

12 February 2015

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

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

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

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

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

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

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

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

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

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