



Santos

Acquisition of 100% of Eastern Star Gas

Consolidating Santos' strategic CSG position in Gunnedah Basin
Joint Venture with TRUenergy

18 July 2011

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Disclaimer & Important Notice

This presentation contains forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a range of variables which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, geotechnical factors, drilling and production results, gas commercialisation, development progress, operating results, engineering estimates, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial markets conditions in various countries, approvals and cost estimates.

All references to dollars, cents or \$ in this document are to Australian currency, unless otherwise stated.

Transaction summary

Acquisition of 100% of ESG	<ul style="list-style-type: none">▪ Santos to acquire 100% of Eastern Star Gas Limited (ESG)⁽¹⁾▪ All scrip scheme of arrangement, unanimously recommended by ESG Board▪ ESG shareholders to receive 0.06803 Santos shares for every 1 ESG share held⁽²⁾
	<ul style="list-style-type: none">▪ Values ESG at 90 cents per share, or A\$924m⁽³⁾▪ Represents attractive acquisition price of A\$0.50 per gigajoule of 3P reserve acquired
Sale of interests to TRUenergy	<ul style="list-style-type: none">▪ Subsequent sale of a 20% working level interest in ESG's permits in the Gunnedah Basin▪ Payment to Santos of A\$284m
Formation of Santos/TRUenergy JV	<ul style="list-style-type: none">▪ Santos to assume operatorship and increase its ownership in the ESG permits to 80%▪ TRUenergy JV partner with 20% interest

(1) Santos presently holds 20.9% of ESG

(2) Subject to adjustment in the event Santos declares a dividend prior to the Scheme Implementation Date and ESG shareholders do not become entitled to receive that dividend

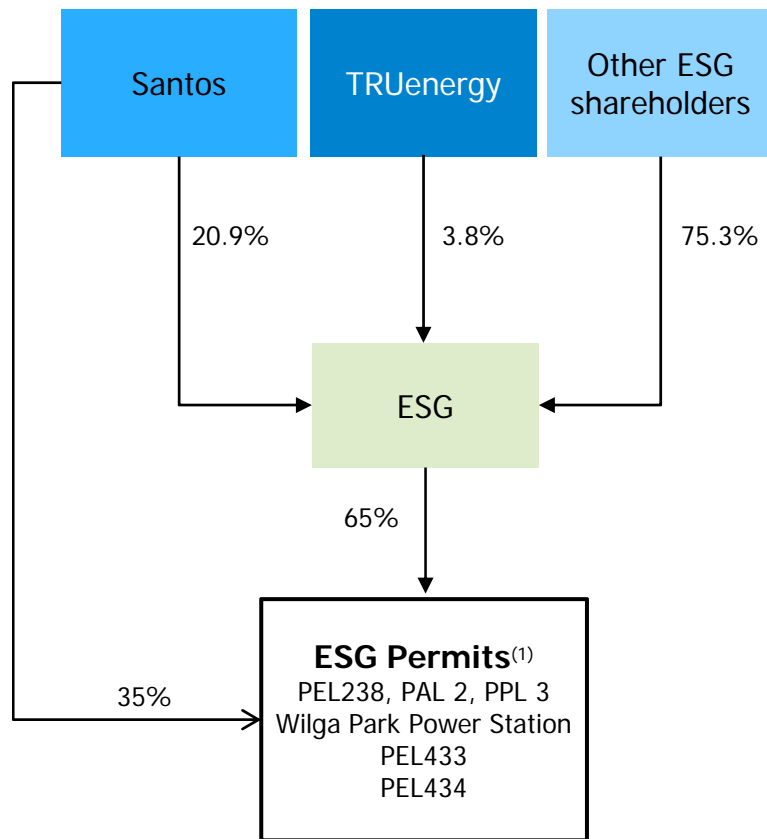
(3) Based on Santos' closing price of A\$13.23 on 15 July

