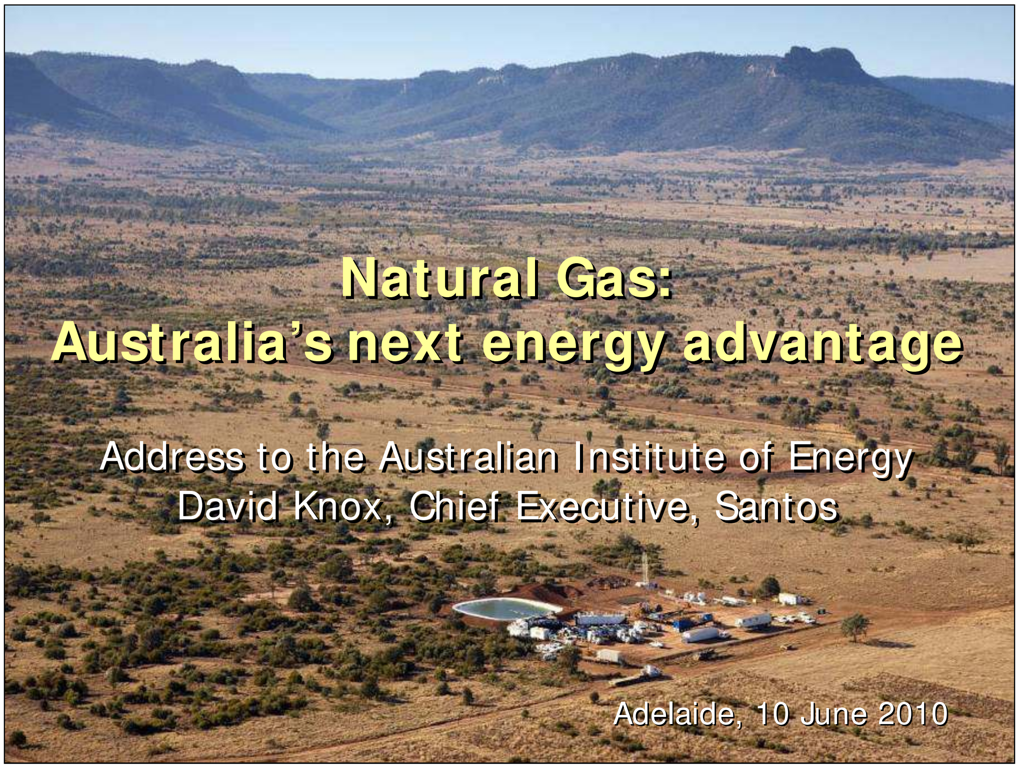


Thanks Graeme (Bethune, SA Chairman of AIE), ladies and gentlemen …

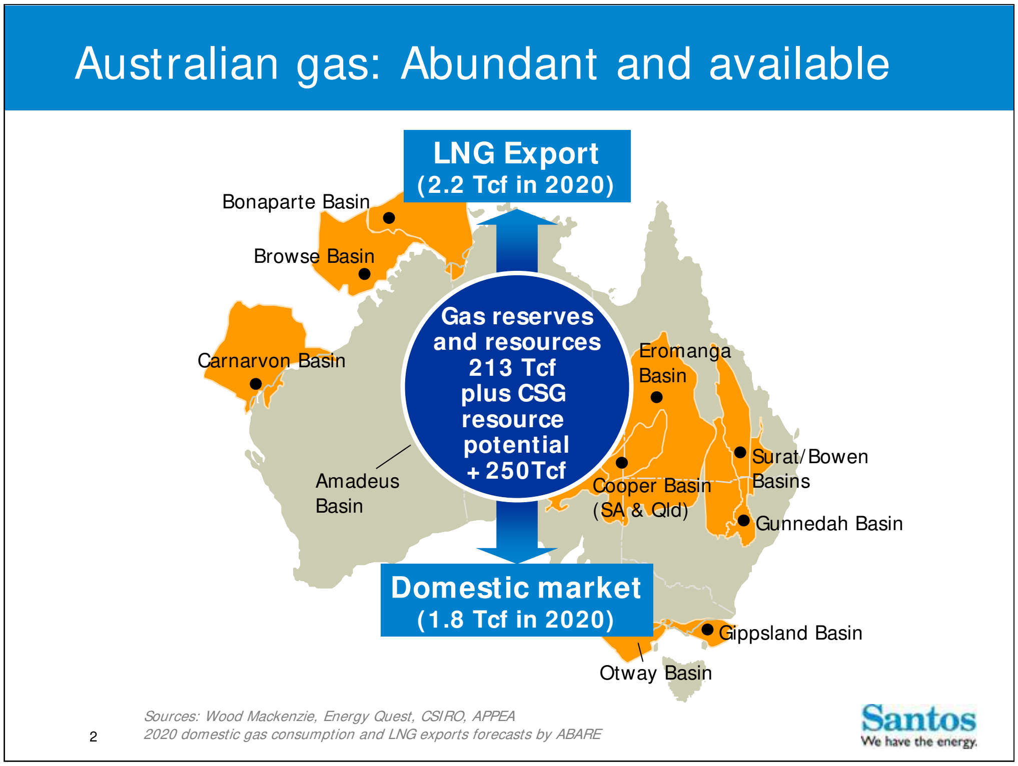
I'd like to talk today about the role natural gas can play in generating jobs, investment and public revenues, and giving us a cleaner energy mix.

