Annual Report **2020**

A clear pathway to net zero emissions by 2040

Santos

Santos Limited ABN 80 007 550 923

This *Annual Report 2020* is a summary of Santos' operations, activities and financial position as at 31 December 2020.

All references to dollars, cents or $ in this document are to US 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/about-us/corporate-governance**

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Cover image:

Santos has a number of natural advantages to deliver carbon capture and storage at scale and zero-emissions hydrogen from our position in the Cooper Basin.

About Santos
An Australian energy pioneer

A proudly Australian company, Santos is a leading supplier of natural gas, a fuel for the future, providing clean energy to improve the lives of people in Australia and Asia.

Santos is already Australia's biggest domestic gas supplier, a leading Asia–Pacific LNG supplier and aims to be a world-leading clean fuels company, achieving net zero emissions by 2040.

Santos will grow its clean fuels capability as customer demand evolves for zero-emissions LNG, hydrogen and other products through carbon capture and storage, nature-based offsets, energy efficiency and use of renewables in its operations.

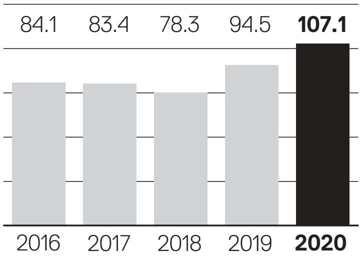
Underpinned by a diverse portfolio of high-quality natural gas, oil and strategic infrastructure assets in the Cooper Basin, Western Australia, Northern Australia and Timor–Leste, Papua New Guinea, Queensland and New South Wales, Santos seeks to deliver long-term value to shareholders.

Recognised for its disciplined, low-cost operating model, Santos is resilient throughout the commodity price cycle.

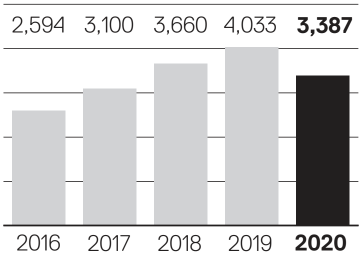
For more than 65 years, Santos has been working in partnership with local communities, providing Australian jobs and business opportunities, safely and sustainably developing Australia's natural gas resources, and powering Australian industries and households.

Financial Overview

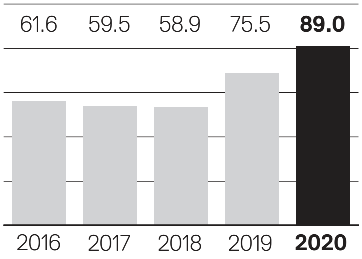
Sales volume
mmboe



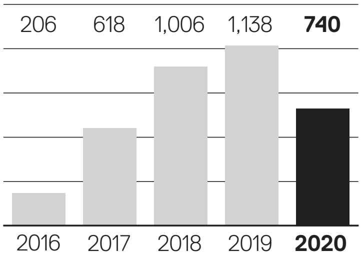
Sales revenue
US$million



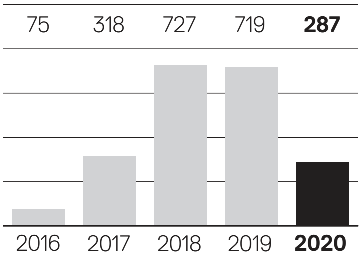
Production volume
mmboe



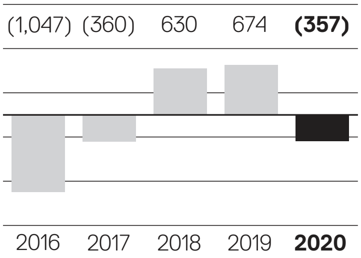
Free cash flow
US$million



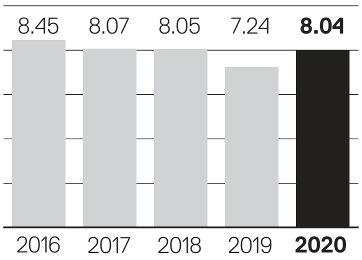
Underlying net profit after tax
US$million



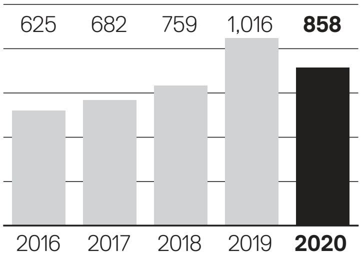
Net (loss)/profit after tax
US$million



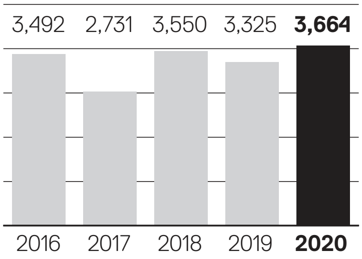
Unit production costs
US$ per boe



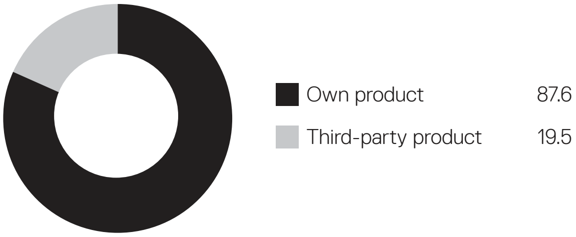
Capital expenditure
US$million



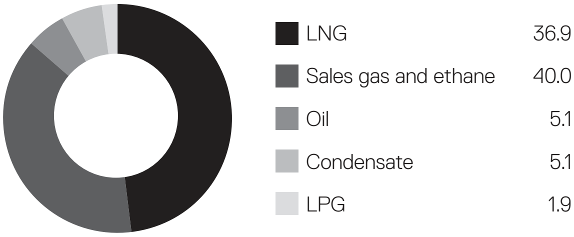
Net debt
US$million



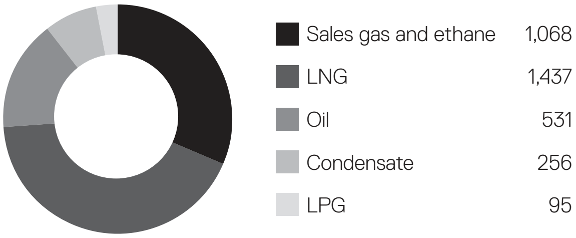
2020 Sales volumes
mmboe



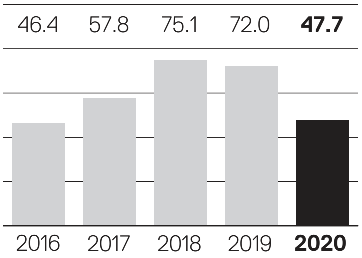
2020 Production
mmboe



2020 Sales revenue
US$million



Average realised oil price
US$ per barrel



2020 Results

		2016	2017	2018	2019	**2020**
Sales volume	mmboe	84.1	83.4	78.3	94.5	**107.1**
Production	mmboe	61.6	59.5	58.9	75.5	**89.0**
Average realised oil price	US$ per barrel	46.4	57.8	75.1	72.0	**47.7**
Net (loss)/profit after tax	US$million	(1,047)	(360)	630	674	**(357)**
Underlying net profit after tax	US$million	75	318	727	719	**287**
Sales revenue	US$million	2,594	3,100	3,660	4,033	**3,387**
Operating cash flow	US$million	840	1,248	1,578	2,046	**1,476**
Free cash flow	US$million	206	618	1,006	1,138	**740**
EBITDAX	US$million	1,199	1,428	2,160	2,457	**1,898**
Total assets	US$million	15,262	13,706	16,811	16,509	**17,656**
Earnings per share	US cents	(58.2)	(17.3)	30.2	32.4	**(17.1)**
Dividends declared	US cps	–	–	9.7	11.0	**7.1**
Number of employees		2,366	2,080	2,190	2,178	**2,722**

Message from the Chairman and Managing Director and Chief Executive Officer

KEITH SPENCE
Chairman

KEVIN GALLAGHER
Managing Director and
Chief Executive Officer

Dear Shareholder,

Despite challenging conditions and lower commodity prices, as a result of lower demand during the global pandemic, Santos has delivered another year of record annual production and strong free cash flow.

In 2020, the base business delivered:

- Annual production of 89.0 mmboe which is a record for Santos and 18% above the prior year.
- US$740 million in free cash flow and a free cash flow breakeven oil price of US$24 per barrel (before hedging) and US$17 per barrel (after hedging).
- The Board declared a final dividend of US5.0 cents per share, fully franked, bringing the total dividend for 2020 to US7.1 cents per share, which is consistent with the Company's free cash flow-based dividend policy.

The resilience of our business is best highlighted through free cash flow generation. The business generated 3.5 times more in free cash flow than it did in 2016 at similar oil prices, resulting in US$740 million for the full year. This is a testament to our consistent successful strategy, our disciplined low-cost operating model and our diversified portfolio of long-life natural gas assets.

Consistent and successful strategy

Our Transform, Build and Grow strategy has not changed since its implementation in 2016. The clarity of this strategy and consistency of execution over the past five years have been critical in growing the business and driving shareholder value.

Disciplined, low-cost operating model continues to drive value

This strategy is supported by Santos' disciplined operating model which is designed to deliver strong and consistent free cash flow through the commodity price cycle. The operating model sets a framework where each core asset is required to be free cash flow positive at an oil price less than US$35 per barrel. Importantly, the portfolio, including corporate costs, also needs to generate free cash flow at this price.

Disciplined and phased growth to 120 mmboe

In 2020, significant milestones were achieved on the world-class Barossa LNG project including the signing of a binding long-term LNG offtake agreement with Mitsubishi at a price based on Platts Japan Korea Marker (JKM) and execution of the gas transportation and processing agreements with Darwin LNG. Consents were also received for our sell-downs to SK E&S. Barossa is on-track for a final investment decision in the first half of 2021. Two other major growth projects, Dorado and Narrabri, will be phased, consistent with our disciplined approach to capital management and the operating model, as we target annual production of 120 mmboe.

Through large-scale carbon capture and storage, world-leading nature-based offsets, increased use of renewables and energy efficiency projects, Santos will continue to be a leading clean fuels company at the forefront of the energy transition to a lower-carbon future.

MARKET-LED ENERGY TRANSITION TO CLEANER FUELS

Santos is a clean fuels business that will transition from natural gas to hydrogen as our customers transition over the next two decades

2020
Current state: natural gas

Carbon capture and storage

Hydrogen

2040
Future state: clean fuels

2025 target

Reduce emissions >5% across the Cooper Basin and Queensland operations

Ahead of plan

2030 target

Reduce Scope 1 and 2 absolute emissions by 26–30% by 2030 from 2020 baseline

New target

2030 Scope 3 emissions target

Santos will actively work with customers to reduce their Scope 1 and 2 emissions by >1 $mtCO_2e$ per year by 2030

2040 target

Net zero Scope 1 and 2 absolute emissions by 2040

For more on our 2040 plan go to: **www.santos.com**

New ambitious roadmap to net zero emissions by 2040

In December 2020, we announced ambitious new industry-leading emission reduction targets. Importantly, our net zero by 2040 target is supported by a transition roadmap which is clear and credible. Core to the decarbonisation strategy for our existing business is the Moomba carbon capture and storage (CCS) project. Once operational, the project will inject 1.7 million tonnes of carbon dioxide per year, providing a step-change in emission reduction.

In addition to reducing our own emissions, Santos has committed to working with our customers to reduce their emissions. In the near term, this means switching from heavier emitting fuels, such as coal and diesel, to cleaner fuels such as natural gas. Longer term, Santos' strategy will focus on zero-emissions hydrogen enabled by CCS, which can be scaled-up across the Cooper Basin. The Cooper Basin has a natural competitive advantage in delivering zero-emissions hydrogen including existing infrastructure, access to produced water, natural gas and existing pipeline connections to domestic and export markets.

In summary, Santos is in a strong position. Our consistent and successful strategy combined with our disciplined, low-cost operating model continue to drive performance across our diversified asset portfolio and position us for disciplined growth.

On behalf of the Board and Management team, we would like to thank you, our shareholders, for your continued trust and support.

Yours sincerely,

K.W. Spence

KEITH SPENCE
Chairman

K. T. Gallagher

KEVIN GALLAGHER
Managing Director
and Chief Executive Officer

Board of Directors

KEITH SPENCE

Chairman

BSc (First Class Honours in Geophysics), FAIM

Mr Spence is an independent non-executive Director. He joined the Board on 1 January 2018 and became Chairman on 19 February 2018. He is Chairman of Santos Finance Limited and Chair of the Nomination Committee.

Mr Spence has over 40 years' experience in managing and governing oil and gas operations in Australia, Papua New Guinea, the Netherlands and Africa.

A geologist and geophysicist by training, Mr Spence commenced his career as an exploration geologist with Woodside Petroleum Limited in 1977. He subsequently joined Shell (Development) Australia, where he worked for 18 years. In 1994, he was seconded to Woodside to lead the North West Shelf Exploration team. In 1998, he left Shell to join Woodside. He retired from Woodside in 2008 after a 14-year tenure in top executive positions in the company. He has expertise in exploration and appraisal, development, project construction, operations and marketing.

Upon his retirement he took up several board positions, working in oil and gas, energy, mining, and engineering and construction services and renewable energy. This included Clough Limited, where he served as Chairman from 2010 to 2013, Geodynamics Limited where he served as a non-executive Director from 2008 to 2016 (including as Chairman from 2010 to 2016), Oil Search Limited, where he served as a non-executive Director from 2012 to 2017 and Murray and Roberts Holdings Limited, where he served as a non-executive Director from 2015 to 2020. Mr Spence is also a past Chair of the National Offshore Petroleum Safety and Environmental Management Authority Board and led the Commonwealth Government's Carbon Storage Taskforce.

Other Current Directorships: Chair of Base Resources Limited (since 2015) and non-executive Director of Independence Group NL (since 2014).

Former Directorships in the last 3 years: Murray and Roberts Holdings Limited (2015 to 2020).

KEVIN GALLAGHER

Managing Director and Chief Executive Officer

BEng (Mechanical) Hons, FIEAust

Mr Gallagher joined Santos as Managing Director and Chief Executive Officer on 1 February 2016, bringing more than 25 years' international experience in managing oil and gas operations. Mr Gallagher is a member of the Environment, Health, Safety and Sustainability Committee and is also a Director of Santos Finance Limited.

Mr Gallagher commenced his career as a drilling engineer with Mobil North Sea, before joining Woodside in Australia in 1998.

At Woodside, Mr Gallagher led the drilling organisation through rapid growth, delivering several Australian and international development projects and exploration campaigns, before leading the Australian oil business. Then, as CEO of the North West Shelf Venture, he was responsible for production from Australia's first-ever LNG project, which underpinned a new domestic gas market, fuelling the mining sector and other industries in Western Australia.

In 2011, Mr Gallagher joined Clough Limited as CEO and Managing Director where, over four years, he transformed the business and delivered record financial results. He oversaw the development of innovative programs to improve safety and drive productivity and executed an international expansion strategy. Following the successful turnaround at Clough, Mr Gallagher led the eventual sale of Clough Limited to their major shareholder Murray and Roberts.

Since joining Santos, Mr Gallagher has delivered the Transform, Build and Grow strategy focused on five core asset hubs, significantly reduced costs and instituted a disciplined operating model, strengthened the balance sheet and improved production. Under Mr Gallagher's leadership, Santos is now focussed on a long-life portfolio of natural gas assets with some exciting oil and liquids opportunities and is progressing a world-leading carbon capture and storage project in the Cooper Basin that can be an enabler for a transition to a future hydrogen business. The company is well positioned to deliver significant growth and sustainable returns to shareholders throughout the commodity price cycle.

Other Current Directorships: Chair of APPEA (since 2019).

Former Directorships in the last 3 years: Nil.

YASMIN ALLEN

BCom, FAICD

Ms Allen is an independent non-executive Director. She joined the Board on 22 October 2014 and is the Chair of the People, Remuneration and Culture Committee and a member of the Audit and Risk Committee and Nomination Committee.

Ms Allen has extensive experience in finance and investment banking, including senior roles at Deutsche Bank AG, ANZ and HSBC Group Plc, as former Chairman of Macquarie Global Infrastructure Funds, and a former Director of EFIC (Export, Finance and Insurance Corporation). Ms Allen was appointed a member of the Australian Government Takeovers Panel in March 2017, is a member (and former Council member) of Chief Executive Women and a former non-executive Director of Insurance Australia Group (2004 to 2015).

Other Current Directorships: Director of Cochlear Limited (since 2010), National Portrait Gallery (since 2013), The George Institute for Global Health (since 2014), ASX Limited and ASX Clearing and Settlement boards (since 2015), Chair of Advance (since 2018), Acting President of the Australian Government Takeovers Panel (since 2017), Chair of Digital Skills Organisation and Chair of Faethm.ai (both since 2020).

Former Directorships in the last 3 years: Nil.

GUY COWAN

BSc (Hons), Engineering, FCA (UK) MAICD

Mr Cowan is an independent non-executive Director. He joined the Board on 10 May 2016 and is the Chair of the Audit and Risk Committee and a Director of Santos Finance Limited.

Mr Cowan had a 23-year career with Shell International in various senior commercial and financial roles. His last two roles were as CFO and Director of Shell Oil US and CFO of Shell Nigeria. He was CFO of Fonterra Co-operative Ltd between 2005 and 2009. Mr Cowan was a Director of Ludowici Limited (2009 to 2012) where he chaired the Audit and Risk Committee and was also a Shell-appointed alternative Director of Woodside between 1992 and 1995.

Other Current Directorships: Chair of Queensland Sugar Limited (since 2015), Buderim Ginger Ltd (since 2018), the Stahmann Webster Group (effective 17 February 2021) and Port of Brisbane (effective 10 March 2021), Director of Winson Group Pty Ltd (since 2014).

Former Directorships in the last 3 years: Nil.

HOCK GOH

BEng (Hons) Mech Eng

Mr Goh is an independent non-executive Director. He joined the Board on 22 October 2012 and is a member of the Environment, Health, Safety and Sustainability Committee, Audit and Risk Committee and Nomination Committee.

Mr Goh has more than 35 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. He previously held managerial and staff positions in Asia, the Middle East and Europe. Mr Goh commenced his career as a field engineer on the rigs in Indonesia and subsequently in Roma and Sale in Australia. Mr Goh is a former Operating Partner of Baird Capital Partners Asia, based in China, (2007 to 2012) and non-executive Director of Xaloy Holding Inc in the US (2006 to 2008) and BPH Energy Ltd (2007 to 2015).

Other Current Directorships: Non-executive Director of Stora Enso Oyj (Finland) (since 2012), AB SKF (Sweden) (since 2014) and Vesuvius PLC (UK) (since 2015).

Former Directorships in the last 3 years: Chair of MEC Resources (2005 to 2018) and Director of Harbour Energy (2015 to 2018).

VANESSA GUTHRIE

Hon DSc, PhD, BSc (Hons)

Dr Guthrie is an independent non-executive Director. She joined the Board on 1 July 2017 and is a member of the People, Remuneration and Culture Committee and Environment, Health, Safety and Sustainability Committee.

Dr Guthrie has more than 30 years' experience in the resources sector in diverse roles such as operations, environment, community and Indigenous affairs, corporate development and sustainability.

She has qualifications in geology, environment, law and business management including a PhD in Geology. She was awarded an Honorary Doctor of Science from Curtin University in 2017 for her contribution to sustainability, innovation and policy leadership in the resources industry. She is an active member of the Australian Institute of Company Directors and Chief Executive Women, and a Fellow of the Australian Academy of Technological Sciences and Engineering.

Other Current Directorships: Director of Australian Broadcasting Corporation (since 2017), Adelaide Brighton Limited (since 2018), Tronox Holding PLC (since 2019), Lynas Rare Earths Ltd (since 2020) and Cricket Australia (effective 28 February 2021), Pro-Chancellor of Curtin University, member of the Australia-India Council and member of the Vocational Education and Training Expert Skills Panel.

Former Directorships in the last 3 years: Director of Vimy Resources Limited (2017 to 2018).

Board of Directors
continued

PETER HEARL

BCom. (UNSW With Merit), FAICD, MAIM, MAMA

Mr Hearl is an independent non-executive Director. He joined the Board on 10 May 2016 and is Chair of the Environment, Health, Safety and Sustainability Committee, a member of the People, Remuneration and Culture Committee and the Nomination Committee; having earlier served on the Company's Audit and Risk Committee.

During an 18-year career in the oil industry with Exxon in Australia and the USA, he held a variety of senior marketing, operations, logistics and strategic planning positions. Mr Hearl joined YUM Brands (formerly PepsiCo Restaurants) as KFC Australia's Director of Operations in 1991 and subsequently had several senior international leadership roles as well as being President of Pizza Hut USA, before assuming the global role of YUM Brands' Chief Operations and Development Officer in 2006, based in Dallas, Texas and Louisville, Kentucky, and from where he retired in 2008.

Other Current Directorships: Director of Telstra Ltd (since 2014), Chairman-Elect of Endeavour Group Ltd (since 2019), Trustee of the Stepping Stone Foundation, a Sydney-based NFP (since 2020) and Member of its Investment Committee (since 2018).

Former Directorships in the last 3 years: Chair of Woolworths Petrol Pty Ltd (2018).

JANINE MCARDLE

BS (Chemical Engineering), MBA

Ms McArdle is an independent non-executive Director. She joined the Board on 23 October 2019 and is a member of the Audit and Risk Committee and the Environment, Health, Safety and Sustainability Committee.

Ms McArdle has more than 30 years' experience in the global oil and gas industry. She most recently spent 13 years with Apache Corporation in the United States, where she held roles including Executive Officer, Senior Vice President of Global Gas Monetization, President of Kitimat LNG Co, and Vice President, Worldwide Oil and Gas Marketing. Prior to joining Apache, she worked with Aquila Energy for nine years in the United States in senior leadership positions and in the United Kingdom as Managing Director, with P&L responsibilities across trading, mergers and acquisition and e-commerce. Ms McArdle is also the Founder, CEO and President of Apex Strategies, a global consultancy business providing advisory services to companies engaged in midstream and downstream operations within the energy industry.

Other Current Directorships: Member of University of Nebraska's College of Engineering Advisory Board (since 2017), non-executive Director of Antero Midstream Corp (since 2020) and committee member of TruMarx Data Partners' LNG Advisory Committee (since 2020).

Former Directorships in the last 3 years: Director of Halcon Resources (2018 to 2019) and Palmer Drug Abuse Program in Houston TX (2003 to 2018).

EUGENE SHI

MBA in International Business

Mr Shi is a non-executive Director. He was re-appointed to the Board on 31 December 2020 as the nominee of a substantial shareholder after being on the Santos Board from June 2017 to May 2019.

Mr Shi has more than 20 years of professional experience, including five years in management consultancy and 15 years in senior management roles. His industry experience covers energy, automobile, health care, retail and finance in Europe and Asia–Pacific. His specialties include M&A and restructuring, strategy, value management, and cost optimisation.

Mr Shi is currently the ENN Group Chief Director in Finance, M&A and Value Operation. His previous roles include Department Head of Business Performance Service with KPMG China and Transformation Service with KPMG Europe.

Other Current Directorships: Nil.

Former Directorships in the last 3 years: Nil.

Santos Leadership Team

KEVIN GALLAGHER

Managing Director and Chief Executive Officer

BEng (Mechanical) Hons, FIEAust

Mr Gallagher's biography can be read on page 6.

DAVID BANKS

Chief Operations Officer

BE (Hons), MBA, GAICD

Mr Banks joined Santos in 2018 and is the Chief Operations Officer. Mr Banks previously led the Onshore Operating Division as Executive Vice President Onshore Oil and Gas.

Mr Banks has 30 years of international and domestic experience in the oil and gas industry. He started his career with Schlumberger in South-East Asia before joining BHP in Australia in 1994. Whilst at BHP, Mr Banks' roles included operational, technical and functional leadership roles including General Manager Shale Oil, Vice President HSE, Vice President Shale Drilling and Completion and Bass Strait Asset Manager. Beyond business and function leadership, Mr Banks led BHP's Petroleum Transformation and was Integration Manager for US shale assets.

BRETT DARLEY

Executive Vice President Offshore Oil and Gas

BEng (Civil), FIEAust Eng Exec

Mr Darley joined Santos in December 2018. He has 30 years of experience in the upstream oil and gas industry, both in Australia and overseas, with technical, operational, commercial and management experience across varied assets, onshore and offshore.

Before moving to Santos, Mr Darley held senior leadership roles including Chief Executive Officer of Quadrant Energy, Managing Director and Region Vice President for Apache Energy Limited, Vice President of Drilling and Completions at Woodside and Drilling Manager at Santos.

Mr Darley holds a Bachelor of Civil Engineering degree from the University of Queensland and is a Chartered Engineer. He is a current member of the Curtin Business School Advisory Council and an elected member of the General Council of the Chamber of Commerce and Industry of WA.

JODIE HATHERLY

Vice President Environment, Social Responsibility and Governance

BA, LLB

Ms Hatherly joined Santos in 2019. She is responsible for Environment, Social Responsibility and Governance. She is also the General Counsel and Company Secretary of the Santos Group, overseeing the Company's Legal, Company Secretariat and Risk functions. Ms Hatherly joined Santos from INPEX Australia, where she was General Counsel and General Manager Legal for the Ichthys LNG project and INPEX's Australia business. Ms Hatherly brings to the table a demonstrated history of delivering some of the biggest projects in the oil and gas industry.

Ms Hatherly commenced her career in the legal private sector, working in the UK and Australia, before taking on senior in-house roles in the oil and gas industry. Ms Hatherly has served on the advisory board of the Curtin University Law School as well as Muscular Dystrophy WA. Ms Hatherly was recognised on The Legal 500 GC Powerlist Australia in 2018.

Santos Leadership Team
continued

ANGUS JAFFRAY

Executive Vice President People and Culture

BA (Hons) Geography, MBA

Mr Jaffray joined Santos in 2016 and was appointed Executive Vice President People and Culture in January 2021, with responsibility for human resources, remuneration and performance, organisational and learning development, and organisational integration.

He previously held the roles of Executive Vice President Strategy, Business Development and Technology, Executive Vice President Organisational Integration and Executive Vice President People and Sustainability.

Mr Jaffray has over 20 years of leadership and consulting experience as a Director of Azure Consulting, a Partner at The Boston Consulting Group and a Supply Chain Manager with the global packaging group Crown Cork and Seal.

At Azure Consulting, Angus supported companies in developing strategy and driving organisational change. At BCG, Mr Jaffray set up the Perth office, led the Australian Operations practice and was a core member of both the Mining and Metals practice and the Energy Practice. He served clients in Australia, New Zealand, Asia, Europe and North America building strong capabilities in strategy, operational efficiency and running transformation programs. As a Supply Chain Manager, Mr Jaffray was accountable for procurement, planning, logistics and product delivery.

ANTHONY NEILSON

Chief Financial Officer

B.Comm, MBA, FFin, FCA

Mr Neilson joined Santos as Chief Financial Officer in 2016, and is responsible for the finance, tax, treasury, strategy, business development, investor relations and IT functions. He brings over 25 years' experience in chartered accounting, banking and corporate financial roles including over 15 years' experience in the upstream and downstream oil and gas industry.

Prior to joining Santos, Mr Neilson was CEO of Roc Oil Company Ltd (ROC), which was acquired in 2014 by Hong Kong-listed investor Fosun International Limited. Previously, Mr Neilson was Chief Financial Officer of ROC (ASX listed) and has held commercial, finance and business services roles at Caltex Australia, Credit Suisse First Boston (London) and Arthur Andersen (Sydney).

Mr Neilson holds a Masters of Business Administration from AGSM and is a Fellow of the Financial Services Institute of Australasia and a Fellow of Chartered Accountants Australia and New Zealand.

JANE NORMAN

Chief of Staff and Vice President Strategy

BSc, BEng (Chemical) Hons, GAICD

Ms Norman joined Santos in 2005 and has responsibility for developing Santos' corporate strategy and leading the CEO Office including media, communications, sponsorship, brand and events. Ms Norman has previously led roles in Santos' Strategy and Planning and Gas Commercialisation functions, where she had responsibility for the Company's economics analysis and market analysis for Oil, LNG and Domestic Gas.

Ms Norman has over 25 years' experience in the international oil and gas industry, starting her career as Process Engineer in the North Sea with Shell International Exploration and Production. Ms Norman held various technical and commercial roles with Shell UK, based in both Aberdeen and London. She subsequently worked in various corporate finance and equity capital market roles in the City of London with Cazenove and Co (now JP Morgan Cazenove) and Goldman Sachs, where she specialised in the oil and gas sector.

ROB SIMPSON

Executive Vice President Onshore Oil and Gas

BEng (Mech), MIEAust CPEng Eng Exec APEC Engineer IntPE(Aus)

Mr Simpson joined Santos in 1996 and is responsible for Santos' onshore oil and gas business.

Mr Simpson has over 34 years of experience in the Australian oil and gas industry, both in Australia and overseas, with operational, commercial, technical and management experience across varied assets both onshore and offshore including previous roles on the North West Shelf LNG and the Shell Geelong Refinery.

Mr Simpson has previously held senior leadership roles with Santos including Vice President Queensland, Director of Developments and General Manager of Operations. Mr Simpson has had a diverse career with Santos including operation and development of its then Indonesian assets and with over 15 years' association with CSG.

Mr Simpson is recognised by Engineers Australia as a leading Engineering Executive. He holds a Bachelor of Mechanical Engineering from the University of Queensland, is a Chartered Engineer and a member of the Society of Petroleum Engineers.

PETTER UNDEM

Executive Vice President Commercial

MSc (PE), MBA (High Hons)

Mr Undem joined Santos in August 2019 and has responsibility for the marketing and trading of all gas, LNG and liquid hydrocarbon products as well as the commercial and procurement functions.

Mr Undem has over 34 years' experience in the oil and gas industry both overseas and in Australia and joined Santos from Total, Paris, where he held the position of Deputy Vice President New Ventures E&P. Mr Undem commenced his career as a Petroleum Engineer with Total and held engineering and management positions in the Exploration and Production Branch. From 2009 to 2011, Mr Undem was Business Development Director of Total E&P UK before joining Total Austral in Argentina in the same position, where he was responsible for technical studies for new development projects, corporate planning and strategy, new business ventures, joint venture partners, commercial sales and commercial gas strategy. From 2015 to 2018, Mr Undem was Managing Director and Country Chair for Total E&P Australia.

Mr Undem has a Masters of Science in Petroleum Engineering from the Norwegian Institute of Technology, University of Trondheim, Norway and a Masters of Business Administration in General Administration and Finance from the Booth School of Business, University of Chicago, USA.

TRACEY WINTERS

Strategic Adviser External Affairs

BSc (Australian Environmental Studies)

Ms Winters joined Santos in 2017 and is responsible for government engagement and strategic communications.

Ms Winters joined Santos with 30 years of experience in the oil and gas industry, in diverse roles including government and regulatory affairs, media and communications, environment, land access, project commercialisation, construction and asset management. Ms Winters held a senior role in federal resources and energy policy and politics for seven years and over more than a decade built and ran a successful consultancy serving some of Australia's biggest resources companies and delivering major project approvals for some of the nation's biggest gas and pipeline projects. From 2011 to 2016, Ms Winters drove the environmental approvals and land access processes to deliver the QCLNG project.

Prior to joining Santos, Ms Winters was an adviser to Caltex on public affairs and strategic issues management, in particular wage underpayment by franchisees.

BRETT WOODS

Executive Vice President Midstream Infrastructure and Low Carbon Operations

BSc (Hons) Geology and Geophysics

Mr Woods joined Santos in February 2013 and is accountable for the Midstream Infrastructure and Low Carbon Division. His remit includes overseeing Santos' midstream gas processing facilities at Moomba, Port Bonython and Darwin LNG, its Energy Solutions capabilities and Carbon Capture and Storage project, as well as accountability for Santos' Joint Venture in PNG LNG.

At Santos, Mr Woods has previously held senior leadership roles as Executive Vice President Developments, Executive Vice President Onshore Upstream, and Vice President, Eastern Australia. Other roles Mr Woods has held within Santos have included responsibilities for exploration in Western Australia and the Northern Territory, and leading the Western Australian offshore operations including development of Fletcher Finucane, Darwin LNG and the domestic gas business.

Mr Woods has over 25 years of oil and gas industry experience including senior management, technical and business development roles at Woodside Energy and as CEO and Managing Director of Rialto Energy. He has a track record of delivering projects and efficient E&P operations and has both domestic and international experience. Mr Woods is a graduate of the Harvard Business School Advanced Management Program.

