

Positioned for success

Annual Report 2021

Santos



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This *Annual Report 2021* is a summary of Santos' operations, activities and financial position as at 31 December 2021.

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 images (clockwise from left):
Darwin LNG Facility, Australia.
Moomba Processing Facility, Australia.
Hela Province, Papua New Guinea.

About us

Santos is a global low-cost producer of oil and gas committed to ever-cleaner energy and fuels production with operations across Australia, Papua New Guinea, Timor-Leste and North America.

Santos has been supplying reliable and affordable energy to Australia and the Asia-Pacific for over 65 years.

At Santos, our commitment is to be a global leader in the transition to cleaner energy and clean fuels, by helping the world decarbonise to reach net-zero emissions in an affordable and sustainable way.

Santos is already Australia's biggest domestic gas supplier, a leading Asia-Pacific LNG supplier and is committed to supplying the critical fuels such as oil and gas in a more sustainable way through decarbonising projects such as the Moomba CCS project.

Underpinned by a diverse portfolio of high-quality, long-life, low-cost oil and gas assets, Santos seeks to deliver long-term value to shareholders.

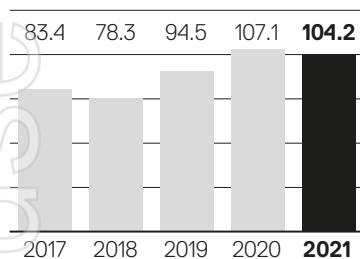
For more than 65 years, Santos has been working in partnership with local communities, providing local jobs and business opportunities, safely and sustainably developing its natural gas resources, and powering industries and households.

As customer demand evolves, Santos plans to grow its cleaner energy and clean fuels through carbon capture and storage, nature-based offsets, energy efficiency and use of renewables in its operations.

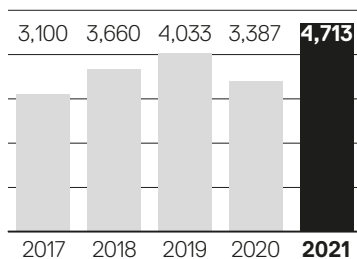
With a strong, low-cost base business supplying oil and gas and plans to develop cleaner energy and clean fuels, Santos remains resilient, value accretive and at the leading edge of the energy transition.

Financial Overview

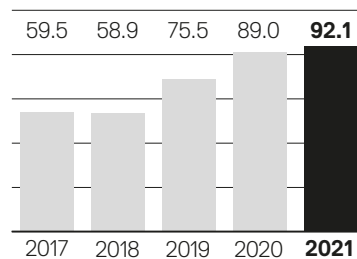
Sales volume
mmboe



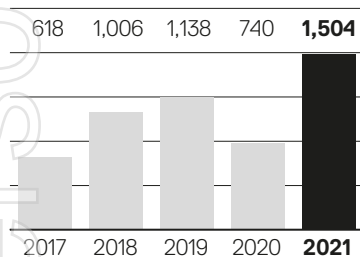
Sales revenue
US\$million



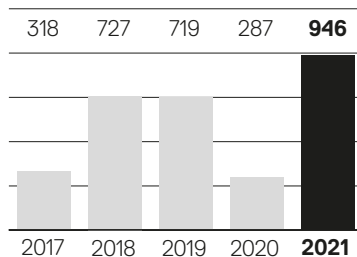
Production
mmboe



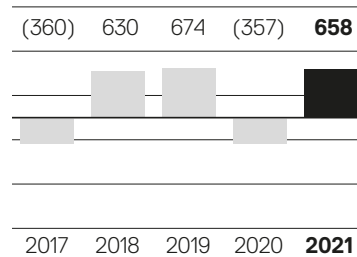
Free cash flow
US\$million



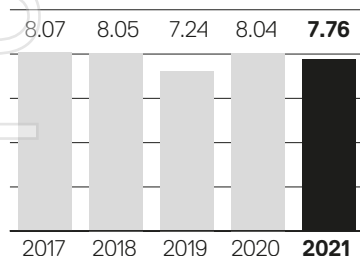
Underlying net profit after tax
US\$million



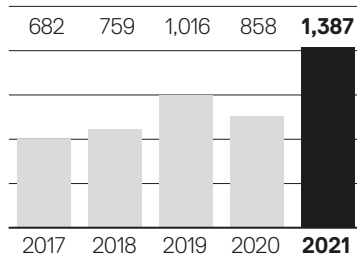
Net (loss)/profit after tax
US\$million



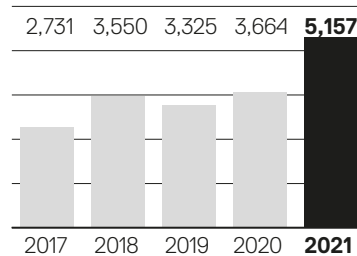
Unit production costs
US\$ per boe



Capital expenditure
US\$million

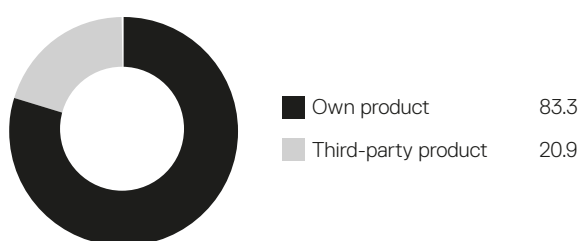


Net debt
US\$million



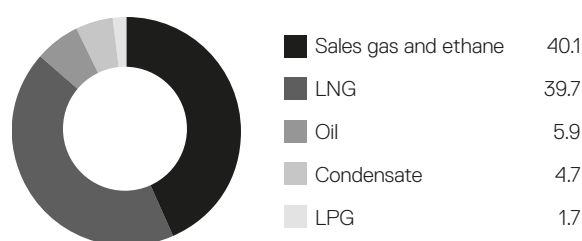
2021 Sales volumes

mmbœ



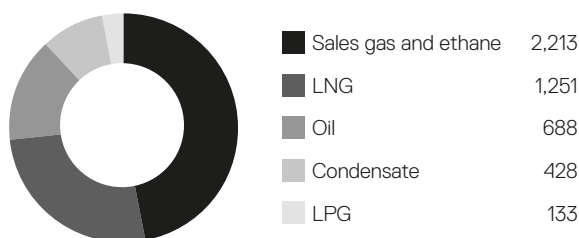
2021 Production

mmbœ



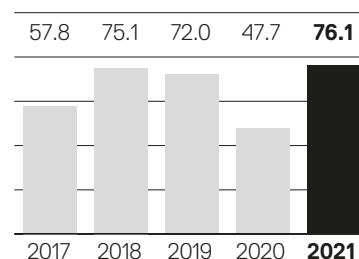
2021 Sales revenue

US\$million



Average realised oil price

US\$ per barrel



2021 Results

		2017	2018	2019	2020	2021
Sales volume	mmbœ	83.4	78.3	94.5	107.1	104.2
Production	mmbœ	59.5	58.9	75.5	89.0	92.1
Average realised oil price	US\$ per barrel	57.8	75.1	72.0	47.7	76.1
Net (loss)/profit after tax	US\$million	(360)	630	674	(357)	658
Underlying net profit after tax	US\$million	318	727	719	287	946
Sales revenue	US\$million	3,100	3,660	4,033	3,387	4,713
Operating cash flow	US\$million	1,248	1,578	2,046	1,476	2,272
Free cash flow	US\$million	618	1,006	1,138	740	1,504
EBITDAX	US\$million	1,428	2,160	2,457	1,898	2,805
Total assets	US\$million	13,706	16,811	16,509	17,656	30,009
Earnings per share	US cents	(17.3)	30.2	32.4	(17.1)	30.8
Dividends declared	US cents per share	–	9.7	11.0	7.1	14.0
Number of employees		2,080	2,190	2,178	2,722	3,786

Message from the Chair and Managing Director and Chief Executive Officer



KEITH SPENCE
Chair



KEVIN GALLAGHER
Managing Director and
Chief Executive Officer

Dear Shareholder,

The past year has been a truly remarkable one for Santos. The successful merger with Oil Search Limited, which completed in December 2021, has transformed Santos into a company with the size and scale necessary to fund sustainable growth, the transition to a lower carbon future and deliver returns for shareholders.

Santos now has a diversified portfolio of long-life, low-cost assets leveraged to strengthening global demand for energy. Had the merger been in place for all of 2021, the combined asset portfolio would have generated more than US\$2.3 billion in free cash flow for the year. This asset portfolio combined with our disciplined, low-cost operating model and unrivalled growth opportunities, support our vision of becoming a global leader in the energy transition.

In 2022, we plan to further optimise the portfolio, reduce gearing and conduct a review of the capital management framework including returns to shareholders.

Consistent and successful strategy delivers record cash flow and higher dividends

Our clear and consistent strategy delivered strong results in 2021, including:

- Completion of the merger with Oil Search Limited.
- Record annual production, sales revenue, free cash flow and underlying net profit after tax.
- Final investment decisions on the Barossa LNG and Moomba CCS projects.
- The Board resolved to pay a final dividend of US8.5 cents per share, franked to 70 per cent, bringing the total dividend for 2021 to US14 cents per share, up 97 per cent.

The dividend equates to 20 per cent of full-year proforma free cash flow for the merged entity less dividends paid in the first half by both companies, in-line with Santos' sustainable dividend policy which targets a range of 10 per cent to 30 per cent payout of free cash flow.

Consistent with our strategy, our next stage of growth will be disciplined and phased. In 2021, the Barossa LNG project was sanctioned. Barossa will supply gas to the Santos-operated Darwin LNG plant and is a world-class LNG project with a very competitive cost of supply into Asian markets. The project remains on track for first production in the first half of 2025.

Santos is playing a constructive role in the energy transition

The world continues to demand reliable, sustainable and affordable energy. Through decarbonising today's base business while investing in clean fuel projects and technologies of the future, Santos is committed to delivering net-zero equity Scope 1 and 2 emissions by 2040. We will initially focus on lower-carbon technologies

where we have a competitive advantage. Our infrastructure-led carbon capture and storage (CCS) strategy potentially provides more than 30 million tonnes per annum of carbon dioxide storage capacity.

The first critical step was taking the final investment decision on Phase 1 of the Moomba CCS development, located in the Cooper Basin in Australia. This project will inject 1.7 million tonnes of carbon dioxide per year and is on track for first injection to commence in 2024. The Moomba CCS project is one of the world's lowest cost CCS projects and an important enabler in the transition to cleaner energy and clean fuels such as hydrogen and ammonia as well as potential carbon removal technologies such as direct air capture.

In summary, Santos has now developed into a major Australian energy producer with a portfolio of high-quality, long-life, low-cost assets across Australia, Timor-Leste, Papua New Guinea and North America. The portfolio is diversified, resilient and well positioned to benefit from recovering commodity prices. This portfolio provides a strong platform to deliver both sustainable growth and shareholder returns as we transition to a lower-carbon future.

On behalf of the Board and Management team we acknowledge you, our shareholders, for your continued trust and support.

Yours sincerely,

KEITH SPENCE
Chair

KEVIN GALLAGHER
Managing Director
and Chief Executive Officer

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Key growth milestones

Barossa

Final investment decision

Moomba

Final investment decision

Oil Search

Successful merger

Our Moomba CCS project is a critical step in decarbonising natural gas on the path to cleaner energy.



Port Bonython Processing Facility, Australia



Drilling rig, Papua New Guinea.



Santos and Oil Search are stronger together. As one company, we have increased scale and capacity to drive a disciplined, low-cost operating model with unrivalled growth opportunities over the next decade.

Board of Directors



KEITH SPENCE

Chair

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 Chair on 19 February 2018. He is Chair 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 Chair from 2010 to 2013, Geodynamics Limited where he served as a non-executive Director from 2008 to 2016 (including as Chair from 2010 to 2016), Oil Search Limited where he served as a non-executive Director from 2012 to 2017, Murray and Roberts Holdings Limited, where he served as a non-executive Director from 2015 to 2020 and Base Resources, where he served as Chair from 2015 to 2021. 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:

Non-executive Director of IGO Limited (since 2014).

Former directorships in the last 3 years:

Chair of Base Resources Limited (2015 to 2021) and Murray and Roberts Holdings Limited (2015 to 2020).



KEVIN GALLAGHER

Managing Director and Chief Executive Officer

BEng (Mechanical) Hons, FEIAust

Mr Gallagher joined Santos as Managing Director and Chief Executive Officer on 1 February 2016, bringing more than 25 years' international experience in 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 a rapid growth phase, 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 ASX listed 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.

Since joining Santos Mr Gallagher has restructured the company and implemented the Transform Build and Grow strategy focussed on five core asset hubs, significantly reduced costs and instituted a disciplined operating model, strengthened the balance sheet and improved production.

Mr Gallagher has successfully led the integration of the Quadrant and ConocoPhillips Australia-West businesses following acquisitions by Santos in 2018 and 2020.

Under Mr Gallagher's leadership Santos has committed to net-zero emissions by 2040, significantly strengthened its balance sheet, improved production and financial performance, and is now positioned on a sustainable growth trajectory around a portfolio of long-life natural gas, LNG and carbon capture and storage assets in Australia, Papua New Guinea, Timor-Leste and North America.



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).

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 (since 2020) and Chair of Tic:ToC (since 2021).

Former directorships in the last

3 years: Chair of Faethm.ai (2020 to 2021).



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.

Other current directorships: Chair of Queensland Sugar Limited (since 2015), the Stahmann Webster Group (since 2021) and Port of Brisbane (since 2021), AFF Cotton Pty Ltd (since 2021), Director of Winson Group Pty Ltd (since 2014) and Ability First Australia (since 2010).

Former directorships in the last

3 years: Health and Plant Protein Ltd (2018 to 2021).



EILEEN DOYLE

BMath (Hons), MMath, PhD, FAICD

Dr Doyle is an independent non-executive Director. She joined the Board on 17 December 2021.

Dr Doyle's career spans the building materials, research, infrastructure, industrials and logistics sectors, including senior operational roles at BHP Limited and CSR Limited and culminating in her appointment as CEO of CSR's Panel's Division. Dr Doyle was previously Deputy Chairman CSIRO and Chairman of Port Waratah Coal Services and The Hunter Research Foundation and Director of Austrade, Boral Ltd, GPT Group Ltd, Bradken Ltd, Knights Rugby League Pty Ltd, State Super Financial Services, Ross Human Resources Ltd and Oil Search Ltd. She was Australia's first Fulbright Scholar in Business in 1993. She is a Foundation Fellow of the Australian Association of Angel Investors and a Fellow of the Australian Academy of Technology and Engineering.

Other current directorships: Dalrymple Bay Infrastructure Limited (since 2020), Airservices Australia (since 2021), NEXTDC Limited (since 2020), Hunter Angels Trust (since 2012), SWOOP Analytics (since 2020) and O'Connell Street Association (since 2010).

Former directorships in the last

3 years: GPT Group Limited (2010 to 2019), Boral Limited (2010 to 2020) and Oil Search Limited (2016 to 2021).

Board of Directors

continued



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) and AB SKF (Sweden) (since 2014).

Former directorships in the last

3 years: Chair of MEC Resources (2005 to 2018), and Director of Harbour Energy (2015 to 2018) and Director of Vesuvius PLC (2015 to 2021).



VANESSA GUTHRIE AO

DSc, PhD, BSc (Hons), FAICD, FTSE

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 the 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 a Fellow of the Australian Institute of Company Directors and the Australian Academy of Technological Sciences and Engineering. In 2021 she became an Officer of the Order of Australia for her contribution to the mining and resources sector and as a role model for women in business.

Other current directorships: AdBri Limited (since 2018), Tronox Holdings PLC (since 2019), Lynas Rare Earths Ltd (since 2020) and Cricket Australia (since 2021), Pro-Chancellor of Curtin University, Board member of the Australia-India Council and Infrastructure Australia, and member of the Vocational Education and Training Expert Skills Panel.

Former directorships in the last

3 years: Director of Australian Broadcasting Corporation (2017 to 2021).



PETER HEARL

BComm (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 Operating and Development Officer in 2006, based in Dallas, Texas and Louisville, Kentucky, and from where he retired in 2008.

Other current directorships*:

Chair of Endeavour Group Ltd (since 2021) (having been Chair-Elect from 2019 to 2021), 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: Director of Telstra Ltd (2014 to 2021).



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, Texas (2003 to 2018).



MUSJE WERROR

BSc (Chem), MBA, MProfAcc

Mr Werror is an independent non-executive Director. He joined the Board on 17 December 2021 and brings over 20 years of leadership experience in the mining and resources sector in Papua New Guinea. In June 2020, he was appointed as Managing Director and Chief Executive Officer of Ok Tedi Mining Limited. He was formerly Deputy CEO and General Manager External Relations. Mr Werror commenced his long career at Ok Tedi as a graduate in 1988 and previously held various roles and responsibilities including leading community relations in Western Province, PNG. Mr Werror is currently Chairman of Ok Tedi Development Foundation and the Western Province Health Authority. He is also a former Director of Oil Search Limited.

Other current directorships: Managing Director and CEO of Ok Tedi Mining Ltd (since 2020), Chair of Ok Tedi Development Foundation (since 2020) and Chair of Western Province Health Authority (since 2019).

Former directorships in the last 3 years: Oil Search Limited (2021).

Santos Leadership Team



KEVIN GALLAGHER

Managing Director and Chief Executive Officer

BEng (Mechanical) Hons, FEIAust

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



DAVID BANKS

Chief Technical and Marketing Officer

BE (Hons), MBA, GAICD

Mr Banks joined Santos in 2018 and is Santos' Chief Technical and Marketing 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 southeast 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

Chief Operating Officer, Upstream Oil and Gas

BEng (Civil), FIEAust Eng Exec

Mr Darley joined Santos in December 2018. Mr Darley previously led the Offshore Operating Division as Executive Vice President Offshore Oil and Gas.

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 Energy 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.



BEVERLEY EAST

Vice President People, Culture and Corporate Affairs

BA English, GDip Employee Relations, GAICD

Ms East joined Santos in September 2020 as Head of Government Affairs. She began her career as a journalist in print media and also went on to work in radio. Ms East then worked in state and federal politics before joining Woodside Energy Ltd where she spent nearly 10 years. While there she led corporate affairs and government relations activities including during construction of Pluto LNG and as General Manager of Community with responsibility for all stakeholder engagement activities across projects and operating assets as well as sustainability reporting and community development funding.

Prior to joining Santos, Ms East was CEO of St John of God Health Care's Social Outreach Services providing community-based mental health and support services in WA, Victoria and NSW.

She has served on not-for-profit boards including as Deputy Chair of Volunteering WA and Chair of Barking Gecko Theatre in WA. She is an alumni of Leadership WA.



JODIE HATHERLY

Vice President ESG and Legal

BA, LLB, GAICD

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, Audit and Compliance 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.



ANGUS JAFFRAY

Group Executive Transformation, Integration and Corporate Projects

BA (Hons) Geography, MBA

Mr Jaffray joined Santos in 2016, and was appointed Group Executive Transformation, Integration and Corporate Projects in May 2021.

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 25 years of leadership and consulting experience as a Director of Azure Consulting, a Partner at The Boston Consulting Group (BCG) and a Supply Chain Manager with the global packaging group Crown Cork and Seal.

At Azure Consulting, Mr Jaffray supported companies in developing strategy and driving organisational change. At BCG, he 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.



ANTHEA MCKINNELL

Chief Financial Officer

BComm Accounting and Taxation, FCA, GAICD

Ms McKinnell joined Santos in 2019 as Deputy Chief Financial Officer, before commencing in the Chief Financial Officer role in 2022.

With more than 15 years' experience in the oil and gas industry, Ms McKinnell held several senior executive roles at Woodside Energy including SVP Finance and Treasury, VP Global Operations Planning and Performance, and Acting CFO prior to commencing with Santos.

As Santos' Deputy Chief Financial Officer, she led the successful US\$1 billion US144A bond transaction and played a key role in the integration of the ConocoPhillips asset purchase. As CFO, Ms McKinnell has oversight of finance, tax, treasury, planning, investor relations and IT functions within Santos.

Ms McKinnell is a Fellow of Chartered Accountants Australia and New Zealand, holds a Master of International Tax from the University of Melbourne and a Bachelor of Commerce from Curtin University.



ANTHONY NEILSON

Chief Commercial Officer

BComm, MBA, FFin, FCA

Mr Neilson joined Santos in 2016 and was appointed Chief Commercial Officer in January 2022. Mr Neilson previously held the role of Chief Financial Officer, with responsibility for the finance, tax, treasury, strategy, business development, commercial, investor relations and IT functions. He brings over 25 years of 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.

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Santos Leadership Team

continued



JANE NORMAN

Vice President Strategy and Business Development

BSc, BEng (Chemical) Hons, GAICD

Ms Norman joined Santos in 2005 and has responsibility for developing Santos' corporate strategy and leading business development. 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 & Co (now JP Morgan Cazenove) and Goldman Sachs, where she specialised in the oil and gas sector.



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

Chief Operating Officer, Midstream Infrastructure and Clean Fuels

BSc (Hons) Geology and Geophysics

Mr Woods joined Santos in 2013 and is accountable for the Midstream Infrastructure and Clean Fuels Division. His remit includes overseeing Santos' midstream gas processing facilities at Moomba, Port Bonython, Varanus Island, Devil Creek, GLNG and Darwin LNG, our Energy Solutions capabilities and Carbon Capture and Storage project.

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 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. Mr Woods is a graduate of the Harvard Business School Advanced Management Program.

Reserves Statement

for the year ended 31 December 2021

RESERVES AND RESOURCES

Proved plus probable (2P) reserves increased by 835 million barrels of oil equivalent (mmboe) before production in 2021. The annual 2P reserves replacement ratio (RRR) was 907 per cent and the three-year RRR 355 per cent.

The merger with Oil Search added 416 mmboe of 2P reserves while the final investment decision on Barossa added a further 373 mmboe. Santos has booked Barossa reserves at a 50 per cent working interest following the execution of a binding Sale and Purchase Agreement to sell a 12.5 per cent interest in Barossa to JERA, completion of which is expected in the first half of 2022.

Consistent application of Santos' disciplined operating model also delivered reserves increases in the onshore assets in 2021. GLNG achieved greater than 100 per cent 2P reserves replacement for the second year in a row, while reserves were also added in the Cooper Basin before production.

2C contingent resources increased by 41 per cent to 3,219 mmboe at the end of 2021, primarily due to the Oil Search merger partially offset by the commercialisation of Barossa 2C resources to reserves at FID.

The Oil Search merger added 819 mmboe 2C in Papua New Guinea and 401 mmboe in Alaska. The gross 2C contingent resource in Alaska is unchanged from that previously reported by Oil Search, but in accordance with the 2018 Petroleum Resources Management System (PRMS), Santos has adjusted its net share Alaska 2C resource to remove royalties.

An initial booking of 100 million tonnes of 2P plus 2C CO₂ storage capacity was made in the Cooper Basin in accordance with the CO₂ Storage Resource Management System (SRMS) sponsored by the Society of Petroleum Engineers.

This booking represents a subset of the total prospective storage resource in the Cooper Basin and follows FID on the Moomba carbon capture and storage project in 2021.

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

Santos share	Unit	2021	2020	% change
Proved reserves	mmboe	1,009	496	103%
Proved plus probable reserves	mmboe	1,676	933	80%
2C contingent resources	mmboe	3,219	2,282	41%

RESERVES AND 2C CONTINGENT RESOURCES BY PRODUCT (SANTOS SHARE AS AT 31 DECEMBER 2021)

Santos share	Sales gas PJ	Crude oil mmbbl	Condensate mmbbl	LPG 000 tonnes	Total mmboe
Proved reserves	5,436	32	41	442	1,009
Proved plus probable reserves	8,967	59	71	1,046	1,676
2C contingent resources	14,469	560	152	3,440	3,219

KEY METRICS

Annual proved reserves replacement ratio	656%
Annual proved plus probable reserves replacement ratio	907%
Three-year proved plus probable reserves replacement ratio	355%
Organic annual proved plus probable reserves replacement ratio	464%
Organic three-year proved plus probable reserves replacement ratio	187%
Developed proved plus probable reserves as a proportion of total reserves	45%
Reserves life ¹	18 years
Reserves life ²	14 years

1 2P reserves life as at 31 December 2021 using Santos' 2021 production.

2 2P reserves life as at 31 December 2021 using pro-forma Santos and Oil Search 2021 production.

Reserves Statement

for the year ended 31 December 2021
continued

PROVED RESERVES

Santos share as at 31 December 2021

Asset	Sales gas PJ	Crude oil mmbbl	Condensate mmbbl	LPG 000 tonnes	All products mmboe		Total
					Developed	Undeveloped	
Cooper Basin	237	8	3	419	44	12	56
Queensland & NSW ¹	988	-	-	-	115	55	170
PNG	2,371	11	19	-	272	164	436
Northern Australia & Timor-Leste	1,278	-	13	23	2	230	232
Western Australia	562	13	5	-	98	18	115
Total 1P	5,436	32	41	442	531	478	1,009
Proportion of total proved reserves that are unconventional							17%

¹ Queensland proved sales gas reserves include 807 PJ GLNG and 175 PJ other Santos non-operated Eastern Queensland assets.

Proved reserves reconciliation

Product	Unit	2020	Production	Revisions and extensions	Net acquisitions and divestments	2021
Sales gas	PJ	2,650	(464)	1,643	1,607	5,436
Crude oil	mmbbl	22	(6)	6	11	32
Condensate	mmbbl	16	(5)	17	13	41
LPG	000 tonnes	466	(203)	178	-	442
Total 1P	mmboe	496	(92)	305	299	1,009

PROVED PLUS PROBABLE RESERVES

Santos share as at 31 December 2021

Asset	Sales gas PJ	Crude oil mmbbl	Condensate mmbbl	LPG 000 tonnes	All products mmboe		Total
					Developed	Undeveloped	
Cooper Basin	627	16	7	982	87	52	139
Queensland & NSW ¹	1,937	-	-	-	122	211	333
PNG	3,231	20	28	-	370	231	601
Northern Australia & Timor-Leste	2,074	-	26	64	4	377	381
Western Australia	1,098	24	10	-	174	48	222
Total 2P	8,967	59	71	1,046	757	919	1,676
Proportion of total proved plus probable reserves that are unconventional							20%

¹ Queensland proved plus probable sales gas reserves include 1,522 PJ GLNG and 405 PJ other Santos non-operated Eastern Queensland assets.

