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working in partnership

shareholder update and
notice of annual general meeting

Notice is hereby given that the 2012 Annual General Meeting of members of Santos Limited will be held at Hall E, Plaza Level, Adelaide Convention Centre, North Terrace, Adelaide, South Australia on Thursday 3 May 2012 at 10:00 am.



operating and financial highlights

↑ 14%

Sales revenue
\$2,530 million

↑ 27%

EBITDAX
\$2,126 million

↑ 51%

Net profit after tax
\$753 million

↓ 5%

Production
47.2 mmmboe

↓ 2%

Operating cash flow
\$1,253 million

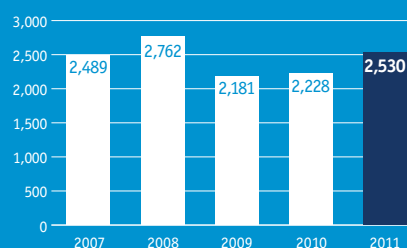
↑ 20%

Underlying net profit after tax
\$453 million

	2011	2010	% change
Production volume (mmboe)	47.2	49.9	(5)
Sales volume (mmboe)	57.1	59.2	(4)
Sales revenue (\$million)	2,530	2,228	14
EBITDAX (\$million)	2,126	1,672	27
Net profit after tax (\$million)	753	500	51
Underlying net profit after tax (\$million)	453	376	20
Operating cash flow (\$million)	1,253	1,273	(2)
Earnings per share (cents)	84.8	59.7	42
Dividends declared per ordinary share (cents)	30.0	37.0	(19)
Safety performance (TRCFR)	3.3	3.3	-

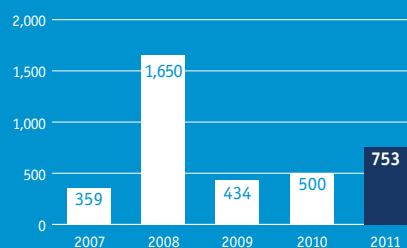
SALES REVENUE

\$2,530 million



NET PROFIT AFTER TAX

\$753 million



View Santos' full Annual Report 2011 online at www.santosannualreport2011.com, and Santos' full Sustainability Report 2011 at www.santos.com/sustainability.



INVITATION FROM CHAIRMAN

Dear shareholder,

I am pleased to extend an invitation to you to attend the 2012 Annual General Meeting (AGM) of Santos Limited, which will be held on Thursday, 3 May 2012 at 10 am (Adelaide time) in Hall E, Plaza Level, Adelaide Convention Centre, North Terrace, Adelaide, South Australia, with registration commencing at 9 am.

Please note that this is a different venue to last year. We have included a map on page 12 to assist you. The AGM will also be webcast online at www.santos.com.

As you can see, this year we have taken a new approach to the presentation of our shareholder update and Notice of Meeting, which we have combined for your convenience.

The Notice of Meeting explains the items of business which you will be asked to consider at the AGM. Also enclosed is a proxy form, which we encourage you to complete if you are unable to attend the AGM. Further information about voting is set out in the Notice of Meeting.

A summary of our operational and financial highlights is contained on pages 2 and 3, including higher full-year net profit and underlying net profit, continued improvement in safety and strong project delivery.

As shown on page 2, our net profit after tax of \$753 million was up 51% on the previous year. This included one-off items such as the sale of a 15% interest in the Santos GLNG Project and our entire stake in the undeveloped Evans Shoal gas field. It also includes some asset impairments. If we exclude the impact of these and similar items, underlying profit was up 20% to \$453 million. This higher profit was primarily due to higher oil and gas prices, offset by a stronger Australian dollar and a higher tax rate.

I'm proud to report that 2011 was the equal best safety performance in Santos' history, with a total recordable case frequency rate (a standard industry measure) of 3.3 recordable injuries per million hours worked. This represents a 40% improvement in Santos' safety performance over the past three years.

Four new projects have been delivered in the past 12 months: the Reindeer and Spar gas projects in Western Australia, the Chim São oil project in Vietnam and the Wortel gas project in Indonesia. Importantly, all of these projects were delivered on or under their sanctioned budgets – a strong performance by Santos and our partners during a time of cost pressures across the industry.

Our LNG projects are progressing well, with PNG LNG and GLNG on track for first production in 2014 and 2015 respectively. You can read more about our activities in the boxes below, or alternatively visit www.santos.com.

Public debate about the Australian coal seam gas (CSG) industry continues. At Santos, we are listening to community concerns and we know that we will not be successful in building

our CSG business unless those concerns can be addressed. Santos is one of the CSG industry's most experienced operators, with our core foundations built on respectful relationships with landowners, responsible stewardship of the environment and water resources, and strong partnerships with communities.

We are committed to maintaining our 50-year track record of safe, responsible and sustainable gas exploration and production activities, and we look forward to continuing to deliver our strategy of being a leading energy company in Australia and Asia.

