

The
energy
to
deliver

Shareholder update and
Notice of Annual General Meeting

Notice is hereby given that the 2013 Annual General Meeting of members of Santos Limited will be held in Hall F, Plaza Level, Adelaide Convention Centre, North Terrace, Adelaide, South Australia on Thursday 9 May 2013 at 10.00 am.

Invitation from Chairman

Dear shareholder,

I am pleased to extend an invitation to you to attend the 2013 Annual General Meeting (AGM) of Santos Limited, which will be held on Thursday, 9 May 2013 at 10.00 am (Adelaide time) in Hall F, Plaza Level, Adelaide Convention Centre, North Terrace, Adelaide, South Australia.

In response to positive feedback about the new format of this document last year we have again combined our Shareholder Update and Notice of Meeting. This year it is presented in a more compact format which we hope you will find even more convenient.

The Notice of Meeting at page 8 explains the items of business which you will be asked to consider at the AGM.

Registration for shareholders attending the AGM will commence at 9.00 am on the day of the AGM, in Foyer F of the Convention Centre. A map of the venue is provided on page 23.

If you are unable to attend the AGM, I encourage you to lodge your proxy form either electronically at www.investorvote.com.au, or by completing and returning the enclosed proxy form. Further information about voting is set out in the Notice of Meeting.

The AGM will be webcast live online at www.santos.com and an archive version of the webcast will also be made available for later viewing.

A brief Shareholder Update outlining our operational and financial highlights is included on pages 4–7.

Growth in 2012

Santos delivered stronger production, record sales revenue and higher underlying profit in 2012. Production was up 10% to 52.1 million barrels of oil equivalent, due to new producing assets and strong Cooper oil production. Sales revenue of \$3.2 billion was up 18%, driven by the 33% increase in crude oil production.

Net profit after tax of \$519 million was 31% lower than the previous year, as 2011 net profit after tax included \$408 million from the sale of a 15% interest in the GLNG project and the sale of the undeveloped Evans Shoal gas field. 2012 underlying profit after tax rose by 34% to \$606 million. This was driven by the higher liquids production and gas prices, partially offset by higher operating costs due to new assets on line.

Our LNG projects are making good progress. PNG LNG is over 75% complete and on track for first LNG in 2014. GLNG is 47% complete with first LNG expected in 2015. By 2015, Santos will have equity production from three LNG projects supplying Asian markets, which are underpinned by long-term, oil-linked, binding offtake agreements. This will be an extraordinary achievement for a company of our size, and these assets will deliver a significant step-change to our production and cash flow.



In 2012, a record 19 million work hours were recorded across the business, and I'm pleased to report that lost-time injuries were at a five-year low. There was an increase in the rate of low-severity injuries, reflecting the record level of manual work being conducted on a day-to-day basis. This trend will be addressed as part of Santos' relentless focus on eliminating serious incidents and injuries from its business.

Strong position to fund growth, with a focus on cost control

In 2013, we have another busy year ahead of us, both for project delivery and with our exploration drilling program. The Fletcher Finucane oil project in the Carnarvon Basin, sanctioned in January 2012, is on schedule to deliver first oil in mid-2013. Work will also continue at the Dua oil project in Vietnam, with first oil on schedule for the first half of 2014. Following the exploration success at Crown, the Browse exploration campaign continues in 2013 with drilling of two exciting prospects. In the Cooper Basin, we continue to explore the potential of the shale and other unconventional gas.

We are in a strong position to fund our growth, with \$5.8 billion of cash and available credit facilities as at 31 December 2012. We also have strong operating cash flow, with average cash flow over the past five years of over \$1.3 billion per year.

In order to deliver our portfolio, we also need to be leaner and more efficient, and Santos is committed to a relentless focus on productivity and cost control across our portfolio. We are

investing in technology to drive costs out of the business, such as a more efficient drilling rig fleet to drill from multi-well pads and initiatives to reduce plant downtime in the Cooper Basin.

Dividend maintained

The Board maintained the dividend at 30 cents per share fully franked in 2012 and anticipates that the dividend will remain at this level during our capital intensive growth phase between now and PNG LNG start-up. Following that, the Board will look to increase the dividend as soon as appropriate.

Santos continues to offer a dividend reinvestment plan (DRP) which enables shareholders to increase their shareholding at a 2.5% discount to the market price and without brokerage.

Acknowledgements

The Board acknowledges the hard work and dedication of all Santos employees in continuing to deliver value to our shareholders.

I take this opportunity to thank shareholders, on behalf of the Board, for your support during the year. Together with my fellow Directors and the management of Santos, I look forward to welcoming you to the 2013 AGM.

Yours sincerely

A handwritten signature in black ink that reads "Peter Coates". The signature is written in a cursive, flowing style.

