



25 March 2009

## **SALAMANDER ENERGY PLC ("Salamander", the "Group" or the "Company")**

### **PRELIMINARY RESULTS**

Salamander Energy plc, the Asia-focused independent oil and gas exploration and production company, announces preliminary results for the year ended 31 December 2008.

#### **HIGHLIGHTS**

##### **2008 OPERATIONS**

- Proved and probable reserves increased by 74% to 67.7 MMboe, a 950% reserves replacement ratio
- Production increased by 23% to 9,600 boepd
- First oil from the operated Bualuang oil field, Gulf of Thailand
- Acquired operatorship of the Kambuna development, Offshore North Sumatra
- Continued portfolio development, addition of six new licences

##### **2008 FINANCIAL**

- Revenue increased by 45% to \$100.8 million
- EBITDAX increased by 37% to \$56.8 million
- Post tax loss of \$66.5 million (post tax profit of \$0.2 million after adjustments for write off and impairment items)
- Average realisations of: oil \$60.52/bbl and gas \$4.99 Mscf
- Completed \$200 million debt refinancing, seven year facility, and \$200 million equity raising
- Year end cash balance of \$103.0 million, net debt of \$54.0 million

##### **2009 OUTLOOK**

- 2009 average daily production rate anticipated to be 15,000 – 17,000 boepd
- Group expects to operate over 65% of total production by end of 2009
- Kambuna field development progressing, with first gas scheduled mid-year 2009
- Additional development drilling underway at Bualuang oil field
- Imminent E&A campaign in Indonesia and Thailand
- Strong balance sheet to fund exploration, appraisal and development activities

James Menzies, Chief Executive of Salamander, commented:

***"2008 was a year in which we materially increased our reserves and production base. Acquiring first oil from the Bualuang field was an important step for Salamander, as was picking up operatorship of the Kambuna project. Development drilling on these assets has led to substantial reserves additions for the Group."***

***"Our cash position and balance sheet, which was restructured ahead of the mid-year deterioration in the capital markets, means we are well placed to deliver our work programme, which will see further production and cash flow growth as well as exploration and appraisal drilling in Northeast Thailand, Gulf of Thailand and in East Kalimantan, Indonesia."***

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## CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

The turmoil in the world's financial markets, which began to severely impact the global economies in the second half of 2008, partially overshadowed the Group's achievements during a year in which it continued to deliver growth in its underlying production and reserve base and to further expand its portfolio.

A significant proportion of the Group's production is comprised of fixed price gas and oil that is produced under production sharing contracts. This diversity in the composition of the asset base has partially sheltered the Group's cash flows from the extreme oil price volatility witnessed during 2008.

Operationally, the year was significant for Salamander as it completed the first phase of the operated Bualuang oil field development in the Gulf of Thailand, bringing the field into production during August 2008. The Bualuang production licence will see further drilling in 2009 that should lead to increased production levels and the addition of further reserves. Overall, it is an asset with significant growth potential that the Company will be seeking to exploit over the coming years.

Also in August 2008, Salamander assumed operatorship of its other key development asset, the Kambuna gas-condensate field, offshore North Sumatra, Indonesia, and we are pleased to report that the development is progressing with production expected to commence at the mid-year 2009.

Having completed a debt refinancing in May 2008, a re-determination of debt availability under that facility during December 2008 and the closing of a \$200 million equity fundraising during the summer of 2008, Salamander entered 2009 in a clear position to fund its exploration, appraisal and development activities.

### *Financial Results*

The growth in operational activity was reflected by a 45% increase in revenue for the year at \$100.8 million (2007: \$69.6 million). The Group reported a post-tax loss of \$66.5 million (2007: post-tax profit of \$4.6 million) after the effect of write off and impairment. This figure includes a post-tax impairment charge of \$27.5 million and an exploration write off of \$39.1 million (2007: nil). The Group reports a loss of \$0.53 per share (2007: earnings per share \$0.05).

Operating cash flow increased by 77% to \$25.5 million (2007: \$14.4 million) helping to offset the significant investment made in Salamander's development projects. Average realisations of \$60.52 per bbl and \$4.99 per Mscf were achieved during the year.

### *Operational Progress*

Having seen annual average daily production rise by 23% year on year to 9,600<sup>1</sup> barrels of oil equivalent per day ("boepd"), the Group exited 2008 at a production rate of 11,500 boepd. This growth was underpinned by the completion of the first phase of development of its operated Bualuang oil field in the Gulf of Thailand, which was successfully brought on-stream in August 2008.

Salamander started 2008 with proved and probable ("2P") reserves of 38.8 MMboe (on a working interest basis). During 2008, 21.5 MMboe of 2P reserves were added through acquisition and 10.8 MMboe were added from revisions to existing fields. As at 31 December 2008, the Group

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<sup>1</sup> References to reserves and production are on a working interest basis unless otherwise stated.

booked 2P reserves of 67.7 MMboe, an increase of 28.9 MMboe (74%), representing a replacement ratio of 950%.

In addition to completing the Bualuang oil field development and bringing the field on-stream, development drilling was completed on the Kambuna gas-condensate field, Indonesia. Heads of agreement were signed for GSA's for 40 MMscfd of gas, and with the reservoir and facilities able to deliver at a substantially higher rate than this, there is clearly scope to market further volumes of gas from this field.

The Group successfully appraised the Tutung structure in East Kalimantan, Indonesia, for which development options are being evaluated and discovered a potential new play in Northeast Thailand, to be appraised in 2009 through the drilling of the Phu Kheng-1 well. Following the successful appraisal of the South Sembakung gas discovery in East Kalimantan, a plan of development was approved by the Indonesian Authorities.

### *Portfolio Development*

We have continued to build a regional presence in a focussed manner, concentrating on selected basins. A total of six new licences were added to the Group's portfolio during 2008 through a combination of licence round applications, acquisitions, asset swaps and farm-ins. At the year end the portfolio comprised 21 licences.

In March 2008, we completed the acquisition of GFI Oil and Gas Corporation that brought with it the Bualuang and Kambuna field developments.

In September 2008 we announced a proposed offer for Serica Energy plc which would have added to our interest in the Glagah-Kambuna TAC, provided operatorship of the Kutai PSC and seen a new basin entry in Vietnam. However, this was withdrawn in October 2008 amid the sharp deterioration in the oil price and wider capital markets.