Proved plus probable reserves reconciliation

Product	Unit	2020	Production	Revisions and extensions	Net acquisitions and divestments	2021
Sales gas	PJ	4,960	(464)	2,310	2,161	8,967
Crude oil	mmbbl	39	(6)	6	20	59
Condensate	mmbbl	33	(5)	26	18	71
LPG	000 tonnes	1,269	(203)	36	(56)	1,046
Total 2P	mmboe	933	(92)	427	408	1,676

Reserves Statement

for the year ended 31 December 2021

continued

2C CONTINGENT RESOURCES

Santos share as at 31 December 2021

Asset	Sales gas PJ	Crude oil mmbbl	Condensate mmbbl	LPG 000 tonnes	All products mmbbl
Cooper Basin	1,273	26	18	1,784	277
Queensland & NSW	2,886	-	-	-	496
PNG	4,764	1	54	-	871
Northern Australia & Timor-Leste	4,206	-	63	3	782
Western Australia	1,341	131	18	1,653	393
USA (Alaska)	-	401	-	-	401
Total 2C	14,469	560	152	3,440	3,219

2C Contingent resources reconciliation

Product	2020	Production	Revisions and extensions	Discoveries	Net acquisitions and divestments	2021
Total 2C (mmbbl)	2,282	-	(402)	60	1,280	3,219

CO2 STORAGE

Capacity and 2C contingent resources as at 31 December

Santos share	Unit	2021	2020	% change
Proved capacity	MtCO2	6	-	N/A
Proved plus probable capacity	MtCO2	9	-	N/A
2C contingent resources	MtCO2	91	-	N/A

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 2021.
3. Santos prepares its petroleum reserves and contingent resources estimates in accordance with the 2018 Petroleum Resources Management System (PRMS) and CO2 Storage capacity and contingent resource estimates in accordance with the 2017 CO2 Storage Resources Management System (SRMS) 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, contingent resources and CO2 Storage 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, contingent resources and CO2 storage. 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 2021 petroleum reserves, contingent resources and CO2 storage 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, contingent resources and CO2 storage position as at 31 December 2021.

7. Unless otherwise stated, all references to petroleum reserves, contingent resources and CO2 storage quantities in this reserves statement are Santos' net share. Barossa is carried at 50 per cent share reflecting the binding SPA to sell down 12.5 per cent equity to JERA announced 8 December 2021 with completion expected in the first half of 2022.
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, contingent resources and CO2 storage 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, contingent resources and CO2 storage 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, contingent resources and CO2 storage 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, SPEE
A White	Santos Ltd	SPE
D Nicolson	Santos Ltd	SPE
S Lawton	Santos Ltd	SPE
C Winterfield	Santos Ltd	SPE
A Judzewitsch	Santos Ltd	SPE
M Ireland	Santos Ltd	SPE, SPEE
J Hattner	NSAI	SPE, AAPG

SPE: Society of Petroleum Engineers

SPEE: Society of Petroleum Evaluation 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
mmboc	million barrels of oil equivalent
MtCO2	million tonnes of carbon dioxide
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 2021, 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 2021 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 Anita	48,883
Cowan	Guy Michael	45,487
Doyle	Eileen Joy	33,567
Gallagher	Kevin Thomas (Managing Director and CEO)	2,195,968 ¹
Goh	Hock	67,215
Guthrie	Vanessa Ann	39,188
Hearl	Peter Roland	48,808
McArdle	Janine Marie	18,000
Spence	Keith William (Chair)	105,688
Shi	Yujiang (Eugene)	–
Werror	Musje Moses	–

¹ Includes shares received as a result of the 2018 LTI vesting.

The above-named Directors held office during the financial year. Mr Eugene Shi resigned as a Director on 10 March 2021. Dr Eileen Doyle and Mr Musje Werror were appointed as Directors on 17 December 2021.

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 2,404,027 share acquisition rights (SARs) and 199,819 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 9 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 Anita	19 of 19	3 of 4	n/a	5 of 5	3 of 3
Cowan	Guy Michael	17 of 19	4 of 4	n/a	n/a	n/a
Doyle ²	Eileen Joy	n/a	n/a	n/a	n/a	n/a
Gallagher	Kevin Thomas	19 of 19	n/a	5 of 5	n/a	n/a
Goh	Hock	19 of 19	4 of 4	5 of 5	n/a	3 of 3
Guthrie	Vanessa Ann	18 of 19	n/a	5 of 5	5 of 5	n/a
Hearl	Peter Roland	19 of 19	n/a	5 of 5	5 of 5	3 of 3
McArdle	Janine Marie	18 of 19	4 of 4	5 of 5	n/a	n/a
Spence	Keith William	19 of 19	n/a	n/a	n/a	3 of 3
Shi ³	Yujiang (Eugene)	0 of 2	n/a	n/a	n/a	n/a
Werror ⁴	Musje Moses	n/a	n/a	n/a	n/a	n/a

1 Reflects the number of meetings held during the time the Director held office, or was a member of the Committee, during the year.

2 Dr Eileen Doyle was appointed as a Director on 17 December 2021.

3 Mr Eugene Shi was appointed to the People, Remuneration and Culture Committee effective 16 February 2021 and retired as a Director on 10 March 2021.

4 Mr Musje Werror was appointed as a Director on 17 December 2021.

Directors' Report

continued

OPERATING AND FINANCIAL REVIEW

Santos' principal activities during 2021 were the exploration for, and development, production, transportation and marketing of, hydrocarbons, and the development of technologies such as carbon capture and storage. Revenue is derived primarily from the sale of gas and liquid hydrocarbons.

In December 2021, Santos completed a merger with Oil Search Limited ("Oil Search") following approvals by Oil Search shareholders and the National Court of Papua New Guinea. The merger combined two industry leaders to create a company with a diversified portfolio of assets and cash flows to successfully navigate the transition to a lower carbon future. The Oil Search assets are included in the results of the consolidated group from 11 December 2021.

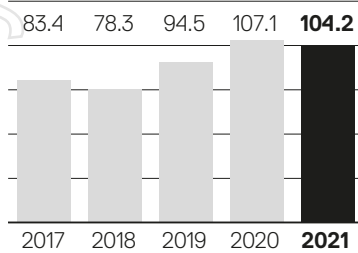
A review of the operations and of the results of those operations of the consolidated entity during the year is as follows:

Summary of results table	2021 mmboe	2020 mmboe	Variance %
Production volume	92.1	89.0	3
Sales volume	104.2	107.1	(3)
	US\$million	US\$million	
Product sales	4,713	3,387	39
EBITDAX ¹	2,805	1,898	48
Exploration and evaluation expensed	(126)	(59)	(114)
Depreciation and depletion	(1,243)	(1,015)	(22)
Net impairment loss	(8)	(895)	nm
Change in future restoration assumptions	(6)	(1)	(500)
EBIT ¹	1,422	(72)	2,075
Net finance costs	(217)	(234)	7
Taxation expense	(547)	(51)	(973)
Net profit/(loss) for the period and attributable to equity holders of Santos	658	(357)	284
Underlying profit for the period ¹	946	287	230
Underlying earnings per share (cents) ¹	44.3	13.8	221

¹ EBITDAX (earnings before interest, tax, depreciation and depletion, exploration and evaluation expensed, net impairment loss and change in future restoration assumptions), 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. Please refer to page 24 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

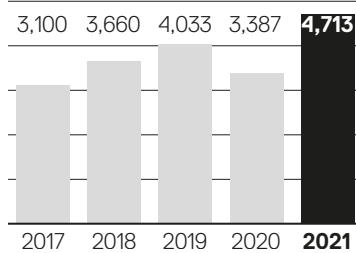
mmboe



Sales volumes of 104.2 million barrels of oil equivalent (mmboe) were 3 per cent lower than the previous year, primarily due to lower Cooper Basin production and third-party volumes, partially offset by higher sales volumes in Western Australia and completion of the Oil Search merger in December 2021.

Product sales revenue

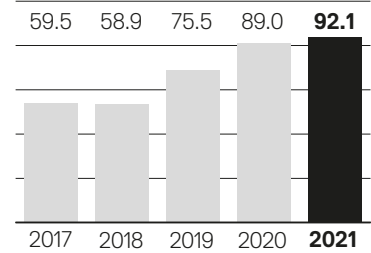
\$million



Sales revenue was up 39 per cent compared to the previous year to a record \$4.7 billion, primarily due to higher realised prices for all products and inclusion of the Oil Search assets from 11 December 2021. The average realised oil price increased 60 per cent to US\$76/bbl and the average realised LNG price increased 45 per cent to US\$9.25/mmBtu.

Production volume

mmboe



Production was up 3 per cent to a record 92.1 mmboe primarily due to inclusion of the Oil Search assets from 11 December 2021 and higher gas production in Western Australia, partially offset by lower Cooper Basin volumes.

Review of operations

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. The merger with Oil Search added assets in Papua New Guinea (additional equity in PNG LNG and operated oil fields) and North America (Alaska) to Santos' portfolio.

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 value 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 per cent interest).

Santos is also focused on reducing emissions by investing in carbon capture and storage (CCS). The 1.7 million tonne per annum Moomba CCS project took a final investment decision in November 2021 with first injection expected in 2024.

Cooper Basin	2021	2020
Production (mmboe)	15.3	16.8
Sales volume (mmboe)	20.2	24.2
Revenue (US\$m)	1,000	919
Production cost (US\$/boe)	9.35	7.80
EBITDAX (US\$m)	423	390
Capex (US\$m)	329	313

Cooper Basin EBITDAX was \$423 million, 8 per cent higher than 2020 primarily due to higher realised prices, partially offset by higher costs, and lower volumes.

Santos' share of Cooper Basin sales gas and ethane production of 63.8 petajoules (PJ) was 7 per cent lower than the previous year (68.5 PJ) due to lower drilling activity as a result of the impact of COVID-19 on joint venture budgets. Santos' share of oil production was also lower due to lower drilling activity and natural field decline. A fourth drilling rig was added to the program in the middle of 2021.

Directors' Report

continued

Queensland and NSW

The GLNG project in Queensland 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 per cent 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 a record 6.3 million tonnes of LNG in 2021 and shipped 109 cargoes. Annual LNG production was higher than the previous year (6.0 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 an appraisal program in 2022.

Queensland and NSW	2021	2020
Production (mmbœ)	13.7	13.4
Sales volume (mmbœ)	22.1	22.0
Revenue (US\$m)	973	793
Production cost (US\$/boe)	5.79	5.70
EBITDAX (US\$m)	525	428
Capex (US\$m)	195	193

Queensland and NSW EBITDAX of \$525 million increased by 23 per cent compared to 2020. This was a result of higher realised prices and higher volumes, partially offset by higher costs.

Papua New Guinea

The merger with Oil Search, which completed in December 2021, substantially increased Santos' asset position in PNG. Santos' interest in the PNG LNG project increased to 42.5 per cent, and the merger also added interests in the proposed Papua LNG project and PRL3 (P'nyang) to the portfolio. Santos also became operator of all of PNG's oil fields.

PNG LNG produces LNG for export to global markets, as well as sales gas and gas liquids. 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 PNG LNG plant produced 8.4 million tonnes of LNG in 2021 and shipped 110 cargoes. Annual LNG production was lower than the previous year (8.8 million tonnes) due to the COVID-19 impact of deferral of planned maintenance activities from 2020 into 2021.

The Papua LNG project (Santos 22.8 per cent interest before PNG government back-in) is a proposed two-train LNG expansion with a planned capacity of 5.6 million tonnes of LNG per annum. In 2021, the project continued to progress technical, commercial, regulatory, social and environmental planning activities. A decision to enter front end engineering and design (FEED) is planned for 2022.

Following the merger with Oil Search, Santos operates the Kutubu, Agogo, Moran and Gobe fields, which produce all of PNG's oil and supply raw gas to PNG LNG. Net production from the operated fields was inline with the previous year.

PNG	2021	2020
Production (mmbœ)	14.2	13.2
Sales volume (mmbœ)	13.4	12.5
Revenue (US\$m)	736	451
Production cost (US\$/boe)	4.69	4.21
EBITDAX (US\$m)	615	354
Capex (US\$m)	34	39

PNG EBITDAX of \$615 million increased 74 per cent compared to 2020, mainly due to higher realised prices and increased volumes following the merger with Oil Search.

Northern Australia and Timor-Leste

Santos' business in northern Australia and Timor-Leste is focused on the Bayu-Undan/Darwin LNG (DLNG) project (Santos 43.4 per cent interest). 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 3.2 million tonnes of LNG in 2021, 5 per cent higher than 2020, and shipped 45 cargoes.

The Bayu-Undan field in Timor-Leste, which supplies all the gas to DLNG, is currently expected to reach end of field life in 2022 or 2023. Santos is assessing the potential of repurposing Bayu-Undan into a carbon capture and storage hub after production ceases.

In March 2021, Santos announced the final investment decision to proceed with the Barossa gas and condensate project to backfill DLNG. The project was 20 per cent complete at the end of 2021 with first gas production expected in the first half of 2025. Santos currently has a 62.5 per cent interest in Barossa, which will reduce to 50 per cent following the sale of a 12.5 per cent interest to JERA, which is expected to complete in the first half of 2022, subject to customary consents and regulatory approvals.

Northern Australia and Timor-Leste	2021	2020
Production (mmboe)	15.2	14.5
Sales volume (mmboe)	15.3	14.6
Revenue (US\$m)	903	466
Production cost (US\$/boe)	15.37	19.59
EBITDAX (US\$m)	728	205
Capex (US\$m)	377	93

Northern Australia and Timor-Leste EBITDAX of \$728 million was \$523 million higher than 2020 primarily due to significantly higher realised pricing for LNG cargoes sold into the spot market, partially offset by the 25 per cent sell-down to SK E&S in April 2021.

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 per cent ownership and operatorship of the Varanus Island and Devil Creek domestic gas hubs, a 28.6 per cent interest in the Macedon gas hub and a leading position in the highly prospective Bedout Basin.

Santos' share of Western Australia domestic gas production of 168 PJ was 6 per cent higher than the previous year, primarily due to the commencement of a new 12-year contract with Alcoa in June 2020. Santos' share of crude oil production was 3.5 mmbbl, higher than the previous year due to the Ningaloo Vision FPSO (Van Gogh, Coniston and Novara fields) returning from planned shipyard maintenance combined with initial production from two infill wells drilled on the Van Gogh field.

A FEED-entry decision for the initial phase of the proposed Dorado integrated oil and gas project (Santos 80 per cent interest) was taken in June 2021. Dorado opens a new basin with high prospectivity in permits where Santos has high equity positions. Further drilling is planned on the Apus and Pavo prospects in 2022.

Western Australia	2021	2020
Production (mmboe)	33.7	31.1
Sales volume (mmboe)	33.2	31.1
Revenue (US\$m)	1,105	742
Production cost (US\$/boe)	6.38	6.34
EBITDAX (US\$m)	851	546
Capex (US\$m)	316	171

Western Australia EBITDAX of \$851 million was 56 per cent higher than 2020, predominantly driven by higher realised prices and volumes.

Directors' Report

continued

North America

The merger with Oil Search brought assets in Alaska to Santos' portfolio, including the Pikka Unit located on the North Slope, a world-class oil province with more than 50 years of oil and gas development and extensive existing infrastructure.

Located within the Pikka Unit, the Pikka Phase 1 project (Santos 51 per cent interest) is targeting a gross production rate of approximately 80,000 barrels of oil per day with top quartile performance for emissions intensity. FEED and assurance activities were nearing completion at the end of 2021, and all major regulatory and environment approvals have been received.

Net profit

The 2021 net profit attributable to equity holders of Santos Limited of \$658 million is \$1,015 million higher than the net loss of \$357 million in 2020. This increase is primarily due to higher realised pricing and lower impairment losses of \$6 million after tax (\$653 million in 2020), partly offset by higher depreciation and depletion.

Net profit includes items before tax of \$343 million (\$288 million after tax), as referred to in the reconciliation of net profit to underlying profit below. Underlying profit was \$946 million, \$659 million higher than 2020.

Reconciliation of net profit/(loss) to underlying profit¹

	2021 US\$million			2020 US\$million		
	Gross	Tax	Net	Gross	Tax	Net
Net profit/(loss) after tax attributable to equity holders of Santos Limited			658			(357)
Add/(deduct) the following:						
Net gains on sales of non-current assets	(12)	(32)	(44)	–	–	–
Impairment losses	8	(2)	6	895	(242)	653
Fair value adjustments on embedded derivatives and hedges	(2)	–	(2)	2	(1)	1
Fair value adjustments on commodity hedges	249	(74)	175	(45)	14	(31)
Costs associated with acquisitions and disposals	100	(20)	80	7	14	21
One-off tax adjustments	–	73	73	–	–	–
	343	(55)	288	859	(215)	644
Underlying profit¹			946			287

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. 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

	2021 US\$million	2020 US\$million	Variance US\$million
Exploration and evaluation assets	3,182	1,818	1,364
Oil and gas assets and other land, buildings, plant and equipment	18,465	11,173	7,292
Restoration provision	(3,817)	(3,021)	(796)
Other net assets ¹	2,199	815	1,384
Total funds employed	20,029	10,785	9,244
Net debt ²	(5,157)	(3,664)	(1,493)
Net tax (liabilities)/assets ³	(1,262)	106	(1,368)
Net assets/equity	13,610	7,227	6,383

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, and 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, commodity hedges and interest rate and cross-currency swap contracts.

³ Net tax (liabilities)/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 2021 full-year accounts.

At 31 December 2021, non-cash after tax impairment losses of \$6 million were recognised. The total after-tax impairment losses relate to the impairment of exploration and evaluation assets.

Exploration and evaluation assets

Exploration and evaluation assets were \$3,182 million compared to \$1,818 million at the end of 2020, an increase of \$1,364 million, due to the merger with Oil Search, 2021 capital expenditure, including Dorado and Barossa Caldita FEED; offset by transfer of the Barossa project to oil and gas assets in development following FID in March 2021, impairment losses before tax of \$8 million and exploration and evaluation expenses of \$126 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 \$18,465 million were \$7,292 million higher than in 2020, mainly due to the merger with Oil Search, 2021 capital expenditure across Cooper Basin, GLNG, WA Offshore and PNG; partially offset by depreciation and depletion charges of \$1,243 million and the 12.5% interest in Barossa to be sold to JERA classified as held for sale.

Restoration provision

Restoration provision balances have increased by \$796 million to \$3,817 million mainly due to the merger with Oil Search, and revised restoration cost estimates; partially offset by change in discount rates, and favourable exchange differences.

Net debt

Net debt of \$5,157 million was \$1,493 million higher than at the end of 2020, driven by the merger with Oil Search and major growth capital expenditure; offset by over \$1.5 billion in free cash flow generated.

Net tax (liabilities)/assets

Net tax liabilities of \$1,262 million have increased by \$1,368 million in comparison to 2020 following the merger with Oil Search.

Net assets/equity

Total equity increased by \$6,383 million to \$13,610 million at year end. The increase primarily reflects the additional shares issued as part of the merger with Oil Search of \$6,038 million, combined with net profit after tax attributable to owners of Santos of \$658 million; offset by payments of dividends to shareholders of \$221 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 2021, the Company has hedged 4.0 million barrels of 2022 production, using zero premium collars with an average floor price of \$50.00/bbl and an average ceiling price of \$66.14/bbl, and 2.0 million barrels, using reparticipating 3-way swaps, with an average floor price of \$50.00/bbl, an average ceiling price of \$60.00/bbl, and a reparticipating price of \$65.05/bbl.

Directors' Report

continued

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.

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 2021, and delivered operated interests in long-life, low-cost assets and strategic LNG infrastructure. The merger with Oil Search strengthens the Company's asset portfolio and cash flows, and positions Santos to navigate the transition to a lower carbon future.

With a disciplined growth portfolio including the Barossa, Moomba CCS, Dorado Phase 1, Pikka Phase 1 and Papua LNG projects, Santos is well positioned to leverage existing infrastructure.

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

Santos aspires to be a global leader in the transition to cleaner energy and clean fuels, by helping the world decarbonise to reach net-zero emissions in an affordable and sustainable way and has set ambitious emission reduction targets. Further information is available in the Company's 2021 Climate Change Report.

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. 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 around a quarter of the world's total energy needs until at least 2050, 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. Santos is also investing in projects to lower emissions such as Moomba carbon capture and storage in the Cooper Basin.

2022 production is expected to increase to a range of 100 to 110 million barrels of oil equivalent (mmboe) primarily due to higher production from PNG following the Oil Search merger. This is expected to be offset by a lower share of Bayu-Undan production, which is expected to be approximately 10 mmboe less than 2021, due to a lower average working interest following the 25 per cent sell-down to SK E&S in 2021, lower gross production as the field approaches end of field life and lower net entitlement under the Production Sharing Contract due to higher forecast LNG prices. Sales volumes in 2022 are expected to be in the range of 110 to 120 mmboe.

Capital expenditure in 2022 is expected to be approximately US\$900 million for sustaining capital, approximately US\$200 million for restoration and approximately US\$1.15 billion to US\$1.3 billion for major growth projects. A contingent amount of up to approximately US\$400 million may be added should the Dorado and Pikka projects take final investment decisions. Guidance assumes current Santos interest in all projects.

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.

COVID-19 Pandemic Risk

The COVID-19 pandemic has created new challenges in managing the health and safety of our workforce, with potential impact to both their physical and mental wellbeing, in the field and office locations. Our operations may also be disrupted by government, regulatory or health authority actions, which could result in the shutdown of operating sites and offices, lockdowns in certain regions, border closures, travel restrictions and quarantine requirements. Supply chain disruption by COVID-19 of suppliers, logistics partners, products, services and third-party providers has the potential to impact Santos' production and operations. Roster adjustment and travel management for the field-based workforce has implications for the rotational workforce, including workforce fatigue, family separation for extended periods and mental health issues. To mitigate the risk, Santos continues to employ its Operational Continuity Plans with particular emphasis on pre mobilisation testing, the safe movement of employees, contractors and supply chain materials to operate the business. Strict hygiene, social distancing in the workplace, personal protection, testing protocols and case management have further been enhanced and embedded in all locations. Santos has increased mental health support programs and strongly encouraged employee take-up of available vaccines to protect themselves and their families.

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) with favourable seller flexibilities, 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 also has conventional domestic natural gas assets backed by medium- to long-term CPI-linked offtake contracts to complement and balance Santos' 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.

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 global events such as the COVID-19 pandemic, 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 Santos' portfolio of midstream infrastructure assets. 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.

Directors' Report

continued

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 personnel, facilities, operations and surrounding communities.

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 Indigenous stakeholders, landholders and communities to ensure that issues are understood and addressed appropriately. Maintaining ongoing dialogue and conducting open, transparent engagement have allowed us to benefit from the ongoing support of all stakeholders.

Human rights

Human rights risks include the use of force by public and private security forces, interference with Indigenous community land access or cultural heritage and the labour practices of suppliers and contractors. These are particularly relevant where operations, or the operations of business partners, occur in high-risk jurisdictions, including PNG. The occurrence of any of these risks may result in the loss of social licence to operate, litigation or reputational damage. Oil Search's practice prior to integration has been to incorporate human rights risks into a company-wide risk management framework and for risks to be regularly assessed and updated. Training and awareness covering key human rights topics such as responsible security and modern slavery was conducted for employees in key functions including Security and Contracts and Procurement. Site-level and company-level grievance mechanisms have been in place and overseen by Board Committee level. Santos is committed to respecting human rights and is currently reviewing the human rights-related controls described above as part of the integration process in order to establish a consolidated approach to managing its human rights risks.

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 personnel. An inability to attract or retain such personnel, caused by a range of factors, including global events such as the COVID-19 pandemic, 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, succession and business continuity 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. Risks are identified and managed in two broad categories: Physical, relating to acute and chronic effects of climate change and Transitional, arising from the move into a lower carbon economy.

Operational, legal, technological, reputational, funding, workforce and community 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. Santos' net-zero Scope 1 and Scope 2 emissions 2040 target remains a strong focus in the delivery of its strategic commitments. Along with specific projects focused on reducing emissions, an emissions reduction and minimisation focus 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.

Directors' Report

continued

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 \$5.6 billion in liquidity (cash and undrawn committed bank facilities) available as at 31 December 2021.

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 hydrocarbon, 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 government regime, 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 disputes

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.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Material Business Risks section (pages 26 to 30) refers to risks which, if materialised, may have a significant effect on the state of affairs of the Company.

Dividends

On 15 February 2022, the Directors resolved to pay a partially franked final dividend of US8.5 cents per fully paid ordinary share on 24 March 2022 to shareholders registered in the books of the Company at the close of business on 22 February 2022 ("Record Date"). This final dividend amounts to approximately US\$288 million. The Board also resolved that the Dividend Reinvestment Plan (DRP) will not be in operation for the 2021 final dividend.

In addition, a fully franked interim dividend of US5.5 cents per fully paid ordinary share was paid to members on 21 September 2021. 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.

On 21 April 2021, Santos received a penalty infringement notice and \$13,345 fine from the Queensland Department of Environment and Science due to an administrative error where monitoring data was not appended in an annual return as required by approval conditions.

On 26 July 2021, Santos received a penalty infringement notice and \$13,345 fine from the Queensland Department of Environment and Science relating to a risk assessment report and associated Environmental Authority conditions.

The consolidated entity undertook corrective measures in respect of the infringements to prevent re-occurrences.

POST BALANCE DATE EVENTS

On 15 February 2022, the Directors of Santos Limited resolved to pay a final dividend on ordinary shares in respect of the 2021 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 2021.

Directors' Report

continued

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 2021 are as follows:

Date SARS granted	Number of shares under unvested SARS
21 March 2018	2,625,735
12 April 2018	30,000
7 May 2018	520,183
15 March 2019	2,191,312
21 March 2019	24,886
18 April 2019	285,776
9 May 2019	637,631
7 June 2019	49,772
16 July 2019	516,684
18 July 2019	10,734
20 August 2019	26,364
30 August 2019	1,179,608
4 October 2019	238,023
20 December 2019	11,592
19 March 2020	2,066,826
26 March 2020	7,328
9 April 2020	442,298
11 June 2020	377,507
31 August 2020	1,589,051
3 December 2020	9,658
26 March 2021	514,917
30 March 2021	14,086
11 April 2021	847,458
15 April 2021	577,033
12 May 2021	2,524,449
27 August 2021	285,657
17 December 2021	129,558
	17,734,126

Since 31 December 2021, 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 34 of this report and in note 7.2 to the Financial Report.

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

Options

No options were exercised during the year ended 31 December 2021 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 2021 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
17 March 2017	2,995,607
19 May 2017	609,345
12 April 2018	442,757
29 June 2018	395,576
15 March 2019	19,340
12 April 2019	9,117
18 April 2019	88,879
16 July 2019	14,400
20 December 2019	720
10 January 2020	14,461
31 August 2020	30,435
27 August 2021	412
	4,621,049

Since 31 December 2021, 2,956,404 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 34 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 2021 and to summarise key elements of Santos' performance and the impact on remuneration outcomes.

Record production and generation of free cash flow

The 2021 year was a remarkable year for your Company. The ongoing and consistent delivery of the Transform, Build and Grow strategy and the Company's disciplined low-cost operating model continues to deliver value for shareholders.