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

On behalf of the Board, I would like to thank shareholders for your support during the year. My fellow Directors and I look forward to welcoming you to the 2012 AGM.

Yours sincerely,

PETER ROLAND COATES AO
Chairman

Australia



Leading Australian domestic producer; 50-year track record

- Spar and Reindeer/Devil Creek projects in Western Australia delivered on schedule and on budget.
- Sanctioned Fletcher Finucane oil project in Western Australia, only eight months after discovery at Finucane South.
- Largest annual sales gas reserves upgrade in the Cooper Basin for 10 years.
- Acquisition of Eastern Star Gas gave Santos the largest natural gas reserves in NSW.

LNG projects



Delivering a transformational LNG portfolio

- Construction of Santos GLNG Project progressing well; first LNG exports expected in 2015.
- PNG LNG on track for a 2014 start-up, with key construction activities underway.
- Pre-front end engineering and design progressing well for Bonaparte LNG, an innovative floating LNG project.
- Continued strong production from Darwin LNG.

Asia



Building a focused exploration-led Asian portfolio

- Chim São oil project in Vietnam delivered on time and under budget.
- Delivered first gas from Wortel gas project in Indonesia in January 2012, on budget.
- Acquired Indonesian CSG acreage, located close to existing infrastructure.
- Opened Singapore office to focus on the development of the Asian business.

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notice of annual general meeting

ORDINARY BUSINESS

1. Financial Report

To receive and consider the Financial Report for the year ended 31 December 2011 and the reports of the Directors and the Auditor thereon.

2. To re-elect Directors

(a) Mr Kenneth Charles Borda retires by rotation in accordance with Rule 34(c) of the Company's Constitution and, being eligible, offers himself for re-election.

(b) Mr Roy Alexander Franklin retires by rotation in accordance with Rule 34(c) of the Company's Constitution and, being eligible, offers himself for re-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 2011 be adopted.'

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

SPECIAL BUSINESS

4. 2012–2015 Four-Year Strategy 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 and subject to the achievement of the long-term strategic goals set out in the Explanatory Notes to this Notice of Meeting.'

5. Approval of Termination Benefits for Mr David Knox

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

'That approval is given for the purposes of sections 200B and 200E of the Corporations Act 2001 (Cth) for the giving of benefits to the Company's Chief Executive Officer and Managing Director, Mr David Knox, in connection with Mr Knox ceasing to hold a managerial or executive office in the Company or a related body corporate as set out in the Explanatory Notes to this Notice of Meeting.'

6. Amendments to the Constitution of Santos Limited

To consider, and if thought fit, pass the following resolution as a special resolution:

'That the Constitution of Santos Limited be amended, with effect from the close of this Annual General Meeting, as set out in the amended Constitution tabled at the meeting and signed by the Chairman of the meeting for the purposes of identification.'

7. Renewal of Proportional Takeover Provision

To consider and, if thought fit, pass the following resolution as a special resolution:

'That the proportional takeover provision in Rule 70 of the Constitution of Santos Limited be renewed for a further period of three years commencing from the date of this Annual General Meeting.'

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 1 May 2012.

New 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 11. In particular, please note for Resolutions 3, 4 and 5 that if you appoint the Chairman of the meeting as your proxy, or the Chairman is appointed as your proxy by default, then unless you mark one of the voting instruction boxes for the relevant

resolution, you will be deemed to have directed the Chairman to vote in favour of that resolution.

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

30 March 2012

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 2011 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.

2. RE-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 Charles Borda and Mr Roy Alexander Franklin will retire and seek re-election at the Annual General Meeting.

Brief biographical details of each of the Directors standing for re-election are set out on the following page.



MR KENNETH CHARLES BORDA
LLB, BA, age 59

Mr Borda has been an independent non-executive Director since 14 February 2007. He is Chairman of the Finance Committee of the Board and a member of the Nomination Committee of the Board.

Following his legal training and practice, Mr Borda pursued a career in corporate and investment banking in Australia, Asia and the Middle East, acquiring extensive experience across the global financial and capital markets.

Since August 2011, Mr Borda has been Chairman of Leighton Contractors Pty Ltd, having initially been appointed as a non-executive director on 1 July 2007. He has been a Board member of Fullerton Funds Management, owned by Temasek, Singapore, since February 2007. He was appointed as a director of Talent2 International Ltd on 1 August 2008 and to the Asian Advisory Board of Aviva Pte Ltd in Singapore on 1 February 2009.

Mr Borda was previously a board member of SFE Corporation for over five years until its acquisition by the Australian Stock Exchange Ltd in July 2006 and was a former non-executive director of Ithmaar Bank (Bahrain and Kuwait). Mr Borda retired from Deutsche Bank on 1 May 2007 after 17 years of service. He held the positions of Regional CEO Asia Pacific, Regional CEO Middle East and North Africa, and CEO Australia and New Zealand. He was a director of Deutsche Bank Malaysia from 2002 until retirement on 1 May 2007.