Further organic growth will be sourced from the Group's exploration and appraisal portfolio. The Company continues to mature its prospect portfolio and prepare targets for its medium term drilling programme.

### *Board & Staff*

During the year we welcomed James Coleman and Mike Sibson to the Board as non-executive directors. James brings with him a valuable combination of oil and gas and legal experience. He is a senior partner and former chairman of the international law firm of Macleod Dixon, and was a board member of GFI Oil & Gas Corporation until it was acquired by Salamander in March 2008. Mike has a host of industry experience and is a director in 3i's Oil, Gas and Power team having previously worked as a drilling engineer for Shell. At the end of the year Andrew Cochran, a co-founder who played a significant role in the successful evolution of Salamander, left the Group in order to seek other challenges and devote more time to his young family. On behalf of the Board we would like to thank Andrew for his service to Salamander.

The continued growth of our business would not have been achieved without the continued commitment and dedication of the management and staff. The Board would like to thank them for all of their efforts.

### *Current Trading and Outlook*

Following the current drilling program in the Gulf of Thailand, we are looking forward to bringing the Kambuna field in Indonesia on-stream and to drilling exploration and appraisal wells in East Kalimantan and northeast Thailand in the first half of 2009.

2009 will see a further material step up in the Group's production with the daily average forecast to be between 15,000 – 17,000 boepd, representing an increase of over 55%, by which time Salamander will be operating over 65% of its production base.

The Group has put in place hedges against a portion of its 2009 oil production. These hedges involved selling forward a proportion (2,500 barrels per day) of its 2009 oil production at \$53.83 per barrel, and buying put options against a further 1,500 barrels of oil per day at \$54.00 per barrel for the second half of 2009. These hedges are designed to provide greater cash flow certainty and comfort in delivering the 2009 capital budget and plan whilst retaining upside exposure to potential future commodity price strength.

Capital expenditure in 2009 will be approximately \$110 million, of which approximately \$40 million will be allocated to exploration and appraisal activities and approximately \$70 million to production and development activities. For 2008 and 2009 the Group remains within its 80/20 capital allocation guideline with approximately 80% of capital allocated to discovered reserves and resources, and 20% of capital allocated to exploration.

In summary, 2009 promises to be a year of material growth for Salamander and we look forward to seeing a period of greater stability in the oil and capital markets, when we can continue to maximise the opportunities open to us as a pure Asian E&P company.

**Charles Jamieson**  
**Chairman**  
**24 March 2009**

**James Menzies**  
**Chief Executive Officer**  
**24 March 2009**

## **OPERATIONAL REVIEW**

2008 was an active year for the Group on all operating fronts; production grew as the Bualuang oil field came on stream; the Kambuna development continued to progress; and eight seismic surveys were completed as the exploration and appraisal portfolio continues to mature.

### **Health, Safety and Environment**

The addition of the Bualuang production licence and Glagah-Kambuna TAC to the Group's operated asset portfolio was a major factor behind an increase to over three million recordable man hours worked in 2008. Zero lost time incidents were recorded.

As the level of activity across our operated assets has increased, the Group has broadened its CSR programme. The communities it operates within are important partners to the Group and it is focussed on providing employment to local people, to increase awareness of safe working practices and to invest in projects that bring real benefit to those living in the areas in which we operate.

### **Reserves**

The Group started 2008 with 38.8 MMboe of proved and probable (2P) reserves (on a working interest basis).

In June 2008 RPS Energy, the Group's independent reserves auditors, completed audits on the Bualuang and Kambuna fields post completion of development drilling. As a result of these audits the estimated 2P reserves increased on both fields. Gross proved and probable reserves on the Bualuang field increased from 14.9 to 20 MMbo, and proved plus probable reserves estimated on the Kambuna field increased from 25.7 MMboe to 29.2 MMboe.

RPS Energy confirmed a further reserves upgrade on both fields for year ended 2008. Gross proved plus probable reserves on the Bualuang field increased by a further 7.3 MMbo, which following annual production, provided a figure of 26.3 MMbo of proved and probable reserves for year end 2008. The proved plus probable reserves estimate on the Kambuna field increased from 29.2 MMboe to 33.8 MMboe.

Group 2P reserves as at 31 December 2008 were 67.7 MMboe, 74% increase during 2008 which represents a 950% reserve replacement ratio for the year.

### **Production**

A key highlight in 2008 was the Group's production, which grew 23%, averaging 9,600 boepd. This comprised 53% liquids and 47% gas. Production in the first quarter of 2009 has been running at approximately 11,500 boepd and average daily production for 2009 is expected to be in the range of 15,000 to 17,000 boepd. This forecast production growth will be driven by a first full year contribution from the Bualuang oil field, a second phase of Bualuang development drilling, and the start of production at the Kambuna gas-condensate field which is expected at the mid-year 2009.

### **Thailand**

Offshore in the Gulf of Thailand, the Group's operated Bualuang oil field commenced production on 27 August 2008. Oil is produced into a 500,000 bbl capacity FPSO, moored adjacent to the wellhead platform. Over 1.4 million barrels have been produced to date and the reservoir has so far performed above expectations.

The pressure data obtained since the field went into production is strongly indicative of a very active water drive providing pressure support that has the potential to improve the recovery

factor over and above previous estimates. Production levels are forecast to further improve during 2009 through the drilling of two horizontal wells on the crest of the structure. These two wells, along with one more water disposal well, will be drilled and tied in by the end of May 2009.

Within the Bualuang production licence a number of exploration prospects have been identified with the potential to add readily accessible reserves to the Bualuang development project. The Bualuang field currently produces from the Miocene T4 sands at a depth of ca. 1,100 metres sub-sea. The T2 and T3 sandstones underlie the main producing reservoir at depths of circa. 1,350 metres and 1,550 metres sub sea respectively. In order to explore the potential of the deeper sands, a pilot hole will be deepened below the T4 during the drilling of one of the 2009 development wells to investigate the T2 and T3 sandstones within closures developed against the Bualuang bounding fault. Any observed hydrocarbons in these sandstones will be logged and sampled before the pilot hole is plugged back as a producer in the main T4 reservoir.

