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## Management Presentation 11 May 2009

1

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2

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## Executive Summary

<b>Rationale</b>	<ul style="list-style-type: none"><li>▪ Advance our LNG growth strategy</li><li>▪ Fund redemption of FUELS hybrid</li><li>▪ Proactively strengthen the balance sheet for growth</li></ul>
<b>Offer</b>	<ul style="list-style-type: none"><li>▪ Santos is raising a minimum A\$1.65 billion in equity</li><li>▪ The equity raising is a 2-for-5 accelerated pro-rata non renounceable entitlement offer, of which the institutional component of A\$1.65 billion has been fully underwritten</li><li>▪ Up to A\$1.35 billion from non-underwritten retail entitlement offer depending on take-up</li></ul>
<b>Offer price</b>	<ul style="list-style-type: none"><li>▪ The offer is priced at A\$12.50 per share, representing a 26.9% discount to last closing price and a 20.8% discount to the Theoretical Ex-Rights Price</li></ul>

3

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## Equity Raising Rationale

- Fund equity contribution to PNG LNG project and provide balance sheet capacity to guarantee Santos' share of project finance until completion
  - Final Investment Decision (FID) on track for 4<sup>th</sup> quarter 2009
  - Significant progress is being made in marketing LNG volumes
  - Joint Venture approval to early works and additional front end engineering design is imminent
  - Project finance is progressing well with strong interest from export credit agencies and other funding sources
- Fund redemption of FUELS hybrid issue in September 2009 (A\$600m)
- Maintain BBB+ credit rating

4

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# LNG growth portfolio

## Santos LNG Well Positioned in Growing Energy Market

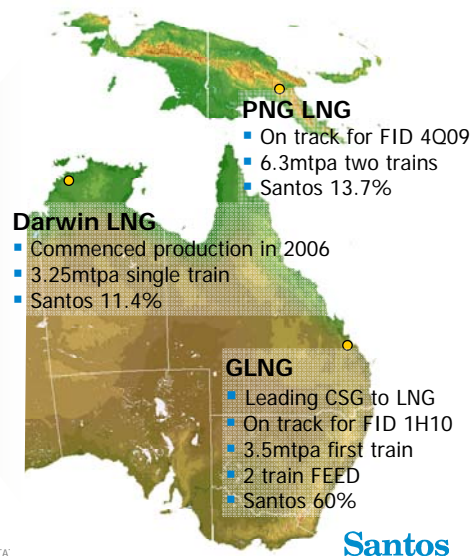


- World energy demand is expected to grow 45% by 2030
- Greater than 60% of recent demand growth is in Asia-Pacific
- Gas is growing its share of this demand from ~8% to ~12%
- Buyers in importing countries require secure energy supply
- Australia and PNG only countries in region likely to increase LNG exports
- Santos is uniquely positioned in both countries to capitalise

Source: International Energy Agency, BP Statistical Review of World Energy 2008

## LNG is a Key Component of Santos' Growth Strategy

Strategy Components
Deliver the Base Business
<b>LNG Growth</b>
Focused growth in Asia

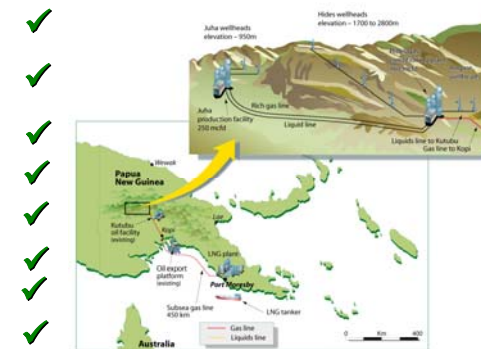


7

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## PNG LNG on Track for 4Q 2009 FID

- Pre FEED work on two train 6.3mtpa plant ✓
- Marketing Representative Agreement ✓
- Coordinated Development and Operating Agreement ✓
- Gas Agreement ✓
- Front End Engineering Design (FEED) Entry Decision ✓
- Finance progressing well ✓
- EIS submitted ✓
- Key terms of non-binding HoA agreed for 2mtpa ✓
- Approval for early works ✓
- Additional HoAs ✓
- Landowner Agreements ✓
- Final Investment Decision (FID) ✓
- First LNG ✓



**Imminent**  
2Q 09  
3Q 09  
4Q 09  
2013/14

8

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## PNG LNG Key Components Progressing Well