An external Board review was conducted in 2011, including an individual review of each Director. On the basis of that review and further consideration in February 2012, the Nomination Committee recommended and the Board endorsed Mr Borda as a candidate for re-election.

Mr Borda says:

'Santos is a major Australian company within the top 20 ASX Index. An important distinguishing feature of the Company is the strength and breadth of its international partnerships and joint ventures. It has established long-term relationships with some of the largest international energy producers and consumers.'

The Company's brand and reputation in the industry here and overseas is strong.

The Board and management are focused on execution of our major projects in a manner that brings benefits not only to shareholders but also to the communities in which we operate.

In my role as Chairman of the Finance Committee, I have worked closely with Andrew Seaton, our Group CFO, to provide the Company diversity of funding to protect us in highly volatile and uncertain markets.

It has been a privilege to serve on your Board and I seek your continuing support to continue our development as a great Australian company.'

RECOMMENDATION

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



MR ROY ALEXANDER FRANKLIN OBE
BSc (Hons), age 58

Mr Franklin has been an independent non-executive Director since 28 September 2006. He is a member of the Environment, Health, Safety and Sustainability Committee, and the People and Remuneration Committee of the Board.

A geologist by training, Mr Franklin has almost 40 years of experience in the international oil and gas business. He also brings to the Board his knowledge and awareness of best practice on corporate governance, safety and remuneration issues in other jurisdictions through his other non-executive directorships.

He has been a non-executive director of Keller Group plc since July 2007 and was appointed Chairman in August 2009. Mr Franklin is also a non-executive director of StatoilHydro ASA (since October 2007), Boart Longyear Limited (since October 2010) and privately held Cuadrilla Resources Holdings Limited (since January 2012).

Mr Franklin was Chief Executive Officer of Paladin Resources plc from 1997 to 2005 and

prior to that Group Managing Director of Clyde Petroleum plc. From 2002 to 2005 he was Chairman of BRINDEX, the trade association for UK independent oil and gas companies and a member of PILOT, the joint industry/UK Government Taskforce set up to maximise hydrocarbon recovery from the UK North Sea. In 2004, he was awarded the OBE for services to the UK oil and gas industry.

A Board review was conducted in 2011, including an individual review of each Director. On the basis of that review and further consideration in February 2012, the Nomination Committee recommended and the Board endorsed Mr Franklin as a candidate for re-election.

Mr Franklin says:

'Santos has a world-class resource base, and major projects underway to realise the potential of much of that resource base for the benefit of all shareholders.'

It is critical for the Company's future that these projects are successfully delivered in a safe and responsible manner. It is also important that we think beyond these immediate projects to define the Company's longer-term strategic goals. This not only requires focused and committed management and staff, but also a strong Board with a broad mix of skills and experience to monitor and, if necessary, constructively challenge management.'

I believe that Santos has such a Board, and that it is working well.

I bring to the Board almost 40 years of technical and commercial experience in the oil and gas business, together with an international perspective on the challenges currently facing the industry. I have enjoyed my past five years as a Santos Director and I believe that I have made a positive contribution to Board debate on transformational decisions, in particular, drawing on my extensive international experience.

I ask for your support for my re-election as a Director of your Company 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 Mr Franklin abstaining) recommends that shareholders vote in favour of the election of Mr Franklin.

3. REMUNERATION REPORT

Shareholders are asked to adopt the Company's Remuneration Report. The Remuneration Report is set out on pages 59 to 74 of the 2011 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 2011;
- 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 11.

RECOMMENDATION

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

4. 2012–2015 FOUR-YEAR STRATEGY GRANT OF SHARE ACQUISITION RIGHTS TO MR DAVID KNOX

The Company is seeking the approval of shareholders for a proposed grant of Share Acquisition Rights (SARs) to Mr Knox subject to the achievement of the long-term strategic goals set out below. The SARs will be granted under the Santos Employee Equity Incentive Plan (SEEIP). This is a tailored strategic grant and it is not in substitution of Mr Knox's regular annual LTI award.

The decision to award the 2012–2015 Four-Year Strategy Grant (2012–2015 Grant) was made following an independent review of Mr Knox's remuneration package by PricewaterhouseCoopers, which indicated that Mr Knox's long-term incentives were below the median of comparable companies. Rather than simply increasing his long-term incentive remuneration, the Board has taken the opportunity to align the CEO's long-term interests with specific goals that are integral to the Company's strategy over the next four years, including the transformational GLNG project. The Board believes that it is critical to introduce a focused alignment of the CEO's incentives with the objective of completing GLNG safely, on time and on budget.

