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Santos and ConocoPhillips enter agreement with SK E&S to progress the development of Caldita Barossa

SK E&S to fund up to US\$520 million in carry obligations and contingent milestone payments

Santos today announced that it had entered into an agreement with ConocoPhillips and SK E&S (SK), an affiliate of South Korean conglomerate SK Group, to progress the development of the Caldita and Barossa gas discoveries located in the Timor Sea.

Prior to the agreement, Santos held a 40% interest in both discoveries, with operator ConocoPhillips holding the remaining 60%.

The terms of the agreement are as follows:

- SK will earn a 37.5% interest in Caldita and Barossa through a proportionate reduction by Santos and ConocoPhillips. ConocoPhillips will remain operator of both permits.
- SK will fund the first US\$260 million of a three-well appraisal program, expected to begin in 2013. Following completion of the appraisal program, SK will have the option to increase its interest to 49.5% in exchange for a further payment of US\$60 million to Santos and ConocoPhillips, shared according to their original interests in the permits.
- SK will fund up to US\$90 million of pre-Front End Engineering and Design (pre-FEED) and FEED activities, expected to begin in 2014.
- SK will make FID and first LNG cargo payments of up to US\$110 million to Santos and ConocoPhillips upon meeting certain milestones.

Santos Chief Executive Officer David Knox said he was very pleased to enter into an agreement with SK and ConocoPhillips aimed at commercialising Caldita and Barossa.

“Today’s agreement is another demonstration of the value inherent in Santos’ portfolio and is consistent with our strategy of building strategic partnerships to commercialise assets.”

“Santos has a quality portfolio of assets in the Timor Bonaparte, including Bayu Undan, Darwin LNG, Bonaparte LNG and Caldita Barossa, and last year we monetised our stake in Evans Shoal,” Mr Knox said.

Santos Vice President Western Australia and Northern Territory John Anderson said various development concepts for Caldita Barossa would be assessed during pre-FEED.

“We will look at the option of floating LNG as well as the possibility of a tie-back development to our existing LNG plant at Darwin, either as an expansion of those facilities, the back-filling of Bayu Undan when it comes off plateau or a combination of both,” he said.

The transaction is subject to customary consents and regulatory approvals.

Working interests in NT/P61 (Caldita) and NT/P69 (Barossa)

Company	Current working interest (%)	Working interest upon completion of today's agreement (%)	Working interest if SK E&S exercises its option following completion of the appraisal program (%)
ConocoPhillips*	60	37.5	30.3
SK E&S	-	37.5	49.5
Santos	40	25	20.2

*Operator

About SK E&S

SK E&S is an energy service provider primarily involved in the provision of city gas and electric power in the Republic of Korea. It distributes city gas through seven regional suppliers and is collectively the largest city gas company in the country with 25% market share.

SK E&S forms a part of the SK Group, South Korea's third largest conglomerate with total revenue of approximately US\$134 billion and businesses in primarily three sectors: Energy & Chemicals, Telecommunications & IT Services, and Trading & Logistics. Through its main holding company SK Holdings, the Group owns and operates subsidiaries such as SK Innovation (holding company of SK Energy, the largest oil refining company in Korea), SK Telecom, SK E&S, SK Networks, SK Shipping and SK E&C, and other affiliates in over 40 countries. SK Holdings was recognised as the world's 82nd largest company by revenue in the 2011 edition of Fortune Global 500.

Through its subsidiaries SK Innovation, SK E&S, SK E&C and SK Shipping, SK Holdings has extensive experience in the LNG sector, which includes interests in Peru LNG, Yemen LNG, Ras Laffan LNG and Oman LNG.

Ends.