Highlights from 2021 include:

- Strong base business performance delivering record annual production of 92.1 mmboe
- Record free cash flow generation of US\$1.5 billion in 2021, more than double the level in 2020
- Record annual sales revenue of US\$4.7 billion, up 39 per cent on 2020
- Final Investment Decision for the Barossa project, which is on track for first production in the first half of 2025
- Final Investment Decision for Phase 1 of the Moomba carbon capture and storage development, which is on track for first injection of carbon dioxide in 2024
- Successful merger with Oil Search in December, creating a true regional champion with the size and scale to deliver strong performance and fund the transition to a lower carbon future

These strong achievements contributed to a Company Scorecard outcome of 135.6 per cent of target (out of a possible 167 per cent). Outcomes against individual measures are detailed later in the report in Table 3 on pages 42–45.

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

Long-Term Incentive (LTI) awards granted in 2018 were tested following the end of their four-year performance period at 31 December 2021.

The Santos share price increased from A\$5.45 at the start of the performance period to A\$6.31 at 31 December 2021. Total Shareholder Return including the reinvestment of dividends during the performance period was 30.3 per cent.

Santos' TSR growth ranked 11th in the S&P Global 1200 Energy Index, placing it at the 84th percentile against this group. Santos' performance was at the 55th percentile against the ASX100 comparator group. The Company's average Free Cash Flow Breakeven Point over 2018 to 2021 was US\$20.98, 34 per cent lower than at the start of the performance period (US\$31.90). Return on Average Capital Employed over 2019 to 2021 was 129.8 per cent of Weighted Average Cost of Capital.

These outstanding long-term performance outcomes contributed to an overall 89.5 per cent vesting outcome for the 2018 LTI awards.

Performance-related long-term equity makes up a significant component of Realised Remuneration

Realised Remuneration outcomes for 2021 are shown in Table 11 on page 52. 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.

Over half of the CEO's Realised Remuneration for 2021 resulted from performance-related equity awards. The value at vesting includes share price movements between the awards being granted and vesting, providing alignment with shareholders.

Long-Term Equity compensation comprises a significant share of remuneration for the Company's CEO and other Executive Key Management Personnel (KMP).

The Company's Minimum Shareholding Requirement requires the CEO and members of the Company's Executive Committee to build, over a five-year period and then maintain, a minimum shareholding of Santos shares. For the CEO this is approximately three times annual Total Fixed Remuneration (TFR) and for other members of the Executive Committee it is approximately one and a half times the average TFR. These levels of minimum shareholdings are significant compared to typical market practice. They ensure ongoing alignment with shareholders by requiring the CEO and members of the Company's Executive Committee 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.

CEO Growth Projects Incentive

Santos is now in a growth phase with significant major growth projects including Barossa, Dorado and Moomba carbon capture and storage underway. Santos is leading the energy transition to cleaner fuels and has a clear plan targeting net-zero Scope 1 and Scope 2 emissions by 2040. Mr Gallagher is uniquely placed to lead Santos through this transition.

In April 2021, the Board agreed to provide the CEO with a once-off Growth Projects Incentive. The Growth Projects Incentive will reward the successful delivery of the projects and energy transition strategy. The incentive has been provided in the form of a special once-off grant of Share Acquisition Rights. The Share Acquisition Rights are at-risk and vesting will be determined following an assessment of delivery against strict performance conditions related to the growth projects and subject to continued employment at 31 December 2025. Further information on the Growth Projects Incentive is set out on pages 50-51.

Mr Gallagher is well-recognised as one of Australia's leading chief executives with a proven track record of delivering for shareholders. Mr Gallagher has led a significant turnaround and the Transform, Build and Grow strategy and disciplined low-cost operating model has delivered a sustainable and resilient business which generates significant free cash flow. Santos' share price has more than doubled during Mr Gallagher's tenure, significantly outperforming the ASX200 and ASX Energy Index.

Whilst it is clear from engagement to date that the award is strongly supported by investors, Santos will seek shareholder approval for the issue of shares to satisfy vested awards at the 2022 Annual General Meeting.

Other changes

During 2021, the Board reviewed Directors' fees including consideration of market data provided by PwC which included comparisons of non-executive Directors' fees and the fee pools for similar companies.

The Directors will seek approval from shareholders to increase the maximum aggregate amount available for non-executive Directors' fees (Fee Pool) in any financial year commencing on or after 1 January 2022 from A\$2,600,000 to A\$3,500,000 per year, an increase of A\$900,000 per year. The Fee Pool has not been increased since it was last approved by shareholders at the 2013 Annual General Meeting.

The proposed Fee Pool will accommodate the appointment of additional Board members following the merger with Oil Search Limited.

Fees paid to Directors out of the Fee Pool are reviewed periodically to ensure that they are appropriate. The proposed increase in the Fee Pool will ensure that fees can continue to be set at sufficiently competitive rates to attract and retain non-executive Directors of the necessary qualifications and calibre, having regard to fees paid by comparable companies listed on the ASX.

The Board believes that total remuneration outcomes are aligned with the Company's performance in 2021 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 2021. 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 2021 and remuneration information for 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 \$0.7514 for 2021 and \$0.6904 for 2020. 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\$.

Remuneration Report

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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 2021 outcomes
6. Long-Term Incentive and vesting outcomes
7. CEO Growth Projects Incentive
8. Realised Remuneration (non-IFRS and non-audited)
9. Statutory remuneration for Executive KMP
10. KMP equity
11. Key terms of employment contracts for Executive KMP
12. 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 2021. The KMP during 2021 are set out in Table 1. Unless otherwise indicated in Table 1, all individuals were KMP for the full term in 2021.

Table 1: 2021 Key Management Personnel

Executive KMP	Non-executive Directors
Kevin Thomas Gallagher, Managing Director and Chief Executive Officer	Keith William Spence, Independent non-executive Chair Yasmin Anita Allen, Independent non-executive Director
David Maxwell Banks, Chief Technical and Marketing Officer	Guy Michael Cowan, Independent non-executive Director
Brett Anthony Darley, Chief Operating Officer, Upstream Oil and Gas	Eileen Joy Doyle, Independent non-executive Director ³
Anthony Myles Neilson, Chief Financial Officer	Hock Goh, Independent non-executive Director
Brett Kenneth Woods, Chief Operating Officer, Midstream Infrastructure and Clean Fuels	Vanessa Ann Guthrie, Independent non-executive Director
Robert Francis Simpson, EVP Onshore Oil and Gas ¹	Peter Roland Hearl, Independent non-executive Director
Petter Udem, EVP Commercial ²	Janine Marie McArdle, Independent non-executive Director
	Musje Moses Werror, Independent non-executive Director ⁴
	Eugene Shi, Non-executive Director ⁵

¹ Robert Simpson ceased as KMP on 16 May 2021

² Petter Udem ceased as KMP on 16 May 2021

³ Eileen Doyle commenced as KMP on 17 December 2021

⁴ Musje Werror commenced as KMP on 17 December 2021

⁵ Eugene Shi ceased as KMP on 10 March 2021

Anthea McKinnell was appointed Chief Financial Officer and Mr Neilson was appointed Chief Commercial Officer effective 1 January 2022.

Table 2 sets out the Company's performance over the past five years in respect of key financial and non-financial indicators and the Short-Term Incentive (STI) and Long-Term Incentive (LTI) award metrics during this period.

Table 2: Key metrics of Company performance 2017–2021

	2017	2018	2019	2020	2021
Injury frequency:					
Total recordable case frequency	3.5	4.5	4.3	3.5	4.18
Lost time injury rate ¹	0.4	0.6	0.6	0.24	0.81
Moderate harm rate ²	–	0.4	0.3	0.08	0.34
Production (mmboe)	59.5	58.9	75.5	89.0	92.1
Reserve replacement rate – 2P organic (one-year average %)	62	69	56	11	464
Net (loss)/profit after tax (US\$m)	(360)	630	674	(357)	658
Dividends per ordinary share (US cents)	–	9.7	11.0	7.1	14.0
Share price – closing price on last trading day of year ³ (A\$)	5.45	5.48	8.18	6.27	6.31
Company Scorecard result expressed as % of target of 100%	118.0%	138.8%	120.0%	111.3%	135.6%
LTI performance (% vesting) – shown against final year of performance period	0%	0%	100%	90.7%	89.5%

1 The outcome for 2018 and prior years is presented as a three-year average. Annual performance reporting applied in 2019 and used for following years.

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 The closing share price on the last trading day of 2016 was A\$4.02.

2. REMUNERATION GOVERNANCE

The People, Remuneration and Culture Committee (Committee) oversees and formulates recommendations to the Board on the remuneration policies and practices of the Company generally (including the remuneration of non-executive Directors, the CEO and Senior Executives) 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 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 2021, no remuneration recommendations were provided by remuneration consultants.

Remuneration Report

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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 and 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 median 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 the 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 two-year restriction period. A service condition applies during the restriction period.

Long-term incentive (LTI)

- Long-term incentives are delivered as Share Acquisition Rights (SARs) following a 4-year vesting period.
- Vesting of long-term incentives is contingent on achieving performance hurdles that are aligned with creation of long-term shareholder value.
- These are
 - Relative Total Shareholder Return against the ASX100
 - Relative Total Shareholder Return against the S&P Global 1200 Energy Index
 - Return On Average Capital Employed versus Weighted Average Cost of Capital
 - Free Cash Flow Breakeven Point

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

4. REMUNERATION MIX

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

- fixed and not at-risk; and
- 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, subject to satisfaction of a service condition) and target LTI. LTI awards are allocated on a face value basis. Vesting of LTI 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 per cent discount to the face value of the award.
- 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. Vesting of awards is subject to the achievement of performance and/or service conditions.

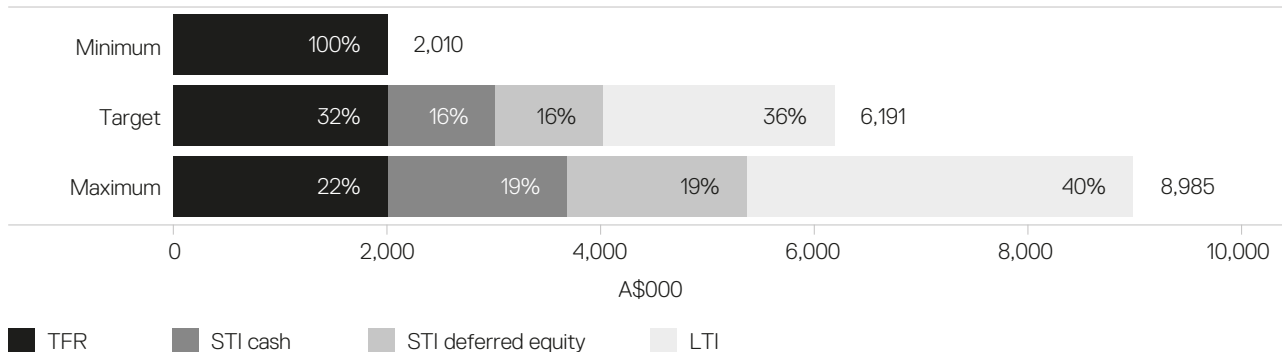
The value of the STI deferred equity award and LTI does not include the impact of future share price movements or dividend payments.

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.

In addition, the CEO participates in a once-off Growth Projects Incentive. This is described in more detail in section 7. The Growth Projects Incentive was provided as a once-off award and is not reflected in the above chart.

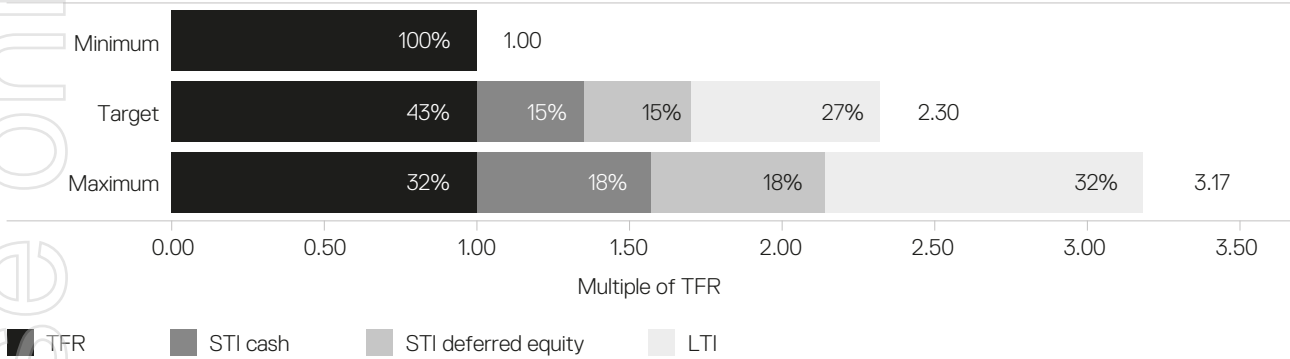
Remuneration Report

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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 35% of TFR and a deferred equity award of 35% of TFR) and target LTI of 60% of TFR.
- Maximum: TFR, STI at the maximum level (a cash award of 58.5% of TFR and a deferred equity award of 58.5% of TFR) and the maximum LTI award of 100% of TFR.

5. SHORT-TERM INCENTIVE FRAMEWORK AND 2021 OUTCOMES

The 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.

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 2021, 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.

Gate-opener and cap linked to the Company's free cash flow generation

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.

To provide greater alignment with the shareholder experience and to ensure awards under the STI Plan are reasonable relative to free cash flow generated, the Board introduced a cap on the STI pool of five per cent of the Company's free cash flow (excluding growth capex) in any year.

This cap was applied in determining the outcome for 2020 and led to an overall 28.5 per cent reduction in the size of the cash STI pool in that year. The STI pool for 2021 was well within the cap.

Company Scorecard

The actual STI pool for the year is set by reference to the Company Scorecard result (2021 results are outlined in Table 3 on pages 42-45). 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
- 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 per cent 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 Board assesses the CEO's performance and determines his STI award. The CEO assesses Senior Executive performance and determines STI award proposals which are then formally endorsed by the People, Remuneration and Culture Committee.

Half of STI outcomes are delivered in equity, vesting a further two years after the end of the performance year

Half (50 per cent) of STIs provided to Senior Executives are delivered in cash in March following the end of the performance year. The remaining half (50 per cent) is provided as deferred equity (in the form of Restricted Shares), restricted for two years and subject to a service condition during this time. 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 (see section 6 for further information).

Remuneration Report

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2021 Company Scorecard performance

Performance on the 2021 Company Scorecard as assessed by the Board resulted in an outcome of 135.6 per cent of target (81 per cent of maximum). Table 3 provides further details of Scorecard KPIs and the Company's performance against them. Performance targets on achievements on each measure are cumulative. For example, achievement of a target level of performance requires the threshold metrics to also have been achieved.

Table 3: 2021 Company Scorecard – KPI performance

Key performance indicators, measures and rationale		Performance requirements	Achievement
Health, Safety and Environment (15%)	The measures for this KPI include Santos' Lost Time Injury Rate, environmental incidents and process safety Tier 1 and Tier 2 Loss of Containment Incidents (LOCIs).	Threshold on the health and safety component required there to be no events leading to long-term life-altering disablement or impairment.	There were no incidents leading to long-term or life-altering injuries. The LTIR was 0.81. The overall achievement on this metric was Threshold Performance.
	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.	Target performance required a Lost Time Injury Rate (LTIR) equal to or better than the prior year. Stretch performance required LTIR at the top quartile relative to International Oil and Gas Producers.	
Culture (5%)	Included to reinforce the importance of cultural improvement and employee engagement as well as the development of capability to support future business growth.	Threshold required there be no environmental incidents with a consequence of moderate harm or greater.	There were no environmental incidents with a consequence of moderate harm or greater. There were five Tier 1 and 2 LOCIs during 2021, which was less than in 2020.
		Target required a reduction in Tier 1 and Tier 2 LOCIs compared to 2020. Stretch required a greater than 15% reduction in Tier 1 and Tier 2 LOCIs from 2020.	The overall achievement on this metric was Stretch Performance.
		This component relates to the implementation, participation and improvement in results of the 2021 employee engagement survey over the previous survey.	The 2021 employee engagement survey was implemented with a participation rate of 87%. There was not an improvement in overall results from the previous survey.
		This component relates to the development and delivery of a new behavioural framework aligned to the Santos values, and its embedment into people programs including performance, induction and leadership programs.	The new LEAP (Leaders, Experts and Professionals) behavioural framework was launched during the year and was embedded into various people programs. The overall achievement on this metric was Target Performance.

Sustainability (25%)

Sustainability (25%)	Key performance indicators, measures and rationale	Performance requirements	Achievement
Carbon Emissions (5%)	<p>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.</p>	<p>Threshold on this measure required the reduction of Scope 1 and Scope 2 emissions from Cooper Basin and Queensland operated assets set based on the glidepath to achieve the Company's public commitments by 2025.</p> <p>Target sought year-on-year improvement across the entire company with equity share Scope 1 and Scope 2 emissions from operated assets to be less than or equal to 2020.</p> <p>To achieve stretch, a greater than or equal to 1.5% reduction on year end 2020 equity share Scope 1 and Scope 2 emissions from operated assets was sought.</p>	<p>Group carbon emissions held at 4,417 ktCO₂e with reductions offset by new NIGERS reporting requirements and 2021 production growth.</p> <p>The overall achievement on this metric was Threshold Performance.</p>
Production (25%)	<p>The overall outcome for Sustainability measures was very close to target, contributing 25.1% to the total Scorecard outcome</p> <p>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.</p>	<p>Threshold achievement on this measure required annual production of equal to or greater than 86 mmboe.</p> <p>A Target outcome on this measure required annual production of greater than 90 mmboe.</p> <p>A Stretch outcome on this measure required annual production of greater than 91.5 mmboe.</p>	<p>Group Production for 2021 was 92.1 mmboe.</p> <p>The overall achievement on this metric was Stretch Performance.</p>
	<p>The overall outcome for the Production measure was at Stretch, contributing 41.8% to the total Scorecard outcome</p>		

Remuneration Report

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Key performance indicators, measures and rationale	Performance requirements	Achievement
<p>Unit Production Costs (7.5%)</p> <p>Included to ensure that the Company maintains its cost and efficiency focus for every unit of production.</p>	<p>Threshold on this measure required achieving unit production costs of US\$8.53/boe.</p> <p>Target on this measure required achieving unit production costs of US\$8.21/boe.</p> <p>Stretch on this measure required achieving unit production costs of equal to or lower than US\$8.03/boe.</p>	<p>Unit production costs for 2021 was US\$7.76/boe.</p> <p>The overall achievement on this metric was Stretch Performance.</p>
<p>Sustaining Capex (7.5%)</p> <p>Sustaining capex represents capital expenditure incurred in the operation of the underlying business. This measure is included to ensure the focussed and cost-effective delivery of necessary capital programs to sustain the base business.</p>	<p>Threshold on this measure required achieving sustaining capex of less than US\$925m.</p> <p>Target on this measure required achieving sustaining capex of less than US\$900m.</p> <p>Stretch on this measure required achieving sustaining capex of equal to or lower than US\$850m.</p>	<p>Sustaining capex spend for 2021 was US\$819m.</p> <p>The overall achievement on this metric was Stretch Performance.</p>
<p>Gearing (10%)</p> <p>Santos is well positioned to fund growth out of operating cash flow and debt while maintaining gearing levels within a range which is consistent with an investment-grade credit rating. This measure rewards the delivery of strong free cash flow generation from the base business and through the optimisation of the broader asset portfolio through strategically aligned farm outs and disposals.</p>	<p>Threshold on this measure required achieving gearing of less than 35%.</p> <p>Target on this measure required achieving gearing of equal to or less than 31%.</p> <p>Stretch on this measure required achieving gearing of less than 30%.</p>	<p>At 31 December 2021, gearing was at 27.5%.</p> <p>Strong free cash flow generation and profit resulted in increased equity and reduced net debt.</p> <p>The overall achievement on this metric was Stretch Performance.</p>
<p>The overall outcome for Financial measures was at Stretch, contributing 41.7% to the total Scorecard outcome</p>		

Key performance indicators, measures and rationale	Performance requirements	Achievement
<p>Company 2P Reserves Life (7.5%)</p> <p>A viable reserves position and track record for maintaining and growing reserves life ensures the sustainability of the Company's production.</p>	<p>Threshold on this measure required achieving Company 2P Reserves Life equal to or greater than 10 years.</p> <p>Stretch on this measure required achieving Company 2P Reserves Life equal to or greater than 15 years.</p> <p>A pro-rata outcome is paid between Threshold and Stretch on a straight-line basis.</p>	<p>Company 2P Reserves Life as at 31 December 2021 was 14 years using pro-forma Santos and Oil Search 2021 production.</p> <p>The overall achievement on this metric was better than Target Performance.</p>
<p>Oil and Gas Growth Projects (10%)</p> <p>The disciplined operating model has provided Santos with the opportunity to capitalise on growth opportunities. The Oil and Gas Growth Projects scorecard measures our success on delivering a suite of initiatives across our oil and gas assets.</p>	<p>A scorecard of key Oil and Gas Project initiatives and project milestones has been set. Delivery of the initiatives contributes to the overall score on this metric.</p>	<p>Santos achieved significant project milestones for Oil and Gas Growth Projects during 2021 including Final Investment Decisions for Barossa, Bayu-Undan infill as well as FEED entry for the Dorado Integrated Oil and Gas Development.</p> <p>The overall achievement on this metric was between Threshold and Target Performance.</p>
<p>Low Carbon Growth Projects (7.5%)</p> <p>The disciplined operating model has provided Santos with the opportunity to capitalise on growth opportunities. This measure incentivises the delivery of a suite of low carbon initiatives across the business.</p>	<p>A scorecard of key Low Carbon Fuels initiatives which are critical to the Company's significant ambitions to drive sustainable returns in a lower carbon future has been set. Delivery of the initiatives contributes to the overall score on this metric.</p>	<p>Santos took FID on the Moomba CCS project.</p> <p>The overall achievement on this metric was just above Target Performance.</p>
<p>The overall outcome for Growth was above target, contributing 27.0% to the total Scorecard outcome</p>		
<p>The total Company Scorecard outcome for 2021 as a percentage of target was 135.6% (81% of maximum)</p>		

Total

Capping STI outcomes to ensure alignment with shareholder experience

To provide greater alignment with the shareholder experience and to ensure awards under the STI Plan are reasonable relative to free cash flow generated, the Board introduced a cap on the STI pool of five per cent of the Company's free cash flow in any year. The STI pool for 2021 was accommodated well within the five per cent of free cash flow cap.

Remuneration Report

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2021 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 2021, 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, futureproofing the business, leadership and culture and stakeholder engagement.

The STI amount for 2021 represents an outcome which is 135.6 per cent of the target amount (81 per cent of maximum STI opportunity), which is in line with the Company Scorecard outcome.

This delivers an aggregate STI amount to the CEO for 2021 of A\$2,725,560, of which A\$1,362,780 (50 per cent) will be awarded as cash, and A\$1,362,780 (50 per cent) will be awarded as deferred shares, restricted until 31 December 2023.

2021 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 2021 STI outcomes for ongoing Senior Executives ranged from 65 per cent to 89 per cent 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 47.

All Senior Executives had individual 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	Role-specific KPIs	Key achievements in 2021
D Banks	<ul style="list-style-type: none"> Technical and operations governance across the business Provide capability to deliver Santos' growth program Reserves replacement 	<ul style="list-style-type: none"> Demonstrated strong safety and environmental leadership Established strong functional leadership team with new high-talent recruits Has driven the testing of horizontal drilling in the Cooper basin Delivered Northern Territory drilling program Delivered ConocoPhillips integration targets following the finalisation of the ConocoPhillips transaction and in building technical function capability Established consistent operations staffing model across organisation Drove strong customer relationship development focus
B Darley	<ul style="list-style-type: none"> Production volume and cost Health, Safety and Environment outcomes Emissions reductions 	<ul style="list-style-type: none"> Delivered strong production outcomes across portfolio Successfully hooked up Ningaloo Vision & delivered successful infill drilling program Successfully delivered deferred Barossa project; took FID with new FPSO contract in place
A Neilson	<ul style="list-style-type: none"> Corporate cost reduction Balance sheet improvement and capital management Investor relations outcomes Finance and IT integration activities 	<ul style="list-style-type: none"> Delivered US\$1 billion bond issue in US 144A market Established capital reduction plans Continued to build investor confidence in Santos' financial management Delivered reduced gearing
B Woods	<ul style="list-style-type: none"> Operational cost efficiency Progression of low carbon operations including carbon capture and storage Health, Safety and Environment outcomes 	<ul style="list-style-type: none"> Established Midstream Division successfully grouping key assets Achieved strong safety and environment performance outcomes Advanced Moomba CCS project and successfully took FID Achieved DLNG tolling and processing agreements in support of Barossa and took FID on the DLNG Life Extension project Continued to support PNG re-determination negotiations and drove positive outcome for Santos

Table 5 sets out the individual STI outcomes for Senior Executives in 2021, as a percentage of their STI target and maximum STI opportunity.

Table 5: Senior Executive 2021 STI outcomes

	Target 2021 STI (% of TFR)	Actual 2021 STI (% of TFR)	2021 STI as a % of Maximum	% of Maximum STI forfeited
Executive Director				
K Gallagher	100%	136%	81%	19%
Senior Executives				
D Banks	70%	90%	77%	23%
B Darley	70%	85%	73%	27%
A Neilson	70%	100%	85%	15%
B Woods	70%	104%	89%	11%
Former Senior Executives				
R Simpson	70%	76%	65%	35%
P Udem	70%	76%	65%	35%

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 free cash flow breakeven point (FCFBP) and return on average capital employed (ROACE) measures are achieved 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.

SARs 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 2021 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 constituent members of the ASX100 at the commencement of the performance period	The calculation of TSR takes into consideration share price growth and dividend yield and is therefore a robust and objective measure of shareholder returns.
25%	Relative TSR measured against constituent members of the S&P Global 1200 Energy Index (GEI) at the commencement of the performance period	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.

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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 51 st percentile	0%
51 st percentile	50%
Straight line pro-rata vesting in between	
76 th percentile and above	100%

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\$25/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, Santos has delivered a trend of increasing investment in drilling across Queensland and Cooper Basin onshore operations since 2016, with a 150 per cent increase in wells drilled in 2021 compared to 2016. Production has also increased by 20 per cent across Santos' Queensland and Cooper Basin assets during this period, with a reserves replacement ratio of well over 100 per cent across the last two years achieved in Queensland.

FCFBP being a non-market measure is tested and audited internally and all results are 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%

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 2022 awards

For 2022 LTI awards, the level to achieve threshold vesting of the FCFBP component will be set at US\$35/bbl to reflect portfolio operating model expectations. This is US\$5/bbl below the threshold vesting level for the 2021 LTI award. The outcome to achieve full vesting remains US\$25/bbl.

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.

