

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of members of Santos Limited will be held at the Banquet Room, Adelaide Festival Centre, King William Road, Adelaide, South Australia on Thursday 5 May 2011 at 10:00 am.

## ORDINARY BUSINESS

1. To receive and consider the Financial Report for the year ended 31 December 2010 and the reports of the Directors and the Auditor thereon.
2. **To elect or re-elect Directors**
  - (a) Mr Peter Roland Coates retires by rotation in accordance with Rule 34(c) of the Company's Constitution and, being eligible, offers himself for re-election.
  - (b) Mr Richard Michael Harding retires by rotation in accordance with Rule 34(c) of the Company's Constitution and, being eligible, offers himself for re-election.
  - (c) Mr Stephen David Mayne offers himself for election under Rule 34(h)(3) of the Company's Constitution.

**Note:** The Chairman of the meeting intends to vote undirected proxies:

- **IN FAVOUR** of the re-election of Mr Coates and Mr Harding; and
- **AGAINST** the election of Mr Mayne.

## 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 2010 be adopted".

**Note:** The vote on this resolution is advisory only.

## SPECIAL BUSINESS

### 4. 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 terms of the Santos Employee Share Purchase Plan on the terms set out in the Explanatory Notes to this Notice of 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 3 May 2011.

With respect to resolution 4, the Company will disregard any votes cast on resolution 4 by a Director of the Company or an associate of a Director, except where the vote:

- is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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 2011

## EXPLANATORY NOTES

### 1. Financial and statutory reports

As required by section 317 of the Corporations Act 2001, the Financial Report and the reports of the Directors and the Auditor for the financial year ended 31 December 2010 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. Election or 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 Peter Roland Coates and Mr Richard Michael Harding 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 below:



MR PETER ROLAND COATES AO  
BSc (Mining Engineering),  
age 65.

Mr Coates has been a Director of the Company since March 2008 and Chairman since December 2009. He has been a director of Minara Resources Limited since April 2008 and Chairman since May 2008. He is also a non-executive director of Amalgamated Holdings Limited, having been appointed in July 2009.

Mr Coates brings to his role in Santos more than 45 years of resource industry experience and, prior to his retirement as an executive in December 2008, he was the Chief Executive Officer of Xstrata Coal, Xstrata plc's global coal business, which grew under his leadership to become the world's leading exporter of thermal coal and a significant producer of coking coal, with operations across South Africa, Australia and the Americas.

Mr Coates has extensive international experience, having grown a global business in the highly competitive resource sector through successful mergers, acquisitions and organic growth. While doing so, he also played a key role in the development of industry-leading environmental health and safety standards, performance and reporting.

Mr Coates is a past Chairman of the Minerals Council of Australia, NSW Minerals Council and the Australian Coal Association. He was made an Officer of the Order of Australia in 2009 and was awarded the 2010 Australian Institute of Mining and Metallurgy medal.

A Board review was conducted in late 2010, including an individual review of each Director. On the basis of that review, the Nomination Committee recommended and the Board endorsed Mr Coates as a candidate for re-election.

Mr Coates says:

*I was elected to the Santos Board in May 2008 and I would like shareholders to know that I have certainly found the last 3 years both challenging and extremely rewarding, with many significant milestones being achieved.*

*During that period, your Board has been able to preside over a number of significant events in the history of the Company, including:*

- *change in the Company leadership with David Knox assuming the reigns in the early part of 2008;*
- *the GFC and falling oil prices and the need to react accordingly; and*
- *the significant funding requirements of the PNG and Gladstone LNG projects, which were achieved through various methods, including asset sales, equity raising and the sale of hybrid bonds into Europe.*

*My extensive resource industry experience along with my particular skills in the review, evaluation and approval of major projects has assisted your Board in the establishment of a framework of investment and growth which has the capacity to transform this Company from a domestic oil and gas producer to a major international supplier of LNG.*

*We are now in a pre-eminent position to take advantage of the enormous opportunities that exist with the soaring demand for energy in the developing world and with the desire by the established world order to look for cleaner energy options.*

*In my role as Chairman, I commissioned an external review of this Board's effectiveness. The following key qualities were noted by the assessor:*

- *the Board is well rounded, with a good mix of technical, financial, commercial and operating experience; and*
- *it is also a highly functional Board, where the Directors feel comfortable in expressing their views and arguing their case, all the while respecting and listening to alternative viewpoints.*

*This is a Board which, I believe, is working well for the benefit of all shareholders, and I ask for your support for my re-election as a Director of Santos.*

#### Recommendation

The Board (with Mr Coates abstaining) recommends that shareholders vote **IN FAVOUR** of the re-election of Mr Coates.



