

Media enquiries

Christian Bennett
+61 8 8116 5155 / +61 (0) 400 686 106
christian.bennett@santos.com

Investor enquiries

Andrew Seaton
+61 8 8116 5157 / +61 (0) 410 431 004
andrew.seaton@santos.com

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Santos lodges submission to shareholding cap review

Santos has today lodged its formal submission in response to the South Australian Government's review of the Santos (Regulation of Shareholdings) Act 1989 which was announced on 1 May 2007.

Following analysis against each of the six Terms of Reference established by the South Australian Government (see attached), Santos strongly endorses full removal of the 15% shareholding cap. Specifically, Santos believes that:

- The original intent of the shareholding cap, introduced 28 years ago, is no longer applicable;
- The shareholding cap inhibits Santos' future growth;
- Removal of the shareholding cap would not give rise to any significant risks to South Australia's economy, but there is considerable upside;
- South Australia's energy security is now assured by integration into the south-eastern Australian energy network;
- There would be no adverse implications for regional development; and
- South Australia will benefit directly if Santos can achieve its full growth potential.

"Santos' Board and management strongly believe that the shareholding cap should be removed as it acts as an impediment to Santos realising its full growth potential. Removal would deliver significant benefits to the company and by extension the South Australian economy," said Santos' Managing Director, Mr John Ellice-Flint.

"Santos is a proud South Australian company that is committed to growing its presence in the state, a commitment demonstrated in April when the company moved into a new purpose-built Adelaide head office," he added.

The South Australian Government has indicated that it expects to complete its internal review by 31 July 2007 and for the Government to announce its intentions within two months of finalising the review.

Attachment
Ends

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

Santos Limited ABN 80 007 550 923
GPO Box 2455, Adelaide SA 5001
Telephone: +61 8 8116 5000 Facsimile: +61 8 8116 5131
www.santos.com

REVIEW OF SANTOS (REGULATION OF SHAREHOLDINGS) ACT 1989

TERMS OF REFERENCE

Background

The 15% shareholding restriction on shares held in Santos Limited was enacted almost 30 years ago in 1979. The original Act was repealed in 1989 and replaced with the Santos Limited (Regulation of Shareholdings) Act 1989.

The legislation restricts any one party from having a shareholding of greater than 15% in Santos Limited. The restriction remains in place whilst Santos, or a subsidiary of Santos engages in the recovery and production of petroleum within South Australia.

Details of Terms of Reference

The South Australian Government has been requested to undertake a review of the Santos Limited (Regulation of Shareholdings) Act 1989 by Santos.

The Government will undertake a review under the Minister for Mineral Resources Development by 31 July 2007.

The review will assess the benefits and cost of retaining the shareholding cap for both Santos and South Australia, taking into account:

1. the original intent of the 15% shareholding cap and its applicability today;
2. the impact of the shareholding cap on the operations and future growth of Santos both globally and in South Australia;
3. any potential risks from removal of the cap to South Australia's economy;
4. energy security issues in South Australia;
5. regional development implications; and
6. an overall assessment of the current and future benefits of Santos' operations in South Australia.

The review will include the opportunity for public consultation and submissions to the review can be made by 15 June 2007.

The internal review by Government will be completed by 31 July 2007 and the Government will announce its intentions within 2 months of finalising the review.

Submissions to the review are to be lodged with:

Mr Lou Jansen
Principal Commercial Advisor, Department of Trade and Economic Development
Address: GPO Box 1264, Adelaide, South Australia 5001
Telephone: (08) 8303 2451
Email: lou.jansen@state.sa.gov.au