

Santos Ltd
ABN 80 007 550 923
60 Flinders Street
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Adelaide South Australia 5000
GPO Box 2455
Adelaide South Australia 5001
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15 May 2009

Dear Shareholder

SANTOS LIMITED ENTITLEMENT OFFER — NOTIFICATION TO INELIGIBLE RETAIL SHAREHOLDERS

Santos Limited (**Santos**) is in the process of raising up to A\$3 billion of new equity capital through an accelerated pro-rata non-renounceable entitlement offer (**Offer**). Details are as announced to the Australian Securities Exchange (**ASX**) on 11 May 2009. Under the Offer, new Santos shares (**New Shares**) are being offered at an offer price of \$12.50 per New Share.

The Offer consists of an institutional entitlement offer (**Institutional Entitlement Offer**) and a retail entitlement offer (**Retail Entitlement Offer**). An offer document was issued by Santos in accordance with section 708AA of the Corporations Act 2001 and was lodged with the ASX on 15 May 2009 (**Offer Document**). The Institutional Entitlement Offer is expected to raise approximately A\$1.75 billion and the Retail Entitlement Offer is expected to raise approximately A\$1.25 billion.

DETAILS OF THE RETAIL ENTITLEMENT OFFER

The Retail Entitlement Offer is being made to eligible retail shareholders (as defined below), on the basis of 2 New Shares for every 5 existing shares held at 7.00pm (AEST) on the Record Date. The record date is 14 May 2009 (**Record Date**).

ELIGIBILITY CRITERIA

Shareholders who are eligible to participate in the Retail Entitlement Offer (**Eligible Retail Shareholders**) are shareholders who:

- (a) are registered as a Santos shareholder as at 7.00pm (AEST) on the Record Date;
- (b) have a registered address in Australia or New Zealand;
- (c) are not in the United States and are not "U.S. persons" (as defined under Regulation S under the United States Securities Act of 1933, as amended) (**U.S. Persons**) and are not acting for the account or benefit of U.S. Persons;
- (d) were not an institutional shareholder eligible to participate under the Institutional Entitlement Offer (or an ineligible institutional shareholder); and
- (e) are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Unfortunately, as you do not satisfy the eligibility criteria for an Eligible Retail Shareholder stated above, you will not be able to subscribe for New Shares or be sent the Offer Document relating to the Retail Entitlement Offer or be able to subscribe for New Shares under the Retail Entitlement Offer.

Santos would have liked to have extended the Retail Entitlement Offer to shareholders in countries other than Australia and New Zealand. However, because of legal limitations and the potential cost of complying with regulatory requirements in those countries, Santos has determined, pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules, to restrict the shareholders who are eligible to participate in the Retail Entitlement Offer to those who satisfy the eligibility criteria above.

Accordingly, in compliance with ASX Listing Rule 7.7.1(b), Santos wishes to advise you that it will not be extending the Retail Entitlement Offer to you and you will not be able to subscribe for New Shares under the Retail Entitlement Offer.

As the Retail Entitlement Offer is non-renounceable, you will not receive any payment or value for entitlements in respect of any New Shares that would have been offered to you if you were eligible.

This notice is to inform you about the Retail Entitlement Offer. This letter is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares. You are not required to do anything in response to this letter.

If you have any questions in relation to any of the above matters, please contact the Santos Shareholder Information Line on 1300 727 634 (local call cost from within Australia) or +61 3 9946 4447 (outside Australia) from 8.30am to 5.30pm (AEST) Monday to Friday during the offer period.

I recognise that you are unable to participate in the Offer. On behalf of the Board and management of Santos, I thank you for your continued interest in Santos. For further information about Santos please log on to our newly updated website www.santos.com.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Stephen Gerlach', with a horizontal line underneath.

Stephen Gerlach
Chairman
Santos Limited