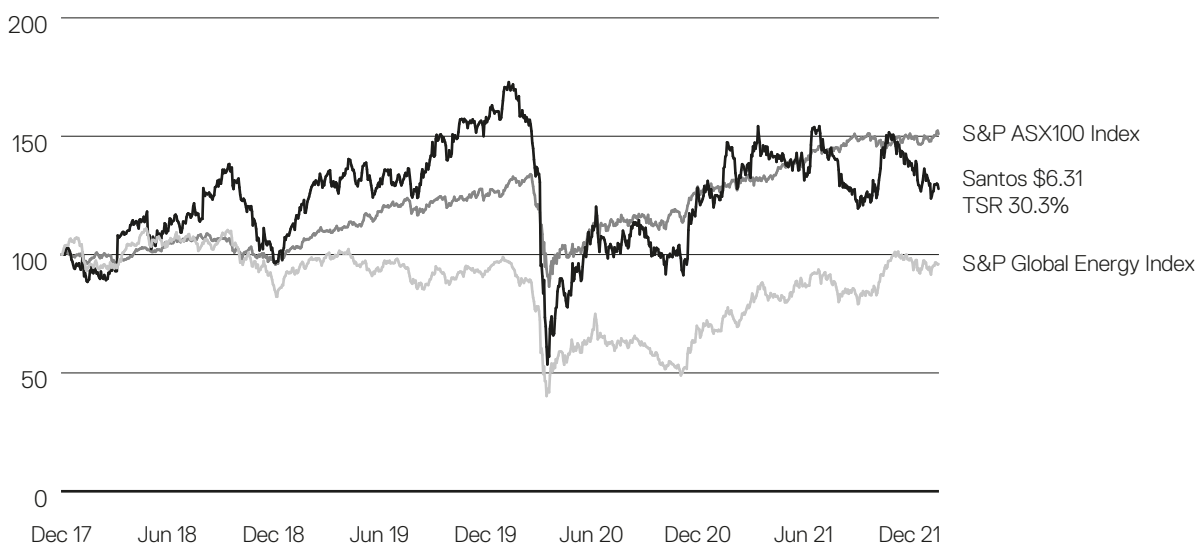
Performance results for the 2018 LTI award

The 2018 LTI award was tested over the four-year performance period 1 January 2018 to 31 December 2021.

The 2018 LTI grant was allocated at a base share price of A\$5.45.

Santos achieved a total shareholder return of 30.3 per cent over the performance period, placing it at the 55th percentile against the S&P ASX100 comparator group and at the 84th percentile against the S&P Global 1200 Energy Index comparator group.

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



Santos' FCFBP for the FCFBP component (averaged over 2018-2021) was US\$20.98. ROACE was 129.8 per cent of WACC. This means 100 per cent of the FCFBP component vested and 100 per cent of the ROACE component vested.

As a result, 89.5 per cent of the 2018 LTI awards vested.

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7. CEO GROWTH PROJECTS INCENTIVE

In April 2021, the Board agreed to provide the CEO a once-off Growth Projects Incentive to reward Mr Gallagher for the successful delivery of Santos' major growth projects and energy transition strategy to 31 December 2025. Mr Gallagher is well-recognised as one of Australia's leading chief executives with a proven track record of delivering for shareholders.

Santos is moving into a growth phase with significant major growth projects including Barossa, Dorado and Moomba carbon capture and storage underway. Santos is leading the energy transition to cleaner fuels and has a clear plan targeting net-zero Scope 1 and 2 equity emissions by 2040. Mr Gallagher is uniquely placed to lead Santos through this transition.

This offer recognises the unique value that Mr Gallagher brings to Santos and the significant role he will play in leading and driving the delivery of the major growth projects through until the end of 2025. The projects are a critical part of the Transform, Build and Grow strategy, and Vision 2025 which Mr Gallagher has designed and led since joining Santos.

The Growth Projects Incentive was provided wholly in the form of 847,458 SARs granted under the Santos Employee Equity Incentive Plan. This was calculated by dividing the maximum award quantum of A\$6 million by the volume weighted average price of Santos shares for the five trading days up to and including 9 April 2021 of A\$7.08. The SARs are at-risk and vesting will be determined following an assessment of delivery against strict performance conditions related to growth projects and emissions reduction and energy transition deliverables and continued employment at 31 December 2025.

Following this assessment, if the SARs vest, shares are automatically allocated to Mr Gallagher. Nothing is payable by Mr Gallagher if SARs vest.

While any vesting awards will not be subject to a further restriction period post vesting, Mr Gallagher is required to retain a minimum shareholding equivalent to three times his annual Total Fixed Remuneration. Trading in shares is subject to compliance with the Company's Securities Dealing Policy. Mr Gallagher also participates in deferred STI and LTI which are provided in equity and which provide ongoing alignment with shareholders.

The award comprises milestones and initiatives to be achieved over the five years to 31 December 2025. The Board will review performance annually as part of the CEO's performance assessment. Achievement of initiatives over the five calendar year performance period (2021-2025) allows success to be 'locked in' along the way, however all awards remain subject to forfeiture if the CEO resigns from his employment prior to 31 December 2025 unless agreed by the Board.

Table 10: Performance conditions relating to the Growth Projects Incentive

Deliverables	Allocation (% of total award)	Targets
Major Growth Projects	60%	Initiatives related to the delivery of: <ul style="list-style-type: none"> • the Barossa Project • the Dorado Project • developing backfill resources to maximise ongoing utilisation and future expansion of existing facilities
Emissions reduction, net-zero plan and energy transition	40%	Initiatives related to the delivery of: <ul style="list-style-type: none"> • CCS Operational targets • progress towards net-zero Scope 1 and 2 operations emissions • new energy business development which supports Energy Transition • achieve significant progress on a commercial scale hydrogen or downstream clean fuels project

The underlying performance conditions of the Growth Projects Incentive are commercially sensitive and therefore only a high-level overview of the deliverables and milestones has been given in Table 10. A more detailed description of achievements will be provided each year in the Remuneration Report.

The Board considers that the 40 per cent weighting to emissions, net-zero and energy transition significantly increases the exposure of the CEO's remuneration to climate change measures.

Approval will be sought for the issue of shares for the Growth Projects Incentive at the 2022 Annual General Meeting, as the timeframe did not enable the resolution to be included in the 2021 Annual General Meeting. In the event approval for the issue of shares to satisfy vested SARs is not received, the Growth Projects Incentive will be settled with shares acquired on market or will be cash-settled.

Performance in 2021

Following Board review, the following milestone initiatives were noted as having been achieved during 2021:

Major Growth Projects

- The Board approved the Final Investment Decision for the Barossa Project on 30 March 2021.
- Santos completed the sell-down of 25 per cent interests in both Bayu-Undan and Darwin LNG to SK E&S on 30 April 2021. This sell-down further aligned partner interests in the Barossa Project with those in Bayu-Undan and Darwin LNG.
- On 29 June 2021, Santos announced the launch of front end engineering and design (FEED) for the Dorado Project in the Bedout Sub-basin, offshore Western Australia. Entering FEED for the Dorado project is a significant milestone and has the project on schedule for a final investment decision around mid-2022. Dorado has high-quality reservoirs making it a very cost-competitive project globally. Dorado is also a very low CO2 reservoir with approximately 1.5 per cent CO2.

Emissions reduction, net-zero plan and energy transition

- On 1 November 2021, Santos and joint venture partner Beach Energy announced the final investment decision to proceed with Santos' A\$210 million Moomba CCS project. Moomba CCS will be one of the biggest CCS projects in the world and will safely and permanently store 1.7 million tonnes of carbon dioxide per year in the same reservoirs that held oil and gas in place for tens of millions of years. The decision followed Santos' successful registration of the Moomba CCS project with the Clean Energy Regulator. The Clean Energy Regulator's CCS method provides a crediting period of 25 years, over which period the project will qualify for Australian Carbon Credit Units for emissions reduction from Moomba CCS.

Achievement of these milestones are key enablers on the critical path to delivery of the overall performance goals in the Growth Projects Incentive.

All awards remain subject to forfeiture if the CEO resigns from his employment prior to 31 December 2025 unless otherwise agreed by the Board.

Remuneration Report

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8. REALISED REMUNERATION

Table 11 shows Realised Remuneration for the CEO and Senior Executives in 2020 and 2021.

Realised Remuneration differs from statutory remuneration reported in Table 12 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 11: Realised Remuneration (non-IFRS and non-audited)

	Year	TFR ¹ A\$	Cash STI ² A\$	Deferred STI that vested in the year ³ A\$	LTI ⁴ A\$	Other vested grants A\$	Other ⁵ A\$	Total A\$
Executive Director								
K Gallagher	2021	2,010,000	1,362,780	896,323	2,937,703	–	6,313	7,213,119
	2020	2,010,000	887,749	1,380,334	3,820,593	–	6,326	8,105,002
Senior Executives								
D Banks	2021	800,000	360,700	224,087	580,287	5,696	6,313	1,977,083
	2020	760,724	221,507	284,376	–	–	–	1,266,607
B Darley	2021	840,000	358,800	257,101	538,577	576,825	14,889	2,586,192
	2020	840,000	250,679	36,510	–	–	11,985	1,139,174
A Neilson	2021	922,500	459,700	314,882	688,049	–	–	2,385,131
	2020	916,875	316,602	408,252	1,132,017	–	–	2,773,746
B Woods	2021	768,750	401,300	224,087	621,731	–	6,313	2,022,181
	2020	768,750	229,444	385,003	758,451	–	6,326	2,147,974
Former Senior Executives								
R Simpson	2021	247,778	94,865	–	300,444	378,784	3,142	1,025,013
	2020	256,605	44,187	–	390,746	6,198	1,970	699,706
P Udem	2021	282,877	106,117	131,210	–	–	–	520,204
	2020	750,000	201,416	–	–	–	–	951,416

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

² The 'Cash STI' column reflects the 50 per cent of the STI award for 2021 performance for continuing Executives that will be paid in cash. The remaining 50 per cent will be awarded as equity restricted for two years.

³ The deferred restricted equity from the 2019 STI award that vested on 31 December 2021, at a closing share price of A\$6.31.

⁴ The 2018 LTI was tested at the end of its performance period on 31 December 2021 and 89.5 per cent of awards vested. The value shown in the table is based on the closing share price on 31 December 2021 of A\$6.31. For the value of share-based payments calculated in accordance with the Accounting Standards, see Table 12 *Statutory Executive KMP remuneration details* on page 54.

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 2021

Mr Gallagher's Realised Remuneration for 2021 included the following at-risk performance related elements:

- the cash component of Mr Gallagher's STI award based on 2021 performance;
- the value of Mr Gallagher's deferred STI award from 2019 which vested on 31 December 2021; and
- the value of Mr Gallagher's Long-Term Incentive award from 2018 which was tested at 31 December 2021.

As noted above, the CEO was awarded a cash STI for 2021 of A\$1,362,780. The basis for this award is described in section 5 above.

Mr Gallagher's 2019 STI was awarded half in cash and half in Restricted Shares, with the Restricted Shares vesting on 31 December 2021. The share price depreciated 23 per cent between the start of the performance period (A\$8.18) and vesting (A\$6.31) reducing the value of the award received by Mr Gallagher to A\$0.9m from A\$1.16m.

Chart 4: Realised value of Mr Gallagher's Deferred 2019 STI

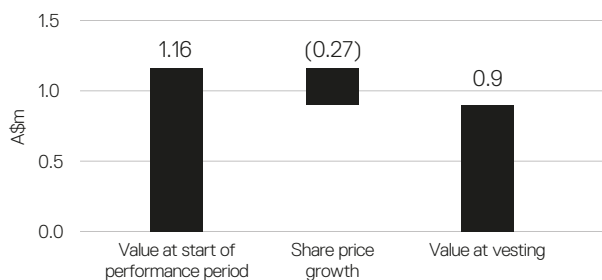
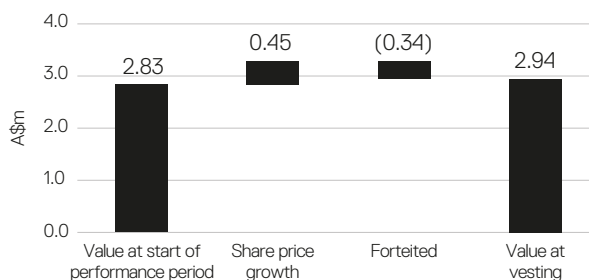


Chart 5: Realised value of Mr Gallagher's 2018 LTI



Mr Gallagher's 2018 LTI allocation had a face value of A\$2.83m at the start of the performance period. The Santos share price appreciated 16 per cent between the start of the performance period and vesting. The value based on the closing share price on 31 December 2021 of A\$6.31 was A\$3.28m. The vesting outcome of the 2018 LTI was 89.5 per cent, meaning the value of the final vesting award was A\$2.94m.

Remuneration Report

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9. STATUTORY REMUNERATION FOR EXECUTIVE KMP

Table 12 presents summarised details of the remuneration for Executive KMPs in 2020 and 2021 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 \$0.7514 for 2021 and \$0.6904 for 2020.

Table 12: Statutory Executive KMP remuneration details

	Short-term employee benefits			Post-employment	Share-based payments ¹			Total share-based payments US\$	Termination benefits US\$	Other long-term benefits (long service) ⁵ US\$	Total at-risk US\$	Total at-risk %			
	Base salary US\$	STI ² US\$	Other ³ US\$		Superannuation contributions US\$	LTI (SARs) US\$	Projects Incentive (SARs) US\$						Deferred STI (Restricted Shares) ⁴ US\$	SharePLUS ⁵ Options	
Executive Director															
K Gallagher	2021	1,490,590	1,023,993	4,744	19,724	1,903,020	911,898	898,541	2,233	–	3,715,692	–	84,368	6,339,111	75%
	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%
Senior Executives															
D Banks	2021	581,396	271,030	4,744	19,724	333,758	–	229,414	1,886	–	565,058	–	20,616	1,462,568	57%
	2020	505,460	152,928	–	19,744	170,737	–	146,074	1,720	–	318,531	–	17,709	1,014,372	46%
B Darley	2021	611,452	269,602	11,188	19,724	543,925	–	247,845	2,233	–	794,003	–	28,624	1,734,593	61%
	2020	562,676	173,069	8,274	17,260	371,881	–	93,778	1,029	–	466,688	–	20,244	1,248,211	51%
A Neilson	2021	673,442	345,419	–	19,724	396,032	–	313,025	1,276	–	710,333	–	23,759	1,772,677	60%
	2020	615,751	218,582	–	17,260	351,854	–	209,130	588	–	561,572	–	16,873	1,430,038	55%
B Woods	2021	557,915	301,537	4,744	19,724	348,822	–	243,181	2,233	–	594,236	–	27,372	1,505,528	59%
	2020	513,485	158,408	4,367	17,260	281,747	–	173,847	1,029	–	456,623	–	30,146	1,180,289	52%
Former Senior Executives															
R Simpson ⁷	2021	179,095	71,281	2,361	7,085	64,477	–	44,508	–	–	108,985	–	7,590	376,397	48%
	2020	170,322	30,507	1,360	6,838	96,423	–	14,157	688	–	111,268	–	21,370	341,665	41%
P Udem ⁸	2021	205,468	79,737	–	7,085	78,647	–	75,684	832	–	155,163	–	4,683	452,136	52%
	2020	500,540	139,057	–	17,260	119,636	–	77,865	1,029	–	198,530	–	7,601	862,988	39%

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 72 to the financial statements.

² This amount represents the cash portion of the STI performance award for 2021, which will be paid during March 2022.

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. The deferred equity component of the 2021 STI award is intended to be allocated in March 2022.

⁵ SharePLUS is the collective term used for the Santos general employee share plans. Refer to Note 72 in 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 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. Figures for 2021 are for the period until cessation as KMP on 16 May 2021.

⁸ Figures shown for Mr Udem for 2021 are for the period until cessation as KMP on 16 May 2021.

Tables 13 and 14 contain details of the number and value of SARs and shares granted, vested and lapsed for the CEO in 2021.

Table 13: Movements in SARs for the CEO

	Granted		Vested		Lapsed
	Number	Maximum value US\$	Number	Value US\$	Number
LTI SARs	577,033 ¹	2,600,411 ²	465,563 ³	2,207,390	54,620
Growth Projects Incentive SARs	847,458 ⁴	4,502,034 ⁵	–	–	–
Total	1,424,491	7,102,445	465,563	2,207,390	54,620

- 1 The SARs granted to the CEO relate to his 2021 LTI performance grant as approved at the 2021 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 2024.
- 2 The maximum value represents the fair value of LTI grants received in 2021, determined in accordance with AASB 2 *Share-based Payment*. The weighted average fair value of each SAR as at the grant date of 15 April 2021 is A\$6.00. Details of the assumptions underlying the valuations are set out in Note 7.2 to the financial statements. The minimum total value of the grant 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 2018 LTI performance grants as approved at the 2018 Annual General Meeting. This was tested based on performance to 31 December 2021 with 89.5 per cent of the award vested as described in section 6. There are no retesting provisions under the LTI and the lapsed amount reflects the 10.5 per cent which did not satisfy the vesting conditions.
- 4 This relates to the special one-off grant of SARs under the Growth Projects Incentive. The award will vest on 31 December 2025 contingent on the achievement of the relevant performance and employment conditions outlined in more detail in section 7.
- 5 The maximum value represents the fair value of Growth Projects Incentive SARs allocated in 2021, determined in accordance with AASB 2 *Share-based Payment*. The fair value of the Growth Projects Incentive grant as at the grant date of 11 April 2021 is \$A7.07. The minimum total value of the grant to the CEO, if the applicable vesting conditions are not met, is nil.

Table 14: Movements in Restricted Shares for the CEO

	Granted		Vested		Lapsed
	Number	Maximum value US\$	Number	Value US\$	Number
Deferred STI	198,023 ¹	1,074,296	142,048 ²	673,497	–

- 1 The Restricted Shares granted to the CEO relate to his 2020 STI award. The maximum value is the fair value of the 2020 STI grant of Restricted Shares received in 2021 determined in accordance with AASB 2 *Share-based Payment*. The fair value of the deferred 2020 STI grant as at the grant date of 15 March 2021 was A\$7.35. 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 2019 STI grant that was deferred for two years from 1 January 2020 to 31 December 2021 and vested in full on 31 December 2021.

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Tables 15 and 16 contain details of the number and value of SARs and shares granted, vested and lapsed for Senior Executives in 2021. No Senior Executive had any options granted, vesting or lapsing in 2021.

Table 15: Movements in SARs for Senior Executives

	LTI SARs				
	Granted ¹		Vested ³		Lapsed
	Number	Maximum value ² US\$	Number	Value US\$	Number
Senior Executives					
D Banks	127,591	534,005	91,963	436,027	10,789
B Darley	133,971	560,708	85,353 ⁴	404,687	10,014
A Neilson	147,129	615,778	109,041	517,000	12,793
B Woods	122,607	513,146	98,531	467,168	11,560
Former Senior Executives					
R Simpson	106,952	447,626	47,614	225,754	5,586
P Undem	119,617	500,632	–	–	–
Total	757,867	3,171,895	432,502	2,050,636	50,742

	Other SARs				
	Granted		Vested		Lapsed
	Number	Maximum value US\$	Number	Value US\$	Number
Senior Executives					
D Banks	–	–	800 ⁵	4,280	–
B Darley	–	–	88,879 ⁶	433,426	–
Former Senior Executives					
R Simpson	–	–	53,200 ⁷	284,618	–
Total	–	–	142,879	722,324	–

¹ This relates to the 2021 LTI award.

² Maximum value represents the fair value of LTI grants received in 2021 determined in accordance with AASB 2 *Share-Based Payment*. The weighted average fair value of each SAR as at the grant date of 12 May 2021 is A\$5.57. 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 2018 LTI award. The value is determined by the share price of A\$6.31 on the date of vesting at 31 December 2021.

⁴ 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.

⁵ Vesting of ShareMatch SARs that relates to the 2018 share purchase. The value is determined by the share price of A\$7.12 on the date of vesting at 9 July 2021.

⁶ Mr Darley commenced employment with Santos following the acquisition of Quadrant Energy. Mr Darley received a sign-on award to compensate him for interests forgone upon commencement with Santos which fully vested three years after his commencement having satisfied the service condition. The value of the SARs is determined by the share price of A\$6.49 on the date of vesting at 27 November 2021.

⁷ Mr Simpson received a retention award in 2018 which fully vested in 2021 having satisfied both service and individual performance conditions. The value is determined by the share price of A\$7.12 on the date of vesting at 1 April 2021.

Table 16: Movements in Restricted Shares for Senior Executives

	Deferred STI				
	Granted ¹		Vested		Lapsed
	Number	Maximum value ² US\$	Number	Value US\$	Number
Senior Executives					
D Banks	49,409	268,049	35,513	168,379	–
B Darley	55,901	303,269	40,745	193,186	–
A Neilson	70,606	383,045	49,902	236,602	–
B Woods	51,164	277,570	35,513	168,379	–
Former Senior Executives					
R Simpson	26,332	142,854	–	–	–
P Udem	44,928	243,739	20,794	98,591	–
Total	298,340	1,618,526	182,467	865,137	–

	ShareMatch				
	Granted		Vested ³		Lapsed
	Number	Maximum value US\$	Number	Value US\$	Number
Senior Executive					
D Banks	–	–	800	4,280	–

1 This relates to the 2020 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 2021 was A\$7.22. 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 Vested ShareMatch restricted shares that relate to the 2018 share purchase. The value is determined by the share price of A\$7.12 on the date of vesting at 9 July 2021.

Remuneration Report

continued

10. KMP EQUITY

Ordinary shareholdings

Table 17 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.

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

Table 17: 2021 movements in ordinary shareholdings for KMP

Ordinary shares – fully paid	Opening balance	Received upon vesting of SARs ¹	Purchased	Sold	Deferred 2019 STI that vested on 31 December 2021	Other changes	Closing balance
Non-executive Directors							
Y Allen	48,883	–	–	–	–	–	48,883
G Cowan	45,487	–	–	–	–	–	45,487
E Doyle	–	–	–	–	–	33,567 ²	33,567
H Goh	67,215	–	–	–	–	–	67,215
V Guthrie	39,188	–	–	–	–	–	39,188
P Hearl	48,808	–	–	–	–	–	48,808
J McArdle	18,000	–	–	–	–	–	18,000
K Spence	90,000	–	–	–	–	15,688 ²	105,688
M Werror	–	–	–	–	–	–	–
Former non-executive Director							
E Shi	–	–	–	–	–	–	–
Executive Director							
K Gallagher	1,319,012	609,345	–	(340,000)	142,048	–	1,730,405
Senior Executives							
D Banks	45,355 ³	800	–	–	35,513	800	82,468
B Darley	5,823	88,879	–	–	40,745	–	135,447
A Neilson	123,153	180,545	–	(90,000)	49,902	2,089 ²	265,689
B Woods	338,555	120,965	–	(170,000)	35,513	–	325,033
Former Senior Executives							
R Simpson	81,533 ⁴	115,520	–	(120,749)	–	–	76,304
P Underm	–	–	–	–	20,794	–	20,794
Total	2,271,012	1,116,054	–	(720,749)	324,515	52,144	3,042,976

¹ This reflects SARs that vested and converted to ordinary shares in 2021. This includes the 2017 LTI. The 2018 LTI was tested at the end of its performance period on 31 December 2021 and 89.5 per cent vested, and the vested SARs converted to ordinary shares after 31 December 2021.

² Santos shares received as consideration for Oil Search shares held prior to Oil Search scheme implementation.

³ Closing balance of 46,155 shares as reported in last year's Remuneration Report less 800 ShareMatch Restricted Shares that relate to the 2018 share purchase and restated in 'Other Changes'. Both 800 ShareMatch SARs and Restricted Shares vested in 2021.

⁴ This reflects the closing balance of 80,315 ordinary shares as reported in last year's Remuneration Report and includes 1,220 ShareMatch Restricted Shares that relate to the 2017 share purchase which vested in 2020.

Executive KMP SARs and Restricted Shares

Tables 18 and 19 set out the movement during the reporting period in the number of SARs and Restricted Shares of the Company held directly, indirectly or beneficially, by each KMP, including their related parties. There are no options held by KMPs.

Table 18: Movements in Executive KMP SARs

	Grant date	Balance at 1 Jan 2021	SARs granted	SARs vested ¹	SARs lapsed	Balance at 31 Dec 2021	% vested in the year	% forfeited in the year	Financial year of vesting	
Executive Director										
K Gallagher	7/5/18	520,183	–	(465,563)	(54,620)	–	89.5%	10.5%	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	
	11/4/21	–	847,458 ²	–	–	847,458			2025	
	15/4/21	–	577,033	–	–	577,033			2024	
	Total		1,499,719	1,424,491	(465,563)	(54,620)	2,404,027			
Senior Executives										
D Banks	21/3/18	102,752	–	(91,963)	(10,789)	–	89.5%	10.5%	2021	
	9/7/18	800 ³	–	(800)	–	–	100%	0%	2021	
	15/3/19	104,744	–	–	–	104,744			2022	
	19/3/20	91,687	–	–	–	91,687			2023	
	31/8/20	898	–	–	–	898			2023	
	12/5/21	–	127,591	–	–	127,591			2024	
	Total		300,881	127,591	(92,763)	(10,789)	324,920			
	B Darley	18/4/19	88,879 ⁴	–	(88,879)	–	–	100%	0%	2021
18/4/19		95,367 ⁵	–	(85,353)	(10,014)	–	89.5%	10.5%	2021	
18/4/19		122,627 ⁶	–	–	–	122,627			2022	
19/3/20		102,689	–	–	–	102,689			2023	
31/8/20		898	–	–	–	898			2023	
31/8/20		898	–	–	–	898			2024	
12/5/21		–	133,971	–	–	133,971			2024	
Total			411,358	133,971	(174,232)	(10,014)	361,083			
A Neilson	21/3/18	121,834	–	(109,041)	(12,793)	–	89.5%	10.5%	2021	
	15/3/19	124,197	–	–	–	124,197			2022	
	19/3/20	112,775	–	–	–	112,775			2023	
	31/8/20	898	–	–	–	898			2023	
	12/5/21	–	147,129	–	–	147,129			2024	
	Total		359,704	147,129	(109,041)	(12,793)	384,999			
B Woods	21/3/18	110,091	–	(98,531)	(11,560)	–	89.5%	10.5%	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	
	12/5/21	–	122,607	–	–	122,607			2024	
	Total		318,092	122,607	(98,531)	(11,560)	330,608			
Former Senior Executives										
R Simpson	1/4/18	53,200 ⁷	–	(53,200)	–	–	100%	0%	2021	
	8/5/18	53,200	–	(47,614)	(5,586)	–	89.5%	10.5%	2021	
	18/3/19	54,089	–	–	–	54,089			2022	
	19/3/20	36,815	–	–	–	36,815			2023	
	12/5/21	–	106,952	–	–	106,952			2024	
	Total		197,304	106,952	(100,814)	(5,586)	197,856			
P Udem	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	
	12/5/21	–	119,617	–	–	119,617			2024	
Total		202,972	119,617	–	–	322,589				

1 Rights vested represents SARs that had satisfied their vesting performance conditions in 2021. Vested LTI SARs do not convert to ordinary shares until 2022.