PETER ROLAND COATES AO
Chairman

Financial highlights

PRODUCTION

52.1 mmbob

↑ 10%

SALES REVENUE

\$3,220 million

↑ 18%

NET PROFIT AFTER TAX

\$519 million

↓ 31%

EBITDAX

(excluding asset sales)

\$1,869 million

↑ 17%

OPERATING CASH FLOW

\$1,658 million

↑ 32%

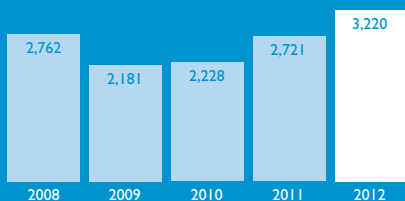
UNDERLYING NET PROFIT AFTER TAX

\$606 million

↑ 34%

SALES REVENUE

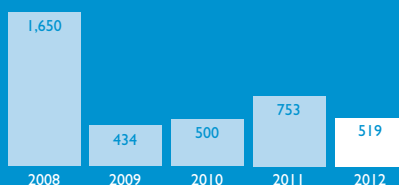
\$3,220 million



Sales revenue increased by 18%, driven by a 33% increase in crude oil production and higher gas prices.

NET PROFIT AFTER TAX

\$519 million

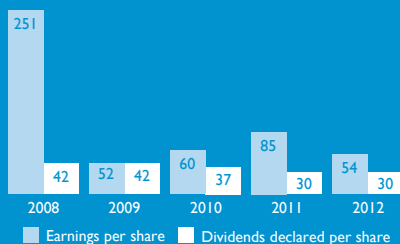


Net profit after tax was 31% lower, as the prior year included \$408 million from the sale of interests in GLNG and Evans Shoal.

	2012	2011	% change
Production volume (mmboe)	52.1	47.2	10
Sales volume (mmboe)	61.0	58.7	4
Sales revenue (\$million)	3,220	2,721	18
EBITDAX (excluding asset sales) (\$million)	1,869	1,597	17
Net profit after tax (\$million)	519	753	(31)
Underlying net profit after tax (\$million)	606	453	34
Operating cash flow (\$million)	1,658	1,253	32
Earnings per share (cents)	54.4	84.8	(36)
Dividends declared per ordinary share (cents)	30	30	-
Proved and probable (2P) reserves (mmboe)	1,406	1,364	3

EARNINGS & DIVIDENDS PER SHARE

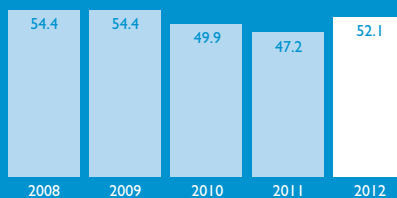
54.4 cents



The total 2012 dividend of 30 cents per share is in line with the prior year.

PRODUCTION VOLUME

52.1 mmboe



Production increased 10%, driven by new producing assets combined with strong Cooper oil production.

2012 delivery

Eastern Australia

Positioned for growth, with innovation and investment helping us meet rising demand locally and abroad.

- Australia's first commercial production of gas from a shale well.
- Highest Cooper oil production since 2009.
- First multi-well pad drilling project executed in Cooper Basin.
- Farm-in to 19 million acres across the Amadeus and Pedirka Basins.

Top:
Turning the valve at Moomba-191 shale well, Cooper Basin.
Bottom:
Drilling at the Tindilpie multi-well pad, Cooper Basin.



Western Australia and Northern Territory

Proven record of delivery with strong growth opportunities.

- Highest-ever Carnarvon gas production, up 43% from 2011.
- Exploration success at Crown in Browse Basin.
- SK E&S farm-in to Caldita Barossa for up to US\$520 million.
- Fletcher Finucane project 85% complete and on schedule for first oil in mid-2013.

Top:
Supplying domestic gas from the Devil Creek gas processing plant, Pilbara.
Bottom:
Installation works at Fletcher Finucane oil project, Carnarvon Basin.



GLNG

Construction well underway on a cornerstone project.

- GLNG project 47% complete and on track for first LNG in 2015.
- Over 15 million hours worked across the project.
- 5,200 people working on the project at year end.
- All pipeline landed in Queensland and pipeline construction underway.
- Strong progress on construction of LNG trains and supporting infrastructure on Curtis Island.

Top:
Installation of the LNG tank roof plates, on Curtis Island, Queensland.
Bottom:
LNG plant construction underway at Curtis Island, Queensland.



Asia Pacific

Focused exploration-led portfolio, led by our operations in Indonesia, Vietnam and Papua New Guinea.

- PNG LNG over 75% complete and on track for first LNG in 2014.
- Wortel gas project in Indonesia delivered on budget.
- Chim São delivers 200% boost to Asia Pacific oil production.
- Dua oil project sanctioned; first oil expected in first half of 2014.

Top:
Drilling at the Hides field, Papua New Guinea.
Bottom:
Pipelay underway at the Dua oil project, Vietnam.



Notice of Annual General Meeting

ORDINARY BUSINESS

1. FINANCIAL REPORT

To receive and consider the Financial Report for the year ended 31 December 2012 and the reports of the Directors and the Auditor thereon.

2. TO ELECT OR RE-ELECT DIRECTORS

- (a) Mr Kenneth Alfred Dean retires by rotation in accordance with Rule 34(c) of the Company's Constitution and, being eligible, offers himself for re-election.
- (b) Ms Jane Sharman Hemstritch retires by rotation in accordance with Rule 34(c) of the Company's Constitution and, being eligible, offers herself for re-election.
- (c) Mr Gregory John Walton Martin retires by rotation in accordance with Rule 34(c) of the Company's Constitution and, being eligible, offers himself for re-election.
- (d) Mr Hock Goh, who was appointed a Director on 22 October 2012, retires in accordance with Rule 34(b) of the Company's Constitution and, being eligible, offers himself for election.

3. REMUNERATION REPORT

To consider, and if thought fit, pass the following non-binding resolution as an ordinary resolution:

'That the Remuneration Report for the year ended 31 December 2012 be adopted.'

Note: The vote on this resolution is advisory only and does not bind the Directors or the Company.

SPECIAL BUSINESS

4. GRANT OF SHARE ACQUISITION RIGHTS TO MR DAVID KNOX

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

'That approval is given for the Company to grant to the Company's Chief Executive Officer and Managing Director, Mr David Knox, Share Acquisition Rights under the Santos Employee Equity Incentive Plan on the terms set out in the Explanatory Notes to this Notice of Meeting.'

5. DIRECTORS' FEES

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

'That, pursuant to Rule 36(a) of the Company's Constitution, the aggregate amount of remuneration that may be paid in any financial year to the Company's non-executive Directors be increased from \$2,100,000 to \$2,600,000.'

VOTING ENTITLEMENT

The Board has determined in accordance with the Company's Constitution and the Corporations Regulations that a person's entitlement to vote at the Annual General Meeting will be taken to be the entitlement of that person shown in the Register of Members at 6.30 pm (Adelaide time) on Tuesday, 7 May 2013.

Voting restrictions apply to the Company's key management personnel and their closely related parties, which also affect proxy voting. Full details are included in the Notes Relating to Voting commencing on page 18. In particular, please note that if the Chairman of the meeting is appointed as your proxy, and you have not directed him how to vote, then:

- by completing and returning the proxy form you will be expressly authorising the Chairman of the meeting to exercise your undirected proxy on Resolutions 3, 4 and 5 even though the resolutions are connected with the remuneration of the Company's key management personnel; and
- the Chairman of the meeting will not be able to vote as your proxy on Resolution 5 unless you also tick the box in Step 2 of the proxy form.

The Explanatory Notes and Notes Relating to Voting form part of this Notice of Meeting.

By Order of the Board

David Lim
Company Secretary

Ground Floor, Santos Centre
60 Flinders Street
Adelaide, South Australia, 5000

28 March 2013

EXPLANATORY NOTES

1. FINANCIAL AND STATUTORY REPORTS

As required by section 317 of the *Corporations Act 2001* (Cth) (Corporations Act), the Financial Report and the reports of the Directors and the Auditor for the financial year ended 31 December 2012 will be laid before the meeting.

During this item of business, shareholders will be given a reasonable opportunity to ask questions and make comments about the reports and the business and management of the Company. Shareholders will also be given a reasonable opportunity to ask a representative of the Company's Auditor, Ernst & Young, questions in relation to the conduct of the audit (including the independence of the Auditor), and the accounting policies adopted by the Company.

Notice of Annual General Meeting (continued)

2. RE-ELECTION AND ELECTION OF DIRECTORS

Rule 34 of the Company's Constitution specifies that at every Annual General Meeting of the Company, one third of the Directors who have been longest in office since the date of their last election or appointment (excluding the Managing Director and any Director not yet elected) must retire. No Director may hold office without re-election beyond the third Annual General Meeting following the meeting at which the Director was last elected or re-elected. Accordingly, Mr Kenneth Alfred Dean, Ms Jane Sharman Hemstritch and Mr Gregory John Walton Martin will retire and seek re-election at the Annual General Meeting.

Following a recommendation from the Nomination Committee of the Board, the Board appointed Mr Hock Goh as a Director on 22 October 2012. Mr Goh is now standing for election at the first Annual General Meeting since he was appointed, in accordance with Rule 34 of the Company's Constitution.

Brief biographical details of each of the Directors standing for re-election or election follow on pages 10–15.



MR KENNETH ALFRED DEAN

BCom (Hons), FCPA, FAICD, age 60

Ken Dean has been an independent non-executive Director since 23 February 2005. He is Chairman of the Audit Committee and a member of the Finance Committee of the Board. Mr Dean has been a Director of Santos Finance Ltd since 30 September 2005.

Mr Dean's career includes over 35 years of financial experience in the international oil and gas industry. He has held senior executive positions in treasury, audit, accounting and financial and corporate services as well as a number of significant directorships.

A non-executive director of Bluescope Steel Limited since April 2009, Mr Dean is also Chairman of Bluescope's Audit and Risk Committee. More recently, he was appointed as an independent non-executive director of EnergyAustralia Holdings Limited (formerly TRUenergy) in June 2012.

Previous positions held by Mr Dean include Chief Financial Officer of Alumina Limited, alternate director of Alumina Limited and non-executive director of Alcoa of Australia Ltd, Alcoa World Alumina LLC and related companies, in the period October 2005 to February 2009. He was also a

director of Shell Australia Ltd from 1997 to 2001 and of Woodside Petroleum Ltd from 1998 to 2004. His former positions also include Chief Executive Officer of Shell Financial Services from 2000 to 2005 and member of the La Trobe University Council for four years.

Mr Dean is a Fellow of CPA Australia and a Fellow of the Australian Institute of Company Directors.

Taking into account the outcomes of the 2012 Board review and further consideration in February 2013, the Nomination Committee recommended and the Board endorsed Mr Dean as a candidate for re-election.

Mr Dean says:

'I have been privileged to serve as a non-executive Director of Santos for the last eight years, and to have participated in decisions which have both changed the shape of the Company and opened up new and exciting developments for the future.

I am pleased to be able to contribute my experience of almost 40 years in the Australian and international oil and gas business to the direction of the Company's business.

A firm and well-implemented governance framework is always essential and, especially in the turbulent financial environment of the last several years, I have been able to bring my expertise in financial strategy and management, investor relations and corporate governance in the Australian regulatory and reporting framework to the Board and executive management. I deeply respect my colleagues on the Santos board, and the executive

team and Company staff who manage and operate the day-to-day business of our Company. I am pleased to be associated with a business which is committed to creating profit and building shareholder wealth while continually seeking to operate to the highest ethical, safety and environmental standards.

I seek the support of shareholders to serve a further term as a Director of our Company. Having been involved in past Board decisions to grow the Company's Australian and international gas business through acquisitions and development, I am keen to continue to contribute to the oversight of the company's critical PNG LNG and GLNG projects, and to see them through to successful completion. At the conclusion of a further three-year term, I would have served for 11 years and, consistent with the Board Charter, I do not expect to stand for re-election beyond 2016.'

Recommendation

The Board (with Mr Dean abstaining) recommends that shareholders vote **in favour** of the re-election of Mr Dean.

Notice of Annual General Meeting (continued)



MS JANE SHARMAN HEMSTRITCH

BSc (Hons), FCA, FAICD, age 59

Jane Hemstritch has been an independent non-executive Director since 16 February 2010. She is a member of the People and Remuneration Committee of the Board and also the Audit Committee of the Board.

Ms Hemstritch has broad experience across the oil and gas, telecommunications, government, financial services and manufacturing sectors. Her past experience includes a 25-year career with Accenture and Andersen Consulting. She was formerly Accenture's Managing Director Resources Operating Group Asia Pacific (2004 – 2007), and before that, Accenture's Country Managing Director Australia.

Ms Hemstritch has held the positions of non-executive director of the Commonwealth Bank of Australia since October 2006, Lend Lease Group since September 2011 and Tabcorp Holdings Ltd since November 2008. Initially appointed as a non-executive director of Victorian Opera Company Ltd in October 2010, she was appointed Chairman in February 2013.

She held the post of Deputy Chairman of the Global Foundation from 2009 to 2012 and was a member of the Research and Policy Council of the Committee for Economic Development of Australia from 2009 to February 2013. Ms Hemstritch is a Fellow of the Institutes of Chartered Accountants in Australia and in England and Wales, and a member of Chief Executive Women Inc.

Taking into account the outcomes of the 2012 Board review and further consideration in February 2013, the Nomination Committee recommended and the Board endorsed Ms Hemstritch as a candidate for re-election.

Ms Hemstritch says:

'Santos is a leading Australian company with a proud history and a well deserved reputation for the way in which it looks after the interests of all its stakeholders. As Santos continues to grow and transform its business it will be critical for it to retain these values and this heritage. I believe that my experience in change management, including cultural change, organisation design and talent development and management, gained in a 25 year career with Accenture, will continue to allow me to contribute a unique perspective to the governance of the Company through this time.'

Serving as I do on the boards of other major Australian companies, particularly those where I chair board committees, I am able to bring to Santos insights into governance best practice and to the ways in which other companies are tackling major change and implementing new initiatives.'

I am proud to have been part of the team that is the Santos Board of Directors for the last three years. I ask for your support for my re-election as a Director and would be pleased to continue working on behalf of all Santos shareholders during the next phase of the Company's development.'

Recommendation

The Board (with Ms Hemstritch abstaining) recommends that shareholders vote **in favour** of the re-election of Ms Hemstritch.



MR GREGORY JOHN WALTON MARTIN

BEc, LLB, FAIM, MAICD, age 53

Greg Martin has been an independent non-executive Director since 29 October 2009. He is Chairman of the People and Remuneration Committee of the Board, and a member of the Environment, Health, Safety and Sustainability Committee of the Board.

He has significant experience in the utilities, energy and related infrastructure sectors and as a non-executive director. His past experience includes roles as Deputy Chairman of the Australian Gas Association and inaugural Chairman of the Energy Supply Association of Australia, member of the

Business Council of Australia and Committee for the Economic Development of Australia, Managing Director and Chief Executive Officer of AGL and Chief Executive Infrastructure at Challenger Financial Services Group Limited.

Mr Martin is non-executive director of a number of listed and unlisted companies including Energy Developments Limited (since May 2006), Iluka Resources Limited (since January 2013) and Australian Energy Market Operator Limited (since July 2009). He has been Chairman and Joint Managing Partner of Prostar Capital since July 2012.

Taking into account the outcomes of the 2012 Board review and further consideration in February 2013, the Nomination Committee recommended and the Board endorsed Mr Martin as a candidate for re-election.

Mr Martin says:

'Santos is an Australian oil and gas company with a proud history and excellent prospects for the future as major projects utilising the Company's substantial resource base move closer to commencement. It has been an honour to be a Board member over the past three years and to have been part of what has been a challenging, yet rewarding period.

During that time Santos has continued to reliably serve the Australian domestic energy market while positioning itself to expand into rapidly growing Asian energy markets. Santos' participation in a number of significant LNG projects, that will be completed over the course of the next two years, will herald the next phase in the Company's growth and development.

Notice of Annual General Meeting (continued)

With over 30 years of domestic and international operational, commercial and executive management experience in the energy sector, including as a public markets CEO, I believe that I have positively and constructively contributed to Board deliberations in pursuit of fulfilling the Company's charter and in growing shareholder value.

As Chairman of the People & Remuneration Committee I have sought to ensure that remuneration policies and practices are fair, with clear and transparent alignment between management rewards and shareholder returns. In a competitive market for talent, the Committee has worked with the CEO to create an environment that attracts, retains and develops the best people to deliver the Company's business strategy for the benefit of shareholders.

It has been a privilege to be a member of your Board and to serve your interests. I seek your support for my re-election as a Director as I would be pleased to continue to work in shareholders' interests to maximise the rewards and benefits accruing from the successful delivery of a number of world class projects.'

Recommendation

The Board (with Mr Martin abstaining) recommends that shareholders vote **in favour** of the re-election of Mr Martin.



MR HOCK GOH

BEng (Hons), Mech Eng, age 57

Hock Goh was appointed as an independent non-executive Director on 22 October 2012.

Mr Goh has extensive experience in the oil and gas industry in Asia. During a 25-year career with Schlumberger, a leading oilfield services company, Mr Goh held senior positions in Asia, the Middle East and Europe, including as President of Network and Infrastructure Solutions division in London, President of Asia, and Vice President and General Manager of China. Prior to that, he held managerial and staff positions in Asia, the Middle East and Europe.

Previously Operating Partner of Baird Capital Partners Asia, based in China, from 2007 to June 2012, he was also a non-executive director of Xaloy Holding Inc in the US from 2006 to 2008.

Mr Goh has been Chairman of MEC Resources Ltd since October 2006, Advent Energy Ltd since November 2007 and NetGain Systems Pte Ltd (Singapore) since 2005. In April 2012 he was appointed as non-executive director of Stora Enso Oyj (Finland).

The Nomination Committee proposed Mr Goh's appointment following an extensive search and review process for new directors. In appointing Mr Goh, the Board took into account the complementary skills and experience he would bring to the Board. Having been appointed on 22 October 2012, Mr Goh is required to seek election at this Annual General Meeting.

Mr Goh says:

'During my long career with Schlumberger, I worked and managed businesses in more than ten countries spanning Australia, Asia, the Middle East and Europe, with a key focus on introducing state-of-the-art technology in formation evaluation and reservoir characterisation. These innovations helped our customers, oil and gas companies, increase their reserves for their shareholders.'

In recent times we have seen how advancements in technology have unlocked new or previously uncommercial resources. As a member of the Santos Board, I will be able to bring the insights gained from my extensive experience working with major oil and gas companies around the globe, understanding their challenges and finding solutions to overcome these challenges. I look forward to using my experience to help our Board, our Company, our shareholders and our stakeholders meet Santos' growth strategy.'

Recommendation

The Board (with Mr Goh abstaining) recommends that shareholders vote **in favour** of the election of Mr Goh.

3. REMUNERATION REPORT

Shareholders are asked to adopt the Company's Remuneration Report. The Remuneration Report is set out on pages 58 to 75 of the 2012 Annual Report and is also available from the Company's website (www.santos.com).

The Remuneration Report:

- outlines the key developments that impacted on Santos' remuneration strategy during 2012;
- explains the Board's policies in relation to the objectives and structure of remuneration;
- highlights the links between the Company's performance and the remuneration received by Directors and senior executives;
- provides a detailed summary of the components of remuneration for Directors and senior executives, including relevant performance conditions; and
- sets out the remuneration details for the Directors and other key management personnel of the Group.

A reasonable opportunity for discussion of the Remuneration Report will be provided at the Annual General Meeting.

The shareholder vote on the Remuneration Report is advisory only and does not bind the Directors or the Company, in accordance with section 250R of the Corporations Act. Voting restrictions apply in relation to this resolution and are described in the Notes Relating to Voting on page 18.

Recommendation

The Board recommends that shareholders vote to adopt the Remuneration Report.

Notice of Annual General Meeting (continued)

4. GRANT OF SHARE ACQUISITION RIGHTS TO MR DAVID KNOX

The Company is seeking the approval of shareholders for the grant of Share Acquisition Rights (SARs) to the Chief Executive Officer and Managing Director, Mr David Knox, under the Santos Employee Equity Incentive Plan (SEEIP) on the terms set out below.