Delivering strategic benefits to Santos

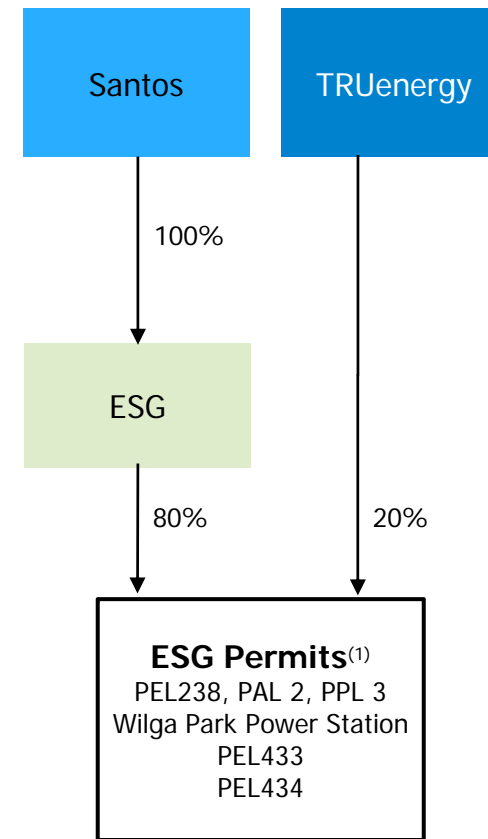
Consolidates Santos' existing Gunnedah interests	✓	<ul style="list-style-type: none"> ▪ Significantly increases Santos' Gunnedah Basin reserve and resource base ▪ Results in Santos becoming largest holder of NSW CSG reserves
Furthers East Australian Gas Strategy	✓	<ul style="list-style-type: none"> ▪ Strengthens Santos' ability to meet expected increase in long term demand for gas from domestic and export markets ▪ Confirms Santos unique portfolio of East Australian gas supply options
Balance sheet strength maintained	✓	<ul style="list-style-type: none"> ▪ 100% scrip acquisition with cash proceeds from TRUenergy sufficient to fund incremental Gunnedah capex to end of 2014
TRUenergy – a quality partner	✓	<ul style="list-style-type: none"> ▪ Introduction of TRUenergy, one of Australia's largest integrated energy companies as a partner in the Gunnedah ▪ Ideal partner to develop ESG's permits in joint venture with Santos

Joint Venture Structure

Current structure



Post-transaction



(1) ESG also has farm-in rights over PELs 6, 427 and 428 in NSW; and PELs 117, 121 and 122 in South Australia

