REGISTERED NUMBER 48610 SCOTLAND

SANTOS BANGLADESH LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 2018

(THIS FINANCIAL REPORT IS PREPARED IN UNITED STATES DOLLARS)

SANTOS BANGLADESH LIMITED

REGISTERED NUMBER 48610 SCOTLAND

CORPORATE INFORMATION

The Company is wholly-owned by Santos International Holdings Pty Ltd, a subsidiary of Santos Limited. Santos International Holdings Pty Ltd and Santos Limited are companies incorporated and domiciled in Australia.

Directors	Kevin Thomas Gallagher Anthony Neilson James Thorne
Company Secretary	Tyrolese (Secretarial) Limited
Auditors	Ernst & Young LLP
Registered Office	C/O Burness Paull LLP Level 3, 50 Lothian Road EDINBURGH UK EH3 9WJ

SANTOS BANGLADESH LIMITED

REGISTERED NUMBER 48610 SCOTLAND

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2018.

Business review and future developments

The principal activity of the Company during the financial year was the close out of administrative matters associated with the relinquishment of the Block 16 PSC, which was handed back to the Bangladesh Government in May 2017.

Information about likely future developments and the expected results of those developments in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Principal risks and uncertainties

The following are some of the key risks that face the Company:

Commodity prices, fiscal regimes and currency
Exposure to foreign currency risks arise in the normal course of the Company's business. Derivative financial instruments may be used by Santos Limited, the Company's ultimate parent entity, and Santos Finance Ltd, a subsidiary of Santos Limited, to hedge exposure to fluctuations in foreign exchange rates on behalf of the Santos Group.

Financing
The development of the Company's assets will depend upon the Company's ability to obtain financing through the joint operation of projects, debt financing (through Santos Finance Ltd), farm-downs or other means. There is no assurance that the Company will be successful in obtaining the required financing or attracting farm-in partners. If the Company is unable to obtain additional financing as needed through the attraction of suitable farm-in partners, some interests may be relinquished and/or the scope of the operations reduced.

Key performance indicators

The Company's ultimate parent entity Santos Limited is the parent entity in the consolidated Santos Group. At the reporting date the Company has no interests in any joint operations and there are no relevant KPI's.

By order of the Board

Anthony Neilson
Director
Dated 7 June 2019

SANTOS BANGLADESH LIMITED

REGISTERED NUMBER 48610 SCOTLAND

DIRECTORS' REPORT

The Directors present their Directors' report and financial statements for the year ended 31 December 2018.

Results and dividends

The results for the year to 31 December 2018 are summarised below:

	2018 US$000	2017 US$000
Revenue from contracts with customers	**-**	-
Profit before tax	**115**	7,311
Taxation (expense)/benefit	**-**	-
Profit after tax for the year	**115**	7,311

No dividends (2017: US$ nil) have been distributed during the financial year and no dividends have been recommended by the Directors.

Going concern

Santos Limited (the ultimate parent entity) and its wholly-owned subsidiaries ("The Santos Group") have planned to fund the ongoing activities of the Company for at least twelve months from the date of signing the financial statements. Santos Limited has the financial capacity to fund the activities of the Company. Accordingly, the Company should be able to pay its debts as and when they fall due in the normal conduct of its business activities.

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of business.

Events post balance date

As at 31 December 2018, the Company held an intercompany receivable balance of US$911,000 owing from Santos Finance Ltd and other related party payable of $974,000. On 7 May 2019, the other related party payable was transferred to Santos Finance Ltd resulting in a net payable of US$63,000 and this balance was deemed irrecoverable by Santos Finance Ltd and Santos Finance Ltd forgave this loan, which extinguished the liability of US$63,000 owing and has been recorded as other equity at this time.

Except as mentioned above, in the opinion of the Directors there has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected or may affect the operations of the Company, or the results of those operations.

SANTOS BANGLADESH LIMITED

REGISTERED NUMBER 48610 SCOTLAND

DIRECTORS' REPORT (continued)

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed below. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Directors and their interests

The names of the Directors in office at the date of this report are:

Kevin Thomas Gallagher
Anthony Neilson
James Thorne

There were no other persons who acted as Directors at any time during the financial year and up to the date of this report.

Auditors

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditor annually and Ernst & Young LLP therefore continue in office.