Onshore northeast Thailand, production from the Sinphuhorm gas field averaged 82 MMscfd. During 2008 the Group drilled the South Phu Horm-1 appraisal well to explore the southern extension of the Sinphuhorm field. The well encountered significant gas shows within a non-fractured section of the Pha Nok Khao carbonate reservoir that tested gas at low flow rates. The Group believes that Sinphuhorm still has the potential for resources in excess of the 1 Tcf of 2P reserves currently booked. Gaining an improved understanding of the fracture network and dolomitization of the reservoir remains the key to unlocking the full potential of the field. To this end, the field operator has budgeted for the acquisition of a 3D seismic survey in 2009, which is designed to better image the Pha Nok Khao carbonate reservoir and so enable future appraisal and development wells to be optimally located.

In February 2008 the Group announced that the Dong Mun-3 appraisal well had found gas in the primary Pha Nok Khao objective and had also encountered gas in the shallower Jurassic and Triassic clastic reservoirs. The shallow reservoirs are prospective in the Phu Kheng structure immediately updip of Dong Mun-3 which could represent a new play type in the Khorat Plateau Basin. The Phu Kheng structure is a laterally extensive feature covering an area of 125,000 acres with multi-Tcf gas in place potential. An exploration well is planned in Q2 2009, which will be located substantially updip of the Dong Mun-3 well at the level of the Jurassic and Triassic reservoirs.

Following completion of the Phu Kheng-1 well, the rig will move to drill the Si That-3 appraisal well in Block L15/43. This well will appraise a gas bearing structure analogous in form to the Sinphuhorm field with the potential to contain up to 1 Tcf of recoverable reserves.

The Group was awarded the operated exploration blocks L26/50 and L15/50 in the Thai 20<sup>th</sup> licensing round in December 2007 and January 2008 respectively. These blocks have expanded the Group's leading acreage position in the Khorat Plateau Basin. During 2008 the Group completed a 2D seismic survey in Block L26/50. The initial interpretation of the data has identified the presence of four large structures in L26/50 well located to receive charge from the source kitchen proven in the area.

Block L15/50 contains a gas discovery called Dao Ruang. A 3D seismic survey is planned for Block L15/50 designed to help locate appraisal wells in the optimal positions to encounter good quality reservoir rock.

## **Lao PDR**

During 2008 the Group added to its position in Lao PDR through the addition of a 20% interest in the Champasak & Saravan PSC via a cross assignment agreement with PetroVietnam Exploration and Production ("PVEP") whereby PVEP took a 25% interest in the Group's operated Savannakhet PSC.

The Savannakhet PSC contains two significant gas prospects each with the potential to contain 1 Tcf of resources, and an oil prospect with the potential to contain 150 MMbbls. In 2008 the Group

completed a 2D seismic survey over these prospects. This data is currently being processed and interpreted prior to drilling in 2010.

## **Vietnam**

During 2008 the Group expanded its position in Vietnam by agreeing terms for a PSC in Block 31, offshore Southern Vietnam. The Block 31 PSC, in which Salamander has a 60% operated interest, was formally signed and awarded on 10 March 2009. Block 31 contains both syn-rift and basement plays within the Vin Chau half graben which is analogous in form and geology to the prolific Cuu Long Basin located to the east. An extensive 2D seismic survey was acquired in Q4 2008, prior to the formal signature of the PSC, to capitalise on good commercial rates offered by the contractor. The data has been processed and is currently being interpreted ahead of drilling in 2010.

In the Group's operated Cuu Long River Delta Block 1 PSC, a 722 km seismic programme was completed in 2008 fulfilling the seismic work commitment. This data is now being processed and interpreted in-house to identify prospects ahead of an anticipated drilling campaign in 2010.

## **Philippines**

In July 2008 the Lumba Lumba-1 exploration well in SC41 was drilled to target multiple stacked objectives in a large inversion structure. The target depth was called early as it encountered operational difficulties due to formation instability and drilling difficulties and found no reservoir formations within the section penetrated. Due to water depth restrictions on the drilling rig, only the westernmost prospects in SC41 were accessible in this initial drilling campaign and geological work indicates that reservoirs are more likely to be better developed to the East in deeper water. The joint venture partners have subsequently integrated the results of this well with the existing data and are reprocessing the seismic data to better define the numerous untested structures on the block.

## **Indonesia**

### ***North Sumatra***

The Group now holds a 50% working interest and operatorship of the Glagah-Kambuna TAC, containing the Kambuna gas condensate field.

The Kambuna gas field development is progressing well with first production expected at the mid year 2009 and a rapid ramp up to the full daily contracted quantity of 40 MMscfd. Development drilling has been completed and the three wells on the structure tested at a combined rate in excess of 100 Mscfd and 8,000 barrels of condensate per day. Gas sales agreements have been finalised for the sale of 40 MMscfd of gas at an average price of \$5.90 per Mscf (plus a 3% annual inflator).

The multi-phase pipeline from the field to the processing facilities onshore at Pangkalan Branden has been completed. The topsides for the offshore production platform were installed in March 2009 and work is ongoing to complete the onshore receiving facilities.

The Seruway PSC, off the northeast coast of North Sumatra, which was acquired as part of the GFI acquisition, was subsequently relinquished by the Group in December 2008. One well, Gurame-1X was drilled in 2008 to appraise a structure thought to contain multiple gas bearing sands. Hydrocarbons were observed in the target reservoir sandstones which unfortunately displayed low permeability characteristics. The Group decided to relinquish the acreage in order to focus its resources in areas of its portfolio considered to have considerably greater prospectivity.

### ***Offshore North West Java / South East Sumatra***

Production from the Offshore North West Java PSC was in-line with expectations and gas sales to the Pupak Kujang fertiliser plant began in February 2008. An 11 well infill drilling programme was completed with results generally exceeding the pre-drill expectations.

Production from the South East Sumatra PSC exceeded expectations as a result of an extensive workover campaign that slowed the forecast decline rate of the producing fields. The operator, CNOOC, continued an infill drilling programme throughout the year to help maintain production levels. The successful Mila-3 appraisal well gave support to the development potential of the Mila gas reservoir.

The Offshore North West Java and South East Sumatra PSCs continue to provide solid and reliable production of circa 6,000 boepd net to the Group.