In particular, I'll look at the role that Santos can play in delivering the benefits of natural gas to all Australians and the energy-hungry markets of Asia.

In recent times, we at Santos have been extolling Australia's AAA advantage in natural gas. It is abundant, affordable and available.

It is important to remember that the benefits of natural gas – and the certainty of the investment and jobs planned for our sector – cannot be taken for granted.

But with the right policy settings in place, Australian natural gas will deliver environmental, economic and energy benefits for decades, if not centuries, to come.

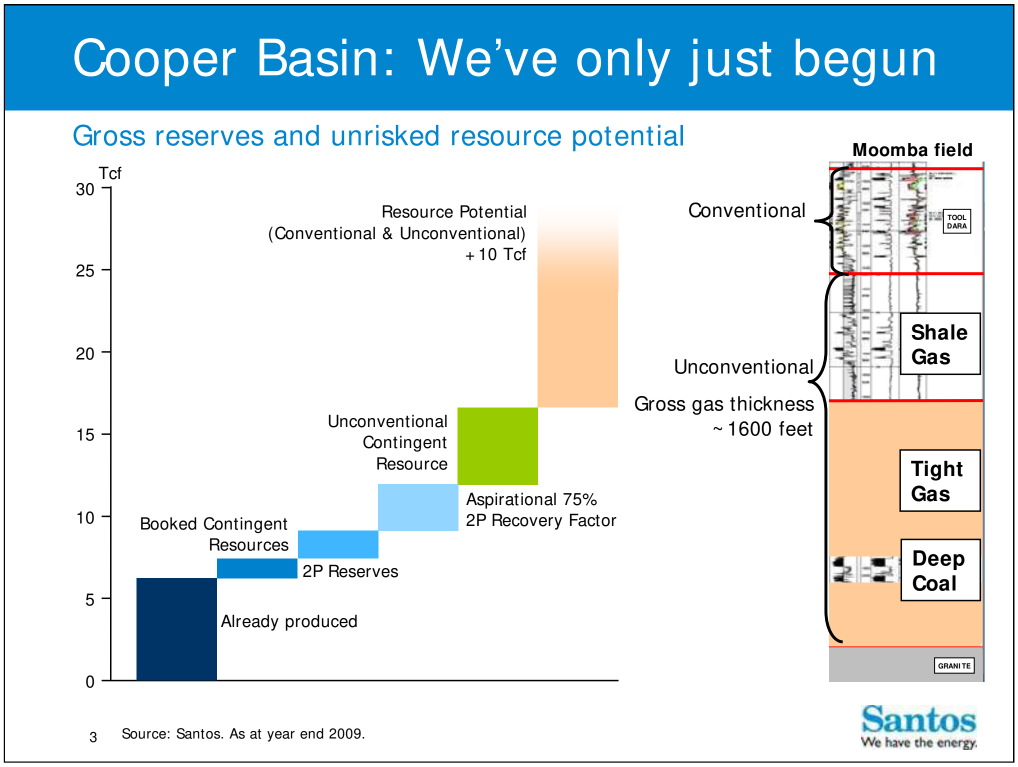


ABARE forecasts that in 2020 Australia will produce 4 trillion cubic feet of gas – roughly split between LNG for export and gas for the domestic market.

