

Santos Limited

Off-market share buy-back

14 May 2007

Santos

1.

Disclaimer

Important Notice

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR CANADA

This presentation 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 press release. 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 off-market buy-back described in this press release. 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, when issued, will not to be distributed or sent into the United States or Canada.

Forward looking statements

This presentation contains forward looking statements, including statements regarding the implementation of the off market buy-back and its effects on our business and securities. The results and effects of the off-market 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.

Santos

2.

Key features of the Buy-Back

Target size	<ul style="list-style-type: none"> Approximately \$300 million, representing around 4.8% of Santos' ordinary shares¹ Santos may vary the size of the Buy-Back depending on demand
Tender discount range	<ul style="list-style-type: none"> Discount range from 8% to 14% inclusive (at 1% intervals) to the Market Price Market Price is calculated as the VWAP² of Santos' ordinary shares over the five trading days up to and including the Buy-Back closing date (29 June 2007)
Buy-Back price	<ul style="list-style-type: none"> Calculated by applying the tender discount selected by Santos to the Market Price Comprises a \$2.79 capital component, with the balance of the Buy-Back price treated as a fully franked dividend for Australian tax purposes
Eligibility to participate	<ul style="list-style-type: none"> Shares acquired before the Buy-Back ex-entitlement date (17 May 2007) and held on the Buy-Back Record Date (23 May 2007) will be eligible to participate Excluded Foreign Persons, including any person who is (or who is acting on behalf of or for the account of a person who is) in the United States or who is a US Person or a resident of Canada, are not eligible to participate in the Buy-Back
Timetable	<ul style="list-style-type: none"> Tender period opens on 12 June 2007 and closes at 7pm (Eastern Standard Time) on 29 June 2007 Determination of the Buy-Back price and scale back (if any) is expected to occur on 30 June 2007. Details will be posted on Santos' website at www.santos.com as soon as possible following this determination. Details will also be made available to the ASX

- Assuming a Buy-Back price of \$10.32 (i.e. a 14% discount to an assumed Market Price of \$12.00).
- VWAP means the volume weighted average price of Santos shares on the ASX, adjusted for certain not "at-market" trades as set out in the Buy-Back booklet

3.



Benefits of the Buy-Back

Benefits all shareholders	<ul style="list-style-type: none"> Directors have concluded that an off-market buy-back would be more advantageous to all shareholders than an on-market buy-back as Santos would be able to buy back shares at a discount of 8% to 14% enabling a greater number of shares to be bought back for the same amount of capital and thus have a more positive impact on earnings per share For some shareholders, depending on their individual circumstances, the after-tax proceeds from participating in the Buy-Back may be greater than a sale of their shares on-market Shareholders who continue to hold Santos shares are expected to benefit from a more efficient capital structure and improvements in earnings per share (EPS) and return on equity
Earnings per share	<ul style="list-style-type: none"> The precise impact of the Buy-Back on EPS cannot be determined until the Buy-Back price and the size of the Buy-Back are finalised The impact on EPS is expected to be enhanced through the purchase of shares at a discount of at least 8% to the Market Price
Choice and flexibility	<ul style="list-style-type: none"> Eligible shareholders may choose whether to participate, the number of shares to tender and the discount at which to tender those shares Shareholders can choose to lodge a Final Price Tender, ensuring participation to some extent Tenders can be made subject to a Minimum Price condition, providing greater certainty to participating shareholders on the lowest price at which their shares may be bought back

4.



Impact on Santos

Balance sheet	<ul style="list-style-type: none"> Santos' share capital and retained earnings balances will be debited in proportion to the capital and deemed dividend split of the Buy-Back price The Buy-Back will be funded by existing working capital and debt facilities. In addition, Santos intends to underwrite its dividend reinvestment plan for the 2007 interim and final dividends The Buy-Back will not impact Santos' ability to continue its significant investments in its growth businesses, including short cycle time development projects such as Cooper Basin oil and the expansion of the Fairview field
Franking credits	<ul style="list-style-type: none"> The amount of franking credits to be distributed will not be known until the Buy-Back price and size of the Buy-Back are determined The Santos Board believes that the Buy-Back will not affect the capacity of Santos to pay fully franked dividends for the foreseeable future
Credit rating	<ul style="list-style-type: none"> No change is expected to Santos' credit rating

5.



