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Off-market buy-back adjustment to Tax Value

Santos today announced that following discussions with the Australian Taxation Office (ATO), it has varied the methodology for calculating the Tax Value for the purpose of its off-market share buy back.

The Tax Value is relevant to Australian resident shareholders participating in the buy-back as it impacts the deemed disposal price for Australian tax purposes of shares sold into the buy-back. Australian resident shareholders participating in the buy-back will be deemed for CGT purposes to have disposed of each share for capital proceeds of \$2.79 plus the amount (if any) by which the Tax Value exceeds the Buy-Back Price. The change in methodology is likely to result in an increase in the Tax Value for participating shareholders and, in that event, will result in a reduced capital loss or an increased capital gain as applicable depending on individual shareholder circumstances. Further information regarding the Tax Value is set out on page 20 of the buy-back booklet.

Having regard to current market conditions, it has been agreed with the ATO that the adjusting index for the purposes of calculating the Tax Value will be changed from the S&P/ASX 200 Index to the S&P/ASX 200 Resources Index and hence the Tax Value will be determined in accordance with the following formula:

$$\text{\$12.25 x } \frac{\text{Closing level of the S\&P/ASX 200 Resources Index on 29 June 2007}}{4,906.0}$$

The change in the methodology for calculating the Tax Value does not change the manner in which Santos will determine the buy-back price.

The tender period closes at 7pm (Eastern Standard Time) on Friday 29 June 2007, with announcement of the buy-back price expected to be on Saturday, 30 June 2007.

The tax calculator available on Santos' website (www.santos.com) has been updated to reflect the revised methodology for calculating the assumed Tax Value using the formula above. As this change may affect the outcomes of the tax calculator, shareholders who have previously used the tax calculator to estimate the indicative after tax proceeds from participating in the buy-back may wish to revisit their calculations.

Issuer Sponsored Holders who wish to amend or withdraw their tenders must submit a withdrawal/amendment form with the registry or use the online tender facility at www.santos.com. Any amendment or withdrawal will not be effective unless it is received by 7pm (Eastern Standard Time) on Friday, 29 June 2007.

CHESS Holders who wish to amend or withdraw their tenders will need to instruct their controlling participant (normally their broker) in sufficient time for them to process the withdrawal or amendment by 7.00pm (Eastern Standard Time) on Friday, 29 June 2007.

Shareholders are encouraged to read the buy-back booklet carefully before deciding to participate in the buy-back, and to consider obtaining independent advice before making any financial decisions. If you require further information on the buy-back, including details of the current implied Tax Value, please contact the Santos Limited buy-back enquiry line on 1300 366 075 (within Australia) or +61 3 9415 4612 (from outside Australia).

Important notice

Not for distribution or release in or into the United States of Canada

This announcement 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 announcement. 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 announcement. 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 announcement 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.

Ends

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