure for which no liabilities have been recorded in the financial statements as the goods or services have not been received, including non-cancellable operating lease rentals:

	Capital		**Minimum exploration**		**Operating lease**	
Commitments	**2015 $million**	2014 $million	**2015 $million**	2014 $million	**2015 $million**	2014 $million
Not later than one year	**396**	879	**242**	180	**160**	122
Later than one year but not later than five years	**45**	229	**431**	745	**274**	298
Later than five years	**–**	294	**2**	2	**184**	219
	441	1,402	**675**	927	**618**	639

Notes to the Consolidated Financial Statements
Section 3: Capital Expenditure, Operating Assets and Restoration Obligations

3.6 ASSETS HELD FOR SALE

Non-current assets are classified as held for sale and measured at the lower of their carrying amount and fair value less costs of disposal if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less cost of disposal. A gain is recognised for any subsequent increases in fair value less cost of disposal of an asset (or disposal group) but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Following agreement to sell the Group's 35% interest in Kipper, the associated assets and liabilities have been classified as held for sale at 31 December 2015. The sale agreement remained subject to outstanding conditions at 31 December 2015 and will be accounted for upon completion or waiver of each significant condition.

The following amounts are included within the financial statements in relation to joint operations classified as held for sale:

Assets and liabilities classified as held for sale	2015 $million
Prepayments	**263**
Oil and gas assets	**232**
Deferred tax asset	**56**
Assets classified as held for sale	**551**
Trade and other payables	**1**
Restoration provisions	**18**
Liabilities classified as held for sale	**19**
Net assets	**532**

An impairment loss of $32 million attributed to the write-down of Kipper assets to fair value has been recorded.

The assets and liabilities associated with Kipper are attributed to the Eastern Australia segment.

Section 4: Working Capital Management

This section provides information about the Group's working capital balances and management, including cash flow information. Cash flow management is a significant consideration in running our business in an efficient and resourceful manner. We also consider inventories which contribute to the business platform for generating profits and revenues.

4.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and short-term deposits that are readily convertible to cash, are subject to an insignificant risk of changes in value, and generally have an original maturity of three months or less.

The carrying amounts of cash and cash equivalents represent fair value. Bank balances and short-term deposits earn interest at floating rates based upon market rates.

	2015 $million	2014 $million
Cash at bank and in hand	**504**	775
Short-term deposits	**650**	–
	1,154	775

(a) Restricted cash balances

In accordance with the terms of the PNG LNG project financing, cash relating to the Group's interest in undistributed cash flows of the PNG LNG project is required to be held in secured bank accounts. As at 31 December 2015, US$33 million (2014: US$35 million) was held in these accounts.

Cash flow activities	**2015 $million**	2014 $million
(b) Reconciliation of cash flows from operating activities		
Loss after income tax	**(2,698)**	(935)
Add/(deduct) non-cash items:		
Depreciation and depletion	**1,059**	988
Exploration and evaluation expensed	**114**	95
Net impairment loss	**3,924**	2,356
Net gains on fair value hedges	**(21)**	(63)
Share-based payment expense	**23**	24
Unwind of the effect of discounting on provisions	**63**	62
Foreign exchange (gains)/losses	**(251)**	5
Other	**4**	(4)
Net cash provided by operating activities before changes in assets or liabilities	**2,217**	2,528
Add/(deduct) change in operating assets or liabilities, net of acquisitions or disposals of businesses:		
Decrease in trade and other receivables	**91**	155
Increase in inventories	**(80)**	(12)
Increase in other assets	**(31)**	(42)
Decrease in net deferred tax liabilities	**(843)**	(669)
Decrease in current tax liabilities	**(56)**	(52)
Decrease in trade and other payables	**(168)**	(50)
Decrease in provisions	**(36)**	(15)
Net cash provided by operating activities	**1,094**	1,843
(c) Non-cash financing and investing activities		
Santos Dividend Reinvestment Plan	**83**	145

Notes to the Consolidated Financial Statements
Section 4: Working Capital Management

4.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value, which in practice is the equivalent of cost, less any impairment losses.

Long-term receivables are discounted and are stated at amortised cost, less any impairment losses.

Trade receivables are non-interest-bearing and settlement terms are generally within 30 days. Trade receivables that are neither past due nor impaired relate to a number of independent customers for whom there is no recent history of default.

	2015 $million	2014 $million
Current		
Trade receivables	**341**	424
Other receivables	**198**	209
	539	633
Non-current		
Other receivables	**6**	10

Of the Group's $545 million total receivables (2014: $643 million), $529 million (2014: $630 million) is not yet due and $2 million (2014: $5 million) is past due by over 12 months but not impaired. No amounts are considered impaired at 31 December 2015 (2014: nil).

4.3 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined as follows:

(i) drilling and maintenance stocks, which include plant spares, consumables and maintenance and drilling tools used for ongoing operations, are valued at weighted average cost; and

(ii) petroleum products, which comprise extracted crude oil, liquefied petroleum gas, condensate and naphtha stored in tanks and pipeline systems and processed sales gas and ethane stored in subsurface reservoirs, are valued using the absorption cost method in a manner which approximates specific identification.

	2015 $million	2014 $million
Petroleum products	**362**	293
Drilling and maintenance stocks	**133**	150
Total inventories at lower of cost and net realisable value	**495**	443
Inventories included above that are stated at net realisable value	**85**	53

4.4 TRADE AND OTHER PAYABLES

Trade and other payables are recognised when the related goods or services are received, at the amount of cash or cash equivalents that will be required to discharge the obligation, gross of any settlement discount offered. Trade payables are non-interest-bearing and are settled on normal terms and conditions.

	2015 $million	2014 $million
Trade payables	**738**	1,235
Non-trade payables	**111**	147
	849	1,382

Section 5: Funding and Risk Management

Our business has exposure to capital, credit, liquidity and market risks. This section provides information relating to our management of, as well as, our policies for measuring and managing these risks.

Capital risk management objectives

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, allowing returns to shareholders and benefits for other stakeholders to be maintained, and to retain an efficient capital structure. In order to optimise the capital structure, the Group may adjust its dividend distribution policy, return capital to shareholders, issue new shares, draw or repay debt or undertake other corporate initiatives consistent with its strategic objectives.

In applying these objectives, the Group aims to:

- minimise the weighted average cost of capital whilst retaining appropriate financial flexibility;
- ensure ongoing access to a range of debt and equity markets; and
- maintain an investment grade credit rating.

A range of financial metrics are used to monitor the capital structure including ratios measuring Gearing, Funds from Operations to Debt ("FFO-to-Debt") and Debt to Earnings before Interest, Tax, Depreciation and Amortisation ("Debt-to-EBITDA"). The Group monitors these capital structure metrics on both an actual and forecast basis.

Santos Limited's corporate credit rating was lowered by Standard & Poor's to BBB- (negative outlook) on 22 January 2016.

5.1 INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Fixed-rate notes that are hedged by an interest rate swap are recognised at fair value.

All borrowings are unsecured, with the exception of the secured bank loans and finance leases.

All interest-bearing loans and borrowings, with the exception of secured bank loans and finance leases, are borrowed through Santos Finance Ltd, which is a wholly-owned subsidiary of Santos Limited. All interest-bearing loans and borrowings by Santos Finance Ltd are guaranteed by Santos Limited.

Details of the contractual maturities can be found in note 5.5.

	Ref	**2015 $million**	2014 $million
Current			
Commercial paper	(a)	**–**	140
Bank loans – secured	(b)	**164**	–
Bank loans – unsecured	(c)	**44**	19
Medium-term notes	(d)	**–**	102
Long-term notes	(e)	**–**	64
Finance leases	(g)	**2**	2
		210	327
Non-current			
Bank loans – secured	(b)	**2,405**	2,282
Bank loans – unsecured	(c)	**2,354**	3,269
Long-term notes	(e)	**829**	777
Subordinated notes	(f)	**1,575**	1,590
Finance leases	(g)	**48**	7
		7,211	7,925

Notes to the Consolidated Financial Statements
Section 5: Funding and Risk Management

5.1 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

The Group's weighted average interest rate on interest-bearing liabilities is 4.07% as at 31 December 2015 (2014: 4.32%).

(a) Commercial paper

Facility	***Commercial paper***
Currency	Australian dollars
Limit	A$800 million uncommitted (2014: A$800 million)
Drawn principal	Nil (2014: A$140 million)
Accounting balance	Nil (2014: A$140 million)

(b) Bank loans – secured

Facility	***PNG LNG***
Currency	US dollars
Limit	US$1,973 million (2014: US$1,989 million)
Drawn principal	US$1,973 million (2014: US$1,989 million)
Accounting balance	A$2,569 million (2014: A$2,282 million) including prepaid amounts
Effective interest rate	4.57% (2014: 4.26%)
Maturity	2024–2026
Other	Loan facilities for the PNG LNG project, in which Santos entities hold an equity interest of 13.5%, were entered into by the joint venture participants on 15 December 2009 and are provided by 17 commercial banks and six export credit agencies, bear fixed and floating rates of interest and have final maturity dates of June 2024 and June 2026 respectively. Funds were also provided by a co-venturer on a pro-rata basis with maturities matching those corresponding to the commercial banks and export credit agencies. During 2013 supplemental loan financing was raised by the joint venture participants. The funds were sourced from co-venturer and commercial bank lenders, with maturities matching the initial loan facilities. *Assets pledged as security and restricted cash* The PNG LNG facilities include security over assets and entitlements of the participants in respect of the project. The total carrying value of the Group's assets pledged as security is A$4,001 million at 31 December 2015 (2014: A$3,674 million). As referred to in note 4.1, under the terms of the project financing, cash relating to the Group's interest in undistributed project cash flows is required to be held in secured bank accounts. Funds held in these accounts attributable to the Group may be withdrawn on the provision of acceptable credit support to the lenders. As at 31 December 2015, letters of credit totalling US$100 million (A$137 million) (2014: US$290 million, A$354 million) had been provided under a stand-alone US$300 million facility.

(c) Bank loans – unsecured

Facility	***Term bank loans***
Currency	US dollars
Limit	US$33 million (2014: US$48 million)
Drawn principal	US$33 million (2014: US$48 million)
Accounting balance	A$45 million (2014: A$59 million)
Effective interest rate	0.41% (2014: 0.40%)
Maturity	2016–2017

5.1 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

(c) Bank loans – unsecured (continued)

Facility	***Export credit agency supported loan facilities***
Currency	US dollars
Limit	US$1,730 million (2014: US$1,730 million)
Drawn principal	US$1,730 million (2014: US$1,730 million)
Accounting balance	A$2,353 million (2014: A$2,083 million) including prepaid amounts
Effective interest rate	2.40% (2014: 2.79%)
Maturity	2016–2024
Other	Loan facilities supported by various export credit agencies, which have estimated maturity dates subject to the date of practical completion of the GLNG project.

