

Information paper

Santos Limited proposes to merge with Oil Search Limited

August 2021

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1.0 Transaction Overview

Santos profile	<ul style="list-style-type: none"> Santos Limited is an Australian energy company, the country's second-largest independent oil and gas producer, and has a market capitalisation of A\$13.43 billion. Santos explores for and produces natural gas, liquefied natural gas, crude oil, condensate, naphtha and liquid petroleum gas. The Company conducts major onshore and offshore petroleum exploration and production activities in Australia and Papua New Guinea. Santos also transports crude oil by pipeline. 		
Oil Search Profile	<ul style="list-style-type: none"> Oil Search is listed on the Australian and PNG security exchanges (ticker: OSH) and its ADRs trade on the US Over the Counter market (ticker: OISHY). a focused portfolio comprising: 29% interest in the PNG LNG Project (operated by ExxonMobil); operated oil and gas assets in PNG which contribute 20% of PNG LNG gas and produce all of PNG's oil; 51% interest in our Alaska oil assets which are the largest recent US onshore oil discovery; and 22.8% interest in Papua LNG, a brownfield LNG growth opportunity. 		
Merger Proposal	<ul style="list-style-type: none"> Santos submitted a confidential, non-binding indicative all-scrip merger proposal to the Oil Search Ltd (OSH) Board on 25 June 2021. On 9 July 2021, OSH responded to Santos saying the terms of any such combination need to be fair for OSH shareholders and those in Santos' original proposal were demonstrably not. OSH communicated to Santos that it is open to receiving a revised proposal which more appropriately reflects the value which OSH would bring to any combined entity. On 2 August OSH received an improved, non-binding and indicative merger proposal from Santos. The terms are outline below.. The OSH Board has considered the Revised Proposal and has determined to grant due diligence access to Santos, subject to the parties entering into an acceptable confidentiality agreement. It is expected that due diligence will take approximately 4 weeks. OSH will also undertake due diligence on Santos during this period. It is a requirement of Santos' Revised Proposal that the mutual due diligence be conducted on an exclusive basis. On 6 August, OSH announced that OSH and Santos have now agreed confidentiality arrangements and commenced a mutual due diligence process, which is expected to take approximately 4 weeks. That mutual due diligence will be on an exclusive basis during that period. 		
Merger Proposal Terms	<table border="0"> <tr> <td data-bbox="330 911 981 1275"> <ul style="list-style-type: none"> 25 Jun- Original Non-Binding Indicative Merger Proposal Terms Scheme of Arrangements Under which OSH would receive; <ol style="list-style-type: none"> 0.589 new Santos shares for each OSH share held, following approval of the Scheme, OSH shareholders would own 37% of the merged group & Santos shareholders would own 63%. The ownership ratio implied a transaction price of A\$4.25 per OSH share, representing a 12.3% premium to OSH's closing price on 24 June 2021 of A\$3.78. </td> <td data-bbox="981 911 1787 1275"> <ul style="list-style-type: none"> 2 Aug- Improved Non-Binding Indicative Merger Proposal Terms Scheme of Arrangements Under which OSH would receive; <ol style="list-style-type: none"> 0.6275 new Santos shares for each OSH share held, following approval of the Scheme, OSH shareholders would own 38.5 % of the merged group & Santos shareholders would own 61.5%. The ownership ratio implied a transaction price of A\$4.52 per OSH share, representing a 19.7% premium to OSH's closing price on 24 June 2021 of A\$3.78. </td> </tr> </table>	<ul style="list-style-type: none"> 25 Jun- Original Non-Binding Indicative Merger Proposal Terms Scheme of Arrangements Under which OSH would receive; <ol style="list-style-type: none"> 0.589 new Santos shares for each OSH share held, following approval of the Scheme, OSH shareholders would own 37% of the merged group & Santos shareholders would own 63%. The ownership ratio implied a transaction price of A\$4.25 per OSH share, representing a 12.3% premium to OSH's closing price on 24 June 2021 of A\$3.78. 	<ul style="list-style-type: none"> 2 Aug- Improved Non-Binding Indicative Merger Proposal Terms Scheme of Arrangements Under which OSH would receive; <ol style="list-style-type: none"> 0.6275 new Santos shares for each OSH share held, following approval of the Scheme, OSH shareholders would own 38.5 % of the merged group & Santos shareholders would own 61.5%. The ownership ratio implied a transaction price of A\$4.52 per OSH share, representing a 19.7% premium to OSH's closing price on 24 June 2021 of A\$3.78.
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2.0 Recent Performance

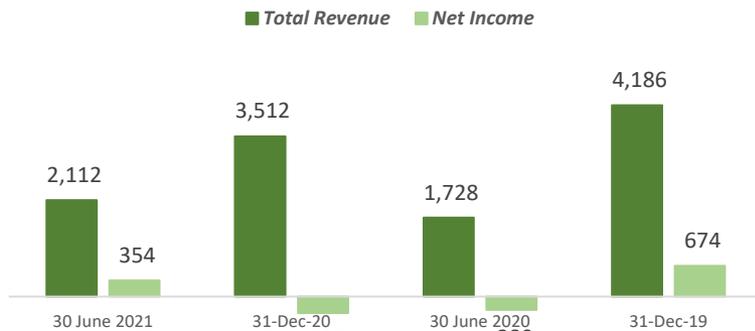
Overview: Santos Limited Financial Summary

