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Santos signs US\$585 million Sino Iron gas supply contract

Santos today announced it had signed a new contract to supply natural gas to CITIC Pacific's Sino Iron project, a world scale magnetite mining project in Western Australia.

The gas would be supplied from the Reindeer gas project offshore Western Australia through a new 105 kilometre offshore pipeline and a new onshore sales gas processing facility at Devil Creek, located approximately 45 kilometres southwest of Dampier. The Reindeer project will have the capacity to produce 215TJ of gas per day.

The Reindeer project was deferred in early December following delays in the execution of the gas sales agreement.

Under the new contract, Santos would supply the Sino Iron project 75PJ of gas over seven years commencing in the second half of 2011. The contract is subject to conditions which if fulfilled will enable Santos and its joint venture partner, Apache Corporation, to recommence the Reindeer project.

The contract price for the first three years is a fixed price with periodic adjustments for changes in the consumer price index. Beginning in the fourth year, the price is indexed to international oil prices. The revenue will be denominated in US dollars. Assuming an oil price of US\$50 per barrel, Santos' net share of the expected revenue over the seven years of the contract will be approximately US\$585 million.

"We are pleased we were able to sign this new gas sales contract with CITIC Pacific", Santos Chief Executive Officer David Knox said.

"The Reindeer field and Devil Creek facility represent important steps in bringing a significant new source of gas supply into the rapidly growing Western Australian market".

Santos has a 45% interest in the Reindeer field and Devil Creek. The remaining interest is held by Apache Northwest Pty Ltd (55% and Operator).

About Santos

Santos is a major Australian oil and gas exploration and production company with interests and operations in every major Australian petroleum province and in Indonesia, Papua New Guinea, Vietnam, India, Bangladesh, Kyrgyzstan and Egypt. Santos is Australia's largest domestic gas producer, supplying sales gas to all mainland Australian states and territories, ethane to Sydney, and oil and liquids to domestic and international customers. Through its interest in the Darwin LNG project, Santos is a producer of liquefied natural gas which is exported to customers in Japan. Santos is developing a major LNG plant at Gladstone in Queensland and is a partner in the PNG LNG project. The Cooper Basin, which Santos and its joint venture partners have developed, is Australia's largest onshore resources project. Santos has more than 1,750 employees and produced 59.1 million barrels of oil equivalent in 2007. Santos has the largest Australian exploration portfolio by area of any company - 192,000 square kilometres - and is pursuing new venture opportunities with a focus on Asia.

About CITIC Pacific

CITIC Pacific Mining's Sino Iron project is under construction at Cape Preston, in Western Australia's Pilbara region. With about 75 percent of capital expenditures committed, the project is the most advanced magnetite development in Western Australia. Earthworks for the power station and processing plant have been completed and the mine is under development. The first of the gas turbines and other major equipment have been manufactured and are ready for shipping to the site; other long lead-time components are currently being manufactured. CITIC Pacific Mining currently employs about 500 people in Perth, Cape Preston and China.

The project has funding arrangements in place with the China Development Bank. CITIC Pacific Mining has considerable support behind it through parent company CITIC Pacific, based in Hong Kong, and its majority shareholder the CITIC Group.

Ends

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