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 SARs up to a fair value of \$2 million. The number of SARs to be granted is not known at this stage but will be determined by dividing the amount decided by the Board (which cannot exceed the maximum of \$2 million) by the 'fair value' of the rights at the time of grant. Fair value, which will be determined by the Company based on a probability-weighted model, is the Company's share price at the time of grant after discounting to reflect the probability of the rights vesting, and will be verified by an independent consultant. The same method will be used to determine the value of the rights for expensing in the Company's accounts. For example, assuming a share price of \$14.50 at the date of grant and a fair value of 70% of the share price (i.e. \$10.15), Mr Knox would

be granted 197,044 SARs (assuming he is granted SARs with a fair value equivalent to the maximum value of \$2 million).

SARs will be granted at no cost to Mr Knox, and no amount is payable on vesting of the SARs if the performance conditions are met. Each SAR entitles Mr Knox to one fully paid ordinary share in the Company which will rank equally with shares in the same class or cash to the same value.

If approval is obtained, it is the intention of the Board that the SARs will be granted to Mr Knox in the month following the Annual General Meeting (but, in any event, they will not be granted more than 12 months after the date of this Annual General Meeting).

Performance Conditions

The SARs will be divided into five equal tranches and each tranche will be subject to a separate strategic performance target. Full vesting of a tranche will only occur if the Board is satisfied that performance meets or exceeds the target for that tranche as set out below. If the target is not fully achieved, the Board will determine the appropriate pro-rata level of vesting having regard to performance.

The Board intends to only reward performance that is consistent with shareholder expectations and reserves the right to lapse any or all of a tranche if performance does not meet or exceed the relevant target. In those circumstances, the Board will lapse a tranche in full if it considers that vesting would be inappropriate in light of the intent and purpose of the relevant target.

The five performance targets are as follows:

GLNG Start-up

First cargo from GLNG is scheduled to be exported from 2015.

If first cargo is loaded on or before 30 June 2015, 100% of the first tranche of SARs will vest.

GLNG Cost

The capital budget for GLNG is US\$16 billion* to 31 December 2015 when the second train is expected to be ready for start-up. If the project cost is within budget at 31 December 2015, 100% of the second tranche of SARs will vest.

*Based on project exchange rates as at the Final Investment Decision in January 2011

The Board reserves the right to determine that this GLNG Cost performance condition has not been met or has only been partially satisfied, and reduce the number of SARs awarded accordingly, if progress towards start-up of the second train for the GLNG project is not sufficiently advanced in light of the intent and purpose of the GLNG Cost performance condition.

Production Growth

If Santos' annual production has grown to 77 mmbobbl or more by 31 December 2015, 100% of the third tranche of SARs will vest.

The Board may, where it is appropriate to do so, revise the target above to take account of mergers, acquisitions or divestments. For example, if a 10 mmbobbl business were to be acquired, the Board may adjust the production target to 87 mmbobbl for a 100% payout, or vice versa if a 10 mmbobbl business were to be divested.

Reserves Growth

If Santos' 2P reserves/production cover is 18 years or more at 31 December 2015, 100% of the fourth tranche of SARs will vest.

The Board may, where it is appropriate to do so, revise the target above to take account of mergers, acquisitions or divestments.

Operations Integrity

If Santos achieves an average annual score of 90% or more over the 2012–2015 period on various safety metrics (e.g. Total Recordable Case Frequency Rate (TRCFR), safety critical maintenance, loss of containment of hydrocarbons and environmental incidents), 100% of the fifth tranche of SARs will vest. Additionally, if a High Impact incident or Critical Environmental incident occurs at any time during the 2012–2015 period, 0% of the fifth tranche of SARs will vest.

In 2012, the Company's safety targets included a TRCFR of <3.3, zero Tier 1 loss of containment of hydrocarbons as defined by API 754, safety critical maintenance compliance of 100% and zero environmental incidents of moderate consequence or higher. In order to achieve the 100% payout, Santos must achieve an average annual score of 90% against these and similarly challenging targets set over the 2012–2015 period.

A High Impact incident is defined as the loss of containment of process hydrocarbons from

plant integrity or system failure resulting in multiple injuries, hospitalisation or significant plant damage.

A Critical Environment incident is defined as an incident that results in the destruction of sensitive environmental features and severe impact on the ecosystem such as widespread and persistent damage to a significant area of land and/or surface or groundwater resources.

OTHER INFORMATION

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

- Mr Knox is the only Director entitled to participate in SEEIP;
- Mr Knox holds SARs under the SESPP, details of which are provided in the Remuneration Report for the financial year ended 31 December 2011. The last tranche of SARs granted to Mr Knox to the face value of \$2.75 million, for the 1 January 2012–31 December 2014 performance period, was approved by shareholders at the 2011 AGM. In accordance with that approval, 193,935 SARs were granted on 1 March 2012 at \$14.18 being the VWAP over the five trading days prior to the date of grant, at no cost to Mr Knox;
- Some or all of the SARs granted to Mr Knox may vest or lapse on cessation of employment or a change of control, subject to the Board's discretion in relation to the CEO's LTI as described in the Remuneration Report. However, due to the nature of the performance conditions, as an alternative to vesting, the Board will also have a discretion to leave a pro-rata portion of each or any of the tranches of SARs on foot so that they will vest or lapse in due course depending on whether the relevant performance conditions are achieved.
- Under the Company's Securities Trading Policy, executives cannot hedge SARs.