SEEIP Terms And Conditions

The SARs will be granted in accordance with the terms of the SEEIP (formerly known as the Santos Employee Share Purchase Plan (SESPP)). The SESPP was approved by shareholders at the Annual General Meeting held on 5 May 2000.

Grant of SARs

It is proposed that Mr Knox be granted 243,652 SARs. The number of SARs has been determined by dividing an amount equivalent to 100% of Mr Knox's total fixed remuneration (i.e. \$2,351,250) by \$9.65. This amount is the same as the 'fair value' that was used to calculate the number of SARs awarded to other senior executives in March 2013 as part of the Company's 2013 long-term incentive program and is based on the share price on 6 March 2013. The fair value was determined by an independent party using the same method as is used to determine the value of the rights for expensing in the Company's accounts.

SARs will be granted at no cost to Mr Knox, and no amount is payable on vesting of the SARs if the performance condition is met. Each SAR entitles Mr Knox to one fully paid ordinary share in the Company which when issued will rank equally with shares in the same class. At Santos' election, cash to the same value can be paid as an alternative to providing shares.

If approval is obtained, the SARs will be granted to Mr Knox as soon as practicable after the Annual General Meeting. In any event, they will not be granted more than 12 months after the date of the Annual General Meeting.

SARs granted under the SEEIP do not carry any dividend or voting rights until they vest.

Performance condition

The Board has determined that the SARs to be granted to Mr Knox (if approval is received) will be subject to a Total Shareholder Return (TSR) hurdle which ranks the TSR performance of the Company with the TSR performance of the companies comprising the ASX 100 index (as at 1 January 2013). Broadly, TSR is the growth in share price, plus dividends reinvested. The TSR is measured over a three-year performance period starting on 1 January 2013 and ending on 31 December 2015 (Performance Period). At the end of the Performance Period, the performance condition is tested and the Company's relative ranking is determined.

The level of performance required for each level of vesting, and the percentage vesting associated with each level of performance, are set out in the table below.

If the TSR of the Company:	The percentage of SARs which will vest is:
Does not reach the 50th percentile of the TSRs of the ASX 100	0%
Reaches or exceeds the 50th percentile of the TSRs of the ASX 100 but does not reach the 75th percentile	50%, plus 2% for every one percentile increase above the 50th percentile
Reaches or exceeds the 75th percentile of the ASX 100	100%

The SARs lapse if the performance condition is not met. There is no re-testing.

Other information

- Mr Knox is the only Director entitled to participate in SEEIP.
- The ASX Listing Rules require this notice of meeting to state the number and price of securities received by Mr Knox since the last shareholder approval. 205,339 SARs were issued to Mr Knox (at no cost) pursuant to the shareholder approval obtained at the 2012 AGM.
- Details of Mr Knox's total SARs holdings are provided in the Remuneration Report for the financial year ended 31 December 2012.

- If this grant is approved, some or all of the SARs granted to Mr Knox may vest or lapse on cessation of employment, subject to the Board's discretion as described in the Remuneration Report. Under the SEEIP, the Board also has discretion to vest or lapse the CEO's SARs if there is a change of control.

Voting restrictions apply in relation to this resolution and are described in the Notes Relating to Voting on page 19.

Recommendation

The non-executive Directors consider the grant of SARs to Mr Knox to be reasonable and appropriate in all the circumstances. The non-executive Directors recommend that shareholders vote **in favour** of resolution 4.

5. DIRECTORS' FEES

In accordance with Rule 36(a) of the Company's Constitution and ASX Listing Rule 10.17, the Directors are seeking approval from shareholders to increase the maximum aggregate amount available for non-executive Directors' fees (Fee Pool) from \$2,100,000 to \$2,600,000 per year, an increase of \$500,000 per year. The current Fee Pool of \$2,100,000 was approved by shareholders at the 2008 Annual General Meeting.

Fees paid to Directors out of the Fee Pool are reviewed periodically to ensure that they are appropriate. This proposal follows consideration of an external review of Directors' Fees conducted by PricewaterhouseCoopers in October 2011 and reviews conducted by the Company in October 2012 and February 2013, which included

Notice of Annual General Meeting (continued)

benchmarking comparisons of non-executive Directors' fees and the Fee Pools for similar companies. Details of fees paid to non-executive Directors in 2012 are provided in the Remuneration Report at pages 58 to 75 of the 2012 Annual Report.

Whilst the Board is not currently proposing to further increase its size, the proposed Fee Pool will provide the Board with strategic flexibility to make additional Board appointments should it wish to do so. It will also provide flexibility to allow for payment of appropriate non-executive Director fees over time and taking into account the increasing time and responsibilities required of non-executive Directors generally and in particular with regard to:

- increasing corporate governance complexity and other compliance requirements; and
- the increasing geographical diversification of the business and growth in the size and scope of the Company's strategic business interests.

The proposed increase in the Fee Pool will ensure that fees can be set at a sufficiently competitive rate to attract and retain non-executive Directors of the necessary qualifications and calibre, having regard to fees paid by comparable companies listed on the ASX.

It is not intended to distribute all of the proposed Fee Pool, if approved, in the current year.

