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10 November 2015

Dear Shareholder,

SANTOS RETAIL ENTITLEMENT OFFER NOTIFICATION TO ELIGIBLE RETAIL SHAREHOLDERS

On Monday, 9 November 2015, Santos Limited ("Santos") announced that it is conducting an offer to raise approximately \$2.5 billion via an underwritten 1 for 1.7 pro-rata accelerated renounceable entitlement offer of new Santos ordinary shares ("New Shares"), with tradeable retail entitlements for eligible retail shareholders ("Entitlement Offer"). Santos has also entered into a binding Share Subscription Agreement with an affiliate of Hony Capital ("Hony"), a major global financial investor, to subscribe for \$500 million worth of New Shares at \$6.80 per share ("Placement"). This represents a 15% premium to the closing price of Santos ordinary shares on Friday, 6 November 2015. Hony has provided binding commitments to take up its full pro-rata entitlement under the Entitlement Offer and not to increase its total holding in Santos above 9.9% for a period of 3 months, nor divest to any unrelated party any of the New Shares acquired through the Placement and Entitlement Offer for a period of 12 months without Santos's consent, subject to limited conditions.

Santos is raising capital to repay debt, as set out in the Investor Presentation and ASX announcement published on ASX on Monday, 9 November 2015.

This letter is to inform you about the Entitlement Offer and to explain that if you are an eligible shareholder, you will be able to purchase 1 New Share for every 1.7 existing Santos ordinary shares held on the Record Date of 7.00 pm (Sydney time) on Thursday, 12 November 2015 ("Entitlement"). New Shares under the Entitlement Offer will be fully paid and rank equally in all respects with existing Santos ordinary shares from issue and will be entitled to dividends on the same basis as existing Santos ordinary shares. Fractional Entitlements will be rounded up to the nearest whole number of shares.

What is the Entitlement Offer?

Under the Entitlement Offer, Santos is offering entitlements pro rata to all eligible shareholders, which can be exercised to buy New Shares at an offer price of \$3.85 per New Share ("Offer Price"). This represents a 34.9% discount to the closing price of Santos ordinary shares on ASX on Friday, 6 November 2015 and a 25.2% discount to the theoretical ex-rights price¹ of \$5.15.

¹ Theoretical Ex-Rights Price (**TERP**) is the theoretical price at which Santos ordinary shares should trade immediately after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Santos ordinary shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP. TERP is calculated by reference to Santos' closing price on Friday, 6 November 2015 (\$5.91) and is based on the expanded issued capital base of Santos to reflect the impact of the Placement of Santos ordinary shares to Hony.

Following completion of the Entitlement Offer and Placement, Santos will have issued approximately 728 million New Shares resulting in total Santos ordinary shares on issue of approximately 1,766 million.

The Entitlement Offer is being made without a prospectus or disclosure document in accordance with section 708AA of the *Corporations Act 2001* (Cth) as modified by Australian Securities and Investments Commission Class Order [CO 08/35].

The institutional component of the Entitlement Offer ("Institutional Entitlement Offer") will close today. An offer booklet in relation to the retail component of the Entitlement Offer ("Retail Entitlement Offer") will be made available on the Australian Securities Exchange ("ASX") website www.asx.com.au and the Santos Entitlement Offer website at <https://www.santos.com/entitlement-offer/> from Friday, 13 November 2015 and despatched to eligible retail shareholders on or around Wednesday, 18 November 2015.

The Entitlement Offer is fully underwritten by Citigroup Global Markets Australia Pty Limited ("Citi"), Deutsche Bank AG, Sydney Branch ("Deutsche Bank") and UBS AG, Australia Branch ("UBS").

Citi, Deutsche Bank and UBS are acting as bookrunners, joint lead managers and underwriters of the Entitlement Offer (each a "Joint Lead Manager").