Reserves Statement
for the year ended 31 December 2020

RESERVES AND RESOURCES

Proved plus probable (2P) reserves increased by 34 million barrels of oil equivalent before production in 2020. The annual 2P reserves replacement ratio (RRR) was 38% and the three-year RRR 138%.

Reserves were added in Northern Australia and Timor-Leste (+41 mmboe) through the acquisition of ConocoPhillips' assets and sanction of infill drilling in the Bayu-Undan field.

Consistent application of Santos' disciplined operating model delivered reserves increases in the onshore assets in 2020. The Cooper Basin achieved 102 per cent three-year 2P reserves replacement and reserves upgrades were delivered in GLNG's Fairview, Roma and Arcadia fields. GLNG achieved 184 per cent 2P reserves replacement in 2020.

These reserve additions were partially offset by a reclassification of 16 mmboe of Juha 2P reserves in PNG to contingent resources and a 27 mmboe 2P reserves write-down at the Reindeer gas field offshore Western Australia. The revision at Reindeer is due to water ingress occurring earlier than previously modelled combined with seismic analysis showing a lower structure across a portion of the field. The Reindeer revision was partially offset by reserves increases at the Spar-Halyard and Van Gogh fields in WA of nine mmboe in aggregate.

After production of 89 mmboe, 2P reserves at the end of 2020 were 933 mmboe.

2C contingent resources increased to over 2.2 billion barrels of oil equivalent, primarily due to the acquisition of ConocoPhillips' business in Northern Australia and Timor-Leste.

A final investment decision on the Barossa project is expected in the first half of 2021, which would see approximately 380 mmboe commercialised to 2P reserves at Santos' expected 50% interest level in the project.

RESERVES AND 2C CONTINGENT RESOURCES (SANTOS SHARE AS AT 31 DECEMBER 2020)

Santos share	Unit	2020	2019	% change
Proved reserves	mmboe	496	548	(9%)
Proved plus probable reserves	mmboe	933	989	(6%)
2C contingent resources	mmboe	2,282	1,920	19%

RESERVES AND 2C CONTINGENT RESOURCES BY PRODUCT (SANTOS SHARE AS AT 31 DECEMBER 2020)

Santos share	Sales gas PJ	Crude oil mmbbl	Condensate mmbbl	LPG 000 tonnes	Total mmboe
Proved reserves	2,650	22	16	466	496
Proved plus probable reserves	4,960	39	33	1,269	933
2C contingent resources	11,361	165	148	3,014	2,282

KEY METRICS

Annual proved reserves replacement ratio	42%
Annual proved plus probable reserves replacement ratio	38%
Three-year proved plus probable reserves replacement ratio	138%
Organic annual proved plus probable reserves replacement ratio	11%
Organic three-year proved plus probable reserves replacement ratio	41%
Developed proved plus probable reserves as a proportion of total reserves	52%
Reserves life[1]	10 years

1 2P reserves life as at 31 December 2020 using annual production of 89 mmboe.

PROVED RESERVES

Santos share as at 31 December 2020

	Sales gas	Crude oil	Condensate	LPG	All products mmboe		
Asset	PJ	mmbbl	mmbbl	000 tonnes	Developed	Undeveloped	Total
Cooper Basin	243	7	3	441	45	11	56
Queensland & NSW[1]	956	-	-	-	108	56	164
PNG	647	0	5	-	75	41	116
Northern Australia & Timor-Leste	72	-	0	25	13	-	13
Western Australia	733	15	7	-	108	39	147
Total 1P	**2,650**	**22**	**16**	**466**	**349**	**147**	**496**
Proportion of total proved reserves that are unconventional							33%

1 Queensland proved sales gas reserves include 792 PJ GLNG and 157 PJ other Santos non-operated Eastern Queensland assets.

Proved reserves reconciliation

Product	Unit	2019	Production	Revisions and extensions	Net acquisitions and divestments	2020
Sales gas	PJ	2,930	(448)	102	65	2,650
Crude oil	mmbbl	20	(5)	7	-	22
Condensate	mmbbl	21	(5)	(1)	2	16
LPG	000 tonnes	526	(221)	74	87	466
Total 1P	**mmboe**	**548**	**(89)**	**24**	**14**	**496**

Reserves Statement
for the year ended 31 December 2020
continued

PROVED PLUS PROBABLE RESERVES

Santos share as at 31 December 2020

Asset	Sales gas PJ	Crude oil mmbbl	Condensate mmbbl	LPG 000 tonnes	All products mmboe Developed	Undeveloped	Total
Cooper Basin	652	16	8	1,084	93	52	145
Queensland & NSW[1]	1,906	-	-	-	108	220	328
PNG	964	0	9	-	116	58	174
Northern Australia & Timor-Leste	162	-	3	186	18	14	32
Western Australia	1,277	23	12	-	154	100	254
Total 2P	**4,960**	**39**	**33**	**1,269**	**490**	**443**	**933**
Proportion of total proved plus probable reserves that are unconventional							35%

1 Queensland proved plus probable sales gas reserves include 1,491 PJ GLNG and 405 PJ other Santos non-operated Eastern Queensland assets.

Proved plus probable reserves reconciliation

Product	Unit	2019	Production	Revisions and extensions	Net acquisitions and divestments	2020
Sales gas	PJ	5,277	(448)	14	117	4,960
Crude oil	mmbbl	38	(5)	6	-	39
Condensate	mmbbl	36	(5)	(1)	3	33
LPG	000 tonnes	1,169	(221)	170	152	1,269
Total 2P	**mmboe**	**989**	**(89)**	**9**	**24**	**933**

2C CONTINGENT RESOURCES

Santos share as at 31 December 2020

Asset	Sales gas PJ	Crude oil mmbbl	Condensate mmbbl	LPG 000 tonnes	All products mmboe
Cooper Basin	1,291	31	19	1,839	286
Queensland & NSW	2,523	0	0	-	434
PNG	293	-	5	-	55
Northern Australia & Timor-Leste	5,979	-	83	4	1,106
Western Australia	1,275	134	41	1,171	401
Total 2C	**11,361**	**165**	**148**	**3,014**	**2,282**

2C Contingent resources reconciliation

Product	2019	Production	Revisions and extensions	Discoveries	Net acquisitions and divestments	2020
Total 2C (mmboe)	**1,920**	**-**	**(79)**	**2**	**439**	**2,282**

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 Paul Lyford, 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 Paul Lyford 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 2020.
3. Santos prepares its petroleum reserves and contingent resources estimates in accordance with the 2018 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 Policy which is 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 and externally audited.
6. Santos engages independent experts Gaffney, Cline & Associates, Netherland, Sewell & Associates, Inc. and RISC Advisory Pty Ltd 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 2020 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 2020.
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. Organic reserves replacement ratio excludes net acquisitions and divestments.
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
P Lyford	Santos Ltd	SPE
N Pink	Santos Ltd	SPE
A White	Santos Ltd	SPE
D Nicolson	Santos Ltd	SPE
S Lawton	Santos Ltd	SPE
J Hattner	NSAI	SPE, AAPG

SPE: Society of Petroleum Engineers

AAPG: American Association of Petroleum Geologists

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
tcf	trillion cubic feet
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

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 2020, 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 during the year ended 31 December 2020 and up to the date of this report and details of the relevant interest of each of those Directors in shares in the Company at the date of this report are as set out below:

Surname	Other names	Shareholdings in Santos Limited
Allen	Yasmin	48,883
Cowan	Guy	45,487
Gallagher	Kevin	1,930,153
Goh	Hock	67,215
Guan	Yu	–
Guthrie	Vanessa	39,188
Hearl	Peter	48,808
McArdle	Janine	18,000
Shi	Eugene	–
Spence	Keith (Chairman)	90,000

The above-named Directors held office during the financial year. Mr Yu Guan retired as a Director on 31 December 2020. Mr Eugene Shi was appointed as a Director on 31 December 2020.

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 1,499,719 share acquisition rights (SARs) and 143,844 restricted shares. No other Director holds options or SARs.

Details of the qualifications, experience and special responsibilities of each Director are set out in the Directors' biographies on pages 6 to 8 of this Annual Report. This information includes details of other listed company directorships held during the last three years.

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 & Culture Committee	Nomination Committee
		Attended/Held[1]	Attended/Held[1]	Attended/Held[1]	Attended/Held[1]	Attended/Held[1]
Allen	Yasmin	9 of 9	5 of 5	n/a	4 of 4	2 of 3
Cowan	Guy	9 of 9	5 of 5	n/a	n/a	n/a
Gallagher	Kevin	9 of 9	n/a	4 of 4	n/a	n/a
Goh	Hock	9 of 9	5 of 5	4 of 4	n/a	3 of 3
Guan[2]	Yu	9 of 9	n/a	n/a	4 of 4	n/a
Guthrie	Vanessa	8 of 9	n/a	4 of 4	4 of 4	n/a
Hearl	Peter	9 of 9	n/a	4 of 4	4 of 4	3 of 3
McArdle[3]	Janine	9 of 9	5 of 5	n/a	n/a	n/a
Shi[4]	Eugene	n/a	n/a	n/a	n/a	n/a
Spence	Keith	9 of 9	n/a	n/a	n/a	3 of 3

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 Mr Yu Guan retired as a Director on 31 December 2020.

3 Ms Janine McArdle was appointed as a member of the Environment, Health, Safety & Sustainability Committee Committee on 16 December 2020.

4 Mr Eugene Shi was appointed as a Director on 31 December 2020.

Directors' Report
continued

OPERATING AND FINANCIAL REVIEW

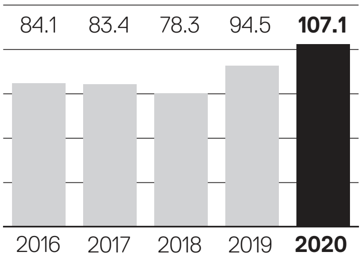
Santos' principal activities during 2020 were the exploration for, and development, production, transportation and marketing of, hydrocarbons. There were no significant changes in the nature of these activities during the year. Revenue is derived primarily from the sale of gas and liquid hydrocarbons.

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	**2020**	2019	Variance
	mmboe	mmboe	%
Production volume	**89.0**	75.5	18
Sales volume	**107.1**	94.5	13
	US$million	US$million	
Product sales	**3,387**	4,033	(16)
EBITDAX[1]	**1,898**	2,457	(23)
Exploration and evaluation expensed	**(59)**	(103)	(43)
Depreciation and depletion	**(1,015)**	(1,000)	1
Net impairment loss	**(895)**	(61)	nm
Change in future restoration assumptions	**(1)**	2	(150)
EBIT[1]	**(72)**	1,295	(106)
Net finance costs	**(234)**	(277)	(16)
Taxation expense	**(51)**	(344)	(85)
Net (loss)/profit for the period and attributable to equity holders of Santos	**(357)**	674	(153)
Underlying profit for the period[1]	**287**	719	(60)
Underlying earnings per share (cents)[1]	**13.8**	34.5	(60)

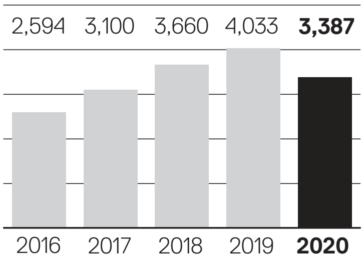
1 EBITDAX (earnings before interest, tax, impairment, depreciation, depletion, exploration and evaluation and impairment), EBIT (earnings before interest and tax) and underlying profit are non-IFRS measures that are presented to provide an understanding of the underlying performance of Santos' operations. 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 22 for the reconciliation from net profit to underlying profit for the period. Underlying earnings per share represents underlying profit for the period divided by the weighted average number of shares on issue during the year. 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.

Sales volume
mmboe



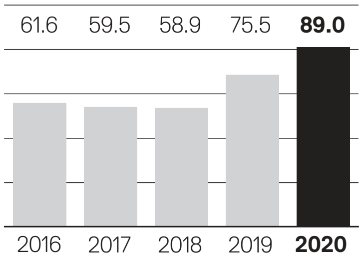
Sales volumes of 107.1 million barrels of oil equivalent (mmboe) were 13% higher than the previous year primarily due to a higher Santos interest in Bayu-Undan and Darwin LNG following completion in May 2020 of the acquisition of ConocoPhillips' assets in northern Australia and Timor-Leste.

Product sales revenue
$million



Sales revenue was down 16% compared to the previous year to $3.4 billion, primarily due to lower realised prices partially offset by higher sales volumes due to the ConocoPhillips' acquisition. The average realised oil price decreased 34% to US$48/bbl and the average realised LNG price decreased 35% to US$6.39/mmBtu due to lower customer demand resulting from the COVID-19 pandemic.

Production volume
mmboe



Production was up 18% to a record 89 mmboe primarily due to the higher Santos interest in Bayu-Undan from May 2020 combined with stronger gas production in Western Australia, Queensland and the Cooper Basin.

Review of operations

Santos' business in 2020 was impacted by the twin economic shocks of significantly lower oil prices and the COVID-19 pandemic.

Santos committed to supporting government and community efforts to limit the impact of the pandemic and ensure business continuity. The Company implemented a series of measures to protect the health and safety of its people, including restricting travel, implementing social distancing measures across all of our operations and making changes to field and office working arrangements. We have been able to have continued operations at all our sites as a result of these measures to date.

Santos also implemented financial measures appropriate to the business environment to ensure the Company remains a low-cost, reliable and sustainable business through the oil price cycle. These included a $550 million (38%) reduction in budgeted 2020 capital expenditure, the deferral of major growth projects, a $50 million reduction in budgeted 2020 production costs and a target free cash flow breakeven oil price of less than $25 per barrel.

Santos recognised net impairments of $895 million (before tax) in 2020, mainly relating to revised oil price assumptions resulting from the effects of the COVID-19 pandemic on energy market demand fundamentals, as well as, the revision of reserves in Western Australia.

At the onset of the COVID-19 pandemic in early 2020, Santos sought to act to protect its balance sheet, cash flows and the retention of its permanent employees. As a precaution, Santos applied for and received A$4 million in JobKeeper payments from the Australian government up to September 2020. By November 2020, it was clear the impact of COVID-19 on Santos would be less than expected so, in line with community expectations, Santos repaid this amount in full to the government during December 2020.

Santos' disciplined, low-cost operating model is designed to ensure the Company is well-positioned to leverage its growth opportunities as business conditions improve.

Santos' operations are focused on five core, long-life asset hubs: Cooper Basin, Queensland and NSW, Papua New Guinea, Northern Australia and Timor-Leste, and Western Australia.

Cooper Basin

The Cooper Basin produces natural gas, gas liquids and crude oil. 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 domestic and export markets.

Santos' strategy in the Cooper Basin is to deliver production growth by being a low-cost business, increasing reserves, investing in new technology to lower development and exploration costs, reducing emissions and increasing utilisation of infrastructure including the Moomba and Port Bonython plants (Santos 66.7% interest).

Santos is also focussed on reducing emissions by investing in carbon capture and storage (CCS). The 1.7 million tonne per annum Moomba CCS project was investment-ready at the end of 2020, subject to eligibility for Australian Carbon Credit Units which is expected in 2021.

Cooper Basin	**2020**	2019
Production (mmboe)	**16.8**	15.8
Sales volume (mmboe)	**24.2**	23.2
Revenue (US$m)	**919**	1,164
Production cost (US$/boe)	**7.80**	7.77
EBITDAX (US$m)	**390**	529
Capex (US$m)	**313**	308

Cooper Basin EBITDAX was $390 million, 26% lower than 2019 primarily due to lower realised prices and higher costs, partially offset by higher volumes.

Cooper Basin production increased for the third consecutive year to 16.8 mmboe. Santos' share of sales gas and ethane production of 68.5 petajoules (PJ) was 11% higher than the previous year (61.5 PJ) as new development activity more than offset the impact of natural field decline. Santos' share of crude oil production of 2.6 mmbbl was 17% lower than the previous year due to lower development activity due to lower oil prices and natural field decline.

Directors' Report
continued

Queensland and NSW

GLNG produces liquefied natural gas (LNG) for export to global markets from the LNG plant at Gladstone. Gas is also sold into the domestic market. Santos has a 30% interest in GLNG.

The LNG plant has two LNG trains with a combined capacity of 8.6 mtpa. Production from Train 1 commenced in September 2015 and Train 2 in May 2016. Feed gas is sourced from GLNG's upstream fields, Santos portfolio gas and third-party suppliers.

The LNG plant produced six million tonnes of LNG in 2020 and shipped 101 cargoes. Annual LNG production was higher than the previous year (5.2 million tonnes) due to the ramp-up in GLNG upstream equity gas supply.

Santos aims to build GLNG gas supply through upstream development, seek opportunities to extract value from existing infrastructure and drive efficiencies to operate at lowest cost.

Santos is also progressing the proposed Narrabri domestic gas project in NSW. The project received environmental approvals from the state and federal governments in 2020, and Santos plans to commence a two-year appraisal program in 2021.

Queensland and NSW	**2020**	2019
Production (mmboe)	**13.4**	13.0
Sales volume (mmboe)	**22.0**	22.4
Revenue (US$m)	**793**	1,055
Production cost (US$/boe)	**5.70**	5.51
EBITDAX (US$m)	**428**	624
Capex (US$m)	**193**	260

Queensland and NSW EBITDAX of $428 million decreased by 31% compared to 2019. This was a result of lower realised prices and higher costs, partially offset by higher volumes.

Papua New Guinea

Santos' business in PNG is centred on the PNG LNG project. Completed in 2014, PNG LNG produces LNG for export to global markets, as well as sales gas and gas liquids. Santos has a 13.5% interest in PNG LNG.

The LNG plant near Port Moresby has two LNG trains with the combined capacity to produce more than eight million tonnes per annum. Production from both trains commenced in 2014.

The LNG plant produced a record 8.8 million tonnes of LNG in 2020 and shipped 115 cargoes. Annual LNG production was higher than the previous year (8.5 million tonnes) due to high plant uptime and throughput.

Santos' strategy in PNG is to work with its partners to align interests, and support and participate in backfill and expansion opportunities at PNG LNG.

PNG	**2020**	2019
Production (mmboe)	**13.2**	12.8
Sales volume (mmboe)	**12.5**	12.1
Revenue (US$m)	**451**	663
Production cost (US$/boe)	**4.21**	6.23
EBITDAX (US$m)	**354**	540
Capex (US$m)	**39**	51

PNG EBITDAX of $354 million decreased 34% compared to 2019, mainly due to lower realised prices.

Northern Australia and Timor–Leste

Santos' business in northern Australia and Timor-Leste is focused on the Bayu-Undan/Darwin LNG (DLNG) project. In operation since 2006, DLNG produces LNG and gas liquids for export to global markets.

The LNG plant near Darwin has a single LNG train with a capacity of 3.7 mtpa. The plant produced three million tonnes of LNG in 2020, in-line with 2019, and shipped 48 cargoes.

In May 2020, Santos completed the acquisition of the ConocoPhillips assets in northern Australia and Timor-Leste, including DLNG, Barossa and Poseidon. The acquisition provided Santos with operating interests in long-life, low-cost natural gas assets and strategic LNG infrastructure with expansion potential.

The acquisition increased Santos' interest in DLNG to 68.4% and Barossa to 62.5%, and Santos operates both projects. Santos' interest in DLNG will reduce to 43.4% upon completion of the planned 25% sell-down to SK E&S and in Barossa to 50% upon the planned 12.5% sell-down to JERA. Both sell-downs are subject to a final investment decision on Barossa.

The Barossa project is planned to backfill DLNG and extend its life for more than 20 years. A final investment decision on Barossa was planned for the first half of 2020, but was deferred due to the economic impact of COVID-19 combined with lower oil prices, and is now expected in the first half of 2021.

Santos also intends to appraise the onshore gas potential of the McArthur Basin in the Northern Territory in 2021 with two horizontal wells planned.

Northern Australia and Timor–Leste	**2020**	2019
Production (mmboe)	**14.5**	3.1
Sales volume (mmboe)	**14.6**	3.1
Revenue (US$m)	**466**	165
Production cost (US$/boe)	**19.59**	21.75
EBITDAX (US$m)	**205**	102
Capex (US$m)	**93**	50

Northern Australia and Timor-Leste EBITDAX of $205 million was $103 million higher than 2019 due to the acquisition of the ConocoPhillips northern Australia assets in May 2020.

Western Australia

Santos is the largest producer of domestic natural gas in Western Australia and is also a significant producer of oil and natural gas liquids.

Santos' assets include 100% ownership and operatorship of the Varanus Island and Devil Creek domestic gas hubs, a 28.6% interest in the Macedon gas hub and a leading position in the highly prospective Bedout Basin.

A FEED-entry decision for a potential oil and liquids development of the Dorado field (Santos 80% interest) in the Bedout Basin is targeted for the first half of 2021. Dorado opens a new basin with high prospectivity in permits where Santos has high equity positions and further drilling is planned on the Apus and Pavo prospects in 2021–22.

Western Australia	**2020**	2019
Production (mmboe)	**31.1**	30.9
Sales volume (mmboe)	**31.1**	30.4
Revenue (US$m)	**742**	955
Production cost (US$/boe)	**6.34**	7.30
EBITDAX (US$m)	**546**	684
Capex (US$m)	**171**	270

Western Australia EBITDAX of $546 million was 20% lower than 2019, predominantly driven by lower realised prices.

Santos' share of gas production in Western Australia was up 10% to 159 PJ due to strong customer demand and the commencement of a new 12-year contract with Alcoa. Santos' share of crude oil production was 2.4 mmbbl, significantly lower than the previous year due to the Ningaloo Vision FPSO (Van Gogh, Coniston and Novara fields) being off-station for planned shipyard maintenance.

Directors' Report
continued

Net loss

The 2020 net loss attributable to equity holders of Santos Limited of $357 million is $1,031 million lower than the net profit of $674 million in 2019. This decrease is primarily due to higher impairment losses of $653 million after tax ($46 million in 2019) and lower realised pricing, partly offset by higher volumes and lower costs.

Net loss includes items before tax of $859 million ($644 million after tax), as referred to in the reconciliation of net profit to underlying profit below. Underlying profit was $287 million, $432 million lower than 2019.

Reconciliation of net (loss)/profit to underlying profit[1]

	2020 US$million			2019 US$million		
	Gross	**Tax**	**Net**	Gross	Tax	Net
Net (loss)/profit after tax attributable to equity holders of Santos Limited			**(357)**			674
Add/(deduct) the following:						
Net gains on sales of non-current assets	**–**	**–**	**–**	(12)	4	(8)
Impairment losses	**895**	**(242)**	**653**	61	(15)	46
Fair value adjustments on embedded derivatives and hedges	**2**	**(1)**	**1**	4	(1)	3
Fair value adjustments on commodity hedges	**(45)**	**14**	**(31)**	6	(2)	4
Costs associated with acquisitions and disposals	**7**	**14**	**21**	–	–	–
	859	**(215)**	**644**	59	(14)	45
Underlying profit[1]			**287**			719

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.

Financial position

Summary of financial position

	2020 US$million	2019 US$million	Variance US$million
Exploration and evaluation assets	**1,818**	1,187	631
Oil and gas assets and other land, buildings, plant and equipment	**11,173**	11,619	(446)
Restoration provision	**(3,021)**	(2,282)	(739)
Other net assets[1]	**815**	456	359
Total funds employed	**10,785**	10,980	(195)
Net debt[2]	**(3,664)**	(3,325)	(339)
Net tax assets[3]	**106**	21	85
Net assets/equity	**7,227**	7,676	(449)

1 Other net assets comprises trade and other receivables, prepayments, inventories, contract assets, other financial assets, share of investments in equity accounted associates and joint ventures, goodwill, offset by trade and other payables, contract liabilities, 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 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 as part of the preparation of its 2020 full-year accounts.

At 31 December 2020, non-cash after-tax impairment losses of $653 million were recognised. The total after-tax impairment losses relate to the impairment of goodwill, late-life producing assets and exploration and evaluation assets.

Exploration and evaluation assets

Exploration and evaluation assets were $1,818 million compared to $1,187 million at the end of 2019, an increase of $631 million, due to the acquisition of ConocoPhillips' northern Australia assets, 2020 capital expenditure, including drilling in Dorado and Barossa Caldita, along with evaluation studies, in addition to acquisition costs comprising interests in Muruk and South Nicholson; offset by impairment losses before tax of $114 million and exploration and evaluation expenses of $59 million.

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

Oil and gas assets and other land and buildings, plant and equipment of $11,173 million were $446 million lower than in 2019 mainly due to impairment losses before tax of $683 million and depreciation and depletion charges, partially offset by 2020 capital expenditure across Cooper Basin, GLNG, WA Offshore and PNG and acquisition of ConocoPhillips' northern Australia assets.

Restoration provision

Restoration provision balances have increased by $739 million to $3,021 million mainly due to the acquisition of ConocoPhillips' northern Australia assets, change in discount rates, unfavourable exchange differences and revised restoration cost estimates.

Net debt

Net debt of $3,664 million was $339 million higher than at the end of 2019.

Net tax assets

Net tax assets of $106 million have increased by $85 million in comparison to 2019.

Net assets/equity

Total equity decreased by $449 million to $7,227 million at year end. The decrease primarily reflects the net-loss after tax attributable to owners of Santos of $357 million and payments of dividends to shareholders of $136 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.

Oil price hedging

The objectives of Santos' oil price hedging policy are to reduce the effect of commodity price volatility and support annual capital expenditure plans. The Company will continue to monitor commodity market conditions and will enter hedging transactions as appropriate.

As at 31 December 2020, the Company has hedged 11.0 million barrels of production, using zero premium collars with an average floor price of $41/bbl and an average ceiling price of $53/bbl.

Business strategy and prospects for future financial years

Business strategy

Santos' clear and consistent Transform, Build, Grow strategy drives shareholder value by utilising a disciplined, low-cost operating model to deliver strong cash flows through the oil price cycle. Five core, long-life asset hubs sit at the heart of the Company's operations, each with significant upside potential.

The successful execution of the strategy since 2016 has transformed Santos into a safe, reliable and low-cost producer positioned for disciplined growth and sustainable shareholder returns.

Disciplined execution combined with targeted acquisitions have reduced the Company's breakeven oil price, which was less than US$25 per barrel before hedging in 2020, and delivered operated interests in long-life, low-cost assets and strategic LNG infrastructure.

Santos is now positioned for disciplined growth leveraging existing infrastructure in all five core asset hubs and is targeting annual production of 120 mmboe by 2026, more than double the output in 2018.

This disciplined growth portfolio includes:

- Barossa LNG – targeting FID in the first half of 2021
- Moomba carbon capture and storage – targeting FID in 2021
- Dorado liquids phase 1 – targeting FEED-entry in the first half of 2021
- Narrabri gas project phase 1 – appraisal targeted for 2021–22

The Company is also focused on generating new revenue through maximising utilisation of its infrastructure and implementing low-carbon Energy Solutions projects such as carbon capture and storage.

Directors' Report
continued

As the world transitions to a lower carbon future, Santos has a plan to become a clean fuels company, has set ambitious emission reduction targets and outlined a clear and credible roadmap to achieve them. Further information is available in Santos' 2021 *Climate Change Report* available on the Company's website.

Prospects for future financial years

Santos has a clear strategy and a solid platform for growth. The business focus is aligned with the strategy as the Company continues to drive efficiencies through the low-cost operating model and progress growth opportunities across the five core asset hubs. This focus will enable Santos to remain a low-cost and high-performing business with significant upside opportunities across the portfolio.

Natural gas is expected to supply a quarter of the world's total energy demand by 2040, according to forecasts from the International Energy Agency. Santos remains confident in the long-term underlying demand for energy and particularly natural gas due to Asian economic growth, the rising global population, rapid urbanisation in developing economies and growing demand for lower-emissions fuels. Through its Energy Solutions business, Santos is also investing in projects to lower emissions such as Moomba carbon capture and storage in the Cooper Basin.

Santos expects 2021 sales volumes to be in the range of 98–105 mmboe and production to be in the range of 84–91 mmboe. Capital expenditure is expected to be approximately $1.6 billion. 2021 guidance assumes the expected sell-down of 25% interests in Bayu-Undan and Darwin LNG, and 12.5% interest in Barossa, to occur in the first half of 2021.

Material business risks

The achievement of Santos' purpose and vision, 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 Framework.

This summary is not an exhaustive list of all risks that may affect the Company, nor have they been listed in any particular order of materiality.

Strategic risks

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. The Barossa LNG project offtake volumes have been marketed on a price based on the Platts Japan Korea Marker (JKM), which improves portfolio balance to our existing oil-linked LNG offtake agreements from GLNG and PNG LNG. The majority of oil and gas produced (or to be produced) in Santos' portfolio will be sold under sales contracts where the sale price is linked to the global price of oil. Lower global oil prices will therefore reduce Santos' revenues and the profitability of its operations.

Global oil prices are affected by numerous factors beyond the Company's control and historically these have fluctuated widely. Santos' three-tiered strategy, operating model and Hedging Policy introduced in 2016 directly address oil price risk to build resilience to oil price fluctuations. This includes a clear focus on cash flow management, operational and cost efficiencies, debt reduction and production growth opportunities.

Santos' acquisition of Quadrant in 2018 adds conventional domestic natural gas assets backed by medium- to long-term CPI-linked offtake contracts to complement Santos' predominantly oil-linked revenues.

Oil and gas reserves development

Calculations 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. A failure to successfully develop existing reserves may impact Santos' ability to fully support LNG, gas or oil under customer contracts.

Santos has adopted a reserves management process that is consistent with the Society of Petroleum Engineers' Petroleum Resource Management System. The Company's reserves and resources estimations are subject to independent audits and evaluations on a rolling basis.

Santos applies an integrated management system across all aspects of business performance, including reserves estimation and delivery. Progress against key reserves metrics is routinely reviewed by senior management and the Board, and reserves estimates are published annually (pages 12–15).

Exploration and reserves replacement

Santos' 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, from either exploration or acquisition. Exploration activities are subject to geological and technological uncertainties and the failure to replace utilised reserves is a risk inherent in the industry.

Exploration risks are managed through an established exploration prospect evaluation methodology and risking process. In addition, business development processes identify, review and progress opportunities to build reserves through acquisition in support of the Company's strategy to Transform, Build and Grow the business.

Demand and market

The demand for oil, gas, LNG and other products Santos markets may be adversely affected by a range of external factors including competition from alternative suppliers or other sources of energy supply, and changes in consumer behaviour or government policy.

A robust business strategy development and review process considers independent oil, gas and LNG market forecasts, and other relevant macro-economic factors, to assess the Company's portfolio under a range of scenarios, to enable the delivery of plans in support of the Company's purpose and vision.

Project development

Investment is undertaken 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. Failure to deliver or protracted delays in delivering projects may occur for various reasons, including unanticipated economic, financial, operational, engineering, technical, environmental, contractual, regulatory, community and/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 management and governance, risk management and reporting practices in place. Progress and performance of material projects is regularly reviewed by senior management and the Board.

Joint venture arrangements

Much of Santos' business is carried out through joint ventures. The use of joint ventures is common in the oil and gas 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 impact 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 has defined critical expectations and requirements for participation in and operation of joint ventures in order to optimise the Company's commercial and operational interests. The Company works closely with its joint venture partners to reduce the risk of misalignment in joint venture activities.

Operational risks

Technical and engineering

Santos is exposed to risks in relation to its ongoing oil and gas exploration and production activities, such as failure of drilling and completions equipment, pipeline and facilities integrity failures, major processing or transportation incidents, release of hydrocarbons or other substances, security incidents and other well control and process safety risks, which may have an adverse effect on Santos' profitability and results of operations.

An integrated management system is applied across all operational activities to manage and monitor operations performance and material risk controls. The management system includes all relevant technical, operational, asset reliability and integrity standards and incident management standards and competency requirements. The system is designed to ensure the Company meets regulatory and industry standards in all operations.

Access and licence to operate

Santos has interests in areas that may be subject to claims by communities and landowners, who may have concerns over the social or environmental impacts of oil and gas operations or the distribution of oil and gas royalties and access to mining- and petroleum-related benefits. This has the potential to impact on land access or result in community unrest and activism and may adversely impact on the Company's reputation.

A number of Santos' interests are subject to 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 subsequent timing of exploration, development and production activities.

Santos and its operating joint venture partners work closely with all relevant stakeholders, including governments, communities, landowners and Indigenous groups, to ensure all concerns are fairly addressed and managed, and Santos' operations benefit from their support. In addition, Santos and its operating joint venture partners develop and employ security and risk management plans, and are committed to conducting operations in a way that protects the security of its personnel, facilities and operations.