2 This relates to the special once-off Growth Projects Incentive SARs granted in 2021. The award will vest on 31 December 2025 contingent on the achievement of the relevant performance and employment conditions outlined in more detail in section 7.

3 Vesting of ShareMatch SARs that relates to the 2018 share purchase.

4 Mr Darley commenced employment with Santos following the acquisition of Quadrant Energy. Mr Darley received a sign-on award to compensate him for interests forgone upon commencement with Santos which vested three years after his commencement.

5 Mr Darley also 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.

6 Mr Darley's LTI award for 2019.

7 Mr Simpson received a retention award in 2018 which fully vested in 2021 having satisfied both service and individual performance conditions

Remuneration Report

continued

Table 19: Movements in Executive KMP Restricted Shares

	Grant date	Balance at 1 Jan 2021	Restricted Shares granted	Restricted Shares vested	Restricted Shares forfeited	Balance at 31 Dec 2021	% vested in the year	% forfeited in the year	Financial year of vesting
Executive Director									
K Gallagher	12/3/20	142,048	–	(142,048)	–	–	100%	0%	2021
	31/8/20	898	–	–	–	898			2023
	31/8/20	898	–	–	–	898			2024
	12/3/21	–	198,023	–	–	198,023			2022
	Total	143,844	198,023	(142,048)	–	199,819			
Senior Executives									
D Banks	9/7/18	800 ¹	–	(800)	–	–	100%	0%	2021
	12/3/20	35,513	–	(35,513)	–	–	100%	0%	2021
	31/8/20	898	–	–	–	898			2023
	12/3/21	–	49,409	–	–	49,909			2022
	Total	37,211	49,409	(36,313)	–	50,807			
B Darley	12/3/20	40,745	–	(40,745)	–	–	100%	0%	2021
	31/8/20	898	–	–	–	898			2023
	31/8/20	898	–	–	–	898			2024
	12/3/21	–	55,901	–	–	55,901			2022
	Total	42,541	55,901	(40,745)	–	57,697			
A Neilson	12/3/20	49,902	–	(49,902)	–	–	100%	0%	2021
	31/8/20	898	–	–	–	898			2023
	12/3/21	–	70,606	–	–	70,606			2022
	Total	50,800	70,606	(49,902)	–	71,504			
B Woods	12/3/20	35,513	–	(35,513)	–	–	100%	0%	2021
	31/8/20	898	–	–	–	898			2023
	31/8/20	898	–	–	–	898			2024
	12/3/21	–	51,164	–	–	51,164			2022
	Total	37,309	51,164	(35,513)	–	52,960			
Former Senior Executives									
R Simpson	31/8/20	179	–	–	–	179			2023
	12/3/21	–	26,332	–	–	26,332			2022
	Total	179	26,332	–	–	26,511			
P Udem	12/3/20	20,794 ²	–	(20,794)	–	–	100%	0%	2021
	31/8/20	898	–	–	–	898			2023
	31/8/20	898	–	–	–	898			2024
	12/3/21	–	44,928	–	–	44,928			2022
	Total	22,590	44,928	(20,794)	–	46,724			

¹ Mr Banks' vesting of 800 ShareMatch Restricted Shares into ordinary shares that relate to the 2018 share purchase.

² Mr Udem's 2019 Deferred STI grant vested on 31 December 2021 after cessation of his term as KMP on 16 May 2021.

ShareMatch offer

In 2020, Executive KMP 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 funded through pre-tax and post-tax deductions from salary which concluded in June 2021. No amounts were outstanding at 31 December 2021. ShareMatch was not offered to Executive KMP in 2021.

The general terms of ShareMatch and full details of all outstanding equity awards can be found in Note 7.2 to the financial statements in this and prior Remuneration Reports.

Loans to Key Management Personnel

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 KMP, including their related parties.

11. KEY TERMS OF EMPLOYMENT CONTRACTS FOR EXECUTIVE KMP

The main terms of employment contracts for Executive KMP are set out in Table 20.

Table 20: 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 A\$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.

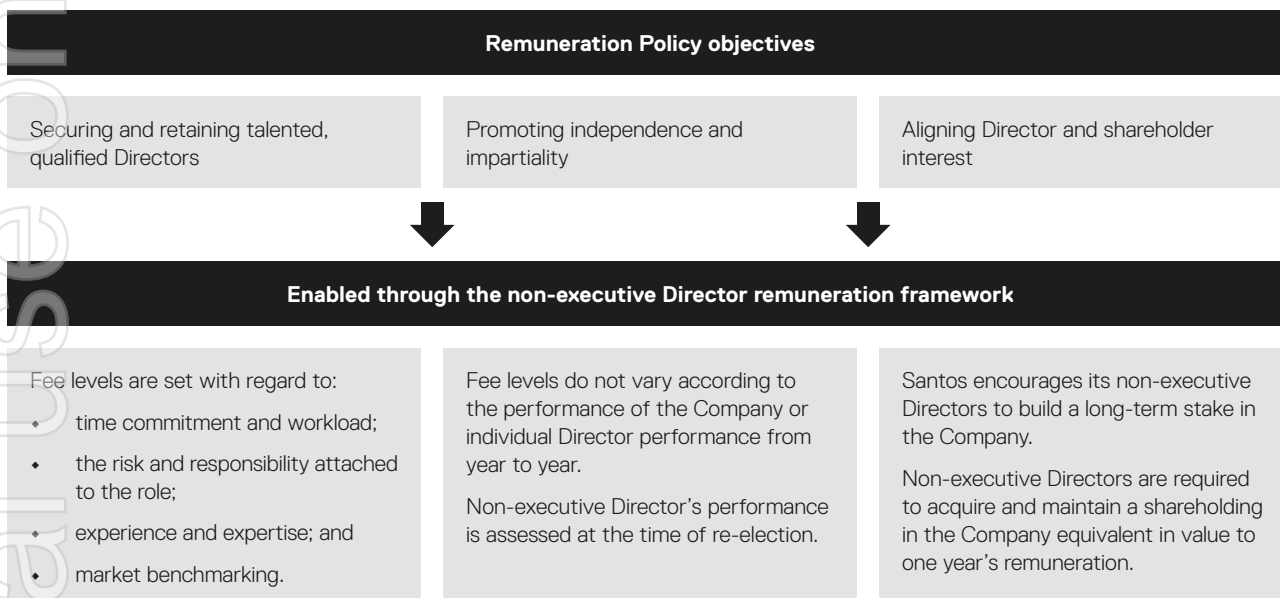
Remuneration Report

continued

12. 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:



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 21 summarises the fee structure for main Board and committees for 2021.

Table 21: Non-executive Directors' annual fee structure¹

	Chair ² A\$	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, so does not receive any additional fees for this role (see footnote 2 above).

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 2020 and 2021 is shown in Table 22.

Santos engaged PwC in 2019 to undertake an independent review of non-executive Director fees and the Fee Pool cap. Fees had last been reviewed in 2018 and the cap had not been increased since 2013. Consistent with the outcomes of the review, a proposal was put forward to the Board to align fees at around market median and to abolish the separate fee for the Nomination Committee. These changes were approved by the Board in February 2020 but were ultimately not implemented in the face of extreme uncertainties arising from the rapidly emerging COVID-19 pandemic.

During 2021, the Board reviewed Directors' fees including consideration of updated market data provided by PwC. The Board approved to increase the Chair fee to A\$561,325, member fees to A\$200,000, all sub-committee Chair fees to A\$50,000, all sub-committee member fees to A\$25,000 and to eliminate the Nominations Committee fee, effective from 1 January 2022.

The Directors will seek approval from shareholders to increase the maximum aggregate amount available for non-executive Directors' fees (Fee Pool) in any financial year commencing on or after 1 January 2022 from A\$2,600,000 to A\$3,500,000 per year, an increase of A\$900,000 per year. The Fee Pool has not been increased since it was last approved by shareholders at the 2013 Annual General Meeting.

The proposed Fee Pool will accommodate the appointment of additional Board members following the merger with Oil Search Limited.

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 2021 are set out in Table 22. Differences in fees received between 2020 and 2021 reflect changes in roles and responsibilities (ie 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 22: 2021 and 2020 non-executive Director remuneration

Director	Year	Short-term benefits			Retirement benefits		Share-based payments US\$	Total US\$
		Directors' fees (incl. committee fees) US\$	Fees for special duties or exertions US\$	Other long-term benefits US\$	Superannuation ¹ US\$			
Y Allen	2021	175,789	–	–	16,926	–	192,715	
	2020	161,776	–	–	14,739	–	176,515	
G Cowan	2021	158,442	–	–	15,447	–	173,889	
	2020	144,711	–	–	13,748	–	158,459	
E Doyle ²	2021	4,764	–	–	476	–	5,240	
	2020	–	–	–	–	–	–	
H Goh	2021	164,453	–	–	16,033	–	180,486	
	2020	154,941	–	–	9,714	–	164,655	
V Guthrie	2021	156,939	–	–	15,301	–	172,240	
	2020	143,331	–	–	13,616	–	156,947	
P Hearl	2021	168,275	–	–	16,550	–	184,825	
	2020	154,872	–	–	14,739	–	169,611	
J McArdle	2021	169,309	–	–	–	–	169,309	
	2020	145,187	–	–	–	–	145,187	
K Spence	2021	374,978	–	–	17,005	–	391,983	
	2020	345,423	–	–	14,739	–	360,162	
M Werror ²	2021	5,241	–	–	–	–	5,241	
	2020	–	–	–	–	–	–	
Former Director								
E Shi ³	2021	28,361	–	–	–	–	28,361	
	2020	344	–	–	33	–	377	

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

² Dr Doyle and Mr Werror joined the Santos Board effective from Oil Search merger implementation on 17 December 2021.

³ Mr Shi, an ENN Group nominee director, joined the Board on 31 December 2020 and resigned on 10 March 2021, following completion of the sale of ENN Group's 5.14 per cent interest in the Company.

Directors' Report

continued

INDEMNIFICATION

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

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

In conformity with Rule 61, the Company is party to Deeds of Indemnity in favour of each of the Directors referred to in this report who held office during the year and certain Senior Executives of the consolidated entity. The indemnities operate to the full extent permitted by law and are not subject to a monetary limit. Santos is not aware of any liability having arisen, and no claims have been made during or since the financial year ending 31 December 2021 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 2021, 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 2022. 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	\$1,832,000
Assurance services, not required to be performed by the Company's auditor	\$851,000
Other assurance services required by legislation to be performed by the Company's auditor	\$290,000

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 147.

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 15 February 2022 in accordance with a resolution of the Directors.



Director

Financial Report

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Consolidated Income Statement

for the year ended 31 December 2021

	Note	2021 US\$million	2020 US\$million
Revenue from contracts with customers – Product sales	2.2	4,713	3,387
Cost of sales	2.3	(2,982)	(2,642)
Gross profit		1,731	745
Revenue from contracts with customers – Other	2.2	124	125
Other income	2.7	112	65
Impairment of non-current assets	3.4	(8)	(895)
Other expenses	2.3	(562)	(145)
Finance income	5.2	5	15
Finance costs	5.2	(222)	(249)
Share of net profit of associates	6.4(b)	25	33
Profit/(loss) before tax		1,205	(306)
Income tax (expense)/benefit	2.4(a)	(363)	63
Royalty-related tax expense	2.4(b)	(184)	(114)
Total tax expense		(547)	(51)
Net profit/(loss) for the period attributable to owners of Santos Limited		658	(357)
Earnings per share attributable to the equity holders of Santos Limited (¢)			
Basic profit/(loss) per share	2.5	30.8	(17.1)
Diluted profit/(loss) per share	2.5	30.6	(17.1)
Dividends per share (¢)			
Paid during the period	2.6	10.5	7.1
Declared in respect of the period	2.6	14.0	7.1

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 2021

	2021 US\$million	2020 US\$million
Net profit/(loss) for the period	658	(357)
Other comprehensive income, net of tax		
<i>Items to be reclassified to the income statement in subsequent periods</i>		
Exchange (loss)/gain on translation of foreign operations	(30)	55
Foreign currency translation reserve recycled to the income statement	-	-
	(30)	55
Loss on derivatives designated as cash flow hedges	(70)	(3)
Tax effect	21	1
	(49)	(2)
Net other comprehensive (loss)/income to be reclassified to the income statement in subsequent periods	(79)	53
<i>Items not to be reclassified to the income statement in subsequent periods</i>		
Fair value changes on financial liabilities designated at fair value due to own credit risk	(1)	2
Tax effect	-	(1)
	(1)	1
Net other comprehensive (loss)/income not to be reclassified to the income statement in subsequent periods	(1)	1
Other comprehensive (loss)/income, net of tax	(80)	54
Total comprehensive income/(loss) attributable to owners of Santos Limited	578	(303)

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 2021

	Note	2021 US\$million	2020 US\$million
Current assets			
Cash and cash equivalents	4.1	2,976	1,319
Trade and other receivables	4.2	873	560
Prepayments		82	39
Contract assets	2.2(b)	122	23
Inventories	4.3	406	288
Other financial assets	5.5(g)	7	29
Assets held for sale	6.3	285	438
Total current assets		4,751	2,696
Non-current assets			
Contract assets	2.2(b)	297	106
Investments in associate and joint ventures	6.4(b)	399	413
Other financial assets	5.5(g)	53	24
Prepayments		100	2
Exploration and evaluation assets	3.1	3,182	1,818
Oil and gas assets	3.2	18,077	10,925
Other land, buildings, plant and equipment		388	248
Deferred tax assets	2.4(d)	1,299	1,041
Goodwill	3.3	1,463	383
Total non-current assets		25,258	14,960
Total assets		30,009	17,656
Current liabilities			
Trade and other payables	4.4	1,215	558
Contract liabilities	2.2(b)	106	64
Lease liabilities	3.6	196	121
Interest-bearing loans and borrowings	5.1	889	233
Current tax liabilities		211	31
Provisions	3.5	288	177
Other financial liabilities	5.5(g)	98	39
Liabilities directly associated with assets held for sale	6.3	8	312
Total current liabilities		3,011	1,535
Non-current liabilities			
Contract liabilities	2.2(b)	237	281
Lease liabilities	3.6	677	336
Interest-bearing loans and borrowings	5.1	6,287	4,309
Deferred tax liabilities	2.4(d)	2,350	904
Provisions	3.5	3,817	3,039
Other liabilities		–	1
Other financial liabilities	5.5(g)	20	24
Total non-current liabilities		13,388	8,894
Total liabilities		16,399	10,429
Net assets		13,610	7,227
Equity			
Issued capital	5.3	15,030	9,013
Reserves	5.4	806	1,107
Accumulated losses	5.4	(2,226)	(2,893)
Equity attributable to owners of Santos Limited		13,610	7,227
Total equity		13,610	7,227

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 2021

	Note	2021 US\$million	2020 US\$million
Cash flows from operating activities			
Receipts from customers		4,700	3,503
Interest received		5	15
Dividends received		38	41
Pipeline tariffs and other receipts		185	218
Payments to suppliers and employees		(1,667)	(1,899)
Restoration expenditure		(55)	(37)
Exploration and evaluation seismic and studies		(101)	(48)
Royalty and excise paid		(81)	(59)
(Payments for)/proceeds from commodity hedging		(230)	54
Borrowing costs paid		(183)	(176)
Income taxes paid		(115)	(5)
Royalty-related taxes paid		(247)	(154)
Insurance proceeds		40	13
Overriding royalty		(17)	10
Net cash provided by operating activities	4.1(b)	2,272	1,476
Cash flows from investing activities			
Payments for:			
Exploration and evaluation assets		(207)	(130)
Oil and gas assets		(853)	(584)
Other land, buildings, plant and equipment		(27)	(47)
Acquisitions of exploration and evaluation assets		(16)	(9)
Acquisitions of a controlled entity, net of cash acquired	6.2(a)	946	(695)
Costs associated with acquisition of subsidiaries		(108)	(19)
Net proceeds/(payments) associated with disposal		186	(11)
Borrowing costs paid		(58)	(29)
Return of capital – Investments in associate	6.4(b)	–	63
Net cash used in investing activities		(137)	(1,461)
Cash flows from financing activities			
Dividends paid	2.6	(221)	(136)
Drawdown of borrowings		996	1,492
Repayment of borrowings		(1,066)	(960)
Repayment of principal portion of lease liabilities		(147)	(119)
Purchase of shares on-market (Treasury shares)	5.3	(43)	(31)
Net cash (used in)/provided by financing activities		(481)	246
Net increase in cash and cash equivalents		1,654	261
Cash and cash equivalents at the beginning of the period		1,319	1,067
Effects of exchange rate changes on the balances of cash held in foreign currencies		3	(9)
Cash and cash equivalents at the end of the period	4.1	2,976	1,319

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 2021

Equity attributable to owners of Santos Limited

US\$million	Note	Equity attributable to owners of Santos Limited					Total equity
		Issued capital	Foreign currency translation reserve	Hedging reserve	Accumulated profits reserve	Accumulated losses	
Balance at 1 January 2020		9,010	(965)	(10)	1,734	(2,093)	7,676
Transfer retained profits to accumulated profits reserve		-	-	-	430	(430)	-
<i>Items of comprehensive income</i>							
Net loss for the period		-	-	-	-	(357)	(357)
Other comprehensive income/(loss) for the period		-	55	(1)	-	-	54
Total comprehensive income/(loss) for the period		-	55	(1)	-	(357)	(303)
<i>Transactions with owners in their capacity as owners</i>							
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
Balance at 1 January 2021		9,013	(910)	(11)	2,028	(2,893)	7,227
<i>Items of comprehensive income</i>							
Net profit for the period		-	-	-	-	658	658
Other comprehensive loss for the period		-	(30)	(50)	-	-	(80)
Total comprehensive (loss)/income for the period		-	(30)	(50)	-	658	578
<i>Transactions with owners in their capacity as owners</i>							
Shares issued	5.3	6,038	-	-	-	-	6,038
Dividends paid	2.6	-	-	-	(221)	-	(221)
On-market share purchase (Treasury shares)	5.3	(43)	-	-	-	-	(43)
Share-based payment transactions	5.3	22	-	-	-	9	31
Balance at 31 December 2021		15,030	(940)	(61)	1,807	(2,226)	13,610

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 2021

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 ("Financial Report") of Santos Limited ("the Company") for the year ended 31 December 2021 was authorised for issue in accordance with a resolution of the Directors on 15 February 2022.

The consolidated Financial Report of the Company for the year ended 31 December 2021 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 on Papua New Guinea's National Stock Exchange ("PNGX"), 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 2021;
- presented in United States dollars ("US\$");
- prepared on the historical cost basis except for derivative financial instruments, contingent consideration 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 92.1 mmboe (2020: 89.0 mmboe), and sales of 104.2 mmboe (2020: 107.1 mmboe);
- average realised oil price of \$76.11 per barrel compared to \$47.70 per barrel in 2020;
- net profit after tax of \$658 million for 2021 (2020: net loss after tax \$357 million);
- free cash flow generated of \$1,504 million for 2021 (2020: \$740 million);
- net debt increased to \$5,157 million at 31 December 2021, from \$3,664 million at 31 December 2020; and
- acquisition of 100% of the shares in Oil Search Limited ("Oil Search"), which became effective 10 December 2021 for purchase consideration \$6.0 billion effected through the issuance of new shares.

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 of 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. The impacts of COVID-19 will continue to be monitored.

Other than disclosures specified 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 as 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.

Climate change

In preparing the Financial Report, management has considered the impact of climate change and current climate-related legislation.

Santos is committed to managing climate risk and delivering a sustainable business model in a low-carbon world. Santos reports on its climate strategy, climate transition action plans, annual emissions and emissions targets in the Santos *Climate Change Report*. Since 2018 Santos has published a *Climate Change Report* annually in accordance with the Financial Stability Board's Task Force on Climate-Related Disclosures ("TCFD") recommendations on climate-related financial disclosures.

The impacts of climate change include estimates of a range of economic and climate-related scenarios. This includes market supply and demand profiles, carbon emissions reduction profiles, legal impacts and technological impacts. These are factored into discount rates, commodity price forecasts, and demand and supply profiles, all of which are impacted by the global demand profile of the economy as a whole. A carbon price is included in Santos' economic modelling of projects and the portfolio as a whole. The estimates and forecasts used by the Group are in accordance with current climate-related legislation and policy.

The impact of climate change is considered in the significant judgements and key estimates in a number of areas in the Financial Report including:

- asset carrying values (exploration and evaluation assets, oil and gas assets) through determination of valuations considered for impairment – refer note 3.4;
- restoration obligations, including the timing of such activities – refer note 3.5;
- deferred taxes, primarily related to asset carrying values and restoration obligations – refer note 2.4; and
- asset acquisitions and business combinations and the determination of the fair values, liabilities and contingent liabilities acquired – refer note 6.2.

The Group continues to monitor climate-related policy and its impact on the Financial Report.

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 US\$. The assets, liabilities, income and expenses of non-US dollar denominated functional currency companies are translated into US\$ 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\$ 1:0.7247 (2020: 1:0.7683).

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 with the exception of monetary items that form part of the net investment in a foreign operation.

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 until the net investment is disposed of, at which time, the cumulative amount is reclassified to the income statement.

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(g) for further details on any 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 Oil Search merger have been incorporated into the PNG segment, where domiciled in PNG, and into the Corporate, exploration, eliminations & other segment, for exploration and other corporate assets, since the merger date of 10 December 2021.

In the prior period, the assets acquired as part of the ConocoPhillips northern Australia asset acquisition have been incorporated into the Northern Australia and Timor-Leste segment, since the acquisition date of 28 May 2020.

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

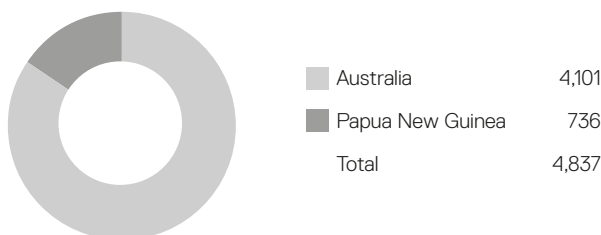
2.1 SEGMENT INFORMATION (CONTINUED)

US\$million	Cooper Basin 2021	Queensland & NSW 2021	PNG 2021	Northern Australia & Timor-Leste 2021	Western Australia 2021	Corporate, exploration, eliminations & other 2021	Total 2021
Revenue							
Product sales to external customers	820	893	730	903	1,099	268	4,713
Inter-segment sales ¹	105	63	–	–	–	(168)	–
Revenue – other from external customers	75	17	6	–	6	20	124
Total segment revenue	1,000	973	736	903	1,105	120	4,837
Costs							
Production costs	(143)	(79)	(67)	(234)	(215)	23	(715)
Other operating costs	(101)	(98)	(61)	–	(4)	(83)	(347)
Third-party product purchases	(340)	(191)	–	–	–	(123)	(654)
Inter-segment purchases ¹	(1)	(64)	–	–	–	65	–
Other	8	(16)	7	59	(35)	(339)	(316)
EBITDAX	423	525	615	728	851	(337)	2,805
Depreciation and depletion	(272)	(252)	(170)	(151)	(382)	(16)	(1,243)
Exploration and evaluation expensed	(21)	(6)	(1)	(11)	(40)	(47)	(126)
Net impairment loss	–	(8)	–	–	–	–	(8)
Change in future restoration assumptions	–	–	–	–	(10)	4	(6)
EBIT	130	259	444	566	419	(396)	1,422
Net finance costs	–	–	–	–	–	(217)	(217)
Profit before tax							1,205
Income tax expense	–	–	–	–	–	(363)	(363)
Royalty-related tax expense	–	–	–	(85)	(99)	–	(184)
Net profit							658
Asset additions and acquisitions:							
Exploration and evaluation assets	48	31	1,241	64	64	870	2,318
Oil and gas assets ²	241	163	6,728	509	234	8	7,883
	289	194	7,969	573	298	878	10,201

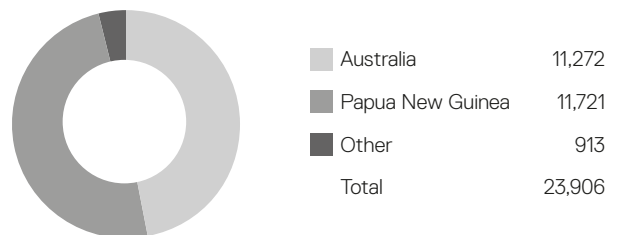
1 Inter-segment pricing is determined on an arm's length basis. Inter-segment sales and purchases are eliminated on consolidation.

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

2021 Revenue from external customers by geographical location
US\$million



2021 Non-current assets by geographical location (excluding financial and deferred tax assets)
US\$million



Notes to the Consolidated Financial Statements

Section 2: Financial Performance

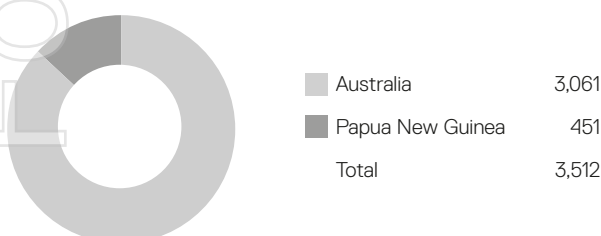
2.1 SEGMENT INFORMATION (CONTINUED)

US\$million	Cooper Basin 2020	Queens-land & NSW 2020	PNG 2020	Northern Australia & Timor- Leste 2020	Western Australia 2020	Corporate, exploration, elimin- ations & 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 benefit						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	450	254	71	262	234	–	1,271
	471	279	73	918	259	24	2,024

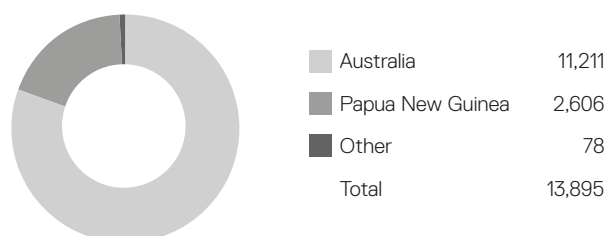
¹ Inter-segment pricing is determined on an arm's length basis. Inter-segment sales and purchases are eliminated on consolidation.

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

**2020 Revenue from external customers
by geographical location
US\$million**



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



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 the transaction price, which is 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 generally 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 \$507 million (2020: \$397 million), arising from sales from one segment of the Group.

Contract assets

In a business combination, pre-existing revenue contracts are fair valued and may result in contract assets that 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 are fair valued and may result 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 pricing 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 finance costs over the life of the contract.