<b>LNG Marketing</b>	<ul style="list-style-type: none"> <li>▪ The PNG LNG project has agreed the key terms of a non-binding heads of agreement with a major Asian customer for 2mtpa LNG purchase                             <ul style="list-style-type: none"> <li>- Subject to final government approval</li> </ul> </li> <li>▪ Sale of remaining volumes expected by 2Q09</li> <li>▪ Strong LNG pricing reflecting 2014 demand</li> </ul>
<b>Project Development</b>	<ul style="list-style-type: none"> <li>▪ JV approval to substantial early works imminent</li> <li>▪ Project economics remain robust, even in today's oil price environment, capital costs, and LNG market</li> </ul>

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## Indicative PNG LNG Funding\*

Funding Requirement	US\$ billion
Total project capital costs (excluding LNG tankers – subject to marketing outcomes)	12.5
Financing costs	~2.6
Debt service reserve and start up cash flow	~1.4
<b>Total project funding requirement</b>	<b>~16.5</b>
Funding Sources	US\$ billion
Equity funding from participants	5.0
Non-recourse project finance (post completion)	11.5
<b>Total funding sources</b>	<b>16.5</b>
<b>Santos share (13.7%)</b>	
Share of equity funding	0.7
Share of project finance (guaranteed until financial completion)	1.6

- Santos required to guarantee its share until financial completion
- Project finance (non-recourse after completion)

\* Based on Operator's pre-FEED estimates which will be revised at the completion of FEED and prior to FID. Does not include cost of LNG tankers which is subject to marketing outcomes. Santos' estimates reflect 13.7% interest, assuming PNG Government back-in. All estimates are expressed in nominal dollars of the day.

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10

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## GLNG: The Leading CSG to LNG Project

### Momentum building towards FID in first half of 2010

- Freehold land for liquefaction plant ✓
- Pre FEED work completed ✓
- PETRONAS selected as partner ✓
- LNG marketing commenced ✓
- Reserves build on track ✓
- Downstream FEED entry ✓
- EIS submitted ✓
- Fairview produced water approval ✓
- Pipeline FEED entry ✓
- Upstream FEED entry **2Q 09**
- Final Investment Decision (FID) **1H 10**
- First LNG **2014**



11

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## Corporate Update

12

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## 2009 Guidance Re-iterated

Item	2009 guidance
Production	53 - 56 mmboe
Production costs	A\$550 - A\$570 million
Depreciation, Depletion & Amortisation (DD&A) expense	A\$12.80 per boe
Royalty related taxation expense <sup>1</sup>	A\$80 - A\$100 million (after tax)
Capital expenditure (including exploration & evaluation) <sup>2</sup>	A\$1,500 million

1 Royalty related taxation expense guidance assumes an oil price of US\$50/bbl and an AUD/USD exchange rate of 0.65, both of which are consistent with analyst consensus forecasts for 2009.

2 Capital expenditure guidance includes A\$180 million for exploration.

13

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## Responses to Current Economic Conditions

### Operating cost actions

- Rationalised capital expenditure spend earlier this year
- Wages frozen and headcount reduced
- Implementing additional across the board cost savings

### Capital program actions

- Continue to review non-strategic assets including Egypt
- Begun process to monetise certain non-producing Timor Sea assets
- Seeking to introduce a partner into Bay of Bengal deepwater acreage

14

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## Financial Position

15

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## Summary of Financial Position

- Following the offer and FUELS redemption, Santos will have a cash balance of at least A\$2.5 billion and interest bearing debt of A\$2.5 billion (pro-forma Dec 2008)<sup>1</sup>
- Santos intends to redeem FUELS in September 2009
  - Santos considers redemption to be in the best interests of both its ordinary shareholders and FUELS holders
  - FUELS treated as debt by S&P - redemption will strengthen credit metrics
- Santos is committed to maintaining a strong balance sheet and its BBB+ rating

<sup>1</sup> Interest bearing debt of A\$2.5 billion is hedged by derivative financial instruments which had a positive market value of A\$0.4 billion as of 31 December 2008.