### ***East Kalimantan***

In 2008, the Group continued to develop its acreage position in East Kalimantan by adding interests in three licences. Two of these, the Kutai PSC and the South East Sangatta PSC, are located in the Kutei basin; the Bengara-1 PSC, is located in the Tarakan basin. The Kutei basin is one of the most prolific in Indonesia and the Group now has the leading independent exploration acreage position in this basin.

In the operated Bontang PSC, the Group drilled two wells to appraise the Tutung gas discovery. The Tutung Alpha-1 well was completed in February 2008 and penetrated multiple hydrocarbon bearing sandstones. In July, a drill stem testing programme was completed across two zones in the Middle Miocene Pulubalang formation sandstones. The main zone flowed at 14 MMscfd and 475 barrels of condensate per day with rates constrained by the testing equipment available.

The Tutung Alpha-2 well was drilled as a long step-out from the Tutung Alpha-1 location, to test the limit of the closure to the northeast of the structure. Encountering the target formation low to prognosis, the well was sidetracked to a more crestal location where the main reservoir sands were absent. The results of the Tutung Alpha-2 well highlighted the potential for a stratigraphic trapping component in Tutung. This is also supported by pressure data from Tutung Alpha-1 that indicates a greater hydrocarbon column than can be supported by the closure mapped on the structure. Both wells have been suspended whilst evaluation work is undertaken to determine the next step in the appraisal process of this discovery. Options exist for further drilling or for a potential mini-development to further evaluate the reserves potential with gas production serving the local market.

A marine 3D seismic survey has been recorded in the offshore exploration fairway of the Bontang PSC. The results of this survey have been used to refine the leads and prospects on the block. The Angklung prospect has been identified as the probable first drilling target and a further 3D marine seismic survey was obtained over Angklung and nearby prospects early in 2009. This 2009 seismic was an expansion to the 2008 3D survey to high grade prospects ahead of a drilling programme in 2010.

The Group acquired a 23.4% interest in the Kutai PSC in July 2008 from partner Serica Energy. This was part of the asset package acquisition through which the Group gained an additional 15% interest in the Glagah-Kambuna TAC. The Kutai PSC is located in the heart of the Kutei basin in acreage surrounding a number of giant producing fields. The operator completed a 3D seismic survey in H2 2008 and started a 2D survey in early 2009. The results of these surveys will determine drilling targets ahead of a multi-well exploration programme in 2009/2010.

Also in the Kutei basin, the Group and its partners were awarded a licence for the South East Sangatta PSC in the 2008 Indonesian licensing round. The Group has a 49% interest and is operator with an option to increase this to 75%. The proposed work programme includes the acquisition of a 300 sq km marine 3D seismic programme and the drilling of one exploration well.

It is expected that the block will contain a similar range of leads and prospects to those found in the adjacent Bontang PSC.

In the Tarakan basin of northeast Kalimantan, the application for a plan of development for the South Sembakung field in the Simenggaris JOB-PSC was approved by the Indonesian authorities in August 2008. In the adjoining Bengara-1 PSC, preparations are well advanced for drilling the South Sebuku-1 well. Road construction and site clearance activities commenced in Q4 2008 and the well is expected to spud in June 2009. South Sebuku is a 30 MMbo prospect located updip and 7km to the north of the producing Sembakung field.

**Mike Buck**  
**Chief Operating Officer**  
**24 March 2009**

## FINANCIAL REVIEW

### Key Performance Indicators

The Group's performance against its key performance indicators is summarised below:

	Unit	2008	2007
Lost Time Incidents		Zero	Zero
Proven and Probable Reserves (working interest basis)	MMboe	67.7	38.8
Reserves Replacement Ratio	%	950	(25)
Production (working interest basis)	boepd	9,600	7,800
Production (entitlement basis)	boepd	6,700	4,600
Annual Production Growth	%	23%	77%
Realised Price per barrel of oil	\$	60.52	71.75
Realised Price per Mscf of gas	\$	4.99	4.34
Operating Cost per boe	\$	10.64	9.93
Operating Cash Flow prior to Working Capital per Entitlement boe	\$	17.03	16.80
Three year average Finding and Development Cost per barrel <sup>1</sup>	\$	15.25	4.68
Gearing <sup>2</sup>	%	21	8

1. Finding and development cost per boe is defined as exploration and acquisition expenditures divided by working interest reserves additions in the period.

2. Gearing is defined as debt divided by debt plus equity

### 2008 Financial Overview

In 2008 the upstream oil sector experienced a volatile financial year of two distinctly different halves. The first half of 2008 was characterised by rising commodity prices and capital availability, whilst in the second half commodity prices declined steeply. Benchmark Brent crude price rose from \$94/bbl on 1 January 2008 to a peak of \$146/bbl on 11 July 2008 and then rapidly declined to \$47/bbl by 31 December 2008.

The Group's financial results have been impacted by these events. Group realised oil prices were \$111.31/bbl in 1H 08 and \$60.52/bbl in the full year 2008. Realised gas prices however defied this trend as they are protected by fixed price offtake for the majority of the Group's production. Realised gas prices were \$4.82/Mscf in 1H 08 and \$4.99/Mscf for the full year 2008.

Despite the volatile environment, the Group managed to maintain momentum in 2008, growing year on year production by 23% to 9,600 boepd, proven and probable (2P) reserves by 74% to 67.7 MMboe and expanding the portfolio to 21 licence areas.

On 17 March 2008, the Group completed the acquisition of GFI Oil & Gas Corporation ("GFI") for a total consideration of \$225.3 million which included the issue of 30.8 million Salamander ordinary shares. The acquisition brought two substantial development assets, the Bualuang oil field development in Thailand and the Kambuna gas and condensate development in Indonesia, plus the Seruway PSC in Indonesia and the Crystal Gas acreage in the USA. The Group has since consolidated the acquired development activities, sold the US acreage and elected to exit and write off the Seruway PSC during 2008.

The Group's balance sheet was strengthened ahead of the mid-year deterioration in the capital markets. The Group's debt was restructured, resulting in the closing of a \$200 million seven year Reserves Based Lending facility on 13 June 2008. The syndicate of lending banks to the Group

are BNP Paribas ("BNPP"), the International Finance Corporation ("IFC"), Hong Kong and Shanghai Banking Corporation ("HSBC"), Natixis and ING. The debt is structured such that the Group is borrowing against the aggregate cash flows from the Sinphuhorm, Bualuang, Glagah-Kambuna, ONWJ and SES assets. At the end of 2008, Salamander had elected to draw down \$160.9 million against this facility and had a further amount of \$15.6 million undrawn. This amount was subsequently drawn in early January resulting in total debt of \$176.4 million at that time. The facility is subject to annual redeterminations of debt capacity and the first of these occurred in December 2008. The next redetermination is expected to occur in December 2009. Interest on the facility accrues at a rate of between 2.20% and 2.45% plus LIBOR depending on the maturity of the assets. There are no early repayment penalties.