Facility	***Bilateral bank loan facility***
Currency	Australian dollars and US dollars
Limit	Australian dollar facility: A$1,425 million (2014: A$2,050 million) US dollar facility: US$1,600 million (2014: US$1,100 million)
Drawn principal	Nil (2014: A$1,150 million)
Accounting balance	Nil (2014: A$1,146 million)
Maturity	2016–2020

(d) Medium-term notes

Facility	***Medium-term notes***
Currency	Australian dollars
Limit	A$1,000 million (2014: A$1,000 million)
Drawn principal	Nil (2014: A$100 million)
Accounting balance	Nil (2014: A$102 million)
Effective interest rate	2.96% (2014: 3.23%)
Maturity	2015

(e) Long-term notes

Facility	***Long-term notes***
Currency	US dollars
Limit	US$577 million (2014: US$627 million)
Drawn principal	US$577 million (2014: US$627 million)
Accounting balance	A$829 million (2014: A$841 million) including fair value accounting measurement and prepaid amounts
Effective interest rate	1.25% to 2.09%
Maturity	2015–2027
Other	Long-term notes bear a fixed interest rate of 6.05% to 6.81% (2014: 6.05% to 8.44%), which have been swapped to floating rate commitments. The Group has entered into interest rate swap contracts, under which it has a right to receive interest at floating US dollar rates and pay interest at fixed US dollar interest rates. These contracts are in place to cover coupon payments through to the end of 2016.

(f) Subordinated notes

Facility	***Subordinated notes***
Currency	Euro
Limit	€1,000 million (2014: €1,000 million)
Drawn principal	€1,000 million (2014: €1,000 million)
Accounting balance	A$1,575 million (2014: A$1,590 million) including fair value accounting measurement and prepaid amounts
Effective interest rate	6.12% (2014: 6.11%)
Maturity	2070
Other	The notes mature after 60 years and can be redeemed at the Group's option on or after 22 September 2017.

Notes to the Consolidated Financial Statements
Section 5: Funding and Risk Management

5.1 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

(g) Finance lease commitments

Finance lease commitments are payable as follows:

	2015 $million	2014 $million
Not later than one year	**11**	8
Later than one year but not later than five years	**51**	42
Later than five years	**181**	173
Minimum lease payments	**243**	223
Future finance charges	**(75)**	(140)
Leases not commenced at reporting date	**(118)**	(74)
Total lease liabilities	**50**	9

The Group leases LNG carriers and tug facilities under finance leases. The leases have terms of between 10 and 20 years with varying renewal options. The LNG carrier finance leases had not commenced at reporting date. Title does not pass to the Group on expiration of the relevant lease period.

5.2 NET FINANCE COSTS

Borrowing costs

Borrowing costs relating to major oil and gas assets under development are capitalised as a component of the cost of development. Where funds are borrowed specifically for qualifying projects the actual borrowing costs incurred are capitalised. Where the projects are funded through general borrowings the borrowing costs are capitalised based on the weighted average cost of borrowing. Borrowing costs incurred after commencement of commercial operations are expensed to the income statement.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Interest income

Interest income is recognised in the income statement as it accrues using the effective interest method.

	2015 $million	2014 $million
Finance income:		
Interest income	**7**	19
Total finance income	**7**	19
Finance costs:		
Interest paid to third parties	**390**	290
Deduct borrowing costs capitalised	**(156)**	(236)
	234	54
Unwind of the effect of discounting on provisions	**63**	62
Total finance costs	**297**	116
Net finance costs	**290**	97

5.3 ISSUED CAPITAL

Ordinary share capital

Ordinary share capital is classified as equity. The issued shares do not have a par value and there is no limit on the authorised share capital of the Company.

Fully paid ordinary shares carry one vote per share, which entitles the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. The market price of the Company's ordinary shares on 31 December 2015 was $3.68 (2014: $8.25).

Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. During 2015 transaction costs of $36 million have been deducted from equity.

Movement in ordinary shares	Note	**2015 Number of shares**	2014 Number of shares	**2015 $million**	2014 $million
Balance at 1 January		**983,750,151**	972,088,279	**6,905**	6,749
Placement		**73,529,412**	–	**500**	–
Rights issue		**654,198,741**	–	**2,482**	–
Santos Dividend Reinvestment Plan ("DRP")		**15,052,884**	10,342,340	**83**	145
DRP underwriting		**37,960,195**	–	**215**	–
Santos Employee Share1000 Plan	7.2	**180,040**	111,507	**1**	2
Santos Employee ShareMatch Plan	7.2	**890,889**	536,383	**6**	8
Shares issued on exercise of options	7.2	**–**	99,400	**–**	1
Shares issued on vesting of Share Acquisition Rights	7.2	**611,618**	560,742	**–**	–
Santos Executive Share Plan		**18,000**	11,500	**–**	–
Non-executive Director Share Plan		**18,709**	–	**–**	–
Balance at 31 December		**1,766,210,639**	983,750,151	**10,192**	6,905

Included within the Group's ordinary shares at 31 December 2015 are 25,000 (2014: 43,000) ordinary shares paid to one cent with a value of nil (2014: nil).

Santos Dividend Reinvestment Plan

The Santos DRP is in operation. Shares are allocated at the arithmetic average of the daily weighted average market price of the Company's shares on the ASX over a period of seven business days commencing on the second business day after the Dividend Record Date. At this time, the Board has determined that a 1.5% discount will apply to the Santos DRP on the final dividend for the year ended 31 December 2015. The last date for the receipt of an election notice to participate in the Santos DRP is the record date, 26 February 2016.

Notes to the Consolidated Financial Statements
Section 5: Funding and Risk Management

5.4 RESERVES AND RETAINED EARNINGS

The Group's reserves and retained earnings balances, and movements during the period, are disclosed in the statement of changes in equity.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the following:

- the translation of the financial statements of foreign operations where their functional currency is different from the presentation currency of the reporting entity;
- the translation of liabilities that hedge the Company's net investment in a foreign subsidiary; and
- exchange differences that arise on the translation of the monetary items that form part of the net investment in a foreign operation.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Accumulated profits reserve

The accumulated profits reserve acts to quarantine profits generated in prior periods. The reserve was established during 2015.

5.5 FINANCIAL RISK MANAGEMENT

Exposure to foreign currency risk, interest rate risk, commodity price risk, credit risk and liquidity risk arises in the normal course of the Group's business. The Group's overall financial risk management strategy is to seek to ensure that the Group is able to fund its corporate objectives and meet its obligations to stakeholders. Derivative financial instruments may be used to hedge exposure to fluctuations in foreign exchange rates, interest rates and commodity prices.

The Group uses various methods to measure the types of financial risk to which it is exposed. These methods include Cash Flow at Risk analysis in the case of interest rate, foreign exchange and commodity price risk, and ageing analysis for credit risk.

Financial risk management is carried out by a central treasury department ("Treasury") which operates under Board-approved policies. The policies govern the framework and principles for overall risk management and covers specific financial risks, such as foreign exchange risk, interest rate risk and credit risk, approved derivative and non-derivative financial instruments, and liquidity management.

(a) Liquidity

The Group adopts a prudent liquidity risk management strategy and seeks to maintain sufficient liquid assets and available committed credit facilities to meet short-term to medium-term liquidity requirements. The Group's objective is to maintain flexibility in funding to meet ongoing operational requirements, exploration and development expenditure, and other corporate initiatives.

5.5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Liquidity (continued)

The following tables analyse the contractual maturities of the Group's financial assets and liabilities held to manage liquidity risk. The relevant maturity groupings are based on the remaining period to the contractual maturity date, as at 31 December. The amounts disclosed in the tables are the contractual undiscounted cash flows comprising principal and interest repayments. Estimated variable interest expense is based upon appropriate yield curves as at 31 December.

2015	Less than 1 year $million	1 to 2 years $million	2 to 5 years $million	More than 5 years $million
Financial assets held to manage liquidity risk				
Cash and cash equivalents	**1,154**	**–**	**–**	**–**
Derivative financial assets				
Interest rate swap contracts	**41**	**36**	**51**	**24**
Derivative financial liabilities				
Cross-currency swap contracts	**4**	**(444)**	**–**	**–**
Non-derivative financial liabilities				
Trade and other payables	**(849)**	**–**	**–**	**–**
Obligations under finance leases	**(1)**	**(1)**	**(3)**	**(44)**
Bank loans	**(396)**	**(454)**	**(2,966)**	**(2,350)**
Long-term notes	**(50)**	**(325)**	**(294)**	**(360)**
Subordinated debt	**(124)**	**(1,626)**	**–**	**–**
	(221)	**(2,814)**	**(3,212)**	**(2,730)**

2014	Less than 1 year $million	1 to 2 years $million	2 to 5 years $million	More than 5 years $million
Financial assets held to manage liquidity risk				
Cash and cash equivalents	775	–	–	–
Derivative financial assets				
Interest rate swap contracts	41	40	60	29
Derivative financial liabilities				
Cross-currency swap contracts	22	10	(241)	–
Non-derivative financial liabilities				
Trade and other payables	(1,382)	–	–	–
Obligations under finance leases	(2)	–	(7)	(7)
Commercial paper	(140)	–	–	–
Bank loans	(170)	(480)	(4,154)	(2,134)
Medium-term notes	(106)	–	–	–
Long-term notes	(111)	(45)	(532)	(338)
Subordinated debt	(123)	(123)	(1,609)	–
	(1,196)	(598)	(6,483)	(2,450)

Notes to the Consolidated Financial Statements
Section 5: Funding and Risk Management

5.5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Foreign currency risk

Foreign exchange risk arises from commercial transactions and valuations of assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The Group is exposed to foreign currency risk principally through the sale of products denominated in US dollars, borrowings denominated in US dollars and euros and foreign currency capital and operating expenditure. In order to economically hedge foreign currency risk, the Group from time to time enters into forward foreign exchange, foreign currency swap and foreign currency option contracts.

The Group has certain investments in domestic and foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposures arising from the net assets of these operations are managed primarily through borrowings denominated in the relevant foreign currency.

All foreign currency denominated borrowings of Australian dollar functional currency companies are either designated as a hedge of US dollar denominated investments in foreign operations (2015: US$2,340 million; 2014: US$2,855 million), or swapped using cross-currency swaps to US dollars and designated as a hedge of US dollar denominated investments in foreign operations (2015: US$1,410 million; 2014: US$1,410 million). As a result, there were no net foreign currency gains or losses arising from translation of US dollar-denominated borrowings recognised in the income statement in 2015.

