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SA Government decision to remove Santos 15% shareholder cap

The South Australian Government today announced its intention to repeal the legislation which restricts any one shareholder from having an entitlement to more than 15% of Santos' shares.

In welcoming the decision, Santos' Chairman, Mr Stephen Gerlach, said the shareholder cap was no longer relevant, and its removal would mark an exciting new era for Santos as it pursued its many growth initiatives.

"Santos has changed dramatically since it was founded in 1954 – from a small explorer in the Australian outback to an international oil and gas producer," Mr Gerlach said.

"We have long argued that removal of the shareholder cap is in the best interests of Santos and its shareholders."

"In arriving at its decision to remove the shareholder cap, the South Australian Government sought assurances it believed were important to protect the State's interests."

"The Santos board has carefully assessed the benefits to the Company and its shareholders arising from the removal of the shareholder cap, and the implication of the commitments sought from the State, and is satisfied that the final agreement it has reached with the State is in the best interests of shareholders."

The Government's decision is subject to Parliamentary review and approval, followed by a transition period of 12 months before the shareholder cap would cease to have effect.

Santos' Managing Director, Mr John Ellice-Flint, said removal of the shareholder cap will enable Santos to continue to pursue its strategy of becoming a leading Australian-based, Asian-focussed energy company.

"This decision represents the removal of an artificial brake on Santos' growth that has been in place for almost three decades" Mr Ellice-Flint said.

"Santos will now be able to maximise its efficiency in accessing capital markets and pursue the opportunities created by the growing demand for energy in Asia on a level playing field with other listed companies operating in the region."

Undertakings provided by Santos include legally binding assurances to maintain a strong corporate presence in South Australia (which currently equates to 100% of roles directly associated with Santos' SA Operations and approximately 90% of the Company's SA based work force) and to commit significant funding (a pledge of \$60 million) to community programs and sponsorships.

In the unlikely event that these undertakings are breached, Santos will be required to pay a maximum of up to \$100 million in compensation to the State.

A copy of the Government's statement is attached.

Ends

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

Tuesday, 16 October 2007

HISTORIC SANTOS AGREEMENT

Premier Mike Rann says the SA Government has taken the historic step of agreeing to proceed with the removal of the 15 per cent shareholding cap that applies currently to the sale of shares in the SA-based oil and gas company Santos.

Mr Rann says the Government will introduce legislation into Parliament soon that will ensure the shareholding cap is lifted 12 months after the repealing legislation comes into effect.

This follows a review of the 28-year-old Santos Shareholding Restriction that was introduced by the former Corcoran Government to prevent a takeover of the Cooper Basin by Alan Bond. This legislation protected Santos and the State's security of gas supplies.

"Santos executives believe the cap inhibits the company's growth potential," Mr Rann said.

"The Government has consistently stated that it would only consider the removal of the share cap if the State could be assured that it was in the interests of the people of South Australia.

"In particular, we wanted guarantees about an ongoing and strong corporate presence in South Australia, and an enduring contribution to the development of the State, even if Santos were to be eventually taken over.

"To this end, Santos has provided a Deed of Undertaking to the State, signed by Chairman of the Board, Stephen Gerlach, that gives commitments to continuing a corporate presence and contribution to the State.

"Like Santos, the State Government wants to see Santos grow and we want see South Australia benefit from that growth.

"The **Deed of Undertaking** provided by Santos provides three fundamental commitments, which guarantee a strong and ongoing commitment by Santos to South Australia. These include:

- Santos guarantees effectively 90 per cent of the current South Australian-based roles stay here, which includes 100 per cent of the roles at our major South Australian operational sites. This equates currently to approximately 1700 jobs in South Australia.
- A Social Responsibility and Community Benefits fund of some \$60 million over 10 years, to be applied to a range of sponsorships, including support for the Royal Institution, indigenous programs and educational scholarships; and
- These commitments will be supported by a \$100 million legally enforceable compensation mechanism, should there be a significant reduction in corporate presence.

"The Santos Deed of Undertaking provides a platform for the future growth and development of the company, while also providing assured ongoing benefits to South Australia," Mr Rann said.