

5 August 2005

## Santos takes exploration position in central Asia

Santos Limited has progressed its growth strategy with the announcement today of the Group's first exploration venture in central Asia.

Santos subsidiary, Santos International Operations Pty Ltd, has entered into a conditional letter agreement with ASX listed Caspian Oil and Gas Limited (Caspian) to execute a phased farm-in under which Santos will earn an 80% operated working interest in 10 exploration licences in the Kyrgyz Republic in central Asia.

In addition, subject to Caspian shareholder approval, Santos will take a 15% direct equity placement in Caspian at an issue price of 3 cents per share at a total cost of A\$3 million. Santos will also be granted an option to acquire a further 40 million shares representing approximately 4.9% of Caspian's issued share capital.

The above transactions are subject to further due diligence to Santos' satisfaction, agreement of final documentation and any necessary Kyrgyz and other approvals.

Under the terms of the letter agreement, Santos will sole fund and operate a phased work program over all of the licences over a period of approximately 4 years during which it will earn the working interests.

"This is another significant step for Santos as it provides a measured entry into an area which we believe is highly prospective for oil and gas," Santos Managing Director, Mr John Ellice-Flint, said today.

"Central Asia is generally an under-explored hydrocarbon province and this agreement gives Santos significant option value through becoming the dominant upstream operator in Kyrgyzstan," he said.

"Caspian has been successful in acquiring these interests over the last 3 years, and we look forward to working with them, both as a co-venturer, and also as one of their major shareholders."

This move is in line with Santos' strategy of diversifying its exploration program through a focus on understanding the geology and tying up material exploration positions in prospective hydrocarbon basins.

The 10 exploration licences cover 16,500 square kilometres, largely in the Fergana Basin. The Basin, which extends across parts of Kyrgyzstan and into Uzbekistan and Tajikistan is, in part, analogous to the prolific hydrocarbon province of the Tarim and Junggar Basins in western China, which contain many large fields.

The exploration licences in Kyrgyzstan contain a number of attractive exploration opportunities.

The total discovered reserves from 58 fields in the Fergana Basin are estimated to be in excess of 1.2 billion barrels of oil and 5.5 TCF of gas, with cumulative production to date of more than 600 million barrels.

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

**Map and fact sheet attached.**

## Republic of Kyrgyzstan Fact Sheet:

### Fiscal terms

The overall government take, which is by way of direct and indirect taxation, is around 35%. Taxes are applied via income tax at 20%, dividend withholding tax at 10%, excise tax at approximately US\$14/tonne (approximately US\$2/bbl), VAT (which is recoverable) at 20% and minor taxes on gross revenue of about 4%.

### E&P Activity

Other exploration and production companies active in Kyrgyzstan at present are: Southern Petroleum (a government production company), White Valley, Sinopec and Cambrian Oil and Gas. CNOOC has recently announced a major oil and gas investment program in the Fergana Basin in neighbouring Uzbekistan.

### Country Facts

Population:	5.2 million
Capital city:	Bishkek (population 800,000)
National Borders:	China (858 km), Kazakhstan (1,051 km), Tajikistan (870 km) and Uzbekistan (1,099 km)
Climate:	Dry continental to polar in the high Tien Shan mountains bordering China, subtropical in the Fergana Valley to the southwest and temperate to the north in the foothills area
Government type:	Republic
Head of State:	President Kurmanbek Bakiyev (elected 10 July 2005 for a 5 year term with 88.6% of the popular vote)
Oil production:	Approximately 1,000 barrels per day
Oil consumption:	Approximately 20,000 barrels per day
Refining capacity:	Petrofac operated 10,000 barrels per day located at Jalal-Abad, southern Kyrgyzstan
Gas production:	Approximately 2 million cubic feet per day
Gas consumption:	Approximately 200 million cubic feet per day
Major trade partners:	Switzerland, UAE, Russia, Kazakhstan, Canada and China
Currency:	KGS (soms), exchange rate approximately 40.95 soms per \$US
Inflation rate:	3.2% in 2004
GDP growth:	6% in 2003 and 2004
Debt:	Approximately \$2 billion in 2004
Major exports:	Cotton, tobacco, gold, mercury, uranium

### Geology

The Fergana Basin covers an area of 63,000 square kilometres and has been producing hydrocarbons since the early 1900s. Cumulative discovered reserves from 58 fields are estimated to be in excess of 1.2 billion barrels of oil and 5.5 TCF of gas, with cumulative production to date of more than 600 million barrels.

Kyrgyzstan



Location Map



**LEGEND**

- ▣ Caspian Acreage
- ▣ Refinery
- Oil Field
- Oil Pipeline
- ⋯ Gas Pipeline
- Basin Outline