Santos – largest holder of NSW CSG reserves

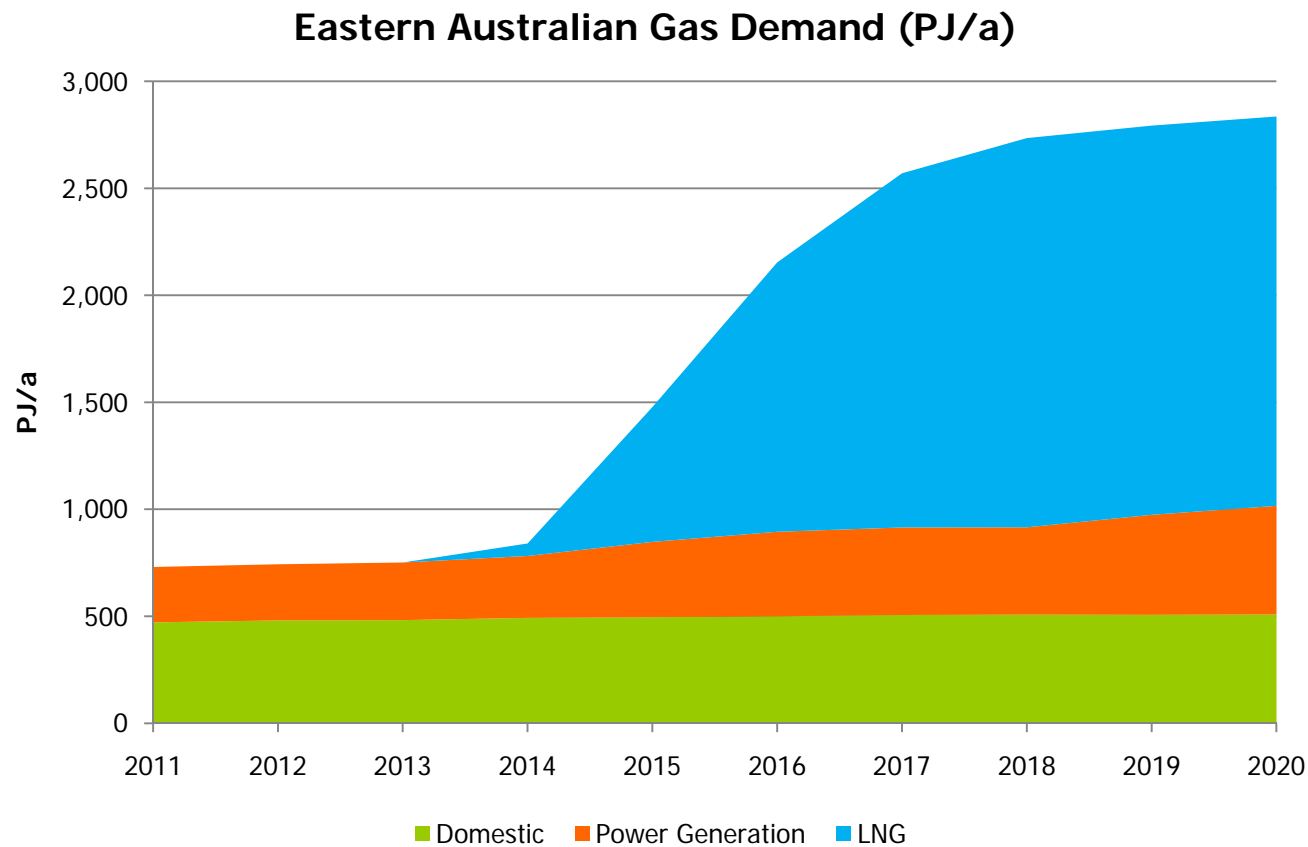
- Under the transaction, Santos acquires (net of on-sale to TRUenergy):
 - 684 PJ net 2P reserves
 - 1,259 PJ net 3P reserves
- Santos' net 3P reserves in Gunnedah increase by 128% to 2,238PJ
- Attractive acquisition price of A\$0.50 per GJ of 3P reserves

	Gunnedah Basin Reserves		
	1P	2P	3P
Acquired	52	684	1,259
Total post acquisition ⁽¹⁾	92	1,216	2,238
	Gunnedah Basin Resources		
	1C	2C	3C
Acquired	560	1,582	2,798
Total post acquisition ⁽¹⁾	1,002	2,881	6,397