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16

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## Conclusion

17

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## Summary

### Proactive positioning for Santos' growth strategy

- Advance LNG growth strategy
- Fund contribution to PNG LNG project
- Fund redemption of FUELS hybrid issue in September 2009 (A\$600m)
- Maintain BBB+ credit rating

18

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## Capital Raising Details

19

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## Offer Details

### Minimum A\$1.65 billion Equity Raising

- Institutional Entitlement Offer is underwritten to raise a minimum of A\$1.65 billion
  - A volume bookbuild will be conducted at the Offer Price for Entitlements not taken up / ineligible Entitlements
- Retail Entitlement Offer is not underwritten and may raise up to an additional A\$1.35 billion depending upon the level of retail take-up

### Entitlement Offer ratio

- 2 new shares for every 5 Santos shares held at the record date

### A\$12.50 Offer Price

- 26.9% discount to last closing price of A\$17.09
- 26.5% discount to the 5-day VWAP of A\$17.00
- 20.8% discount to the Theoretical Ex-Rights Price of A\$15.78

### Ranking

- New shares rank for 2009 interim dividend which is expected to be in line with the 2008 interim dividend

20

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# Summary Timetable

Event	Date <sup>1</sup>
Institutional Entitlement Offer opens	Monday 11 May
Shareholder Declaration Form to be returned: Aust & Asia	4.00pm Monday 11 May
Shareholder Declaration Form to be returned: US & Europe	6.00am Tuesday 12 May
Institutional Entitlement Offer closes: Aust & Asia	4.00pm Tuesday 12 May
Institutional Entitlement Offer closes: US & Europe	10.00pm Tuesday 12 May
Trading recommences	Wednesday 13 May
Entitlement Offer Record Date <sup>2</sup>	7.00pm Thursday 14 May
Retail Entitlement Offer opens	Friday 15 May
Offer information dispatched to Eligible Retail Shareholders	Monday 18 May
Settlement of Institutional Entitlement Offer	Thursday 21 May
Allotment and commencement of normal trading of shares issued under the Institutional Entitlement Offer	Friday 22 May
Retail Entitlement Offer closes	Friday 5 June
Allotment and commencement of normal trading of shares issued under the Retail Entitlement Offer	Tues 16 June/Wed 17 June

<sup>1</sup> All times are references to Sydney, Australia time. Santos reserves the right to vary the timetable.

<sup>2</sup> Eligible shareholders will be entitled to apply for 2 New Shares for every 5 Shares held as at 7.00pm (AEST) on the Record Date, Thursday 14 May. In the event a Santos shareholder has Santos ordinary shares out on loan as at 7.00pm (AEST) on the Record Date, the borrower will be regarded as the shareholder for the purposes of determining the Entitlement (provided that those borrowed shares have not been on-sold).

21

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22

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## Pro forma statement of financial position

Funding Source	31 December 2008 A\$m	Share Issue <sup>1</sup> A\$m	FUELS <sup>2</sup> A\$m	Pro Forma A\$m
<b>Assets</b>				
Cash and cash equivalents	1,553	1,609	(600)	2,562
Other current assets	931	-	-	931
Non-current assets	7,319	12	-	7,331
<b>Total Assets</b>	<b>9,802</b>	<b>1,621</b>	<b>(600)</b>	<b>10,823</b>
<b>Liabilities</b>				
Interest bearing debt	2,454	-	-	2,454
Other liabilities	2,869	-	-	2,869
<b>Total liabilities</b>	<b>5,324</b>	<b>-</b>	<b>-</b>	<b>5,324</b>
<b>Equity</b>				
Issued capital	2,531	1,621	(600)	3,552
Retained Earnings	2,136	-	-	2,136
Other	(189)	-	-	(189)
<b>Total Equity</b>	<b>4,478</b>	<b>1,621</b>	<b>(600)</b>	<b>5,499</b>
Gearing (ND: ND + Equity)	10%			(10)%
Gearing (TD: TD + Equity)	32%			27%

<sup>1</sup> Share Issue assumed to be A\$1.65 billion institutional proceeds with no retail take up. Cost of issue assumed to be A\$41 million with deferred tax benefit of A\$12 million.  
<sup>2</sup> FUELS to be redeemed in September 2009 of A\$600 million.  
 Total debt is A\$2.1 billion comprising interest bearing debt of A\$2.5 billion less debt hedge balances of A\$0.4 billion (A\$0.1 billion in other current assets and A\$0.3 billion in non-current assets). Net debt is a net cash balance of A\$0.5 billion after the share issue comprising total debt of A\$2.1 billion less cash balances of A\$2.6 billion.

23

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Note: numbers may not add due to rounding.