Santos has a long history of safe and sustainable operations working with communities and landholders across the country. Land access agreements are in place and a team of experienced community and land access representatives work with Aboriginal stakeholders, landholders and communities to ensure that issues are understood and addressed appropriately.

Directors' Report
continued

Cyber security

Cyber security risks, including threats to information and operational systems from computer viruses, unauthorised access, cyber-attack and other similar disruptions, have evolved rapidly and can impact all sectors of the economy, including the energy sector. The increasing technological advances in operations require monitoring and protection to ensure cyber security threats are appropriately managed and prevented. Cyber security risks may lead to disruption of critical business processes, a breach of privacy and theft of commercially sensitive information. A cyber event may lead to adverse impacts on Santos' profitability and reputation.

Focused cyber security risk management is incorporated into Santos' risk management and assurance processes and practices across the Company's business and operational information management systems.

Workforce

Santos' future success is significantly influenced by the expertise and continued service of certain key executives and technical personnel. An inability to attract or retain such personnel could adversely affect business continuity and, as such, employment arrangements and succession plans are designed to secure and retain the services of key personnel. Key workforce metrics and succession plans are routinely reviewed by senior management and the Board.

Environmental, safety and sustainability risks

Health, safety and environment

The size, nature and complexity of Santos' operations pose risks in relation to the health and safety of employees and contractors, and a range of environmental risks exist when carrying out exploration and production activities. Environmental incidents, and real or perceived threats to the environment or the amenity of local communities, could result in a loss of Santos' licence to operate, leading to delays, disruption or the shut-down of exploration and production activities.

Santos has a comprehensive approach to management of health, safety and environmental risks. The Company's management system integrates technical and engineering requirements with personal health and safety requirements to comprehensively manage health, safety and environmental risks within Company operations.

Climate change

Santos anticipates its activities will be subject to increasing regulation and costs associated with climate change and the management of carbon emissions.

Strategic, regulatory and operational risks and opportunities associated with climate change are incorporated into policy, strategy and risk management processes and practices. The Company actively monitors current and emerging climate change risk and proactively takes steps to prevent and mitigate any impacts on its objectives and activities. Reduction of waste and emissions is an integral part of delivery of cost efficiencies and forms part of the Company's routine operations.

Financial risks

The financial risk management strategy seeks 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 that operates in line with a Board-approved policy and framework. The framework and principles for overall financial risk management address specific financial risks, such as commodity price risk, foreign exchange risk, interest rate risk and credit risk, approved derivative and non-derivative financial instruments, and liquidity management.

An oil price hedging policy is in place with the objective of reducing the effect of commodity price volatility and to support annual capital expenditure plans. Santos continues to monitor commodity market conditions and will enter hedging transactions as appropriate.

Foreign currency

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.

Exposure to foreign currency risk arises principally through the sale of products denominated in currencies other than the functional currency, and capital and operating expenditure incurred in currencies other than US$, principally A$. Santos also holds investment interests in domestic operations whose net assets are exposed to foreign currency translation risk.

A foreign currency hedging policy is in place with the objective of reducing the effect of foreign currency exchange rate volatility and to support annual capital expenditure plans. Santos continues to monitor foreign currency market conditions and will enter hedging transactions as appropriate.

Credit

Credit risk 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. Credit exposures exist to customers in the form of 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. These effects may be global or affecting a particular geographic region, industry or economic sector. Access to debt and equity funding may also be negatively affected by a downgrade in its credit rating.

Santos had $3.2 billion in liquidity (cash and undrawn bilateral bank facilities) available as at 31 December 2020.

Contract and counterparty risks

As part of its ongoing commercial activities, Santos is party to a number of material contracts including finance agreements, infrastructure access agreements, agreements for the sale and purchase of hydrocarbons, transportation agreements, joint venture agreements, and engineering, procurement and construction (EPC) contracts. Santos also enters into sale and purchase contracts with third parties for the sale and purchase of natural gas, LNG and other products.

The economic effects of these contracts over their term may be impacted by fluctuations in commodity prices, price reviews, operational performance and other market conditions. Failure to perform material obligations under these contracts by Santos and/or the applicable counterparties, or to secure any extensions or amendments to these contracts, may result in a material impact on Santos' operations and financial results.

Santos tracks key contractual obligations and monitors performance across its material contracts.

Political and legal risks

Political, legal and regulatory

Santos' business is subject to various laws and regulations in each of the jurisdictions in which it operates that relate 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 materially adverse effect on Santos' business, on the results of operations and the Company's financial performance. For example, a change in taxation laws, environmental laws or land access laws could have a material effect on the Company.

The domestic gas business and GLNG project, including its ability to purchase gas, develop future growth projects and meet supply commitments, may also be adversely impacted by any governmental intervention, including limitations on LNG export volumes and the redirection of gas from export to domestic markets. Any such intervention may also have broader implications for the future of the gas industry in Australia.

Continuous monitoring of legislative and regulatory changes and associated risks is undertaken and regular engagement with regulators and governments supports the management of risks arising from these changes.

Litigation and dispute

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 has an experienced legal team that monitors and manages potential and actual claims, actions and disputes.

Material prejudice

As permitted by sections 299(3) and 299A(3) of the *Corporations Act 2001* (Cth), 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 of or likelihood of fulfilling 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.

Directors' Report
continued

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Material Business Risks section (pages 24 to 27) refers to risks which, if materialised, may have a significant effect on the state of affairs of the Company.

Dividends

On 17 February 2021, the Directors resolved to pay a fully franked final dividend of US5.0 cents per fully paid ordinary share on 25 March 2021 to shareholders registered in the books of the Company at the close of business on 24 February 2021 ("Record Date"). This final dividend amounts to approximately US$104.2 million. The Board also resolved that the Dividend Reinvestment Plan (DRP) will not be in operation for the 2020 final dividend.

In addition, a fully franked interim dividend of US2.1 cents per fully paid ordinary share was paid to members on 24 September 2020. The DRP was not in operation for the interim 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 management system. Environmental compliance performance is monitored on a regular basis and in various forms, including audits conducted by regulatory authorities and by the Company, either through internal or external resources.

During the financial year no penalty infringement notices or fines were imposed and no prosecutions were instituted by the regulatory authorities regarding environmental performance.

POST BALANCE DATE EVENTS

On 17 February 2021, the Directors of Santos Limited resolved to pay a final dividend on ordinary shares in respect of the 2020 financial year. The financial effect of these dividends has not been brought to account in the full-year Financial Report for the year ended 31 December 2020.

SHARES UNDER OPTION AND UNVESTED SHARE ACQUISITION RIGHTS (SARS)

Options

There are no unissued ordinary shares of Santos Limited under options at the date of this report.

Unvested SARs

Unissued ordinary shares of Santos Limited under unvested SARs at 31 December 2020 are as follows:

Date SARs granted	Number of shares under unvested SARs
17 March 2017	3,321,185
19 May 2017	671,641
21 March 2018	2,687,800
1 April 2018	472,555
7 May 2018	520,183
9 July 2018	399,736
15 March 2019	2,391,067
12 April 2019	39,117
18 April 2019	469,987
9 May 2019	637,631
7 June 2019	49,772
18 July 2019	10,734
24 July 2019	553,188
20 August 2019	26,364
30 August 2019	1,255,750
4 October 2019	238,023
20 December 2019	14,112
10 January 2020	14,461
19 March 2020	2,189,834
26 March 2020	7,328
9 April 2020	442,298
11 June 2020	404,758
31 August 2020	1,710,197
3 December 2020	9,658
	18,537,379

Since 31 December 2020, no SARs have been granted over unissued ordinary shares of Santos Limited.

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 31 of this report and in note 7.2 to the Financial Report.

Directors' Report
continued

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

Options

No options were exercised during the year ended 31 December 2020 or up to the date of this report.

Vested SARs

The following ordinary shares of Santos Limited were allocated during the year ended 31 December 2020 on the vesting of SARs granted under the Santos Employee Equity Incentive Plan (SEEIP) (formerly known as the Santos Employee Share Purchase Plan (SESPP)) 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 allocated
14 June 2016	3,828,286
29 September 2017	486,072
1 April 2018	227,897
9 July 2018	2,000
14 November 2018	7,649
12 April 2019	9,117
24 July 2019	6,806
20 December 2019	720
10 January 2020	14,462
31 August 2020	13,740
	4,596,749

Since 31 December 2020, 40,294 ordinary shares of Santos Limited have been allocated on the vesting of SARs granted under the SEEIP and ShareMatch.

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 31 of this report and in notes 7.2 and 7.3 to the Financial Report.

Remuneration Report

MESSAGE FROM YASMIN ALLEN, PEOPLE, REMUNERATION AND CULTURE COMMITTEE CHAIR

Dear fellow Shareholders,

On behalf of the Board, I am pleased to introduce Santos' Remuneration Report for 2020 and to summarise key elements of Santos' performance and the impact on remuneration outcomes.

CEO fixed remuneration frozen for 2021

Fixed remuneration for the CEO and other Executive Key Management Personnel was frozen for 2021, with the exception of EVP Onshore Oil and Gas who received a modest increase to reflect an increased role remit.

Strong performance on the Company Scorecard, but pool cap introduced to ensure STI awards reflect shareholder experience

The social and economic disruption of COVID-19, including the impact on oil prices, has tested Santos' resilience and the disciplined operating model during 2020. Despite the dynamic and unpredictable conditions, the Board continues to be impressed by the business' flexibility to ensure continued safe and reliable operations and the prevention of COVID-19 from making its way into our operations. Santos continued to generate positive free cash flow from our core assets throughout the year and no Santos employees were laid off because of COVID-19.

Against this backdrop, your Company delivered:

- improved safety and environmental performance
- record annual production of 89.0 mmboe (18% higher than in 2019, and 54% more than in 2015) and record sales volumes
- reduced unit production costs of US$8.04/boe including the acquired ConocoPhillips northern Australia assets (from US$9.12 in 2019 on a comparative basis)
- strong free cash flow of US$740m and a record low free cash flow breakeven oil price approximately US$24 per barrel (before hedging) and approximately US$17 per barrel (after hedging).

During the year, ConocoPhillips' northern Australia and Timor Leste assets were integrated into Santos, with acquisition synergies upgraded to $90–$105million per annum (from targeted synergies of $50m–$75m when the acquisition was announced in October 2019).

The Company's important growth projects are progressing well, while maintaining capital discipline and flexibility in commitment timing.

We recently took Final Investment Decision on the US$235 million Phase 3C infill drilling program at Bayu-Undan. Santos has made significant progress towards FID on the Barossa project with key milestones achieved including the signing of a binding, long-term LNG Supply and Purchase Agreement. The Narrabri Gas Project has achieved New South Wales and Commonwealth approval, and appraisal work is planned to commence in 2021.

During 2020, Santos set a target to achieve net zero Scope 1 and Scope 2 emissions by 2040. Importantly Santos has outlined a tangible roadmap to achieve these reduction targets. Through large-scale carbon capture and storage, world-leading nature-based offsets, increased use of renewables and energy efficiency projects, Santos will continue to be a leading clean fuels company at the forefront of the energy transition to a lower-carbon future. Following a successful injection trial in October, we have continued to progress our Moomba carbon capture & storage project, which will be ready for FID subject to the project qualifying for Australian carbon credits.

These strong achievements contributed to a Company Scorecard outcome of 111.3% of target (out of a possible 167%). Outcomes against individual measures are detailed later in the report in Table 3 on pages 39–40. Pleasingly, the drivers of the outcome included stretch performance on safety and cost, and a production outcome which was very close to stretch.

However, the Board retains full discretion in relation to incentive awards and, in conjunction with the CEO, reviewed the 2020 outcome to ensure alignment with shareholder experience in the year. While the Short-Term Incentive ('STI') plan already has a positive free cash flow gate-opener, the Board determined to introduce an overall cap to the STI pool of 5% of free cash flow, excluding growth CAPEX.

Applying this cap to the 2020 STI pool ensured outcomes were better aligned year on year with the reduction in the Company's free cash flow (which was impacted by lower realised commodity prices). Overall, the application of the cap led to a circa 28.5% reduction to the cash STI pool for 2020 from the Company Scorecard outcome. This reduced pool has been used to determine individual STI awards.

Outstanding performance on Long-Term Incentive measures leads to high vesting outcomes

Long-Term Incentive (LTI) awards granted in 2017 were tested following the end of their four-year performance period at 31 December 2020.

The Santos share price increased from $4.02 at the start of the performance period to $6.27 at 31 December 2020. Total Shareholder Return including the reinvestment of dividends during the performance period was 67.3%.

Santos ranked second in the S&P Global 1200 Energy Index, placing it at the 99th percentile against this group. Santos also performed strongly against the ASX100 comparator group, and was at the 74.1 percentile against that group. The Company's average Free Cash

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Flow Breakeven Point over 2017 to 2020 was US$25.98, 29% lower than at the start of the performance period (US$36.50). Return on Average Capital Employed over 2019 and 2020 was 106.8% of Weighted Average Cost of Capital.

These outstanding long-term performance outcomes contributed to an overall 90.7% vesting outcome for the 2017 LTI awards.

Performance-related long-term equity makes up a significant component of realised remuneration

Realised Remuneration outcomes for 2020 are shown in Table 10 on page 46. Realised Remuneration includes the value of equity-related awards which vested during the year, valued at the share price on the vesting date, which includes the value of share price appreciation between award and vesting.

Almost two-thirds of the CEO's Realised Remuneration for 2020 resulted from performance-related equity awards. The value at vesting included significant share price appreciation between the awards being granted and vesting, demonstrating strong alignment with shareholders.

Long-Term Equity compensation comprises a significant share of remuneration for the Company's CEO and Senior Executives. As noted in last year's Remuneration Report, the Company introduced a Minimum Shareholding Requirement which requires the CEO and Executive Vice Presidents to build over a five-year period and then maintain, a minimum shareholding of Santos shares which for the CEO is approximately three times annual Total Fixed Remuneration (TFR) and for Executive Vice Presidents is approximately one and a half times the average TFR. These levels of minimum shareholdings are significant, compared to typical market practice and ensure ongoing alignment with shareholders by requiring the CEO and Senior Executives to hold shares beyond vesting until the minimum holding is achieved.

The Minimum Shareholding Policy does allow the CEO and Senior Executives to sell shares to manage arising tax liabilities which occur on the vesting of awards. Disposals to manage tax liabilities are encouraged to occur as closely as possible to the end of the deferred taxing point for the relevant award.

Changes to arrangements for 2021 onwards

The Company's Short Term Incentive Scorecard is set by the Board each year to incentivise and reward the execution of the business strategy and to drive business performance. Santos has a strong future as a clean fuels company and has already announced a credible pathway to achieve net-zero Scope 1 and 2 emissions by 2040. For 2021 the Company Scorecard has been rebalanced to recognise the criticality of delivering the initiatives that will achieve the Company's target of net-zero emissions by 2040 increasing the weighting from 5% in 2020 to 12.5%. This includes a new metric that makes up 7.5% of the scorecard for delivery of a set of key Low Carbon Fuels initiatives which are critical to the Company's significant ambitions to drive sustainable returns in a lower carbon future. This is in addition to the existing carbon emissions reduction metrics which makes up 5% of the Scorecard.

The Free Cash Flow Breakeven Point (FCFBP) performance condition attaching to the 2021 award is also being made more challenging to reflect continuing improvements in Company performance and the Company's cost base. For the 2021 LTI award, the FCFBP at which full vesting is achieved will be reduced from US$30/boe to US$25/boe. This follows a reduction from US$35/boe to US$30/boe which was applied for the 2020 LTI award.

The Board believes that total remuneration outcomes are aligned with the Company's performance in 2020 and the significant value which has been generated for shareholders.

Thank you for taking the time to review our Remuneration Report.

Yasmin Allen
Chair, People, Remuneration and Culture Committee

The Directors of Santos present this Remuneration Report for the consolidated entity for the year ended 31 December 2020. 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 2020 and remuneration information for key management personnel (KMP) of the consolidated entity for the purposes of the Corporations Act and Accounting Standards, as set out below.

Remuneration is disclosed in US$ (unless otherwise indicated) with all remuneration components having been converted from A$ to US$ using an average rate of $0.6904 for 2020 and $0.6880 for 2019. This means year-on-year changes in remuneration amounts when stated in US$ are partly attributable to exchange rate variations and not necessarily a change in the amount paid in A$.

Report structure

The Remuneration Report is set out in the following sections:

1. KMP covered by the Remuneration Report and summary of 5-year Company performance
2. Remuneration governance
3. Executive remuneration approach
4. Remuneration mix
5. Short-Term Incentive framework and 2020 outcomes
6. Long-Term Incentive and vesting outcomes
7. Realised Remuneration (non-IFRS and non-audited)
8. Statutory remuneration for Executive KMP
9. KMP equity
10. Key terms of Executive KMP employment contracts
11. Non-executive Director (NED) remuneration

1. KMP COVERED BY THE REMUNERATION REPORT AND SUMMARY OF 5-YEAR COMPANY PERFORMANCE

KMP are the personnel who had authority and responsibility for planning, directing and controlling the activities of the Company's major financial, commercial and operating divisions during 2020. The KMP for 2020 are set out in Table 1.

Table 1: 2020 Key management personnel

Executive KMP	Non-executive Directors
Kevin Thomas Gallagher, Managing Director and Chief Executive Officer (CEO)	Keith William Spence, Independent non-executive Chair
David Maxwell Banks, Chief Operations Officer (COO)	Yasmin Anita Allen, Independent non-executive Director
Brett Anthony Darley, EVP Offshore Oil and Gas	Guy Michael Cowan, Independent non-executive Director
Anthony Myles Neilson, Chief Financial Officer (CFO)	Hock Goh, Independent non-executive Director
Vincent Santostefano, EVP Production Operations[1]	Yu Guan, Non-executive Director[3]
Robert Francis Simpson, EVP Onshore Oil and Gas[2]	Vanessa Ann Guthrie, Independent non-executive Director
Petter Undem, EVP Commercial	Peter Roland Hearl, Independent non-executive Director
Brett Kenneth Woods, EVP Midstream Infrastructure and Low Carbon Operations	Janine Marie McArdle, Independent non-executive Director
	Eugene Shi, Non-executive Director[4]

1 Vincent Santostefano ceased as KMP on 30 June 2020

2 Robert Simpson commenced as KMP on 17 August 2020

3 Yu Guan ceased as KMP on 31 December 2020

4 Eugene Shi commenced as KMP on 31 December 2020

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

Table 2: Key metrics of Company performance 2016–2020

	2016	2017	2018	2019	**2020**
Injury frequency:					
Total recordable case frequency	2.2	3.5	4.5	4.3	**3.5**
Lost time injury rate[1]	0.4	0.4	0.6	0.6	**0.24**
Moderate harm rate[2]	–	–	0.4	0.3	**0.08**
Production (mmboe)	61.6	59.5	58.9	75.5	**89.0**
Reserve replacement rate – 2P organic (one-year average %)	19	62	69	56	**11**
Net profit/(loss) after tax (US$m)	(1,047)	(360)	630	674	**(357)**
Dividends per ordinary share[3] (US$cents)	–	–	9.7	11.0	**7.1**
Share price – closing price on last trading day of year[4] (A$)	4.02	5.45	5.48	8.18	**6.27**
Company Scorecard result expressed as % of target of 100%	115.3%	118.0%	138.8%	120.0%	**111.3%**
LTI performance (% vesting) – shown against final year of performance period	0%	0%	0%	100%	**90.7%**

1 The outcome for 2018 and prior years is presented as a 3-year average. Annual performance reporting applied in 2019.
2 Moderate harm rate was introduced in 2018 as the Company adopted a harm-based approach, in addition to lost time reporting for injury classification.
3 2018 dividend per ordinary share was previously reported incorrectly as US$0.05.
4 The closing share price on the last trading day of 2015 was A$3.68.

2. REMUNERATION GOVERNANCE

The People, Remuneration and Culture Committee (Committee), formerly known as the People and Remuneration 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) and reviewing whether they are aligned to the Company's values, strategic direction and risk appetite.

The Committee operates under a Charter approved by the Board and regularly conducts a review of its performance, structure, objectives and purpose. The Committee Charter's was updated during 2020 to better reflect the role of the Committee in relation to strategies related to the Company's culture, including employee engagement surveys and other indicators. The Committee Charter is available on the Company's website at www.santos.com.

External advisors and remuneration advice

The Board has adopted a protocol for engaging and seeking advice from independent remuneration consultants from time to time. In 2020, no remuneration recommendations were provided by remuneration consultants.

3. EXECUTIVE REMUNERATION APPROACH

The fundamental purpose of Santos' remuneration policy is to develop and maintain an effective remuneration framework which supports and reinforces the ongoing successful execution of the Transform, Build, Grow business strategy and the delivery of Vision 2025.

Remuneration policy objectives

Attracting, motivating and retaining talented and qualified Executives	Focusing Executives to deliver superior performance	Align Executive and shareholder interests

Enabled through the Company's Executive remuneration framework

Total Fixed Remuneration (TFR)
(base salary plus superannuation)

- Remuneration levels are market-aligned against similar roles in comparable companies.
- Individual remuneration is set with regard to the Executive's role and responsibilities and also the individual's experience and competencies.
- The target market position for fixed remuneration for Executives is below market medial in line with the Company's cost focus.

Short-term incentive (STI)

- A significant component of remuneration is "at risk". The value to the Executive is dependent on the Company and individual meeting challenging targets.
- STI levels are set to ensure that total compensation appropriately rewards the delivery of Santos' operating model and the increasingly demanding STI scorecard metrics.
- STI outcomes are based on a balanced scorecard of annual performance measures aimed at delivering challenging outcomes for the Company across a range of financial, safety, environment, growth and culture KPIs.
- Half (50%) of Executives' STI award is delivered as cash following the end of the performance year.
- The other 50% is delivered in equity, subject to a further two-year restriction period.

Long-term incentive (LTI)

- Long-term incentives are delivered as Share Acquisition Rights (SARs).
- Vesting of long-term incentives is contingent on achieving performance hurdles that are aligned with creation of long-term shareholder value (Relative Total Shareholder Return, Return On Average Capital Employed and the generation of strong stable cash flows through the oil price cycle).
- Executives cannot hedge equity incentives that are unvested or subject to restrictions. These incentives are also subject to clawback.

Remuneration Report
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4. REMUNERATION MIX

The remuneration mix indicates the extent to which Executive remuneration is:

- fixed and not at risk;
- variable and at risk.

The charts below show the remuneration mix for the CEO and Senior Executives at the following performance levels:

- Minimum comprises TFR for the year only;
- Target comprises TFR for the year, STI at the target level (provided half in cash and half in deferred equity vesting two years after the end of the performance year) and target LTI. LTI awards are allocated on a face value basis. Vesting of awards is subject to the achievement of the relevant performance conditions. The target LTI values in the charts below are shown on a "fair value" basis by applying a 40% discount to the face value of the award; and
- Maximum comprises TFR, STI at the maximum level (provided half in cash and half in deferred equity vesting two years after the end of the performance year) and the maximum LTI being the face value of the award.

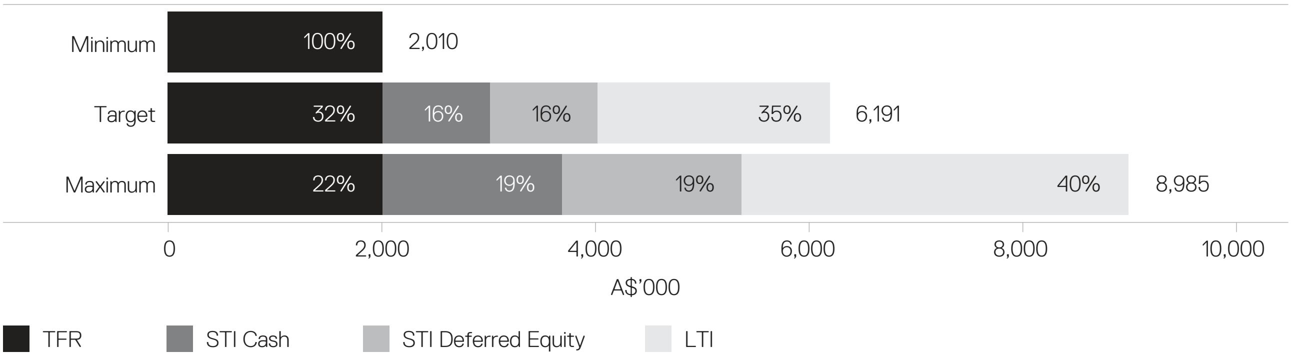
The value of the STI deferred equity award and LTI does not include the impact of future share price movements or dividend payments.

The actual remuneration mix in any year varies with actual performance and incentive outcomes.

CEO remuneration quantum and mix

The remuneration quantum and mix for the CEO at minimum, target and maximum performance is shown in Chart 1.

Chart 1: CEO remuneration quantum and mix

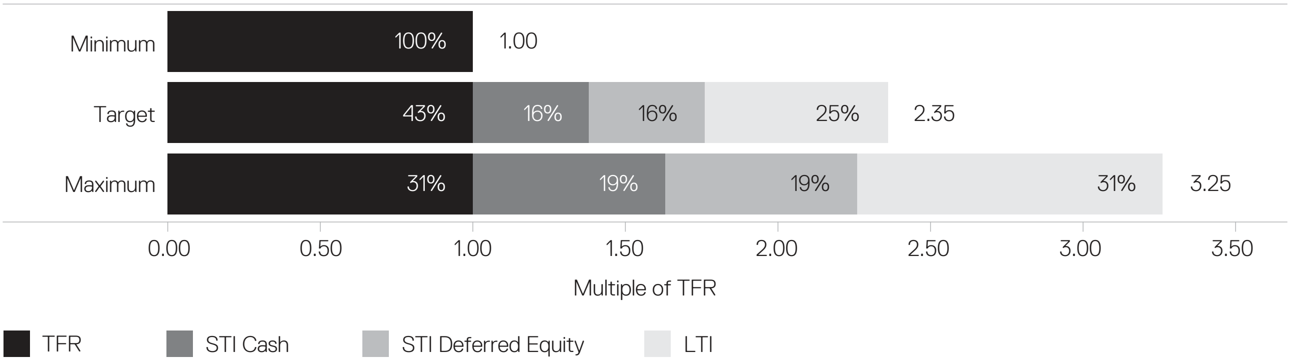


- Minimum: TFR of A$2,010,000.
- Target: TFR, STI at the target level (a cash award of 50% of TFR and a deferred equity award of 50% of TFR) and target LTI of 108% of TFR.
- Maximum: TFR, STI at the maximum level (a cash award of 83.5% of TFR and a deferred equity award of 83.5% of TFR) and the maximum LTI award of 180% of TFR.

Senior Executive remuneration mix and quantum

The remuneration quantum and mix for Senior Executives at minimum, target and maximum performance is shown in Chart 2.

Chart 2: Senior Executive remuneration quantum and mix



Quantum is expressed as a multiple of TFR as Senior Executives have different TFRs

- Minimum: TFR only.
- Target: TFR, STI at the target level (a cash award of 37.5% of TFR and a deferred equity award of 37.5% of TFR) and target LTI of 60% of TFR.
- Maximum: TFR, STI at the maximum level (a cash award of 62.5% of TFR and a deferred equity award of 62.5% of TFR) and the maximum LTI award of 100% of TFR.

The STI opportunity in Mr Simpson's 2020 incentive structure differs from other Senior Executives. This is set out in Table 5.

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5. SHORT-TERM INCENTIVE FRAMEWORK AND 2020 OUTCOMES

The Short-Term Incentive ('STI') framework aligns Executive interests with the delivery of the operating model and the Company's challenging short-term operational and financial goals for the year. Goals are chosen to drive outcomes and behaviours that support safe operations and the achievement of the business outcomes which contribute to the delivery of long-term growth in shareholder value.

STI award is based on performance for a one-year period. Half (50%) of the award is provided as deferred equity, restricted for two years. Deferral provides increased alignment with shareholders and encourages longer-term thinking given the equity exposure.

Deferred STI is forfeited if the Executive leaves the Company during the vesting period due to resignation or summary dismissal (including for fraud or misconduct). STI awards are also subject to clawback.

The Company's annual performance is assessed using the Company Scorecard. The Scorecard contains a balance of challenging financial and operational KPIs which support the execution of the business strategy and which drive business performance. In 2020, Scorecard KPIs covered a range of areas including production, operating efficiency, safety, growth and culture.

The 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. The Board believes that this Scorecard is balanced and focuses the CEO and Senior Executives on achieving the key outcomes necessary to deliver stronger returns to shareholders.

The STI award is subject to a free cash flow gate that requires that the Company is free cash flow positive for an STI award to be made, regardless of performance against all other KPIs. This is aligned with the Company's position to its shareholders under the Dividend Policy which is to deliver strong cash flows through the oil price cycle.

The actual STI pool for the year is set by reference to the Company Scorecard result (2020 results are outlined in Table 3 on pages 39–40). The Scorecard result is generally applied as a percentage of the target pool size (subject to the application of any Board discretion).

The Company Scorecard is comprised of a range of KPIs with set threshold, target and stretch goals agreed with the Board at the start of the performance year. The relative importance of each KPI is determined and assigned a proportionate weighting of the total Scorecard result.

Each KPI receives a percentage score relative to target performance, as follows:

- 0% for performance below threshold,
- 67–100% for performance between threshold and target,
- 100–167% for performance between target and stretch, and
- 167% for performance at or above stretch.

The KPI weightings are then applied to these scores to derive a rating for each KPI. The overall Scorecard result is a weighted average of KPI scores.

The Scorecard has a maximum result of 167% of target. This maximum result can only be achieved for exceptional Company performance. The Board believes the above method of assessment is rigorous and provides a balanced assessment of the Company's performance.

The People, Remuneration and Culture Committee formally assesses the Company's performance against the overall Scorecard at the end of each financial year, and this forms the basis of a recommendation to the Board.

The CEO assesses Senior Executive performance and determines STI award proposals which are then formally endorsed by the People, Remuneration and Culture Committee. The Board assesses the CEO's performance and determines his STI award.

Performance against the 2020 Company Scorecard

The Company's performance against the 2020 Company Scorecard as assessed by the Board resulted in an outcome of 111.3% of target. This outcome is used to set the available STI pool. Individual STI outcomes will depend on Executives' contractual entitlements and individual performance during the year, as detailed in Table 5 on page 42.

Table 3 provides further details of Scorecard KPIs and the Company's performance against them.

Table 3: 2020 Company Scorecard – KPI performance

	KPI	Rationale	Performance	Result (relative to target of 100%)
Sustainability (25%)	Heath, Safety and Environment	The Company is committed to providing a workplace without injury or illness. The targets for Environment and Process Safety represent the Company's commitment to reducing the number of process safety-related incidents with potential for high-impact consequences, and the occurrence of significant environment incidents.	Moderate harm rate of 0.08 and lost time injury rate of 0.24 and no severe harm incidents yielded stretch performance. Moderate harm is defined as temporary disablement or medium-term impairment. Outcome was capped at stretch performance. There were two Tier 1 and seven Tier 2 loss of containment incidents, which while a significant improvement on 2018 was slightly behind 2019. There were no environmental incidents of moderate or greater consequence. Outcome was at threshold performance.	90.2%
	Culture and Capability	Included to reinforce the importance of cultural improvement and employee engagement as well as the development of capability to support future business growth.	The Company implemented a risk and compliance survey, to complement the regular engagement "pulse" surveys. The Code of Conduct was also updated. While all employees completed the mandatory training by the end of 2020, this was below the threshold performance date. The outcome of this measure overall was therefore below threshold performance.	
	Carbon Emissions	The Company is held to account on emissions to air, land and water within targets and transparent reporting, in line with the recommendations of the G20 Task Force on Climate-related Financial Disclosures.	Projects implemented within operations resulted in a 1.5% (98 ktCO_2e) emissions reduction. FEED has been completed for carbon capture and storage, a step change emissions reduction project. Outcome was at target performance.	
Production (25%)	Production (mmboe) (adjusted for disposals)	Production is critical to the Company's profitability which is a key measure of the Company's overall performance, underpinning annual earnings and cash flow.	Production of 89.0 mmboe was ahead of budget and delivered an outcome very close to stretch performance.	165.5%
Cost (25%)	Unit production cost (US$/boe) (adjusted for disposals)	Included to ensure that the Company maintains its cost and efficiency focus for every unit of production.	Unit Production Cost US$8.04/boe exceeds stretch performance.	167% (capped)
	Sustaining and Exploration CAPEX	Included to ensure the focussed and cost effective delivery of necessary capital programs to sustain the base business.	Stretch performance on the Sustaining and Capital Expenditure was achieved.	
	Free cash flow breakeven point (FCFBP) (US$/bbl)	Included to ensure continual reduction in the Company's cost base and to reinforce Santos' disciplined operating model.	Free Cash Flow Breakeven Point of US$17/bbl (including impact of hedging) exceeds stretch performance.	

