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**2 October 2008**

## **Off-market buy-back adjustment to Tax Value**

Santos this morning announced that it was in discussions with the Australian Taxation Office ('ATO') to vary the methodology for calculating the Tax Value for the purpose of its off-market share buy-back ('Buy-Back').

The Tax Value is relevant to Australian resident shareholders participating in the Buy-Back as it impacts the deemed disposal price for Australian tax purposes of shares sold into the Buy-Back. As set out in the Buy-Back booklet, Australian resident shareholders participating in the Buy-Back will be deemed for CGT purposes to have disposed of each share for capital proceeds of \$2.98 plus the amount (if any) by which the Tax Value exceeds the Buy-Back price.

Since the announcement of the Buy-Back, Santos shares have significantly outperformed the S&P/ASX 200 Energy Index, which is currently the adjusting index for the purposes of calculating the Tax Value. As a result, with no variation to the current methodology, it is likely that the Buy-Back price would have exceeded the Tax Value. Santos has previously stated that it intends to set the Buy-Back Price at no more than the Tax Value.

It has been now agreed with the ATO that the adjusting mechanism for the purposes of calculating the Tax Value will be changed from the S&P/ASX 200 Energy Index to the Oil & Gas Exploration & Production industry subset of the S&P/ASX 200 Index ('Oil & Gas Exploration & Production Index').

Based on the 1.1% increase in the Oil & Gas Exploration & Production Index from the announcement of the Buy-Back to 1 October 2008, the illustrative Tax Value is \$17.33. Santos will provide an update of the daily movements in the Oil & Gas Exploration & Production Index after market close today. The actual Tax Value will be released to the ASX as soon as possible after 4.00pm on Friday 3 October 2008 and will be made available on Santos' website at [www.santos.com](http://www.santos.com).

The change in methodology is likely to result in an increase in the Tax Value for participating shareholders and, in that event, will result in a reduced capital loss or an increased capital gain as applicable depending on individual shareholder circumstances. Further information regarding the Tax Value is set out in Section 3.3 of the Buy-Back booklet.

The change in the methodology for calculating the Tax Value does not change the manner in which Santos will determine the Buy-Back price.

The tender period closes at 7.00pm (Eastern Standard Time) on Friday 3 October 2008, with announcement of the Buy-Back price expected to be on Monday 6 October 2008.

The tax calculator available on Santos' website ([www.santos.com](http://www.santos.com)) will be updated as soon as possible and in any case by no later than 9.00am (Eastern Standard Time) on 3 October 2008 to reflect the revised methodology for calculating the assumed Tax Value. As this change may affect the outcomes of the tax calculator, shareholders who have previously used the tax calculator to estimate the indicative after tax proceeds from participating in the Buy-Back may wish to revisit their calculations.

Issuer Sponsored Holders who wish to amend or withdraw their tenders must submit a withdrawal/amendment form with the registry or use the online tender facility at [www.santos.com](http://www.santos.com). Any amendment or withdrawal will not be effective unless it is received by 7pm (Eastern Standard Time) on Friday, 3 October 2008.

CHESS Holders who wish to amend or withdraw their tenders will need to instruct their controlling participant (normally their broker) in sufficient time for them to process the withdrawal or amendment by 7.00pm (Eastern Standard Time) on Friday, 3 October 2008. After 4.00pm (Eastern Standard Time) on Friday, 3 October 2008, CHESS Holders may submit a withdrawal/amendment form via fax so that it is received by no later than 7.00pm (Eastern Standard Time). The relevant fax number will be available as soon as possible after 4.00pm on the Friday, 3 October 2008, and can be obtained by accessing the website or by calling the Buy-Back enquiry line on 1300 727 634 (within Australia) or +613 9946 4447 (from outside Australia). Santos will announce the relevant fax number to the ASX as soon as possible after 4.00pm (Eastern Standard Time) on the Friday, 3 October 2008.

Shareholders are encouraged to read the Buy-Back booklet carefully before deciding to participate in the Buy-Back, and to consider obtaining independent advice before making any financial decisions. If you require further information on the Buy-Back, including details of the current implied Tax Value, please contact the Santos Limited Buy-Back enquiry line on 1300 727 634 (within Australia) or +61 3 9946 4447 (from outside Australia).

## **Important notice**

### **Not for distribution or release in or into the United States or Canada**

This announcement does not constitute, or form part of, any offer or invitation to sell, or any solicitation of any offer to purchase any securities in any jurisdiction, nor shall it or the fact of its distribution be relied on in connection with any contract thereof. No indications of interest in the Buy-Back are sought by this announcement. Shareholders who are (or nominees who hold Santos Limited shares on behalf of or for the account of persons who are) in the United States or US persons, (within the meaning of Regulation S under the United States Securities Act of 1933), residents of Canada or who are otherwise excluded foreign persons will not be eligible to participate in the Buy-Back described in this announcement. ADRs and restricted employee shares may not be tendered into the Buy-Back. Buy-Back documents, including the booklet describing the terms of the Buy-Back and tender forms, have not been distributed or sent into the United States or Canada.

## **Forward looking statements**

This announcement contains forward looking statements, including statements regarding the implementation of the Buy-Back and its effects on our business and securities. The results and effects of the Buy-Back may differ materially from those expressed in, or implied by, these forward looking statements. Factors that could cause or contribute to such differences include the number of shares bought back, the Buy-Back price and the general trading and economic conditions affecting our business. We do not undertake any obligation to revise these forward looking statements to reflect any future events or circumstances.

Ends

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**Santos stock symbols: STO (Australian Securities Exchange), STOSY (NASDAQ ADR), Ref #82-34 (Securities Exchange Commission)**