The abundance of our natural gas resources means we have ample opportunity to supply domestic and export channels. Let’s be clear. It is an “and” not an “or.”

Even if LNG exports grow more dramatically than ABARE forecasts, with potential resources exceeding 400 Tcf we have enough gas to serve Australia’s needs for a very long time.

And, as I have said previously, it is access to these global markets which will bring forward investments that will help reduce our carbon emissions and ensure the continued development of gas reserves for domestic use.



Santos owes much to the Cooper Basin, which is central to our position as Australia's leading domestic gas producer.

Last year we celebrated the 40th anniversary of the first gas deliveries from Moomba to Adelaide. That was a significant milestone for the company and the first step to building a supply network throughout eastern Australia.

But any suggestion that the Cooper's long history reflects a limited future is very much mistaken. We are only just beginning to identify the potential that lies in unconventional gas resources such as shale gas and tight gas deep below the South Australian desert.

As this chart shows, in 40 years we have produced about 6 Tcf of natural gas from Moomba.

Taken together, reserves and resources, both conventional and unconventional, suggest at least three times as much gas remains in the Cooper Basin than has already been produced.

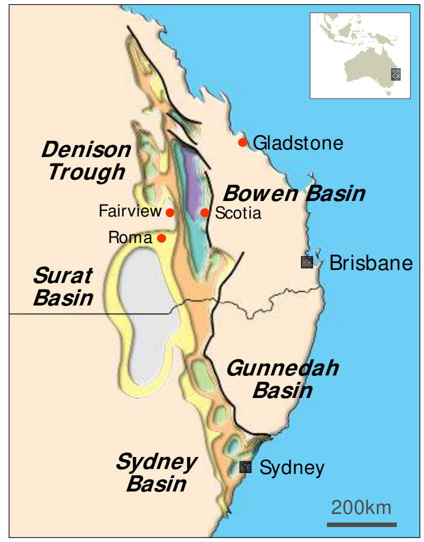
Coal Seam Gas

Definition

- Methane captured within coal
- Typically 98% methane, <2% inert gas, no liquids, 1000 btu/scf heating value

Key Facts

- Known coal exists from Townsville to Sydney (2000km)
- Existence proven by coal industry drilling and seismic
- Target CSG zones are 500-1000m sub surface
- Production process is simply dehydration and compression



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Another fuel source you've probably heard a lot about recently is coal seam gas.

Coal seam gas is simply methane captured within coal. The resource potential in eastern Australia is globally significant, with ABARE estimating resource potential of over 250 Tcf.