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Growth (25%)	Company 2P reserves life (years) Cooper 2P + 2C reserves and resources life (years)	A viable reserves position and track record for maintaining and growing reserves life ensures the Company is a more attractive and sustainable business.	Company 2P Reserves Life is 10 years and below threshold. Cooper Reserves and Resources Life is 21 years, which is between target and stretch performance.	22.7%
	Build and Grow Initiatives	This metric is focussed on increasing the value of the Company's core asset portfolio through the delivery of exploration, appraisal, development, production and marketing initiatives which are aligned to the delivery of Vision 2025.	While significant progress was made against the 2020 Build and Grow initiatives, threshold measures were not achieved.	

Capping STI outcomes to ensure alignment with shareholder experience

The Company Scorecard result has historically set the maximum amount that can be spent on STI payments for a performance year. The Scorecard result is generally applied as a percentage of the target pool size (being the sum of target short-term incentives for eligible employees). As noted above, the STI plan has a positive free cash flow gate opener which must be achieved before any payments can be made and the Board retains full discretion in relation to the operation of the STI plan.

To ensure greater alignment with the shareholder experience and to ensure awards under the STI Plan are reasonable relative to free cash flow generated, the Board has determined to introduce and apply an additional overall cap on STI pool to ensure that in aggregate it does not exceed 5% of the Company's free cashflow. This cap has been applied in determining the outcome for 2020, and has led to an overall 28.5% reduction in the size of the cash 2020 STI pool compared to applying the 111.3% Company Scorecard outcome.

The Board considers that this is appropriate and reflects lower free cashflow generation in 2020. Applying the cap brings the STI pool into line with the shareholders dividend payment when compared with the previous year.

2020 STI OUTCOME FOR THE CEO

The CEO's performance is primarily assessed using the Company Scorecard. In determining the CEO's final STI payment for 2020, the Board also consider outcomes outside of the Scorecard and the impact of the CEO's personal performance and leadership on five dimensions: corporate activity, growing shareholder value, future proofing the business, leadership and culture and stakeholder engagement.

Key elements that comprise the CEO's performance include:

- the successful integration of the ConocoPhillips acquisition into Santos and the realisation of significant value accretive synergies above the acquisition case;
- future proofing the business through relentless focus on cost and development of tangible roadmap to net zero emissions;
- strong stakeholder engagement and continued industry thought leadership; and
- improvement of organisational capability and safety leadership.

The initial STI amount for 2020 represents an outcome which is 123.5% of the target amount (74% of maximum STI opportunity). This represents a moderated amount which is slightly above the Company Scorecard outcome of 111.3% of target.

However, consistent with other participants in the STI Plan, the CEO's cash STI outcome was reduced by 28.5%.

This delivers an aggregate STI amount for 2020 of A$2,129,356, of which A$887,749 (42%) will be awarded as cash, and A$1,241,607 (58%) will be awarded as Deferred Shares, restricted for two years.

This final outcome is 106% of the CEO's 2020 STI Target (63% of the maximum STI opportunity).

2020 STI outcomes for Senior Executives

The Company performance result based on the Company Scorecard outcomes outlined above sets the size of the pool. Individual allocations of the pool are then modified to reflect individual performance and demonstration of the Santos Values.

The 2020 STI outcomes for ongoing Senior Executives ranged from 51% to 66% of their maximum opportunity, depending on their individual performance contribution.

Further detail of each individual Senior Executive's outcome is provided in Table 5 on page 42.

All Senior Executives had KPIs relating to environment, health, safety, culture and leadership. Role-specific KPIs by Senior Executive are set out in Table 4 below.

Table 4: Senior Executive role-specific KPIs

Note, some KPIs contain commercially sensitive information that cannot be detailed here.

Senior Executive	KMP Role	Role-specific KPIs
D Banks	Chief Operations Officer	• Technical and operations governance across the business • Provide capability to deliver Santos' growth program • Reserves replacement
B Darley	EVP Offshore Oil and Gas	• Production volume and cost • Health, Safety and Environment outcomes • Emissions reductions
A Neilson	Chief Financial Officer	• Corporate cost reduction • Balance sheet improvement and capital management • Finance and IT integration activities • Investor relations outcomes
B Woods	EVP Midstream Infrastructure and Low Carbon Operations	• Operational cost efficiency • Health, Safety and Environment outcomes • Progression of low carbon operations including carbon capture and storage
P Undem	EVP Commercial	• Group sales (LNG, Domestic Gas and Liquids) • Commercial support for growth projects • Commercial arrangements
R Simpson From 17 August 2020	EVP Onshore Oil and Gas	• Production volume and cost • Wells drilled and connected • Health, Safety and Environment outcomes
V Santostefano From 1 January to 30 June 2020	EVP Production Operations	• Operating processing cost • Production support and optimisation

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Table 5 sets out the individual STI outcomes for Senior Executives in 2020, as a percentage of their STI target and maximum STI opportunity.

Table 5: Senior Executive 2020 STI outcomes

	Target 2020 STI (% of TFR)	Actual 2020 STI (% of TFR)	2020 STI as a % of Maximum	% of Maximum STI forfeited
Directors				
K Gallagher	100%	106%	63%	37%
Senior Executives				
D Banks	75%	66%	63%	37%
B Darley	75%	72%	57%	43%
A Neilson	75%	82%	66%	34%
R Simpson[1]	60%	44%	57%	43%
P Undem	75%	64%	51%	49%
B Woods	75%	72%	57%	43%
Former Senior Executive				
V Santostefano[2]	75%	24%	38%	62%

1 Mr Simpson's 2020 STI award is pro-rated based on his appointment terms.

2 Mr Santostefano's 2020 STI award incentive is pro-rated for six months based on his termination terms.

6. LONG-TERM INCENTIVE AND VESTING OUTCOMES

The LTI aligns the interests of Senior Executives with the creation of long-term shareholder value.

The relative TSR performance criteria provide for vesting when there are strong shareholder returns against relevant peer groups. The FCFBP and ROACE measures vest when the Company demonstrates underlying operational efficiency which generates free cash flow throughout the oil price cycle, and disciplined use of capital to generate shareholder returns over a four-year period.

LTI amounts are based on a set percentage of the Executive's TFR allocated on a face value basis and provided in the form of Share Acquisition Rights (SARs). SARs are a conditional entitlement to a fully paid ordinary share at zero price, subject to satisfaction of the relevant performance conditions.

If SARs vest, shares are automatically allocated to the Executive. Nothing is payable by Executives if SARs vest. Trading in these shares is subject to compliance with the Company's Securities Dealing Policy and the Minimum Shareholding Requirement.

The Board has discretion to settle the value of vesting SARs in cash.

Share Acquisition Rights 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.

Vesting of the 2020 LTI is assessed against four equally weighted performance measures described in Table 6.

Table 6: LTI performance measures and rationale

Weighting	Performance measures	Description and rationale
25%	Relative TSR measured against companies of the ASX100	The calculation of TSR takes into share price growth and dividend yield and is therefore a robust and objective measure of shareholder returns.
25%	Relative TSR measured against companies of the S&P Global 1200 Energy Index (GEI)	TSR continues to effectively align 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.
25%	Free Cash Flow Breakeven Point (FCFBP)	FCFBP is the US$ oil price at which cash flows from operating activities equal cash flows from investing activities, as published in the Company's financial statements. As the aim of the performance hurdle is to measure the performance of the underlying business, the Board has discretion to adjust the FCFBP for individual material items including asset acquisitions and disposals that may otherwise distort the measurement.
25%	Return on Average Capital Employed (ROACE) compared with weighted average cost of capital (WACC)	ROACE Is measured as the underlying earnings before interest and tax (EBIT) divided by the average capital employed, being shareholders' equity plus net debt, as published in the Company's financial statements. The use of ROACE as a performance measure aligns Senior Executives with shareholder interest by focusing on the efficient and disciplined use of capital to generate shareholder returns.

The vesting scales set out in the tables below apply to both the CEO's and Senior Executives' LTI performance grants. SARs that do not vest upon testing of the performance condition lapse. There is no re-testing of the performance condition.

Table 7: Relative TSR against the ASX100 and S&P GEI

TSR percentile ranking	% of grant vesting
Below 51st percentile	0%
51st percentile	50%
Straight line pro-rata vesting in between	
76th percentile and above	100%

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Table 8: Free Cash Flow Breakeven Point (FCFBP)

FCFBP	% of grant vesting
Above US$40/bbl	0%
Equal to US$40/bbl	50%
Straight line pro-rata vesting in between	
Equal to or below US$30/bbl	100%

When the FCFBP hurdle was introduced in 2016, Santos' FCFBP was approximately US$50/bbl. There was concern from some shareholders that this KPI could result in under-investment in onshore drilling activity leading to further production decline and reserves liquidation. However, over the past four years Santos has increased investment in drilling across Queensland and Cooper Basin onshore operations year on year and in 2019 achieved a record drilling activity level of more than 500 wells drilled. Production has also increased in Queensland and the Cooper Basin during this period with resource and reserves growth also achieved in the Cooper Basin.

FCFBP being a non-market measure is tested and audited internally and all results externally audited as part of the Annual Report release. The Board has discretion to adjust the results on this measure, based on the agreed methodology.

Table 9: Return On Average Capital Employed (ROACE)

ROACE percentile ranking	% of grant vesting
Santos ROACE <= 110% of WACC	0%
Santos ROACE > 110% of WACC then:	50%
Straight line pro-rata vesting in between	
Santos ROACE >= 140% of WACC	100% vesting

ROACE being a non-market measure is tested and audited internally and all results externally audited as part of the Annual Report release. The Board has discretion to adjust the results on this measure, based on the agreed methodology.

Changes to vesting schedules for 2021 awards

For 2021 LTI awards, the stretch level to achieve full vesting of the FCFBP component will be set at equal to or below US$25/bbl. This reflects further improvement in the cost base of the business but recognises that there is an optimal level of investment required to sustain the business.

Treatment on termination and change of control

Generally, if an Executive resigns or is summarily dismissed, their unvested SARs will lapse. In all other circumstances (including death, total and permanent disability, redundancy and termination by mutual agreement), unvested SARs remain on foot and will vest or lapse in accordance with their original terms, unless the Board determines otherwise.

Where there is a change in control, the Board may determine whether, and the extent to which, SARs may vest.

Clawback

The share plan rules give the Company the discretion to lapse or forfeit unvested equity awards under the STI or LTI programs, and claw back any vested shares or cash paid in certain circumstances.

These circumstances 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.

Securities hedging

Under the Company's Securities Dealing Policy, Directors, Executives and employees cannot enter into hedging or other financial arrangements which operate to limit the economic risk associated with holding Santos securities prior to the vesting of those securities or while they are subject to a holding lock or restriction on dealing.

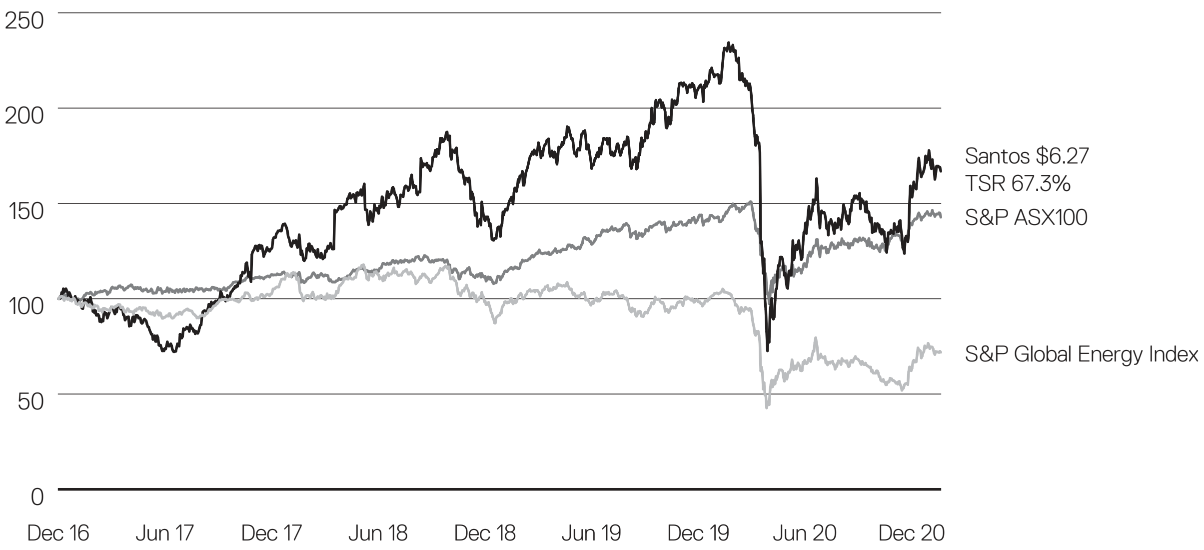
Performance results for the 2017 LTI award

The 2017 LTI award was tested over the four-year performance period 1 January 2017 to 31 December 2020.

The 2017 LTI grant was allocated at a base share price of A$4.02.

Santos achieved an adjusted Total Shareholder Return of 67.3% over the performance period, placing it at the 74.1 percentile against the ASX100 comparator group and at the 98.6 percentile against the S&P Global 1200 Energy Index comparator group.

Chart 3: TSR performance against ASX100 and S&P Global 1200 Energy Index



Santos' FCFBP for the FCFBP component (averaged over 2017-2020) was US$25.98. ROACE was 106.8% of WACC. This means 100% the FCFBP component vested and 66.9% of the ROACE component vested.

As a result, 90.7% of the 2017 LTI awards vested.

Remuneration Report
continued

7. REALISED REMUNERATION

Table 10 shows Realised Remuneration for the CEO and Senior Executives in 2019 and 2020.

Realised Remuneration differs from statutory remuneration reported in Table 11 and other statutory tables which are prepared in accordance with the Corporations Act and Accounting Standards which require a value to be placed on share-based payments at the time of grant, and to be reported as remuneration, even though the CEO and Senior Executives may ultimately not realise any actual value from the share-based payments.

The Realised Remuneration table is shown in Australian dollars (the currency in which remuneration is paid), whereas the statutory tables are shown in US dollars which is the Company's reporting currency. Showing remuneration in Australian dollars removes the impact of exchange rate movements.

Realised Remuneration has been calculated as:

- TFR paid in the year;
- Cash STI awards earned in respect of performance for the year (albeit paid after the end of the year);
- Deferred STI awards from prior years which vested in the year; and
- LTI SARs which were tested at 31 December in the year.

Vesting deferred STI awards and SARs are valued at the closing share price on 31 December of the respective year. Termination payments and leave movements are not included in the table below.

Table 10: Realised Remuneration (non-IFRS and non-audited)

	Year	TFR[1]	Cash STI[2]	2018 Deferred STI that vested in 2020[3]	LTI[4]	Other vested grants	Other[5]	Total
		A$	A$	A$	A$	A$	A$	A$
Executive Director								
K Gallagher Managing Director and Chief Executive Officer	2020	2,010,000	887,749	1,380,334	3,820,593	–	6,326	8,105,002
	2019	1,956,150	1,161,953	766,752	7,372,798	–	6,069	11,263,722
Senior Executives								
D Banks Chief Operations Officer (COO)	2020	760,724	221,507	284,376	–	–	–	1,266,607
	2019	715,755	290,600	–	–	–	–	1,006,355
B Darley EVP Offshore Oil and Gas	2020	840,000	250,679	36,510	–	–	11,985	1,139,174
	2019	840,000	333,400	–	–	–	11,614	1,185,014
A Neilson Chief Financial Officer (CFO)	2020	916,875	316,602	408,252	1,132,017		–	2,773,746
	2019	853,771	408,200	280,280	–	–	–	1,542,251
R Simpson EVP Onshore Oil and Gas (for part year)	2020	256,605	44,187	–	390,746	6,198	1,970	699,706
	2019	–	–	–	–	–	–	–
P Undem EVP Commercial	2020	750,000	201,416	–	–	–	–	951,416
	2019	307,853	56,700	–	–	–	60,417	424,970
B Woods EVP Midstream Infrastructure and Low Carbon Operations	2020	768,750	229,444	385,003	758,451	–	6,326	2,147,974
	2019	764,063	290,600	235,208	1,138,820	–	6,069	2,434,760
Former Senior Executive								
V Santostefano EVP Production Operations	2020	720,658	211,068	424,335	962,219	–	5,207	2,323,487
	2019	878,927	317,600	250,954	1,444,752	–	6,069	2,898,302

1 TFR comprises base salary and superannuation. The amounts shown here are actually received TFR, i.e. they are pro-rated amounts for the period that Executives were in KMP roles.

2 The "Cash STI" column reflects the 50% of the STI award for 2020 performance for continuing Executives that will be paid in cash. The remaining 50% will be awarded as equity restricted for two years.

3 The deferred restricted equity from the 2018 STI award that vested on 31 December 2020, at a closing share price of A$6.27.

4 The 2017 LTI was tested at the end of its performance period on 31 December 2020 and 90.7% of awards vested. The value shown in the table is based on the closing share price on 31 December 2020 of A$6.27. For the value of share-based payments calculated in accordance with the Accounting Standards, see Table 11 "Statutory Executive KMP remuneration details" on page 48.

5 "Other" comprises ad hoc payments treated as remuneration, such as assignment and mobilisation allowances and other non-monetary benefits.

Notes on Mr Gallagher's Realised Remuneration for 2020

Mr Gallagher's Realised Remuneration for 2020 included the following at-risk performance related elements:

- The cash component of Mr Gallagher's STI award based on 2020 performance;
- The value of Mr Gallagher's deferred STI award from 2018 which vested on 31 December 2020; and
- The value of Mr Gallagher's Long-Term Incentive award from 2017 which was tested at 31 December 2020.

As noted above, the CEO was awarded a cash STI for 2020 of $887,749, following the 28.5% reduction applied consistent with that applied to other participants. The basis for this award is described in section 5 above.

Mr Gallagher's 2018 STI was awarded two thirds in cash and one third in Restricted Shares. The Restricted Shares vested on 31 December 2020. The share price appreciated 14% between allocation (A$5.48) and vesting (A$6.27).

Chart 4: Realised value of Mr Gallagher's 2018 deferred STI

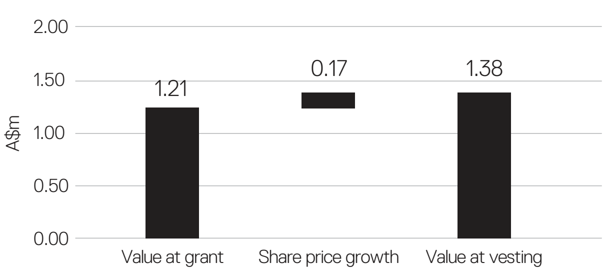
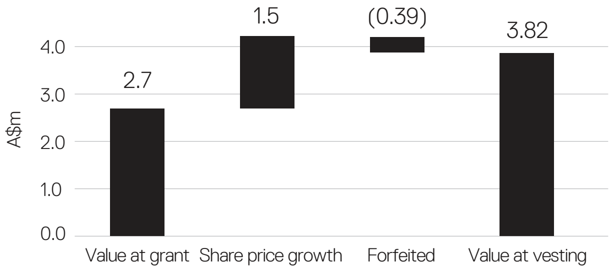


Chart 5: Realised value of Mr Gallagher's 2017 LTI



Mr Gallagher's 2017 LTI allocation had a face value at grant of A$2.7m, being 150% of his then TFR. The Santos share price appreciated 56% between award and vesting. The value based on the closing share price on 31 December 2020 of A$6.27 was A$4.21m. The vesting outcome of the 2017 LTI was 90.7%, meaning the value of the final vesting award was $3.82m.

Remuneration Report
continued

8. STATUTORY REMUNERATION FOR EXECUTIVE KMP

Table 11 presents summarised details of the remuneration for Executive KMPs in 2019 and 2020 as required under the Corporations Act. The current KMPs are the Executives that have the requisite authority and responsibility to meet the definition of key management personnel as required under the Corporations Act.

All remuneration components have been converted from A$ to US$ using an average rate of $0.6904 for 2020 and $0.6880 for 2019.

Table 11: Statutory Executive KMP remuneration details

		Short-term employee benefits			Post-employment	Share-based payments[1]								
		Base salary US$	STI[2] US$	Other[3] US$	Superannuation contributions US$	LTI US$	Deferred STI[4] US$	SharePLUS[5] US$	Options US$	Total shared-based payments US$	Termination US$	Other long-term benefits (long service)[6] US$	Total US$	Total "at risk" %
Executive Director														
K Gallagher	2020	1,370,444	612,902	4,367	17,260	1,521,999	645,764	1,029	–	2,168,792	–	64,719	4,238,484	66%
	2019	1,328,631	799,424	4,176	17,200	1,604,578	711,809	–	–	2,316,387	–	34,674	4,500,492	69%
Senior Executives														
D Banks	2020	505,460	152,928	–	19,744	170,737	146,074	1,720	–	318,531	–	17,709	1,014,372	46%
	2019	444,009	199,933	–	46,621	132,154	137,325	–	–	269,479	–	7,828	967,870	48%
B Darley	2020	562,676	173,069	8,274	17,260	371,881	93,778	1,029	–	466,688	–	20,244	1,248,211	51%
	2019	560,720	229,379	7,991	17,200	315,591	85,327	–	–	400,918	–	8,016	1,224,224	51%
A Neilson	2020	615,751	218,582	–	17,260	351,854	209,130	588	–	561,571	–	16,873	1,430,037	55%
	2019	570,194	280,842	–	17,200	247,018	232,403	–	–	479,421	–	16,611	1,364,268	56%
R Simpson[7]	2020	170,322	30,507	1,360	6,838	96,423	14,157	688	–	111,267	–	21,370	341,664	41%
	2019	–	–	–	–	–	–	–	–	–	–	–	–	–
P Undem	2020	500,540	139,057	–	17,260	119,636	77,865	1,029	–	198,529	–	7,601	862,987	39%
	2019	204,636	39,010	41,567	7,167	34,210	15,817	–	–	50,027	–	–	342,407	26%
B Woods	2020	513,485	158,408	4,367	17,260	281,747	173,847	1,029	–	456,623	–	30,146	1,180,289	52%
	2019	508,475	199,933	4,176	17,200	290,665	193,693	–	–	484,358	–	25,352	1,239,494	55%
Former Senior Executive														
V Santostefano[8]	2020	483,159	145,721	3,595	14,383	717,117	148,526	–	–	865,643	100,373	23,344	1,636,218	62%
	2019	587,502	218,509	4,176	17,200	351,999	211,767	–	–	563,766	–	15,536	1,406,689	56%

1 In accordance with the requirements of the Accounting Standards, 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 executives may ultimately realise should the equity instruments vest. The value of equity-linked compensation was determined in accordance with AASB 2 *Share-based Payment* 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 This amount represents the cash portion of the STI performance award for 2020, which will be paid during March 2021.

3 "Other" comprises ad hoc payments treated as remuneration, such as assignment and mobilisation allowance and other non-monetary benefits.

4 This amount represents a proportion of the estimated value of the deferred STI, determined in accordance with the requirements of AASB 2 *Share-based Payment* and progressively expensed over a three-year vesting period being the year of performance and a two-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 Payment* based on an estimate of the fair value of the equity instruments.

5 SharePLUS is the collective term used for the Santos general employee share plans. Refer to Note 7.2 to the financial statements for details.

6 "Other long-term benefits" represents the movement in the 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.

7 Figures shown for Mr Simpson in 2020 are for the period from commencement as KMP on 17 August 2020 to 31 December 2020.

8 Figures shown for Mr Santostefano in 2020 are for the period 1 January 2020 to cessation as KMP on 30 June 2020.

Tables 12 and 13 contain details of the number and value of SARs and shares granted, vested and lapsed for the CEO in 2020.

Table 12: 2020 SARs outcomes for the CEO

	Granted		Vested		Lapsed
	Number	Maximum value	Number	Value	Number
		US$		US$	
LTI SARs	442,298[1]	1,028,308[2]	609,345[3]	2,637,738	62,296
ShareMatch SARs[4]	1,796	7,031	–	–	–

1 The SARs granted to the CEO relate to his 2020 LTI performance grant as approved at the 2020 Annual General Meeting (AGM), under Listing Rule 10.14. This grant relates to the LTI award for the four-year performance period ending on 31 December 2023.

2 Maximum value represents the fair value of LTI grants received in 2020 determined in accordance with AASB 2 *Share-based Payment*. The weighted average fair value of each SAR as at the grant date of 9 April 2020 is A$3.37. Details of the assumptions underlying the valuations are set out in Note 7.2 to the financial statements. The minimum total value of the grant to the CEO, if the applicable vesting conditions are not met, is nil in all cases. All values have been converted to US$.

3 The number of SARs vested for the CEO relates to the CEO's 2017 LTI performance grants as approved at the 2017 Annual General Meeting. This was tested based on performance to 31 December 2020 with 90.7% of the award vested as described in section 6.

4 This relates to the grant of 2020 ShareMatch SARs at a grant price of A$5.67 on the date of grant at 31 August 2020. The 2020 ShareMatch provides the opportunity for participants to acquire up to A$10,000 in Santos shares, with the Company matching acquired shares on a one for one basis with those matching shares subject to a 3 and 4 year vesting period.

Table 13: 2020 Restricted Shares outcomes for the CEO

	Granted		Vested		Lapsed
	Number	Maximum value	Number	Value	Number
		US$		US$	
Deferred STI	142,048[1]	420,710	220,149[2]	952,983	–
ShareMatch[3]	1,796	7,031	–	–	–

1 The Restricted Shares granted to the CEO relate to his 2019 STI award. The maximum value is the fair value of the 2019 STI grant of deferred shares received in 2019 determined with AASB 2 *Share-based Payment*. The fair value of the deferred 2019 STI grant as at the grant date of 12 March 2020 was A$4.29. The minimum total value of the Restricted Shares granted to the CEO is nil. All values have been converted to US$.

2 This relates to the 2018 STI grant that was deferred for two years from 1 January 2019 to 31 December 2020 and vested in full on 31 December 2020.

3 This relates to the grant of 2020 ShareMatch restricted shares at a grant price of A$5.67 on the date of grant at 31 August 2020.

Tables 14 and 15 contain details of the number and value of SARs and shares granted, vested and lapsed for Senior Executives in 2020. No Senior Executive had any options granted, vesting or lapsing in 2020.

Table 14: Movements in SARs for Senior Executives

	LTI SARs				
	Granted[1]		Vested[3]		Lapsed
	Number	Maximum value[2]	Number	Value	Number
		US$		US$	
Senior Executives					
D Banks	91,687	119,638	–	–	–
B Darley	102,689	133,994	–	–	–
A Neilson	112,775	147,155	180,545	781,545	18,459
R Simpson	36,815	48,038	62,320	269,771	6,371
P Undem	91,687	119,638	–	–	–
B Woods	93,979	122,629	120,965	523,634	12,368
Former Senior Executive					
V Santostefano	108,107	141,064	153,464	664,316	15,690
Total	**637,739**	**832,156**	**517,294**	**2,239,266**	**52,888**

Remuneration Report
continued

Table 14: Movements in SARs for Senior Executives (continued)

	ShareMatch SARs				
	Granted[4]		Vested[5]		Lapsed
	Number	Maximum value	Number	Value	Number
		US$		US$	
Senior Executives					
D Banks	898	3,515	–	–	–
B Darley	1,796	7,031	–	–	–
A Neilson	898	3,515	–	–	–
R Simpson	–	–	1,220	4,279	–
P Undem	1,796	7,031	–	–	–
B Woods	1,796	7,031	–	–	–
Former Senior Executive					
V Santostefano	–	–	–	–	–
Total	**7,184**	**28,123**	**1,220**	**4,279**	**–**

1 This relates to the 2020 LTI award.

2 Maximum value represents the fair value of LTI grants received in 2020 determined in accordance with AASB 2 *Share-based Payment*. The weighted average fair value of each SAR as at the grant date of 19 March 2020 is A$1.89. Details of the assumptions underlying the valuations are set out in Note 7.2 to the financial statements. The minimum total value of the grant to the Senior Executives, if the applicable vesting conditions are not met, is nil in all cases. All values have been converted to US$.

3 Vesting of LTI SARs that relates to the 2017 LTI award. The value is determined by the share price of A$6.27 on the date of vesting at 31 December 2020.

4 This relates to the grant of 2020 ShareMatch SARs at a grant price of A$5.67 on the date of grant at 31 August 2020.

5 Vesting of ShareMatch SARs that relates to the 2017 share purchase. The value is determined by the share price of A$5.08 on the date of vesting at 29 September 2020.

Table 15: Movements in Restricted Shares for Senior Executives

	Deferred STI				
	Granted[1]		Vested		Lapsed
	Number	Maximum value[2]	Number	Value	Number
		US$		US$	
D Banks	35,513	105,181	45,355	196,333	–
B Darley	40,745	120,676	5,823	25,207	–
A Neilson	49,902	147,797	65,112	281,857	–
V Santostefano	38,814	114,957	67,677[3]	292,961	–
R Simpson	–	–	–	–	–
P Undem	20,794	61,587	–	–	–
B Woods	35,513	105,181	61,404	265,806	–
Total	**221,281**	**655,379**	**245,371**	**1,062,164**	**–**

	ShareMatch				
	Granted[4]		Vested[5]		Lapsed
	Number	Maximum value	Number	Value	
		US$		US$	
Senior Executives					
D Banks	898	3,515	–	–	–
B Darley	1,796	7,031	–	–	–
A Neilson	898	3,515	–	–	–
R Simpson	179	701	1,220	4,279	–
P Undem	1,796	7,031	–	–	–
B Woods	1,796	7,031	–	–	–
Former Senior Executive					
V Santostefano	–	–	–	–	–
Total	**7,363**	**28,824**	**1,220**	**4,279**	**–**

1 This relates to the 2019 STI award delivered as Restricted Shares.

2 For the Restricted Shares, maximum value represents the fair value of 2019 STI shares determined in accordance with AASB 2 *Share-based Payment*. The fair value of the deferred STI grant as at the grant date of 12 March 2020 was A$4.29. The minimum total value of the grant, if the applicable vesting conditions are not met, is nil. All values have been converted to US$.

3 This relates to the 2018 STI grant that was deferred for two years from 1 January 2019 to 31 December 2020 and vested in full on 31 December 2020 after cessation of Mr Santostefano's term as KMP on 30 June 2020.

4 This relates to the grant of 2020 ShareMatch restricted shares at a grant price of A$5.67 on the date of grant at 31 August 2020.

5 Vesting of ShareMatch restricted shares that relates to the 2017 share purchase. The value is determined by the share price of A$5.08 on the date of vesting at 29 September 2020.

Remuneration Report
continued

9. KMP EQUITY

Ordinary shareholdings

Table 16 sets out the movements during the reporting period in the number of fully paid ordinary shares of the Company held directly, indirectly or beneficially, by each KMP, including their related parties, is as follows.

Full details of all outstanding equity awards can be found in Note 7.2 to the financial statements and in prior Remuneration Reports.

Table 16: 2020 movements in ordinary shareholdings for KMP

	Opening balance	Received vesting of SARs[1]	Purchased	Sold	Deferred 2018 STI that vested on 31 December 2020	Other changes	Closing balance	Balance held nominally at end of the year
Ordinary shares – fully paid								
Non-executive Directors								
Y Allen	48,883	–	-	–	–	–	48,883	48,883
G Cowan	33,600	–	11,887	–	–	–	45,487	45,487
H Goh	67,215	–	-	–	–	–	67,215	67,215
V Guthrie	16,437	–	22,751	–	–	–	39,188	39,188
P Hearl	48,808	–	-	–	–	–	48,808	48,808
J McArdle	5,000	–	13,000	–	–	–	18,000	18,000
K Spence	65,000	–	25,000	–	–	–	90,000	90,000
E Shi	–	–	–	–	–	–	–	–
Former Non-executive Director								
Y Guan	–	–	–	–	–	–	–	–
Executive Director								
KT Gallagher	713,298	901,320	–	(515,755)	220,149	–	1,319,012	1,319,012
Senior Executives								
D Banks	800	–	–	–	45,355	–	46,155	46,155
B Darley	–	–	–	–	5,823	–	5,823	5,823
A Neilson	58,041	–	–	–	65,112	–	123,153	123,153
R Simpson	79,093	1,220[2]	–	–	–	–	80,313	80,313
P Undem	–	–	–	–	–	–	–	–
B Woods	137,931	139,220	–	–	61,404	–	338,555	338,555
Former Senior Executive								
V Santostefano	92,728	176,620	–	(200,799)	67,677	–	136,226	136,226
Total	**1,366,834**	**1,218,380**	**72,638**	**(716,554)**	**465,520**	**–**	**2,406,818**	**2,406,818**

1 This reflects the vesting of the 2016 LTI. The 2017 LTI was tested at the end of its performance period on 31 December 2020 and 90.7%, vested and the vested SARs converted to ordinary shares after 31 December 2020.