On 8 August 2008, the Group raised \$182.7 million, net of transaction fees, through a placing and open offer of equity, increasing the issued share capital by 28% to 152.8 million ordinary shares. The offering was predominantly placed with 3i Quoted Private Equity Fund, Standard Chartered Bank, the IFC, Artemis and M&G. The majority of the raised funds was converted to US\$ in early August at an average rate of £1/\$1.98.

On 28 August 2008, the Group closed the acquisition of an Indonesian asset package from Serica Energy plc comprising a further 15% and operatorship of the Glagah-Kambuna TAC and gas development, plus a 23.4% stake in the Kutai PSC for a total consideration of \$52.75 million.

The Group's 2008 production is partially protected from oil price volatility by the fixed price nature of its Indonesian gas production and by the downside protection inherent in its Thailand gas contracts and the Indonesia PSC structure. To eliminate a significant portion of the remaining oil price volatility, in November 2008 the Group purchased \$45.00/bbl puts for volumes of 2,500 bpd for first half 2009 and 4,000 bpd for second half 2009. These hedges have since been replaced from February 2009 by a forward sale (swap) of 2,500 bpd at an average of \$53.83/bbl for the period February to December 2009 and by the purchase of 1,500 bpd of put options at \$54.00/bbl for the period July to December 2009.

A pre-tax impairment of \$55.0 million (post-tax: \$27.5 million) is being charged against the Group's Bualuang asset. The Bualuang oil field itself continues to exceed our initial technical expectations, with both increased reserves and production over the period; however, the maximum carrying value is reliant on external assumptions including oil price expectations and discount rate. It is changes in these assumptions in the light of the current economic climate that has led to the impairment charge.

Following the unsuccessful Lumba Lumba-1 well in the SC41 PSC, the Philippines and the unsuccessful Gurame-1 well in the Seruway PSC and the subsequent decision to exit that PSC, the Group has taken an exploration write off of \$39.1 million (2007: nil).

As a consequence of the above, the Group reports a loss after tax for the year of \$66.5 million compared to a profit for 2007 of \$4.6 million.

The Group ended the 2008 financial year with cash and cash equivalent balance of \$103.0 million and undrawn borrowings of \$15.6 million (which were subsequently drawn in early January 2009).

## **Income Statement**

2008 saw continued growth of the Group's sales from production with revenue rising 45% to \$100.8 million (2007: \$69.6 million). Part of the increase reflected the Group's acquisition of the Bualuang oil field development, Thailand, that was then successfully brought on stream on 27 August 2008.

Group working interest production for the year totalled 1.8 MMbo (2007: 1.4 MMbo) and 9.8 Bcf of gas (2007: 9.0 Bcf); entitlement production totalled 1.1 MMbo (2007: 0.6 MMbo) and 7.6 Bcf of gas (2007: 6.7 Bcf). The Group realised average prices for the year for oil and liquids of

\$60.52 per bbl (2007: \$71.75 per bbl) and gas of \$4.99 per Mscf (2007: \$4.34 per Mscf). The Group's oil and liquids production was sold referenced to spot prices during 2008. The Group's Indonesia gas production was sold at fixed prices averaging \$3.01 per Mscf (2007: \$2.89 Mscf) whereas Thai gas production was sold referenced to the Singapore price for medium fuel oil 180 CST and averaged \$8.28 per Mscf for 2008 (2007: \$5.96 per Mscf).

Cost of sales for 2008 totalled \$125.6 million (2007: \$47.8 million) and comprised operating costs of \$37.2 million (2007: \$28.3 million), royalties of \$4.3 million (2007: \$2.3 million), amortisation of \$27.7 million (2007: \$15.1 million), a pre-tax impairment charge of \$55.0 million and underlift and stock adjustments of \$1.4 million (2007: credit of \$2.1 million). The increase in operating costs and amortisation were predominantly driven by production from the Group's Bualuang oil field in Thailand commencing on 27 August 2008. The pre-tax impairment is a non cash charge relating to a \$55.0 million pre tax (\$27.5 million post tax) write-down of the Group's Bualuang asset.

Other operating charges for the year included: exploration write off of \$39.1 million (2007: nil); pre-licence exploration expenses of \$8.0 million (2007: \$5.9 million); profit on disposal of assets of \$0.8 million (2007: nil); and administration expenses of \$10.9 million (2007: \$4.6 million). The exploration write-off arose as a result of the unsuccessful drilling of the Group's Lumba Lumba1 well in the SC41 PSC, the Philippines and the Gurame-1 well in the Seruway PSC, Indonesia (this PSC interest subsequently being relinquished). Pre-licence exploration expenses represent the Group's continued new business activities and investments. The increase in administration expenses in 2008 from that in 2007 was driven by the Group's continued expansion in 2008 and the need to retain an office in Houston up until September 2008 whilst the GFI operations were integrated into the Group's existing portfolio.

Interest revenue for 2008 of \$5.8 million (2007: \$7.7 million) comprised loan fees and interest receivable from GFI prior to acquiring the company in March 2008 of \$3.2 million (2007: nil) and bank interest of \$2.6 million from deposit of the Group's surplus cash.

In March 2008, the Group refinanced its \$37 million Sumitomo Mitsui Banking Corporation Europe Limited ("SMBC") led seven year reserves based facility with a \$125 million BNP Paribas ("BNPP") 18 months bridge facility, predominantly to acquire GFI. In turn the BNPP bridge facility was refinanced in June 2008 with a BNPP led \$200 million seven year reserves based lending facility. Arrangement fees, expenses and interest of \$8.2 million (2007: \$2.3 million) are charged to finance costs in respect of the borrowings, \$5.5 million (2007: \$nil) of which has been capitalised to the Group's Thailand, Bualuang and Indonesia, Glagah-Kambuna assets.