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of an operation, are periodically restated to Australian dollar equivalents, and the associated gain or loss is taken to the income statement. The exception is foreign exchange gains or losses on foreign currency provisions for restoration at operating sites that are capitalised in oil and gas assets.

Sensitivity to foreign currency movement

Based on the Group's net financial assets and liabilities at 31 December 2015, the estimated impact on post-tax profit of a ±15 cent movement in the US dollar exchange rate (2014: ±15 cent) combined with a ±10 cent movement in the Euro exchange rate (2014: ±10 cent), each against the Australian dollar, with all other variables held constant is $28 million (2014: $20 million).

(c) Market risk

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group adopts a policy of ensuring that the majority of its exposure to changes in interest rates on borrowings is on a floating rate basis. Interest rate swaps have been entered into as fair value hedges of medium-term notes, long-term notes and subordinated debt. When transacted, these swaps had maturities ranging from 1 to 20 years, aligned with the maturity of the related notes.

During 2013, the Group entered into US dollar-denominated interest rate swaps, which fix the interest rate associated with the coupon payments on US$670 million of uncovered export credit agency supported loan through to the end of 2016. These instruments have been designated as cash flow hedges.

The Group's interest rate swaps had a notional contract amount of $2,507 million (2014: $2,452 million) and a net fair value of $125 million (2014: $141 million). The net fair value amounts were recognised as fair value derivatives.

Sensitivity to interest rate movement

Based on the net debt position as at 31 December 2015, taking into account interest rate swaps, it is estimated that if the US dollar London Interbank Offered Rate ("LIBOR") interest rates changed by ±0.50% (2014: ±0.50%), Euro Interbank Offered Rate ("EURIBOR") changed by ±0.50% (2014: ±0.50%) and Australian Bank Bill Swap reference rate ("BBSW") changed by ±0.50% (2014: ±0.50%), with all other variables held constant, the impact on post-tax profit is $22 million (2014: $14 million).

This assumes that the change in interest rates is effective from the beginning of the financial year and the net debt position and fixed/floating mix is constant over the year. However, interest rates and the debt profile of the Group are unlikely to remain constant and therefore the above sensitivity analysis will be subject to change.

Commodity price risk exposure

The Group is exposed to commodity price fluctuations through the sale of petroleum products and other oil-price-linked contracts. The Group may enter into commodity crude oil price swap and option contracts to manage its commodity price risk.

5.5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

At 31 December 2015, the Group has no open oil price swap contracts (2014: nil), and therefore is not exposed to movements in commodity prices on financial instruments. The Group continues to monitor oil price volatility and to assess whether commodity price hedging is appropriate.

(d) Credit risk

Credit risk represents the potential financial loss if counterparties fail to complete their obligations under financial instrument or customer contracts. Santos employs credit policies which include monitoring exposure to credit risk on an ongoing basis. The majority of Santos' gas contracts are spread across major Australian energy retailers and industrial users. Contracts exist in every mainland state whilst the largest customer accounts for less than 30% of sales revenue.

At 31 December 2015 there were no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of financial institutions to minimise the risk of counterparty default.

The maximum exposure to financial institution credit risk is represented by the sum of all cash deposits plus accrued interest, bank account balances and derivative mark-to-market gains.

(e) Fair values

The financial assets and liabilities of the Group are all initially recognised in the statement of financial position at their fair values. The initial fair values of receivables, payables, interest-bearing liabilities and other financial assets and liabilities, which are not subsequently measured at fair value, approximate their carrying value.

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments:

Derivatives

The fair value of interest rate swaps is calculated by discounting estimated future cash flows based on the terms of maturity of each contract and using market interest rates for a similar instrument at the reporting date. Where these cash flows are in a foreign currency, the present value is converted to Australian dollars at the foreign exchange spot rate prevailing at reporting date.

Financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Where these cash flows are in a foreign currency, the present value is converted to Australian dollars at the foreign exchange spot rate prevailing at reporting date.

Interest rates used for determining fair value

The interest rates used to discount estimated future cash flows, where applicable, are based on the market yield curve and credit spreads at the reporting date. The interest rates including credit spreads used to determine fair value were as follows:

	2015 **%**	2014 %
Derivatives	**(0.1) – 4.1**	0.1 – 5.1
Loans and borrowings	**(0.1) – 4.1**	0.1 – 5.1

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All of the Group's financial instruments were valued using the Level 2 valuation technique.

Notes to the Consolidated Financial Statements
Section 5: Funding and Risk Management

5.5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Hedging

The Group uses derivative financial instruments to hedge its exposures to changes in foreign exchange rates, interest rates and commodity markets arising in the normal course of business. The principal derivatives that may be used are forward foreign exchange contracts, cross-currency interest rate swaps, and interest rate swaps. Their use is subject to a set of policies, procedures and limits approved by the Board of Directors. The Group does not trade in derivative financial instruments for speculative purposes. The Group's Accounting Policy for fair value and cash flow hedges are as follows:

Types of hedges	Fair value hedges	Cash flow hedges
What is it?	A derivative or financial instrument designated as hedging the change in fair value of a recognised asset or liability.	A derivative or financial instrument to hedge the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or forecast transaction.
Recognition date	At the date the instrument is entered into.	At the date the instrument is entered into.
Measurement	Measured at fair value, being the estimated amount that the Group would receive or pay to terminate the contracts at the reporting date.	Measured at fair value, being the estimated amount that the Group would receive or pay to terminate the contracts at the reporting date.
Changes in fair value	The gains or losses on both the derivative or financial instrument and hedged asset or liability attributable to the hedged risk are recognised in the income statement immediately. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within finance costs, together with loss or gain in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in the income statement within other income or other expenses. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity using a recalculated effective interest rate.	Changes in the fair value of derivatives designated as cash flow hedges are recognised directly in other comprehensive income and accumulated in equity in the hedging reserve to the extent that the hedge is highly effective. To the extent that the hedge is ineffective, changes in fair value are recognised immediately in the income statement within other income or other expenses. Amounts accumulated in equity are transferred to the income statement or the balance sheet, for a non-financial asset, at the same time as the hedged item is recognised. When a hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the underlying forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Hedge of monetary assets and liabilities

When a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognised in the income statement.

5.5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Hedging (continued)

Hedge of net investment in a foreign operation

The gain or loss on an instrument used to hedge a net investment in a foreign operation is recognised directly in equity. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the income statement.

Hedges in place

The Group has issued €1,000 million subordinated notes with an average fixed interest rate of 8.25%.

In order to reduce the variability of the cash flows arising from the Euro principal and interest payments to September 2017, the Group entered into cross-currency interest rate swap contracts in March 2011, under which it has a right to receive interest at fixed Euro rates and pay interest at floating US dollar interest rates. These contracts are in place to cover principal and interest payments on €950 million of the subordinated notes through to the call date in 2017.

Subordinated notes totalling €50 million have been swapped to a fixed US dollar interest rate of 8.48% through to the call date in 2017.

The Group has entered into US dollar interest rate swap contracts, under which it has a right to receive interest at floating US dollar rates and pay interest at fixed US dollar interest rates. These contracts are in place to cover coupon payments on US$670 million of uncovered export credit agency supported loans through to the end of 2016.

The cross-currency and interest rate swap contracts are recognised at fair value and all gains and losses attributable to the hedged risks are recognised in the hedge reserve and reclassified into the income statement when the interest expense is recognised.

The table below contains all "other financial assets and liabilities" as shown on the balance sheet, including derivative financial instruments used for hedging:

	2015 $million	2014 $million
Current assets		
Amounts held in escrow	**–**	61
Interest rate swap contracts	**–**	5
Other	**1**	–
	1	66
Non-current assets		
Interest rate swap contracts	**125**	136
Embedded derivatives	**–**	1
Available-for-sale financial assets	**10**	10
Amounts held in escrow	**71**	–
Defined benefit surplus	**11**	–
Other	**–**	19
	217	166
Current liabilities		
Other	**3**	3
	3	3
Non-current liabilities		
Cross-currency swap contracts	**388**	154
Embedded derivatives	**5**	–
Other	**31**	27
	424	181

Notes to the Consolidated Financial Statements
Section 6: Group Structure

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole. Specifically it contains information about consolidated entities, acquisitions and disposals of subsidiaries, joint arrangements as well as parties to the Deed of Cross Guarantee under which each company guarantees the debts of others.

6.1 CONSOLIDATED ENTITIES

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has the rights to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting, and are initially recorded in the parent entity's financial statements at the cost of acquisition less any impairment charges.

A change in ownership interest of a subsidiary that does not result in the loss of control is accounted for as an equity transaction.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Non-controlling interests

Non-controlling interests in the net assets of consolidated entities are allocated their share of net profit after tax in the income statement, and are identified separately from the Group's equity in those entities. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

6.1 CONSOLIDATED ENTITIES (CONTINUED)

Name	Country of incorporation
Santos Limited[1] (Parent Company)	AUS
Controlled entities:	
Alliance Petroleum Australia Pty Ltd[1]	AUS
Basin Oil Pty Ltd[1]	AUS
Bridgefield Pty Ltd	AUS
Bridge Oil Developments Pty Ltd[1]	AUS
Bronco Energy Pty Ltd	AUS
Canso Resources Pty Ltd	AUS
Doce Pty Ltd	AUS
Fairview Pipeline Pty Ltd	AUS
Farmout Drillers Pty Ltd	AUS
Gidgealpa Oil Pty Ltd	AUS
Kipper GS Pty Ltd	AUS
Controlled entities of Kipper GS Pty Ltd	
Santos Carbon Pty Ltd	AUS
Controlled entity of Santos Carbon Pty Ltd	
SB Jethro Pty Ltd	AUS
Moonie Pipeline Company Pty Ltd	AUS
Reef Oil Pty Ltd[1]	AUS
Santos Asia Pacific Pty Ltd	AUS
Controlled entities of Santos Asia Pacific Pty Ltd	
Santos (Sampang) Pty Ltd	AUS
Santos (Warim) Pty Ltd	AUS
Santos Australian Hydrocarbons Pty Ltd	AUS
Santos (BOL) Pty Ltd[1]	AUS
Controlled entity of Santos (BOL) Pty Ltd	
Bridge Oil Exploration Pty Ltd	AUS
Santos Browse Pty Ltd	AUS
Santos CSG Pty Ltd	AUS
Santos Darwin LNG Pty Ltd[1]	AUS
Santos Direct Pty Ltd	AUS
Santos Facilities Pty Ltd	AUS
Santos Finance Ltd	AUS
Santos GLNG Pty Ltd	AUS
Controlled entity of Santos GLNG Pty Ltd	
Santos GLNG Corp	USA
Santos (Globe) Pty Ltd	AUS
Santos International Holdings Pty Ltd	AUS
Controlled entities of Santos International Holdings Pty Ltd	
Barracuda Ltd	PNG
Lavana Ltd	PNG
Sanro Insurance Pte Ltd	SGP
Santos Americas and Europe Corporation	USA
Controlled entities of Santos Americas and Europe Corp	
Santos TPY Corp	USA
Controlled entities of Santos TPY Corp	
Santos Queensland Corp	USA
Santos TOG Corp	USA
Controlled entities of Santos TOG Corp	
Santos TOGA Pty Ltd	AUS
Santos TPY CSG Corp	USA
Santos Bangladesh Ltd	GBR
Santos Baturaja Pty Ltd	AUS