Eligible Retail Shareholders

Eligible Retail Shareholders are persons who:

- are registered as a holder of existing Santos ordinary shares as at the Record Date, being 7.00pm (Sydney time) on Thursday, 12 November 2015;
- have a registered address on the Santos share register in Australia or New Zealand;
- are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent such person holds Santos ordinary shares for the account or benefit of such person in the United States);
- were not invited to participate (other than as nominee, in respect of other underlying holdings) under the Institutional Entitlement Offer, and were not treated as an ineligible institutional shareholder under the Institutional Entitlement Offer; and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Shareholders who are not Eligible Retail Shareholders are ineligible retail shareholders. In particular, shareholders that are in the United States or are acting for the account or benefit of a person in the United States (to the extent such person holds Santos ordinary shares for the account or benefit of such person in the United States) are not eligible to purchase or trade Entitlements on ASX or participate in the Retail Entitlement Offer. If holders of Entitlements after the end of the trading period do not meet the eligibility criteria, they will not be able to take up or exercise their Entitlements. In the event that holders are not able to exercise their Entitlements, those Entitlements will be sold into the retail shortfall bookbuild and they may receive no value for them.

According to our records, you satisfy the eligibility criteria for an Eligible Retail Shareholder.

Retail Entitlement Offer Booklet

This letter is not an offer document but rather an advance notice of some key terms and conditions of the Retail Entitlement Offer. Full details of the Retail Entitlement Offer are set out in the offer booklet ("Retail Entitlement Offer Booklet"), copies of which will be available on the ASX website www.asx.com.au and the Santos Entitlement Offer website at <https://www.santos.com/entitlement-offer/> from Friday, 13 November 2015.

Eligible Retail Shareholders will be mailed a Retail Entitlement Offer Booklet, together with a personalised Entitlement and Acceptance Form which contains details of your Entitlement, on or around Wednesday, 18 November 2015. You should read the Retail Entitlement Offer Booklet carefully and in its entirety before deciding whether to participate in the Retail Entitlement Offer.

Key Dates for Eligible Retail Shareholders

Event	Date
Santos announces Entitlement Offer to ASX	Monday, 9 November 2015
Record Date	7.00 pm (Sydney time), Thursday, 12 November 2015
Entitlement trading on ASX commences on a deferred settlement basis	Thursday, 12 November 2015
Retail Entitlement Offer opens	Tuesday, 17 November 2015
Retail Entitlement Offer Booklet dispatched Ineligible retail shareholder letter dispatched	Wednesday, 18 November 2015
Entitlement trading on ASX commences on a normal settlement basis	Thursday, 19, November 2015
Entitlement trading on ASX ends	Monday, 23 November 2015
Retail Entitlement Offer closes	5.00 pm (Sydney time), Monday, 30 November 2015
Retail Bookbuild	Thursday, 3 December 2015
Retail Settlement	Wednesday, 9 December 2015
Issue of New Shares under the Retail Entitlement Offer	Thursday, 10 December 2015
Quotation of New Shares under the Retail Entitlement Offer	Friday 11 December 2015
Despatch of holding statements and any retail premium to retail holders	Monday, 14 December 2015

The timetable above is indicative only and may be subject to change. Santos reserves the right to amend any or all of these dates and times without notice, subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Santos reserves the right to extend the closing date of the Retail Entitlement Offer, to accept late applications under the Retail Entitlement Offer (either generally or in particular cases) and to withdraw the Retail Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares. The commencement of quotation of Entitlements and New Shares is subject to confirmation from ASX.

If you have any questions about the Retail Entitlement Offer, you should seek advice from your financial adviser or other professional adviser. You can also call the Santos Offer Information Line on 1300 017 716 within Australia or +61 3 9938 4343 outside Australia from 8.30am to 5.30pm (Sydney time) Monday to Friday.

We look forward to continuing our strong relationship with all of our Shareholders.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'DL' or similar initials, followed by a vertical line.

David Lim
Company Secretary

NOT FOR DISTRIBUTION OR RELEASE INTO THE UNITED STATES

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Neither the entitlements nor the New Shares have been, nor will be, registered under the U.S. Securities Act of 1933, as amended (**Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Accordingly, entitlements may not be issued to, purchased or traded by, or taken up or exercised by, and the New Shares may not be offered or sold to, persons in the United States or persons who are acting for the account or benefit of persons in the United States, unless they have been registered under the Securities Act or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. The entitlements and the New Shares to be offered and sold in the Retail Entitlement Offer may only be offered and sold to persons that are not in the United States and are not acting for the account or benefit of persons in the United States, in each case in "offshore transactions" (as defined in Rule 902(h) under the Securities Act) in reliance on Regulation S under the Securities Act.