Notes to the Consolidated Financial Statements

Section 2: Financial Performance

2.2 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(a) Revenue from contracts with customers	2021	2020
	US\$million	US\$million
Product sales		
Gas, ethane and liquefied natural gas	3,464	2,505
Crude oil	688	531
Condensate and naphtha	428	256
Liquefied petroleum gas	133	95
Total product sales¹	4,713	3,387
Revenue – other		
Liquidated damages	–	13
Pipeline tolls and tariffs	88	91
Unwind of acquired contract liabilities	6	6
Other	30	15
Total revenue – other	124	125
Total revenue from contracts with customers	4,837	3,512

¹ Total product sales include third-party product sales of \$936 million (2020: \$753 million).

(b) Assets and liabilities related to contracts with customers

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

	2021	2020
	US\$million	US\$million
Acquired contract assets		
Current		
Acquired contract assets	122	23
	122	23
Non-current		
Acquired contract assets	297	106
	297	106
Total acquired contract assets	419	129
Contract liabilities		
Current		
Acquired contract liabilities	6	6
Deferred revenue	100	58
	106	64
Non-current		
Acquired contract liabilities	8	14
Deferred revenue	229	267
	237	281
Total contract liabilities	343	345

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	2021 US\$million	2020 US\$million
Acquired contract assets			
Opening balance		129	153
Contract assets arising from acquisition	6.2(a)	318	–
Other expenses	2.3	(28)	(24)
Total acquired contract assets		419	129
Acquired contract liabilities			
Opening balance		20	26
Revenue – other	2.2(a)	(6)	(6)
		14	20
Contract liabilities – Deferred income			
Opening balance		325	332
Additional receipts in advance		52	48
Revenue from contracts with customers – product sales		(64)	(67)
Interest accretion for financing component	5.2	17	17
Other		(1)	(5)
		329	325
Total contract liabilities		343	345

Notes to the Consolidated Financial Statements

Section 2: Financial Performance

2.3 EXPENSES

	2021 US\$million	2020 US\$million
Cost of sales:		
Production costs	715	716
Other operating costs		
LNG plant costs	61	63
Pipeline tariffs, processing tolls and other	164	145
Movements in onerous pipeline contracts	(2)	(1)
Royalty and excise	109	58
Shipping costs	15	9
Total other operating costs	347	274
Total cash cost of production	1,062	990
Depreciation and depletion:		
Depreciation of plant, equipment and buildings	808	587
Depletion of subsurface assets	435	427
Total depreciation and depletion	1,243	1,014
Third-party product purchases	654	612
Decrease in product stock	23	26
Total cost of sales	2,982	2,642
Other expenses		
Selling	10	10
General and administration	72	83
Costs associated with acquisition and disposals	70	(5)
Depreciation	–	1
Foreign exchange losses	3	13
Fair value hedges, losses on the hedging instrument	(2)	2
Fair value losses/(gains) on commodity derivatives (oil hedges)	249	(45)
Exploration and evaluation expensed	126	59
Unwind of acquired contract assets	28	24
Other	6	3
Total other expenses	562	145

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 eligible 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:

	2021 US\$million	2020 US\$million
(a) Income tax expense/(benefit)		
<i>Current tax expense/(benefit)</i>		
Current year	171	(23)
Adjustments for prior years	(9)	2
	162	(21)
<i>Deferred tax expense/(benefit)</i>		
Origination and reversal of temporary differences	176	(59)
Adjustments for prior years	25	17
	201	(42)
Total income tax expense/(benefit)	363	(63)
(b) Royalty-related tax expense		
<i>Current tax expense</i>		
Current year	254	145
	254	145
<i>Deferred tax benefit</i>		
Origination and reversal of temporary differences	(70)	(31)
	(70)	(31)
Total royalty-related tax expense, net of income tax benefit	184	114
(c) Numerical reconciliation between pre-tax net profit and tax expense		
Profit/(loss) before tax	1,205	(306)
Prima facie income tax expense/(benefit) at 30% (2020: 30%)	361	(91)
Increase/(decrease) in income tax expense/(benefit) due to:		
Foreign losses not recognised	1	–
(Non-assessable income)/non-deductible expenses	(12)	8
Tax adjustments relating to prior years	16	19
Other	(3)	1
Income tax expense/(benefit)	363	(63)
Royalty-related tax expense, net of income tax benefit	184	114
Total tax expense	547	51

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.

Recognised deferred tax assets and liabilities	Assets		Liabilities		Net	
	2021 US\$million	2020 US\$million	2021 US\$million	2020 US\$million	2021 US\$million	2020 US\$million
Exploration and evaluation assets	135	58	(227)	(272)	(92)	(214)
Oil and gas assets	806	771	(2,442)	(842)	(1,636)	(71)
Other assets	17	–	(50)	(54)	(33)	(54)
Derivative financial instruments	53	42	(135)	(5)	(82)	37
Interest-bearing loans and borrowings	305	186	–	–	305	186
Provisions	172	86	–	–	172	86
Royalty-related tax	–	–	(489)	(448)	(489)	(448)
Other items	58	–	(114)	(11)	(56)	(11)
Tax value of carry-forward losses recognised	860	626	–	–	860	626
Tax assets/(liabilities)	2,406	1,769	(3,457)	(1,632)	(1,051)	137
Set-off of tax	(1,107)	(728)	1,107	728	–	–
Net deferred tax (liabilities)/assets	1,299	1,041	(2,350)	(904)	(1,051)	137

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	2021 US\$million	2020 US\$million
Deferred tax assets have not been recognised in respect of the following items:		
Temporary differences in relation to investments in subsidiaries	1,667	3,829
Deductible temporary differences in respect of provisions	182	–
Deductible temporary differences relating to royalty-related tax (net of income tax)	7,631	1,647
Tax losses	501	132
	9,981	5,608

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:

	2021 US\$million	2020 US\$million
Earnings used in the calculation of basic and diluted earnings per share	658	(357)

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:

	2021 Number of shares	2020 Number of shares
Basic earnings per share	2,133,214,333	2,083,074,902
Dilutive potential ordinary shares	17,280,859	–
Diluted earnings per share	2,150,495,192	2,083,074,902

Earnings per share attributable to the equity holders of Santos Limited	2021 ¢	2020 ¢
Basic earnings/(loss) per share	30.8	(17.1)
Diluted earnings/(loss) per share	30.6	(17.1)

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
2021			
2020 Final ordinary dividend – paid on 25 March 2021	Franked	5.0	104
2021 Interim ordinary dividend – paid on 21 September 2021	Franked	5.5	117
		10.5	221
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

Dividends declared in respect of the year	Franked/ unfranked	Dividend per share US¢	Total US\$million
2021			
Final ordinary dividend	Partially Franked	8.5	288
Interim ordinary dividend	Franked	5.5	114
		14.0	402
2020			
Final ordinary dividend	Franked	5.0	104
Interim ordinary dividend	Franked	2.1	44
		7.1	148

Dividend franking account	2021 US\$million	2020 US\$million
30% franking credits available to the shareholders of Santos Limited for future distribution	94	194

2.7 OTHER INCOME

	Note	2021 US\$million	2020 US\$million
Other income			
Change in future restoration assumptions for non-producing assets		(6)	(1)
Gain on sale of non-current assets		10	–
Other income associated with lease arrangements	3.6	56	43
Insurance recoveries		40	13
Overriding royalties		10	4
Dividend income		1	2
Other		1	4
Total other income		112	65

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.

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.

	2021 US\$million	2020 US\$million
Cost	4,652	3,280
Less: Accumulated impairment	(1,470)	(1,462)
Balance at 31 December	3,182	1,818
Reconciliation of movements		
Balance at 1 January	1,818	1,187
Acquisitions	2,062	604
Additions	256	149
Unsuccessful wells expensed	(25)	(11)
Impairment losses	(8)	(72)
Transfer to oil and gas assets in production	(86)	(53)
Transfer to oil and gas assets in development	(841)	–
Exchange differences	6	14
Balance at 31 December	3,182	1,818
Comprising:		
Acquisition costs	2,726	1,299
Successful exploration wells	332	490
Pending determination of success	124	29
	3,182	1,818

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.

Notes to the Consolidated Financial Statements

Section 3: Capital Expenditure, Operating Assets and Restoration Obligations

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 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.

3.2 OIL AND GAS ASSETS (CONTINUED)

	2021			2020		
	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	13,062	22,754	35,816	10,325	17,090	27,415
Less: Accumulated depreciation, depletion and impairment	(7,631)	(10,108)	(17,739)	(7,156)	(9,334)	(16,490)
Balance at 31 December	5,431	12,646	18,077	3,169	7,756	10,925
Reconciliation of movements						
Assets in development						
Balance at 1 January	73	67	140	54	54	108
Additions ¹	244	139	383	19	13	32
Acquisitions	186	177	363	–	–	–
Transfer from exploration and evaluation assets	841	–	841	–	–	–
Assets classified as held for sale	(279)	(20)	(299)	–	–	–
Balance at 31 December	1,065	363	1,428	73	67	140
Producing assets						
Balance at 1 January	3,096	7,689	10,785	3,086	8,202	11,288
Additions ¹	622	329	951	512	520	1,032
Acquisitions	1,042	5,144	6,186	207	–	207
Transfer from exploration and evaluation assets	86	–	86	32	21	53
Disposals	–	(7)	(7)	–	–	–
Remeasurement of lease arrangements	–	(31)	(31)	(17)	(8)	(25)
Depreciation and depletion	(450)	(810)	(1,260)	(466)	(544)	(1,010)
Transfer to assets held for sale	–	–	–	(74)	–	(74)
Net impairment losses	–	–	–	(213)	(512)	(725)
Exchange differences	(30)	(31)	(61)	29	10	39
Balance at 31 December	4,366	12,283	16,649	3,096	7,689	10,785
Total oil and gas assets	5,431	12,646	18,077	3,169	7,756	10,925
Comprising:						
Exploration and evaluation expenditure pending commercialisation	15	–	15	11	–	11
Other capitalised expenditure	5,416	12,646	18,062	3,158	7,756	10,914
	5,431	12,646	18,077	3,169	7,756	10,925

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

Notes to the Consolidated Financial Statements

Section 3: Capital Expenditure, Operating Assets and Restoration Obligations

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 cash-generating unit ("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.

	Note	2021 US\$million	2020 US\$million
Cost		1,561	481
Less: Accumulated impairment	3.4	(98)	(98)
Balance at 31 December		1,463	383

Allocated as follows:

CGU	Segment		
WA Gas	Western Australia	383	383
PNG	PNG	1,080	–

Reconciliation of movements:

Balance at 1 January		383	481
Impairment		–	(98)
Acquisitions	6.2(a)	1,080	–
Balance at 31 December		1,463	383

The goodwill arising as a result of the Oil Search merger of \$1,080 million is a provisional amount. Refer to note 6.2(a) for details.

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.

3.4 IMPAIRMENT OF NON-CURRENT ASSETS (CONTINUED)

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 largely 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.

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 recoverable amount 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 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. Where volumes are contracted, future prices are based on the contracted price.

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

	2022	2023	2024	2025	2026
31 December 2021	65.00	65.00	66.72 ¹	68.18 ¹	69.68 ¹

¹ Based on US\$62.50/bbl (2021 real) from 2024 escalated at 2.2% 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.

Notes to the Consolidated Financial Statements

Section 3: Capital Expenditure, Operating Assets and Restoration Obligations

3.4 IMPAIRMENT OF NON-CURRENT ASSETS (CONTINUED)

The future estimated long-term exchange rates applied were (A\$/US\$)

	2022	2023
31 December 2021	0.76	0.75¹

¹ From 2023, the long-term exchange rate assumption remains at 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 29%.

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.

Impairment expense	2021 US\$million	2020 US\$million
Exploration and evaluation assets	8	114
Oil and gas assets	–	683
Goodwill – WA Gas	–	98
Total impairment	8	895

Recoverable amounts and resulting impairment write-downs recognised in the year ended 31 December 2021:

2021	Segment	Subsurface assets US\$million	Plant and equipment US\$million	Total US\$million	Recoverable amount ¹ US\$million
Exploration and evaluation assets:					
	Gunnedah Basin	8	–	8	16
Total impairment of exploration and evaluation		8	–	8	
Total impairment		8	–	8	

¹ Recoverable amounts represent the carrying values of assets before deducting the carrying value of restoration liabilities. Producing oil and gas asset amounts are calculated using either the value-in-use ("VIU") or fair value less costs of disposal ("FVLCD") method, whilst all exploration and evaluation asset amounts use the FVLCD method.

The impairment of exploration and evaluation assets has arisen primarily from delays to a project that diminishes the path to commercialisation.

3.4 IMPAIRMENT OF NON-CURRENT ASSETS (CONTINUED)

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 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.

Notes to the Consolidated Financial Statements

Section 3: Capital Expenditure, Operating Assets and Restoration Obligations

3.5 RESTORATION OBLIGATIONS AND OTHER PROVISIONS

Provisions recognised for the period are as follows:

	2021 US\$million	2020 US\$million
Current		
Restoration obligations	176	69
Other provisions	112	108
	288	177
Non-current		
Restoration obligations	3,641	2,952
Other provisions	176	87
	3,817	3,039

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. Risks associated with climate change are factored into forecast timing of restoration activities and will continue to be monitored. 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. This may include partial removal of some offshore infrastructure where the Company believes it will result in better environmental, safety and asset integrity outcomes that will be within regulatory requirements.

The Group has recorded provisions for restoration obligations as follows:

	2021 US\$million	2020 US\$million
Current provision	176	69
Non-current provision	3,641	2,952
	3,817	3,021

3.5 RESTORATION OBLIGATIONS AND OTHER PROVISIONS (CONTINUED)

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

	Total restoration US\$million
Balance at 1 January 2021	3,021
Provisions acquired	800
Provisions made and changes to assumptions during the year	269
Provisions used during the year	(55)
Unwind of discount	38
Change in discount rate	(182)
Exchange differences	(74)
Balance at 31 December 2021	3,817

Other provisions

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

	Note	2021 US\$million	2020 US\$million
Current			
Employee benefits	7.1	99	92
Onerous contracts		4	3
Remediation provision		2	2
Other provisions		7	11
		112	108
Non-current			
Employee benefits	7.1	20	7
Onerous contracts		2	5
Remediation provision		9	13
Other provisions		145	62
		176	87

Notes to the Consolidated Financial Statements

Section 3: Capital Expenditure, Operating Assets and Restoration Obligations

3.6 LEASES

The Group as a lessee

Recognition of lease liabilities and right-of-use assets

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.

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 assets 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; and
- "Lease liabilities" – Lease liabilities.

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

US\$million	2021			2020		
	Oil and gas assets	Other land, buildings, plant and equipment	Total	Oil and gas assets	Other land, buildings, plant and equipment	Total
Balance at 1 January	288	115	403	295	105	400
Acquisitions	377	120	497	23	13	36
Additions	112	2	114	90	8	98
Remeasurements of lease arrangements	(31)	(6)	(37)	(24)	(2)	(26)
Depreciation	(125)	(13)	(138)	(96)	(9)	(105)
Balance at 31 December	621	218	839	288	115	403

During the period, \$53 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.

Notes to the Consolidated Financial Statements

Section 3: Capital Expenditure, Operating Assets and Restoration Obligations

3.6 LEASES (CONTINUED)

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

Lease liabilities	2021 US\$million	2020 US\$million
Balance at 1 January	457	425
Acquired lease liabilities	497	35
Additions	114	98
Remeasurements of lease arrangements	(35)	(25)
Accretion of interest	18	17
Payments	(165)	(119)
Foreign exchange (gain)/loss on lease liabilities	(13)	26
Balance at 31 December	873	457

	2021 US\$million	2020 US\$million
Current lease liabilities	196	121
Non-current lease liabilities	677	336
	873	457

Short-term and low-value lease asset exemptions

The Group had total cash outflows for leases of \$417 million in 2021 (2020: \$297 million), including outflows for short-term leases, leases of low-value assets, and variable lease payments.

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

	2021 US\$million	2020 US\$million
Short-term leases	70	14
Leases for low-value assets	29	43
Total payments made	99	57

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, for those lease contracts which contain a variable payment component.

	2021 US\$million	2020 US\$million
Fixed payments (included in calculation of lease liability)	161	94
Variable payments	153	123
Total payments made for leases with a variable payment component	314	217

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 2021, the amount recognised was \$56 million (2020: \$43 million).

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:

Commitments	Capital		Minimum exploration		Leases	
	2021 US\$million	2020 US\$million	2021 US\$million	2020 US\$million	2021 US\$million	2020 US\$million
Not later than one year	487	148	114	57	312	43
Later than one year but not later than five years	520	85	265	233	332	101
Later than five years	-	-	162	7	2,048	1
	1,007	233	541	297	2,692	145

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.

	2021 US\$million	2020 US\$million
Cash at bank and in hand	1,384	678
Short-term deposits	1,592	641
	2,976	1,319

(a) Restricted cash balances

As at 31 December 2021, total Group restricted cash was \$500 million (2020: \$135 million). 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 2021, \$471 million (2020: \$135 million) was held in these accounts.

(b) Reconciliation of cash flows from operating activities

	2021 US\$million	2020 US\$million
Net profit/(loss) after income tax	658	(357)
Add/(deduct) non-cash items:		
Depreciation and depletion	1,243	1,015
Exploration and evaluation expensed – unsuccessful wells	25	11
Net impairment loss	8	895
Net loss on fair value derivatives	1	–
Share-based payment expense	31	21
Unwind of the effect of discounting on provisions	38	36
Foreign exchange losses	3	13
Gain on sale of non-current assets and subsidiaries	(10)	–
Share of net profit of associates	(25)	(33)
Net cash provided by operating activities before changes in assets or liabilities	1,972	1,601
Add/(deduct) change in operating assets or liabilities, net of acquisitions or disposals of businesses:		
Decrease/(increase) in trade and other receivables	98	(30)
Decrease in inventories	28	8
Decrease in other assets	22	38
Decrease/(increase) in net deferred tax assets	108	(72)
Increase/(decrease) in net current tax liabilities	63	(30)
Increase/(decrease) in trade and other payables	2	(102)
(Decrease)/increase in provisions	(21)	63
Net cash provided by operating activities	2,272	1,476

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 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
Balance at 1 January 2021	233	4,309	457	(24)	4,975
Financing cash flows ¹	(445)	375	(147)	–	(217)
Operating cash flows	–	–	(18)	–	(18)
Non-cash changes:					
Changes in fair values	–	(14)	–	13	(1)
Additions from acquisitions	920	1,782	497	–	3,199
Reclassification to current liability	179	(179)	–	–	–
Additions to lease liabilities	–	–	114	–	114
Other	2	14	(30)	–	(14)
Balance at 31 December 2021	889	6,287	873	(11)	8,038

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.

Notes to the Consolidated Financial Statements

Section 4: Working Capital Management

4.2 TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at the transaction price, as described in note 2.2, 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.

	2021 US\$million	2020 US\$million
Trade receivables	623	393
Other receivables	250	167
	873	560

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 natural gas, 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.

	2021 US\$million	2020 US\$million
Petroleum products	180	156
Drilling and maintenance stocks	226	132
Total inventories at lower of cost and net realisable value	406	288
Inventories included above that are stated at net realisable value	30	23

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.

	2021 US\$million	2020 US\$million
Trade payables	867	365
Non-trade payables	348	193
	1,215	558

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 2021, Santos Limited's corporate credit rating was BBB- (stable outlook) from Standard & Poor's, BBB (stable outlook) from Fitch and Baa3 (stable outlook) from Moody'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	2021 US\$million	2020 US\$million
Current			
Bank loans – secured	(a)	669	171
Long-term notes	(c)	220	62
		889	233
Non-current			
Bank loans – secured	(a)	2,846	1,013
Bank loans – unsecured	(b)	1,043	1,662
Long-term notes	(c)	2,398	1,634
		6,287	4,309

Notes to the Consolidated Financial Statements

Section 5: Funding and Risk Management

5.1 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

The Group's weighted average interest rate on interest bearing liabilities was 4.15% for the year ended 31 December 2021 (2020: 4.70%).

(a) Bank loans – secured

Facility	PNG LNG
Currency	US dollars
Limit	\$3,269 million (2020: \$1,221 million)
Drawn principal	\$3,269 million (2020: \$1,221 million)
Accounting balance	\$3,260 million (2020: \$1,184 million) including prepaid amounts
Effective interest rate	4.56% (2020: 5.38%)
Maturity	2024 and 2026
Other	Loan facilities for the PNG LNG project, in which Santos entities hold an equity interest of 42.5% (2020: 13.5%), were entered into by the joint venture participants, through the entity Papua New Guinea Liquefied Natural Gas Global Company LDC (the "Borrower"), 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.

As part of the merger of Oil Search, refer note 6.2(a), Santos acquired an additional 29.0% equity interest in the PNG LNG project together with an additional liability associated with the PNG LNG secured bank and export credit agency loans.

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 \$9,682 million at 31 December 2021 (2020: \$2,695 million).

As referred to in note 4.1(a), 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.

The liquids and LNG sales proceeds from the PNG LNG project are received into a sales escrow account from which agreed expenditure obligations and debt servicing are first made and, subject to meeting certain debt service cover ratio tests, surpluses are distributed to the project participants.

The Borrower granted to the security trustee for the PNG LNG facilities:

- a first-ranking security interest in all of its assets, with a few limited exceptions;
- a fixed and floating charge over existing and future funds in the offshore accounts; a deed of charge (and assignment) over the sales contracts, LNG charter party agreements, rights under insurance policies, LNG supply and sales commitment agreements, on-loan agreements and the sales, shipping and finance administration agreements, collectively known as "Borrower Material Agreements"; and
- a mortgage of contractual rights over Borrower Material Agreements.

The Santos Participants have granted the security trustee for the Project Finance Debt Facility a security interest in all their rights, titles, interests in and to all of their assets, excluding any non-PNG LNG project assets. The Company, as the shareholder in the Santos Participants, has provided the security trustee for the PNG LNG facilities a share mortgage over its shares in the Santos Participants.

The PNG LNG facilities are subject to various covenants and a negative pledge restricting further secured borrowings, subject to a number of permitted lien exceptions. Neither the covenants or negative pledge have been breached at any time during the reporting period.

5.1 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

(a) Bank loans – secured (continued)

<i>Facility</i>	<i>Syndicated and bilateral bank loans</i>
<i>Currency</i>	US dollars
<i>Limit</i>	\$825 million (2020: \$nil)
<i>Drawn principal</i>	\$255 million (2020: \$nil)
<i>Accounting balance</i>	\$255 million (2020: \$nil)
<i>Effective interest rate</i>	3.47% (2020: nil)
<i>Maturity</i>	2023 and 2026
<i>Other</i>	Syndicated and bilateral bank loans bear a floating interest rate. As part of the Oil Search merger, refer note 6.2(a), Santos acquired four additional facilities. As part of the terms and conditions of these facilities, Santos has provided a charge over the Debt Service Reserve Account and Offshore Receivable Account which are included as restricted cash in note 4.1(a).

(b) Bank loans – unsecured

<i>Facility</i>	<i>Syndicated and bilateral bank loans</i>
<i>Currency</i>	US dollars
<i>Limit</i>	\$1,250 million (2020: \$1,450 million)
<i>Drawn principal</i>	\$1,050 million (2020: \$1,450 million)
<i>Accounting balance</i>	\$1,043 million (2020: \$1,441 million) including prepaid amounts
<i>Effective interest rate</i>	2.05% (2020: 2.20%)
<i>Maturity</i>	2024 and 2026
<i>Other</i>	Syndicated and bilateral bank loans 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 (2020: \$227 million)
Drawn principal	\$227 million (2020: \$227 million)
Accounting balance	\$238 million (2020: \$252 million) including fair value accounting measurement and prepaid amounts
Effective interest rate	1.05% (2020: 1.84%)
Maturity	2022 and 2027
Other	Long-term notes bear a fixed interest rate of 6.45% to 6.81% (2020: 6.45% to 6.81%), which have been swapped to floating rate commitments.
Facility	Regulation-S bond
Currency	US dollars
Limit	\$1,400 million (2020: \$1,400 million)
Drawn principal	\$1,400 million (2020: \$1,400 million)
Accounting balance	\$1,384 million (2020: \$1,382 million) including prepaid amounts
Effective interest rate	4.82% (2020: 4.84%)
Maturity	2027 and 2029
Other	Both bonds bear fixed interest rates.
Facility	Rule 144A/Regulation-S bond
Currency	US dollars
Limit	\$1,000 million (2020: \$nil)
Drawn principal	\$1,000 million (2020: \$nil)
Accounting balance	\$996 million (2020: \$nil)
Effective interest rate	3.65% (2020: nil)
Maturity	2031
Other	During 2021, Santos completed a US\$1,000 million Rule 144A/Regulation-S issuance maturing 2031 and bearing a fixed interest rate.

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 using the effective interest method.

Interest income

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

	2021 US\$million	2020 US\$million
Finance income		
Interest income	5	15
Total finance income	5	15
Finance costs		
Interest expense	207	208
Interest on lease liabilities	18	17
Deduct borrowing costs capitalised	(58)	(29)
	167	196
Unwind of the effect of discounting on contract liabilities – deferred revenue	17	17
Unwind of the effect of discounting on provisions	38	36
Total finance costs	222	249
Net finance costs	217	234

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 2021 was A\$6.31 (2020: A\$6.27).

Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. During 2021, \$0.3 million transaction costs in respect of capital raisings completed have been deducted from equity (2020: \$nil).

Movement in ordinary shares	Note	2021	2020	2021	2020
		Number of shares	Number of shares	US\$million	US\$million
Balance at 1 January		2,083,066,041	2,083,096,626	9,013	9,010
Issue of new shares	6.2(a)	1,303,855,594	–	6,038	–
Shares purchased on-market (Treasury shares)		–	–	(43)	(31)
Utilisation of Treasury shares on vesting of employee share schemes		–	–	22	34
Replacement of ordinary shares with shares purchased on-market		–	(30,585)	–	–
Balance at 31 December		3,386,921,635	2,083,066,041	15,030	9,013

New shares were issued as consideration for the merger with Oil Search through an exchange of shares at a ratio of 0.6275 Santos shares for 1 Oil Search share. The shares were recorded at the closing Santos share price and AUD/USD foreign exchange rate on the acquisition date of 10 December 2021. Refer to note 6.2(a) for further details.

Included within the Group's ordinary shares at 31 December 2021 are 10,000 (2020: 10,000) ordinary shares paid to one cent with a value of \$nil (2020: \$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, \$43 million (2020: \$31 million) of Treasury shares were purchased on-market.