Name	Country of incorporation
Controlled entities of Santos International Holdings Pty Ltd (cont)	
Santos (BBF) Pty Ltd	AUS
Controlled entities of Santos (BBF) Pty Ltd	
Santos (SPV) Pty Ltd	AUS
Controlled entity of Santos (SPV) Pty Ltd	
Santos (Madura Offshore) Pty Ltd	AUS
Santos Belida Pty Ltd	AUS
Santos (Donggala) Pty Ltd	AUS
Santos Egypt Pty Ltd[2]	AUS
Santos EOM Pty Ltd	AUS
Santos Hides Ltd	PNG
Santos International Pte Ltd	SGP
Santos International Operations Pty Ltd	AUS
Santos OIG Pty Ltd	AUS
Santos P'nyang Limited[3]	PNG
Santos (Papalang) Pty Ltd	AUS
Santos (Popodi) Pty Ltd	AUS
Santos Sabah Block R Limited	GBR
Santos Sangu Field Ltd	GBR
Santos (UK) Limited	GBR
Controlled entities of Santos (UK) Limited	
Santos Northwest Natuna B.V.	NLD
Santos Petroleum Ventures B.V.	NLD
Santos Sabah Block S Limited	GBR
Santos Vietnam Pty Ltd	AUS
Zhibek Resources Ltd[4]	GBR
Santos (JBJ1) Pty Ltd	AUS
Controlled entities of Santos (JBJ1) Pty Ltd	
Santos (JBJ2) Pty Ltd	AUS
Controlled entity of Santos (JBJ2) Pty Ltd	
Shaw River Power Station Pty Ltd	AUS
Santos (JPDA 06–104) Pty Ltd	AUS
Santos (JPDA 91–12) Pty Ltd	AUS
Santos (NARNL Cooper) Pty Ltd[1]	AUS
Santos NSW Pty Ltd	AUS
Controlled entities of Santos NSW Pty Ltd	
Santos NSW (Betel) Pty Ltd	AUS
Santos NSW (Hillgrove) Pty Ltd	AUS
Santos NSW (Holdings) Pty Ltd	AUS
Controlled entities of Santos NSW (Holdings) Pty Ltd	
Santos NSW (LNGN) Pty Ltd	AUS
Santos NSW (Pipeline) Pty Ltd	AUS
Santos NSW (Sales) Pty Ltd	AUS
Santos NSW (Narrabri Energy) Pty Ltd	AUS
Controlled entities of Santos NSW (Narrabri Energy) Pty Ltd	
Santos NSW (Eastern) Pty Ltd	AUS
Santos NSW (Sulu) Pty Ltd	AUS
Santos NSW (Tooncomet) Pty Ltd	AUS
Santos NSW (Narrabri Power) Pty Ltd	AUS
Santos NSW (Operations) Pty Ltd	AUS
Santos (N.T.) Pty Ltd	AUS
Controlled entity of Santos (N.T.) Pty Ltd	
Bonaparte Gas & Oil Pty Ltd	AUS

Notes to the Consolidated Financial Statements
Section 6: Group Structure

6.1 CONSOLIDATED ENTITIES (CONTINUED)

Name	Country of incorporation
Santos Offshore Pty Ltd[1]	AUS
Santos Petroleum Pty Ltd[1]	AUS
Santos QLD Upstream Developments Pty Ltd	AUS
Santos QNT Pty Ltd[1]	AUS
Controlled entities of Santos QNT Pty Ltd	
Outback Energy Hunter Pty Ltd	AUS
Santos QNT (No. 1) Pty Ltd[1]	AUS
Controlled entities of Santos QNT (No. 1) Pty Ltd	
Santos Petroleum Management Pty Ltd	AUS
Santos Petroleum Operations Pty Ltd	AUS
TMOC Exploration Proprietary Limited	AUS
Santos QNT (No. 2) Pty Ltd[1]	AUS
Controlled entities of Santos QNT (No. 2) Pty Ltd	
Moonie Oil Pty Ltd	AUS
Petromin Pty Ltd	AUS
Santos (299) Pty Ltd[5]	AUS
Santos Exploration Pty Ltd	AUS
Santos Gnuco Pty Ltd	AUS
Santos Upstream Pty Ltd	AUS
Santos TPC Pty Ltd	AUS
Santos Wilga Park Pty Ltd	AUS
Santos Resources Pty Ltd	AUS
Santos (TGR) Pty Ltd	AUS
Santos Timor Sea Pipeline Pty Ltd	AUS
Santos Ventures Pty Ltd	AUS
SESAP Pty Ltd	AUS
Vamgas Pty Ltd[1]	AUS

Notes

1 Company is party to a Deed of Cross Guarantee. Refer note 6.5.
2 Company placed into liquidation during 2015 and deregistered on 28 January 2016.
3 Company changed name from Santos Niugini Exploration Limited on 10 July 2015.
4 Company dissolved on 10 November 2015.
5 In liquidation.

Country of incorporation

AUS – Australia
GBR – United Kingdom
NLD – Netherlands
PNG – Papua New Guinea
SGP – Singapore
USA – United States of America

6.2 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

There were no acquisitions or disposals of subsidiaries during 2015.

6.3 JOINT ARRANGEMENTS

The Group's investments in joint arrangements are classified as either joint operations or joint ventures; depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. Santos' exploration and production activities are often conducted through joint arrangements governed by joint operating agreements, production sharing contracts or similar contractual relationships.

The differences between joint operations and joint ventures are as follows:

Types of arrangement	Joint operation	Joint venture
Characteristics	A joint operation involves the joint control, and often the joint ownership, of assets contributed to, or acquired for the purpose of, the joint operation. The assets are used to obtain benefits for the parties to the joint operation and are dedicated to that purpose.	The Group has interests in joint ventures, whereby the venturers have contractual arrangements that establish joint control over the economic activities of the entities.
Rights and obligations	Each party has control over its share of future economic benefits through its share of the joint operation, and has rights to the assets, and obligations for the liabilities, relating to the arrangement.	Parties that have joint control of the arrangement have rights to the net assets of the arrangement.
Accounting method	The interests of the Group in joint operations are brought to account by recognising the Group's share of jointly controlled assets, share of expenses and liabilities incurred, and the income from its share of the production of the joint operation.	The Group recognises its interest in joint ventures using the equity method of accounting. Under the equity method, the investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the post-acquisition changes to the Group's share of net assets of the joint venture. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the joint venture. The Group's share of the joint venture's post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in the statement of changes in equity and, when applicable, in the statement of comprehensive income. Dividends receivable from the joint venture reduce the carrying amount of the investment in the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements
Section 6: Group Structure

6.3 JOINT ARRANGEMENTS (CONTINUED)

(a) Joint operations

The following are the material joint operations in which the Group has an interest:

Joint operation	Area of cash-generating unit/ Area of interest	Principal activities	2015 % Interest	2014 % Interest
Oil and gas assets – Producing assets				
Barrow Island	Barrow	Oil production	**28.6**	28.6
Bayu Undan	Bayu Undan	Gas and liquids production	**11.5**	11.5
Casino	Casino	Gas production	**50.0**	50.0
Chim Sáo	Vietnam (Block 12W)	Oil and gas production	**31.9**	31.9
Fairview	GLNG	Gas production	**22.8**	22.8
GLNG Downstream	GLNG	LNG facilities	**30.0**	30.0
Halyard/Spar	Varanus Island	Gas production	**45.0**	45.0
John Brookes	Varanus Island	Gas production	**45.0**	45.0
Madura Offshore PSC (Maleo)	Madura PSC	Gas production	**67.5**	67.5
Mutineer Exeter/ Fletcher Finucane	Mutineer Exeter/ Fletcher Finucane	Oil production	**37.5**	37.5
PNG LNG	PNG LNG	Gas and liquids production	**13.5**	13.5
Reindeer	Reindeer	Gas production	**45.0**	45.0
Roma	GLNG	Gas production	**30.0**	30.0
SA Fixed Factor Area	Cooper Basin	Oil and gas production	**66.6**	66.6
Sampang PSC (Oyong, Wortel)	Sampang PSC	Oil and gas production	**45.0**	45.0
Stag	Stag	Oil and gas production	**66.7**	66.7
SWQ Unit	Cooper Basin	Gas production	**60.1**	60.1
Oil and gas assets – Assets in development				
Kipper[1]	Kipper	Gas development	**35.0**	35.0
Exploration and evaluation assets				
EPP43	Ceduna Basin	Contingent oil or gas resource	**50.0**	50.0
EP161, 162 and 189	McArthur Basin	Contingent gas resource	**50.0**	50.0
Block R	–	Oil and gas exploration	**20.0**	–
Caldita/Barossa	–	Contingent gas resource	**25.0**	25.0
PEL1 and 12	–	Contingent gas resource	**65.0**	65.0
PEL238 and PAL2	Gunnedah Basin	Contingent gas resource	**80.0**	80.0
PPL269	–	Oil and gas exploration	**30.0**	–
Northwest Natuna	–	Oil resource	**50.0**	50.0
WA-58-R (WA-274-P)	–	Gas development	**30.0**	30.0
WA-323-P	–	Contingent gas resource	**75.0**	75.0
WA-49-R	–	Contingent gas resource	**24.8**	24.8

1. Asset classified as held for sale.

(b) Share of investments in joint ventures

The Group's only material joint venture is Darwin LNG Pty Ltd, which operates the Darwin LNG liquefaction facility that currently processes gas from the Bayu Undan gas fields.