2. Vesting of ShareMatch SARs that relates to the 2017 share purchase.

Executive KMP SARs and Restricted Shares

Tables 17 and 18 set out the movement during the reporting period in the number of SARs and deferred shares of the Company held directly, indirectly or beneficially, by each KMP, including their related parties. There are no options held by KMPs.

Table 17 – Movement in Executive KMP SARs

	Grant date	Balance at 1 Jan 2020	Rights granted	Rights vested[1]	Rights lapsed	Balance at 31 Dec 2020	% Vested in the year	% Forfeited in the year	Financial year of vesting
Executive Director									
K Gallagher	19/5/17	671,641	–	(609,345)	(62,296)	–	90.7%	9.3%	2020
	7/5/18	520,183	–	–	–	520,183			2021
	9/5/19	535,442	–	–	–	535,442			2022
	9/4/20	–	442,298	–	–	442,298			2023
	31/8/20	–	898	–	–	898			2023
	31/8/20	–	898	–	–	898			2024
	Total	**1,727,266**	**444,094**	**(609,345)**	**(62,296)**	**1,499,719**			
Senior Executives									
D Banks	21/3/18	102,752	–	–	–	102,752			2021
	9/7/18	800	–	–	–	800			2021
	15/3/19	104,744	–	–	–	104,744			2022
	19/3/20	–	91,687	–	–	91,687			2023
	31/8/20	–	898	–	–	898			2023
	Total	**208,296**	**92,585**	**–**	**–**	**300,881**			
B Darley	18/4/19	88,879[2]	–	–	–	88,879			2021
	18/4/19	95,367[3]	–	–	–	95,367			2021
	18/4/19	122,627[4]	–	–	–	122,627			2022
	19/3/20	–	102,689	–	–	102,689			2023
	31/8/20	–	898	–	–	898			2023
	31/8/20	–	898	–	–	898			2024
	Total	**306,873**	**104,485**	**–**	**–**	**411,358**			
A Neilson	17/3/17	199,004	–	(180,545)	(18,459)	–	90.7%	9.3%	2020
	21/3/18	121,834	–	–	–	121,834			2021
	15/3/19	124,197	–	–	–	124,197			2022
	19/3/20	–	112,775	–	–	112,775			2023
	31/8/20	–	898	–	–	898			2023
	Total	**445,035**	**113,673**	**(180,545)**	**(18,459)**	**359,704**			
R Simpson	21/3/17	68,691	–	(62,320)	(6,371)	–	90.7%	9.3%	2020
	29/9/17	1,220	–	(1,220)	–	–	100%	0%	2020
	8/5/18	53,200	–	–	–	53,200			2021
	18/3/19	54,089	–	–	–	54,089			2022
	19/3/20	–	36,815	–	–	36,815			2023
	Total	**177,200**	**36,815**	**(63,540)**	**(6,371)**	**144,104**			
P Undem	4/10/19	109,489	–	–	–	109,489			2022
	19/3/20	–	91,687	–	–	91,687			2023
	31/8/20	–	898	–	–	898			2023
	31/8/20	–	898	–	–	898			2024
	Total	**109,489**	**93,483**	**–**	**–**	**202,972**			
B Woods	17/3/17	133,333	–	(120,965)	(12,368)	–	90.7%	9.3%	2020
	21/3/18	110,091	–	–	–	110,091			2021
	15/3/19	112,226	–	–	–	112,226			2022
	19/3/20	–	93,979	–	–	93,979			2023
	31/8/20	–	898	–	–	898			2023
	31/8/20	–	898	–	–	898			2024
	Total	**355,650**	**95,775**	**(120,965)**	**(12,368)**	**318,092**			
Former Senior Executive									
V Santostefano	17/3/17	169,154	–	(153,464)	(15,690)	–	90.7%	9.3%	2020
	21/3/18	126,642	–	–	–	126,642			2021
	15/3/19	129,097	–	–	–	129,097			2022
	19/3/20	–	108,107	–	–	108,107			2023
	Total	**424,893**	**108,107**	**(153,464)**	**(15,690)**	**363,846**			

1 Rights vested represents SARs that had satisfied their vesting performance conditions at 31 December 2020. The rights vested do not convert to ordinary shares until 2021.

2 Mr Darley received a sign-on award to compensate him for interests forgone upon commencement with Santos which will vest three years after his commencement subject to continued employment at vesting date.

3 Mr Darley commenced employment with Santos following the acquisition of Quadrant Energy. Mr Darley received an LTI award for 2018 from Santos which was granted following his commencement on similar terms to other Santos executives. Mr Darley did not receive an LTI award from Quadrant Energy in respect of 2018.

4 Mr Darley's LTI award for 2019.

Remuneration Report
continued

Table 18 – Movements in Executive KMP Restricted Shares

	Grant date	Balance at 1 Jan 2020	Restricted Shares granted	Restricted Shares vested	Restricted Shares forfeited	Balance at 31 Dec 2020	% Vested in the year	% Forfeited in the year	Financial year of vesting
Executive Director									
K Gallagher	15/3/19	220,149	–	(220,149)	–	–	100%	0%	2020
	12/3/20	–	142,048	–	–	142,048			2021
	31/8/20	–	898	–	–	898			2023
	31/8/20	–	898	–	–	898			2024
	Total	**220,149**	**143,844**	**(220,149)**	**–**	**143,844**			
Senior Executives									
D Banks	15/3/19	45,355	–	(45,355)	–	–	100%	0%	2020
	12/3/20	–	35,513	–	–	35,513			2021
	31/8/20	–	898	–	–	898			2023
	Total	**45,355**	**36,411**	**(45,355)**	**–**	**36,411**			
B Darley	15/3/19	5,823	–	(5,823)	–	–	100%	0%	2020
	12/3/20	–	40,745	–	–	40,745			2021
	31/8/20	–	898	–	–	898			2023
	31/8/20	–	898	–	–	898			2024
	Total	**5,823**	**42,541**	**(5,823)**	**–**	**42,541**			
A Neilson	15/3/19	65,112	–	(65,112)	–	–	100%	0%	2020
	12/3/20	–	49,902	–	–	49,902			2021
	31/8/20	–	898	–	–	898			2023
	Total	**65,112**	**50,800**	**(65,112)**	**–**	**50,800**			
R Simpson	29/9/17	1,220	–	(1,220)	–	–	100%	0%	2020
	31/8/20	–	179	–	–	179			2023
	Total	**1,220**	**179**	**(1,220)**	**–**	**179**			
P Undem	12/3/20	–	20,794	–	–	20,794			2021
	31/8/20	–	898	–	–	898			2023
	31/8/20	–	898	–	–	898			2024
	Total	**–**	**22,590**	**–**	**–**	**22,590**			
B Woods	15/3/19	61,404	–	(61,404)	–	–	100%	0%	2020
	12/3/20	–	35,513	–	–	35,513			2021
	31/8/20	–	898	–	–	898			2023
	31/8/20	–	898	–	–	898			2024
	Total	**61,404**	**37,309**	**(61,404)**	**–**	**37,309**			
Former Senior Executive									
V Santostefano	15/3/19	67,677	–	(67,677)[1]	–	–	100%	0%	2020
	12/3/20	–	38,814	–	–	38,814			2021
	Total	**67,677**	**38,814**	**(67,677)**	**–**	**38,814**			

1 Mr Santostefano's 2018 Deferred STI grant vested on 31 December 2020 after cessation of his term as KMP on 30 June 2020.

Loans to key management personnel

In 2020, key management personnel were able to participate in the Santos ShareMatch employee share plan. The 2020 ShareMatch offer provided the opportunity for participants to acquire up to A$10,000 in Santos shares, with the Company matching acquired shares on a one-for-one basis with those matching shares subject to a 3 and 4 year vesting period. Acquired shares were funded through pre-tax and post-tax deductions from salary which conclude in June 2021. During 2020, loans totalling US$36,816 were granted to key management personnel under the ShareMatch offer, of which US$25,398 remains outstanding at 31 December 2020.

No other loans have been 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 personnel, including their related parties.

10. KEY TERMS OF EMPLOYMENT CONTRACTS FOR EXECUTIVE KMP

The main terms of employment contracts for Executive KMP are set out in Table 19.

Table 19 – Executive KMP contract terms

	Contract duration	Notice period – Company	Notice period – Individual	Termination provision
K Gallagher	Ongoing	12 months	12 months	Employment may be ended immediately in certain circumstances including misconduct, incapacity and mutual agreement or in the event of a fundamental change in the CEO's role or responsibility. The Company may elect to pay the CEO in lieu of any unserved notice period. If termination is by mutual agreement the CEO will receive a payment of $1.5m. In the case of death, incapacity or fundamental change the CEO is entitled to a payment equivalent to 12 months' base salary.
Other KMP	Ongoing	6 months	6 months	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 of other termination payments are payable under the agreement.

Remuneration Report
continued

11. NON-EXECUTIVE DIRECTOR REMUNERATION

Remuneration policy

The key objectives of Santos' non-executive Director remuneration policy and how these are implemented through the Company's remuneration framework are as follows:

Remuneration policy objectives

Securing and retaining talented, qualified Directors	Promoting independence and impartiality	Aligning Director and shareholder interest

Enabled through the non-executive Director remuneration framework

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.	Fee levels do not vary according to the performance of the Company or individual Director performance from year to year. Non-executive Director's performance is assessed at the time of re-election.	Santos encourages its non-executive Directors to build a long-term stake in the Company. Non-executive Directors are required to acquire and maintain a shareholding in the Company equivalent in value to one year's remuneration.

Under the Minimum Shareholding Requirement, non-executive Directors must acquire (over a four-year period) and maintain a shareholding in the Company equal in value to at least one year's remuneration (base fee and committee fees).

Maximum aggregate amount

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

Remuneration

Fees paid to non-executive Directors are reviewed periodically and are fixed by the Board. Table 20 summarises the current fee structure for main Board and committees.

Table 20: Non-executive Directors' annual fee structure[1]

	Chair A$[2]	Member A$
Board	521,325	185,325
Audit and Risk Committee	42,000	21,000
Environment, Health, Safety and Sustainability Committee	29,000	19,000
Nomination Committee[3]	N/A	10,000
People, Remuneration and Culture Committee	39,000	21,000

1 Fees are shown inclusive of superannuation.

2 The Chair of the Board does not receive any additional fees for serving on or chairing any Board committee.

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

Directors may also be paid additional fees for special duties or exertions and are entitled to be reimbursed for all business-related expenses. The total remuneration provided to each non-executive Director in 2019 and 2020 is shown in Table 21.

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).

Statutory remuneration for non-executive Directors

Details of the fees and other benefits paid to non-executive Directors in 2020 are set out in Table 21. Differences in fees received between 2019 and 2020 reflect changes in roles and responsibilities (i.e. Chair or committee appointments) and currency movements as fees are paid in Australian dollars but disclosed in US dollars.

No share-based payments were made to any non-executive Director.

Table 21: 2020 and 2019 non-executive Director remuneration

		Short-term benefits			Retirement benefits		
Director	Year	Directors' fees (incl. committee fees)	Fees for special duties or exertions	Other	Superannuation[1]	Share-based payments	Total
		US$	US$	US$	US$	US$	US$
Y Allen	2020	161,776	–	–	14,739	–	176,515
	2019	161,376	–	–	14,288	–	175,664
G Cowan	2020	144,711	–	–	13,748	–	158,459
	2019	142,112	–	–	13,501	–	155,613
H Goh	2020	154,941	–	–	9,714	–	164,655
	2019	161,312	–	–	591	–	161,903
V Guthrie	2020	143,331	–	–	13,616	–	156,947
	2019	140,736	–	–	13,370	–	154,106
P Hearl	2020	154,872	–	–	14,739	–	169,611
	2019	154,496	–	–	14,288	–	168,784
J McArdle[2]	2020	145,187	–	–	–	–	145,187
	2019	21,682	–	–	2,060	–	23,742
E Shi[3]	2020	344	–	–	33	–	377
	2019	48,042	–	–	4,716	–	52,758
K Spence	2020	345,423	–	–	14,739	–	360,162
	2019	344,384	–	–	14,288	–	358,672
Former Director							
Y Guan[4]	2020	139,272	–	–	6,465	–	145,737
	2019	80,444	–	–	8,407	–	88,851

1 Includes superannuation guarantee payments. Superannuation guarantee payments are made to Mr Goh only in relation to days worked in Australia.

2 Ms McArdle was appointed as a member of the Environment, Health, Safety and Sustainability Committee on 16 December 2020.

3 Mr Shi joined the Board on 31 December 2020.

4 Mr Guan retired from the Board on 31 December 2020.

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 Company. 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 2020 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 2020, 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 2021. 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	$1,300,000
Assurance services not required to be performed by the Company's auditor	$636,000
Other assurance services required by legislation to be performed by the Company's auditor	$247,000

The Directors are satisfied, based on the advice of the Audit and 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 2001* (Cth).

The reason for forming this opinion is that all non-audit services have been reviewed by the Audit and 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 2001* (Cth) is set out on page 140.

ROUNDING

Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies to the Company. Accordingly, amounts have been rounded off in accordance with that Instrument, unless otherwise indicated.

This report is made out on 17 February 2021 in accordance with a resolution of the Directors.

Director

Financial Report

Consolidated Income Statement
for the year ended 31 December 2020

	Note	**2020 US$million**	2019 US$million
Revenue from contracts with customers – Product sales	2.2	**3,387**	4,033
Cost of sales	2.3	**(2,642)**	(2,714)
Gross profit		**745**	1,319
Revenue from contracts with customers – Other	2.2	**125**	153
Other income	2.7	**65**	109
Impairment of non-current assets	3.4	**(895)**	(61)
Other expenses	2.3	**(145)**	(233)
Finance income	5.2	**15**	37
Finance costs	5.2	**(249)**	(314)
Share of net profit of associates	6.4(b)	**33**	8
(Loss)/Profit before tax		**(306)**	1,018
Income tax benefit/(expense)	2.4(a)	**63**	(341)
Royalty-related tax expense	2.4(b)	**(114)**	(3)
Total tax expense		**(51)**	(344)
Net (loss)/profit for the period attributable to owners of Santos Limited		**(357)**	674
Earnings per share attributable to the equity holders of Santos Limited (¢)			
Basic (loss)/profit per share	2.5	**(17.1)**	32.4
Diluted (loss)/profit per share	2.5	**(17.1)**	32.1
Dividends per share (¢)			
Paid during the period	2.6	**7.1**	12.2
Declared in respect of the period	2.6	**7.1**	11.0

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 2020

	2020 US$million	2019 US$million
Net (loss)/profit for the period	**(357)**	674
Other comprehensive income/(loss), net of tax		
Items to be reclassified to the income statement in subsequent periods		
Exchange gain on translation of foreign operations	**55**	–
Foreign currency translation reserve recycled to the income statement	**–**	–
	55	–
Loss on derivatives designated as cash flow hedges	**(3)**	(8)
Tax effect	**1**	2
	(2)	(6)
Net other comprehensive income/(loss) to be reclassified to the income statement in subsequent periods	**53**	(6)
Items not to be reclassified to the income statement in subsequent periods		
Fair value changes on financial liabilities designated at fair value due to own credit risk	**2**	(6)
Tax effect	**(1)**	1
	1	(5)
Net other comprehensive income/(loss) not to be reclassified to the income statement in subsequent periods	**1**	(5)
Other comprehensive income/(loss), net of tax	**54**	(11)
Total comprehensive (loss)/income attributable to owners of Santos Limited	**(303)**	663

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
as at 31 December 2020

	Note	2020 US$million	2019 US$million
Current assets			
Cash and cash equivalents	4.1	**1,319**	1,067
Trade and other receivables	4.2	**560**	554
Prepayments		**39**	40
Contract assets	2.2(b)	**23**	23
Inventories	4.3	**288**	301
Other financial assets	5.5(g)	**29**	195
Assets held for sale	6.3	**438**	–
Total current assets		**2,696**	2,180
Non-current assets			
Contract assets	2.2(b)	**106**	130
Investments in associate and joint ventures	6.4(b)	**413**	13
Other financial assets	5.5(g)	**24**	29
Prepayments		**2**	–
Exploration and evaluation assets	3.1	**1,818**	1,187
Oil and gas assets	3.2	**10,925**	11,396
Other land, buildings, plant and equipment		**248**	223
Deferred tax assets	2.4(d)	**1,041**	870
Goodwill	3.3	**383**	481
Total non-current assets		**14,960**	14,329
Total assets		**17,656**	16,509
Current liabilities			
Trade and other payables	4.4	**558**	719
Contract liabilities	2.2(b)	**64**	125
Lease liabilities	3.6	**121**	114
Interest bearing loans and borrowings	5.1	**233**	196
Current tax liabilities		**31**	38
Provisions	3.5	**177**	122
Other financial liabilities	5.5(g)	**39**	5
Liabilities directly associated with assets held for sale	6.3	**312**	–
Total current liabilities		**1,535**	1,319
Non-current liabilities			
Contract liabilities	2.2(b)	**281**	233
Lease liabilities	3.6	**336**	311
Interest bearing loans and borrowings	5.1	**4,309**	3,800
Deferred tax liabilities	2.4(d)	**904**	811
Provisions	3.5	**3,039**	2,329
Other liabilities		**1**	1
Other financial liabilities	5.5(g)	**24**	29
Total non-current liabilities		**8,894**	7,514
Total liabilities		**10,429**	8,833
Net assets		**7,227**	7,676
Equity			
Issued capital	5.3	**9,013**	9,010
Reserves	5.4	**1,107**	759
Accumulated losses	5.4	**(2,893)**	(2,093)
Equity attributable to owners of Santos Limited		**7,227**	7,676
Total equity		**7,227**	7,676

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 2020

	Note	**2020 US$million**	2019 US$million
Cash flows from operating activities			
Receipts from customers		**3,503**	4,266
Interest received		**15**	37
Dividends received		**41**	15
Pipeline tariffs and other receipts		**218**	146
Payments to suppliers and employees		**(1,899)**	(1,892)
Restoration expenditure		**(37)**	(24)
Exploration and evaluation seismic and studies		**(48)**	(83)
Royalty and excise paid		**(59)**	(90)
Proceeds from commodity hedging		**54**	–
Borrowing costs paid		**(176)**	(227)
Income taxes paid		**(5)**	(30)
Royalty-related taxes paid		**(154)**	(97)
Insurance proceeds		**13**	28
Overriding royalty		**10**	(3)
Net cash provided by operating activities	4.1(b)	**1,476**	2,046
Cash flows from investing activities			
Payments for:			
Exploration and evaluation assets		**(130)**	(222)
Oil and gas assets		**(584)**	(619)
Other land, buildings, plant and equipment		**(47)**	(18)
Acquisitions of exploration and evaluation assets		**(9)**	(18)
Acquisitions of a group of assets, net of cash acquired		**(695)**	(177)
Costs associated with acquisition of subsidiaries		**(19)**	(5)
Proceeds from disposal of non-current assets	2.7	**–**	10
Net (payments)/proceeds associated with disposal		**(11)**	18
Borrowing costs paid		**(29)**	(15)
Return of capital – Investments in associate	6.4(b)	**63**	13
Net cash used in investing activities		**(1,461)**	(1,033)
Cash flows from financing activities			
Dividends paid	2.6	**(136)**	(251)
Drawdown of borrowings		**1,492**	592
Repayment of borrowings		**(960)**	(1,474)
Repayment of lease liabilities		**(119)**	(87)
Purchase of shares on-market (Treasury shares)	5.3	**(31)**	(31)
Net cash provided by/(used in) financing activities		**246**	(1,251)
Net increase/(decrease) in cash and cash equivalents		**261**	(238)
Cash and cash equivalents at the beginning of the period		**1,067**	1,316
Effects of exchange rate changes on the balances of cash held in foreign currencies		**(9)**	(11)
Cash and cash equivalents at the end of the period	4.1	**1,319**	1,067

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 2020

		Equity attributable to owners of Santos Limited					
US$million	Note	**Issued capital**	**Foreign currency translation reserve**	**Hedging reserve**	**Accumulated profits reserve**	**Accumulated losses**	**Total equity**
Balance at 1 January 2019		9,031	(965)	(13)	1,585	(2,365)	7,273
Transfer retained profits to accumulated profits reserve		–	–	–	400	(400)	–
Reclassification of own credit risk reserve		–	–	14	–	(14)	–
Items of comprehensive income							
Net profit for the period		–	–	–	–	674	674
Other comprehensive loss for the period		–	–	(11)	–	–	(11)
Total comprehensive (loss)/income for the period		–	–	(11)	–	674	663
Transactions with owners in their capacity as owners							
Shares issued	5.3	1	–	–	–	–	1
Dividends paid	2.6	–	–	–	(251)	–	(251)
On-market share purchase (Treasury shares)	5.3	(31)	–	–	–	–	(31)
Share-based payment transactions	5.3	9	–	–	–	12	21
Balance at 31 December 2019		9,010	(965)	(10)	1,734	(2,093)	7,676
Balance at 1 January 2020		**9,010**	**(965)**	**(10)**	**1,734**	**(2,093)**	**7,676**
Transfer retained profits to accumulated profits reserve		**–**	**–**	**–**	**430**	**(430)**	**–**
Items of comprehensive income							
Net loss for the period		**–**	**–**	**–**	**–**	**(357)**	**(357)**
Other comprehensive income/(loss) for the period		**–**	**55**	**(1)**	**–**	**–**	**54**
Total comprehensive (loss)/income for the period		**–**	**55**	**(1)**	**–**	**(357)**	**(303)**
Transactions with owners in their capacity as owners							
Dividends paid	2.6	**–**	**–**	**–**	**(136)**	**–**	**(136)**
On-market share purchase (Treasury shares)	5.3	**(31)**	**–**	**–**	**–**	**–**	**(31)**
Share-based payment transactions	5.3	**34**	**–**	**–**	**–**	**(13)**	**21**
Balance at 31 December 2020		**9,013**	**(910)**	**(11)**	**2,028**	**(2,893)**	**7,227**

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 2020
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 within 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 2020 was authorised for issue in accordance with a resolution of the Directors on 17 February 2021.

The consolidated Financial Report of the Company for the year ended 31 December 2020 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 of 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 that has been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth), 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 2020;
- presented in United States dollars ("US$");
- prepared on the historical cost basis except for derivative financial instruments and other financial instruments measured at fair value; and
- rounded to the nearest million dollars, unless otherwise stated, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

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:

- production of 89.0 mmboe (2019: 75.5 mmboe), and sales of 107.1 mmboe (2019: 94.5 mmboe);
- average realised oil price of $47.70 per barrel compared to $71.99 per barrel in 2019;
- net loss after tax of $357 million for 2020 (2019: $674 million);
- free cash flow generated of $740 million for 2020 (2019: $1,138 million);
- net debt increased to $3,664 million at 31 December 2020, from $3,325 million at 31 December 2019; and
- completion of the ConocoPhillips northern Australia assets acquisition on 28 May 2020.

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

1.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The carrying amount 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 significant risk of causing material adjustment to the carrying amount of certain assets and liabilities within the next annual reporting period are highlighted throughout the Financial Report.

In addition, significant judgements, estimates and assumptions include consideration to the COVID-19 pandemic. The carrying value of certain assets and liabilities have been measured with revised corporate assumptions resulting from the effects of the COVID-19 pandemic on energy market demand fundamentals, in particular a lower oil price.

Other than disclosures specifically in note 3.4 *Impairment of non-current assets*, the Group has attempted, wherever possible, to reflect the changed operating conditions apparent with COVID-19, with specific consideration given to estimates and judgements applied in the following key areas:

- Exploration and evaluation assets
- Oil and gas assets
- Acquisitions and disposals
- Leases
- Taxation

The Group has implemented financial measures appropriate to the business environment to ensure that the Group continues to remain reliable and sustainable, under COVID-19 economic conditions. This includes ensuring the Group is well-positioned to leverage growth opportunities when business conditions improve.

The full-year Financial Report has been prepared using a going concern basis of preparation and the Group continues to be able to pay its debts as they fall due.

1.4 FOREIGN CURRENCY

Functional and presentation currency

The Group's financial statements are presented in United States dollars ("US$"), as that presentation currency most reliably reflects the global business performance of the Group as a whole and is more comparable with our peers.

The functional currency of the Parent and the majority of subsidiaries is United States dollars.

The assets, liabilities, income and expenses of non-US dollar denominated functional companies are translated into US dollars using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Income and expenses	Average rate prevailing for the relevant period
Assets and liabilities	Period-end rate
Equity	Historical rate
Reserves	Historical and period-end rate
Statement of cash flows	Average rate prevailing for the relevant period

Foreign exchange differences resulting from translation to presentation currency are initially recognised in the foreign currency translation reserve and subsequently transferred to the income statement on disposal of the operation.

The period-end exchange rate used was A$/US$ 1:0.7683 (2019: 1:0.7000).

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 translated 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 at 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.

Group companies

The results of subsidiaries with a functional currency other than US$ (the functional currency of the Parent) are translated to US$ as at the date of each transaction. The assets and liabilities are translated to US$ at foreign exchange rates ruling at the reporting date. Foreign exchange differences arising on translation 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(c) for further details on the net investment hedge in place.

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 five key assets/operating areas of the Cooper Basin, Queensland and NSW, Papua New Guinea ("PNG"), Northern Australia and Timor-Leste, and Western Australia, based on the nature and geographical location of the assets, and "Other" non-core 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 assets acquired as part of the ConocoPhillips northern Australia asset acquisition have been incorporated into the Northern Australia and Timor-Leste segment, since acquisition date of 28 May 2020.

Segment performance is measured based on earnings before interest, tax, impairment, exploration and evaluation, depletion, depreciation and amortisation ("EBITDAX"). Corporate and exploration expenditure and inter-segment eliminations are included in the segment disclosure for reconciliation purposes.

2.1 SEGMENT INFORMATION (CONTINUED)

US$million	Cooper Basin 2020	Queensland & NSW 2020	PNG 2020	Northern Australia & Timor-Leste 2020	Western Australia 2020	Corporate, exploration, eliminations & other 2020	Total 2020
Revenue							
Product sales to external customers	643	704	444	466	723	407	3,387
Inter-segment sales[1]	204	81	–	–	–	(285)	–
Revenue – other from external customers	72	8	7	–	19	19	125
Total segment revenue	**919**	**793**	**451**	**466**	**742**	**141**	**3,512**
Costs							
Production costs	(131)	(76)	(56)	(284)	(198)	29	(716)
Other operating costs	(60)	(78)	(41)	–	(4)	(91)	(274)
Third-party product purchases	(303)	(173)	(1)	–	(1)	(134)	(612)
Inter-segment purchases[1]	–	(69)	–	–	–	69	–
Other	(35)	31	1	23	7	(39)	(12)
EBITDAX	**390**	**428**	**354**	**205**	**546**	**(25)**	**1,898**
Depreciation and depletion	(234)	(237)	(141)	(113)	(276)	(14)	(1,015)
Exploration and evaluation expensed	–	–	–	–	–	(59)	(59)
Net impairment loss	(42)	(669)	(17)	(13)	(125)	(29)	(895)
Change in future restoration assumptions	–	–	4	–	(4)	(1)	(1)
EBIT	**114**	**(478)**	**200**	**79**	**141**	**(128)**	**(72)**
Net finance costs						(234)	(234)
Loss before tax							**(306)**
Income tax expense						63	63
Royalty-related tax (expense)/benefit	–	–	–	(8)	(290)	184	(114)
Net loss							**(357)**
Asset additions and acquisitions:							
Exploration and evaluation assets	21	25	2	656	25	24	753
Oil and gas assets[2,3]	450	254	71	262	234	–	1,271
	471	**279**	**73**	**918**	**259**	**24**	**2,024**

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

2 Includes impact on restoration assets following changes in future restoration provision assumptions (refer note 3.5).

3 Includes impact of AASB 16 recognition of right-of-use assets (refer note 3.6).

2020 Revenue from external customers by geographical location US$million

Australia	3,061
Papua New Guinea	451
Total	3,512

2020 Non-current assets by geographical location (excluding financial and deferred tax assets) US$million

Australia	10,828
Papua New Guinea	2,606
Other	78
Total	13,512

Notes to the Consolidated Financial Statements
Section 2: Financial Performance

2.1 SEGMENT INFORMATION (CONTINUED)

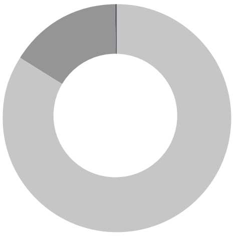
US$million	Cooper Basin 2019	Queens-land & NSW 2019	PNG 2019	Northern Australia & Timor-Leste 2019	Western Australia 2019	Corporate, exploration, elimin-ations & other 2019	Total 2019
Revenue							
Product sales to external customers	951	960	652	165	921	384	4,033
Inter-segment sales[1]	151	62	–	–	–	(213)	–
Revenue – other from external customers	62	33	11	–	34	13	153
Total segment revenue	**1,164**	**1,055**	**663**	**165**	**955**	**184**	**4,186**
Costs							
Production costs	(123)	(71)	(80)	(67)	(225)	20	(546)
Other operating costs	(74)	(87)	(51)	–	(13)	(81)	(306)
Third-party product purchases	(475)	(242)	(1)	–	–	(167)	(885)
Inter-segment purchases[1]	(2)	(72)	–	–	–	74	–
Other	39	41	9	4	(33)	(52)	8
EBITDAX	**529**	**624**	**540**	**102**	**684**	**(22)**	**2,457**
Depreciation and depletion	(207)	(274)	(135)	(48)	(320)	(16)	(1,000)
Exploration and evaluation expensed	–	–	–	–	–	(103)	(103)
Net impairment loss	(2)	(11)	(10)	–	(36)	(2)	(61)
Change in future restoration assumptions	–	–	–	–	2	–	2
EBIT	**320**	**339**	**395**	**54**	**330**	**(143)**	**1,295**
Net finance costs						(277)	(277)
Profit before tax							**1,018**
Income tax expense						(341)	(341)
Royalty-related tax (expense)/benefit	(13)	(1)	–	5	6	–	(3)
Net profit							**674**
Asset additions and acquisitions:							
Exploration and evaluation assets	8	13	12	52	120	55	260
Oil and gas assets[2,3]	418	401	119	5	200	–	1,143
	426	**414**	**131**	**57**	**320**	**55**	**1,403**

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

2 Includes impact on restoration assets following changes in future restoration provision assumptions (refer note 3.5).

3 Includes impact of AASB 16 recognition of right-of-use assets (refer note 3.6).

2019 Revenue from external customers by geographical location US$million



Australia	3,519
Papua New Guinea	663
Other	4
Total	4,186

2019 Non-current assets by geographical location (excluding financial and deferred tax assets) US$million

Australia	10,176
Papua New Guinea	2,691
Other	82
Total	12,949

2.2 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised in the income statement when the performance obligations are considered met, which is when control of the hydrocarbon products or services provided are transferred to the customer. Revenue is recognised at an amount that reflects the consideration the Group expects to be entitled to, net of goods and services tax or similar taxes.

Revenue from contracts with customers – Product sales

Revenue from contracts with customers – product sales is recognised based on volumes sold under contracts with customers, at the point in time where performance obligations are considered met. Generally, regarding the sale of hydrocarbon products, the performance obligation will be met when the product is delivered to the specified measurement point (gas) or point of loading/unloading (liquids). No adjustments are made to revenue for any differences between volumes sold to customers and unsold volumes that the Group is entitled to sell based on its working interest.

The Group's sales of crude oil, liquefied natural gas, ethane, condensate, LPG, and in some contractual arrangements, natural gas, are based on market prices. In contractual arrangements with market-based pricing, at the time of the delivery, there is only a minimal risk of a change in transaction price to be allocated to the product sold. Accordingly, at the point of sale where there is not a significant risk of revenue reversal relative to the cumulative revenue recognised, there is no constraining of variable consideration.

The Group applies the allocation exception that allows an entity to allocate the market price to product sales as delivered, rather than recognising an average price over the term of the contract. For those contractual arrangements based on market pricing, the aggregate transaction price allocation to unsatisfied performance obligations is fully constrained at the end of the reporting period. Revenue for existing contracts will be recognised over varying contract tenures.

