



Santos Ltd
A.B.N. 80 007 550 923
Ground Floor
Santos Centre
60 Flinders Street
Adelaide SA 5000
GPO Box 2455
Adelaide SA 5001

Telephone: 08 8116 5000
Facsimile: 08 8116 5623

To: Company Announcements Office
ASX Limited

From: Company Secretary

Date: 11 September 2007

Subject: **Santos 15% Shareholding Restriction**

Attached is a statement issued by the Premier of South Australia regarding the Santos shareholding restriction.

Santos confirms it is in discussions with the South Australian Government with a view to addressing the Government's concerns while continuing to ensure that the best interests of Santos' shareholders are protected. A further announcement will be made when any understanding is reached between the Company and the Government.

James Baulderstone
Company Secretary

Tuesday, 11 September 2007

SANTOS 15 PERCENT SHAREHOLDER CAP

Premier Mike Rann says the State Government is continuing to negotiate with Santos about the possible lifting of the shareholder cap and a decision will be announced by the end of the month.

In May this year the Government announced a review of the 28-year-old law limiting individual share ownership in Santos to 15 percent.

This review was initiated at the specific request of the company, which believes that the cap now restricts Santos's growth potential.

Premier Mike Rann said the cap was introduced in 1979 to prevent a takeover by Alan Bond.

"There were well-founded concerns at the time about how the state's interests in having a secure and continuous supply of gas might be compromised if control of Santos and the Cooper Basin, then the sole source of gas into South Australia, fell into the hands of such an individual," Mr Rann said

"The cap served South Australia well in this period, but South Australia today receives gas from a number of sources, and is at the centre of a national gas hub, taking supply from Victoria through the SEAGAS pipeline, and with plans to connect Moomba – Adelaide to the Queensland system.

"The company believes the cap today restricts its share price and capital raising potential, and that the cap is restrictive of the company's ability to grow.

"The downside of any removal of the cap, would, of course, be the potential for a takeover by interstate or overseas interests.

"So, while there would be a major benefit to Santos shareholders in the removal of the cap, there are also risks for South Australia that need to be addressed.

"The approach of the South Australian government will, as I said at the announcement of the review, be driven unashamedly by maximising benefits to South Australia.

"I said at the time *'the review will have to show, and the company will have to provide, clear benefits to South Australia from any move to lift the cap'* and I stand by that.

"We are currently in discussions with Santos about securing a significant corporate presence, even in the event of a takeover of the company, and an ongoing and significant contribution by the company to development in this state.

"I am not philosophically opposed to removal of the cap, but this government will not legislate to remove the cap unless we can be satisfied that this will not result in the loss of significant corporate functions.

“There could be a massive dividend for Santos in removal of the cap, but I also want to make sure that there is a genuine dividend for South Australia.

“I am pleased to note that South Australian Liberal Commonwealth Ministers, Nick Minchin and Alexander Downer support this position.

“Each has said they would like to see removal of the cap, but that South Australia should not lose the company’s strong corporate presence.

“But while we know where the Opposition Leader’s federal colleagues stand, we don’t know where Martin Hamilton-Smith stands.

“He has described the review as ‘*a sham*’ and that ‘*Mike Rann has made his mind up. He is going to allow Santos to be taken over and fall prey to global equity market*’.

“He also said ‘*The Rann government is clearly preparing the ground for Santos to be taken over by a multinational corporation with the simultaneous loss of head office functions interstate or overseas*’.

“But then, at the end of the statement he says, and I quote, “*We are open to the measure...*”

“While Mr Hamilton-Smith appears to be confused, the government is in constructive discussions with Santos.”