6.3 JOINT ARRANGEMENTS (CONTINUED)

(b) Share of investments in joint ventures (continued)

Summarised financial information of the joint venture, based on the amounts presented in its financial statements, and a reconciliation to the carrying amount of the investment in the consolidated financial statements, are set out below:

Share of investments in Darwin LNG Ltd	2015 $million	2014 $million
Reconciliation to carrying amount:		
Opening net assets 1 January	**847**	844
Profit for the period	**122**	141
Exchange gain on translation of foreign operations	**103**	67
Reduction in capital	**(95)**	(65)
Dividends paid	**(124)**	(140)
Closing net assets 31 December	**853**	847
Group's share (%)	**11.5%**	11.5%
Group's share of closing net assets ($million)	**98**	97
Carrying amount of investments in joint ventures ($million)	**98**	97
Summarised statement of comprehensive income:		
Profit for the period	**122**	141
Other comprehensive income	**103**	67
Total comprehensive income	**225**	208
Group's share of profit	**14**	16
Dividends received from joint venture	**14**	16

The following are the joint ventures in which the group has an interest, including those which are immaterial:

Joint venture	2015 % Interest	2014 % Interest
Darwin LNG Pty Ltd	**11.5**	11.5
Easternwell Drilling Services Holdings Pty Ltd	**50.0**	50.0
GLNG Operations Pty Ltd	**30.0**	30.0
GLNG Property Pty Ltd	**30.0**	30.0
Lohengrin Pty Ltd	**50.0**	50.0

(c) Income from all joint ventures

A reconciliation of the Group's total income from all joint ventures:

	2015 $million	2014 $million
Share of Darwin LNG Pty Ltd net profits	**14**	16
Share of immaterial joint venture net profits	**–**	1
Total share of net profits	**14**	17

At 31 December 2015 the Group reassessed the carrying amount of its investments in joint ventures for indicators of impairment. As a result no impairment was recorded (2014: impairment expense of $14 million relating to Easternwell Drilling).

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Section 6: Group Structure

6.4 PARENT ENTITY DISCLOSURES

Selected financial information of the ultimate parent entity in the Group, Santos Limited, is as follows:

	2015 $million	2014 $million
Net (loss)/profit for the period	(3,343)	529
Total comprehensive (loss)/income	(3,343)	529
Current assets	1,324	841
Total assets	12,771	13,911
Current liabilities	1,857	894
Total liabilities	4,975	5,791
Issued capital	10,192	6,905
Reserves	167	–
Accumulated (losses)/profits	(2,564)	1,215
Total equity	7,795	8,120

Commitments of the parent entity

The parent entity's capital expenditure commitments and minimum exploration commitments are:

	2015 $million	2014 $million
Capital expenditure commitments	106	222
Minimum exploration commitments	23	49

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

All interest-bearing loans and borrowings, as disclosed in note 5.1, with the exception of the finance leases and secured bank loans, are arranged through Santos Finance Ltd, which is a wholly-owned subsidiary of Santos Limited. All interest-bearing loans and borrowings of Santos Finance Ltd are guaranteed by Santos Limited.

Contingent liabilities of the parent entity

Contingent liabilities arise in the ordinary course of business through claims against Santos Limited, including contractual, third-party and contractor claims. In most instances it is not possible to reasonably predict the outcome of these claims, and as at reporting date Santos Limited believes that the aggregate of such claims will not materially impact the Company's financial report.

6.5 DEED OF CROSS GUARANTEE

As a condition of the Class Order, the Company and each of the wholly-owned subsidiaries identified in note 6.1 (refer footnote 1) (collectively, "the Closed Group") have entered into a Deed of Cross Guarantee ("the Deed"). The effect of the Deed is that the Company has guaranteed to pay any deficiency in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. The subsidiaries have also given a similar guarantee in the event that the Company is wound up.

Pursuant to Class Order 98/1418, the wholly-owned subsidiaries within the Closed Group are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

Set out below is a consolidated income statement, consolidated statement of comprehensive income and summary of movements in consolidated retained earnings for the year ended 31 December 2015 of the Closed Group.

	2015 $million	2014 $million
Consolidated income statement		
Product sales	**1,583**	2,550
Cost of sales	**(1,469)**	(2,186)
Gross profit	**114**	364
Other revenue	**415**	1,012
Other income	**14**	24
Other expenses	**(5,412)**	(2,167)
Interest income	**6**	10
Finance costs	**(55)**	(56)
Loss before tax	**(4,918)**	(813)
Income tax benefit	**884**	417
Royalty-related tax benefit	**25**	121
Total tax benefit	**909**	538
Net loss for the period	**(4,009)**	(275)
Consolidated statement of comprehensive income		
Net loss for the period	**(4,009)**	(275)
Other comprehensive income, net of tax:		
Net exchange gain on translation of foreign operations	**–**	4
Net actuarial gain on defined benefit plan	**7**	–
Total comprehensive loss	**(4,002)**	(271)
Summary of movements in the Closed Group's retained earnings		
Retained earnings at 1 January	**896**	1,490
Net loss for the period	**(4,009)**	(275)
Net actuarial gain on defined benefit plan	**7**	–
Dividends to shareholders	**(298)**	(341)
Share-based payment transactions	**21**	22
Accumulated (loss)/profit at 31 December	**(3,383)**	896

Notes to the Consolidated Financial Statements
Section 6: Group Structure

6.5 DEED OF CROSS GUARANTEE (CONTINUED)

Set out below is a consolidated statement of financial position as at 31 December 2015 of the Closed Group:

	2015 $million	2014 $million
Current assets		
Cash and cash equivalents	**940**	426
Trade and other receivables	**1,921**	963
Other current assets	**185**	383
Total current assets	**3,046**	1,772
Non-current assets		
Other financial assets	**8,270**	9,003
Exploration and evaluation assets	**172**	399
Oil and gas assets	**2,976**	5,322
Other non-current assets	**2,074**	732
Total non-current assets	**13,492**	15,456
Total assets	**16,538**	17,228
Current liabilities		
Trade and other payables	**1,771**	790
Other current liabilities	**1,029**	410
Total current liabilities	**2,800**	1,200
Non-current liabilities		
Interest-bearing loans and borrowings	**4,940**	6,564
Provisions	**1,777**	1,546
Other non-current liabilities	**184**	106
Total non-current liabilities	**6,901**	8,216
Total liabilities	**9,701**	9,416
Net assets	**6,837**	7,812
Equity		
Issued capital	**10,192**	6,905
Reserves	**195**	11
Accumulated (loss)/profit	**(3,550)**	896
Total equity	**6,837**	7,812

Section 7: People

This section includes information relating to the various programs the Group uses to reward and recognise employees and key management personnel. It includes details of our employee benefits and share-based payment schemes.

7.1 EMPLOYEE BENEFITS

Wages, salaries and sick leave

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled within 12 months of the reporting date are recognised in respect of employee service up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-vesting sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long-term service benefits

Liabilities for long service leave and annual leave that is not expected to be taken within 12 months of the respective service being provided, are recognised and measured at the present value of the estimated future cash outflows to be made in respect of employee service up to the reporting date.

Defined benefit plan

The Group's net obligation in respect of the defined benefit superannuation plan is calculated by estimating the discounted amount of future benefit that employees have earned in relation to their service in the current and prior periods and deducting the fair value of any plan assets.

Actuarial gains or losses that arise in calculating the Group's obligation in respect of the plan are recognised directly in retained earnings.

Defined benefit members of the Santos Superannuation Plan receive a lump sum benefit on retirement, death, disablement and withdrawal. The defined benefit section of the plan is closed to new employees. All new employees receive accumulation-only benefits.

During the period an expense of $1 million (2014: $2 million) was recorded in relation to the defined benefit plan.

The Group expects to contribute $1 million to the defined benefit superannuation plan in 2016 (2015: $1 million).

Defined contribution plans

The Group makes contributions to several defined contribution superannuation plans. Obligations for contributions are recognised as an expense in the income statement as incurred. The amount incurred during the year was $15 million (2014: $12 million).

The following amounts are recognised on the Group's balance sheet in relation to employee benefits:

	2015 $million	2014 $million
Non-current assets		
Defined benefit surplus	**11**	–
Current provisions		
Employee benefits	**83**	104
Non-current provisions		
Employee benefits	**15**	13
Defined benefit obligations	**–**	2
Total non-current provisions	**15**	15
Total employee benefits provisions	**98**	119

Notes to the Consolidated Financial Statements
Section 7: People

7.2 SHARE-BASED PAYMENT PLANS

The Group provides benefits to employees of the Group through share-based incentives. Employees are paid for their services or incentivised for their performance in part through shares or rights over shares.

There are two main share-based payment plans; equity-settled share-based payment plans and cash-settled share-based payment plans. The equity-settled plans consist of the general employee share-based payment plans and executive long-term incentive share-based payment plans.

The amounts recognised in the financial statements of the Group during the financial year in relation to shares issued under the share plans are summarised as follows:

	2015 $000	2014 $000
Statement of financial position, classified as liabilities:		
General employee share plans – ShareMatch Plan	**6,420**	7,617
Executive long-term incentive share-based payment plans:		
Share options	**–**	1,042
Cash-settled	**–**	68
	6,420	8,727
Issued capital:		
General employee share plans:		
Share1000 Plan	**1,285**	1,580
ShareMatch Plan (matched Share Acquisition Rights ("SARs"))	**6,420**	7,617
Executive long-term incentive share-based payment plans – share options	**–**	1,042
	7,705	10,239
Retained earnings:		
General employee share plans – matched SARs	**5,765**	5,090
Executive long-term incentive share-based payment plans – equity-settled	**15,681**	16,557
2012–2015 Four-year CEO Strategy Grant	**(178)**	370
2013–2015 Three-year Executive Strategy Grant	**97**	68
	21,365	22,085
Employee expenses:		
General employee share plans:		
Share1000 Plan	**(1,285)**	(1,580)
ShareMatch Plan (matched SARs)	**(5,765)**	(5,090)
Executive long-term incentive share-based payment plans:		
Equity-settled	**(15,681)**	(16,557)
Cash-settled	**–**	68
2012–2015 Four-year CEO Strategy Grant	**178**	(370)
2013–2015 Three-year Executive Strategy Grant	**(97)**	(68)
	(22,650)	(23,597)
Total equity	**6,420**	8,727

7.2 SHARE-BASED PAYMENT PLANS (CONTINUED)

(a) Equity-settled share-based payment plans

The cost of equity-settled transactions is determined by the fair value at the grant date using an appropriate valuation model. The cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are met. Currently, the Company has four equity-settled share-based payment plans in operation, the details of which are as follows:

i. General employee share plans

Santos operates two general employee share plans, the Share1000 Plan and the ShareMatch Plan. Eligible employees have the option to participate in either the Share1000 Plan or the ShareMatch Plan. Members of the Santos Leadership Team, Directors of the Company, casual employees, employees on fixed-term contracts and employees on international assignment are excluded from participating in the Share1000 Plan and the ShareMatch Plan.