During the year, revenue from one customer amounted to $397 million (2019: $651 million), arising from sales from one segment of the Group.

Contract assets

In a business combination, pre-existing revenue contracts are fair valued, resulting in contract assets being recognised. Contract assets represent the differential in contract pricing and market price, and will be realised as performance obligations are considered met in the underlying revenue contract. The contract asset will be unwound through other expenses. Where different tranches exist within a contractual arrangement, individual contracts acquired may contain both a contract liability in respect of deferred revenue and a contract asset arising from revenue contracts being fair valued on acquisition.

Contract liabilities

In a business combination, pre-existing revenue contracts were fair valued, resulting in contract liabilities being recognised. The contract liabilities represent the differential in contract pricing and market price, and will be realised as performance obligations are considered met in the underlying revenue contract. To the extent the contract liability represents the fair value differential between contract price and market price, it will be unwound through "revenue – other", upon satisfaction of the performance obligation.

Contract liabilities – Deferred revenue

A contract liability for deferred revenue is recorded for obligations under sales contracts to deliver natural gas in future periods for which payment has already been received. Where the period between when payment is received and performance obligations are considered met is more than 12 months, an assessment will be made for whether a significant financing component is required to be accounted for. Deferred revenue liabilities unwind as "revenue from contracts with customers", upon satisfaction of the performance obligation, and if a significant financing component associated with deferred revenue exists, this will be recognised as "interest expense" over the life of the contract.

Notes to the Consolidated Financial Statements
Section 2: Financial Performance

(a) Revenue from contracts with customers	2020 US$million	2019 US$million
Product sales		
Gas, ethane and liquefied natural gas	**2,505**	2,687
Crude oil	**531**	927
Condensate and naphtha	**256**	335
Liquefied petroleum gas	**95**	84
Total product sales[1]	**3,387**	4,033
Revenue – other		
Liquidated damages	**13**	26
Pipeline tolls and tariffs	**91**	76
Unwind of acquired contract liabilities	**6**	7
Other	**15**	44
Total revenue – other	**125**	153
Total revenue from contracts with customers	**3,512**	4,186

1 Total product sales include third-party product sales of $753 million (2019: $1,022 million).

(b) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	2020 US$million	2019 US$million
Acquired contract assets		
Current		
Acquired contract assets	**23**	23
	23	23
Non-current		
Acquired contract assets	**106**	130
	106	130
Total acquired contract assets	**129**	153
Contract liabilities		
Current		
Acquired contract liabilities	**6**	6
Deferred revenue	**58**	119
	64	125
Non-current		
Acquired contract liabilities	**14**	20
Deferred revenue	**267**	213
	281	233
Total contract liabilities	**345**	358

2.2 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(b) Assets and liabilities related to contracts with customers (continued)

The following table illustrates the movement in contract asset and contract liability balances for the current reporting period:

	Note	**2020 US$million**	2019 US$million
Acquired contract assets			
Opening balance		**153**	185
Other expenses	2.3	**(24)**	(32)
Total acquired contract assets		**129**	153
Acquired contract liabilities			
Opening balance		**26**	33
Revenue – other	2.2(a)	**(6)**	(7)
		20	26
Contract liabilities – Deferred income			
Opening balance		**332**	340
Additional receipts in advance		**48**	45
Revenue from contracts with customers – product sales		**(67)**	(65)
Interest accretion for financing component	5.2	**17**	18
Other		**(5)**	(6)
		325	332
Total contract liabilities		**345**	358

Notes to the Consolidated Financial Statements
Section 2: Financial Performance

2.3 EXPENSES

	2020 US$million	2019 US$million
Cost of sales:		
Production costs	**716**	546
Other operating costs:		
LNG plant costs	**63**	56
Pipeline tariffs, processing tolls and other	**145**	158
Movements in onerous pipeline contracts	**(1)**	(16)
Royalty and excise	**58**	97
Shipping costs	**9**	11
Total other operating costs	**274**	306
Total cash cost of production	**990**	852
Depreciation and depletion:		
Depreciation of plant, equipment and buildings	**587**	622
Depletion of subsurface assets	**427**	377
Total depreciation and depletion	**1,014**	999
Third-party product purchases	**612**	885
Decrease/(increase) in product stock	**26**	(22)
Total cost of sales	**2,642**	2,714
Other expenses		
Selling	**10**	12
General and administration	**83**	54
Costs associated with acquisition and disposals	**(5)**	–
Depreciation	**1**	1
Foreign exchange losses	**13**	11
Fair value hedges, losses on the hedging instrument	**2**	4
Fair value losses on commodity derivatives (oil hedges)	**(45)**	6
Exploration and evaluation expensed	**59**	103
Unwind of acquired contract assets	**24**	32
Other	**3**	10
Total other expenses	**145**	233

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. Where applicable, tax balances include an estimate of any amounts expected to be paid to settle uncertain tax positions if it is probable that an amount will settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of an amount of tax payable to be reimbursed, the expense relating to the income tax payable is presented in the income statement net of any reimbursement that is virtually certain. If the effect of the time value of money is material, current tax payable is discounted.

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.

Royalty-related tax

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

Notes to the Consolidated Financial Statements
Section 2: Financial Performance

2.4 TAXATION (CONTINUED)

Income tax and royalty-related tax recognised in the income statement for the Group are as follows:

	2020 US$million	2019 US$million
(a) Income tax (benefit)/expense		
Current tax (benefit)/expense		
Current year	**(23)**	44
Adjustments for prior years	**2**	(3)
	(21)	41
Deferred tax (benefit)/expense		
Origination and reversal of temporary differences	**(59)**	264
Adjustments for prior years	**17**	36
	(42)	300
Total income tax (benefit)/expense	**(63)**	341
(b) Royalty-related tax expense		
Current tax expense		
Current year	**145**	78
	145	78
Deferred tax benefit		
Origination and reversal of temporary differences	**(31)**	(75)
	(31)	(75)
Total royalty-related tax expense (net of income tax benefit)	**114**	3
(c) Numerical reconciliation between pre-tax net profit and tax expense		
(Loss)/profit before tax	**(306)**	1,018
Prima facie income tax (benefit)/expense at 30% (2019: 30%)	**(91)**	305
Increase/(decrease) in income tax expense due to:		
Foreign losses not recognised	**–**	(4)
Non-deductible expenses	**8**	6
Tax adjustments relating to prior years	**19**	33
Other	**1**	1
Income tax (benefit)/expense	**(63)**	341
Royalty-related tax expense (net of income tax benefit)	**114**	3
Total tax expense	**51**	344

2.4 TAXATION (CONTINUED)

(d) 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 – Uncertain tax positions

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. Future taxable profits are estimated by internal budgets and forecasts. 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 deferred tax assets and liabilities	**2020 US$million**	2019 US$million	**2020 US$million**	2019 US$million	**2020 US$million**	2019 US$million
Exploration and evaluation assets	**58**	58	**(272)**	(289)	**(214)**	(231)
Oil and gas assets	**771**	647	**(842)**	(801)	**(71)**	(154)
Other assets	**–**	34	**(54)**	(90)	**(54)**	(56)
Derivative financial instruments	**42**	18	**(5)**	(20)	**37**	(2)
Interest-bearing loans and borrowings	**186**	184	**–**	–	**186**	184
Provisions	**86**	44	**–**	–	**86**	44
Royalty-related tax	**–**	–	**(448)**	(479)	**(448)**	(479)
Other items	**–**	2	**(11)**	–	**(11)**	2
Tax value of carry forward Losses recognised	**626**	751	**–**	–	**626**	751
Tax assets/(liabilities)	**1,769**	1,738	**(1,632)**	(1,679)	**137**	59
Set-off of tax	**(728)**	(868)	**728**	868	**–**	–
Net tax assets	**1,041**	870	**(904)**	(811)	**137**	59

Accounting judgement and estimate – Deferred taxes unrecognised

Deferred tax assets have not been recognised in respect of the following items set out below, 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. There are no tax losses which are expected to expire. The remaining deductible temporary differences and tax losses do not expire under current tax legislation.

Unrecognised deferred tax assets	**2020 US$million**	2019 US$million
Deferred tax assets have not been recognised in respect of the following items:		
Temporary differences in relation to investments in subsidiaries	**3,829**	3,814
Deductible temporary differences relating to royalty-related tax (net of income tax)	**1,647**	1,428
Tax losses	**132**	440
	5,608	5,682

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:

	2020 US$million	2019 US$million
Earnings used in the calculation of basic and diluted earnings per share	**(357)**	674

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:

	2020 Number of shares	2019 Number of shares
Basic earnings per share	**2,083,074,902**	2,083,007,100
Dilutive potential ordinary shares	**–**	16,499,100
Diluted earnings per share	**2,083,074,902**	2,099,506,200

Earnings per share attributable to the equity holders of Santos Limited	**2020 US¢**	2019 US¢
Basic (loss)/earnings per share	**(17.1)**	32.4
Diluted (loss)/earnings per share	**(17.1)**	32.1

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	Franked/ unfranked	Dividend per share US¢	Total US$million
2020			
2019 Final ordinary dividend – paid on 26 March 2020	Franked	**5.0**	**92**
2020 Interim ordinary dividend – paid on 24 September 2020	Franked	**2.1**	**44**
		7.1	**136**
2019			
2018 Final ordinary dividend – paid on 28 March 2019	Franked	6.2	127
2019 Interim ordinary dividend – paid on 26 September 2019	Franked	6.0	124
		12.2	251

Dividends declared in respect of the year	Franked/ unfranked	Dividend per share US¢	Total US$million
2020			
Final ordinary dividend	Franked	**5.0**	**104**
Interim ordinary dividend	Franked	**2.1**	**44**
		7.1	**148**
2019			
Final ordinary dividend	Franked	5.0	104
Interim ordinary dividend	Franked	6.0	124
		11.0	228

Dividend franking account	2020 US$million	2019 US$million
30% franking credits available to the shareholders of Santos Limited for future distribution	**194**	232

Notes to the Consolidated Financial Statements
Section 2: Financial Performance

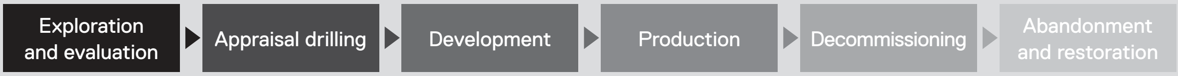
2.7 OTHER INCOME

	Note	**2020 US$million**	2019 US$million
Other income			
Change in future restoration assumptions for non-producing assets		**(1)**	2
Gain on sale of non-current assets		**–**	12
Other income associated with lease arrangements	3.6	**43**	42
Insurance recoveries		**13**	28
Overriding royalties		**4**	13
Dividend income		**2**	2
Other		**4**	10
Total other income		**65**	109
Net gain on sale of non-current assets:			
Proceeds on disposals		**–**	10
Adjusted for:			
Book value of working capital disposed		**–**	2
Total net gain on sale of non-current assets		**–**	12
Comprising:			
Net gain on sale of oil and gas assets		**–**	12
		–	12
Reconciliation to cash inflows from proceeds on disposal of non-current assets:			
Proceeds after recoupment of current year exploration and evaluation expenditure		**–**	10
Amounts received from disposals		**–**	10
Total proceeds on disposal of non-current assets		**–**	10
Comprising:			
Proceeds from disposal of oil and gas assets		**–**	12
Proceeds from disposal of working capital		**–**	(2)
		–	10

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 the Group's assets is summarised as follows:



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.

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

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 impaired through the income statement.

	2020 US$million	2019 US$million
Cost	**3,280**	2,527
Less: Accumulated impairment	**(1,462)**	(1,340)
Balance at 31 December	**1,818**	1,187
Reconciliation of movements		
Balance at 1 January	**1,187**	981
Acquisitions	**604**	18
Additions	**149**	242
Expensed relating to unsuccessful wells	**(11)**	(24)
Impairment losses	**(72)**	(24)
Transfer to oil and gas assets in production	**(53)**	(6)
Exchange differences	**14**	–
Balance at 31 December	**1,818**	1,187
Comprising:		
Acquisition costs	**1,299**	675
Successful exploration wells	**490**	440
Pending determination of success	**29**	72
	1,818	1,187

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.

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.

3.2 OIL AND GAS ASSETS (CONTINUED)

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 in note 3.1. Exploration and evaluation amounts capitalised in respect of oil and gas assets are separately disclosed in the table below.

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.

Depletion charges are calculated to amortise the depreciable value of carried-forward exploration, evaluation and subsurface development expenditure over the life of the estimated Proved plus Probable ("2P") reserves for a hydrocarbon reserve, together with future subsurface costs necessary to develop the respective hydrocarbon reserve.

Significant judgement – Estimates of reserve quantities

The estimated quantities of Proved plus Probable ("2P") hydrocarbon reserves reported by the Group are integral to the calculation of depletion and depreciation expense. The 2P hydrocarbon reserves are incorporated into the assessment of impairment of assets, along with contingent resources ("2C") as appropriate. 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.

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

3.2 OIL AND GAS ASSETS (CONTINUED)

	2020			2019		
	Subsurface assets US$million	**Plant and equipment US$million**	**Total US$million**	Subsurface assets US$million	Plant and equipment US$million	Total US$million
Cost	**10,325**	**17,090**	**27,415**	9,646	16,544	26,190
Less: Accumulated depreciation, depletion and impairment	**(7,156)**	**(9,334)**	**(16,490)**	(6,506)	(8,288)	(14,794)
Balance at 31 December	**3,169**	**7,756**	**10,925**	3,140	8,256	11,396
Reconciliation of movements						
Assets in development						
Balance at 1 January	**54**	**54**	**108**	134	156	290
Additions[1]	**19**	**13**	**32**	10	21	31
Transfer to oil and gas assets in production	**–**	**–**	**–**	(90)	(123)	(213)
Balance at 31 December	**73**	**67**	**140**	54	54	108
Producing assets						
Balance at 1 January	**3,086**	**8,202**	**11,288**	2,942	8,051	10,993
Additions[1,2]	**512**	**520**	**1,032**	428	684	1,112
Acquisition	**207**	**–**	**207**	–	–	–
Transfer from exploration and evaluation assets	**32**	**21**	**53**	6	–	6
Transfer from oil and gas assets in development	**–**	**–**	**–**	90	123	213
Remeasurement of lease arrangements	**(17)**	**(8)**	**(25)**	–	–	–
Depreciation and depletion	**(466)**	**(544)**	**(1,010)**	(377)	(622)	(999)
Transfer to assets held for sale	**(74)**	**–**	**(74)**	–	–	–
Net impairment losses	**(213)**	**(512)**	**(725)**	(3)	(34)	(37)
Exchange differences	**29**	**10**	**39**	–	–	–
Balance at 31 December	**3,096**	**7,689**	**10,785**	3,086	8,202	11,288
Total oil and gas assets	**3,169**	**7,756**	**10,925**	3,140	8,256	11,396
Comprising:						
Exploration and evaluation expenditure pending commercialisation	**11**	**–**	**11**	55	6	61
Other capitalised expenditure	**3,158**	**7,756**	**10,914**	3,085	8,250	11,335
	3,169	**7,756**	**10,925**	3,140	8,256	11,396

1 Includes impact on restoration assets following changes in future restoration provision assumptions (refer note 3.5).

2 Includes impact of AASB 16 recognition of right-of-use assets (refer note 3.6).

3.3 GOODWILL

Goodwill arises as a result of a business combination and has an indefinite useful life which is not subject to amortisation. Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal.

Goodwill of $383 million after impairment as at 31 December 2020 (2019: $481 million) is allocated to the Western Australia gas cash-generating unit ("Goodwill – WA Gas"), which is within the Western Australia reporting segment.

	Note	**2020 US$million**	2019 US$million
Cost		**481**	481
Less: Impairment	3.4	**98**	–
Balance at 31 December		**383**	481

3.4 IMPAIRMENT OF NON-CURRENT ASSETS

Impairment of goodwill

For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill that is created on acquisition as a consequence of deferred tax balances is tested for impairment net of those associated deferred tax balances. Goodwill is tested at least annually for impairment and more frequently if events or changes in circumstances indicate that it might be impaired.

Impairment of oil and gas 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 or impairment reversal. Where an indicator of impairment or impairment reversal exists, a formal estimate of the recoverable amount is made.

a) 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:

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

b) Cash-generating units – Oil and gas assets

Oil and gas assets, land, buildings, plant and equipment are assessed for impairment on a CGU basis. A CGU is the smallest grouping of assets that generates independent cash inflows, and generally represents oil or gas fields that are being produced through a common facility.

Individual assets within a CGU may become impaired if their ongoing use changes or if the benefits to be obtained from ongoing use are likely to be less than the carrying value of the individual asset.

Impairment losses or reversal of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its CGU (including any amount of allocated goodwill) exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated to reduce goodwill first (if goodwill is included within the carrying amount of the CGU) and then allocated to reduce the carrying amount of the assets in the CGU on a pro-rata basis.

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Section 3: Capital Expenditure, Operating Assets and Restoration Obligations

3.4 IMPAIRMENT OF NON-CURRENT ASSETS (CONTINUED)

Impairment losses or reversal of impairment losses (continued)

A reversal of impairment losses is recognised in the income statement when the recoverable amount of an asset or CGU exceeds its carrying amount. An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

Recoverable amount

The recoverable amount of an asset or CGU 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 and resources, future production profiles, commodity prices, costs and foreign exchange rates. Additionally, risks associated with climate change are factored into the value-in-use ("VIU") calculation and will continue to be monitored.

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 hydrocarbon reserves and resources, future production profiles, commodity prices, operating costs including third-party gas purchases and any future development costs necessary to produce the reserves and resources. Under a fair value less costs of disposal ("FVLCD") calculation, future cash flows are based on estimates of hydrocarbon reserves in addition to other relevant factors such as value attributable to additional resource and exploration opportunities beyond 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; however, in light of the impacts of the COVID-19 pandemic, corporate assumptions have been revised for the reporting period ended 31 December 2020. Where volumes are contracted, future prices are based on the contracted price.

The nominal future Brent prices (US$/bbl) used were:

	2021	2022	2023	2024	2025
31 December 2020	50.00	55.00	62.50	67.65[1]	69.00[1]

1 Based on US$62.50/bbl (2020 real) from 2024 escalated at 2.0% p.a.

Forecasts of the 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 long-term exchange rate applied was A$1:US$0.75.

The discount rates applied to the future forecast cash flows are based on the 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 10% and 24%.

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.

3.4 IMPAIRMENT OF NON-CURRENT ASSETS (CONTINUED)

Impairment expense	2020 US$million	2019 US$million
Exploration and evaluation assets	**114**	24
Oil and gas assets	**683**	37
Goodwill – WA Gas	**98**	–
Total impairment	**895**	61

Recoverable amounts and resulting impairment write-downs recognised in the year ended 31 December 2020:

2020	Segment	Subsurface assets US$million	Plant and equipment US$million	Goodwill US$million	Total US$million	Recoverable amount[1] US$million
Goodwill:						
Goodwill – WA Gas	Western Australia	–	–	98	98	383
Total impairment of goodwill		**–**	**–**	**98**	**98**	
Oil and gas assets – producing:						
GLNG	Queensland and NSW	161	494	–	655	3,640
Barrow	Western Australia	–	16	–	16	nil
Other	Western Australia	10	2	–	12	nil
Total impairment of oil and gas assets		**171**	**512**	**–**	**683**	
Exploration and evaluation assets:						
Amadeus	Exploration	28	–	–	28	nil[2]
Cooper Basin Unconventional Resource	Cooper Basin	30	–	–	30	nil[2]
PEL 100	Cooper Basin	12	–	–	12	nil[2]
Burnside	Northern Australia and Timor-Leste	14	–	–	14	nil[2]
Gunnedah Basin	Queensland and NSW	13	–	–	13	nil[2]
Barikewa-3 PRL-9	PNG	17	–	–	17	nil[2]
Total impairment of exploration and evaluation		**114**	**–**	**–**	**114**	
Total impairment		**285**	**512**	**98**	**895**	

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.

2 Impairment of exploration and evaluation assets relates to certain individual licenses/areas of interest that have been impaired to nil.

Goodwill

The primary driver of the impairment recognised on Goodwill – WA Gas was the write-down of 2P reserves in the Reindeer gas field, Offshore Western Australia (-27 mmboe), that impacted the recoverable amount of the CGU. As the CGU carries goodwill arising from the acquisition of Quadrant in 2018, goodwill has been impaired by $98 million.

Oil and gas assets

The primary driver of the impairment recognised was the revised corporate assumptions resulting from the effects of the COVID-19 pandemic on energy market demand fundamentals, in particular a lower oil price.

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3.4 IMPAIRMENT OF NON-CURRENT ASSETS (CONTINUED)

GLNG

The change in macroeconomic assumptions reduced GLNG's recoverable amount from 31 December 2019. The impact of lower oil price assumptions on the recoverable amount, is partly offset by a lower discount rate and changes to corporate assumptions of foreign exchange rates.

Barrow

The impairment of Barrow has arisen due to an increase in oil and gas asset carrying values, following remeasurement of restoration obligations. The recoverable amount of the asset is nil.

Exploration and evaluation assets

The impairment of exploration and evaluation assets have arisen primarily from the lower oil price environment, and in some cases, a consequential delay or reduction in future capital expenditure that diminishes the path to commercialisation.

Sensitivity

To the extent oil and gas cash generating units have been written down to their respective recoverable amounts in the current and prior years, 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:

Oil and gas assets	Production decrease 5% US$million	Discount rate increase 0.5% US$million	Oil price decrease US$5/bbl all years US$million
Goodwill – WA Gas	149	54	26
GLNG	256	181	492

Recoverable amounts and resulting impairment write-downs recognised in the year ended 31 December 2019 were:

2019	Segment	Subsurface assets US$million	Plant and equipment US$million	Total US$million	Recoverable amount[1] US$million
Oil and gas assets – producing:					
Barrow	Western Australia	–	34	34	nil
Other	Various	3	–	3	nil
Total impairment of oil and gas assets		3	34	37	
Exploration and evaluation assets:					
Gunnedah Basin	Queensland and NSW	11	–	11	nil[2]
PNG – PPL 395 & PPL 464	PNG	9	–	9	nil[2]
Other	Various	4	–	4	nil[2]
Total impairment of exploration and evaluation assets		24	–	24	
Total impairment of oil and gas assets and exploration and evaluation assets		27	34	61	

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 value-in-use ("VIU") method, whilst all exploration and evaluation asset amounts use the fair value less costs of disposal ("FVLCD") method.

2 Impairment of exploration and evaluation assets relates to certain individual licenses/areas of interest that have been impaired to nil.

3.5 RESTORATION OBLIGATIONS AND OTHER PROVISIONS

Provisions recognised for the period are as follows:

	Note	**2020 US$million**	2019 US$million
Current			
Restoration obligations		**69**	59
Other provisions		**108**	63
		177	122
Non-current			
Restoration obligations		**2,952**	2,223
Other provisions		**87**	106
		3,039	2,329

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 or observed industry analogs. 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. In the event the restoration provision is reduced, the cost of the related oil and gas asset is reduced by an amount not exceeding its carrying value. If the decrease in restoration provision exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement as other income.

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, and the extent of restoration activities required.

The Group has recorded provisions for restoration obligations as follows:

	2020 US$million	2019 US$million
Current provision	**69**	59
Non-current provision	**2,952**	2,223
	3,021	2,282

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3.5 RESTORATION OBLIGATIONS AND OTHER PROVISIONS (CONTINUED)

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

	Note	Total restoration US$million
Balance at 1 January 2020		**2,282**
Provisions acquired		**669**
Provisions made and changes to assumptions during the year		**68**
Provisions used during the year		**(37)**
Provisions transferred to held for sale	6.3	**(299)**
Unwind of discount		**36**
Change in discount rate		**105**
Exchange differences		**197**
Balance at 31 December 2020		**3,021**

Other provisions

In addition to the provision for restoration shown above, other items for which a provision has been recorded are:

	Note	2020 US$million	2019 US$million
Current			
Employee benefits	7.1	**92**	56
Onerous contracts		**3**	2
Remediation provision		**2**	2
Other provisions		**11**	3
		108	63
Non-current			
Employee benefits	7.1	**7**	12
Onerous contracts		**5**	8
Remediation provision		**13**	21
Other provisions		**62**	65
		87	106

3.6 LEASES

The Group as a lessee

Recognition of lease liabilities and right-of-use assets

Under AASB 16, as a lessee the Group will recognise a right-of-use asset, representing its right to use the underlying asset, and a lease liability, for all leases with a term of more than 12 months; exempting those leases where the underlying asset is deemed to be of a low value.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date, i.e. when the underlying asset is first available for use. The right-of-use asset is initially measured to be equal to the lease liability and adjusted for any lease incentives received, initial direct costs and estimates of costs to dismantle or remove the underlying leased asset. Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate, adjusted for asset-specific factors.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether purchase, renewal or termination options are reasonably certain to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include purchase, renewal or termination options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which affects the value of lease liabilities and right-of-use assets recognised.

Modifications to lease arrangements

In the event that there is a modification to a lease arrangement, a determination of whether the modification results in a separate lease arrangement being recognised needs to be made. Where the modification does result in a separate lease arrangement needing to be recognised, due to an increase in scope of a lease through additional underlying leased assets and a commensurate increase in lease payments, the measurement requirements as described above need to be applied.

Where the modification does not result in a separate lease arrangement, from the effective date of the modification, the Group will remeasure the lease liability using the redetermined lease term, lease payments and applicable discount rate. A corresponding adjustment will be made to the carrying amount of the associated right-of-use asset. Additionally, where there has been a partial or full termination of a lease, the Group will recognise any resulting gain or loss in the income statement.

Lease impact on joint operating arrangements

Where lease arrangements impact the Group's joint operating arrangements ("JOA"), the facts and circumstances of each lease arrangement in a JOA are assessed to determine the Group's rights and obligations associated with the lease arrangement.

The Group applies judgement in its determination of which party directs the use of a leased asset. Outlined below are a number of scenarios that could exist for lease arrangements which impact the Group's JOAs:

1) Where it has been determined that the Group directs the use of the leased asset, and is the only party with legal obligation to pay the lessor, the Group will recognise the full lease liability and right-of-use asset on its statement of financial position. Depreciation is then recognised on the entire right-of-use asset; however, other income would be recognised for any amount of the lease payments that are recoverable from other parties, representing other income associated with lease arrangements; or
2) If it has been determined that the leased asset is either jointly controlled by all parties in a joint operation, or is utilised by a single joint operation, and the Group is the only party with a legal obligation to pay the lessor; the Group will recognise the full lease liability; its net share of the right-of-use asset and a receivable for the amounts recoverable from other parties; or
3) In instances where it has been determined that all parties to the joint arrangement jointly have the right to control the leased asset and all parties have a legal obligation to make lease payments to the lessor, the Group will recognise only its net share of the lease liability and right-of-use asset on its consolidated statement of financial position.

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3.6 LEASES (CONTINUED)

The Group's leasing activities

The Group leases a number of different types of assets, including properties and plant and production equipment, such as oil rigs. The lease arrangements have varying renewal and termination options. Lease terms for major categories of leased asset are shown below:

- Oil rigs 1 – 5 years
- Marine vessels, including LNG tankers 3 – 30 years
- Helicopters 1 – 5 years
- Building office space 10 – 20 years
- Other plant and production equipment 2 – 20 years

The Group presents the following in relation to AASB 16, within its consolidated statement of financial position:

- "Other land, buildings, plant and equipment" or "Oil and gas assets" – right-of-use assets are presented in either depending on the type of leased asset;
- "Lease liabilities" – Lease liabilities; and
- "Other financial assets" – Sublease receivables.

Set out below are the carrying amounts of right-of-use assets recognised and their movements during the period:

US$million	Oil and gas assets	Other land, buildings, plant and equipment	Total
Balance at 31 December 2019	**295**	**105**	**400**
Acquisitions	**23**	**13**	**36**
Additions	**90**	**8**	**98**
Remeasurements of lease arrangements	**(24)**	**(2)**	**(26)**
Depreciation	**(96)**	**(9)**	**(105)**
Balance at 31 December 2020	**288**	**115**	**403**

Where the payments made under a lease contract would previously have been capitalised, the depreciation on the corresponding right-of-use asset is capitalised in lieu. During the period, $28 million of depreciation on right-of-use assets has been capitalised and forms a component of additions to "Oil and gas assets". This capitalisation results in a difference between the amount of depreciation expense recorded during the period and the movement in accumulated depreciation.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Lease liabilities US$million
Balance at 31 December 2019	**425**
Acquired lease liabilities	**35**
Additions	**98**
Remeasurements of lease arrangements	**(25)**
Accretion of interest	**17**
Payments	**(119)**
Foreign exchange gain on lease liabilities	**26**
Balance at 31 December 2020	**457**

3.6 LEASES (CONTINUED)

Short-term and low-value lease asset exemptions

The Group had total cash outflows for leases of $297 million in 2020, including outflows for short-term leases, leases of low-value assets, and variable lease payments.

For the 12-month period ended 31 December 2020, the following payments have been made for lease arrangements that have been classified as short-term or for low-value assets:

	2020 US$million	2019 US$million
Short-term leases	**14**	55
Leases for low-value assets	**43**	56
Total payments made	**57**	111

Variable lease payments

The Group holds lease contracts which contain variable payments based on the usage profile of the leased asset. The type and quantum of activities undertaken utilising these assets (primarily oil rigs) is entirely at the Group's discretion in response to operational requirements.

The lease liability and corresponding right-of-use asset for these lease contracts is calculated based on the fixed rental payment components of the contracts. The table below indicates the relative magnitude of variable payments to fixed payments made during the year ended 31 December 2020, for those lease contracts which contain a variable payment component.

	2020 US$million	2019 US$million
Fixed payments (included in calculation of lease liability)	**94**	105
Variable payments	**123**	70
Total payments made for leases with a variable payment component	**217**	175

Other income associated with lease arrangements

Where it has been determined that the Group directs the use of the leased asset, and is the only party with legal obligation to pay the lessor, the Group recognises other income for any amount of the lease payments that are recoverable from other parties, representing "other income associated with lease arrangements" in the income statement. For the year ending 31 December 2020, the amount recognised was $43 million (2019: $42 million).

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

3.7 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 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 commitments for non-cancellable lease arrangements where the lease term has not commenced:

	Capital		Minimum exploration		Leases	
Commitments	**2020 US$million**	2019 US$million	**2020 US$million**	2019 US$million	**2020 US$million**	2019 US$million
Not later than one year	**148**	106	**57**	71	**43**	1
Later than one year but not later than five years	**85**	98	**233**	251	**101**	3
Later than five years	**–**	–	**7**	2	**1**	–
	233	204	**297**	324	**145**	4

Notes to the Consolidated Financial Statements
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.

	2020 US$million	2019 US$million
Cash at bank and in hand	**678**	344
Short-term deposits	**641**	723
	1,319	1,067

(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 from the PNG LNG project is required to be held in restricted bank accounts. As at 31 December 2020, $135 million (2019: $99 million) was held in these accounts.

(b) Reconciliation of cash flows from operating activities	**2020 US$million**	2019 US$million
Net (loss)/profit after income tax	**(357)**	674
Add/(deduct) non cash items:		
Depreciation and depletion	**1,015**	1,000
Exploration and evaluation expensed – unsuccessful wells	**11**	24
Net impairment loss	**895**	61
Net loss on fair value derivatives	**–**	10
Share-based payment expense	**21**	12
Unwind of the effect of discounting on provisions	**36**	53
Foreign exchange losses	**13**	11
Gain on sale of non-current assets and subsidiaries	**–**	(12)
Share of net profit of associates	**(33)**	(8)
Other income associated with disposal	**–**	(7)
Other	**–**	(2)
Net cash provided by operating activities before changes in assets or liabilities	**1,601**	1,816
Add/(deduct) change in operating assets or liabilities, net of acquisitions or disposals of businesses:		
Increase in trade and other receivables	**(30)**	(1)
Decrease/(increase) in inventories	**8**	(13)
Decrease in other assets	**38**	8
(Increase)/decrease in net deferred tax assets	**(72)**	221
Decrease in net current tax liabilities	**(30)**	(12)
Increase/(decrease) in provisions	**63**	(13)
(Decrease)/increase in trade and other payables	**(102)**	40
Net cash provided by operating activities	**1,476**	2,046

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

4.1 CASH AND CASH EQUIVALENTS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities to financing cash flows

US$million	Short-term borrowings	Long-term borrowings	Lease liabilities	Assets held to hedge borrowings	Total
Balance at 1 January 2019	966	3,891	62	(34)	4,885
Lease liabilities recognised on transition to AASB 16	–	–	280	–	280
Financing cash flows[1]	(974)	92	(87)	–	(969)
Non-cash changes:					
Changes in fair values	7	(3)	–	8	12
Reclassification to current liability	210	(210)	–	–	–
Additions to lease liabilities	–	–	172	–	172
Other	(13)	30	(2)	–	15
Balance at 31 December 2019	196	3,800	425	(26)	4,395
Balance at 1 January 2020	**196**	**3,800**	**425**	**(26)**	**4,395**
Financing cash flows[1]	**(210)**	**742**	**(102)**	**–**	**430**
Non-cash changes:					
Changes in fair values	**–**	**3**	**–**	**2**	**5**
Reclassification to current liability	**247**	**(247)**	**–**	**–**	**–**
Additions to lease liabilities	**–**	**–**	**113**	**–**	**113**
Other	**–**	**11**	**21**	**–**	**32**
Balance at 31 December 2020	**233**	**4,309**	**457**	**(24)**	**4,975**

1 Financing cash flows consist of the net amount of proceeds from borrowings, repayments of borrowings and repayment of lease liabilities in the statement of cash flows.