The other financial gains of \$3.6 million represents exchange gains of \$1.5 million (2007: loss \$1.8 million) and mark to market adjustments on hedges of \$2.1 million (2007: \$0.4 million).

The 2008 taxation credit of \$9.0 million (2007: charge of \$13.4 million) comprised an income tax charge of \$14.7 million (2007: \$12.2 million) and a deferred tax credit of \$23.6 million (2007: charge of \$1.3 million). The deferred tax included a deferred tax credit of \$27.5 million as a direct consequence of the Group's impairment charge of \$55.0 million.

As a consequence of the above, the Group returned a loss after tax for 2008 of \$66.5 million (2007: profit of \$4.6 million), equivalent to a loss per share of \$0.53 (2007: earnings per share of \$0.05).

## **Balance Sheet**

During 2008, the Group entered into a number of material transactions which significantly changed the shape of its balance sheet compared to that at the year-end 2007.

With the acquisition of GFI in March 2008, the acquisition of a further 15% and operatorship of Glagah-Kambuna asset in Indonesia in August 2008, and the Group's continuing investment programmes, non-current assets increased during the year by \$559.0 million to \$779.4 million.

This was after a non cash charge for exploration write off of \$39.1 million and a non cash charge for pre tax impairment against the Thailand Bualuang asset of \$55.0 million (post tax impairment of \$27.5 million).

As set out above, the Group restructured its borrowings during 2008 from an SMBC led \$37.0 million facility at the beginning of the year to a BNPP led \$200 million facility at the end of the year. At year-end 2008, the Group had drawn \$160.9 million (2007: \$25.3 million) against the facility, with a further amount of \$15.6 million undrawn which was drawn in early January 2009.

In March 2008, the Group issued 30.8 million ordinary shares at a value of \$180.7 million net of transaction fees to partly fund the acquisition of GFI. In August 2008, to fund further expansion of the Group's portfolio, the Group issued 33.3 million shares at a value of \$182.7 million net of transaction fees through a placing and open offer process. With the Group's loss for the year of \$66.5 million and other less significant reserves movements, the Group equity attributable to shareholders increased during the year by \$298.9 million (106%) to \$582.1 million.

## **Cash Flow**

In 2008 the Group generated operating cash flow of \$25.5 million (2007:\$14.4 million). This comprised \$12.8 million (2007: \$11.8 million) from the Group's Thailand operations and \$27.6 million (2007: \$10.3million) from the Indonesia operations, offset in part by operating and administrative payments of \$14.9 million (2007: receipts of \$7.7 million).

The 2008 cash flow from investing activities of \$300.5 million (2007: \$67.7 million) included: the Group's acquisition of GFI of at a cash cost of \$32.7 million (2007: nil); and increased investment across the portfolio with funding of activities in Thailand of \$37.4 million (2007: \$10.1 million), Indonesia of \$166.8 million (2007: \$28.3 million), the Philippines of \$19.1 million (2007: \$8.8 million), Lao PDR of \$7.8 million (2007: \$1.8 million) and Vietnam of \$17.6 million (2007: \$2.3 million). In addition, 2008 investing outflows included payments of a pre-acquisition loan to GFI of \$32.4 million (2007: payment of \$17.5 million) to fund its ongoing investment programme, partly offset by receipt of \$1.5 million for sale of the USA Crystal asset, a repayment of \$5.9 million (2007: payment of \$5.8 million) of the Group's bank deposits that have been provided as collateral for bank guarantees in respect of the Group's Thailand and Vietnam assets and by interest received on loans outstanding and cash reserves of \$3.5 million (2007: \$7.4 million).

2008 cash flow from financing activities was \$259.6 million (2007: \$16.3 million) The Group's refinancing of its SMBC led \$37 million facility at the beginning of the year to the BNPP led \$200 million reserves based lending facility during the year generated funds of \$89.7 million (2007: nil) net of transaction fees. This comprised repayment of the SMBC led facility of \$25.7 million, fees in respect of the BNPP bridge facility of \$1.7 million and net proceeds from the BNPP led reserves based lending facility of \$117.2 million. Interest paid of \$5.9 million (2007: \$2.3 million) was predominantly in respect of the Group's debt facilities. Other financial payments of \$3.4 million (2007: nil) was for the purchase of oil derivatives, the details of which are set-out below. In addition, the Group's equity issues during 2008 generated funds of \$179.2 million net of transaction fees.

## **Cash and Net Cash**

At 1 January 2008, the Group had cash and cash equivalents of \$116.9 million, with outstanding borrowings of \$25.3 million, equivalent to a net cash position of \$91.6 million. During 2008, the Group's net cash outflow totalled \$15.4 million (2007: \$37.1 million) with debt increasing by \$135.2 million (2007: nil). After exchange adjustments of \$1.5 million (2007 \$1.8 million), the Group's total cash and cash equivalents at 31 December 2008 totalled \$103.0 million, with outstanding borrowings of \$157.0 million, equivalent to a net debt position of \$54.0 million.

## **Post Balance Sheet Events**

On 16 January 2009, the Group sold its \$45.00/bbl put options of 1,500 bpd for the period February to June 2009 and 4,000 bpd for the period July to December 2009. In turn, the Group purchased a forward sale (swap) of 2,500 bpd at an average of \$53.83/bbl for period February to December 2009 and puts options at \$54.00/bbl for 1,500 bpd for the period July to December 2009. Additionally, the Group realised \$0.8 million from the transactions.

In January 2009, the Group drew down a further \$15.6 million against the BNPP led reserves based lending facility, taking total borrowings to \$176.5 million.

On 10 March 2009, the Group signed a PSC for Block 31, offshore southern Vietnam as operator of the PSC with a 60% working interest.

**NICK COOPER**  
**Chief Financial Officer**  
**24 March 2009**

## STATEMENT OF PROVED AND PROBABLE RESERVES (WORKING INTEREST BASIS)

The Group's proven and probable commercial reserves at 31 December 2008 were as follows:

	Thailand		Indonesia		Total		Total
	Oil	Gas	Oil	Gas	Oil	Gas	
	MMbo	BCF	MMbo	BCF	MMbo	BCF	
<b>At 1 January 2008</b>	0.6	99.0	11.2	63.3	11.8	162.3	38.8
Acquisitions	9.0	-	4.3	49.3	13.3	49.3	21.5
Revisions	7.3	-	1.5	11.7	8.8	11.7	10.8
Production	(0.6)	(2.9)	(1.2)	(6.9)	(1.8)	(9.8)	(3.4)
<b>At 31 December 2008</b>	16.3	96.1	15.8	117.4	32.1	213.5	67.7

Proved and probable commercial reserves are based on the Group's reserves reports produced by the Group's independent engineer, RPS Energy, as supplemented by the Group with additional and more recent information.