By order of the Board

Anthony Neilson
Director
Dated 7 June 2019

SANTOS BANGLADESH LIMITED

REGISTERED NUMBER 48610 SCOTLAND

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable United Kingdom law and the International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and performance;
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- make judgements that are reasonable.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the *Companies Act 2006*. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANTOS BANGLADESH LIMITED

Opinion

We have audited the financial statements of Santos Bangladesh Limited for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where;

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANTOS BANGLADESH LIMITED (CONTINUED)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit;

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANTOS BANGLADESH LIMITED (CONTINUED)

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs (UK) 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst + Young LLP

Kenneth MacLeod Hall (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen
11 June 2019

SANTOS BANGLADESH LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018 US$000**	2017 US$000
Gain on disposal of exploration and evaluation asset	2	**-**	17,386
Other expenses	3	**-**	(10,075)
Other income	3	**115**	-
Profit before tax		**115**	7,311
Income tax (expense)/benefit	4	**-**	-
Net profit for the year attributable to equity holder of Santos Bangladesh Limited		**115**	7,311

The income statement is to be read in conjunction with the notes to the financial statements.

SANTOS BANGLADESH LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 US$000	2017 US$000
Net profit for the year	**115**	7,311
Other comprehensive income, net of tax	**-**	-
Total comprehensive income	**115**	7,311

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

SANTOS BANGLADESH LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Issued capital	Capital contributions	Accumulated losses	Total Equity
	US$000	US$000	US$000	US$000
Balance at 1 January 2017	102,438	4,089	(107,848)	(1,321)
Profit for the year	-	-	7,311	7,311
Total comprehensive income for the year	-	-	7,311	7,311
Transactions with owners in their capacity as owners:				
Share issue	658	-	-	658
Balance at 31 December 2017	103,096	4,089	(100,537)	6,648
Balance at 1 January 2018	**103,096**	**4,089**	**(100,537)**	**6,648**
Profit for the year	**-**	**-**	**115**	**115**
Total comprehensive income for the year	**-**	**-**	**115**	**115**
Transactions with owners in their capacity as owners:				
Return of capital	**(6,600)**	**-**	**-**	**(6,600)**
Balance at 31 December 2018	**96,496**	**4,089**	**(100,422)**	**163**

The statement of changes in equity is to be read in conjunction with the notes to the financial statements.

SANTOS BANGLADESH LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018 US$000	2017 US$000
Current assets			
Cash and cash equivalents	6	**226**	350
Trade and other receivables	7	**-**	-
Amount owing from related entity	12	**911**	7,299
Total current assets		**1,137**	7,649
Total assets		**1,137**	7,649
Current liabilities			
Trade and other payables	8	**974**	1,001
Current tax liabilities	4	**-**	-
Total current liabilities		**974**	1,001
Non-current liabilities			
Deferred tax liability	5	**-**	-
Total non-current liabilities		**-**	-
Total liabilities		**974**	1,001
Net assets		**163**	6,648
Equity			
Issued capital	9	**96,496**	103,096
Capital contributions	9	**4,089**	4,089
Accumulated losses		**(100,422)**	(100,537)
Total equity attributable to equity holder of Santos Bangladesh Limited		**163**	6,648

These financial statements were approved by the Board of Directors on 7 June 2019 and were signed on its behalf by:

Anthony Neilson
Director

The statement of financial position is to be read in conjunction with the notes to the financial statements.

SANTOS BANGLADESH LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018 US$000**	2017 US$000
Cash flows from operating activities			
Payments to suppliers		-	(48)
Net cash provided used in operating activities	10	-	(48)
Cash flows from investing activities			
Proceeds from disposal		-	16,150
Exploration and evaluation expenditure		-	(9,586)
Net cash provided by investing activities		-	6,564
Cash flows from financing activities			
Net payments to from related parties		**(124)**	(7,299)
Net cash used in financing activities		**(124)**	(7,299)
Net decrease in cash and cash equivalents		**(124)**	(783)
Cash and cash equivalents at the beginning of the year		**350**	1,133
Cash and cash equivalents at the end of the year	6	**226**	350

The statement of cash flows is to be read in conjunction with the notes to the financial statements.

SANTOS BANGLADESH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant Accounting Policies

Santos Bangladesh Limited ("the Company") is a company incorporated and domiciled in Scotland.

The Company is wholly-owned by Santos International Holdings Pty Ltd ("SIH"), a subsidiary of Santos Limited. SIH and Santos Limited are companies incorporated and domiciled in Australia.

The financial report was authorised for issue by the Directors on 7 June 2019.

(a) Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("Adopted IFRS") as they apply to the financial statements of the Company for the year ended 31 December 2018.

(b) Basis of preparation

The financial statements are prepared on a historical cost basis.

The financial statements are presented in United States dollars and are rounded to the nearest thousand dollars (US$000) except when otherwise stated.

The Company's activities were conducted in Bangladesh under Production Sharing Contracts ("PSCs"). The Company accounts for PSCs on a net entitlements basis whereby hydrocarbon production, revenues and reserves are determined by reference to the terms of the PSC. Expenditure on exploration and development activities are capitalised and depleted as described in notes 1(e), 1(f) and 1(h). Production and other operating costs are expensed as incurred.

Santos Limited (the ultimate parent entity) and its wholly-owned subsidiaries ("the Santos Group") have planned to fund the ongoing activities of the Company for twelve months from the date of signing the financial statements. Santos Limited has the financial capacity to fund the activities of the Company. Accordingly, the Company should be able to pay its debts as and when they fall due in the normal conduct of its business activities.

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of business.

1. Significant Accounting Policies (continued)

(b) Basis of preparation (continued)

Adoption of new accounting standards and amendments

The Company early adopted IFRS 9 Financial Instruments effective 1 January 2017. This standard did not have a significant impact on the accounting policies, financial position or performance of the company, or on presentation or disclosure in the financial report.

The Company has adopted IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") from 1 January 2018. There is no impact of the adoption of the new revenue standard on the financial statements.

In addition, several new accounting standards, amendments to standards and interpretations were applicable for the first time in 2018, but were not relevant to the Company and do not impact its financial statements.

New standards and interpretations not yet adopted

The following International Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ended 31 December 2018. These Accounting Standards and Interpretations are not expected to have any material impact on the Company's financial report.

- IFRS 16 – *Leases*

Several other amendments to standards and interpretations will apply on or after 1 January 2019, and have not yet been applied, however they are not expected to impact the Company's financial statements.

1. Significant Accounting Policies (continued)

(c) Joint arrangements

The Company's exploration and production activities are often conducted through joint arrangements governed by joint operating agreements, production sharing contracts or similar contractual relationships.

A joint operation involves the joint control, and often the joint ownership, by the parties to the joint operation, of one or more assets contributed to, or acquired for the purpose of, the joint operation and dedicated to the purposes of the joint operation. The assets are used to obtain benefits for the parties to the joint operation. Each party may take a share of the output from the assets and each bears an agreed share of expenses incurred. Each party has control over its share of future economic benefits through its share of the joint operation.

The interests of the Company in joint operations are brought to account by recognising in the financial statements the Company's share of the joint operation's assets, share of expenses and liabilities incurred, and the income from the sale or use of its share of the production of the joint operation in accordance with the revenue policy in note 1(p).

1. Significant Accounting Policies (continued)

(d) Foreign currency

Functional and presentation currency
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The financial statements are presented in United States dollars ("US dollars") which is the Company's functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary assets and liabilities denominated in foreign currencies 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.

(e) Exploration and evaluation expenditure

Exploration and evaluation 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 assets, the costs of successful wells and appraisal costs relating to determining development feasibility, which are capitalised as intangible exploration and evaluation assets.

An area of interest refers to an individual geological area where the presence of oil or a natural gas field is considered favourable or has been proved to exist, and in most cases will comprise an individual oil or gas field.

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:

(i) such expenditure is expected to be recovered through successful development and commercial exploitation of the area of interest, or alternatively by its sale; or

(ii) the exploration activities in the area of interest have not yet reached a stage which 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.

1. *Significant Accounting Policies (continued)*

(e) Exploration and evaluation expenditure (continued)

The carrying amounts of the Company's exploration and evaluation assets are reviewed at each reporting date, in conjunction with the impairment review process referred to in note 1(k), to determine whether any of the following indicators of impairment exist:

(i) tenure over the licence area has expired during the period or will expire in the near future, and is not expected to be renewed;

(ii) substantive expenditure on further exploration for, and evaluation of, mineral resources in the specific area is not budgeted or planned;

(iii) exploration for, and evaluation of, resources in the specific area has not led to the discovery of commercially viable quantities of resources, and the Company has decided to discontinue activities in the specific area; or

(iv) 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.

Where an indicator of impairment exists a formal estimate of the recoverable amount is made, and any resultant impairment loss is recognised in the income statement.

