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**4 June 2009**

## Market Update

Santos Limited provides the following market update on key company activities. The market update is provided in the context of the Santos Retail Entitlement Offer which is currently open and closes at 5:00pm (AEST) on Friday 5 June 2009, and as such, the usual ASX Listing Rule disclosure exceptions are currently not applicable.

### GLNG<sup>®</sup>

Discussions with an Asian customer for the purchase of liquefied natural gas from GLNG are at an advanced stage. While there is no guarantee that an agreement will be concluded, the discussions are progressing well and there is the prospect that a final agreement will be reached in the near future.

### PNG LNG

As previously announced, the PNG LNG Project has reached agreement on key terms for a non-binding Heads of Agreement for LNG off take with a major Asian customer, the execution of which is subject to final Government approval. Marketing of the remaining PNG LNG volumes is progressing well and Santos expects further Heads of Agreements for LNG off take will be announced in accordance with previous guidance.

The Project Operator Exxon Mobil announced today the award of a construction contract for early civil infrastructure for the upstream portion of the PNG LNG Project. The contract work scope includes the civil engineering, construction and site preparation work required to upgrade existing infrastructure and construct new infrastructure to enable full-scale construction of the Project to commence in early 2010.

A copy of the Operator's press release is attached to this release.

### Portfolio Management

Santos announced on 11 May 2009 that a subsidiary had executed a conditional agreement to sell its 9% interest in the Kakap Indonesian joint venture. The sale agreement has now been successfully closed.

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The sale of PRL 5 in Papua New Guinea was announced on 3 June 2009 and therefore the net gain or loss on asset sales to be reported in the 2009 first half accounts is unlikely to be material.

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This news release does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States, or to any person that is or is acting for the account or benefit of any U.S. person (as defined in Regulation S under the United States Securities Act of 1933, as amended (the "Securities Act")) ("U.S. Person"), or in any other jurisdiction. The securities in the proposed offering have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to or for the account or benefit of U.S. Persons except in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of any state or other jurisdiction of the United States.

Ends

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

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# Media Release

June 4, 2009

## **PNG LNG Project *Upstream Early Works Contract Awarded***

PORT MORESBY – Esso Highlands Limited, an Exxon Mobil Corporation (ExxonMobil) subsidiary, as Operator of the PNG LNG Project, today announced that the Project has awarded a construction contract for Early Civil Infrastructure for the Upstream portion of the PNG LNG Project to Clough Curtain JV, a joint venture between Clough Niugini Ltd and Curtain Bros Papua New Guinea Limited.

The contract work scope includes the civil engineering, construction and site preparation work required to upgrade existing infrastructure and construct new infrastructure to enable full-scale construction to commence in early 2010.

The scope of work extends across a significant portion of the intended Upstream worksites including activities at Hides (proposed site of the Hides Gas Conditioning Plant), Kutubu (site of the existing oil project), Gobe (site of an existing airfield), and at Kopi, north-west of Kikori on the Kikori River (site of the existing oil project shore base).

The work scope is generally comprised of bulk earthworks and civil works, site boundary fencing, quarry development, landfill construction, specified road and bridge upgrades, laydown areas and camp facilities.

“It is another milestone for the PNG LNG Project as we approach a Project Sanction and Final Investment Decision. We are very pleased to have awarded this early works contract and look forward to working with the Clough Curtain JV as both companies have extensive experience in delivering infrastructure projects in PNG,” said Mr. Ken Larson, PNG LNG Project Executive.

“The Project will integrate the use of local workers and sub-contractors and we believe lessons and experience gained with this initial contract will be useful when the Project enters full construction.

“In the execution of this contract, the Project team will work with the Clough Curtain JV to ensure proper implementation of all environmental, archaeological, socioeconomic programs, and regulatory compliance measures as outlined in the Project’s environmental impact statement and environmental management plan,” said Mr. Larson.



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It is anticipated that execution planning will commence immediately, with execution activities commencing in the second half of the year.

The PNG LNG Project is an integrated venture including gas processing facilities, pipelines, and LNG plant facilities. Participating interests are ExxonMobil (Esso Highlands Limited as Operator) 41.5%, Oil Search 34.0%, Santos 17.7%, Nippon Oil 5.4%, Minerals Resources Development Company 1.2% and Eda Oil Limited 0.2%. (Participation will change when the PNG State nominees join as equity participants at a later date).

Clough Niugini is a subsidiary of Clough Limited, a publicly listed Australian based engineering, construction and assets support contractor. Curtain Bros Papua New Guinea is a private company and has been one of Papua New Guinea's largest civil construction companies since 1967.

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