MR RICHARD  
MICHAEL HARDING  
MSc, age 61.

Mr Harding has been an independent Non-executive Director of the Company since 1 March 2004. He is Chairman of the Environment, Health, Safety and Sustainability Committee of the Board and a member of the Audit, Nomination and Remuneration Committees of the Board.

Mr Harding has extensive international oil and gas industry experience, particularly in terms of business and major project development. He also brings to the Board his experience as a non-executive director and Chairman of other ASX listed companies.

Since November 2010, Mr Harding has held the position of independent Chairman of Downer EDI Limited, having previously been a non-executive director of that company since July 2008. He was previously the independent non-executive Chairman of Clough Ltd, from May 2006 to October 2010. He retired as non-executive Deputy Chairman of Arc Energy Ltd in May 2007, having been a non-executive director since August 2003.

Mr Harding was Chairman of the Ministry of Defence Project Governance Board – Land Systems Division (Army) from 2003 to February 2009. A former President and General Manager of BP Developments Australia Limited, he had over 25 years of international experience with BP. Other former positions include Vice-Chairman and Council member of the Australian Petroleum Production and Exploration Association (APPEA).

A Board review was conducted in late 2010, including an individual review of each Director. On the basis of that review, the Nomination Committee recommended and the Board endorsed Mr Harding as a candidate for re-election.

Mr Harding says:

*I have been delighted to be part of the Santos Board to see the sanction of the GLNG Project. I have a long background in the LNG business and project management, which can be used to ensure the successful outcome for the project.*

*I look forward to being able to use my extensive experience in the oil industry, project development and project management to contribute to the Board as the Company moves into the next critical stage of implementation of the GLNG Project and its other major projects as part of the Company's transformational growth strategy.*

#### Recommendation

The Board (with Mr Harding abstaining) recommends that shareholders vote **IN FAVOUR** of the re-election of Mr Harding.



MR STEPHEN DAVID MAYNE  
Bcom (Melb), age 41.

Mr Mayne has nominated himself for election as a non-executive Director of the Company in accordance with Rule 34(h)(3) of the Company's Constitution.

Mr Mayne has provided the following biographical details and the 'single-issue platform' on which he is standing. The biographical details have not been independently verified by the Company. By including the statement on Mr Stephen Mayne's platform, the Company does not in any way endorse the statement nor its accuracy or reliability.

*Stephen Mayne is a professional shareholder advocate and an elected local government councillor in the City of Manningham. He publishes the corporate governance e-zine [www.maynereport.com](http://www.maynereport.com) and campaigns for maximum transparency and fair treatment of retail shareholders in listed companies.*

*Mr Mayne is standing for the board on the single issue platform that Santos offer its 110,000 retail shareholders a share purchase plan (SPP) after the selective \$500 million institutional placement in December 2010. Santos is one of the only ASX 100 companies over the past 18 months to have raised capital selectively from institutions without offering its retail shareholders any opportunity to increase their investment through a share purchase plan.*

*Whilst pro-rata capital raisings are the most equitable, the likes of Asciano, Axa, AMP, Westfield, Tabcorp, Qantas, Lend Lease, ANZ, NAB, Westpac, Macquarie Group, QBE, Newcrest and Transurban have all offered SPPs to retail investors after selective institutional placements since 2008.*

*By refusing to do an SPP, the Santos directors have consciously diluted their retail shareholders as a class to the tune of tens of millions of dollars given that the stock has traded above \$14 in early 2011. Such treatment, especially in the wake of repeated correspondence on this matter, makes it appropriate for retail investors to now appoint a new director to more vigorously represent and protect their interests.*

The Board believes that its Directors should be expected to have the necessary breadth and depth of knowledge and experience to understand all facets of the business, industry and environment in which the Company operates, together with a clear commitment to use their skills and experience for the ongoing growth of the Company and fulfilment of its business strategy. Mr Mayne seeks to be appointed to the Board to campaign on a single-issue platform, which the Board does not consider to be in the best interests of the Company. The Board does not believe that Mr Mayne's stated skills, experience and intentions will contribute to the growth of the Company or an increase in shareholder value.

#### Recommendation

The Board recommends that shareholders vote **AGAINST** the election of Mr Mayne.

### 3. Remuneration Report

Shareholders are asked to adopt the Company's Remuneration Report. The Remuneration Report is set out on pages 52 to 70 of the 2010 Annual Report and is also available from the Company's website ([www.santos.com](http://www.santos.com)).

The Remuneration Report:

- outlines the key developments that impacted on Santos' remuneration strategy during 2010;
- 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 2001.