When approval of commercial development of a discovered oil or gas field occurs, the accumulated exploration and evaluation expenditure is transferred to oil and gas assets – assets in development.

(f) Oil and gas assets

Oil and gas assets are usually single oil or gas fields being developed for future production or which are in the production phase. Where several individual oil or gas fields are to be produced through common facilities, the individual oil or gas fields 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. The costs of oil and gas assets in the development phase are separately accounted for as tangible assets and include past exploration and evaluation costs, development drilling and other subsurface expenditure, surface plant and equipment and any associated land and buildings.

When commercial operation commences the accumulated costs are transferred to oil and gas assets – 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. These costs are subject to depreciation and depletion in accordance with note 1(h).

1. Significant Accounting Policies (continued)

(f) Oil and gas assets (continued)

Ongoing exploration and evaluation expenditure 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 1(e).

Title of assets

The legal title of assets purchased/constructed for operations in Bangladesh transfers to the relevant government body under the terms of the PSC. However, these assets are recognised as assets in the financial statements whilst the Company controls the assets and expects to receive future economic benefits from the use of those assets.

(g) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of rotable spares and insurance spares that are purchased for back up or rotation with specific plant and equipment items. Similarly, the cost of major cyclical maintenance is recognised in the carrying amount of the related plant and equipment as a replacement only if it is eligible for capitalisation. Any remaining carrying amount from the cost of the previous major cyclical maintenance is derecognised. All other repairs and maintenance are recognised in the income statement as incurred.

Depreciation on plant and equipment is calculated in accordance with note 1(h).

(h) Depreciation and depletion

Depreciation of offshore plant and equipment is calculated using the unit-of-production method for an asset or group of assets (refer note 1(k)) from the date of commencement of production.

Depletion charges are calculated using the unit-of-production method based on heating value which will amortise the cost of carried forward exploration, evaluation and subsurface development expenditure ("subsurface assets") over the life of the estimated Proven plus Probable ("2P") reserves in a cash-generating unit, together with future subsurface costs necessary to develop the hydrocarbon reserves in the respective cash-generating units.

The heating value measurement used for the conversion of volumes of different hydrocarbon products is barrels of oil equivalent.

Depletion is not charged on costs carried forward in respect of assets in the development stage until production commences.

1. Significant Accounting Policies (continued)

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value, which in practice is the equivalent of cost, less any impairment losses.

Long-term receivables are discounted and are stated at amortised cost, less impairment losses.

Trade receivables are non-interest-bearing and settlement terms are generally within 30 days. Trade receivables that are neither past due nor impaired relate to a number of independent customers for whom there is no recent history of default.

The Company applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. Under this method, determination for 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 2018 is nil (2017: nil), no loss allowance provision has been recorded at 31 December 2018 (2017: nil).

(j) Other financial assets

Other financial assets, being intercompany receivables are assessed for impairment at each reporting date using the expected credit loss model as prescribed by AASB 9. The Company initially assesses the receivables using the 12 month expected credit loss model, however when certain criteria are met, the Company assesses the receivables under the lifetime expected credit loss model. An impairment is recorded where the asset's carrying value exceeds the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the receivable is reduced through the use of an allowance account. Changes in the allowance account are recognised in the income statement.

The Company's intercompany receivables have been assessed as being Stage 2 or Stage 3 within the scope of AASB 9 impairment requirements and therefore assessed for impairment using the lifetime expected credit loss model. All loans extended to Santos Group's subsidiaries have a term to maturity greater than 12 months and none are repayable on demand. The borrowing entities are not considered low credit risk since none hold external investment grade credit ratings, the benefit from credit enhancements and adverse changes in economic and business conditions in the longer term may reduce the ability of the borrower to fulfil their obligations. Management has considered the impact of factors such as commodity price, foreign exchange and interest rate fluctuations on the future cash flows of each entity and has determined that credit risk has increased since the origination of the loan.

(k) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and short-term deposits that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and have an original maturity of three months or less.

1. Significant Accounting Policies (continued)

(k) Cash and cash equivalents (continued)

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

(l) Impairment

The carrying amounts of the Company's assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. Where an indicator of impairment exists a formal estimate of the recoverable amount is made.

Oil and gas assets, plant and equipment are assessed for impairment on a cash-generating unit ("CGU") basis. A CGU is the smallest grouping of assets that generates independent cash flows, and generally represents an individual oil or gas field. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the assets in the unit on a pro-rata basis.

