

28 May 2020

## Santos completes ConocoPhillips northern Australia acquisition

Santos today is pleased to announce it has completed the acquisition of ConocoPhillips' northern Australia and Timor-Leste assets for a reduced purchase price of US\$1.265 billion plus an increased contingent payment of US\$200 million subject to a final investment decision (FID) on Barossa.

Due to recent market volatility and the deferral of Barossa FID, Santos and ConocoPhillips agreed to decrease the previously announced US\$1.39 billion upfront payment at completion to US\$1.265 billion and increase the contingent payment on Barossa FID from US\$75 million to US\$200 million.

At completion, the net settlement amount was US\$655 million, lower than the previously forecast amount of US\$800 million, comprising the revised firm purchase price of US\$1.265 billion less cash in the acquired business from the effective date of 1 January 2019 to completion with customary adjustments. The net settlement amount is before any sell-downs of interests owned by Santos in the acquired assets.

The acquisition delivers operatorship and control of a high quality portfolio of low-cost, long-life natural gas assets and strategic LNG infrastructure. Santos' interest in Bayu-Undan and Darwin LNG increases to 68.4% at completion and will provide a significant boost to 2020 production and cash flows. Santos' interest in the Barossa project to backfill Darwin LNG increases to 62.5%.

Santos Managing Director and Chief Executive Officer Kevin Gallagher said he was pleased to complete the acquisition which is fully-aligned with Santos' strategy to build on existing infrastructure positions around Santos' core assets.

"As a foundation partner in Bayu-Undan and Darwin LNG, and an existing partner in Barossa, we know these assets well. We are delighted to assume operatorship and continue to progress the Barossa project so that a final investment decision can be made when market conditions permit."

"We welcome the ConocoPhillips' Australia-West employees to Santos and look forward to getting on with the process of integrating our two businesses to create one high performing team," Mr Gallagher said.

The purchase price at completion was fully-funded from available cash together with US\$750 million of new two-year acquisition debt. The reduced purchase price on completion has a favourable impact on net debt and gearing, with net debt at completion estimated at US\$3.75 billion and gearing at approximately 32%. Post-completion, Santos' balance sheet remains in a strong position with liquidity of US\$3.1 billion, comprising cash of US\$1.2 billion and committed undrawn debt facilities of US\$1.9 billion.

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Santos has previously announced an agreement to sell a 25% interest in Darwin LNG and Bayu-Undan to SK E&S for US\$390 million and the signing of a letter of intent to sell a 12.5% interest in Barossa to JERA.

“Santos continues to build alignment between the Darwin LNG and Barossa joint ventures. Following completion of the previously announced sell-downs to SK E&S and JERA, Santos will hold a 43.4% interest in Darwin LNG and a 50% interest in Barossa,” Mr Gallagher said.

“We are continuing to advance discussions with other parties for the sale of further equity in the Barossa project in line with our previously stated target ownership level of around 40% to achieve increased partner alignment and prudent future allocation of growth capital. We are also in discussions with buyers for Barossa LNG volumes.”

The sale of interests in Bayu-Undan and Darwin LNG to SK E&S, and in Barossa to JERA, are subject to third-party consents, regulatory approvals and an FID decision on Barossa.

Credit Suisse (Australia) Limited and J.B. North & Co. acted as financial advisors to Santos and Allens acted as legal advisor to Santos.

Ends.

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