(1) net of interest on-sold to TRUenergy

Eastern Australia gas market fundamentals

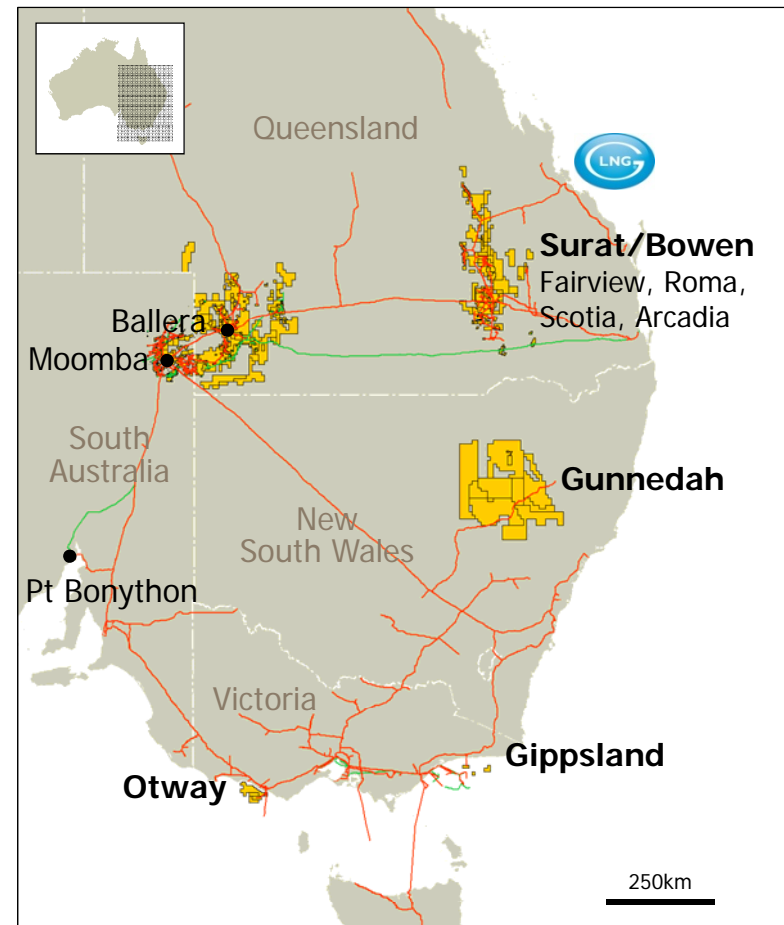
- Demand for Eastern Australia gas is expected to more than triple by 2020
- LNG capacity additions will alter market fundamentals



Source: Santos. Assumes 6 LNG trains

Unique portfolio of Eastern Australia gas supply options to meet higher demand

- Santos has assets in every producing basin
- Large resource base
- Low technical risk
- Moomba and associated infrastructure offers platform to leverage growth
- Gunnedah location suitable for next east coast gas supply hub
- Santos access to Wallumbilla infrastructure enables entry to LNG export projects at Gladstone



- Legend**
- Santos permits
 - Oil pipeline
 - Gas pipeline

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Santos working with regional communities

- Working with local communities is pivotal to our success
- CSG and agriculture currently work together in Santos' Queensland operations and we will do the same in NSW
- 50-year track record of building beneficial partnerships with local communities
- Over 40 years of production history in Australia
- Working in regional NSW for more than 3 years, employing and supporting local people and businesses
- Growth of the natural gas industry in NSW will bring new jobs and additional investment to local communities



TRUenergy – Introducing a strong partner to the Gunnedah



Leading energy retail and power generation company

- TRUenergy is one of Australia's largest integrated energy companies
- TRUenergy serves over 2.7 million household and business customer accounts throughout Australia
- TRUenergy is a wholly-owned subsidiary of the CLP Group, which is listed on the Hong Kong Stock Exchange and has a market capitalisation in the vicinity of A\$20 billion
- Owns and operates a 5,613MW portfolio of electricity generation facilities

.....an ideal partner to develop ESG's permits in joint venture with Santos



Scheme Details

- Acquisition of ESG to be implemented via a Scheme of Arrangement
- Unanimous recommendation of ESG Board – Directors intend to vote shares they control in favour of the Scheme (in the absence of a Superior Proposal and subject to the Independent Expert Report)
- Scheme subject to standard conditions including:
 - no material adverse change
 - no material breach of the Scheme Implementation Deed by ESG
- Santos receives benefit of deal protections including:
 - no talk / no shop obligations
 - matching right
 - break fee of 1% of transaction value

Scheme timetable

Key milestone	Indicative Dates
Scheme Book lodged with ASIC	Late August
Dispatch of Scheme Book	Mid September
ESG Scheme Meeting / shareholder vote	Mid October
Court hearing to approve Scheme	Mid October
Scheme implementation date (Completion of acquisition of ESG and sale of interest to TRUenergy)	Late October

Conclusion

✓	▪ Board recommended transaction
✓	▪ Consolidating Santos' strategic position in Gunnedah Basin
✓	▪ Attractive acquisition price
✓	▪ Furthers East Australian gas strategy
✓	▪ Balance sheet strength maintained
✓	▪ Introduces quality partner in TRUenergy into Gunnedah Basin