#### Recommendation

The Board recommends that shareholders vote **IN FAVOUR** of adopting the Remuneration Report.

### 4. Grant of Share Acquisition Rights to Mr David Knox

The Company is seeking the approval of shareholders for the proposed grant of Share Acquisition Rights (SARs) to the Chief Executive Officer and Managing Director, Mr David Knox, under the terms of the Santos Employee Share Purchase Plan (SESPP) on the terms set out below.

#### SESPP terms and conditions

The SARs will be granted in accordance with the terms of the SESPP, which 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 face value of \$2.75 million. The number of SARs to be granted is not known at this stage but will be determined by dividing an amount decided by the Board (which cannot exceed the maximum of \$2.75m) by the volume weighted average price (VWAP) of Santos shares over the 5 trading days

prior to the date of grant. For example, if the relevant 5 day VWAP prior to the date of grant is \$14.50, Mr Knox would be granted 189,655 SARs as part of his long-term incentive remuneration. They will be granted at no cost to Mr Knox, and no amount is payable on vesting of the SARs if the performance condition is 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.

If approval is obtained, it is the intention of the Board that the SARs will be granted to Mr Knox in early 2012 (but, in any event, they will not be issued more than 12 months after the date of this Annual General Meeting).

SARs granted to Mr Knox under the SESPP do not carry any dividend or voting rights until they vest.

#### Performance condition

The Board has determined that the SARs to be granted to Mr Knox (if approval is received) will be subject to a Total Shareholder Return (TSR) hurdle which ranks the TSR performance of the Company with the TSR performance of the companies comprising the ASX 100 index (as at 1 January 2012). Broadly, TSR is the growth in share price, plus dividends reinvested. The TSR is measured over a three year performance period starting on 1 January 2012 and ending on 31 December 2014 (Performance Period). At the end of the Performance Period, the performance condition is tested and the Company's relative ranking is determined.

The level of performance required for each level of vesting, and the percentage vesting associated with each level of performance, are set out in the table below.

If the TSR of the Company:	The percentage of SARs which will vest is:
Does not reach the 50th percentile of the TSRs of the ASX 100	0%
Reaches or exceeds the 50th percentile of the TSRs of the ASX 100 but does not reach the 75th percentile	50%, plus 2% for every one percentile increase above the 50th percentile
Reaches or exceeds the 75th percentile of the ASX 100	100%

The SARs lapse if the performance condition is not met. **There is no re-testing.**

## Other information

- No Director other than Mr Knox is able to receive equity under, or on the terms of, the SESPP;
- Mr Knox holds SARs under the terms of the SESPP, details of which are provided in the Remuneration Report for the financial year ended 31 December 2010. The last tranche of SARs granted to Mr Knox to the value of \$2.25 million, for the 1 January 2011 – 31 December 2013 performance period, was approved by shareholders at the 2010 AGM. In accordance with that approval, 157,232 SARs were granted on 1 March 2011 at \$14.31, being the VWAP over the 5 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 as described in the Remuneration Report;
- Under the Company's remuneration policy, Executives cannot hedge SARs; and
- The Company will disregard any votes cast on this resolution by:
  - a Director of the Company; or
  - an associate of a Director,

except where the vote:

- is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## Recommendation

The Non-executive Directors consider the grant of SARs to Mr Knox to be appropriate in all the circumstances. The Non-executive Directors recommend that shareholders vote **IN FAVOUR** of resolution 4.

## NOTES RELATING TO VOTING

1. 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 3 May 2011.
2. On a poll, every member has one vote for every fully paid ordinary share held.
3. 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 783 447. 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.
4. A proxy need not be a member of the Company.
5. 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 2001 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 notarially 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.
6. Where a member which is a corporation appoints a representative under section 250D of the Corporations Act 2001, 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. 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 2001 (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 in paragraph 9 below.

8. The Chairman of the Annual General 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.
9. Proxy forms must be received by the Company by 10.00 am Adelaide time on Tuesday 3 May 2011. You may lodge your proxy form:
  - electronically via [www.investorvote.com.au](http://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).
10. 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 paragraph 9 above, by the time referred to in paragraph 9 above. If you wish to indicate how your proxy should vote, please mark the appropriate boxes on the proxy form. If in respect of any of the items of business you do not direct your proxy how to vote, you are directing your proxy to vote as he or she decides.

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.

For proxies without voting instructions that are exercisable by the Chairman, the Chairman intends to vote undirected proxies in favour of each resolution other than the resolution on the election of Mr Stephen Mayne. The Chairman intends to vote all undirected proxies exercisable by him **against** the resolution for the election of Mr Stephen Mayne.

11. Custodian voting – for intermediary online subscribers only (custodians) please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions.