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**Salamander Energy plc
("Salamander" or the "Group")**

South Sebuku-1 Exploration Success

South Sembakung Update

Salamander Energy plc, the Asia focussed independent oil and gas exploration and production company, announces that it has completed drilling operations on the South Sebuku-1 ("SS-1") exploration well in the Bengara I PSC, East Kalimantan, Indonesia. Salamander holds a 25% interest in the Bengara I PSC.

The SS-1 well was drilled to a total depth of 1533 metres subsea and encountered multiple gas bearing sandstones in the Tabul and Meliat formations. Drill stem tests ("DST's") were conducted across two of the gas-bearing zones, which flowed at an aggregate rate of 10.9 MMscfd.

An MDT survey was run which identified three gas zones in the Tabul formation. A DST across one zone at 575 metres sub-sea flowed at a rate of 7.4 MMscfd. In the deeper Meliat formation, a single zone was tested at a depth of 1250 metres sub-sea which flowed at a rate of 3.4 MMscfd.

The SS-1 well has been suspended as a potential future producer and the Bengara I partners are in discussion with the authorities with a view to appraisal drilling on the South Sebuku discovery in 2010.

The discovery is located approximately 15 km from the South Sembakung gas-condensate field in the neighbouring Simenggaris PSC, in which Salamander has a 21.6% interest. The partners are evaluating the potential for tying in South Sebuku to the South Sembakung gas-condensate field, which received formal development approval last year.

Heads of agreement for gas sales from South Sembakung were signed on 4 August with PT Pertamina Gas (Pertagas) and PT Medco Gas Indonesia. Under these terms approximately 20 MMscfd will be supplied over an eleven year period at a minimum price of \$3/Mcf with an inflator indexed to methanol prices. The gas is to be sent to the nearby Bunyu Island Methanol plant, via a pipeline that will be constructed by the consortium of buyers, and production is expected to commence in late 2011.

James Menzies, Chief Executive of Salamander, commented:

"We are pleased to have made a discovery which we expect to lead to our second development in the Tarakan Basin. With gas sales arrangements in place, we can proceed with appraisal and development work with a view to bringing new source production on-stream in 2011. In addition, the partners have identified material

exploration potential for both oil & gas in both the Simenggaris and Bengara-I licences, through which we aim to add further value.”

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About Salamander

Salamander is an Asia focussed, independent, FTSE 250, upstream oil and gas exploration and production company. Salamander has a balanced portfolio of production, development and exploration assets with interests located in Indonesia, Thailand, Vietnam, Lao PDR and the Philippines.