	Share1000	ShareMatch
What is it?	The Share1000 Plan provides for grants of fully paid ordinary shares up to a value determined by the Board, which in 2015 was $1,000 per employee (2014: $1,000).	The ShareMatch Plan allows for the purchase of shares through salary sacrificing up to $5,000 over a maximum 12-month period, and to receive matched SARs at a 1:1 ratio or as otherwise set by the Board.
The employee's ownership and right to deal with them	Subject to restrictions until the earlier of the expiration of the three-year restriction period and the time when the employee ceases to be in employment.	Upon vesting, subject to restrictions until the earlier of the expiration of the restriction period (which will be three, five or seven years from the date of the offer, depending on any election made by the employee) and the time when he or she ceased to be an employee.
How is the fair value recognised?	The fair value of these shares is recognised as an employee expense with a corresponding increase in issued capital, and the fair value per share is determined by the Volume Weighted Average Price ("VWAP") of ordinary Santos shares on the ASX during the week up to and including the date of issue of the shares.	The fair value of the shares is recognised as an increase in issued capital and a corresponding increase in loans receivable. The fair value per share is determined by the VWAP of ordinary Santos shares on the ASX during the week up to and including the date of issue of the shares. The fair value of services required in return for matched SARs granted is measured by reference to the fair value of matched SARs granted. The estimate of the fair value of the services received is measured by discounting the share price on the grant date using the assumed dividend yield and recognised as an employee expense for the term of the matched SARs.

The following shares were issued pursuant to the employee share plans during the period:

		Share1000 Plan		ShareMatch Plan	
Year		Issued shares No.	Fair value per share $	Issued shares No.	Fair value per share $
2015	**28 Jul 2015**	**180,040**	**7.1383**	**890,889**	**7.1383**
2014	21 Jan 2014	5,037	14.3508	35,412	14.3508
	1 Jul 2014	106,470	14.1598	500,971	14.1598
		111,507		536,383	

Notes to the Consolidated Financial Statements
Section 7: People

7.2 SHARE-BASED PAYMENT PLANS (CONTINUED)

i. General employee share plans (continued)

The number of SARs outstanding, and movements throughout the financial year are:

Year	Beginning of the year No.	Granted No.	Lapsed No.	Vested No.	End of the year No.
2015 total	**1,361,730**	**899,388**	**(64,524)**	**(596,491)**	**1,600,103**
2014 total	1,226,833	537,445	(49,911)	(352,637)	1,361,730

The inputs used in the valuation of the SARs are as follows:

Matched SARs grant	**2015**
Share price on grant date ($)	**7.13**
Exercise price ($)	**–**
Right life (weighted average, years)	**3.0**
Expected dividends (% p.a.)	**4.21**
Fair value at grant date ($)	**6.30**

The loan arrangements relating to the ShareMatch Plan are as follows:

During the year the Company issued $6 million (2014: $8 million) of share capital under the ShareMatch Plan, with $3 million (2014: $7 million) received from employees under loan arrangements. The movements in loans receivable from employees were:

	2015 $000	2014 $000
Employee loans at 1 January	**3,611**	2,807
Ordinary share capital issued during the year	**6,420**	7,617
Cash received during the year	**(6,326)**	(6,813)
Employee loans at 31 December	**3,705**	3,611

ii. Executive Long-Term Incentive share-based payment plans

The Company's Executive Long-Term Incentive ("LTI Program") provides for invitations to be extended to eligible executives selected by the Board to receive SARs upon the satisfaction of set market and non-market performance conditions. Each SAR is a conditional entitlement to a fully paid ordinary share, subject to the satisfaction of performance or service conditions, on terms and conditions determined by the Board. The Board has the discretion to cash-settle SARs granted under the amended Santos Employee Equity Incentive Plan.

The fair value of SARs is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the executive becomes unconditionally entitled to the SARs. The fair value of the performance-based SARs granted is measured using a Monte Carlo simulation method, taking into account the terms and market conditions upon which the SARs were granted. The fair value of the deferred-based SARs granted is measured by discounting the share price on the grant date using the assumed dividend yield for the term of the SAR. The amount recognised as an expense is only adjusted when SARs do not vest due to non-market-related conditions.

The 2015 LTI Program offers consisted only of SARs. Performance Awards were granted to eligible executives in 2015 who were granted two three-year grants (1 January 2015 – 31 December 2017).

In each of the grants 75% of the SARs are subject to Santos' Total Shareholder Return ("TSR") relative to the performance of the ASX 100 companies ("ASX 100 comparator group") and 25% are subject to Santos' TSR relative to the performance of the Standard & Poor's Global 1200 Energy Index companies ("S&P GEI comparator group") over the performance period.

7.2 SHARE-BASED PAYMENT PLANS (CONTINUED)

ii. Executive Long-Term Incentive share-based payment plans (continued)

The numbers of SARs outstanding at the end of, and movements throughout, the financial year are:

Year	Beginning of the year No.	Granted No.	Lapsed No.	Vested No.	End of the year No.
2015 total	**6,631,253**	**3,158,016**	**(2,124,044)**	**(15,127)**	**7,650,098**
2014 total	3,775,596	3,817,719	(753,957)	(208,105)	6,631,253

The SARs granted during 2015 totalling 3,158,016 were issued across the following four tranches, each with varying valuations:

	2015			
Performance Awards	**M1**	**M2**	**M3**	**M4**
Performance index	ASX 100	S&P GEI	ASX 100	S&P GEI
Fair value at grant date ($)	3.96	4.13	5.44	5.43
Share price on grant date ($)	7.93	7.93	9.03	9.03
Exercise price ($)	nil	nil	nil	nil
Expected volatility (weighted average, % p.a.)	29	29	29	29
Right life (weighted average, years)	4	4	4	4
Expected dividends (% p.a.)	4.4	4.4	3.9	3.9
Risk-free interest rate (% p.a.)	1.7	1.7	2.2	2.2
Total granted (No.)	1,989,338	663,086	379,194	126,398

The above table includes the valuation assumptions used for Performance Awards SARs granted during the current year. The expected vesting period of the SARs is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the SARs is indicative of future trends, which may not necessarily be the actual outcome.

Vesting of Performance Awards

All Performance Awards are subject to hurdles based on the Company's TSR relative to both the ASX 100 and S&P GEI comparator group over the performance period to the end of the vesting period. There is no re-testing of performance conditions. Each tranche of the Performance Awards granted during 2015 vests in accordance with the following vesting schedule, relative to the TSR conditions:

TSR percentile ranking	% of grant vesting
< 51st percentile	0%
= 51st percentile	50%
52nd to 75th percentile	Further 2.0% for each percentile over 51st
≥ 76th percentile	100%

Restriction period

Shares allocated on vesting of SARs granted in 2011 and 2012 may be subject to additional restrictions on dealing for five or seven years after the original grant date, depending on whether the executive elected to extend the trading restrictions period beyond the vesting date. Shares allocated on the vesting of SARs that were granted prior to 2012 will be subject to further restrictions on dealing for a maximum of 10 years after the original grant date. No amount is payable on grant or vesting of the SARs.

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Section 7: People

7.2 SHARE-BASED PAYMENT PLANS (CONTINUED)

iii. 2012–2015 Four-year CEO Strategy Grant

In 2012 the Company granted 205,339 SARs to the CEO (2012–2015 Four-year CEO Strategy Grant). The issue of SARs under this arrangement was approved by shareholders at the 2012 Annual General Meeting ("AGM").

As described more fully in the Notice of Meeting to the 2012 AGM, the award is split into five equal tranches with separate performance targets that relate to the following:

Target	Measure
• GLNG start-up	Loading of first LNG cargo on or before 30 June 2015
• GLNG cost	Project cost within or under budget
• Production growth	Targeting 77 mmboe or more by 31 December 2015
• Reserves growth	Targeting 2P reserve/production cover of 18 years or more at 31 December 2015
• Operations integrity	Maintaining an annual score of 90% or more against various environmental, health and safety metrics while ensuring no High Impact or Critical Environment incidents occur over the 2012–2015 period

Each of the five performance target measures have been tested at 31 December 2015. The results of the test concluded that a total of 88,706 SARs vested, being 43.2%. No SARs vested in relation to the GLNG cost and production growth performance targets.

The cumulative expense to this grant was $938 thousand, amortised over the four-year vesting period. This included a reversal of $178 thousand in the current period reflecting a true-up based on the results of testing at 31 December 2015.

iv. 2013–2015 Three-year Executive Strategy Grant

In 2013 the Company granted 20,829 SARs under the Santos Employee Equity Incentive Plan ("SEEIP"), referred to as the 2013–2015 Three-year Executive Strategy Grant.

The award is split into three equal tranches with separate performance targets that relate to GLNG start-up, GLNG cost and operations integrity, similar to the corresponding targets in the 2012–2015 Four-year CEO Strategy Grant.

Each of the three performance target measures have been tested at 31 December 2015. The results of the test concluded that a total of 18,121 SARs vested, being 87%. No SARs vested in relation to the GLNG cost performance target.

The cumulative expense to this grant was $214 thousand, amortised over the three-year vesting period. This included an expense of $97 thousand in the current period reflecting a true-up based on the results of testing at 31 December 2015.

7.2 SHARE-BASED PAYMENT PLANS (CONTINUED)

(b) Options

The Company has not granted options over unissued shares under the Executive Long-Term Incentive share-based payment plans since 2009. The information as set out below relates to options issued under the Executive Long-Term Incentive share-based payment plans in 2009 and earlier that have vested in prior years:

	Beginning of the year No.	Lapsed No.	Exercised No.	End of the year No.	Exercisable at end of the year No.
2015					
Vested in prior years	**3,992,038**	**(69,450)**	**–**	**3,922,588**	**3,922,588**
Weighted average exercise price ($)	**12.31**	**8.46**	**–**	**12.38**	**12.38**
2014					
Vested in prior years	4,142,738	(51,300)	(99,400)	3,992,038	3,992,038
Weighted average exercise price ($)	12.31	15.39	10.48	12.31	12.31

(c) Cash-settled share-based payment plans

The Group recognises the fair value of cash-settled share-based payment transactions as an employee expense with a corresponding increase in the liability for employee benefits. The fair value of the liability is measured initially, and at the end of each reporting period until settled, at the fair value of the cash-settled share-based payment transaction, by using a Monte Carlo simulation method.