Last Price: A\$6.16	52 Week High: A\$8.78	Avg (52 Weeks) Daily Vol : \$46.4m	12 month Capital Gain: -22.6%	Trailing P/E Ratio: n/a
Market Cap: A\$12.8 bn	52 Week Low: A\$2.71	Total Return: -21.1%	12 month Dividend Yield: 1.5%	Return on Equity: -4.8%

Santos 2Q21 Update

For the six months ended 30 June 2021, Santos Ltd revenues increased 22% to \$2.11B. Net income totaled \$354M vs. a loss of \$289M. Revenues reflect Operating Segment - Northern Australia & Timor-Leste increase from \$146M to \$383M, Oil Equivalent Production (Units/day) - increase of 23% to 258K barrels per day. Net Income reflects Exploration Costs PNG decrease from \$5M to \$0K.

STO Income Statement (US\$ Million)



Gross Margin MRQ	29.78%
Operating Margin MRQ	22.68%
Net Profit Margin MRQ	16.76%

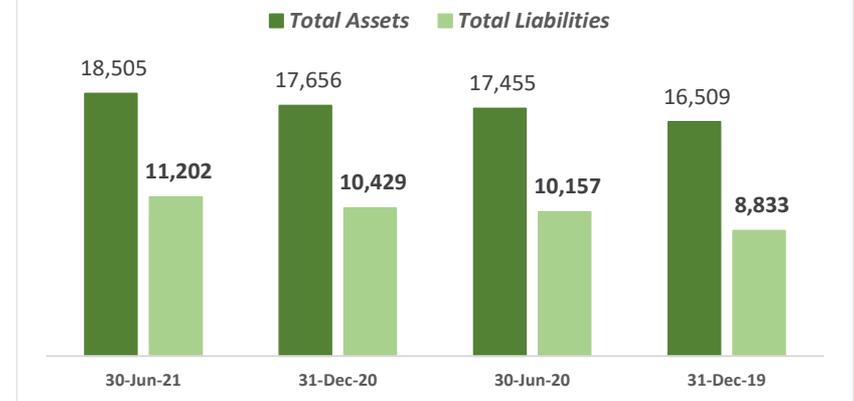
US\$ million	30-Jun-21	31-Dec-20	30-Jun-19	31-Dec-19
Total Revenue	2,112	3,512	1,728	4,186
Gross Profit	629	870	484	1,472
Operating Income	479	-306	-391	1,018
Net Income	354	-357	-289	674

MRQ= most recent quarter

Quick Ratio MRQ	1.99
Current Ratio MRQ	2.16
Total Debt to Equity MRQ	71.48%

US\$ million	30-Jun-21	31-Dec-20	30-Jun-20	31-Dec-19
Total Assets	18,505	17,656	17,455	16,509
Total Liabilities	11,202	10,429	10,157	8,833
Total Equity	7,303	7,227	7,298	7,676

STO Balance Sheet (US\$ Million)



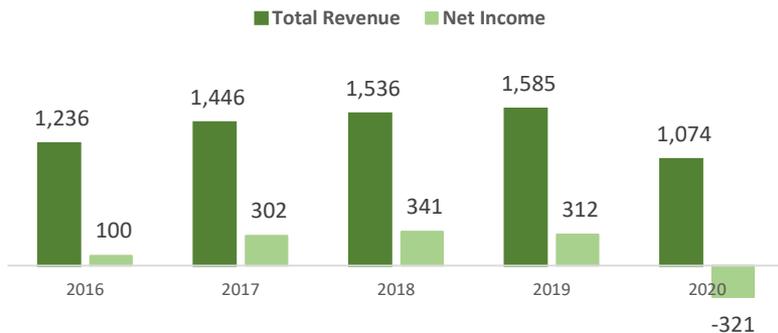
2.2 Overview: Oil Search Limited Financial Summary

Last Price: A\$3.70	52 Week High: A\$4.57	Avg (52 Weeks) Daily Vol : \$31.1m	12 month Capital Gain: 18.0%	P/E Ratio: n/a
Market Cap: A\$7.7bn	52 Week Low: A\$2.52	Total Return: 18.0%	12 month Dividend Yield: n/a	Return on Equity: 6.0%

Oil Search Ltd 2Q20 Financial Summary

For the fiscal year ended 31 December 2020, Oil Search Ltd revenues decreased 32% to \$1.07B. Net loss totaled \$320.7M vs. income of \$312.4M. Revenues reflect Oil Equivalent Production (Units/day), a decrease of 68% to 79Kbarrels per day. Net loss reflects Exploration and Development Costs - PNG increase from \$24.4M to \$65.2M, Exploration costs expenses increase from \$47.3M to \$103.3M.

OSH Income Statement (US\$ Million)



Gross Margin	22.4%
Operating Margin	-34.0%
Net Profit Margin	-29.9%

US\$ million	2017	2018	2019	2020
Total Revenue	1,446	1,536	1,585	1,074
Gross Profit	675	821	887	240
Operating Income	441	507	449	- 366
Net Income	302	341	312	- 321

Quick Ratio	0.76
Current Ratio	0.18
Total Debt to Equity	59.4%

US\$ million	2017	2018	2019	2020
Total Assets	10,512	10,674	11,516	11,388
Total Liabilities	5,575	5,508	6,258	5,818
Total Equity	4,938	5,166	5,258	5,570

OSH Balance Sheet (US\$ Million)



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