4.2 TRADE AND OTHER RECEIVABLES

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

Long-term receivables are initially recognised at fair value and are subsequently stated at amortised cost, less any impairment losses.

Trade receivables are non-interest-bearing and settlement terms are generally within 30 days.

	2020 US$million	2019 US$million
Trade receivables	**393**	348
Other receivables	**167**	206
	560	554

Due to the nature of the Group's receivables, their carrying amount is considered to approximate their fair value.

The Group applies the simplified approach to providing for expected credit losses for all trade receivables as set out in note 5.5(e).

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:

- 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
- 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.

	2020 US$million	2019 US$million
Petroleum products	**156**	186
Drilling and maintenance stocks	**132**	115
Total inventories at lower of cost and net realisable value	**288**	301
Inventories included above that are stated at net realisable value	**23**	20

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.

	2020 US$million	2019 US$million
Trade payables	**365**	507
Non-trade payables	**193**	212
	558	719

The carrying amounts of trade and other payables are considered to approximate their fair values, due to their short-term nature.

Notes to the Consolidated Financial Statements
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.

At 31 December 2020, Santos Limited's corporate credit rating was BBB- (stable outlook) from Standard & Poor's.

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. The carrying values of the Group's interest-bearing loans and borrowings are shown below.

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

All borrowings are unsecured, with the exception of the secured bank loans and lease liabilities.

All interest-bearing loans and borrowings, with the exception of secured bank loans and lease liabilities, 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. Refer to note 3.6 for disclosures related to leases.

	Ref	**2020 US$million**	2019 US$million
Current			
Bank loans – secured	(a)	**171**	136
Bank loans – unsecured	(b)	**62**	60
		233	196
Non-current			
Bank loans – secured	(a)	**1,013**	1,187
Bank loans – unsecured	(b)	**1,662**	978
Long-term notes	(c)	**1,634**	1,635
		4,309	3,800

5.1 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

The Group's weighted average interest rate on interest-bearing liabilities was 4.70% for the year ended 31 December 2020 (2019: 5.47%).

(a) Bank loans – secured

Facility	***PNG LNG***
Currency	US dollars
Limit	$1,221 million (2019: $1,371 million)
Drawn principal	$1,221 million (2019: $1,371 million)
Accounting balance	$1,184 million (2019: $1,323 million) including prepaid amounts
Effective interest rate	5.38% (2019: 6.45%)
Maturity	2024 and 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 commercial banks and export credit agencies, bear fixed and floating rates of interest and have final maturity dates of June 2024 and June 2026 respectively. *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 $2,695 million at 31 December 2020 (2019: $2,738 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 restricted bank accounts.

(b) Bank loans – unsecured

Facility	***Term bank loans***
Currency	US dollars
Limit	$1,450 million (2019: $700 million)
Drawn principal	$1,450 million (2019: $700 million)
Accounting balance	$1,441 million (2019: $695 million) including prepaid amounts
Effective interest rate	2.20% (2019: 4.08%)
Maturity	2024 and 2026
Other	Term bank loans bear a floating interest rate. During 2020 Santos completed a $750 million 5-year syndicated facility consisting of a $550 million term loan tranche and a $200 million revolving tranche.

Facility	***Export credit agency supported loan facilities***
Currency	US dollars
Limit	$283 million (2019: $343 million)
Drawn principal	$283 million (2019: $343 million)
Accounting balance	$283 million (2019: $343 million) including prepaid amounts
Effective interest rate	2.78% (2019: 3.75%)
Maturity	2021–2026
Other	Loan facilities are supported by various export credit agencies and bear a floating interest rate.

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

5.1 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

(c) Long-term notes

Facility	***US private placement notes***
Currency	US dollars
Limit	$227 million (2019: $227 million)
Drawn principal	$227 million (2019: $227 million)
Accounting balance	$252 million (2019: $255 million) including fair value accounting measurement and prepaid amounts
Effective interest rate	1.84% (2019: 2.89%)
Maturity	2022 and 2027
Other	Long-term notes bear a fixed interest rate of 6.45% to 6.81% (2019: 6.45% to 6.81%), which have been swapped to floating rate commitments.

Facility	***Regulation-S bond***
Currency	US dollars
Limit	$1,400 million (2019: $1,400 million)
Drawn principal	$1,400 million (2019: $1,400 million)
Accounting balance	$1,382 million (2019: $1,380 million) including prepaid amounts
Effective interest rate	4.84% (2019: 4.79%)
Maturity	2027 and 2029
Other	Both bonds bear fixed-interest rates.

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.

	2020 US$million	2019 US$million
Finance income		
Interest income	**15**	37
Total finance income	**15**	37
Finance costs		
Interest paid to third parties	**208**	239
Interest on lease liabilities	**17**	19
Deduct borrowing costs capitalised	**(29)**	(15)
	196	243
Unwind of the effect of discounting on contract liabilities – deferred revenue	**17**	18
Unwind of the effect of discounting on provisions	**36**	53
Total finance costs	**249**	314
Net finance costs	**234**	277

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

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 2020 was A$6.27 (2019: A$8.18).

Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. During 2020 no transaction costs in respect of capital raisings completed have been deducted from equity (2019: $nil).

Movement in ordinary shares	**2020 Number of shares**	2019 Number of shares	**2020 US$million**	2019 US$million
Balance at 1 January	**2,083,096,626**	2,082,979,345	**9,010**	9,031
Issue of new shares	**–**	155,000	**–**	1
Shares purchased on-market (Treasury shares)	**–**	–	**(31)**	(31)
Utilisation of Treasury shares on vesting of employee share schemes	**–**	–	**34**	9
Replacement of ordinary shares with shares purchased on-market	**(30,585)**	(37,719)	**–**	–
Balance at 31 December	**2,083,066,041**	2,083,096,626	**9,013**	9,010

Included within the Group's ordinary shares at 31 December 2020 are 10,000 (2019: 10,000) ordinary shares paid to one cent with a value of $nil (2019: $nil).

Treasury shares

Treasury shares are purchased primarily for use on vesting of employee share schemes. Shares are accounted for at weighted average cost. During the period, $31 million (2019: $31 million) of Treasury shares were purchased on-market.

Movement in Treasury shares	Note	**2020 Number of shares**	2019 Number of shares
Balance at 1 January		**5,005,588**	1,231,710
Shares purchased on-market		**8,500,000**	5,750,000
Treasury shares utilised:			
Santos Employee Share1000 Plan	7.2	**(202,598)**	(150,192)
Santos Employee ShareMatch Plan	7.2	**(1,755,453)**	(572,196)
Utilised on vesting of SARs		**(768,463)**	(588,100)
Executive STI (deferred shares)	7.2	**(471,090)**	(696,921)
Executive STI (ordinary shares)		**–**	(88,221)
Executive LTI (ordinary shares)		**(3,828,286)**	–
Santos Employee Share1000 Plan (relinquished shares)		**15,789**	2,227
Issue of new shares		**–**	155,000
Replacement of ordinary shares with shares purchased on-market		**(30,585)**	(37,719)
Balance at 31 December		**6,464,902**	5,005,588

5.4 RESERVES AND ACCUMULATED LOSSES

The balance of the Group's reserves and accumulated losses, and movements during the period, are disclosed in the Statement of Changes in Equity.

Foreign currency translation reserve

The Foreign currency translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of foreign entities from their functional currency to the Group's presentation currency.

Santos Limited and the majority of its wholly owned subsidiaries within the Group have a functional currency of US dollars, the same currency as the presentation currency of the Group. Foreign exchange differences resulting from translation to presentation currency are recognised in the foreign currency translation reserve, and subsequently transferred to the income statement on disposal of the operation. The difference in the ruling foreign exchange rate at 31 December 2020 to 31 December 2019 resulted in the Group recognising a foreign currency gain in the translation reserve of $55 million for non-USD functional currency companies.

Hedging reserve

The hedging reserve comprises of the cash flow hedge reserve and the own credit revaluation reserve. The cash flow hedge 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. The own credit risk revaluation reserve comprises the cumulative changes in the fair value of the financial liabilities designated at fair value through profit or loss attributable to changes in the Group's own credit risk. Refer to note 5.5(g) for a reconciliation and movement of cash flow hedge reserve and own credit risk revaluation reserve.

Accumulated profits reserve

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

Accumulated losses

Accumulated losses represents the cumulative net profits/(losses) that have been generated across the Group.

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 sensitivity analysis in the case of foreign exchange, interest rate and commodity price risk, and ageing and credit rating concentration 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 cover 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) Financial instruments

The Group classifies its financial instruments in the following categories: financial assets at amortised cost, financial assets at fair value through profit or loss ("FVTPL"), financial assets at fair value through other comprehensive income ("FVOCI"), financial liabilities at amortised cost, financial liabilities at FVTPL and derivative instruments. The classification depends on the purpose for which the financial instruments were acquired, which is determined at initial recognition based upon the business model of the Group.

Financial assets at amortised cost

The Group classifies its financial assets at amortised cost if the asset is held with the objective of collecting contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. These include trade receivables and bank term deposits. They are financial assets at amortised cost and are included in current assets, except for those with maturities greater than 12 months after the reporting date.

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

5.5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial instruments (continued)

Financial assets at fair value through profit or loss

The Group classifies its financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. The Group has not elected to designate any financial assets at fair value through profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets. Upon disposal, any balance within the OCI reserve for these debt investments is reclassified to accumulated losses.

Financial liabilities

On initial recognition, the Group measures a financial liability at its fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, trade payables and interest-bearing loans and borrowings are stated at amortised cost. Fixed-rate notes that are hedged by an interest rate swap are recognised at fair value. For financial liabilities classified as fair value through profit or loss, the element of gains or losses attributable to changes in the Group's own credit risk are recognised in other comprehensive income.

Policies for the recognition and subsequent measure of derivative liabilities are as outlined below.

Derivative instruments

Derivative financial instruments entered into by the Group for the purpose of managing its exposures to changes in foreign exchange rates and interest rates arising in the normal course of business qualify for hedge accounting. The principal derivatives that may be used are forward foreign exchange contracts, cross-currency swaps and interest rate swaps. Commodity derivatives are also used to manage the Group's exposure to changes in oil prices. The use of derivative financial instruments 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 holds the following financial instruments:

Financial assets	**2020 US$million**	2019 US$million
Financial assets at amortised cost		
Cash and cash equivalents	**1,319**	1,067
Trade receivables	**560**	554
Amounts held in escrow – acquisitions[1]	**–**	150
Amounts related to acquisitions	**–**	39
Other	**2**	7
Financial assets at FVTPL		
Derivative financial instruments	**51**	28
	1,932	1,844

1 Amounts represent cash held in escrow for pending acquisitions of assets that have yet to complete as at 31 December 2019.

5.5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial instruments (continued)

Financial liabilities	2020 US$million	2019 US$million
Financial liabilities at amortised cost		
Trade and other payables	**558**	719
Borrowings at amortised cost	**4,290**	3,741
Lease liabilities	**457**	425
Financial liabilities at FVTPL		
Borrowings designated at FVTPL	**252**	255
Commodity derivatives	**35**	–
Other	**28**	34
	5,620	5,174

The Group's financial instruments resulted in the following income, expenses, gains and losses recognised in the income statement:

	2020 US$million	2019 US$million
Interest on cash investments	**15**	37
Interest on debt held at FVTPL	**(15)**	(20)
Interest on debt held at amortised cost	**(175)**	(219)
Interest on derivative financial instruments	**11**	15
Interest accretion on lease liabilities	**(17)**	(19)
Fair value gains on debt held at FVTPL	**3**	5
Fair value gains/(losses) on derivative financial instruments	**40**	(15)
Net foreign exchange losses	**(13)**	(11)
	(151)	(227)

(b) 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.

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 table 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.

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

5.5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity (continued)

Financial assets and liabilities held to manage liquidity risk 2020	Less than 1 year US$million	1 to 2 years US$million	2 to 5 years US$million	More than 5 years US$million
Cash and cash equivalents	**1,319**	**–**	**–**	**–**
Derivative financial assets				
Interest rate swap contracts	**14**	**15**	**3**	**2**
Non-derivative financial liabilities				
Trade and other payables	**(558)**	**–**	**–**	**–**
Lease liabilities	**(123)**	**(101)**	**(171)**	**(198)**
Bank loans	**(306)**	**(327)**	**(1,634)**	**(876)**
Long-term notes	**(79)**	**(291)**	**(196)**	**(1,593)**
	267	**(704)**	**(1,998)**	**(2,665)**

Financial assets and liabilities held to manage liquidity risk 2019	Less than 1 year US$million	1 to 2 years US$million	2 to 5 years US$million	More than 5 years US$million
Cash and cash equivalents	1,067	–	–	–
Derivative financial assets				
Interest rate swap contracts	13	15	17	3
Non-derivative financial liabilities				
Trade and other payables	(719)	–	–	–
Lease liabilities	(117)	(87)	(154)	(217)
Bank loans	(289)	(305)	(1,697)	(391)
Long-term notes	(79)	(79)	(422)	(1,659)
	(124)	(456)	(2,256)	(2,264)

(c) 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, borrowings and capital and operating expenditure incurred in currencies other than the entity's functional currency. In order to economically hedge foreign currency risk, the Group may enter into forward foreign exchange, foreign currency swap and foreign currency option contracts.

The Group also has certain investments in domestic and foreign operations whose net assets are exposed to foreign currency translation risk.

All external borrowings of the Group are denominated in US$.

The Group has lease liabilities, and other monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of an operation. These items are restated to US$ equivalents at each period end, 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 2020, the estimated impact of a ±15 cent movement in the Australian dollar exchange rate (2019: ±15 cent) against the US dollar, with all other variables held constant is $9 million (2019: $13 million) on post-tax profit and $41 million (2019: $13 million) on equity.

5.5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) 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 long-term notes. When transacted, these swaps had maturities ranging from 1 to 20 years, aligned with the maturity of the related notes.

The Group's interest rate swaps have a notional contract amount of $227 million (2019: $227 million) and a net fair value of $23 million (2019: $26 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 2020, 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% (2019: ±0.50%) and Australian Bank Bill Swap reference rate ("BBSW") changed by ±0.50% (2019: ±0.50%), with all other variables held constant, the impact on post-tax profit is $5 million (2019: $3 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 crude oil price swap and option contracts to manage its commodity price risk. At 31 December 2020, the Group has 11.0 million barrels of open oil price swap and option contracts (2019: 6.2 million), covering 2021 exposures, which are designated in cash flow hedge relationships.

(e) 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 through management of concentration risk and ageing analysis.

The majority of Santos' gas contracts are spread across major energy retailers and industrial users. Contracts exist in every mainland state, whilst the largest customer accounts for less than 12% of sales revenue.

The Group considers the probability of default upon initial recognition of the asset and whether there has been a significant depreciation in credit quality on an ongoing basis throughout each reporting period. A significant decrease in credit quality is defined as a debtor being greater than 30 days past due in making a contractual payment. The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets.

A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written-off when there is no reasonable expectation of recovery. The Group categorises a loan or receivable for write-off when a debtor fails to make contractual repayments greater than 120 days past due. Where loans or receivables have been written-off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the income statement.

At 31 December 2020, 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 fair value of derivative assets. The Group's counterparty credit policy limits this exposure to commercial and investment banks, according to approved credit limits based on the counterparty's credit rating. The minimum credit rating is A- from Standard & Poor's.

Under the simplified approach, determination of the loss allowance provision and expected loss rate incorporates past experience and forward-looking information, including the outlook for market demand and forward-looking interest rates. As the expected loss rate at 31 December 2020 is nil (2019: nil), no loss allowance provision has been recorded at 31 December 2020 (2019: nil).

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

5.5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair values

Fair value is the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability, that is accessible by the Group.

The financial assets and liabilities of the Group are all initially recognised in the statement of financial position at their fair values. Receivables, payables, interest-bearing liabilities and other financial assets and liabilities, which are not subsequently measured at fair value, are carried at amortised cost. 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, using market interest rates for a similar instrument at the reporting date.

The fair value of oil derivative contracts is determined by estimating the difference between the relevant market prices and the contract strike price, for the notional volumes of the derivative contracts.

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 US dollars at the foreign exchange spot rate prevailing at the 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:

	2020 %	2019 %
Derivatives	**0.1 – 1.4**	1.5 – 2.1
Loans and borrowings	**0.1 – 1.4**	1.5 – 2.1

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.

5.5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Derivatives and hedging activity

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 designated 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 designated as a hedging instrument.	At the date the instrument is designated as a hedging instrument.
Measurement	Measured at fair value (refer to note 5.5(f)).	Measured at fair value (refer to note 5.5(f)).
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 the 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. Movements in fair value of liabilities designated at FVTPL due to changes in the Group's own credit risk are recorded in the Own credit risk revaluation reserve through OCI and do not get recycled to the income statement.	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 effective. Ineffectiveness is recognised on a cash flow hedge where the cumulative change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. In hedges of foreign currency purchases this may arise if the timing of the transaction changes from what was originally estimated. 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 statement of financial position, 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 effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

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

5.5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Derivatives and hedging activity (continued)

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.

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. There was no such hedging activity during 2020.

Other financial assets and liabilities

The table below contains all other financial assets and liabilities as shown in the statement of financial position, including derivative financial instruments used for hedging:

	2020 US$million	2019 US$million
Current assets		
Commodity derivatives (oil hedges)	**–**	2
Foreign exchange contracts	**28**	–
Amounts held in escrow – acquisitions	**–**	150
Amounts related to acquisitions	**–**	39
Other	**1**	4
	29	195
Non-current assets		
Interest rate swap contracts	**23**	26
Other	**1**	3
	24	29
Current liabilities		
Commodity derivatives (oil hedges)	**35**	–
Other	**4**	5
	39	5
Non-current liabilities		
Lease incentive	**–**	7
Other	**24**	22
	24	29

5.5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Derivatives and hedging activity (continued)

The effects of applying hedge accounting on the Group's financial position and performance are as follows:

Fair value hedge: Derivative financial instruments – Interest rate swap contracts	**2020 US$million**	2019 US$million
Carrying amount	**23**	26
Notional amount	**227**	227
Maturity date	**2022–2027**	2022–2027
Hedge ratio[1]	**1:1**	1:1
Change in value of outstanding hedging instruments since 1 January	**(2)**	(8)
Change in value of hedged item used to determine hedge effectiveness	**2**	8
Weighted average hedged rate	**1.84%**	1.75%

Cash flow hedge: Derivative financial instruments – Oil derivative contracts	**2020 US$million**	2019 US$million
Carrying amount	**(35)**	2
Notional amount (mmbbl)	**11.0**	6.2
Maturity date	**2021**	2020
Hedge ratio[1]	**1:1**	1:1
Change in value of outstanding hedging instruments since 1 January	**(37)**	(17)
Change in value of hedged item used to determine hedge effectiveness	**37**	17
Weighted average hedged rate	**$41.09**	$54.19

Reserves – Cash flow hedge reserve	**2020 US$million**	2019 US$million
Balance at 1 January	**(2)**	(8)
Add: Change in fair value of hedging instrument recognised in OCI for the year (effective portion)	**3**	8
Less: Deferred tax	**(1)**	(2)
Balance at 31 December	**–**	(2)

Reserves – Own credit risk revaluation reserve	**2020 US$million**	2019 US$million
Balance at 1 January	**12**	21
Add: Fair value changes on financial liabilities designated at fair value due to own credit risk	**(2)**	6
Less: Deferred tax	**1**	(1)
Less: Reclassified to accumulated losses	**–**	(14)
Balance at 31 December	**11**	12

1 The Group has established a hedge ratio of 1:1 for the hedging relationships in the underlying risk of the hedging instrument being identical to the hedged risk component of the hedged item.

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. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree at the lower of either fair value or the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the income statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 9 either in the income statement or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of AASB 9, it is measured in accordance with the appropriate AASB standard.

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.

All subsidiaries in the group are wholly-owned.

6.1 CONSOLIDATED ENTITIES (CONTINUED)

Name	Country of incorporation
Santos Limited[1] (Parent Company) Controlled entities:	**AUS**
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[1]	AUS
Doce Pty Ltd	AUS
Fairview Pipeline Pty Ltd[1]	AUS
Gidgealpa Oil Pty Ltd	AUS
Moonie Pipeline Company Pty Ltd	AUS
Reef Oil Pty Ltd[1]	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[1]	AUS
Santos Darwin LNG Pty Ltd	AUS
Santos Direct Pty Ltd	AUS
Santos Finance Ltd	AUS
Santos GLNG Pty Ltd	AUS
Controlled entity of Santos GLNG Pty Ltd	
Santos GLNG Corp	USA
Santos Infrastructure WA Holdings Pty Ltd[1]	AUS
Controlled entities of Santos Infrastructure WA Holdings Pty Ltd	
Santos Devil Creek Pty Ltd[1]	AUS
Santos Resources 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 LLC	USA
Controlled entity of Santos Americas and Europe LLC	
Santos TPY LLC	USA
Controlled entities of Santos TPY LLC	
Santos Queensland LLC	USA
Santos TOG LLC	USA
Controlled entities of Santos TOG LLC	
Santos TPY CSG LLC	USA
Santos TOGA Pty Ltd	AUS
Santos Bangladesh Ltd	GBR
Santos (BBF) Pty Ltd	AUS
Santos Hides Ltd	PNG
Santos P'nyang Ltd	PNG
Santos Sangu Field Ltd	GBR
Santos (UK) Limited	GBR
Controlled entities of Santos (UK) Limited	
Santos Northwest Natuna B.V.	NLD
Santos NA (19-12) Pty Ltd[3]	AUS
Santos NA (19-13) Pty Ltd[3]	AUS
Santos Bayu Undan Pty Ltd[3]	AUS
Santos NA Emet Pty Ltd[3]	AUS
Santos NA Timor Sea Pty Ltd[3]	
Santos NA Timor Leste Pty Ltd[3]	
Santos Vietnam 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 (Narrabri Energy) Pty Ltd	AUS
Controlled entity of Santos NSW (Narrabri Energy) Pty Ltd	
Santos NSW (Eastern) 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
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	
TMOC Exploration Proprietary Limited	AUS
Santos QNT (No. 2) Pty Ltd	AUS
Controlled entity of Santos QNT (No. 2) Pty Ltd	
Petromin Pty Ltd	AUS
Santos TPC Pty Ltd	AUS
Santos Wilga Park Pty Ltd	AUS
Santos (TGR) Pty Ltd	AUS
Santos Timor Sea Pipeline Pty Ltd	AUS
Santos Ventures Pty Ltd	AUS
Santos WA Holdings Pty Ltd[1]	AUS
Controlled entities of Santos WA Holdings Pty Ltd	
Santos KOTN Holdings Pty Ltd[1]	AUS
Controlled entities of Santos KOTN Holdings Pty Ltd	
Santos KOTN Pty Ltd[1]	AUS
Controlled entities of Santos KOTN Pty Ltd	
Santos Agency Pty Ltd[2]	AUS
Santos NA Barossa Pty Ltd	AUS
Santos NA Browse Basin Pty Ltd	AUS
Santos NA Energy Holdings Pty Ltd[1,3]	AUS
Controlled entities of Santos NA Energy Holdings Pty Ltd	
Santos NA Energy Pty Ltd[1,3]	AUS
Controlled entities of Santos NA Energy Pty Ltd	
Santos NA Asset Holdings Pty Ltd[1,3]	AUS

Notes to the Consolidated Financial Statements
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Name	Country of incorporation
Controlled entity of Santos NA Asset Holdings Pty Ltd	
Santos NA Assets Pty Ltd[1,3]	AUS
Controlled entities of Santos NA Assets Pty Ltd	
Santos NA Darwin Pipeline Pty Ltd[3]	AUS
Santos Singapore Management Pte Ltd[2]	SGP
Santos WA AEC Pty Ltd[1]	AUS
Santos WA Energy Holdings Pty Ltd[1]	AUS
Controlled entity of Santos WA Energy Holdings Pty Ltd	
Santos WA Asset Holdings Pty Ltd[1]	AUS
Controlled entities of Santos WA Asset Holdings Pty Ltd	
Santos WA Lowendal Pty Limited	AUS
Santos WA International Pty Ltd	AUS
Harriet (Onyx) Pty Ltd[1]	AUS
Santos WA Energy Limited[1]	AUS
Controlled entities of Santos WA Energy Limited	
Ningaloo Vision Holdings Pte. Ltd	SGP
Northwest Jetty Services Pty Ltd	AUS
Santos WA DC Pty Ltd	AUS
Santos WA (Exmouth) Pty Ltd	AUS
Santos WA East Spar Pty Limited[1]	AUS
Santos WA Julimar Holdings Pty Ltd	AUS
Santos WA Kersail Pty Ltd[1]	AUS
Santos WA LNG Pty Ltd	AUS
Santos WA Management Pty Ltd	AUS
Controlled entity of Santos Management Pty Ltd	
Santos WA Finance Holdings Pty Limited	AUS
Controlled entity of Santos WA Finance Holdings Pty Limited	
Santos WA Finance General Partnership	AUS
Santos WA Northwest Pty Ltd[1]	AUS
Santos WA Onshore Holdings Pty Ltd	AUS
Santos WA PVG Holdings Pty Ltd[1]	AUS
Controlled entity of Santos WA PVG Holdings Pty Ltd	
Santos WA PVG Pty Ltd[1]	AUS
Santos WA Southwest Pty Limited[1]	AUS
Santos WA Varanus Island 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 6.6)

2 Companies incorporated during the 2020 financial year

3 Companies acquired through the acquisition of ConocoPhillips northern Australian assets (refer note 6.2)

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

(a) Acquisitions

On 28 May 2020, the Group successfully completed the acquisition of ConocoPhillips' northern Australian assets, for a purchase price of $1,265 million plus contingent consideration of $200 million payable on the Barossa project achieving final investment decision. In accordance with Group accounting policy, the contingent consideration will not be recognised until conditions for payment have been achieved. The net cash settlement on completion of the transaction was $879 million, inclusive of transaction costs of $39 million, which have been capitalised.

Under the terms of the Sale and Purchase Agreement, Santos has acquired interests in the following:

- 56.9% equity accounted investment in Darwin LNG Pty Ltd
- 56.9% undivided interest in the Bayu-Undan project and associated pipeline
- 37.5% joint operation interest in the Barossa project
- 40% joint operation interest in the Poseidon project

With the exception of the acquisition of an additional interest in the equity accounted investment in Darwin LNG Pty Ltd, which is accounted for as a step-up acquisition of an investment in an equity accounted associate, all other assets have been accounted for as asset acquisitions. Refer to note 6.4(b) for additional details related to the step-up acquisition in Darwin LNG Pty Ltd.

Purchase consideration, including capitalised transaction costs, has been allocated against identifiable assets and liabilities acquired, based on their relative fair values determined on acquisition date.

Details of the purchase consideration and purchase price allocation to net identifiable assets acquired are as follows:

	Note	2020 US$million
Cash and cash equivalents		**420**
Lease liabilities		**(35)**
Current tax liabilities		**(23)**
Exploration and evaluation assets		**587**
Oil and gas assets	3.2	**207**
Other land, buildings, plant and equipment		**13**
Restoration liabilities	3.5	**(669)**
Investment in associate	6.4	**790**
Net other assets and liabilities acquired		**14**
Net identifiable assets acquired		**1,304**
Purchase consideration		
Purchase consideration transferred		**1,265**
Add: Transaction costs		**39**
Total purchase consideration		**1,304**
Less: Cash acquired on acquisition		**(420)**
Less: Accrued estimated transaction costs		**(5)**
Net cash flow on acquisition		**879**
Cash flow recorded for period ended 31 December 2019		**177**
Cash flow recorded for period ended 31 December 2020 – purchase consideration		**695**
Cash flow recorded for period ended 31 December 2020 – transaction costs		**7**
Total cash flow		**879**

(b) Disposals

There were no disposals of subsidiaries during 2020.

Notes to the Consolidated Financial Statements
Section 6: Group Structure

6.3 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 writedown 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.

During the year, the Group entered into an agreement to sell a 25% interest in Darwin LNG and Bayu-Undan to SK E&S for $390 million with effect from 1 October 2019, with customary adjustments on completion.

Following the Group's decision to divest its interests in Darwin LNG and Bayu-Undan, assets attributed to the Northern Australia and Timor–Leste segment have been classified as held for sale at 31 December 2020. The sale and purchase agreements remained subject to outstanding conditions at 31 December 2020 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 assets and liabilities classified as held for sale:

Assets and liabilities classified as held for sale	**2020 $million**
Trade and other receivables	**38**
Inventories	**5**
Investment in associate	**321**
Oil and gas assets	**74**
Assets classified as held for sale	**438**
Trade and other payables	**13**
Restoration provisions	**299**
Liabilities classified as held for sale	**312**
Net assets	**126**

Impairment

At 31 December 2020 the Group assessed the carrying amount of the assets held for sale for indicators of impairment with no resultant impairment recorded.

6.4 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 Group's 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

6.4 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	2020 % interest	2019 % interest
Oil and gas assets – Producing assets				
Barrow Island	Barrow	Oil production	**28.6**	28.6
Bayu-Undan[1]	Bayu-Undan	Gas and liquids production	**68.4**	11.5
Combabula	GLNG	Gas production	**7.3**	7.3
Fairview	GLNG	Gas production	**22.8**	22.8
GLNG Downstream	GLNG	LNG facilities	**30.0**	30.0
Macedon/Pyrenees	North Carnarvon	Oil and gas production	**28.6**	28.6
PNG LNG	PNG LNG	Gas and liquids production	**13.5**	13.5
Roma	GLNG	Gas production	**30.0**	30.0
SA Fixed Factor Area	Cooper Basin	Oil and gas production	**66.6**	66.6
SWQ Unit	Cooper Basin	Gas production	**60.1**	60.1
Exploration and evaluation assets				
Caldita/Barossa[2]	Bonaparte Basin	Contingent gas resource	**62.5**	25.0
EP161, EP162 and EP189	McArthur Basin	Contingent gas resource	**75.0**	75.0
WA-435-P, WA-437-P	Bedout	Contingent oil and gas	**80.0**	80.0
WA-436-P, WA-438-P	Bedout	Oil and gas exploration	**70.0**	70.0
WA-58-R (WA-274-P)	Bonaparte Basin	Gas development	**30.0**	30.0
WA-80-R	Browse	Contingent gas resource	**47.8**	47.8
WA-281-P	Browse	Gas and liquids exploration	**70.5**	70.5
WA-90-R, WA-91-R, WA-92-R[3]	Browse	Gas and liquids exploration	**40.0**	-
Muruk 1	PNG	Gas and liquids exploration	**20.0**	20.0
Petrel	Bonaparte Basin	Contingent gas resource	**40.3**	40.3
PRL-9	PNG	Gas and liquids exploration	**40.0**	40.0

1 Santos acquired an additional 56.9% interest in the Bayu-Undan area of interest during 2020, as part of the ConocoPhillips' northern Australia asset acquisition, resulting in Santos' interest increasing to 68.4% (refer note 6.2)

2 Santos acquired an additional 37.5% interest in the Barossa and Caldita permits during 2020, as part of the ConocoPhillips' northern Australia asset acquisition, resulting in Santos' interest increasing to 62.5% (refer note 6.2)

3 Santos acquired an additional 40% interest in these permits as part of the ConocoPhillips' northern Australia asset acquisition, which occurred during 2020 (refer note 6.2)

6.4 JOINT ARRANGEMENTS (CONTINUED)

(b) Investments in equity accounted associates and joint ventures

The Group's only material associate is Darwin LNG Pty Ltd, which operates the Darwin LNG liquefaction facility that currently processes gas from the Bayu-Undan gas fields. As described in note 6.2(a) of the consolidated financial statements, an additional interest of 56.9% was acquired in Darwin LNG Pty Ltd, bringing the Group's total interest to 68.4%. The investment will continue to be accounted for as an equity accounted investment in an associate, given the Group is deemed to have only significant influence over the separately incorporated company, based on the structure of voting and decision making rights.

