

27 September 2022

Kumul offers to acquire 5% of PNG LNG

Santos advises it has received a binding conditional offer from Kumul Petroleum Holdings Limited (Kumul) to acquire a 5 per cent project interest in PNG LNG for asset value of US\$1.4 billion, including a proportionate share of project finance debt of approximately US\$0.3 billion (the Offer).

Kumul is Papua New Guinea's national oil and gas company and existing partner in the PNG LNG project.

To secure the Offer, Kumul has paid an amount of US\$55 million to Santos which will be held in escrow to be released to Santos as a deposit for part payment of the Offer price if it accepts the Offer.

The Offer is conditional on Kumul obtaining the waivers of certain pre-emptive rights by each other PNG LNG project participant under the project operating agreement to allow the transaction to proceed.

The Offer is expressed to be irrevocable, except in limited circumstances, and will remain open for acceptance until 31 December 2022. Santos has agreed to deal exclusively with Kumul during this period regarding the sale of equity in PNG LNG.

The proposed transaction will have an effective date of 31 December 2022 with Santos to retain all 2022 cash flows. Completion will be subject to customary conditions including necessary regulatory approvals and Kumul securing financing.

The potential sale would increase the equity interest of the State to approximately 22 per cent supporting the PNG government objectives for the people of PNG to have a greater equity interest in the development of their natural resources.

Santos Managing Director and Chief Executive Officer Kevin Gallagher said the potential sale of a 5 per cent interest in PNG LNG to Kumul represents an opportunity to build strategic alignment for the future development of PNG's natural gas resources, including via PNG LNG infrastructure.

"PNG LNG is a low-cost and low emissions intensity asset that contributes strong cash flows to the project participants and economic and social benefits to the nation," Mr Gallagher said.

"Following the transaction, Santos would maintain a 37.5 per cent interest in this world-class project.

"Santos has been a committed partner in PNG for over 40 years, involved in more than 30 different licenses and has significant community partnerships and projects across the nation."

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As part of the proposed transaction, Santos and Kumul will negotiate a Heads of Agreement to further collaborate on the development of Kumul's regional capacity and capability, including carbon emission reduction opportunities to achieve net-zero operations.

JB North & Co is acting as financial adviser and Allens is acting as legal adviser to Santos.

Ends.

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