The Group provides for amortisation on its oil and gas properties on a net entitlements basis, which reflects the share of future production estimated to be attributable to the Group under the terms of the PSCs related to each field. Total proved and probable entitlement reserves were 50.1 MMboe at 31 December 2008 (2007: 25.4 MMboe).

The 2008 reserves replacement ratio was 950% (2007: negative 25%).

## FINANCIAL STATEMENTS OF SALAMANDER ENERGY PLC GROUP

### Consolidated Income Statement For the Year-ended 31 December 2008

	Note	2008 \$'000s	2007 \$'000s
<b>CONTINUING OPERATIONS</b>			
Revenue	3	100,753	69,561
Cost of Sales			
<i>Impairment</i>	8	(55,000)	-
<i>Other Cost of Sales</i>		(70,552)	(47,847)
Total Cost of Sales		(125,552)	(47,847)
<b>Gross (Loss)/Profit</b>		(24,799)	21,714
Exploration Expenses:			
<i>Exploration Costs Written Off</i>		(39,065)	-
<i>Pre-licence Exploration Expenses</i>		(7,981)	(5,924)
<i>Profit on Disposal of Assets</i>		807	-
Total Exploration Expenses		(46,239)	(5,924)
Administration Expenses <sup>(1)</sup>		(10,859)	(4,594)
<b>Operating (Loss)/Profit</b>		(81,897)	11,196
Interest Revenue		5,814	7,748
Finance Costs		(2,953)	(2,307)
Other Financial Gains <sup>(1)</sup>		3,564	1,389
<b>(Loss)/Profit Before Tax</b>		(75,472)	18,026
Tax			
<i>Current Tax</i>	5	(14,651)	(12,172)
<i>Deferred Tax:</i>			
<i>Impairment</i>	5	27,500	-
<i>Other</i>	5	(3,872)	(1,262)
Total Tax		8,977	(13,434)
<b>(Loss)/Profit for the Year</b>		(66,495)	4,592
<b>(Loss)/Earnings per Ordinary Share</b>		\$'s	\$'s
Basic	6	(0.53)	0.05
Diluted	6	(0.53)	0.05

1. Certain foreign exchange gains and losses, previously presented with administrative expenses, in 2007 have been reclassified as other financial gains.

**Consolidated Statement of Changes in Equity  
For the Year-ended 31 December 2008**

	<b>2008</b>	<b>2007</b>
	<b>\$'000s</b>	<b>\$'000s</b>
<b>Opening Equity at 1 January</b>	283,162	250,912
(Loss)/Profit for the Year	(66,495)	4,592
<b>Total Recognised Income and Expense for the Year</b>	(66,495)	4,592
<b>Other Transactions with Equity Holders of the Company</b>		
New Shares Issued in Business Combination	184,236	-
New Shares Issued for Cash	192,019	26,951
Costs in respect of New Shares Issued	(12,852)	-
Share Based Payment Charge	2,033	707
<b>Closing Equity Attributable to Equity Holders</b>	582,103	283,162

**Consolidated Balance Sheet**  
**31 December 2008**

	Note	2008 \$'000s	2007 \$'000s
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Intangible Assets	7	214,814	54,523
Property, Plant and Equipment	8	552,138	119,891
Other Receivables – Restricted Bank Deposits		12,084	5,770
Deferred Tax Assets		387	200
<b>Total Non-current Assets</b>		<b>779,423</b>	<b>180,384</b>
<b>Current Assets</b>			
Assets Held For Sale		60	-
Inventories		7,894	4,890
Trade and Other Receivables		49,423	38,918
Cash and Cash Equivalents		103,012	116,881
<b>Total Current Assets</b>		<b>160,389</b>	<b>160,689</b>
<b>Total Assets</b>		<b>939,812</b>	<b>341,073</b>
<b>LIABILITIES</b>			
<b>Non-current Liabilities</b>			
Borrowings	9	157,016	24,624
Provisions		4,713	-
Deferred Tax Liability		147,889	1,462
<b>Total Non-current Liabilities</b>		<b>309,618</b>	<b>26,086</b>
<b>Current Liabilities</b>			
Trade and Other Payables		41,829	25,125
Borrowings Due Within One Year		-	702
Current Tax Payable		6,262	5,998
<b>Total Current Liabilities</b>		<b>48,091</b>	<b>31,825</b>
<b>Total Liabilities</b>		<b>357,709</b>	<b>57,911</b>
<b>Net Assets</b>		<b>582,103</b>	<b>283,162</b>
<b>EQUITY</b>			
Share Capital	10	29,844	17,271
Share Premium	10	378,685	202,345
Other Reserves	10	244,519	67,996
Retained Earnings	10	(70,945)	(4,450)
<b>Total Equity</b>		<b>582,103</b>	<b>283,162</b>