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24

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25

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## Japan

The New Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended (the "FIEL")) pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors as set forth in Article 2, paragraph 3, item 2(a) of the FIEL. Accordingly, the New Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors, or to others for reoffering for resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. The term "qualified institutional investors" is defined in Article 2, paragraph 3, item 1 of the FIEL and the regulations promulgated thereunder. Any Qualified Institutional Investor who acquired the New Shares may not resell them to any person that is not a Qualified Institutional Investor, and acquisition by any such Qualified Institutional Investor of the New Shares is conditional upon the execution of the agreement to that effect.

## Norway

This information has not been approved by, or registered with, any Norwegian securities regulators pursuant to the Norwegian Securities Trading Act of 29 June 2007, as amended. Accordingly, neither the information nor any other offering material relating to the New Shares constitutes, or shall be deemed to constitute, an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007. The New Shares may not be offered or sold, directly or indirectly, in Norway except:

- in respect of an offer of New Shares addressed to investors subject to a minimum purchase of New Shares for a total consideration of not less than €50,000 per investor;
- to "professional investors" as defined in the Norwegian Securities Regulation of 29 June 2007 no. 876, being:
  - legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
  - any legal entity which is registered as a professional investor with the Oslo Stock Exchange (in Norwegian: Oslo Børs) and which has two or more of:
    - an average of at least 250 employees during the last financial year;
    - a total balance sheet of more than €43,000,000; and
    - an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- any natural person which is registered as a professional investor with the Oslo Stock Exchange (No. Oslo Børs) and which has two or more of:
  - an average execution of at least ten – 10 – transactions in securities of significant volume per quarter for the last four quarters;
  - a portfolio of securities with a market value of at least €500,000 and
  - worked or works, for at least one year, within the financial markets in a position which presuppose knowledge of investing in securities;

• to fewer than 100 natural or legal persons (other than "professional investors" as defined in the Norwegian Securities Regulation of 29 June 2007 no. 876) subject to obtaining the prior consent of the Sole Lead Manager for any such offer;

• any other circumstances provided that no such offer of New Shares shall result in a requirement for the registration, or the publication by Santos or the underwriters, of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007.

26

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## Singapore

The offer of New Shares by Santos is made only to and directed at, and the New Shares are only available to, persons in Singapore who are existing holders of the Shares previously issued by Santos.

The information in this presentation has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the information and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Shares may not be circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an existing holder of Shares pursuant to Section 273(1)(cd)(j) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") or (ii) pursuant to, and in accordance with, the conditions of an exemption under any provision of Subdivision (4) of Division 1 of Part XIII of the SFA.

## Switzerland

The New Shares may not and will not be publicly offered, sold, advertised, distributed or re-distributed, directly or indirectly, in or from Switzerland, and no solicitation for investments in the New Shares may be communicated, distributed or otherwise made available in Switzerland in any way that could constitute a public offering within the meaning of article 652a of the Swiss Code of Obligations ("CO") or of article 3 of the Swiss Federal Act on Collective Investment Schemes ("CISA").

New Shares may only be offered to qualified investors such as banks, securities dealers, insurance institutions, fund management companies and high net worth individuals in circumstances such that there is no public offering.

The information in this presentation does not constitute a public offering prospectus within the meaning of article 652a and may not comply with the information standards required thereunder. Santos has not applied for a listing of the New Shares on the SIX Swiss Exchange or any other regulated securities market in Switzerland, and consequently, the information presented in this presentation does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange.

## United Arab Emirates

The New Shares may not be, have not been and are not being offered, sold, subscribed for, transferred or delivered in the United Arab Emirates other than in compliance with the laws of the United Arab Emirates governing the offering, sale, subscription for, transfer and delivery of securities.

## United Kingdom

Neither the information in this presentation nor any accompanying other document has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of FSMA) has been published or is intended to be published in respect of the New Shares.

Each of Santos and the underwriters have:

- compiled and will comply with all applicable provisions of Financial Services and Markets Act 2000 of the United Kingdom (the "FSMA") with respect to anything done by it in relation to the New Shares in, from or otherwise involving the United Kingdom; and
- only communicated or caused to be communicated and will only communicate or cause to be communicated in the United Kingdom any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) received by it in connection with the issue or sale of the New Shares in circumstances in which Section 21(1) of FSMA does not apply to Santos.

## Other jurisdictions

The New Shares may not be offered or sold in any other jurisdiction under the Offer, except to persons to whom such offer, sale or distribution is permitted under applicable law.