Exploration and evaluation assets are assessed for impairment in accordance with note 1(e).

An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its CGU exceeds its recoverable amount.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. In assessing value in use, an asset's estimated future cash flows are 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. Where an asset does not generate cash flows that are largely independent from other assets or groups of assets, the recoverable amount is determined for the CGU to which the asset belongs.

For oil and gas assets the estimated future cash flows are based on estimates of hydrocarbon reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves. Estimates of future commodity prices are based on contracted prices where applicable or based on forward market prices where available.

Reversals of impairment

An impairment loss is reversed if there has been an increase in the estimated recoverable amount of a previously impaired asset. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or depletion, if no impairment loss had been recognised.

1. Significant Accounting Policies (continued)

(m) Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation using a discounted cash flow methodology. If the effect of the time value of money is material, the provision is discounted using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(n) 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 equivalent 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.

(o) Borrowing costs

Borrowing costs, including interest and finance charges relating to major oil and gas assets under development up to the date of being ready for commencement of commercial operations, 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 borrowing rate. Borrowing costs incurred after commencement of commercial operations are expensed.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(p) Share capital

Ordinary share capital
Ordinary share capital is classified as equity.

Dividends
Dividends are recognised as a liability at the time the Directors resolve to pay or declare the dividend.

(q) Revenue from contracts with customers

Revenue from contracts with customers is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is recognised and measured at the fair value of the consideration or contributions received, net of goods and services tax ("GST") or similar taxes, to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

1. Significant Accounting Policies (continued)

(q) Revenue from contracts with customers (continued)

Product sales

Sales revenue is recognised using the "sales method" of accounting. The sales method results in revenue being 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).

(r) Other income

Other income is recognised in the income statement at the fair value of the consideration received or receivable, when the significant risks and rewards of ownership have been transferred to the buyer or when the service has been performed.

The gain or loss arising on disposal of a non-current asset is included as other income at the date control of the asset passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

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 retranslated at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognised as other income or expense.

(s) Interest income

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

(t) Operating lease expenses

Operating lease payments, where the lessor effectively retains substantially all the risks and rewards incidental to ownership of the leased items, are recognised in the income statement on a straight-line basis over the term of the lease.

(u) 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 to the extent that it relates to items recognised directly in equity, in which case it is recognised 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.

1. Significant Accounting Policies (continued)

(u) Income tax (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amount 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 nor taxable profit, and 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.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(v) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on management's judgement regarding estimates and assumptions of future events. The reasonableness of estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the next annual reporting period are:

Estimates of reserve quantities
The estimated quantities of proven plus probable hydrocarbon reserves reported by the Company are integral to the calculation of depletion and depreciation expense and to assessments of possible impairment of assets. 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.

Estimates of reserve quantities (continued)
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 Company's policies and procedures for reserves estimation which conform to guidelines prepared by the Society of Petroleum Engineers.

Exploration and evaluation
The Company's policy for exploration and evaluation expenditure is discussed in note 1(e). 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 reserves 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 written off to the income statement.

1. Significant Accounting Policies (continued)

(v) Significant accounting judgements, estimates and assumptions (continued)

Impairment of oil and gas assets
The Company assesses whether oil and gas assets are impaired on a semi-annual basis. This requires an estimation of the recoverable amount of the CGU to which the assets belong. For oil and gas assets, the expected future cash flow estimation is always based on a number of factors, variables and assumptions, the most important of which are estimates of reserves, future production profiles, commodity prices, costs and foreign exchange rates. In most cases, the present value of future cash flows is most sensitive to estimates of future commodity price and discount rates. A change in the modelled assumptions in isolation could materially change the recoverable amount.

However, 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.

In the event that future circumstances vary from these assumptions, the recoverable amount of the Company's oil and gas assets could change materially and result in impairment losses or the reversal of previous impairment losses. The assumptions used in the estimation of recoverable amount and the carrying amount of oil and gas assets are discussed in note 1(k).

Impairment of receivables from related entities
The Company assesses whether receivables from related entities are impaired on an annual basis. Refer to note 1. (j) Other financial assets.