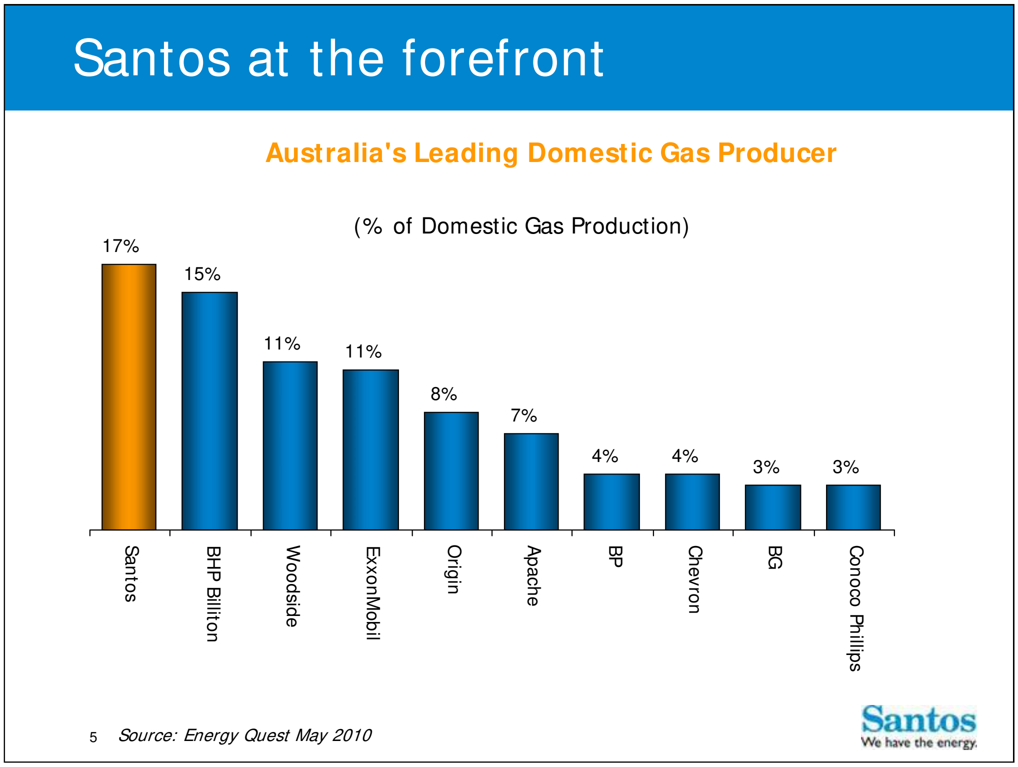
Large coal resources lie in geological basins over a large area of eastern Australia extending approximately 2000 km from Townsville to Sydney.

Much of that coal is too deep to be economically mined, but coal seam gas can be produced at depths between 500 and 1000m.

Australian coal seam gas typically has a very high methane content (~98%). In the absence of gas liquids and CO2, our coal seam gas requires little processing.

Santos is already producing CSG at Fairview and Roma in Queensland, and via our partnership with Eastern Star Gas, in the Gunnedah region in NSW.

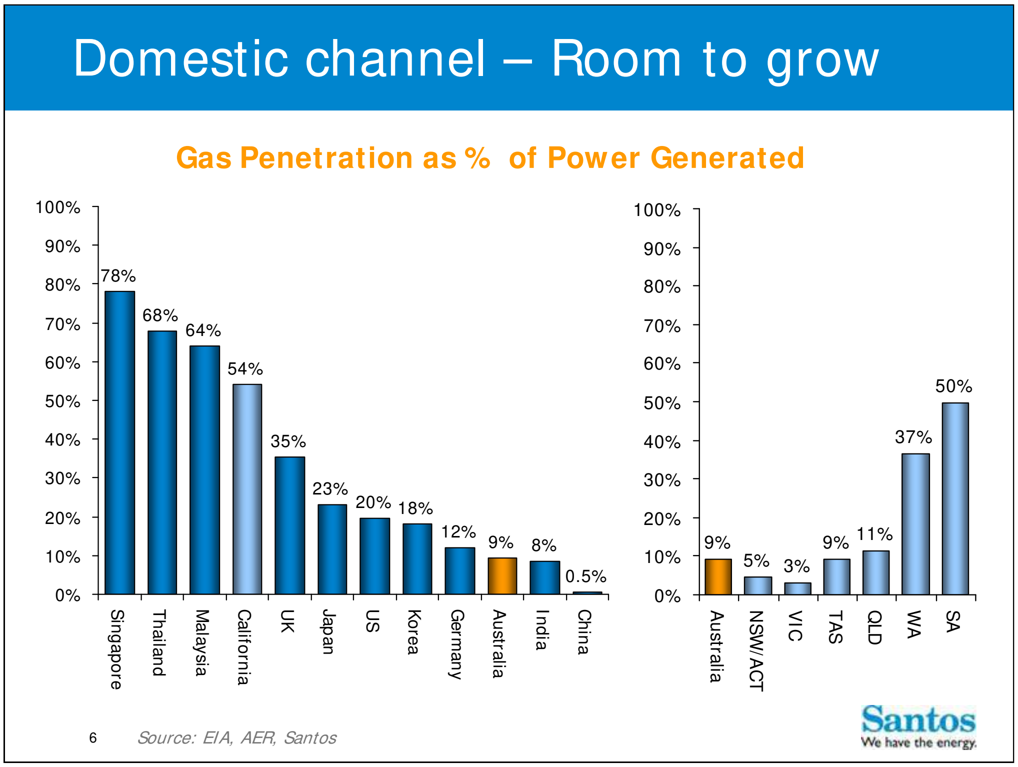
What is new and exciting is the opportunities that lie in the conversion of coal seam gas to LNG.



