

21 September 2005

Santos sells interest in Timor Sea exploration permit

Santos Limited has entered into an agreement to sell its 25% interest in the exploration permit JPDA 03-01 in the Timor Sea to Paladin Resources plc (Paladin).

The permit contains the undeveloped Jahal and Kuda Tasi oil fields and is located in the Joint Petroleum Development Area between Australia and Timor Leste in the Timor Sea, 575 kilometres north west of Darwin.

Under the terms of the agreement, Santos will receive 3.5 million Paladin shares valued at approximately US\$19.5 million at the current share price and exchange rates.

In addition, Santos will be reimbursed for exploration expenditure in the permit between 1 July 2005 and completion of the transaction. This is expected to be approximately US\$2.5 million.

Santos will also receive US\$3 million in cash under certain circumstances following any future oil field development in the permit.

"This divestment is in line with Santos' strategy to rationalise its portfolio and realise value by selling non core assets," said Santos Managing Director Mr John Ellice-Flint.

The transaction is expected to be completed by the fourth quarter of 2005, subject to any required government approvals.

Paladin is an independent British oil and gas exploration and production company based in London and is listed on the London Stock Exchange.

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