SANTOS BANGLADESH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 US$000	2017 US$000
2. Gain on disposal of exploration and evaluation asset		
Gain on disposal of exploration and evaluation asset:		
Net gain on sale of Magnama Block 16 interests	-	17,386
	-	17,386
3. Other Expenses and Other Income		
Other expenses:		
Doubtful debts expense	-	10,000
Exploration and evaluation expense	-	19
Foreign exchange loss	-	56
Total other expenses	-	10,075
Other Income:		
Foreign exchange gain	**115**	-
Total other income	**115**	-
4. Income Tax		
Current tax		
Current year UK Corporation tax expense/(benefit)	-	238
Utilisation of previously unrecognised tax losses	-	(238)
Total current tax	-	-
Deferred tax (see also note 5)		
Origination and reversal of temporary differences	-	2,338
Temporary differences not recognised	-	(2,338)
Total deferred tax	-	-
Total income tax	-	-
Numerical reconciliation between tax expense and pre-tax loss		
Profit/(loss) before tax	**115**	7,311
Prima facie income tax (expense)/benefit at 19% (2017: 19%)	**(22)**	(1,407)
Decrease in income (expense)/tax benefit due to:		
Non-assessable income	**22**	2,067
Utilisation of previously unrecognised tax losses	-	(660)
Income tax on pre-tax profit	-	-

	2018 US$000	2017 US$000

5. Deferred Tax Liabilities

Deferred tax liabilities are attributable to:		
Other temporary differences	-	-
	-	-
Movements in the origination and reversal of temporary differences through the income statement		
Balance at beginning of year	-	-
Current year tax (expense)/benefit	-	(238)
Carried forward losses and temporary difference not recognised	-	238
Balance at end of year	-	-
Deferred tax assets not brought to account	-	-

6. Cash and Cash Equivalents

Cash at bank and in hand	**226**	350
Cash and cash equivalents in the statement of cash flows	**226**	350

Bank balances and call deposits earn interest at floating rates based upon market rates. The carrying amounts of cash and cash equivalents represent their fair value.

	2018 US$000	2017 US$000

7. Trade and Other Receivables

	2018 US$000	2017 US$000
Current		
Receivables from related parties	**10,000**	10,000
Provision for doubtful debts	**(10,000)**	(10,000)
	-	-

8. Trade and Other Payables

	2018 US$000	2017 US$000
Current		
Payables to related parties	**974**	947
Joint operation creditors and accruals	**-**	54
	974	1,001

9. Share Capital and Other Equity

Issued and fully paid ordinary shares

	2018 US$000	2017 US$000
At reporting date the Company had 692,731,507 fully paid ordinary shares of 9p each	**96,496**	103,096

Movement in issued and fully paid ordinary shares:

	2018	2017	**2018**	2017
	Number of Shares ('000)		**US$000**	US$000
Balance at the beginning of the year	**692,731**	687,389	**103,096**	102,438
Issued during the year	**-**	5,342	**-**	658
Returned during the year	**-**	-	**(6,600)**	-
Balance at the end of the year	**692,731**	692,731	**96,496**	103,096

Capital contributions:	2018 US$000	2017 US$000
Balance at the beginning and end of the year	**4,089**	4,089

Capital risk management

The Company's objective when managing capital is to safeguard the ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure.

In order to maintain or adjust the capital structure the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

	2018 US$000	2017 US$000

10. Notes to the Statement of Cash Flows

Reconciliation of cash flows from operating activities

	2018 US$000	2017 US$000
Profit after income tax	**115**	7,311
Add/(deduct) non-cash items:		
Exploration and evaluation write off	-	19
Foreign exchange gains	**(115)**	-
Doubtful debts expense	-	10,000
Gain on disposal	-	(17,386)
Net cash provided (used in) operating activities before changes in assets or liabilities	-	(56)
Add/(deduct) changes in operating assets or liabilities net of acquisitions/disposals of businesses:		
Increase/(decrease) in tax liabilities	-	-
Decrease/(increase) in prepayments	-	8
Net cash (used in) operating activities	-	(48)

11. Commitments for Expenditure

The Company has the following commitments for expenditure:

(a) Capital commitments

There is no commitment for any capital expenditure as at the reporting date.

(b) Minimum exploration commitments

There are no commitments for any exploration expenditure as at the reporting date.

12. Related Party Disclosures

(a) Parent entities

The Company's immediate parent entity is Santos International Holdings Pty Ltd ("SIH"), a company incorporated in Australia. The ultimate parent entity is Santos Limited, a company incorporated and domiciled in Australia. The address of the registered office of Santos Limited is:

Ground Floor Santos Centre
60 Flinders Street
Adelaide SA 5000
Australia.