Together, our leadership position in the Cooper Basin and the emerging coal seam gas provinces are important factors making Santos Australia’s largest domestic gas producer.

Our track record of reliable delivery to our Australian customers is something we are proud of, but there is scope for gas to play a much larger role in Australia’s energy mix.

The obvious growth sector for gas domestically is power generation …



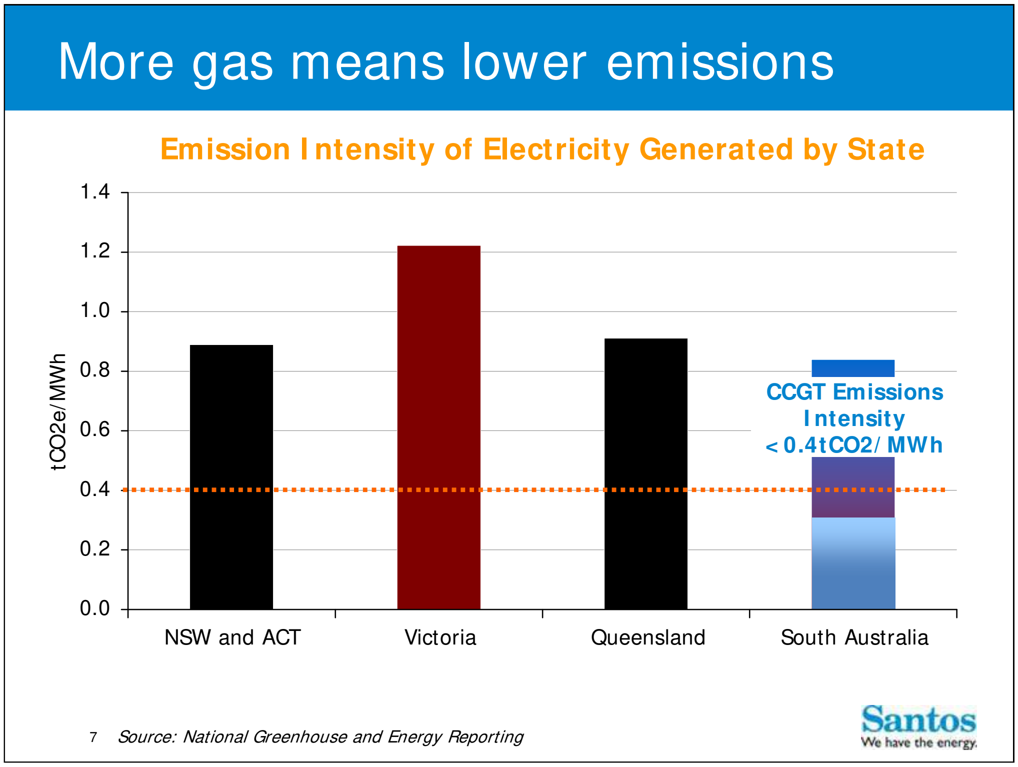
Today, gas is the only fuel that can provide a safe, secure, reliable source of cleaner energy for baseload power generation.

What this chart shows is the percentage of power generated by natural gas for some of the world's major economies. Some interesting points jump out at you:

• For places such as Singapore, Thailand, Malaysia, the UK and the state of California, gas is a way of life. So this tells us it can be done – gas is a reliable source of supply coupled with proven generation technology;
• So when you look at Australia at around 9%, India at 8% and China at less than 1%, one realises there is plenty of room for gas to penetrate the market, particularly if the world is serious about carbon reduction.

You simply can't grow economies without electricity, and you can't reduce greenhouse gas emissions without addressing the role of cleaner burning fuels in generating this electricity.

On this chart, it is also notable that South Australia – with the highest penetration of gas-fired electricity, also has the lowest emissions on the Australian mainland.