Movement in Treasury shares	Note	2021	2020
		Number of shares	Number of shares
Balance at 1 January		6,464,902	5,005,588
Shares purchased on-market		8,250,000	8,500,000
Treasury shares utilised:			
Santos Employee Share1000 Plan	7.2	(259,448)	(202,598)
Santos Employee ShareMatch Plan	7.2	(579,817)	(1,755,453)
Utilised on vesting of SARs		(39,806)	(768,463)
Executive STI (deferred shares)	7.2	(576,552)	(471,090)
Executive LTI (ordinary shares)		(3,633,409)	(3,828,286)
Santos Employee Share1000 Plan (relinquished shares)		11,363	15,789
Replacement of ordinary shares with shares purchased on-market		–	(30,585)
Balance at 31 December		9,637,233	6,464,902

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\$, the same currency as the presentation currency of the Group. For non-US\$ functional currency entities ("foreign operations"), 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 foreign exchange rates at 31 December 2020 to 31 December 2021, resulted in the Group recognising a foreign currency loss in the translation reserve of \$30 million for non-US\$ functional currency companies.

Hedging reserve

The hedging reserve comprises of the cash flow hedge reserve and the own credit risk 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 commodity 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	2021	2020
	US\$million	US\$million
Financial assets at amortised cost		
Cash and cash equivalents	2,976	1,319
Trade and other receivables	873	560
Other	49	2
Financial assets at FVTPL		
Derivative financial instruments	11	51
	3,909	1,932

5.5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial instruments (continued)

Financial liabilities	2021 US\$million	2020 US\$million
Financial liabilities at amortised cost		
Trade and other payables	1,215	558
Borrowings at amortised cost	6,938	4,290
Lease liabilities	873	457
Financial liabilities at FVTPL		
Borrowings designated at FVTPL	238	252
Commodity derivatives	79	35
Other derivatives	16	–
Other	23	28
	9,382	5,620

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

	2021 US\$million	2020 US\$million
Interest on cash investments	5	15
Interest on debt held at FVTPL	(15)	(15)
Interest on debt held at amortised cost	(146)	(175)
Interest on derivative financial instruments	12	11
Interest accretion on lease liabilities	(18)	(17)
Fair value gains on debt held at FVTPL	15	3
Fair value (losses)/gains on derivative financial instruments	(262)	40
Net foreign exchange losses	(3)	(13)
	(412)	(151)

(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	Less than 1 year US\$million	1 to 2 years US\$million	2 to 5 years US\$million	More than 5 years US\$million
2021				
Cash and cash equivalents	2,976	-	-	-
Derivative financial assets				
Interest rate swap contracts	14	1	3	1
Non-derivative financial liabilities				
Trade and other payables	(1,215)	-	-	-
Lease liabilities	(207)	(127)	(252)	(580)
Bank loans	(811)	(1,085)	(3,068)	-
Long-term notes	(328)	(102)	(306)	(2,692)
	429	(1,313)	(3,623)	(3,271)

Financial assets and liabilities held to manage liquidity risk	Less than 1 year US\$million	1 to 2 years US\$million	2 to 5 years US\$million	More than 5 years US\$million
2020				
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)

(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 2021, the estimated impact of a ± 15 cent movement in the Australian dollar exchange rate (2020: ± 15 cent) against the US dollar, with all other variables held constant is \$13 million (2020: \$9 million) on post-tax profit and \$76 million (2020: \$41 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 has in place a policy which requires 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 (2020: \$227 million) and a net fair value of \$11 million (2020: \$23 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 2021, taking into account interest rate swaps, it is estimated that if the US dollar London Interbank Offered Rate ("LIBOR") interest rates changed by $\pm 0.50\%$ (2020: $\pm 0.50\%$) and Australian Bank Bill Swap reference rate ("BBSW") changed by $\pm 0.50\%$ (2020: $\pm 0.50\%$), with all other variables held constant, the impact on post-tax profit is \$4 million (2020: \$5 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 2021, the Group has 6.0 million barrels of open oil price swap and option contracts (2020: 11.0 million), covering 2022 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 11% 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 *Financial Instruments*, 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 2021, 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 subject to approved exceptions.

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 2021 is nil (2020: nil), no loss allowance provision has been recorded at 31 December 2021 (2020: 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:

	2021 %	2020 %
Derivatives	0.1 – 1.8	0.1 – 1.4
Loans and borrowings	0.1 – 1.8	0.1 – 1.4

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	<p>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.</p> <p>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.</p> <p>The gain or loss relating to the ineffective portion is recognised in the income statement within other income or other expenses.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

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 2021.

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:

	2021 US\$million	2020 US\$million
Current assets		
Foreign exchange contracts	–	28
Interest rate swap contracts	7	–
Other	–	1
	7	29
Non-current assets		
Interest rate swap contracts	4	24
Other	49	–
	53	24
Current liabilities		
Commodity derivatives (oil hedges)	79	35
Foreign exchange contracts	16	–
Other	3	4
	98	39
Non-current liabilities		
Other	20	24
	20	24

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

	2021 US\$million	2020 US\$million
Carrying amount	11	24
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	(13)	(2)
Change in value of hedged item used to determine hedge effectiveness	13	2
Weighted average hedged rate	1.05%	1.84%

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

5.5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Derivatives and hedging activity (continued)

Cash flow hedge: Derivative financial instruments – Oil derivative contracts

	2021 US\$million	2020 US\$million
Carrying amount	(79)	(35)
Notional amount (mmbbl)	6	11
Maturity date	2022	2021
Hedge ratio ¹	1:1	1:1
Change in value of outstanding hedging instruments since 1 January	(44)	(37)
Change in value of hedged item used to determine hedge effectiveness	44	37
Weighted average hedged rate	\$50.00	\$41.09

Cash flow hedge: Derivative financial instruments – Foreign exchange contracts

	2021 US\$million	2020 US\$million
Carrying amount	(16)	28
Notional amount (\$ millions)	600	450
Maturity date	2022	2021
Hedge ratio ¹	1:1	1:1
Change in value of outstanding hedging instruments since 1 January	(44)	28
Change in value of hedged item used to determine hedge effectiveness	44	(28)
Weighted average hedged rate	\$0.7519	\$0.7056

Reserves – Cash flow hedge reserve

	2021 US\$million	2020 US\$million
Balance at 1 January	–	(2)
Add: Change in fair value of hedging instrument recognised in OCI for the year (effective portion)	70	3
Less: Deferred tax	(21)	(1)
Balance at 31 December	49	–

Reserves – Own credit risk revaluation reserve

	2021 US\$million	2020 US\$million
Balance at 1 January	11	12
Add: Fair value changes on financial liabilities designated at fair value due to own credit risk	1	(2)
Less: Deferred tax	–	1
Balance at 31 December	12	11

¹ The Group has established a hedge ratio of 1:1 for the hedging relationships with 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 within the Group are wholly-owned.

6.1 CONSOLIDATED ENTITIES (CONTINUED)

Name	Country of incorporation	Name	Country of incorporation
Santos Limited¹ (Parent Company) Controlled entities:	AUS	<i>Controlled entities of Santos International Holdings Pty Ltd</i>	
Alliance Petroleum Australia Pty Ltd ¹	AUS	Santos Americas and Europe LLC	USA
Basin Oil Pty Ltd ¹	AUS	<i>Controlled entity of Santos Americas and Europe LLC</i>	
Bridgefield Pty Ltd	AUS	Santos TPY LLC	USA
Bridge Oil Developments Pty Ltd ¹	AUS	<i>Controlled entities of Santos TPY LLC</i>	
Bronco Energy Pty Ltd ¹	AUS	Santos Queensland LLC	USA
Doce Pty Ltd	AUS	Santos TOG LLC	USA
Fairview Pipeline Pty Ltd ¹	AUS	<i>Controlled entity of Santos TOG LLC</i>	
Moonie Pipeline Company Pty Ltd	AUS	Santos TPY CSG LLC	USA
Oil Search Ltd ⁵	PNG	Barracuda Ltd	PNG
<i>Controlled entities of Oil Search Ltd</i>		Lavana Ltd	PNG
Oil Search (Middle Eastern) Ltd ⁵	BVI	Sanro Insurance Pte Ltd	SGP
<i>Controlled entities of Oil Search (Middle Eastern) Ltd</i>		Santos Bangladesh Ltd	GBR
Oil Search (Iraq) Ltd ⁵	BVI	Santos (UK) Ltd	GBR
Oil Search (Libya) Ltd ⁵	BVI	<i>Controlled entities of Santos (UK) Ltd</i>	
Oil Search (Tunisa) Ltd ⁵	BVI	Santos Northwest Natuna B.V.	NDL
Oil Search (Newco) Ltd ⁵	BVI	Santos NA (19-12) Pty Ltd	AUS
Oil Search (Gas Holdings) Ltd ⁵	PNG	Santos NA (19-13) Pty Ltd	AUS
<i>Controlled entity of Oil Search (Gas Holdings) Ltd</i>		Santos NA Bayu Undan Pty Ltd	AUS
Oil Search (Tumbudu) Ltd ⁵	PNG	Santos NA Emet Pty Ltd	AUS
Oil Search Highlands Power Ltd ⁵	PNG	Santos NA Timor Sea Pty Ltd	AUS
Oil Search (PNG) Ltd ⁵	PNG	Santos NA Timor Leste Pty Ltd	AUS
<i>Controlled entities of Oil Search (PNG) Ltd</i>		Santos Hides Ltd	PNG
Oil Search (Drilling) Ltd ⁵	PNG	Santos P'nyang Ltd	PNG
Oil Search (Exploration) Inc ⁵	CI	Santos Sangu Field Ltd	GBR
Oil Search (LNG) Ltd ⁵	PNG	Santos Vietnam Pty Ltd	AUS
Oil Search Finance Ltd ⁵	BVI	Santos TOGA Pty Ltd	AUS
Oil Search Power Holdings Ltd ⁵	PNG	Santos (JPDA 91-12) Pty Ltd	AUS
<i>Controlled entity of Oil Search Power Holdings Ltd</i>		Santos Midstream Holdings Pty Ltd ¹	AUS
PNG Biomass Ltd ⁵	PNG	<i>Controlled entities of Santos Midstream Holdings Pty Ltd</i>	
<i>Controlled entity of PNG Biomass Ltd</i>		Santos Devil Creek Pty Ltd ¹	AUS
Markham Valley Renewables Ltd ⁵	PNG	Santos Resources Pty Ltd ¹	AUS
Oil Search Foundation Ltd ^{5,5}	PNG	Santos Infrastructure Holdings Pty Ltd ²	AUS
Papuan Oil Search Ltd ⁵	AUS	Santos Midstream Asset Holdings Pty Ltd ²	AUS
<i>Controlled entities of Papuan Oil Search Ltd</i>		Santos Infrastructure WAQ Holdings Pty Ltd ²	AUS
Oil Search (Uramu) Pty Ltd ⁵	AUS	Santos Infrastructure WAQVIDC Pty Ltd ²	AUS
Oil Search (USA) Inc ⁵	USA	Santos Infrastructure WAQ Assets Pty Ltd ²	AUS
<i>Controlled entity of Oil Search (USA) Inc</i>		Santos Infrastructure West Holdings Pty Ltd ²	AUS
Oil Search (Alaska) LLC ⁵	USA	Santos Infrastructure WASDCA Pty Ltd ²	AUS
Pac LNG Investments Ltd ⁵	PNG	Santos Infrastructure WASVIA Pty Ltd ²	AUS
Pac LNG Assets Ltd ⁵	PNG	Santos (NARNL Cooper) Pty Ltd ¹	AUS
Pac LNG International Ltd ⁵	PNG	Santos NSW Pty Ltd	AUS
Pac LNG Overseas Ltd ⁵	PNG	<i>Controlled entities of Santos NSW Pty Ltd</i>	
Pac LNG Holdings Ltd ⁵	PNG	Santos NSW (Betel) Pty Ltd	AUS
Reef Oil Pty Ltd ¹	AUS	Santos NSW (Hillgrove) Pty Ltd	AUS
Santos Australian Hydrocarbons Pty Ltd	AUS	Santos NSW (Holdings) Pty Ltd	AUS
Santos (BOL) Pty Ltd ¹	AUS	<i>Controlled entities of Santos NSW (Holdings) Pty Ltd</i>	
Santos Browse Pty Ltd	AUS	Santos NSW (Eastern) Pty Ltd	AUS
Santos CSG Pty Ltd ¹	AUS	Santos NSW (LNGN) Pty Ltd	AUS
Santos Darwin LNG Pty Ltd	AUS	Santos NSW (Pipeline) Pty Ltd	AUS
Santos Direct Pty Ltd	AUS	Santos NSW (Narrabri Energy) Pty Ltd	AUS
Santos Finance Ltd	AUS	Santos NSW (Narrabri Gas) Pty Ltd ⁴	AUS
Santos GLNG Pty Ltd	AUS	Santos NSW (Narrabri Power) Pty Ltd	AUS
Santos International Holdings Pty Ltd	AUS	Santos NSW (Operations) Pty Ltd	AUS

Notes to the Consolidated Financial Statements

Section 6: Group Structure

Name	Country of incorporation	Name	Country of incorporation
Santos (N.T.) Pty Ltd	AUS	Santos NA Darwin Pipeline Pty Ltd	AUS
<i>Controlled entity of Santos (N.T.) Pty Ltd</i>		Santos WA AEC Pty Ltd ¹	AUS
Bonaparte Gas & Oil Pty Ltd	AUS	Santos WA Energy Holdings Pty Ltd ¹	AUS
Santos Offshore Pty Ltd ¹	AUS	<i>Controlled entity of Santos WA Energy Holdings Pty Ltd</i>	
Santos Petroleum Pty Ltd ¹	AUS	Santos WA Asset Holdings Pty Ltd ¹	AUS
Santos QLD Upstream Developments Pty Ltd	AUS	<i>Controlled entities of Santos WA Asset Holdings Pty Ltd</i>	
Santos QNT Pty Ltd ¹	AUS	Santos WA Lowendal Pty Ltd	AUS
<i>Controlled entities of Santos QNT Pty Ltd</i>		Santos WA International Pty Ltd	AUS
Outback Energy Hunter Pty Ltd	AUS	Harriet (Onyx) Pty Ltd ¹	AUS
Santos QNT (No. 1) Pty Ltd	AUS	Santos WA Energy Ltd ¹	AUS
Santos QNT (No. 2) Pty Ltd	AUS	<i>Controlled entities of Santos WA Energy Ltd</i>	
<i>Controlled entity of Santos QNT (No. 2) Pty Ltd</i>		Ningaloo Vision Holdings Pte Ltd	SGP
Petromin Pty Ltd	AUS	Northwest Jetty Services Pty Ltd	AUS
Santos Wilga Park Pty Ltd	AUS	Santos WA DC Pty Ltd	AUS
Santos (TGR) Pty Ltd	AUS	Santos WA (Exmouth) Pty Ltd	AUS
Santos Timor Sea Pipeline Pty Ltd	AUS	Santos WA East Spar Pty Ltd ¹	AUS
Santos Ventures Pty Ltd	AUS	Santos WA Julimar Holdings Pty Ltd	AUS
Santos WA Holdings Pty Ltd ¹	AUS	Santos WA Kersail Pty Ltd ¹	AUS
<i>Controlled entities of Santos WA Holdings Pty Ltd</i>		Santos WA LNG Pty Ltd	AUS
Santos KOTN Holdings Pty Ltd ¹	AUS	Santos WA Management Pty Ltd	AUS
<i>Controlled entity of Santos KOTN Holdings Pty Ltd</i>		<i>Controlled entity of Santos WA Management Pty Ltd</i>	
Santos KOTN Pty Ltd ¹	AUS	Santos WA Finance Holdings Pty Ltd	AUS
<i>Controlled entities of Santos KOTN Pty Ltd</i>		<i>Controlled entity of Santos WA Finance Holdings Pty Ltd</i>	
Santos Agency Pty Ltd	AUS	Santos WA Finance General Partnership	AUS
Santos NA Barossa Pty Ltd	AUS	Santos WA Northwest Pty Ltd ¹	AUS
Santos NA Browse Basin Pty Ltd	AUS	Santos WA Onshore Holdings Pty Ltd	AUS
Santos Singapore Management Pte Ltd	SGP	Santos WA PVG Holdings Pty Ltd ¹	AUS
Santos NA Energy Holdings Pty Ltd ¹	AUS	<i>Controlled entity of Santos WA PVG Holdings Pty Ltd</i>	
<i>Controlled entities of Santos NA Energy Holdings Pty Ltd</i>		Santos WA PVG Pty Ltd ¹	AUS
Santos NA Energy Pty Ltd ¹	AUS	Santos WA Southwest Pty Ltd ¹	AUS
<i>Controlled entity of Santos NA Energy Pty Ltd</i>		Santos WA Varanus Island Pty Ltd ¹	AUS
Santos NA Asset Holdings Pty Ltd ¹	AUS	SESAP Pty Ltd	AUS
<i>Controlled entity of Santos NA Asset Holdings Pty Ltd</i>		Vamgas Pty Ltd ¹	AUS
Santos NA Assets Pty Ltd ¹	AUS		
<i>Controlled entity of Santos NA Assets Pty Ltd</i>			

Notes

¹ Company is party to a Deed of Cross Guarantee (refer note 6.6)

² Companies incorporated during the 2021 financial year

³ Companies acquired through the acquisition of Oil Search Ltd (refer note 6.2)

⁴ Company acquired during the 2021 financial year

⁵ Oil Search Foundation Ltd is a Trustee of the Oil Search Foundation Trust, a not-for-profit organisation established for charitable purposes in Papua New Guinea. This Trust is not controlled and is not consolidated within the Group.

Country of incorporation

AUS	–	Australia
BVI	–	British Virgin Islands
CI	–	Cayman Islands
GBR	–	United Kingdom
NDL	–	Netherlands
PNG	–	Papua New Guinea
SGP	–	Singapore
USA	–	United States of America

6.2 ACQUISITIONS AND DISPOSALS

(a) Acquisitions

On 10 December 2021, the Group acquired 100% of the shares in Oil Search Limited, a PNG oil and gas producer. This acquisition strengthens the diversified portfolio of high-quality, long-life, low-cost assets across Papua New Guinea and North America with significant growth optionality. In addition, on 22 December 2021 Santos acquired the remaining 20% interest in the Narrabri assets.

Details of the purchase consideration and the provisional fair value of identifiable assets and liabilities of Oil Search Limited acquired are as follows:

Fair value of net identifiable assets and goodwill acquired, on acquisition date		US\$million
Cash and cash equivalents		946
Trade and other receivables		240
Inventories		146
Exploration and evaluation assets		2,050
Oil and gas assets		6,549
Other land, buildings, plant and equipment		135
Contract assets		318
Other assets acquired		173
Trade and other payables		(345)
Current tax liabilities		(117)
Lease liabilities		(497)
Interest-bearing liabilities		(2,702)
Restoration liabilities		(800)
Other liabilities acquired		(58)
Deferred tax liabilities (net)		(1,080)
Net identifiable assets acquired		4,958
Goodwill arising on acquisition (provisional)		1,080
Purchase consideration transferred		6,038
Purchase consideration	Note	US\$million
Share issue	5.3	6,038
Total non-cash consideration		6,038
Cash flows on acquisition		
Cash acquired on acquisition		946
Less: transaction costs paid		(6)
Net cash flow on acquisition		940
Accrued transaction costs		28
Total transaction costs incurred		34

Transaction costs are recognised as an expense in Other Expenses in the Consolidated Income Statement.

Notes to the Consolidated Financial Statements

Section 6: Group Structure

6.2 ACQUISITIONS AND DISPOSALS (CONTINUED)

(a) Acquisitions (continued)

Revenue and contribution to the Group

The acquired business contributed revenues of \$101 million and EBITDAX of \$62 million to the Group for the period from the acquisition date to 31 December 2021.

If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and EBITDAX for the year ended 31 December 2021 would have been higher by \$1,551 million and \$1,092 million respectively. It is impractical to estimate the impact the acquisition would have had if applied from 1 January 2021, at a net profit after tax level, due to the impact of deferred taxes and depreciation.

Goodwill

Goodwill arising from the acquisition has been recognised as the excess of consideration paid above the fair value of the assets acquired and liabilities assumed as part of the business combination. The goodwill solely arises from the net deferred tax liability recognised on acquisition, in accordance with accounting standards. Accounting for taxation at the acquisition date is within the scope of AASB 112 *Income Taxes*. The general principle of AASB 112 is that deferred tax is recognised for all taxable temporary differences. In a business combination, there is no initial recognition exemption for deferred tax and the corresponding accounting entry for a deferred tax asset or liability forms part of the goodwill balance. A net deferred tax liability has been reflected of \$1,080 million created primarily as a consequence of historical tax bases assumed in the merger being lower than the fair value of the assets acquired. The balance is offset by an amount booked as goodwill for \$1,080 million.

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses. 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 that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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. Furthermore, goodwill is not amortised for accounting but will be annually assessed for impairment in accordance with the accounting policy set out in note 3.4.

Business combination accounting

The Company typically uses a discounted cash flow model to estimate the expected future cash flows of the oil and gas assets acquired, based on both reserves and resources at acquisition date. The expected future cash flows are based on estimates of future production and commodity prices, operating costs, and forecast capital expenditures using the life-of-field models as at the acquisition date. Contingent and prospective resources are separately valued using methods including expected future cash flow models and resource multiples established by evaluating recent comparable transactions. These amounts are included in 'Exploration and evaluation assets'.

Contractual assets and liabilities are recognised in respect of sales agreements, which are required to be recognised at fair value under the accounting standards. Valuations of contracts are calculated taking into account the difference between the market prices and contract prices, adjusted for the time value of money.

Restoration provisions are recognised on acquisition fair value, taking into account the risks associated with the specific restoration obligations.

Contingent liabilities arising in a business combination are accounted for in accordance with AASB 3 *Business Combinations*. For contingent liabilities an amount is recognised at fair value at acquisition date if there is a present obligation, arising from a past event that can be reliably measured, even if it is not probable that an outflow of resources will be required to settle the obligation.

Due to the size, complexity and timing of the acquisition, the acquisition accounting is not yet finalised and accordingly the assets acquired and liabilities assumed are measured on a provisional basis. If new information obtained within the twelve months from acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to fair values; or any additional provisions that existed at the acquisition date; then the accounting for the acquisition, including the value of goodwill, will be revised.

6.2 ACQUISITIONS AND DISPOSALS (CONTINUED)

(a) Acquisitions (continued)

Prior period 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. 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

(b) Disposals

In connection with the acquisition of ConocoPhillips' northern Australian assets (which completed on 28 May 2020), the Group disposed of a 25% interest in Bayu-Undan and Darwin LNG to SK E&S, which completed on 30 April 2021.

Assets and liabilities disposed	2021 US\$million
Other working capital	22
Investments in equity accounted associates	323
Oil and gas assets	70
Assets	415
Restoration provision	(298)
Liabilities	(298)
Net assets disposed	117

There were no disposals of subsidiaries or interests in joint arrangements 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.

In connection with the acquisition of ConocoPhillips' northern Australian assets (which completed on 28 May 2020), the Group entered into a letter of intent to sell a 12.5% interest in Barossa to an Australian subsidiary of JERA Co., Inc (JERA), upon achieving FID in March 2021. A binding Sale and Purchase Agreement was subsequently signed in December 2021 with completion of the sale expected in the first half of 2022. As completion of the disposal is expected in the short term, the associated assets and liabilities have been classified as held for sale as at 31 December 2021.

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	2021 US\$million
Trade and other receivables	1
Prepayments	26
Oil and gas assets	258
Assets classified as held for sale	285
Trade and other payables	(8)
Liabilities classified as held for sale	(8)
Net assets	277

In the prior period the Group had entered into an agreement to sell a 25% interest in Darwin LNG and Bayu-Undan to SK E&S.

At 31 December 2020, the assets attributable to the sale had been classified as held for sale. The sale completed on 30 April 2021 and is disclosed as a disposal in note 6.2(b).

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.	<p>The Group recognises its interest in joint ventures using the equity method of accounting.</p> <p>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.</p> <p>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.</p>

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	2021 % Interest	2020 % 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	43.4	68.4
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 ⁴	PNG LNG	Gas and liquids production	42.5	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
Caldita/Barossa ^{2,3}	Bonaparte Basin	Gas production	62.5	62.5
Exploration and evaluation assets				
EP161	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	Browse	Gas and liquids exploration	40.0	40.0
Muruk 1	PNG	Gas and liquids exploration	57.5	20.0
Petrel	Bonaparte Basin	Contingent gas resource	40.3	40.3
PRL-9	PNG	Gas and liquids exploration	40.0	40.0
Horseshoe ⁴	Alaska	Oil and gas exploration	51.0	–
Pikka Unit ⁴	Alaska	Oil and gas exploration	51.0	–
PRL-15 (Papua LNG Project) ⁴	PNG	Gas exploration	22.8	–
PRL-3 ⁴	PNG	Gas exploration	38.5	–

¹ Santos' interest in the Bayu-Undan area of interest during 2021 decreased to 43.4% as part of the sell down to SK E&S.

² Santos has signed a binding Sale and Purchase Agreement to sell a 12.5% interest in the Barossa project to an Australian subsidiary of JERA Co, Inc with the transaction expected to be completed in the first quarter of 2022.

³ The Caldita/Barossa joint venture announced a Final Investment Decision has been taken to proceed with the gas and condensate project in March 2021.

⁴ Interest, or increase in interest, as part of the Oil Search merger. Refer note 6.2(a).

6.4 JOINT ARRANGEMENTS (CONTINUED)

(b) Investments in equity accounted associates and joint ventures

The Group's only material joint venture is Darwin LNG Pty Ltd, which operates the Darwin LNG liquefaction facility that currently processes gas from the Bayu-Undan gas fields. As described in note 6.2(b), a 25% interest in Darwin LNG Pty Ltd was sold to SK E&S during the year, bringing the Group's total interest to 43.4%. 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	2021 US\$million	2020 US\$million
Group's equity interest		43.4%	68.4%
Summarised net asset position			
Current assets		497	150
Non-current assets		1,199	1,484
Current liabilities		(416)	(109)
Non-current liabilities		(360)	(452)
Closing net assets		920	1,073
Group's share of net assets		399	734
<i>Equity accounted investment held for sale</i>	6.3	–	321
<i>Equity accounted investment not subject to sale</i>		399	413
Summarised income statement			
Gross profit		141	270
Other income and expenses		36	3
Depreciation and amortisation		(103)	(191)
Profit before tax		74	82
Income tax expense		(21)	(16)
Net profit after tax for the period		53	66
Group's share of net profit of associates		25	33
Reconciliation to carrying amount			
Opening balance		734	13
Add: Group's share of net profit		25	33
Add: Additional equity investment in Darwin LNG Pty Ltd	6.2(a)	–	790
Less: Disposal of equity investment in Darwin LNG Pty Ltd	6.2(b)	(323)	–
Dividends received		436	836
Return of capital		(37)	(39)
		–	(63)
Carrying amount of investments in associate		399	734

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	2021 % Interest	2020 % Interest
Darwin LNG Pty Ltd	43.4	68.4
GLNG Operations Pty Ltd	30.0	30.0
GLNG Property Pty Ltd	–	30.0
NiuPower Limited	50.0	–
NiuEnergy Limited	50.0	–

At 31 December 2021, the Group reassessed the carrying amount of its investments in equity accounted associates and joint ventures for indicators of impairment. As a result, no impairment was recorded (2020: \$nil).