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 investment in Darwin LNG Pty Ltd	Note	2020 US$million	2019 US$million
Group's equity interest		**68.4%**	11.5%
Summarised net asset position			
Current assets		**150**	141
Non-current assets		**1,484**	230
Current liabilities		**(109)**	(137)
Non-current liabilities		**(452)**	(118)
Closing net assets		**1,073**	116
Group's share of net assets		**734**	13
Equity accounted investment held for sale	6.3	***321***	–
Equity accounted investment not subject to sale		***413***	13
Summarised income statement			
Gross profit		**270**	142
Other income and expenses		**3**	91
Depreciation and amortisation		**(191)**	(123)
Profit before tax		**82**	110
Income tax expense		**(16)**	(40)
Net profit after tax for the period		**66**	70
Group's share of net profit of associates[1]		**33**	8
Reconciliation to carrying amount			
Opening balance		**13**	31
Add: Group's share of net profit		**33**	8
Add: Additional equity investment in Darwin LNG Pty Ltd	6.2	**790**	–
		836	39
Dividends received		**(39)**	(12)
Return of capital		**(63)**	(14)
Carrying amount of investments in associate		**734**	13

1 The Group is only entitled to 68.4% of the associate's net profit after tax from the date of acquisition, being 28 May 2020.

Notes to the Consolidated Financial Statements
Section 6: Group Structure

6.4 JOINT ARRANGEMENTS (CONTINUED)

(c) Investments in equity accounted associates and joint ventures (continued)

The following are the equity accounted associates and joint ventures in which the Group has an interest, including those which are immaterial:

Equity accounted associate or joint venture	**2020 % interest**	2019 % interest
Darwin LNG Pty Ltd	**68.4**	11.5
GLNG Operations Pty Ltd	**30.0**	30.0
GLNG Property Pty Ltd	**30.0**	30.0

At 31 December 2020 the Group reassessed the carrying amount of its investments in equity accounting associates and joint ventures for indicators of impairment. As a result, no impairment was recorded (2019: $nil).

6.5 PARENT ENTITY DISCLOSURES

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

	2020 US$million	2019 US$million
Net profit for the period	**416**	594
Total comprehensive income	**416**	594
Current assets	**640**	632
Total assets	**9,038**	8,608
Current liabilities	**333**	241
Total liabilities	**820**	652
Issued capital	**9,037**	9,037
Accumulated profits reserve	**2,028**	1,734
Other reserves	**(1,306)**	(1,306)
Accumulated losses	**(1,541)**	(1,509)
Total equity	**8,218**	7,956
Commitments of the parent entity		
The parent entity's commitments are:		
Capital expenditure commitments	**9**	38
Minimum exploration commitments	**22**	12

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 lease liabilities 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.

6.6 DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 ("the Instrument"), the Company and each of the wholly owned subsidiaries identified in note 6.1 (collectively, "the Closed Group") are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Instrument, the Closed Group has 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.

Set out below is a consolidated income statement, consolidated statement of comprehensive income and summary of movements in consolidated accumulated losses for the year ended 31 December 2020 of the Closed Group.

	2020 US$million	2019 US$million
Consolidated income statement		
Product sales	**1,845**	2,288
Cost of sales	**(1,506)**	(1,683)
Gross profit	**339**	605
Other revenue	**116**	101
Other income	**109**	176
Other expenses	**(138)**	(111)
(Impairment)/reversal of impairment of non-current assets	**(343)**	342
Interest income	**22**	12
Finance costs	**(280)**	(217)
(Loss)/profit before tax	**(175)**	908
Income tax expense	**(6)**	(108)
Royalty-related tax expense	**(68)**	(22)
Total tax expense	**(74)**	(130)
Net (loss)/profit for the period	**(249)**	778
Total comprehensive (loss)/income	**(249)**	778
Summary of movements in the Closed Group's accumulated losses:		
Accumulated losses at 1 January	**(2,581)**	(2,260)
Opening balance adjustment on adoption of new accounting standard	**–**	(6)
Adjusted accumulated losses at 1 January	**(2,581)**	(2,266)
Transfer to accumulated profits reserve	**(430)**	(400)
Net (loss)/profit for the period	**(249)**	778
Share-based payment transactions	**(13)**	12
Adjustments for companies added to the Deed during the year	**–**	(705)
Accumulated losses at 31 December	**(3,273)**	(2,581)

Notes to the Consolidated Financial Statements
Section 6: Group Structure

6.6 DEED OF CROSS GUARANTEE (CONTINUED)

Set out below is a consolidated statement of financial position as at 31 December 2020 of the Closed Group.

	2020 US$million	2019 US$million
Current assets		
Cash and cash equivalents	**302**	119
Trade and other receivables	**5,858**	4,159
Other current assets	**246**	245
Total current assets	**6,406**	4,523
Non-current assets		
Other financial assets	**5,078**	6,768
Exploration and evaluation assets	**1,030**	986
Oil and gas assets	**4,650**	4,440
Other non-current assets	**1,321**	1,422
Total non-current assets	**12,079**	13,616
Total assets	**18,485**	18,139
Current liabilities		
Trade and other payables	**8,955**	6,072
Other current liabilities	**342**	269
Total current liabilities	**9,297**	6,341
Non-current liabilities		
Interest bearing loans and borrowings	**144**	2,817
Provisions	**2,204**	1,926
Other non-current liabilities	**494**	281
Total non-current liabilities	**2,842**	5,024
Total liabilities	**12,139**	11,365
Net assets	**6,346**	6,774
Equity		
Issued capital	**9,037**	9,037
Reserves	**582**	318
Accumulated losses	**(3,273)**	(2,581)
Total equity	**6,346**	6,774

Section 7: People

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

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 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 $13 million (2019: $10 million).

The following amounts are recognised in the Group's statement of financial position in relation to employee benefits:

	2020 US$million	2019 US$million
Current assets		
Defined contribution surplus	**–**	3
Current provisions		
Employee benefits	**92**	56
Non-current provisions		
Employee benefits	**7**	12
Total employee benefits provisions	**99**	68

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, Executive Long-Term Incentive share-based payment plans and Executive Short-Term Incentive share-based payment plans.

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

	2020 US$000	2019 US$000
Employee expenses:		
General employee share plans:		
Share1000 Plan	**(785)**	(724)
ShareMatch Plan (matched SARs)	**(2,585)**	(1,857)
Executive Long-Term Incentive share-based payment plans – equity-settled	**(9,499)**	(8,287)
Executive Short-Term Incentive share-based payment plans – equity-settled	**(2,430)**	(2,438)
Other equity grants	**(2,722)**	(3,537)
	(18,021)	(16,843)

The net impact from share-based payment plans, net of Treasury shares utilised in the current year, is an increase in accumulated losses of $13 million. The net impact on accumulated losses from share-based payment plans in 2019 was a decrease of $12 million.

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. 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 2020 was A$1,000 per employee (2019: A$1,000).	The ShareMatch Plan allows for the purchase of shares up to A$10,000, comprising up to $5,000 pre-tax and up to $5,000 post-tax. Shares are provided via an employee loan, repaid over a maximum 12-month period, and to receive SARs at a ratio of 1:1 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 three-year restriction period for the first A$5,000 and four years for the balance, and the time when he or she ceases 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	**Issue date**	**Issued shares No.**	**Fair value per share A$**	**Issued shares No.**	**Fair value per share A$**
2020	**4 September**	**195,110**	**5.56**	**1,740,621**	**5.56**
2020	**6 January**	**7,488**	**6.94**	**14,832**	**6.94**
2019	24 July	150,192	6.94	572,196	6.94

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.
2020 Total	**1,467,872**	**1,755,453**	**(37,474)**	**(508,618)**	**2,677,233**
2019 Total	1,513,743	572,196	(29,967)	(588,100)	1,467,872

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

Matched SARs grant	6 January 2020	4 September 2020
Share price on grant date (A$)	**8.37**	**5.67**
Exercise price (A$)	**nil**	**nil**
Right life (weighted average, years)	**2.5**	**3.3**
Expected dividends (% p.a.)	**1.9**	**–**
Fair value at grant date (A$)	**7.97**	**5.67**

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

During the year the Company utilised $7 million of Treasury shares (2019: $3 million) under the ShareMatch Plan, with $4 million (2019: $2 million) received from employees under loan arrangements. The movements in loans receivable from employees are:

	2020 US$000	2019 US$000
Employee loans at 1 January	**1,671**	1,104
Treasury shares utilised during the year	**7,095**	2,798
Cash received during the year	**(4,006)**	(2,188)
Foreign exchange movement	**137**	(43)
Employee loans at 31 December	**4,897**	1,671

ii. *Executive Long-Term Incentive share-based payment plans*

The Company's Executive Long-Term Incentive Program ("LTI Program") provides for 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 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 2020 LTI Program offers consisted only of SARs. Performance Awards were granted to eligible executives in 2020 who were granted one four-year grant (1 January 2020 – 31 December 2023).

7.2 SHARE-BASED PAYMENT PLANS (CONTINUED)

ii. Executive Long-Term Incentive share-based payment plans (continued)

Vesting of the grants is based on the following performance targets:

- 25% of the SARs are subject to Santos' Total Shareholder Return ("TSR") relative to the performance of the ASX 100 companies ("ASX 100 comparator group");
- 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");
- 25% are subject to Santos' Free Cash Flow Breakeven Point ("FCFBP") relative to internal targets; and
- 25% are subject to Santos' Return on Average Capital Employed ("ROACE") relative to internal targets, measured at the end of the performance period.

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.
2020 Total	**11,218,859**	**2,667,841**	**(940,796)**	**(3,662,439)**	**9,323,465**
2019 Total	11,332,550	3,783,073	(68,478)	(3,828,286)	11,218,859

The SARs granted during 2020 totalling 2,667,841 were issued across the following four tranches, each with varying valuations:

Senior Executive LTI – granted 19 March 2020

	2020			
Performance Awards	**Q1**	**Q2**	**Q3**	**Q4**
Performance index	ASX 100	S&P GEI	FCFBP	ROACE
Fair value at grant date (A$)	$0.98	$1.08	$2.75	$2.75
Share price on grant date (A$)	$2.75	$2.75	$2.75	$2.75
Exercise price (A$)	nil	nil	nil	nil
Expected volatility (weighted average, % p.a.)	41%	41%	41%	41%
Right life (weighted average, years)	4	4	4	4
Risk-free interest rate (% p.a.)	0.4%	0.4%	0.4%	0.4%
Total granted (No.)	556,417	556,395	556,375	556,356

Senior Executive LTI – granted 9 April 2020

	2020			
Performance Awards	**Q1**	**Q2**	**Q3**	**Q4**
Performance index	ASX 100	S&P GEI	FCFBP	ROACE
Fair value at grant date (A$)	$2.06	$2.19	$4.61	$4.61
Share price on grant date (A$)	$4.61	$4.61	$4.61	$4.61
Exercise price (A$)	nil	nil	nil	nil
Expected volatility (weighted average, % p.a.)	43%	43%	43%	43%
Right life (weighted average, years)	4	4	4	4
Risk-free interest rate (% p.a.)	0.3%	0.3%	0.3%	0.3%
Total granted (No.)	110,575	110,575	110,574	110,574

The above tables include 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.

Notes to the Consolidated Financial Statements
Section 7: People

7.2 SHARE-BASED PAYMENT PLANS (CONTINUED)

ii. Executive Long-Term Incentive share-based payment plans (continued)

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, as well as the FCFBP and ROACE at the end of the vesting period. There is no re-testing of performance conditions. Each tranche of the Performance Awards subject to TSR granted during 2020 vests in accordance with the following vesting schedule:

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 2014 onwards are subject to additional restrictions on dealing for four years after the original grant date. Shares allocated on vesting of SARs granted in 2013 may be subject to additional restrictions on dealing for three 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 2010 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.

iii. Executive Deferred Short-Term Incentives ("STIs")

Deferred shares

Deferred STIs represent a proportion of the total executive STI of the applicable year that has been deferred into shares. The deferred shares are subject to a 24-month continuous service period following the year to which the STI related. The number of deferred STIs 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.
2020 Total	**696,921**	**471,090**	**–**	**(696,921)**	**471,090**
2019 Total	312,731	696,921	–	(312,731)	696,921

On 12 March 2020, the Company issued 471,090 deferred shares to eligible executives. The share price and the fair value on grant date was A$4.29, measured with reference to the share price on grant date, with no discounting for a dividend yield assumption.

iv. Other equity grants

The SARs in the table below are subject to varying continuous service periods, depending on the specific grant. The number of other equity grants 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.
2020 Total	**2,272,745**	**450,667**	**(15,799)**	**(259,125)**	**2,448,488**
2019 Total	2,686,833	1,564,644	(1,890,511)	(88,221)	2,272,745

7.2 SHARE-BASED PAYMENT PLANS (CONTINUED)

iv. Other equity grants (continued)

The other SARs granted during the year are as follows:

2020							
		Continuous service period			Grant date		
Grant date	**SARs granted**	**Commencing**	**Expiring**	**Vesting date**	**Share price**	**Fair value**	**Dividend yield**
10 Jan 2020	14,462	17 Dec 2019	16 Dec 2020	17 Dec 2020	8.88	8.64	2.5%
10 Jan 2020	14,461	17 Dec 2019	16 Dec 2021	17 Dec 2021	8.88	8.47	2.5%
26 Mar 2020	7,328	17 Feb 2020	16 Feb 2022	17 Feb 2022	3.79	3.79	–
11 Jun 2020	404,758	12 Jun 2020	10 Feb 2023	11 Feb 2023	5.60	5.60	–
3 Dec 2020	9,658	19 Oct 2020	18 Oct 2022	19 Oct 2022	6.29	6.29	–

(b) 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	2020 US$000	2019 US$000
Short-term benefits	7,765	7,932
Retirement benefits	215	236
Other long-term benefits	202	115
Termination benefits	100	43
Share-based payments	5,148	4,739
	13,430	13,065

(b) Loans to key management personnel

In 2020 key management personnel were able to participate in the Santos ShareMatch employee share plan. The 2020 ShareMatch offer provided the opportunity for participants to acquire up to A$10,000 in Santos shares, with the Company matching acquired shares on a one for one basis with those matching shares subject to a 3 and 4 year vesting period. Acquired shares were funded through pre-tax and post-tax deductions from salary which conclude in June 2021. During 2020, loans totalling $36,816 were granted to key management personnel under the ShareMatch offer, of which $25,398 remains outstanding at 31 December 2020.

No other loans have been 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 personnel, 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, 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. Other than as disclosed in note 6.2(a), 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 17 February 2021, the Directors of Santos Limited resolved to pay a final dividend of US5.0 cents in respect of the 2020 financial year. Consequently, the financial effect of these dividends has not been brought to account in the full-year financial statements for the year ended 31 December 2020. Refer to note 2.6 for details.

8.3 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:

	2020 US$000	2019 US$000
Audit of statutory report of Santos Limited Group	**1,945**	1,844
Audit of statutory report of controlled entities	**155**	100
	2,100	1,944

(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:

	2020 US$000	2019 US$000
Ernst & Young for other assurance services required by legislation, to be performed by the auditor	**247**	47
Ernst & Young (Australia) for other assurance services, not required to be performed by the auditor	**636**	226
Ernst & Young (Australia) for taxation and other services	**1,300**	2,592
	2,183	2,865

8.4 ACCOUNTING POLICIES

(a) Changes in accounting policies and disclosures

The Group applied the following amendments to accounting standards applicable for the first time for the financial year beginning 1 January 2020:

- AASB 2018-7 *Amendment to Australian Accounting Standards – Definition of Material*
- AASB 2019-1 *Amendments to References to Conceptual Framework in AASB Standards*
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*

These have not had a significant or immediate impact on the Group's annual consolidated financial statements or half-year condensed financial statements.

In addition, several other standard amendments and interpretations were applicable for the first time in 2020, but were not relevant to the Company.

(b) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning on or after 1 January 2021, 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.

i) Interest Rate Benchmark Reform – Phase 2

Description	The amendments provide the following mandatory temporary reliefs or practical expedients: • It allows hedging relationships to continue in the event there are amendments or modifications to hedging instruments, directly as a result of the interbank Offered rate ("IBOR") reform. • Contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. • The amendments provide temporary relief to entities from having to meet the 'separately identifiable' requirement of AASB 9. The amendments to IFRS 7 require additional disclosures related to the transition progress and exposure of an entity to the IBOR reform programme.
Impact on Group Financial Report	There is not expected to be an immediate impact on the Group's results as a result of the amendments to the standards.
Application of standard	1 January 2021 (with retrospective application from the first year these amendments are adopted, without restatement of prior periods).

ii) Amendments to IAS 16 – *Property, Plant and Equipment: Proceeds before intended use*

Description	The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.
Impact on Group Financial Report	It is yet to be determined what the impact on the Group would be as a result of this amendment to the standard.
Application of standard	1 January 2022 (with retrospective application from the first year these amendments are adopted, without restatement of prior periods).

Notes to the Consolidated Financial Statements
Section 8: Other

8.4 ACCOUNTING POLICIES (CONTINUED)

(b) New standards and interpretations not yet adopted (continued)

iii) Amendments to IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract

Description	The amendments provide clarification on which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach".
Impact on Group Financial Report	It is yet to be determined what the impact on the Group would be as a result of this amendment to the standard.
Application of standard	1 January 2022

Several other amendments to standards and interpretations will apply on or after 1 January 2021, and have not yet been applied; however they are not expected to impact the Group's annual consolidated financial statements.

Directors' Declaration
for the year ended 31 December 2020

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 2020 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 2020.
3. As at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 6.6 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 *ASIC Corporations (Wholly owned Companies) Instrument 2016/785*.

Dated this 17th day of February 2021

On behalf of the Board:

Director

Independent Auditor's Report
to the Members of Santos Limited

Ernst & Young
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GPO Box 1271 Adelaide SA 5001

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REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Santos Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Recovery of carrying value of exploration and evaluation, goodwill and oil and gas assets

Why significant	How our audit addressed the key audit matter
Australian Accounting Standards require the Group to assess throughout the reporting period whether there is any indication that an asset may be impaired, or that reversal of a previously recognised impairment may be required. If any such indication exists, an entity shall estimate the recoverable amount of the asset. The Group identified impairment indicators in respect of certain oil and gas cash generating units (CGUs). Impairment testing was undertaken which resulted in an impairment charge of $781m being recorded during the year, as set out in Note 3.4 of the financial report. In addition, the Group identified impairment indicators in respect of certain exploration and evaluation assets. The impairment testing of those assets resulted in an impairment charge of $114m being recorded during the year, as set out in Note 3.4 of the financial report. The assessment for indicators of impairment and reversal of impairment is judgmental and includes assessing a range of external and internal factors which could impact the recoverable amount of the CGUs and individual assets. Where impairment indicators are identified, the impairment testing process can be complex and requires estimation. Assumptions and estimates are affected by expected future performance and market conditions. Key assumptions, judgments and estimates used in the formulation of the Group's impairment assessment are set out in the financial report in Note 3.4.	Where impairment indicators existed for oil and gas assets, we focussed on the composition of the forecast cash flows and the inputs used to formulate any recoverable amounts. Depending on the CGU these procedures included: • we reconciled future production profiles compared to latest reserves and resources estimates (discussed further below), current sanctioned development budgets, long-term asset plans, and historical operations • we independently developed a reasonable range of forecast oil and gas price, based on external data and, with input from EY valuation specialists. We compared this range to the company's forecast oil and gas price assumptions in order to challenge whether they were reasonable. In developing this range, we obtained a variety of reputable third-party forecasts, peer information and market data. • we independently evaluated discount rates used in impairment tests with input from EY valuation specialists. • we understood the operational performance of the CGUs relative to plan, comparing future operating and development expenditure to current sanctioned budgets, historical expenditure and long-term asset plans, and ensured variations were in accordance with our expectations based upon other information obtained throughout the audit. • we examined the reasons for changes to recoverable amounts relative to previous assessments. • we tested the mathematical accuracy of the Group's discounted cash flow models with the assistance of EY valuation specialists. • we considered the nature, extent and appropriateness of the inclusion of certain items such as restoration and rehabilitation obligations and leases in cashflows and carrying amounts of CGUs. Where impairment testing was carried out, incremental audit procedures were carried out over restoration and rehabilitation liability estimates beyond the standard work program to ensure reasonableness of the completeness of the liability. A key input to impairment assessments is the production forecast, which in turn closely relates to the group's reserves and resource estimates and development plans. Our audit procedures focused on the work of the Group's experts and included the following: • we assessed the process and tested controls for the Group associated with estimating reserves and resources. • we read reports provided by internal and external experts and assessed their scope of work and findings. • we assessed the qualifications, competence and objectivity of both the Group's internal and external experts involved in the estimation process. • we assessed whether key economic assumptions used in the estimation of reserves and resources volumes were not inconsistent with those used by the Group in the impairment testing of exploration and evaluation and oil and gas assets, where applicable. • we analysed the reasons for reserve changes or the absence of reserves changes, for consistency with other information that we obtained throughout the audit. For exploration and evaluation assets, we assessed whether any impairment indicators, as set out in AASB 6: *Exploration for and Evaluation of Mineral Resources*, were present, and assessed the conclusions reached by management. We also focused on the adequacy of the financial report disclosures regarding the assumptions, key estimates and judgments applied by management for the Group's assessment of indicators of impairment and reversal of impairment for oil and gas and exploration and evaluation assets, and the recoverable amount of the Group's assets.

Independent Auditor's Report
to the Members of Santos Limited
(continued)

Changes to Enterprise Resource Planning (ERP) and Other Systems

Why significant	How our audit addressed the key audit matter
In the current period the Group implemented a new ERP system, replacing three legacy systems. The changes to the IT systems entail new processes and controls being designed and implemented across the Group as well as the migration of operational and financial data from the legacy systems to the new system. As such, the change presents inherent risks of breakdown of IT dependent controls and loss of integrity of financial data being migrated, which could lead to errors in financial reporting.	We involved IT specialists to assist the audit team to test the controls over change management and the migration of key financial data from the legacy systems to the new systems. We also tested the general IT control environment in the new systems, including access controls and segregation of duties as well as those automated controls and mitigating controls critical to financial accounting and reporting process In addition, our audit procedures included the following: • considered management's project plan and the governance controls regarding the identification of data to be migrated to the new systems, including the testing of appropriate approvals. • reviewed the process of initial mapping to ensure the existing system configuration, data mapping, timelines, periods, and sub-ledger configurations underlying the existing data were understood. • tested the design and implementation of controls to ensure the data quality and appropriateness, including whether the data moved across to the new instances of software had received appropriately senior reviews and approval. • performed substantive testing on the data of ledgers and sub-ledgers before and after the implementation to ensure their completeness and accuracy, including performing reconciliations between the legacy and new systems.

Acquisition of the ConocoPhillips Northern Australian Assets

Why significant	How our audit addressed the key audit matter
On 28 May 2020 the Group completed the acquisition of ConocoPhillips' Northern Australia assets (CoP). Santos determined it had acquired a number of interests within various structures including an incorporated associate, an undivided interest and joint operations as defined under Australian Accounting Standards. Based on the Australian Accounting Standard requirements, Santos was required to allocate the purchase consideration to the identifiable assets and liabilities acquired, based on their relative fair values determined on acquisition date and where the incorporated associate was involved, apply the principles of Australian Accounting Standards to the underlying equity accounted investment. As disclosed in Note 6.2 of the financial report, the Group acquired $1,304m of net identifiable assets. The acquisition is significant and complex due to the consideration paid and the judgment required by the Group to determine the nature and structure of the projects acquired and to measure the fair values of the assets acquired and liabilities assumed.	Our audit procedures included the following: • considered management's accounting treatments across the interests acquired with reference to the Australian Accounting Standards. • evaluated the Group's determination of the purchase consideration with reference to the underlying sale and purchase agreements and cash consideration paid. • evaluated the qualifications, competence and objectivity of external and internal experts used by the Group to determine the oil and gas reserves and resources, and the fair value of oil and gas assets, exploration and evaluation assets, and restoration liabilities. Independently assessed the fair value of oil and gas and exploration and evaluation assets and restoration liabilities for the purpose of allocating the purchase consideration. In conjunction with EY valuation specialists, we: • considered the discount rates, foreign exchange rates and commodity prices with reference to market prices (where available) and current sales contracts. We agreed cashflows, as appropriate, to sanctioned development budgets, long term-asset plans, contractual arrangements and tested the mathematical accuracy of the cash flow models. • considered whether the financial modelling methodology, used to measure fair value, was in accordance with the requirements of Australian Accounting Standards; • performed valuation cross checks on the acquired exploration and evaluation assets with reference to reserves and/or contingent and prospective resource multiples; • assessed decommissioning and restoration liability values in examination of third party restoration cost estimates; review of the composition of the cost estimate and methodologies adopted as well as appropriateness of contingency rates included and the market inputs applied such as inflation and discount rates. • tested the working capital balances acquired including cash, inventory and trade receivable and payables. • involved our taxation specialists in considering the current and deferred tax impacts of income tax across the relevant jurisdictions on the accounting for the acquisition. We also focused on the adequacy of the financial report disclosures regarding the basis of acquisition accounting adopted and the assumptions applied by management in accounting for the acquisition.

Independent Auditor's Report
to the Members of Santos Limited
(continued)

Information Other than the Financial Report and Auditor's Report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE AUDIT OF THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 31 to 57 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Santos Limited for the year ended 31 December 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Ernst & Young

Ernst & Young

R J Curtin
Partner

D Hall
Partner

Adelaide
17 February 2021

Auditor's Independence Declaration
to the Directors of Santos Limited

Building a better working world

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As lead auditor for the audit of the financial report of Santos Limited for the financial year ended 31 December 2020, 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

R J Curtin
Partner

17 February 2021

Securities Exchange and Shareholder Information

Listed on the Australian Securities Exchange at 31 January 2021 were 2,083,066,041 fully paid ordinary shares. Unlisted were 5,000 partly paid Plan 0 shares and 5,000 partly paid Plan 2 shares.

There were 127,809 holders of all classes of issued ordinary shares, including: 1 holder of Plan 0 shares: 1 holder of Plan 2 shares.

This compared with 105,653 holders of all classes of issued ordinary shares a year earlier.

As at 31 January 2021 there were also: 281 holders of 15,632,195 Share Acquisition Rights pursuant to the SEEIP and 1,510 holders of 2,653,810 Share Acquisition Rights pursuant to the ShareMatch Plan.

The listed issued ordinary shares plus the ordinary shares issued pursuant to the SEEIP, and the restricted shares issued pursuant to the SESPP and ShareMatch Plan represent all of the voting power in Santos. The holdings of the 20 largest holders of ordinary shares represent 74.29% of the total voting power in Santos (77.45% on 31 January 2020). The largest shareholders of fully paid ordinary shares in Santos as shown in the Company's Register of Members at 31 January 2021 were:

Name	Balance as at 31-01-2021	%
HSBC Custody Nominees (Australia) Limited	575,389,104	27.62%
J P Morgan Nominees Australia Pty Limited	294,752,169	14.15%
HSBC Custody Nominees (Australia) Limited – A/C 2	284,960,441	13.68%
Citicorp Nominees Pty Limited	148,617,615	7.13%
National Nominees Limited	97,290,051	4.67%
BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	44,269,192	2.13%
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	30,945,831	1.49%
BNP Paribas Noms Pty Ltd <DRP>	21,361,174	1.03%
Argo Investments Limited	10,942,014	0.53%
HSBC Custody Nominees (Australia) Limited	7,755,821	0.37%
Sesap Pty Ltd <On Market Purchase A/C>	6,446,100	0.31%
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	3,762,466	0.18%
Sesap Pty Ltd <Sharematch A/C>	3,376,629	0.16%
BNP Paribas Nominees Pty Ltd <IB Au Noms Retailclient DRP>	3,020,174	0.14%
Netwealth Investments Limited <Wrap Services A/C>	2,984,558	0.14%
AMP Life Limited	2,923,923	0.14%
HSBC Custody Nominees (Australia) Limited-GSCO ECA	2,806,932	0.13%
UBS Nomnees Pty Ltd	2,294,031	0.11%
Nulis Nominees (Australia) Limited	1,937,715	0.09%
Navigator Australia Ltd <MLC Investment Sett A/C>	1,925,848	0.09%
Total:	**1,547,761,788**	**74.29%**

Securities Exchange and Shareholder Information (continued)

ANALYSIS OF SHARES – RANGE OF SHARES HELD

	Fully paid ordinary shares (holders)	% of holders	% of shares held
1–1,000	51,556	40.34%	1.13%
1,001–5,000	51,750	40.49%	6.25%
5,001–10,000	14,200	11.11%	4.95%
10,001–100,000	10,018	7.84%	10.21%
100,001 and over	284	0.22%	77.46%
Total	**127,808**	**100.000**	**100.000**
Less than a marketable parcel of $500	3,271		

Substantial Shareholders as disclosed by notices received by the Company as at 31 January 2021:

Name	Number of voting shares held	Date of notice
Hony Partners Group, L.P. and others	309,734,518*	5 May 2017
ENN Ecological Holdings Co Ltd and others	314,734,518*	5 May 2017
Santos Limited	318,192,274*	27 June 2017
BlackRock Group and others	107,267,782	7 April 2020

* As at 27 June 2017, Hony held approximately 4.8% of Santos' issued capital and ENN held approximately 10.31%. Hony and ENN have a relevant interest in each other's shares by reason of an Acting in Concert agreement dated 27 April 2017. Santos has a relevant interest in the shareholdings of Hony and ENN by reason of the Strategic Relationship agreement announced by Santos on 27 June 2017.

For Directors' shareholdings see the Directors' Report as set out on page 16 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.

Glossary

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.

carbon capture and storage
Process of capturing, dehydrating, injecting and permanently storing carbon dioxide so that it's not released into the atmosphere.

the Company
Santos Ltd and all its subsidiaries.

condensate
A natural gas liquid that occurs in association with natural gas and is mainly composed of pentane and heavier hydrocarbon fractions.

contingent resources (2C)
Those quantities of hydrocarbons that are estimated, on a given date, to be potentially recoverable from known accumulations, but that 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.

EBITDAX
Earnings before interest, tax, impairment, depreciation (or depletion), amortisation and exploration and evaluation expense.

exploration
Drilling, seismic or technical studies undertaken to identify and evaluate regions or prospects with the potential to contain hydrocarbons.

FEED
Front end engineering design.

FID
Final investment decision.

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 person's disability, or time lost from work of one day shift or more.

LPG
Liquefied petroleum gas. A mixture of light hydrocarbons derived from oilbearing strata that is gaseous at normal temperatures but that 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.

mmbbl
million barrels.

mmboe
million barrels of oil equivalent.

mmBtu
million British thermal units.

mtpa
million tonnes per annum.

oil
A mixture of liquid hydrocarbons of different molecular weights.

proved reserves (1P)
Reserves that, to a high degree of certainty (90% confidence), are recoverable. There is relatively little risk associated with these reserves. Proved developed reserves are reserves that can be recovered from existing wells with existing infrastructure and operating methods. Proved undeveloped reserves require development.

proved 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 proved 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.

Conversion factors

1 PJ = 171.937 boe x 10^3	Sales gas and ethane
1 barrel = 1 boe	Crude oil
1 barrel = 0.935 boe	Condensate
1 tonne = 8.458 boe	LPG
1 PJ = 18,040 tonnes	LNG
1 tonne = 52.54 mmBtu	LNG

For a comprehensive online conversion calculator tool, please visit our homepage at **www.santos.com**

Corporate Directory

Santos Limited ABN 80 007 550 923

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).

COMPANY SECRETARY

Jodie Hatherly
Vice President Environment, Social Responsibility and Governance
BA, LLB

Ms Hatherly's biography can be read on page 9.

Amanda Devonish
Company Secretary and Senior Corporate Lawyer
BCom, LLB (with Hons), GAICD

Ms Devonish joined Santos in 2012 and was appointed to the role of Company Secretary in 2017. She has over 15 years' experience in commercial and corporate legal practice.

REGISTERED AND HEAD OFFICE

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