But South Australia could do much more, and in doing so lead the country in cutting carbon emissions.

If we get the policy settings right – by that I mean supporting gas and renewables – there are significant benefits for the climate.

Let me show you what I mean in respect of South Australia where gas already provides 50% of power generation output, and renewables, in this case wind, provide 17%.

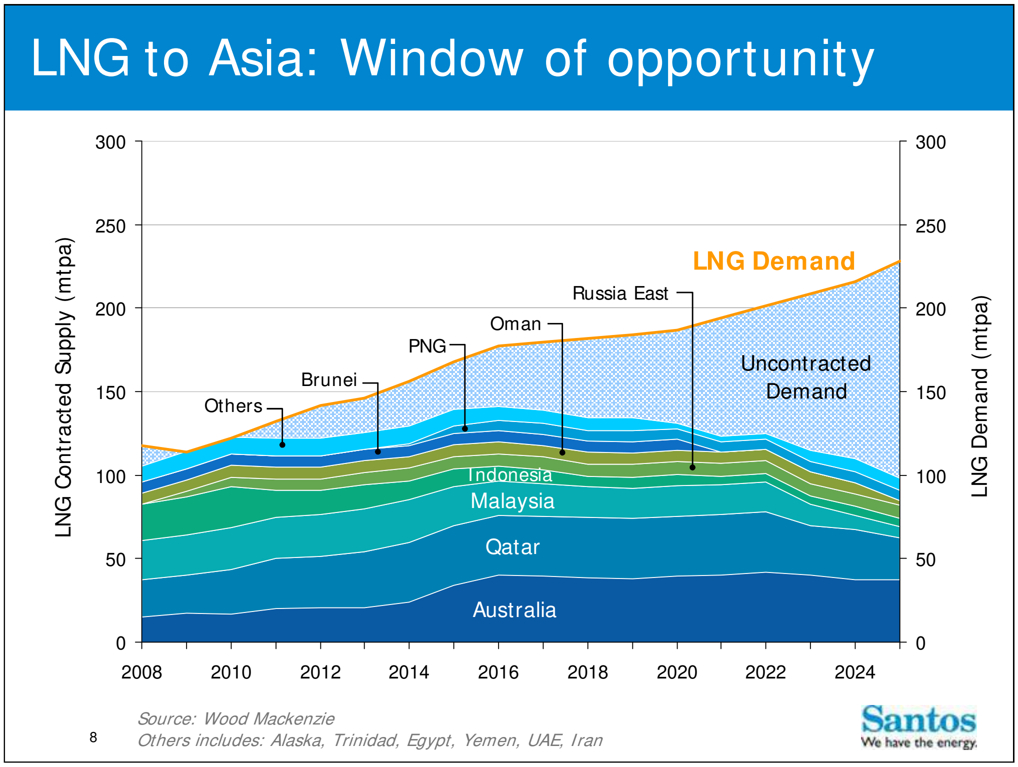
If we were to replace South Australia's two ageing coal fired power stations in the State's north with gas, upgrade the existing gas fleet and meet the State Government's 33% renewable energy target – this is what would happen.

[SLIDE ANIMATION]

South Australia's emissions intensity from power generation would halve, dropping well below 0.4 tonnes of CO2 per MWh

Similar reductions could be achieved right across the country if coal-fired power stations upon reaching their normal plant life were replaced with natural gas and a greater role for renewables.

Of course, it is easier for South Australia than the 'Coal States' in the East to achieve these reductions, but the fact remains that the transition to a lower-carbon Australia can only take place with a greater role for gas in the fuel mix.



A lot of the excitement in gas is about LNG, and it is true that expanding Asian energy demand has been the game-changer for Australia's natural gas industry.

LNG gives us the opportunity to deliver natural gas to the world's fastest growing energy markets.

In the period to 2030, Asia will account for an amazing 62% of growth in global energy demand.

As this chart shows, forecast LNG demand in the region substantially outstrips contracted supplies. This is the window of opportunity for proponents of new LNG projects.

Of course this gap in the market is firmly in our sights at Santos with our cornerstone GLNG project and stakes in three other LNG ventures. This gap in uncontracted demand is also Australia's opportunity.