7.3 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation	2015 $000	2014 $000
Short-term employee benefits	**7,198**	9,462
Post-employment benefits	**240**	195
Other long-term benefits	**63**	196
Termination benefits	**2,422**	–
Share-based payments	**4,418**	5,320
	14,341	15,173

(b) Loans to key management personnel

There have been no loans made, guaranteed or secured, directly or indirectly, by the Group or any of its subsidiaries at any time throughout the year to any key management person, including their related parties.

Notes to the Consolidated Financial Statements
Section 8: Other

This section provides information that is not directly related to the specific line items in the financial statements, including information about contingent liabilities, events after the end of the reporting period, the Group's commitment to the removal of the shareholder cap, remuneration of auditors and changes to accounting policies and disclosures.

8.1 CONTINGENT LIABILITIES

Contingent liabilities arise in the ordinary course of business through claims against the Group, including contractual, third-party and contractor claims. In most instances it is not possible to reasonably predict the outcome of these claims, and as at reporting date the Group believes that the aggregate of such claims will not materially impact the Group's financial report.

8.2 EVENTS AFTER THE END OF THE REPORTING PERIOD

On 19 February 2016, the Directors of Santos Limited declared a final dividend on ordinary shares in respect of the 2015 financial year. Consequently, the dividend has not been provided for in the 31 December 2015 financial statements. Refer to note 2.6 for dividends declared after 31 December 2015.

8.3 COMMITMENT ON REMOVAL OF SHAREHOLDER CAP

Pursuant to a Deed of Undertaking to the Premier of South Australia dated 16 October 2007 and as a consequence of the enactment of the *Santos Limited (Deed of Undertaking) Act 2007* on 29 November 2007, Santos has agreed to:

- continue to make payments under its existing Social Responsibility and Community Benefits Program specified in the Deed totalling $60 million over a 10-year period from the date the legislation was enacted. As at 31 December 2015, approximately $6 million (2014: $10 million) remains to be paid over the remainder of the 10-year period through to 29 November 2017; and
- continue to maintain the South Australian Cooper Basin asset's Head Office and Operational Headquarters together with other roles in South Australia for 10 years subsequent to the date the legislation was enacted. At 31 December 2015, if this condition had not been met, the Company would have been liable to pay a maximum of $50 million (2014: $50 million) to the State Government of South Australia.

Santos is required to make these payments only if the State Government of South Australia does not reintroduce a shareholder cap on the Company's shares or introduce any other restriction on or in respect of the Company's Board or senior management which has an adverse discriminatory effect in their application to the Company relative to other companies domiciled in South Australia.

8.4 REMUNERATION OF AUDITORS

The auditor of Santos Limited is Ernst & Young.

(a) Audit and review services

Amounts received or due and receivable for an audit or review of the financial report of the entity and any other entity in the Group by:

	2015 $000	2014 $000
Ernst & Young (Australia)	**1,465**	1,490
Overseas network firms of Ernst & Young (Australia)	**223**	217
	1,688	1,707

8.4 REMUNERATION OF AUDITORS (CONTINUED)

(b) Other services

Amounts received or due and receivable for other services in relation to the entity and any other entity in the Group by:

	2015 $000	2014 $000
Ernst & Young (Australia) for other assurance services	**507**	798
Ernst & Young (Australia) for taxation and other services	**64**	96
Overseas network firms of Ernst & Young (Australia) for taxation services	**20**	20
	591	914

8.5 ACCOUNTING POLICIES

Changes in accounting policies and disclosures

The Group applied a number of amendments to accounting standards applicable for the first time for the financial year beginning 1 January 2015.

The below amendments did not impact the consolidated financial statements and disclosures of the Group:

- *AASB 2014-1 Part A – Annual Improvements 2010-2012 Cycle*;
- *AASB 2014-1 Part A – Annual Improvements 2011-2013 Cycle*;
- *AASB 2014-1 Part B Amendments to AASB 119 – Amendments to Australian Accounting Standards – Part B Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)*;
- *AASB 2013-9 – Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*; and
- *AASB 2014-2 – Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements*.

New standards and interpretations not yet adopted

The Group has not elected to apply any pronouncements before their effective date for the annual reporting period ended 31 December 2015.

Notes to the Consolidated Financial Statements
Section 8: Other

8.5 ACCOUNTING POLICIES (CONTINUED)

New standards and interpretations not yet adopted (continued)

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, and have not been applied in preparing these consolidated financial statements. The Group's assessment of the impact of these new standards, amendments to standards and interpretations is set out below:

Reference	Description	Application of standard	Impact on Group financial report
AASB 9 Financial Instruments	AASB 9 as issued replaces AASB 139 and includes a logical model for classification, measurement and derecognition of financial assets, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The main changes to the classification and measurement of financial assets and liabilities are: • financial assets that are debt instruments will be classified based on: (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows; • allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; • financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases; and • where the fair value option is used for financial liabilities the change attributable to changes in credit risk is presented in other comprehensive income, and the remaining change is presented in profit or loss.	1 January 2018	Impact is currently being assessed
AASB 15 Revenue from Contracts with Customers	AASB 15 as issued replaces AASB 111, AASB 118 and related IFRIC Interpretations. The core principle of AASB 15 is that an entity recognises revenue in accordance with the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: Step 1: Identify the contract(s) with a customer Step 2: Identify the performance obligations in the contract Step 3: Determine the transaction price Step 4: Allocate the transaction price to the performance obligations in the contract Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.	1 January 2018	Impact is currently being assessed

8.5 ACCOUNTING POLICIES (CONTINUED)

Reference	Description	Application of standard	Impact on Group financial report
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	This standard sets out the guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.	1 January 2016	No impact
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	AASB 2015-2 provides clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements.	1 January 2016	The 2015 financial statement content and structure has been reviewed and amended, refer to section “Structure of the Financial Report”.
IFRS 16 Leases	The key features of IFRS 16 are as follows: *Lessee accounting* • lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • a lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • IFRS 16 contains disclosure requirements for lessees. *Lessor accounting* • IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor’s risk exposure, particularly to residual value risk.	1 January 2019	Impact yet to be assessed

Several other amendments to standards and interpretations will apply on or after 1 January 2016, and have not yet been applied, however they are not expected to impact the Group’s annual consolidated financial statements or half-year condensed consolidated financial statements.

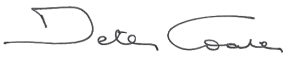
Directors' Declaration
for the year ended 31 December 2015

In accordance with a resolution of the Directors of Santos Limited ("the Company"), we state that:

1. In the opinion of the Directors:
   (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001* (Cth), including:
      (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
      (ii) complying with Accounting Standards and the *Corporations Regulations 2001* (Cth); and
   (b) the financial statements and notes comply with International Financial Reporting Standards as disclosed in note 1.1; and
   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* (Cth) for the financial year ended 31 December 2015.
3. As at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 6.5 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those members of the Closed Group pursuant to Class Order 98/1418.

Dated this 19th day of February 2016

On behalf of the Board:



Director

Independent Auditor's Report
to the members of Santos Limited

Report on the Financial Report

We have audited the accompanying Financial Report of Santos Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The Directors of the company are responsible for the preparation of the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the Directors determine are necessary to enable the preparation of the Financial Report that is free from material misstatement, whether due to fraud or error. In Note 1.1, the Directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the Financial Report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the Financial Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Financial Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the Directors of the company a written Auditor's Independence Declaration, a copy of which is referred to in the Directors' Report.

Opinion

In our opinion:

a. the Financial Report of Santos Limited is in accordance with the *Corporations Act 2001*, including:
   - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
   - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the Financial Report also complies with *International Financial Reporting Standards* as disclosed in Note 1.1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 36 to 53 of the Directors' Report for the year ended 31 December 2015. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Santos Limited for the year ended 31 December 2015, complies with section 300A of the *Corporations Act 2001*.

Ernst + Young

Ernst & Young

T S Hammond
Partner
Adelaide
19 February 2016

Auditor's Independence Declaration
to the Directors of Santos Limited

As lead auditor for the audit of Santos Limited for the financial year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Santos Limited and the entities it controlled during the financial year.

Ernst + Young

Ernst & Young

T S Hammond
Partner
Adelaide
19 February 2016

Information for Shareholders

NOTICE OF MEETING

The Annual General Meeting of Santos Limited will be held in Hall L at Adelaide Convention Centre, North Terrace, Adelaide, South Australia, on Wednesday 4 May 2016 at 10:00 am.

FINAL DIVIDEND

The 2015 final ordinary dividend will be paid on 30 March 2016 to shareholders registered in the books of the Company at the close of business on 26 February 2016 in respect of fully paid shares held at record date.

SECURITIES EXCHANGE LISTING

Santos Limited. Incorporated in Adelaide, South Australia, on 18 March 1954. Quoted on the official list of the Australian Securities Exchange (ordinary shares code STO).

DIRECTORS

PR Coates (Chairman), KT Gallagher, (Managing Director and CEO), YA Allen, KA Dean, RA Franklin, H Goh, JS Hemstritch, GJW Martin, SD Sheffield.

COMPANY SECRETARY

DTJ Lim

CHANGE OF SHAREHOLDER DETAILS

Shareholders can access their current shareholding details and change many of these details online via the website, **www.investorcentre.com/sto**. The website requires you to quote your Shareholder Reference Number ("SRN") or Holder Identification Number ("HIN") in order to access this information. Forms are also available to advise the Company of changes relating to change of address, direct crediting of dividends, Tax File Number and Australian Business Number, Annual Report and Sustainability Report mailing preferences and Dividend Reinvestment Plan participation.

INVESTOR INFORMATION AND SERVICES

Santos website

A wide range of information for investors is available from Santos' website, **www.santos.com**, including Annual Reports, Sustainability Reports, Full-Year and Interim Reports and presentations, news announcements, Quarterly Activities Reports and current well information.

Comprehensive archives of these materials dating back to 1990 are available on the Santos website.

Other investor information available on the Santos website includes:

- webcasts of investor briefings:
- an email alert facility where people can register to be notified, free of charge, of Santos' News Announcements via email: and
- an RSS feed of Santos' News Announcements, which allows people to view these announcements using RSS reader software.

The Santos website provides a full history of Santos' dividend payments and equity issues. Shareholders can also check their holdings and payment history via the secure View Shareholding section.

Santos' website also provides an online Conversion Calculator, which instantly computes equivalent values of the most common units of measurement in the oil and gas industry.

Publications

The Annual Report, Interim Report, Shareholder Review and the Sustainability Report are the major sources of printed information about Santos. Printed copies of the reports are available from the Share Registry or Investor Relations.