NOTES RELATING TO VOTING

1. ENTITLEMENT TIME

The Board has determined in accordance with the Rules of the Company's Constitution and the Corporations Regulations that a person's entitlement to vote at the Annual General Meeting will be taken to be the entitlement of that person shown in the Register of Members as at 6.30 pm Adelaide time on Tuesday, 7 May 2013.

2. VOTING EXCLUSIONS

Resolution 3

The Company will disregard any votes cast on Resolution 3 (in any capacity) by or on behalf of:

- a member of the Company's key management personnel (KMP) named in the Company's Remuneration Report for the year ended 31 December 2012; or
- a closely related party of those persons,

unless the vote is cast as proxy for a person entitled to vote on Resolution 3:

- in accordance with a direction in the proxy form; or
- by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy.

Resolution 4

The Company will disregard any votes cast on Resolution 4:

- by or on behalf of Mr Knox or any of his associates; or
- as a proxy by a member of the Company's KMP or a KMP's closely related party,

unless the vote is cast as proxy for a person entitled to vote on Resolution 4:

- in accordance with a direction in the proxy form; or
- by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy.

Resolution 5

The Company will disregard any votes cast on Resolution 5:

- by or on behalf of any Directors or an associate of a Director; or
- as a proxy by a member of the Company's KMP or a KMP's closely related party,

unless the vote is cast as proxy for a person entitled to vote on Resolution 5:

- in accordance with a direction in the proxy form; or

- by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy and the shareholder has ticked the box on the proxy form acknowledging that the Chairman of the meeting may vote as he decides.

3. VOTING ENTITLEMENT ON A POLL

On a poll, every member has one vote for every fully paid ordinary share held.

4. PROXIES

The following information is relevant if you wish to appoint a proxy to vote on your behalf on resolutions at the Annual General Meeting.

The Chairman of the Annual General Meeting acting as proxy

You may appoint the Chairman of the Annual General Meeting as your proxy. In addition, the Chairman of the meeting is deemed to be appointed where a signed proxy form is returned which does not contain the name of the proxy or where the person appointed on the form is absent.

If a member directs the Chairman how to vote on an item of business, the Chairman must vote in accordance with the direction.

For proxies without voting instructions that are exercisable by the Chairman, the Chairman intends to vote all available proxies in favour of each resolution.

Notice of Annual General Meeting (continued)

In relation to each of the remuneration-related resolutions (being Resolutions 3, 4 and 5), if the Chairman of the meeting is appointed as your proxy, and you have not directed your proxy how to vote on the relevant resolution, please note that:

- by completing and returning the proxy form you will be expressly authorising the Chairman of the meeting to exercise your undirected proxy on these resolutions even though they are connected with the remuneration of the Company's key management personnel; and
- the Chairman of the meeting will not be able to vote your proxy on Resolution 5 unless you also tick the box in Step 2 of the proxy form.

Directing your proxy how to vote

If you wish to indicate how your proxy should vote, please mark the appropriate boxes on the proxy form.

If you mark the abstain box for a particular item you are directing your proxy not to vote on your behalf and your shares will not be counted in computing the required majority on a poll.

If you do not mark a voting instructions box in respect of a resolution your proxy can vote as he or she decides, subject to any voting exclusions that apply to the proxy.

Does the proxy you appoint need to be a member?

A proxy may be an individual or a body corporate, and need not be a member of the Company.

Appointing two proxies

A member entitled to attend and vote is entitled to appoint not more than two proxies. If you wish to appoint two proxies please obtain a second proxy form by telephoning the Share Registry on 1300 017 716 (within Australia) or +61 3 9938 4343 (outside Australia) or by sending a fax to 1800 763 447. Both forms should be completed, specifying the nominated percentage or number of your votes given to each proxy. If the appointment does not specify the proportion or number of your votes, each proxy may exercise half of the votes. Where more than one proxy is appointed, neither proxy is entitled to vote on a show of hands. Please return both proxy forms together.

Appointment of a body corporate representative as a proxy

Where a member appoints a body corporate as proxy, that body corporate will need to ensure that:

- it appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act (the Form of Appointment included with this Notice can be used for this purpose); and

-
- the instrument appointing the corporate representative is received by the Company at its registered office by the time referred to below.

Completing the proxy form

A proxy form must be signed by the member or his/her attorney or, in the case of a corporation, executed in accordance with section 127 of the Corporations Act or signed by an authorised officer or attorney. If the proxy form is signed by an attorney or by the authorised officer of a corporation, the power of attorney or other authority (or a notorially certified copy) must accompany the form unless it has previously been provided to the Company. If the proxy form is sent electronically or by fax, any accompanying power of attorney or other authority must be certified.

Lodgement of proxy forms

Proxy forms must be received by the Company by 10.00 am Adelaide time on Tuesday 7 May 2013. You may lodge your proxy form:

- electronically via www.investorvote.com.au;
- by hand to Computershare Investor Services Pty Ltd, 452 Johnson Street, Abbotsford, Victoria 3067;
- by post to Computershare Investor Services Pty Ltd, GPO Box 242, Melbourne, Victoria 8060; or
- by fax to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

5. APPOINTING AN ATTORNEY TO VOTE ON YOUR BEHALF

Where a member appoints an attorney to act on his/her behalf at the meeting, such appointment must be made by a duly executed power of attorney. The power of attorney must be received by the Company at Computershare Investor Services by hand or post as set out in section 4 above, by the time referred to in section 4 above.