This competitive landscape makes it critical that Australian projects are developed now.

CSG: A new Australian industry

- Queensland CSG industry
  - >$40 billion investment
  - 18,000 new jobs
- Economic benefits of GLNG®
  - $1 billion invested in Queensland since June 2008
  - A job a day created in 2009/10
  - 6000 new jobs
- Environmental approval
  - GLNG first major project approved by Queensland Government

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The benefits of our planned investments will be widespread.

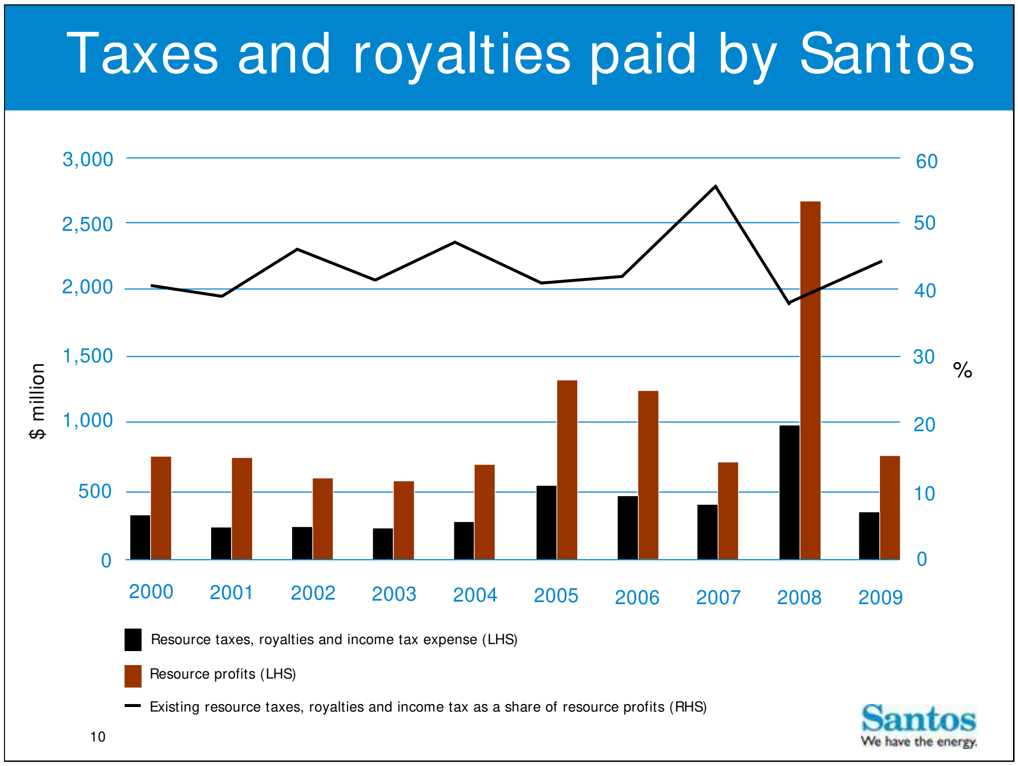
Our GLNG project (which will see coal seam gas produced in eastern Queensland exported from a liquefaction plant in Gladstone) has been creating a job a day for the last 18 months and will see billions of dollars of investment.

With our partner, Malaysia's PETRONAS, we will employ 5,000 workers during construction, with an additional 1,000 men and women having ongoing operational roles.

The oil and gas industry association, APPEA, predicts the Queensland CSG industry as a whole – with the major projects proposed by Santos, Origin, BG and Shell – will attract over $40 billion in new investment and create more than 18,000 new jobs.

Two weeks ago, we achieved a significant milestone on the project, with the Queensland Government granting environmental approval for GLNG – making us the first major project to clear this hurdle.

But as I've said previously, investment in these projects cannot be taken for granted. Fundamental to our success is our ability to attract international investors and customers. On both fronts, the Federal Government's proposed resources tax has had a negative impact.



Australia's stable fiscal regime has been fundamental to the growth of our oil and gas industry for many years – but that is now being questioned.

We have argued that it is risky and unnecessary to introduce new taxes at a time when the resources industry is set to underpin Australia's prosperity for decades to come.