Participation and tender options

How to tender	<ul style="list-style-type: none"> Buy-Back documents will be sent to eligible shareholders by 4 June 2007 Tenders must be submitted by 7pm (Eastern Standard Time) on 29 June 2007
Tender options	<ul style="list-style-type: none"> Eligible shareholders can tender at any of 7 tender discounts from 8% to 14% inclusive (at 1% intervals) to the Market Price or as a Final Price Tender
Minimum Price condition	<ul style="list-style-type: none"> Acceptance of tenders can be made conditional on the Buy-Back price being no less than one of three specified prices (as set out on the tender forms) If the Buy-Back price is lower than the Minimum Price condition selected by a shareholder, their tender will not be successful
Final Price Tenders	<ul style="list-style-type: none"> A shareholder can elect to receive the final Buy-Back price as determined through the tender process, subject to any scale back
Minimum tenders	<ul style="list-style-type: none"> Shareholders with 500 shares or less at the Buy-Back Record Date must tender all of their shares at one tender discount or as a Final Price Tender if they wish to participate in the Buy-Back
Online Tender Facility	<ul style="list-style-type: none"> Issuer Sponsored shareholders can lodge and withdraw or amend their tenders online at www.santos.com

6.



Acceptance and scale back

Buy-Back price calculation	<ul style="list-style-type: none"> The Buy-Back price will be determined by Santos via the tender process, depending on demand The Buy-Back price will equate to the largest discount in the range from 8% to 14% inclusive (at 1% intervals) to the Market Price that allows Santos to purchase the number of shares it determines to buy back The discount will be applied to the VWAP (excluding certain not "at-market" trades as set out in the Buy-Back booklet) over the 5 days up to and including the Closing Date (29 June 2007)
Successful tenders	<ul style="list-style-type: none"> Tenders at the Buy-Back discount and Final Price Tenders will be successful (subject to any scale back and Minimum Price condition) All successful tenders will receive the Buy-Back price Tenders at tender discounts smaller than the final Buy-Back discount will not be bought back
Scale back	<ul style="list-style-type: none"> If the total number of shares tendered at the Buy-Back discount and as Final Price Tenders is greater than the number of shares that Santos determines to buy back, a scale back will apply
Priority Allocation	<ul style="list-style-type: none"> Santos will buy back up to 500 shares from each shareholder before any scale back applies
Small holdings	<ul style="list-style-type: none"> Shareholders tendering all of their shares at a tender discount equal to or greater than the Buy-Back discount or as a Final Price Tender, and who would be left with 200 shares or less due to a scale back, will have their tender accepted in full

7.

Santos

Australian tax implications

Buy-Back Price composition	<p>Capital component:</p> <ul style="list-style-type: none"> Shareholders will generally be taken, for Australian capital gains tax purposes, to have sold their shares for \$2.79 plus any excess of the Tax Value over the Buy-Back price¹ Cost base of the shares is relevant in determining any capital gain or loss <p>Dividend component:</p> <ul style="list-style-type: none"> The excess of the Buy-Back price over \$2.79 will be treated as a fully franked dividend
Tax Value	<ul style="list-style-type: none"> \$12.25, adjusted for movements in S&P/ASX 200 Index from the commencement of trading on 14 May 2007 to the close of trading on 29 June 2007 The Buy-Back price will not exceed the Tax Value
Holding Period Rule	<ul style="list-style-type: none"> The Holding Period Rule generally requires that shares must be held 'at risk' for a minimum of 45 days to qualify for franking credits and tax offsets In order to satisfy this rule, shares must be held 'at risk' from a date on or before 15 May 2007, the cut-off date under the Holding Period Rule² Shares acquired on 16 May 2007, while being eligible to participate in the Buy-Back, will generally not be entitled to the franking credits on shares tendered into the Buy-Back and may jeopardise entitlements to franking credits on other shares tendered into the Buy-Back
"Last-in First Out" rule	<ul style="list-style-type: none"> Shares acquired on or after 17 May 2007 on an ex-entitlement basis will not affect a participating shareholders' ability to claim franking credits on shares tendered into the Buy-Back
Tax implications	<ul style="list-style-type: none"> Any capital gain or loss on disposal will arise on 30 June 2007 The tax implications regarding the timing of the receipt of the deemed dividend is yet to be finally confirmed The Buy-Back booklet will summarise key aspects of the Australian tax implications of the Buy-Back, including advice received from the ATO in the form of a draft class ruling, but shareholders should seek professional advice to take into account their particular circumstances

1. Different rules apply to companies which reduce the capital loss arising on the Buy-Back
2. This assumes the Buy-Back contracts are formed on 30 June 2007

8.

