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Salamander Energy plc

Operational Update

Salamander Energy plc, the Asia focussed independent oil and gas exploration and production company, today provides an update on the current drilling programme on its operated Bualuang Field, offshore Gulf of Thailand.

Highlights

- Successfully completed pilot hole BA-11P on Bualuang Field
- Identified over 40 metres of good quality oil pay at main reservoir and shallower and deeper targets
- The well will now be plugged back and converted to the first of two horizontal producers

Background

The Bualuang oil field has produced over 1.4 million barrels since coming on stream in August 2008 and the reservoir has performed above initial expectations. Within the Bualang production licence a number of exploration prospects have been identified with the potential to add further reserves to the Bualuang development project. The first step in the current drilling programme was to drill a pilot hole to explore the potential of the deeper sandstones beneath the main producing reservoir.

Initial Drilling Result

Pilot hole BA-11P has been drilled from the Bualuang wellhead platform to a total depth of 1,620 metres sub-sea and has demonstrated in excess of 40 metres of good quality oil pay at the main reservoir and shallower and deeper targets.

The well penetrated the primary objective, the Miocene T4 reservoir sandstones at 1,098 metres sub-sea and encountered a 32 metre oil column. This represents the thickest penetration to date in the Bualuang Field and a preliminary net pay count in this interval is c. 25 meters.

Three additional sandstones were encountered above the T4 reservoir and were found to be oil-bearing, wireline logs indicate some 7 metres of net pay over this interval. The sandstones have excellent reservoir characteristics (27% porosity and 1800 mD permeability).

At the deeper objectives below the T4, thin sandstones in the Miocene T3 interval were found to be water-bearing whilst in the T2 Oligocene syn-rift section, 8 metres of net oil pay was intersected. Crude oil samples have been taken from this interval by means of MDT and are currently being analysed. Good permeability and mobility is seen on wireline logs and MDT drawdown data in the T2 sandstones and the potential of both these deeper and shallower sandstone reservoirs will be further evaluated using the data gathered and by correlation with other wells on the Bualuang structure.

Forward Programme

Having now completed wireline logging and fluid sampling, BA-11P will be plugged back as originally programmed and steered into the top of the T4 reservoir as well BA-11H, the first horizontal producer on the Bualuang Field. The rig will also drill and complete horizontal producer BA-12H and water disposal well BA-10i in this phase of the field development.

James Menzies, Chief Executive, commented:

"We are pleased to find high quality net pay with the BA-11P well outside of the main Bualuang reservoir. The discovery of additional resources close to infrastructure and the conversion of this well into a horizontal producer represents highly cost effective exploration. This is an important operated asset for Salamander and following completion of the development drilling, we anticipate production from the field to rise to over 11,000 bopd."

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NOTES TO EDITOR

Salamander is an independent, FTSE 250, upstream oil and gas exploration and production company focused on Asia. Since its formation, Salamander has built a balanced portfolio of production, development and exploration assets with interests located in Indonesia, Thailand, Vietnam, Lao PDR and the Philippines. In 2008 the Company averaged 9,600 boepd of production.