Voting restrictions apply in relation to this resolution and are described in the Notes Relating to Voting on page 11.

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. APPROVAL OF TERMINATION BENEFITS FOR MR DAVID KNOX

Shareholder approval is sought for the purposes of sections 200B and 200E of the Corporations Act for the provision of benefits to Mr Knox on cessation of his employment with the Company.

Why shareholder approval is being sought

The Corporations Act was amended in 2009 so that the maximum value of any termination benefit that a company can give to a person who holds a managerial or executive office (without first obtaining shareholder approval) was reduced to 12 months' base salary, averaged over the three years prior to cessation. This new termination benefit cap applies to existing employment contracts that are renewed, extended or varied after 24 November 2009.

Mr Knox's termination arrangements are set out in his employment contract dated 28 July 2008. The exposure draft of the legislation that introduced the new termination benefits cap was not released by the Federal Government until May 2009 and Mr Knox's arrangements were negotiated well before then in 2008. The Board considers the arrangements to be fair and reasonable and believes that it is appropriate to seek shareholder approval so that the Company can honour its contractual commitments without scaling back Mr Knox's entitlements. Mr Knox's contractual arrangements have been disclosed in the Remuneration Report of the Company for a number of years.

If Resolution 4 is approved and the 2012–2015 Four-Year Strategy Grant is made to Mr Knox, the additional grant could arguably be construed as a variation of Mr Knox's employment agreement. Accordingly, approval of Mr Knox's contractual termination arrangements is being sought as a precautionary measure to preserve his existing entitlements. Shareholders are not being asked to approve an alteration of the existing termination treatment that applies under Mr Knox's contract.

notice of annual general meeting continued

Details of Mr Knox's contractual termination benefits

Shareholder approval is being sought for the purposes of sections 200B and 200E of the Corporations Act for any 'termination benefits' that may be provided to Mr Knox in accordance with his contract of employment, in addition to any benefits that the Company is required to give to Mr Knox under statute law such as accrued annual and long service

leave entitlements. If approval is obtained, it is the Board's intention that no termination benefits will be provided to Mr Knox other than those described in this notice of meeting, but the Company and Mr Knox reserve the right to agree not to rely on this approval and to instead rely solely on the 12-month average base salary cap in the Corporations Act.

The amount and value of the termination benefits for which approval is being sought is the maximum benefit that could be provided in accordance with Mr Knox's employment contract. The termination treatment provided for under Mr Knox's contract is described below.

REASON FOR TERMINATION

	For Cause	Resignation	Unilateral and fundamental change of CEO's role by Company	Without Cause
Accrued entitlements	Accrued entitlements (salary, leave, super, any other employee entitlements payable under law)	Accrued entitlements (salary, leave, super, any other employee entitlements payable under law)	Accrued entitlements (salary, leave, super, any other employee entitlements payable under law)	Accrued entitlements (salary, leave, super, any other employee entitlements payable under law)
Payments	Nil	Up to 6 months' pay in lieu of notice	12 month separation payment (including any pay in lieu of notice)	12 month separation payment (including any pay in lieu of notice)
STI	Nil	Pro-rata STI based on performance	Full current year STI and a pro-rata portion of the following year's STI, subject to current year performance	Pro-rata STI based on performance
LTI Annual grant	Nil	Board may vest a pro-rata portion of unvested LTI based on performance	Board must vest a pro-rata portion of unvested LTI based on performance	Board may vest a pro-rata portion of unvested LTI based on performance
LTI Strategy grant	Nil	As for annual grant above, except that the Board can instead leave a pro-rata portion on foot	As for annual grant above, except that the Board can instead leave a pro-rata portion on foot	As for annual grant above, except that the Board can instead leave a pro-rata portion on foot

The terms of each of the CEO's current LTI grants are fully described in the Company's 2009, 2010 and 2011 Remuneration Reports. For the LTI grant made in 2008 in respect of the performance period 2010-2012, Mr Knox will receive an ex gratia cash payment of \$1.31 per SAR if and when they vest and per Option if and when they vest and are exercised, to take account of the impact of the successful 2009 entitlement offer on the value of executive LTI grants. Grants made after 2009 do not carry an entitlement to an ex gratia payment on vesting.

It can reasonably be anticipated that aspects of Mr Knox's contract and the Company's equity plans will be amended from time to time in line with market practice and changing governance standards. Where relevant, these changes will be reported in the Company's remuneration report.

If STI deferral arrangements are introduced for the CEO in the future, on cessation of employment the Board will have discretion to immediately release and/or vest in full any earned STI that has been deferred into equity, or leave it on foot to be released and/or vest in full at the end of the deferral period.

The value of the termination benefits

The amount and value of the termination benefits that may be provided to Mr Knox cannot be ascertained in advance. This is due to the fact that a variety of matters, events and circumstances, which are set out in the table below, will or are likely to affect the calculation of the amount and value.

Benefit	Matter, event or circumstance that will or is likely to affect the calculation of the amount and value of the termination benefit
Cash-based benefits	<ul style="list-style-type: none"> The circumstance of Mr Knox's cessation of employment (for example, whether the contract is terminated immediately or on six months' notice); Mr Knox's base salary at the time of cessation of employment; The assessment of Mr Knox's performance up to the date of termination.
Share-based benefits	<ul style="list-style-type: none"> The circumstances of Mr Knox's cessation of employment (for example, whether cessation of employment follows a fundamental change); The number of SARs held by Mr Knox prior to cessation of employment; The portion of the performance period served by Mr Knox up to the date of cessation of employment; The terms of the grant, including any applicable performance measures; The number of SARs that the Board determines to pay or provide the benefit of; The market price of the Company's shares on the ASX at the relevant time; and The assessment of Mr Knox's performance up to the date of termination.

Voting restrictions apply in relation to this resolution and are described in the Notes Relating to Voting on page 11.

RECOMMENDATION

The non-executive Directors consider the benefits provided for under Mr Knox's employment agreement to be reasonable and appropriate in all the circumstances. The non-executive Directors recommend that shareholders vote in favour of Resolution 5.

6. AMENDMENTS TO THE CONSTITUTION OF SANTOS LIMITED

The Constitution was last updated in 2006 and the Board proposes that it be updated to ensure consistency with current regulations and corporate practice.

A copy of the Constitution showing all of the proposed amendments is available at www.santos.com. The principal changes, and the reasons why they are being proposed, are summarised below:

DIRECT VOTING

It is proposed to introduce a new Rule 30(j) (and an ancillary amendment in Rule 1(d)) to clarify the Board's ability to allow 'direct voting' by shareholders at general meetings of the Company. This will provide the Company with the flexibility to enable shareholders to lodge their votes prior to the meeting without needing to attend the meeting or appoint a proxy.

At this stage, no decision has been made to move to facilitate direct voting if this amendment is adopted, as the current proxy voting process appears to be adequate for shareholders.

Proxy forms and forms appointing an attorney

Where a shareholder has lodged an incomplete or unclear proxy form or form appointing an attorney prior to the cut-off time for receiving the form, the proposed amendments to Rule 32 will enable the Company to:

- seek clarification from the shareholder about the instructions they have included on the form and, where authorised by the shareholder, to amend the form to reflect any clarification provided by the shareholder; and
- return a defectively executed form to the shareholder so that it can be properly executed before the meeting.

Dividends, reserves and provisions, and ancillary powers

Section 254T of the Corporations Act was amended in 2010 to remove the restriction that dividends may only be paid out of the profits of the Company. It is proposed to amend Rule 53(h) and Rule 56 to provide further clarity around the payment of dividends and to enable the setting aside of reserves and provisions from any source permitted by law.

Changes have also been proposed to Rules 53(j), 53(l) and 55 to provide the Board with greater flexibility in relation to the payment of dividends and to give effect to authorised reductions of capital or any capitalisation of profits under Rule 54.

Unclaimed dividends

Amendments have been proposed to Rule 53 to expressly state when a dividend will be considered to be unclaimed. An unclaimed dividend can be used for the Company's benefit until it is either claimed by the shareholder (in which case it will be paid to the shareholder) or reinvested for the shareholder's benefit under new Rule 53(p).

New Rules 53(p) and (q) allow the Directors to decide that dividends that have been unclaimed for at least 11 months will be reinvested in shares of the Company, after which the shareholder will be deemed to have elected to fully participate in the Company's dividend reinvestment plan (if one is being offered at the time) until the shareholder changes the election.

Charging fees for paper-based transfers

ASX Listing Rule 8.14 was amended in 2011. It is proposed to amend Rule 19(e) to reflect the change to the ASX Listing Rules to clarify the circumstances in which a fee can be charged in relation to registration of paper-based transfers.

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Notice provisions

It is proposed to amend the notice provisions to enable electronic notifications (where appropriate) to include a URL link and to clarify the provisions relating to receipt of electronic or faxed notices. This will not change the way in which the Company issues its Notices of Meeting.

Terminology and other updates

It is proposed to correct outdated terminology (e.g. 'ASTC Settlement Rules' and the 'Australian Stock Exchange') and typographical errors.

RECOMMENDATION

The Board recommends that shareholders vote in favour of Resolution 6.

7. RENEWAL OF PROPORTIONAL TAKEOVER PROVISION

Rule 70 of the Company's Constitution currently contains provisions dealing with proportional takeover bids for Santos Limited shares in accordance with the Corporations Act.

Under the Corporations Act, the provisions must be renewed every three years or they will cease to have effect. The current provisions will automatically cease to have effect after 5 May 2012 and accordingly it is proposed to renew them in the Constitution. If renewed, Rule 70 will operate on the same basis as the existing Rule 70 for a period of three years from the date of the Annual General Meeting.

The Corporations Act requires that the following information be provided to shareholders when they are considering the renewal of proportional takeover provisions in a constitution.

What is a proportional takeover bid, and why do we need the proportional takeover approval provisions?

A proportional takeover bid includes the bidder offering to buy a proportion only of each shareholder's shares in the Company. This means that control of the Company may pass without members having the chance to sell all their shares to the bidder. It also means the bidder may take control of the Company without paying an adequate amount for gaining control.

In order to deal with this possibility, a company may provide in its constitution that:

- in the event of a proportional takeover bid being made for shares in the company, members are required to vote by ordinary resolution and collectively decide whether to accept or reject the offer; and
- the majority decision of the company's members will be binding on all individual members.

The Directors consider that members should be able to vote on whether a proportional takeover bid ought to proceed given such a bid might otherwise allow control of the Company to change without members being given the opportunity to dispose of all of their shares for a satisfactory control premium. The Directors also believe that the right to vote on a proportional takeover bid may avoid members feeling pressure to accept the bid even if they do not want it to succeed.

What is the effect of the proportional takeover approval provisions?

If a proportional takeover bid is made, the Directors must ensure that members vote on a resolution to approve the bid more than 14 days before the bid period closes.

The vote is decided on a simple majority. Each person who, as at the end of the day on which the first offer under the bid was made, held bid class securities is entitled to vote. However, the bidder and its associates are not allowed to vote.

If the resolution is not passed, transfers which would have resulted from the acceptance of a bid will not be registered and the bid will be taken to have been withdrawn. If the bid is approved (or taken to have been approved), the transfers must be registered if they comply with the Corporations Act and the Company's Constitution.

The bid will be taken to have been approved if the resolution is not voted on within the deadline specified under the Corporations Act. However, the Directors will breach the Corporations Act if they fail to ensure the approving resolution is voted on.

The proportional takeover approval provisions do not apply to full takeover bids, and only apply for three years after the date they are renewed. The provisions may be renewed or reinserted upon the expiry of the initial three-year period, but only by a special resolution passed by members.

Potential advantages and disadvantages

While the renewal of Rule 70 will allow the Directors to ascertain members' views on a proportional takeover bid, it does not otherwise offer any advantage or disadvantage to the Directors who remain free to make their own recommendation as to whether the bid should be accepted.

The provisions in Rule 70 ensure that all members have an opportunity to study a proportional bid proposal and vote on the bid at a general meeting. This is likely to ensure a potential bidder structures its offer in a way which is attractive to a majority of members, including appropriate pricing. Similarly, knowing the view of the majority of members may help individual members assess the likely outcome of the proportional takeover when determining whether to accept or reject the offer.

However, it is also possible that the inclusion of such provisions in the Constitution may discourage proportional takeover bids and may reduce any speculative element in the market price of the Company's shares arising from the possibility of a takeover offer being made. The inclusion of the provisions may also be considered to constitute an unwarranted additional restriction of the ability of members to freely deal with their shares.

The Board considers that the potential advantages for members of the proportional takeover approval provisions outweigh the potential disadvantages.

As at the date on which this statement was prepared, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

RECOMMENDATION

The Board recommends that shareholders vote in favour of the renewal of the proportional takeover provision in Rule 70 of the Constitution of Santos Limited.

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 1 May 2012.

2. VOTING EXCLUSIONS

Under the Corporations Act, the key management personnel (KMP) of the Company (including each of the Directors and executives named in the 2011 Remuneration Report) and their closely related parties (such as close family members and any controlled companies) cannot vote:

- their own shares on Resolution 3; or
- as proxy on Resolutions 3, 4 or 5 for a shareholder unless the shareholder is eligible to vote and directs them how to vote.

An identical but separate restriction applies to Mr Knox and his associates in relation to Resolution 5 under section 200E(2A) of the Corporations Act.

In addition to the prohibitions under the Corporations Act, ASX Listing Rule 10.15 requires a notice of meeting that contains a resolution to approve an issue of securities to a Director to include a voting exclusion statement in relation to the Director and his or her associates. The voting exclusion must also extend to any other Directors who are eligible to participate in any employee incentive scheme of the Company, and their associates. The Non-Executive Director Share Plan is now closed and, as a result, no Directors other than Mr Knox are eligible to participate in any employee incentive schemes of the Company.

Resolution 3

The Company will disregard any votes cast on Resolution 3 (in any capacity) by or on behalf of a KMP named in the Company's Remuneration Report or that KMP's closely related party, unless the vote is cast by a person as proxy for a person entitled to vote in accordance with a direction in the proxy form.

Resolutions 4 and 5

The Company will disregard any votes cast on Resolutions 4 and 5 (in any capacity) by Mr Knox or any of his associates, as well as any votes cast as a proxy on Resolutions 4 and 5 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 in accordance with a direction in the proxy form.

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.

In relation to each of the remuneration-related resolutions (being Resolutions 3, 4 and 5), if you appoint the Chairman of the meeting as your proxy, or the Chairman is appointed as your proxy by default, then unless you mark one of the voting instruction boxes for the relevant resolution, you will be deemed to have directed the Chairman to vote in favour of that resolution.

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 and your proxy is not the Chairman (see section above), you are directing your proxy to 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 on the following page.

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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 1 May 2012. You may lodge your proxy form:

- electronically via www.investorvote.com.au;
- by hand to Computershare Investor Services Pty Ltd, 452 Johnston 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.

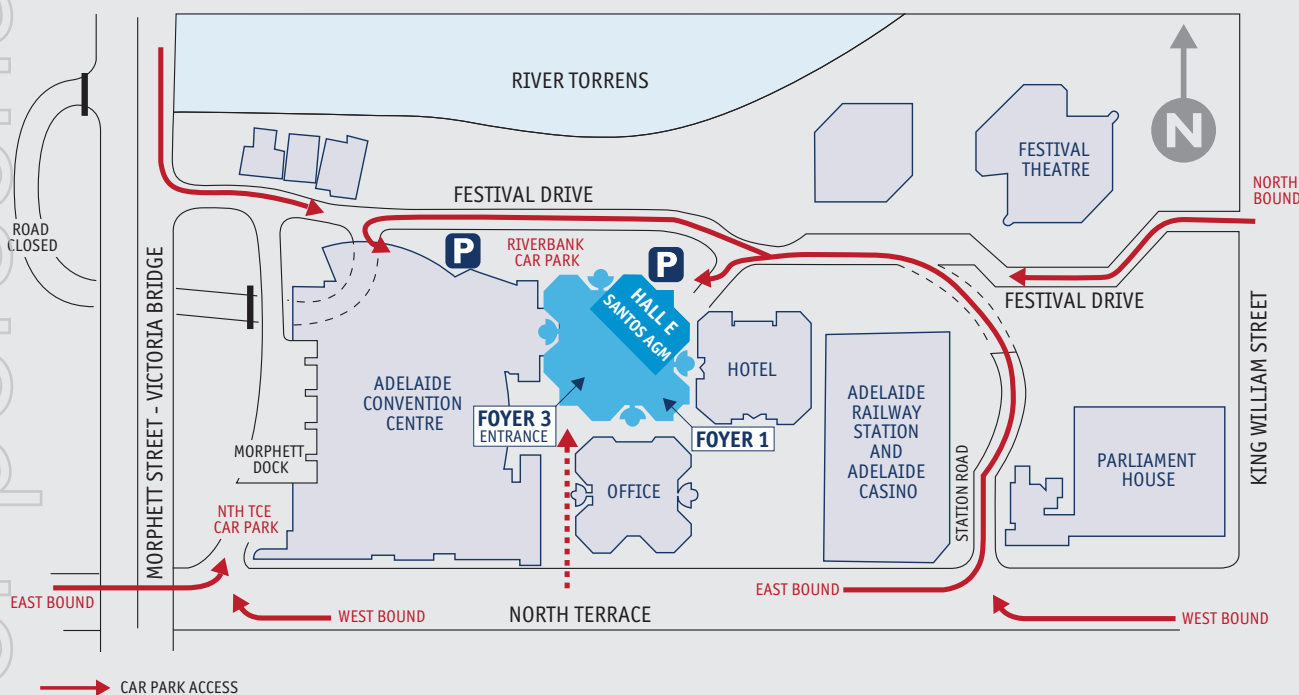
6. APPOINTING A CORPORATE REPRESENTATIVE

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.

AGM VENUE LOCATION



The Santos AGM will be held in Hall E of the Adelaide Convention Centre, North Terrace, Adelaide. Enter through Foyer 3. Registration in Foyer 1.

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 above shows access routes to car parking facilities.

Public transport:

- Bus Stops D (northern side of North Terrace in front of Adelaide Railway Station) and W1 and W2 (southern side of North Terrace)

- Free City Loop (99C) stops at Bus Stops D1 (northern side of North Terrace – Adelaide Railway Station), W1 (southern side of North Terrace opposite 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