The consolidated financial report of the Santos Group is available to the public and may be obtained from the above address. This is the smallest group into which the results of the Company are consolidated.

(b) Transactions with related entities

The following related party balances existed at the reporting date:

	2018 **US$000**	2017 US$000
Current		
Amount owing from/(to) related party	**911**	7,299
Payables to related party	**-**	-
	911	7,299

The amount owing from/(to) a related party is a receivable/(payable) with Santos Finance Ltd, a related entity in the Santos Group. This amount is non-interest bearing.

12. Related Party Disclosures

(c) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the Directors of the Company.

The following were Directors of the Company and therefore key management personnel of the Company for the periods shown:

Kevin Thomas Gallagher
Anthony Neilson
James Thorne

No remuneration was paid to Mr K Gallagher and Mr A Neilson directly for services to the Company during the current or prior years.

Mr J Thorne received US$4,313 as key management personnel emoluments for the current year (2017: US$4,252) for his services as a Director of the Company.

The Company employs no permanent staff.

(d) Interests in joint operations

The Company has no interests in any joint operations.

13. 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 Company's business. Derivative financial instruments may be used by Santos Limited, the Company's ultimate parent entity, and Santos Finance Ltd, a subsidiary of Santos Limited, to hedge exposure to fluctuations in foreign exchange rates, interest rates and commodity prices, on behalf of the Company.

(a) Foreign currency risk

The Company is not materially exposed to foreign currency risk as it principally incurs expenditure primarily in US dollars and has US dollar borrowings from a related entity.

(b) Interest rate risk

As the Company has no interest-bearing liabilities the Company is not exposed to changes in market interest rates on borrowings.

13. Financial Risk Management (continued)

(b) Interest rate risk (continued)

At the reporting date cash balances of US$226,375 (2017: US$350,000) are held with the bank. There are no funds on short-term deposit.

(c) Commodity price risk

At the reporting date, the Company has no open commodity price contracts (2017: nil) and hedging instruments have not been used.

(d) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions, and represents the potential financial loss if counterparties fail to perform as contracted. The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The receivables balances are monitored on an ongoing basis and amounts outstanding at reporting date have subsequently been received. The Company does not hold collateral, nor does it securitise its trade and other receivables.

The Company's maximum exposure to credit risk is represented by the carrying amount of trade and other receivables recognised on the statement of financial position. At the reporting date there were no long overdue balances and therefore, there are no significant concentrations of credit risk.

The Santos Group controls credit risk on derivative financial instruments by setting exposure limits related to the creditworthiness of counterparties, all of which are selected banks or institutions with a Standard & Poor's rating of A or better.

(e) Liquidity risk

The Company aims to mitigate liquidity risk by maintaining sufficient cash balances to meet ongoing operational requirements and exploration activities, and has additional funding available to it through committed credit facilities held by Santos Finance Ltd, a subsidiary of Santos Limited.

The following table analyses the contractual maturities of the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	On demand US$000	Less than 6 months US$000	6 to 12 months US$000	More than 12 months US$000
2018				
Trade and other payables	**974**	-	-	-
2017				
Trade and other payables	1,001	-	-	-

13. Financial Risk Management (continued)

(f) Fair values

The financial assets and liabilities of the Company are initially recognised on the Statement of Financial Position at their fair value in accordance with the accounting policies in note 1.

The significant methods and assumptions used in estimating the fair values of financial instruments are:

Trade and other receivables
The carrying value less impairment provision of trade receivables is a reasonable approximation of their fair values due to the short-term nature of trade receivables.

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 the cash flows are in a foreign currency the present value is converted to US dollars at the foreign exchange rate prevailing at reporting date.

14. Auditors' Remuneration

	2018 US$000	2017 US$000
Audit of these financial statements	**16**	17

The auditors' remuneration is borne by the ultimate parent entity, Santos Limited.

15. Events post balance date

As at 31 December 2018, the Company held an intercompany receivable balance of US$911,000 owing from Santos Finance Ltd and other related party payable of $974,000. On 7 May 2019, the other related party payable was transferred to Santos Finance Ltd resulting in a net payable of US$63,000 and this balance was deemed irrecoverable by Santos Finance Ltd and Santos Finance Ltd forgave this loan, which extinguished the liability of US$63,000 owing and has been recorded as other equity at this time

Except as mentioned above, in the opinion of the Directors there has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected or may affect the operations of the Company, or the results of those operations.