6.5 PARENT ENTITY DISCLOSURES

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

	2021 US\$million	2020 US\$million
Net (loss)/profit for the period	(220)	416
Total comprehensive income	(220)	416
Current assets	720	640
Total assets	14,527	9,038
Current liabilities	397	333
Total liabilities	711	820
Issued capital	15,075	9,037
Accumulated profits reserve	1,808	2,028
Other reserves	(1,306)	(1,306)
Accumulated losses	(1,761)	(1,541)
Total equity	13,816	8,218
Commitments of the parent entity		
The parent entity's commitments are:		
Capital expenditure commitments	3	9
Minimum exploration commitments	19	22

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 of the Closed Group.

	2021 US\$million	2020 US\$million
Consolidated income statement		
Product sales	2,244	1,845
Cost of sales	(1,615)	(1,506)
Gross profit	629	339
Other revenue	80	116
Other income	14	109
Other expenses	(274)	(138)
Impairment of non-current assets	(213)	(343)
Interest income	8	22
Finance costs	(346)	(280)
Loss before tax	(102)	(175)
Income tax expense	(131)	(6)
Royalty-related tax expense	(82)	(68)
Total tax expense	(213)	(74)
Net loss for the period	(315)	(249)
Total comprehensive loss	(315)	(249)
Summary of movements in the Closed Group's accumulated losses:		
Accumulated losses at 1 January	(3,273)	(2,581)
Transfer to accumulated profits reserve	-	(430)
Net loss for the period	(315)	(249)
Share based payment transactions	(9)	(13)
Adjustments for companies removed from the Deed during the year	79	-
Adjustments for companies added to the Deed during the year	(8)	-
Accumulated losses at 31 December	(3,526)	(3,273)

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 of the Closed Group.

	2021 US\$million	2020 US\$million
Current assets		
Cash and cash equivalents	654	302
Trade and other receivables	6,345	5,858
Other current assets	262	246
Total current assets	7,261	6,406
Non-current assets		
Other financial assets	11,032	5,078
Exploration and evaluation assets	870	1,030
Oil and gas assets	5,308	4,650
Other non-current assets	1,030	1,321
Total non-current assets	18,240	12,079
Total assets	25,501	18,485
Current liabilities		
Trade and other payables	9,369	8,955
Other current liabilities	430	342
Total current liabilities	9,799	9,297
Non-current liabilities		
Interest-bearing loans and borrowings	–	144
Provisions	2,165	2,204
Other non-current liabilities	106	494
Total non-current liabilities	2,271	2,842
Total liabilities	12,070	12,139
Net assets	13,431	6,346
Equity		
Issued capital	15,030	9,037
Reserves	1,927	582
Accumulated losses	(3,526)	(3,273)
Total equity	13,431	6,346

Notes to the Consolidated Financial Statements

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 \$22 million (2020: \$13 million).

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

	2021 US\$million	2020 US\$million
Current provisions		
Employee benefits	99	92
Non-current provisions		
Employee benefits	20	7
Total employee benefits provisions	119	99

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:

	2021 US\$000	2020 US\$000
<i>Employee expenses:</i>		
General employee share plans:		
Share1000 Plan	(1,138)	(785)
ShareMatch Plan (matched SARs)	(3,435)	(2,585)
Executive Long-Term Incentive share-based payment plans – equity-settled	(9,552)	(9,499)
Executive Short-Term Incentive share-based payment plans – equity-settled	(3,740)	(2,430)
Other equity grants	(2,902)	(2,722)
	(20,767)	(18,021)

The net impact from share-based payment plans, net of Treasury shares utilised in the current year, is a decrease in accumulated losses of \$9 million. The net impact on accumulated losses from share-based payment plans in 2020 was an increase of \$13 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, key management personnel, senior executives, 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 2021 was A\$1,000 per employee (2020: A\$1,000).	The ShareMatch Plan allows for the purchase of shares up to \$5,000 on a pre-tax basis. Shares are provided via an employee loan, repaid over a maximum 12-month period, and to receive matched SARs at a ratio of 1 to 2 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 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:

Year	Issue date	Share1000 Plan		ShareMatch Plan	
		Issued shares No.	Fair value per share A\$	Issued shares No.	Fair value per share A\$
2021	31 August	259,448	6.06	579,246	6.06
2021	23 July	–	–	571	5.56
2020	4 September	195,110	5.56	1,740,621	5.56
2020	6 January	7,488	6.94	14,832	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.
2021 Total	2,677,233	290,183	(122,889)	(441,543)	2,402,984
2020 Total	1,467,872	1,755,453	(37,474)	(508,618)	2,677,233

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

Matched SARs grant	23 Jul 2021	31 Aug 2021
Share price on grant date (A\$)	5.67	5.97
Exercise price (A\$)	nil	nil
Right life (weighted average, years)	2.1	3.0
Expected dividends (% p.a.)	-	-
Fair value at grant date (A\$)	5.67	5.97

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

During the year the Company utilised \$1 million of Treasury shares (2020: \$7 million) under the ShareMatch Plan, with \$5 million (2020: \$4 million) received from employees under loan arrangements. The movements in loans receivable from employees are:

	2021 US\$000	2020 US\$000
Employee loans at 1 January	4,897	1,671
Treasury shares utilised during the year	1,263	7,095
Cash received during the year	(4,519)	(4,006)
Foreign exchange movement	(126)	137
Employee loans at 31 December	1,515	4,897

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 2021 LTI Program offers consisted only of SARs. Performance Awards were granted to eligible executives in 2021 who were granted one four-year grant (1 January 2021 – 31 December 2024).

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.
2021 Total	9,323,465	3,338,263	(778,148)	(2,815,560)	9,068,020
2020 Total	11,218,859	2,667,841	(940,796)	(3,662,439)	9,323,465

The SARs granted during 2021 totalling 3,338,263 were issued across the following three tranches, each with varying valuations:

Senior Executive LTI – granted 15 April 2021

Performance Awards	2021			
	Q1	Q2	Q3	Q4
Performance index	ASX 100	S&P GEI	FCFBP	ROACE
Fair value at grant date (A\$)	\$4.96	\$4.67	\$7.18	\$7.18
Share price on grant date (A\$)	\$7.18	\$7.18	\$7.18	\$7.18
Exercise price (A\$)	nil	nil	nil	nil
Expected volatility (weighted average, % p.a.)	42%	42%	42%	42%
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.)	144,259	144,258	144,258	144,258

Senior Executive LTI – granted 12 May 2021

Performance Awards	2021			
	Q1	Q2	Q3	Q4
Performance index	ASX 100	S&P GEI	FCFBP	ROACE
Fair value at grant date (A\$)	\$4.58	\$4.06	\$6.82	\$6.82
Share price on grant date (A\$)	\$6.82	\$6.82	\$6.82	\$6.82
Exercise price (A\$)	nil	nil	nil	nil
Expected volatility (weighted average, % p.a.)	42%	42%	42%	42%
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.)	657,945	657,925	657,910	657,892

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)

Senior Executive LTI – granted 17 December 2021

Performance Awards	2021			
	Q1	Q2	Q3	Q4
Performance index	ASX 100	S&P GEI	FCFBP	ROACE
Fair value at grant date (A\$)	\$3.66	\$3.18	\$6.42	\$6.42
Share price on grant date (A\$)	\$6.42	\$6.42	\$6.42	\$6.42
Exercise price (A\$)	nil	nil	nil	nil
Expected volatility (weighted average, % p.a.)	42%	42%	42%	42%
Right life (weighted average, years)	4	4	4	4
Risk-free interest rate (% p.a.)	1.0%	1.0%	1.0%	1.0%
Total granted (No.)	32,392	32,390	32,388	32,388

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.

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 2021 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%

7.2 SHARE-BASED PAYMENT PLANS (CONTINUED)

iii. Executive Deferred Short-Term Incentives (“STIs”)

Short-term incentive outcomes for Senior Executives and Executives are delivered in a mix of cash and equity, which are subject to a two-year restriction period. For the Managing Director and Chief Executive Officer and his direct reports, the equity is provided in the form of deferred shares. For other Executive, the equity is provided in the form of Share Acquisition Rights.

Deferred 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 STI deferred shares 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.
2021 Total	471,090	576,552	–	(471,090)	576,552
2020 Total	696,921	471,090	–	(696,921)	471,090

On 15 March 2021, the Company issued 576,552 deferred shares to eligible executives. The share price and fair value on the grant date was A\$7.22, with no discounting applied for a dividend yield assumption, given the deferred shares being eligible to receive dividends from the date of grant.

Share acquisition rights

The share acquisition rights are subject to a 24-month continuous service period following the year to which the STI related. The number of deferred STI share acquisition rights 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.
2021 Total	–	550,052	(35,135)	–	514,917
2020 Total	–	–	–	–	–

On 29 March 2021, the Company issued 550,052 acquisition rights to eligible executives. The share price and fair value on the grant date was A\$7.16. No discounting was applied for a dividend yield assumption, as for SARs which vest, participants receive additional Santos shares equivalent in value to notional dividends accrued and reinvested during the period between allocation and vesting, or the cash equivalent value. No entitlement to additional shares or cash payment is provided in respect of SARs which do not vest.

Notes to the Consolidated Financial Statements

Section 7: People

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.
2021 Total	2,448,488	861,544	(133,191)	(674,098)	2,502,743
2020 Total	2,272,745	450,667	(15,799)	(259,125)	2,448,488

The other SARs granted during the year are as follows:

2021							
Grant Date	SARs Granted	Continuous Service Period		Vesting Date	Grant Date		
		Commencing	Expiring		Share Price	Fair Value	Dividend Yield
30 Mar 2021	6,112	30 Mar 2021	31 Mar 2022	1 Apr 2022	7.13	7.13	–
30 Mar 2021	7,974	30 Mar 2021	31 Mar 2023	3 Apr 2023	7.13	7.13	–
11 Apr 2021	847,458	11 Apr 2021	31 Dec 2025	2 Jan 2026	7.07	7.07	–

(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

	2021 US\$000	2020 US\$000
Short-term benefits	8,096	7,765
Retirement benefits	211	215
Other long-term benefits	197	202
Termination benefits	–	100
Share-based payments	6,643	5,148
	15,147	13,430

(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 funded through pre-tax and post-tax deductions from salary which concluded in June 2021. No amounts were outstanding at 31 December 2021. ShareMatch was not offered to Key Management Personnel in 2021.

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. 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 15 February 2022, the Directors of Santos Limited resolved to pay a final dividend of US8.5 cents in respect of the 2021 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 2021. 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:

	2021 US\$000	2020 US\$000
Audit of statutory report of Santos Limited Group	2,313	1,945
Audit of statutory report of controlled entities	346	155
	2,659	2,100

(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:

	2021 US\$000	2020 US\$000
Ernst & Young for other assurance services required by legislation, to be performed by the auditor	290	247
Ernst & Young (Australia) for other assurance services, not required to be performed by the auditor	851	636
Ernst & Young (Australia) for taxation and other services	1,832	1,300
	2,973	2,183

Notes to the Consolidated Financial Statements

Section 8: Other

8.4 ACCOUNTING POLICIES

(a) Changes in accounting policies and disclosures

The Group applied the following amendment to accounting standards applicable for the first time for the financial year beginning 1 January 2021:

- AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform (Phase 2)*

The amendments to AASB 4, AASB 7, AASB 9, AASB 16 and AASB 139 provide temporary reliefs which address the financial reporting effects when an interbank offered rate (“IBOR”) is replaced with an alternative nearly risk-free interest rate (“RFR”). The amendments include the following practical expedients:

- To require 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
- To permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- To provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

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

(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 2022, 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) 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 (Applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment).

ii) 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

iii) Amendments to IAS 12 – *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Description	The amendments narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences
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 2023

Several other amendments to standards and interpretations will apply on or after 1 January 2022, 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 2021

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 2021 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 2021.
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 15th day of February 2022

On behalf of the Board:



Director

Independent Auditor's Report to the Members of Santos Limited



Building a better
working world

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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 2021, the consolidated income statement, the 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 2021 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.

Carrying values of exploration and evaluation, oil and gas assets and goodwill

Why significant

Australian Accounting Standards require the Group to assess in respect of the reporting period, whether there is any indication that an asset may be impaired, or conversely whether reversal of a previously recognised impairment may be required. If any such indication exists, an entity shall estimate the recoverable amount of the asset or Cash Generating Unit (CGU).

At year end, the Group identified impairment indicators in respect of certain oil and gas asset CGUs. Where required, impairment testing was undertaken which resulted in no impairment charges or reversals of previous impairment charges being required for any of its oil and gas CGUs as set out in Note 3.4 of the financial report.

The Group also identified impairment indicators in respect of certain exploration and evaluation assets. The impairment testing of those assets resulted in an impairment charge of \$8 m being recorded during the year, as set out in Note 3.4 of the financial report.

The assessments for indicators of impairment and reversals of impairment are judgmental and include assessing a range of external and internal factors.

Where impairment indicators are identified, forecasting cash flows for the purpose of determining the recoverable amount of a CGU involves critical accounting estimates and judgements and is affected by expected future performance and market conditions. The key forecast assumptions such as, discount rates, foreign exchange rates, commodity prices and recoverable hydrocarbon reserves used in the Group's impairment assessment are set out in the financial report in Note 3.4.

As a result, we considered the impairment testing of the Group's CGUs and its exploration and evaluation assets, and the related disclosures in the financial report, to be a key audit matter.

How our audit addressed the key audit matter

We evaluated whether there had been significant changes to the external or internal factors considered by the Group in assessing whether indicators of impairment or reversal of impairment existed.

Where impairment indicators existed for oil and gas CGUs, we focussed on the composition of the forecast cash flows and the inputs used to formulate recoverable amounts. Depending on the CGU, these procedures included:

- Reconciling future production profiles to the latest hydrocarbon reserves and resources estimates (discussed further below), current sanctioned development budgets, long-term asset plans and historical operations
- Independently developing a reasonable range of forecast oil and gas prices, based upon external data. We compared this range to the Group's forecast oil and gas price assumptions to challenge whether the Group's assumptions were reasonable. In developing our ranges, we obtained a variety of reputable third-party forecasts, peer information and market data.
- Independently evaluating discount rates used by the Group for impairment tests
- Understanding the operational performance of the CGUs relative to plan, comparing future operating and development expenditure within the impairment assessments to current sanctioned budgets, historical expenditures and long-term asset plans and ensuring variations were in accordance with our expectations based upon other information obtained throughout the audit.
- Examining the key drivers of changes to calculated recoverable amounts, relative to previous assessments.
- Testing the mathematical accuracy of the Group's discounted cash flow models.
- Assessing the Group's consideration of climate change risk in its estimates of the recoverable amounts of CGUs, including sensitivity testing on changes to discount rates, forecast commodity prices and forecast carbon pricing.
- Considering the audit results of procedures carried out over restoration and rehabilitation obligations and their impact on impairment risk.

A key input to impairment assessments is the Group's production forecast, which is closely related to the Group's hydrocarbon reserves and resource estimates and development plans. Our audit procedures focused on the work of the Group's internal and external experts and included:

- Assessing the processes and controls associated with estimating reserves and resources.
- Reading reports provided by internal and external experts and assessed their scopes of work and findings.
- Assessing the qualifications, competence and objectivity of the Group's internal and external experts involved in the estimation process.
- Considering whether key economic assumptions used in the estimation of reserves and resources volumes were consistent with those used by the Group in the impairment testing of exploration and evaluation, oil and gas assets and goodwill, where applicable.
- Understanding 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 the Group in relation to the carrying values of exploration and evaluation, oil and gas assets and goodwill.

Independent Auditor's Report to the Members of Santos Limited (continued)

Provisional accounting for the merger of Santos and Oil Search

Why significant

On 7 December 2021, the shareholders of Oil Search Limited ("Oil Search") voted in favour of the proposed merger between Santos Limited ("Santos") and Oil Search Limited, with the courts and regulators ratifying and administering the vote and implementation of the merger scheme in the weeks following.

The scheme allowed for each Oil Search shareholder to receive 0.6275 new Santos shares for each Oil Search share held. The transaction constitutes a business combination under AASB 3 *Business Combinations* and Santos was determined to be the acquirer for accounting purposes.

In undertaking the provisional acquisition accounting, Santos is required to measure the consideration transferred and the fair value of identifiable assets, liabilities and contingent liabilities acquired at the acquisition date and assess the existence of goodwill.

The fair value measurement of identifiable assets, liabilities, and contingent liabilities requires significant judgement and complex estimation, including:

- The identification and measurement of all assets, liabilities and contingencies.
- The fair valuation of exploration and evaluation assets and oil and gas properties, which are dependent upon, amongst other factors, the existence and extent of underlying hydrocarbon reserves and resources and key forecast assumptions such as discount rates, foreign exchange rates, commodity prices and operating and capital costs.
- The valuations of restoration and rehabilitation liabilities, which in turn are dependent upon the extent of environmental disturbances at the acquisition date, the timing of proposed rehabilitation and decommissioning activities and applicable regulatory and compliance requirements, which influence closure cost estimates.
- The measurement of deferred tax assets and liabilities under the various jurisdictions in which Oil Search operated.

The details of the provisional business combination accounting for the acquisition are set out in Note 6.2 of the financial report.

As a result, we considered the Group's provisional business combination accounting and the related disclosures in the financial report to be a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included:

- Assessing the Group's determination of the acquisition date of the business combination.
- Evaluating the Group's determination of the purchase consideration with reference to Australian Accounting Standards and the Santos share price at the date of acquisition.
- Evaluating the qualifications, competence and objectivity of the Group's external and internal experts used to determine its hydrocarbon reserves and resources and the provisional fair value estimates of oil and gas assets, exploration and evaluation assets, and restoration liabilities.
- Independently assessing the provisional fair value estimates of oil and gas assets, exploration and evaluation assets and restoration liabilities. In conjunction with support from EY valuation specialists, we:
 - Considered the discount rates, forecast foreign exchange rates and forecast commodity prices with reference to variety of reputable third-party forecasts, peer information and market data.
 - Agreed cash flow forecasts to sanctioned development budgets, long term asset plans and contractual arrangements.
 - 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 reserve and resource transaction and trading multiples.
 - Assessed decommissioning and restoration liability amounts with reference to internal and third party restoration cost estimates. We considered the composition of the cost estimates and methodologies used as well as the appropriateness of contingency rates and the other market inputs applied, such as inflation and discount rates.
- Engaged a non-EY component audit firm to execute specific audit procedures over certain working capital balances at year-end. We obtained their conclusions and reviewed their audit workpapers, as necessary.
- Tested the working capital balances, including cash, inventory, trade receivable and payables at the acquisition date.
- Performed roll-back procedures to test working capital movements between year-end and the acquisition date
- Involved our taxation specialists in considering the current and deferred tax balances across the various jurisdictions associated with the provisional accounting for the acquisition.

We also focused on the adequacy of the financial report disclosures setting out the nature and basis of the provisional business combination accounting and the assumptions applied by management in accounting for the acquisition.

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 2021 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.

Independent Auditor's Report to the Members of Santos Limited (continued)

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 34 to 63 of the directors' report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of Santos Limited for the year ended 31 December 2021, 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



D Lewsen

Partner

Adelaide

15 February 2022



D Hall

Partner

Auditor's Independence Declaration

to the Directors of Santos Limited

As lead auditor for the audit of the financial report of Santos Limited for the financial year ended 31 December 2021, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene 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



D S Lewsen

Partner

15 February 2022

Securities Exchange and Shareholder Information

Listed on the Australian Securities Exchange at 31 January 2022 were 3,386,921,635 fully paid ordinary shares. Unlisted were 5,000 partly paid Plan 0 shares and 5,000 partly paid Plan 2 shares.

There were 169,197 holders of all classes of issued ordinary shares, including: 1 holder of Plan 0 shares: 1 holder of Plan 2 shares. This compared with 127,809 holders of all classes of issued ordinary shares a year earlier.

As at 31 January 2022 there were also: 1,405 holders of 15,201,598 Share Acquisition Rights pursuant to the SEEIP and 3,357 holders of 2,402, 984 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 78.33% of the total voting power in Santos (75.29% on 31 January 2021). The largest shareholders of fully paid ordinary shares in Santos as shown in the Company's Register of Members at 31 January 2022 were:

Name	Balance at 31 January 2022	% Units
HSBC Custody Nominees (Australia) Limited	1,108,565,304	32.73
J.P. Morgan Nominees Australia Pty Limited	543,924,154	16.06
Citicorp Nominees Pty Limited	340,974,756	10.07
National Nominees Limited	190,587,562	5.63
HSBC Custody Nominees (Australia) Limited – A/C 2	114,988,506	3.40
BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	69,448,435	2.05
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	59,438,502	1.75
BNP Paribas Noms Pty Ltd <Drp>	57,783,778	1.71
BNP Paribas Nominees Pty Ltd Acf Clearstream	23,127,648	0.68
BNP Paribas Nominees Pty Ltd Six Sis Ltd <Drp A/C>	20,761,960	0.61
HSBC Custody Nominees (Australia) Limited <Nt-Commonwth Super Corp A/C>	19,505,374	0.58
Merrill Lynch (Australia) Nominees Pty Limited	19,194,472	0.57
UBS Nominees Pty Ltd	17,921,634	0.53
Argo Investments Limited	17,449,895	0.52
Sesap Pty Ltd <On Market Purchase A/C>	9,638,299	0.28
BNP Paribas Noms Pty Ltd <Global Markets Drp>	9,597,014	0.28
Australian Foundation Investment Company Limited	9,589,773	0.28
Netwealth Investments Limited <Wrap Services A/C>	7,500,720	0.22
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <Drp A/C>	7,324,482	0.22
UBS Nominees Pty Ltd	5,745,645	0.17
Total:	2,653,067,913	78.33
Total remaining holders balance	733,853,722	21.67

ANALYSIS OF SHARES – RANGE OF SHARES HELD

	Fully paid ordinary shares (holders)	Number of shares held	% of shares held
1–1,000	72,339	32,334,077	0.95
1,001–5,000	66,832	164,418,377	4.85
5,001–10,000	17,043	122,473,108	3.62
10,001–100,000	12,566	271,416,962	8.01
100,001 Over	417	2,796,279,111	82.56
Rounding	–	–	0.01
Total	169,197	3,386,921,635	100.00

Substantial Shareholders as disclosed by notices received by the Company as at 31 January 2022:

Name	Number of voting shares held	Date of notice
United Faith Ventures	207,617,857	10 March 2021
BlackRock Group	129,700,122	30 March 2021

For Directors' shareholdings see the Directors' Report as set out on page 18 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

Carbon capture and storage (CCS) is a process in which carbon dioxide (CO₂) from industrial and energy-related sources is separated (captured), conditioned, compressed, transported and injected into a geological formation that provides safe and permanent storage deep underground.

cleaner energy

Cleaner energy refers to energy sources that are used for power generation, transport, industrial processes or heating which have lower emissions of greenhouse gases or air pollutants (NO_x, SO_x and particulates) than other fuel sources. Natural gas is an example of a cleaner energy source, as it has lower greenhouse gas emissions than coal when used in power generation.

clean fuels

Clean fuels refer to fuels which have the potential to materially reduce Scope 1, 2 and/or 3 greenhouse gas emissions. Hydrogen is an example of a clean fuel with no end-use combustion emissions and the potential for low Scope 1 and 2 emissions when produced from natural gas combined with CCS or when produced from renewable sources.

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.

decarbonise

To decarbonise is the process of avoiding, reducing or offsetting anthropogenic greenhouse gas emissions through operational activities or efficiencies, technology deployment and/or use of generated or acquired carbon credit units.

crude oil

A general term for unrefined liquid petroleum or hydrocarbons.

EBITDAX

Earnings before interest, tax, depreciation and depletion, exploration and evaluation expensed, impairment and change in future restoration assumptions.

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 × 10⁹

A terajoule (TJ) is equal to 1 joule × 10¹²

A petajoule (PJ) is equal to 1 joule × 10¹⁵

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 oil-bearing 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.

net-zero emissions (Company)

Net-zero emissions, also referred to as carbon neutral, are achieved when Scope 1 and Scope 2 (Santos equity share) anthropogenic emissions of greenhouse gases are balanced by anthropogenic removal of greenhouse gases.

Santos has committed to net-zero Scope 1 and 2 emissions (Santos equity share) by 2040.

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

Sales gas	1 PJ =
and ethane	171,937 boe × 10 ³
Crude oil	1 barrel = 1 boe
Condensate	1 barrel = 0.935 boe
LPG	1 tonne = 8.458 boe
LNG	1 PJ = 18,040 tonnes
LNG	1 tonne = 52.54 mmBtu

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).

Quoted on the official list of the Papua New Guinea National Stock Exchange (ordinary shares code STO).

COMPANY SECRETARY

Jodie Hatherly

BA, LLB, GAICD

Vice President, ESG and Legal

Ms Hatherly's biography can be read on page 11.

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 18 years' experience in commercial and corporate legal practice.

REGISTERED AND HEAD OFFICE

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Australia

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Adelaide SA 5001
Australia

Telephone: +61 8 8116 5000

Facsimile: +61 8 8116 5050

Website: www.santos.com

SHARE REGISTER

Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street
Sydney NSW 2000
Australia

GPO Box 2975
Melbourne VIC 3001
Australia

Website: www.computershare.com/au

Shareholder Access: www.investorcentre.com.au

Telephone: 1300 096 259 (within Australia)

+ 61 3 9415 4397 (International)

DISCLAIMER

This report contains forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements 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, reserve estimates, loss of market, industry competition, environmental risks, carbon emissions reduction and associated technology risks, physical risks, legislative, fiscal and regulatory developments, economic and financial markets conditions in various countries, approvals, conduct of joint venture participants and contractual counterparties and cost estimates. The forward-looking information in this report is based on management's current expectations and reflects judgements, assumptions, estimates and other information available as at the date of this document and/or the date of Santos' planning processes. Except as required by applicable regulations or by law, Santos does not undertake any obligation to publicly update or review any forward looking statements, whether as a result of new information or future events. Forward looking statements speak only as of the date of this report or the date planning process assumptions were adopted, as relevant. Our strategies and targets will adapt given the dynamic conditions in which we operate; it should not be assumed that any particular strategies, targets or implementation measures are inflexible or frozen in time. No representation or warranty, express or implied, is given as to the accuracy, completeness or correctness, likelihood of achievement or reasonableness of any forward-looking information contained in this report. Forward looking statements do not represent guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond Santos' control, and which may cause actual results to differ materially from those expressed in the statements contained in this report.

For personal use only



For personal use only

Santos