Santos

Timetable

Buy-Back announcement	Monday, 14 May 2007
Last day that shares can be acquired to be eligible for Buy-Back franking entitlements under the 45-day rule	Tuesday, 15 May 2007
Shares quoted ex-entitlement to participate in the Buy-Back - shares acquired on or after this date on the ASX will generally not confer an entitlement to participate in the Buy-Back	Thursday, 17 May 2007
Record Date for determination of shareholders entitled to participate in the Buy-Back	Wednesday, 23 May 2007
Dispatch of Buy-Back documents to shareholders completed	Monday, 4 June 2007
Tender period opens	Tuesday, 12 June 2007
Tender period closes at 7pm (Eastern Standard Time)	Friday, 29 June 2007
Determination of the buy-back price and scale back (if any) with details posted on Santos' website at www.santos.com and lodged with the ASX	Saturday, 30 June 2007
Details of buy-back price and scale back (if any) available on the ASX	Monday, 2 July 2007
Dispatch/crediting of Buy-Back proceeds to participating shareholders completed	Monday, 9 July 2007

9.

Santos

Worked Australian tax examples

	Superfund	Australian resident individuals ¹				
		\$0-\$6,000	\$6,001-\$25,000 ²	\$25,001-\$75,000 ²	\$75,001-\$150,000	\$150,000+
Income						
Tax rate	15%	0.00%	16.50%	31.50%	41.50%	46.50%
Income tax consequences (deemed dividend)						
Illustrative Buy-Back Price	\$10.32	\$10.32	\$10.32	\$10.32	\$10.32	\$10.32
Less: capital component	(\$2.79)	(\$2.79)	(\$2.79)	(\$2.79)	(\$2.79)	(\$2.79)
Assumed fully franked deemed dividend	\$7.53	\$7.53	\$7.53	\$7.53	\$7.53	\$7.53
Add: gross up for franking credits	\$3.23	\$3.23	\$3.23	\$3.23	\$3.23	\$3.23
Assessable income	\$10.76	\$10.76	\$10.76	\$10.76	\$10.76	\$10.76
Tax on assessable income	(\$1.61)	\$0.00	(\$1.77)	(\$3.39)	(\$4.46)	(\$5.00)
Tax offset ⁴	\$3.23	\$3.23	\$3.23	\$3.23	\$3.23	\$3.23
Net tax offset (tax payable) on franked deemed dividend	\$1.62	\$3.23	\$1.46	(\$0.16)	(\$1.23)	(\$1.77)
After tax proceeds⁴	\$9.15	\$10.76	\$8.99	\$7.37	\$6.30	\$5.76
CGT consequences (capital)						
Capital component	\$2.79	\$2.79	\$2.79	\$2.79	\$2.79	\$2.79
Add: excess Tax Value over Buy-Back Price	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68
Less: Illustrative cost base	(\$8.50)	(\$8.50)	(\$8.50)	(\$8.50)	(\$8.50)	(\$8.50)
Nominal capital gain/ (loss) on disposal	(\$4.03)	(\$4.03)	(\$4.03)	(\$4.03)	(\$4.03)	(\$4.03)
Discount capital gain/ (loss) ⁵	(\$2.69)	(\$2.02)	(\$2.02)	(\$2.02)	(\$2.02)	(\$2.02)
Tax impact of capital gain/ loss ⁷	\$0.40	\$0.00	\$0.33	\$0.63	\$0.84	\$0.94
After tax proceeds^{6, 7}	\$3.19	\$2.79	\$3.12	\$3.42	\$3.63	\$3.73
Total after tax proceeds^{6, 7}	\$12.34	\$13.55	\$12.11	\$10.79	\$9.93	\$9.49

10.

Santos

Notes to tax examples

1. The marginal tax rate includes the Medicare levy of 1.5%. The liability of an individual to pay a Medicare levy depends on the individual's own circumstances.
2. This assumes the Buy-Back occurs for tax purposes on 30 June 2007.
3. This assumed fully franked deemed dividend component (\$7.53) is calculated as the assumed Buy-Back price \$10.32 less the fixed capital component of \$2.79.
4. This assumes the shareholder is fully entitled to the franking credits.
5. This assumes, for illustrative purposes only, that the market value for tax purposes (the "Tax Value") of the shares is \$12.00. The actual Tax Value will be \$12.25, adjusted for the movement in the S&P/ASX 200 Index from the opening level on 14 May 2007 to the closing level on 29 June 2007.
6. This assumes that the discount capital gain method is used, which adjusts the total capital gain by a discount factor (50% for individuals, 33^{1/3}% for complying superannuation funds).
7. This assumes individuals will be able to fully utilise capital losses to offset capital gains. The capital loss which arises under the Buy-Back may be different to any capital gain/loss which may have arisen under an equivalent sale of shares on-market. This is because the capital proceeds under the Buy-Back are the aggregate of \$2.79 (the cash capital component) plus \$1.68 (the excess of the assumed Tax Value over the assumed Buy-Back price).