SHAREHOLDER ENQUIRIES

Enquiries about shareholdings should be directed to:

Computershare Investor Services Pty Limited GPO Box 2975
Melbourne, Victoria 3001
Phone: 1300 017 716 (within Australia) or
+61 3 9938 4343 (outside Australia)

Investor enquiries online:

www.investorcentre.com/contact
Website: www.investorcentre.com/sto

Investor information, other than that relating to a shareholding, can be obtained from:

Investor Relations, Santos Limited
GPO Box 2455
Adelaide, South Australia 5001
Telephone: 08 8116 5000
Email: investor.relations@santos.com

Electronic enquiries can also be submitted through the 'Contact Us' section of the Santos website, **www.santos.com**

SHAREHOLDERS' CALENDAR

2015 full-year Results announcement
19 February 2016

Ex-dividend date for 2015 full-year dividend
24 February 2016

Record date for 2015 full-year dividend
26 February 2016

Payment date for 2015 full-year dividend
30 March 2016

Annual General Meeting
4 May 2016

2016 interim results announcement
19 August 2016

Ex-dividend date for 2016 interim dividend
24 August 2016

Record date for 2016 interim dividend
25 August 2016

Payment date for 2016 interim dividend
30 September 2016

Dates may be subject to change.

QUARTERLY REPORTING CALENDAR

2016 First Quarter Activities Report
22 April 2016

2016 Second Quarter Activities Report
22 July 2016

2016 Third Quarter Activities Report
21 October 2016

2016 Fourth Quarter Activities Report
20 January 2017

Dates are subject to change and are published on the Santos website, **www.santos.com**

Securities Exchange and Shareholder Information

Listed on the Australian Securities Exchange at 29 February 2016 were 1,765,779,105 fully paid ordinary shares. Unlisted were 12,500 partly paid Plan 0 shares, 12,500 partly paid Plan 2 shares, 396,595 restricted fully paid ordinary shares issued to eligible Senior Executives pursuant to the Santos Employee Share Purchase Plan ("SESPP"), 19,775 fully paid ordinary shares issued pursuant to the Non-executive Director Share Plan ("NED Share Plan"), 103,382 fully paid ordinary shares issued with further restrictions pursuant to the ShareMatch Plan and 19,395 fully paid ordinary shares issued with further restrictions pursuant to the Santos Employee Share Purchase Plan ("SESPP").

There were 162,013 holders of all classes of issued ordinary shares, including: 2 holders of Plan 0 shares; 2 holders of Plan 2 shares; 33 holders of restricted shares pursuant to the SESPP; 2 holders of NED Share Plan shares; 88 holders of ShareMatch shares with further restrictions and 5 holders of SESPP shares with further restrictions. This compared with 148,740 holders of all classes of issued ordinary shares a year earlier.

On 29 February 2016 there were also: 38 holders of 3,922,588 Options granted pursuant to the Santos Executive Share Option Plan; 99 holders of 5,696,026 Share Acquisition Rights pursuant to the SEEIP and 1,559 holders of 1,537,352 Share Acquisition Rights pursuant to the ShareMatch Plan.

The listed issued ordinary shares plus the ordinary shares issued pursuant to the SESPP, and the restricted shares issued pursuant to the SESPP, NED Share Plan, represent all of the voting power in Santos. The holdings of the 20 largest holders of ordinary shares represent 56.94% of the total voting power in Santos (51.39% on 27 February 2015). The largest shareholders of fully paid ordinary shares in Santos as shown in the Company's Register of Members at 29 February 2016 were:

Name	No. of shares	%
HSBC Custody Nominees (Australia) Limited	271,866,868	15.40
JP Morgan Nominees Australia Limited	169,663,246	9.61
Citicorp Nominees Pty Limited	159,395,518	9.03
United Faith Ventures Limited	138,314,170	7.83
National Nominees Limited	131,351,942	7.44
BNP Paribas Noms Pty Ltd <DRP>	32,520,645	1.84
Citicorp Nominees Pty Limited <Colonial First State Inv A/c>	18,790,863	1.06
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/c>	13,018,931	0.74
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/c>	11,690,232	0.66
Argo Investments Limited	10,326,884	0.58
Morgan Stanley Australia Securities (Nominee) Pty Limited <No 1 Account>	10,109,833	0.57
CS Fourth Nominees Pty Limited <HSBC Cust Nom Au Ltd 11 A/c>	7,655,348	0.43
Australian Foundation Investment Company Limited	6,739,581	0.38
National Nominees Limited <DB A/c>	6,727,999	0.38
AMP Life Limited	3,233,610	0.18
Dynamic Supplies Investments Pty Ltd	3,181,868	0.18
UBS Wealth Management Australia Nominees Pty Ltd	3,054,055	0.17
Navigator Australia Ltd <MLC Investment Sett A/c>	2,892,987	0.16
HSBC Custody Nominees (Australia) Limited-GSCO ECA	2,510,042	0.14
Custodial Services Limited <Beneficiaries Holding A/c>	2,377,479	0.13
Total:	**1,005,422,101**	**56.94**

ANALYSIS OF SHARES – RANGE OF SHARES HELD

	Fully paid ordinary shares (holders)	% of holders	% of shares held
1–1,000	55,759	34.42	1.54
1,001–5,000	73,282	45.23	10.38
5,001–10,000	18,657	11.52	7.61
10,001–100,000	13,937	8.60	17.21
100,001 and over	378	0.23	63.26
Total	**162,013**	**100.00**	**100.00**
Less than a marketable parcel of $500	10,285		

Substantial Shareholders as disclosed by notices received by the Company as at 29 February 2016:

Name	Number of voting shares held
United Faith Ventures Limited	205,196,886

For Directors' shareholdings see the Directors' Report as set out on page 19 of this Annual Report.

VOTING RIGHTS

Every member present in person or by an attorney, a proxy or a representative shall on a show of hands, have one vote and upon a poll, one vote for every fully paid ordinary share held. Pursuant to the Rules of the Santos Executive Share Plan, Plan 2 and Plan 0 shares do not carry any voting rights except on a proposal to vary the rights attached to Plan shares.

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Glossary

Aboriginal
Refers to both Aboriginal and Torres Strait Islander people.

barrel/bbl
The standard unit of measurement for all oil and condensate production. One barrel = 159 litres or 35 imperial gallons.

boe
Barrels of oil equivalent.

the company
Santos Ltd and its subsidiaries.

condensate
A natural gas liquid that occurs in association with natural gas and is mainly composed of pentane and heavier hydrocarbon fractions.

proven, probable plus possible reserves contingent resources (2C)
Those quantities of hydrocarbons which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable. Contingent resources may be of a significant size, but still have constraints to development. These constraints, preventing the booking of reserves, may relate to lack of gas marketing arrangements or to technical, environmental or political barriers.

crude oil
A general term for unrefined liquid petroleum or hydrocarbons.

CSG
Coal seam gas. Predominantly methane gas stored within coal deposits or seams.

EBITDAX
Earnings before interest, tax, depreciation, depletion, exploration and impairment.

exploration
Drilling, seismic or technical studies undertaken to identify and evaluate regions or prospects with the potential to contain hydrocarbons.

hydrocarbon
Compounds containing only the elements hydrogen and carbon, which may exist as solids, liquids or gases.

joules
Joules are the metric measurement unit for energy.

A gigajoule (GJ) is equal to 1 joule × 10^9

A terajoule (TJ) is equal to 1 joule × 10^{12}

A petajoule (PJ) is equal to 1 joule × 10^{15}

liquid hydrocarbons (liquids)
A sales product in liquid form; for example, condensate and LPG.

LNG
Liquefied natural gas. Natural gas that has been liquefied by refrigeration to store or transport it. Generally, LNG comprises mainly methane.

Lost-Time Injury Frequency Rate (LTIFR)
A statistical measure of health and safety performance, calculated by the number of hours worked. A lost-time injury is a work-related injury or illness that results in a persons disability, or time lost from work of one day shift or more.

LPG
Liquefied petroleum gas. A mixture of light hydrocarbons derived from oil-bearing strata which is gaseous at normal temperatures but which has been liquefied by refrigeration or pressure to store or transport it. Generally, LPG comprises mainly propane and butane.

market capitalisation
A measurement of a company's stock market value at a given date. Market capitalisation is calculated as the number of shares on issue multiplied by the closing share price on that given date.

medical treatment injury
A work-related injury or illness, other than a lost-time injury, that is serious enough to require more than minor first aid treatment. Santos classifies injuries that result in modified duties as medical treatment injuries.

mmbbl
million barrels

mmboe
million barrels of oil equivalent.

mtpa
million tonnes per annum

oil
A mixture of liquid hydrocarbons of different molecular weights.

proven reserves (1P)
Reserves that, to a high degree of certainty (90% confidence), are recoverable. There is relatively little risk associated with these reserves. Proven developed reserves are reserves that can be recovered from existing wells with existing infrastructure and operating methods. Proven undeveloped reserves require development.

proven plus probable reserves (2P)
Reserves that analysis of geological and engineering data suggests are more likely than not to be recoverable. There is at least a 50% probability that reserves recovered will exceed proven plus probable reserves.

sales gas
Natural gas that has been processed by gas plant facilities and meets the required specifications under gas sales agreements.

Santos
Santos Limited and its subsidiaries.

seismic survey
Data used to gain an understanding of rock formations beneath the earth's surface using reflected sound waves.

t
tonnes

total recordable case frequency rate (TRCFR)
A statistical measure of health and safety performance. Total recordable case frequency rate is calculated as the total number of recordable cases (medical treatment injuries and lost-time injuries) per million hours worked.

Conversion

Crude oil	1 barrel = 1 boe
Sales gas	1 petajoule = 171,937 boe
Condensate/naphtha	1 barrel = 0.935 boe
LPG	1 tonne = 8.458 boe

For a comprehensive online conversion calculator tool, visit the Santos website at **www.santos.com**

Corporate Directory

Santos Limited
ABN 80 007 550 923

REGISTERED AND HEAD OFFICE

Ground Floor Santos Centre
60 Flinders Street
Adelaide SA 5000
Australia

GPO Box 2455
Adelaide SA 5001
Australia

Telephone: +61 8 8116 5000
Facsimile: +61 8 8116 5050
Website: **www.santos.com**

SHARE REGISTER

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnson Street
Abbotsford VIC 3067
Australia

GPO Box 2975
Melbourne VIC 3001
Australia

Online enquiries: **www.investorcentre.com/contact**
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+61 3 9938 4343 (international)

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Santos
We have the energy.