6. APPOINTING A CORPORATE REPRESENTATIVE

Where a member which is a corporation appoints a representative under section 250D of the Corporations Act, appropriate evidence of the appointment must be produced. A Form of Appointment of Corporate Representative is included with this Notice for completion prior to the Annual General Meeting and presentation at the registration desk on the day of the meeting.

7. CUSTODIAN VOTING

For intermediary online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions.

Notice of Annual General Meeting (continued)

AGM VENUE

The Santos AGM will be held in Hall F of the Adelaide Convention Centre, North Terrace, Adelaide. Enter through Foyer F. Registration in Foyer F.

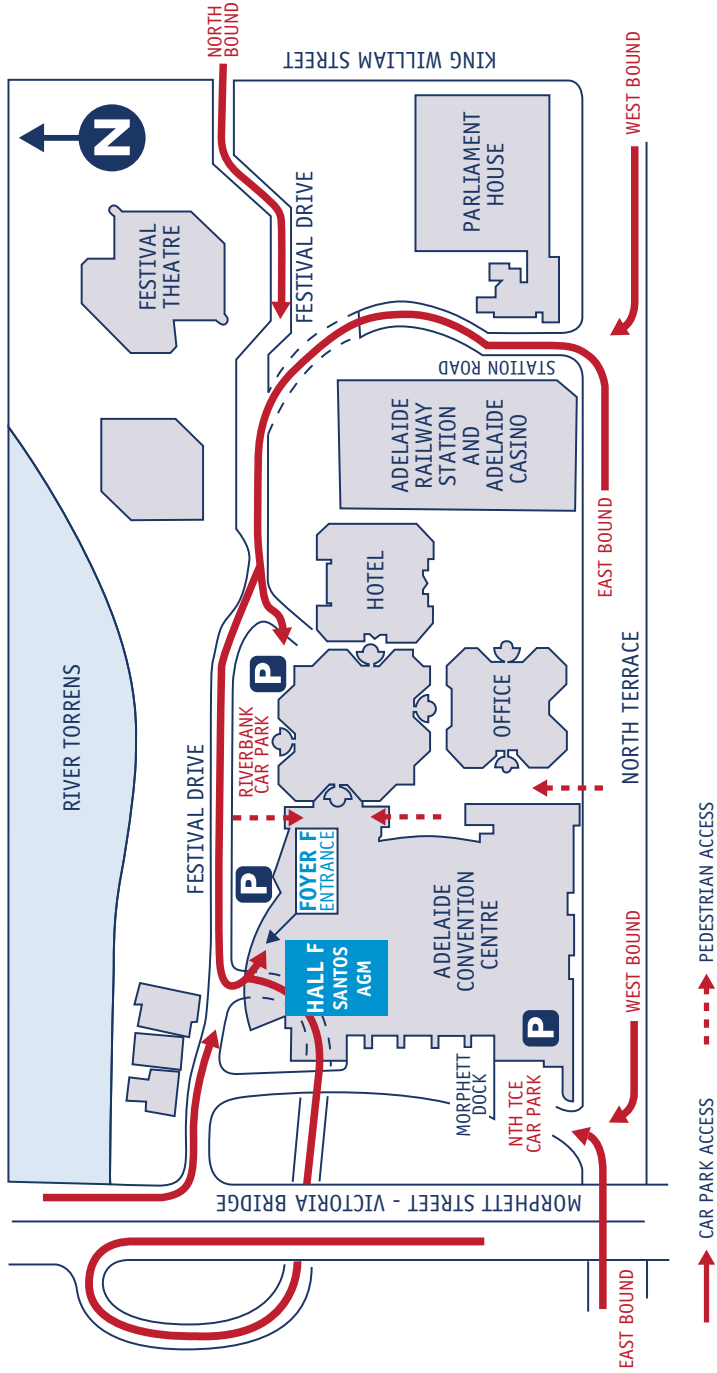
Car Parking

Car parking is available in the Riverbank Car Park and the North Terrace Car Park, but please note that due to construction works, access to the North Terrace Car Park is limited. The map on the following page shows access routes to car parking facilities.

Public transport:

- Bus Stops D (northern side of North Terrace in front of Adelaide Railway Station) and W2 (southern side of North Terrace)
- Free City Loop (99C) stops at Bus Stops D1 (northern side of North Terrace – Adelaide Railway Station) and W2 (southern side of North Terrace, west of Adelaide Convention Centre)
- Tram Stop on North Terrace near Adelaide Convention Centre – Adelaide Railway Station
- Taxi Rank in front of Adelaide Railway Station
- Noarlunga, Tonsley and Belair train line replacement buses stop at Bus Stops X2 (King William Street, southern side of North Terrace) and Z3 (King William Street, northern side of North Terrace).

AGM venue location



Santos

We have the energy.