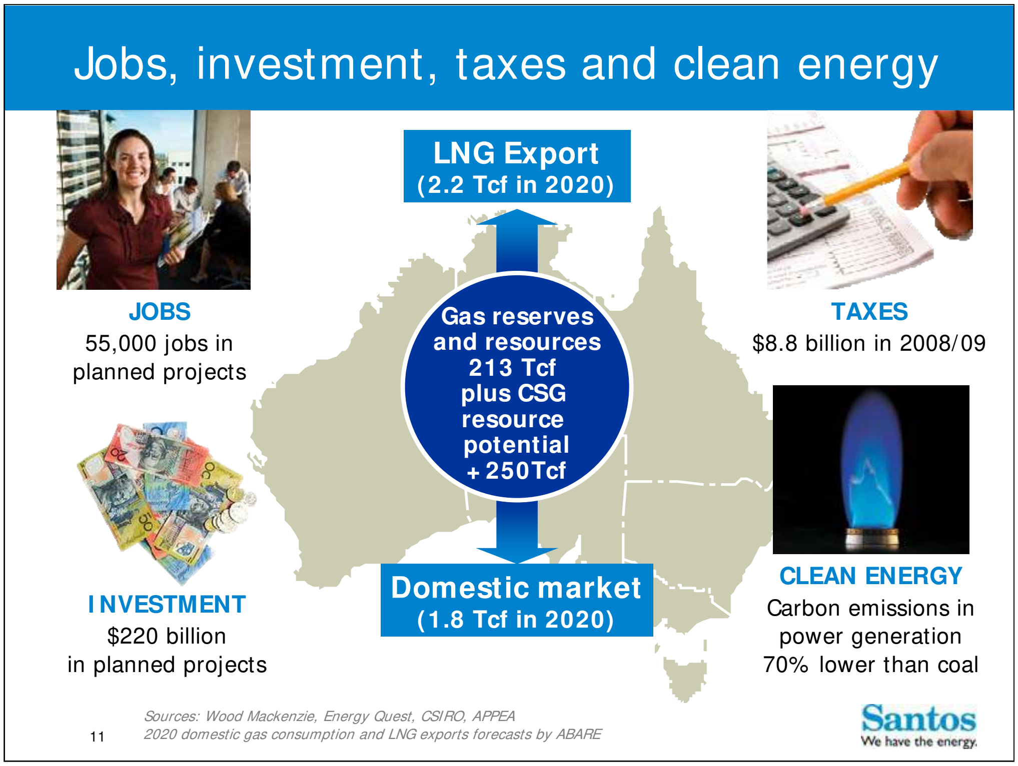
Much has been said in recent weeks about the level of taxation paid by Australian resources companies – but is important that we look at the full picture.

In 2009, we paid $700 million in taxes and royalties – well in excess of the $300 million we paid in dividends to our shareholders.

Over the last five years, Santos has paid $2.5 billion in taxes and royalties.

Taking into account royalties, resource taxes and company taxes, Santos has consistently paid between 40% and 50% of our gross profits in tax.

We'd argue that is a fair share.



These are challenging times for the Australian natural gas industry.

With the world economy volatile, increasing competitive pressures in the global LNG market, a number of significant Australian projects proposed but not yet sanctioned, and now uncertainty over our fiscal regime.

I'm an inherently positive person and I believe these challenges can be overcome.

Let's hope so, because there is a lot at stake.

The natural gas sector is planning projects that will create 55,000 jobs.

And, deliver over $220 billion in investment.

Last financial year, the oil and gas industry paid $8.8 billion in taxes.

And the clean energy of natural gas offers us the opportunity to cut carbon emissions from power generation by up to 70%.

Gas is the only fuel that is abundant, affordable and available now to make such an impact on our carbon footprint.

Gas really is Australia's AAA advantage.

An advantage Santos has the energy to deliver.

Thank you.

Disclaimer & Important Notice

This presentation 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, physical risks, legislative, fiscal and regulatory developments, economic and financial markets conditions in various countries, approvals and cost estimates.

All references to dollars, cents or $ in this document are to Australian currency, unless otherwise stated.

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