

27 August 2004

Announcement of FUELS Margin and ATO discussions

On 24 August 2004, Santos Limited (Santos) announced an offer of a new class of preference shares called FUELS (Franked Unsecured Equity Listed Securities) to raise \$500 million with the ability to accept oversubscriptions. A Prospectus for the FUELS issue was lodged with the Australian Securities and Investments Commission (ASIC) on that date.

The Prospectus disclosed that the non-cumulative floating rate dividend on FUELS, incorporating, on a grossed-up basis, the value of franking credits, would be set at a Margin above the 180 day bank bill swap rate. Following successful completion of the bookbuild, the Margin has now been set just below the indicative range at 1.55% per annum, on a grossed-up basis.

Santos wish to advise that with the setting of the Margin and the institutional component of the offer, there are no outstanding conditions precedents to the Underwriting Agreement other than lodging a final Prospectus including the Margin with ASIC. Under the Underwriting Agreement, Merrill Lynch will underwrite \$250 million of the FUELS offer.

Also, Santos has now received a private ruling from the Australian Taxation Office (ATO) confirming that the FUELS are classified as equity and that the dividends (other than the Special Dividend) can be franked without the franking anti-avoidance provisions of the Tax Act applying to the Company or Holders of FUELS.

The ATO is to issue a class ruling on the tax implications arising from the redemption of Resets (including franking of the Special Dividend) and, when issued, it will be available via the ATO's website at law.ato.gov.au or by contacting the Santos Information Line on 1300 733 636. Based on discussions with the ATO, Santos expects that the ATO will provide Santos with a draft class ruling on this issue prior to the Opening Date of the Offer (1 September 2004).

Full details of the FUELS offer are contained in the Prospectus which is available from Santos website at www.santos.com or by calling the Santos Information Line on 1300 733 636.

Additional Information

1. Dates in this document are indicative only and are subject to change.
2. Invitations to invest in FUELS will be made in the FUELS Prospectus. A prospectus dated 24 August 2004 has been lodged with ASIC. Anyone wishing to acquire FUELS will need to complete the application form that will accompany the FUELS Prospectus.

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Santos stock symbols: STO (Australian Stock Exchange), STOSY (NASDAQ ADR)