**Approved by and authorised for issue, and signed on behalf of, the Board of Directors**

**Nick Cooper**  
**Chief Financial Officer**  
**24 March 2009**

**Consolidated Cash Flow Statement  
For the Year-ended 31 December 2008**

	<b>2008</b>	<b>2007</b>
	<b>\$'000s</b>	<b>\$'000s</b>
<b>Cash Flow from Operating Activities</b>		
(Loss)/Profit before Tax	(75,472)	18,026
Adjustments for:		
Profit on Disposal of Assets	(807)	-
Exploration Write Offs	39,065	-
Amortisation and Depreciation	83,104	15,504
Interest Revenue	(5,814)	(7,748)
Finance Costs	2,953	2,307
Other Financial Gains	(3,564)	(1,389)
Share Based Payment	939	101
<b>Operating Cash Flow Prior to Working Capital</b>	<b>40,404</b>	<b>26,801</b>
Increase in Inventories	(176)	(3,563)
Decrease/(Increase) in Trade and Other Receivables	1,326	(7,450)
(Decrease)/Increase in Trade and Other Payables	(128)	5,614
<b>Cash Generated from Operations</b>	<b>41,426</b>	<b>21,402</b>
Payment of Tax	(15,916)	(7,019)
<b>Net Cash Inflows from Operating Activities</b>	<b>25,510</b>	<b>14,383</b>
<b>Cash Flow from Investing Activities</b>		
Acquisition of Subsidiary	(32,676)	-
Expenditures on Intangible Assets	(133,110)	(38,231)
Purchase of Property, Plant and Equipment	(113,315)	(13,606)
Disposal of Assets	1,500	-
Net Payment of Long-term Loans	(32,350)	(17,500)
Repayment/(Payment) of Other Receivables	5,905	(5,770)
Interest Received	3,545	7,390
<b>Net Cash used in Investing Activities</b>	<b>(300,501)</b>	<b>(67,717)</b>
<b>Cash Flow from Financing Activities</b>		
Interest Paid	(5,848)	(2,254)
Other Financial Payments	(3,401)	-
Cash Flows in respect of Long Term Borrowings	89,670	-
Net Proceeds from the Issue of Shares	179,168	18,528
<b>Net Cash from Financing Activities</b>	<b>259,589</b>	<b>16,274</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(15,402)</b>	<b>(37,060)</b>
Cash and Cash Equivalents at the Beginning of the Year	116,881	152,552
Effect of Foreign Exchange Rate Change	1,533	1,389
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>103,012</b>	<b>116,881</b>

## **Notes to the Consolidated Financial Statements For the Year-ended 31 December 2008**

### **1. Basis of Preparation**

The preliminary announcement does not represent statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory Accounts for the year ended 31 December 2008 will be delivered to the Registrar of Companies following the Company's Annual General Meeting in June 2009. The comparative financial information is based upon the statutory accounts for the year-ended 31 December 2007, which have been delivered to the Registrar of Companies. The Auditors have reported on these accounts; their reports were unqualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

The preliminary announcement financial information has been prepared on the basis of the accounting policies set out in the Group's 2007 statutory accounts.

Whilst the financial information in this preliminary announcement has been prepared in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to publish full financial statements that comply with IFRS in June 2009.

This preliminary announcement was approved by the Board of Directors on 24 March 2009.

#### ***Going Concern***

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in this preliminary announcement. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. The Group expects to publish its full financial statements in June 2009 which include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Directors believe that the group's forecasts and projections, taking account of reasonably possible changes in trading performance, show the Group is adequately financed and is able to operate within the level of its current facility.

In 2008, the Group completed a \$200 million equity placing and issue. In addition, as highlighted in note 9 to this preliminary announcement, the Group meets its investments required to realise its development projects and committed exploration and appraisal programme through a \$200 million reserves based lending facility which is due for renewal in 2015. The current economic conditions create uncertainty, particularly over the oil price, which affects revenue from the Group's production and the availability under the reserves based lending facility, the basis of which is discussed in note 9 to this preliminary announcement. The Group has undertaken a 2009 hedging program to manage this risk.

The Group's forecasts and projections, taking account of reasonably possible changes in economic assumptions such as the oil price, show that the Group will be able to operate within the level of its current reserves based lending facility.

After making enquiries, the Directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing this preliminary announcement.

### **2. Segmental Analysis**

	2008						
	Thailand	Indonesia	Philippines	Lao PDR	Vietnam	Other	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>Revenue</b>	40,452	60,301	-	-	-	-	100,753
<b>Operating Loss</b>	(40,496)	(887)	(22,748)	(72)	(10)	(17,684)	(81,897)
Interest Revenue	-	-	-	-	-	5,814	5,814
Finance Cost	-	-	-	-	-	(2,953)	(2,953)
Other Financial Gains	-	-	-	-	-	3,564	3,564
<b>Loss Before Tax</b>	(40,496)	(887)	(22,748)	(72)	(10)	(11,259)	(75,472)
Tax	-	-	-	-	-	8,977	8,977
<b>Loss for the Year</b>	(40,496)	(887)	(22,748)	(72)	(10)	(2,282)	(66,495)
Segment Assets	357,913	464,346	6,042	10,802	22,879	77,830	939,812
Segment Liabilities	17,200	28,778	265	755	2,522	308,189	357,709
Capital Additions	336,813	331,846	18,869	8,584	19,535	(940)	714,707
Exploration Costs Written Off	-	16,403	22,662	-	-	-	39,065
Impairment	55,000	-	-	-	-	-	55,000
Amortisation and Depreciation	10,489	17,236	-	-	-	379	28,104
	2007						
	Thailand	Indonesia	Philippines	Lao PDR	Vietnam	Other	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>Revenue</b>	18,660	50,901	-	-	-	-	69,561
<b>Operating Profit/(Loss)</b>	11,107	10,117	(35)	(65)	(30)	(9,898)	11,196
Interest Revenue	-	-	-	-	-	7,748	7,748
Finance Cost	-	-	-	-	-	(2,307)	(2,307)
Other Financial Gains	-	-	-	-	-	1,389	1,389
<b>Profit/(Loss) Before Tax</b>	11,107	10,117	(35)	(65)	(30)	(3,068)	18,026
Tax	-	-	-	-	-	(13,434)	(13,434)
<b>Profit/(Loss) for the Year</b>	11,107	10,117	(35)	(65)	(30)	(16,502)	4,592
Segment Assets	71,576	134,464	9,238	1,800	2,871	121,124	341,073
Segment Liabilities	7,762	18,408	235	1	378	31,127	57,911
Capital Additions	8,991	35,325	8,839	1,782	2,604	1,036	58,577
Amortisation and Depreciation	1,833	13,405	-	-	8	258	15,504

### Geographical Segments

The Group currently operates in five geographical areas, namely Thailand, Indonesia, Philippines, Lao PDR, and Vietnam in addition to its corporate centre in the UK. This is the basis on which the Group records its primary segment information. Other operating expenses, assets and liabilities relate to general management, finance administration and tax of the Group.

### Business Segments

The operations of the Group comprise one class of business, being oil and gas exploration, development and production.

### 3. Revenue

Revenue, excluding interest revenue of \$5,814,000 (2007: \$7,748,000), comprises:

	<b>2008</b>	<b>2007</b>
	<b>\$'000s</b>	<b>\$'000s</b>
Sales of Oil	62,218	40,735
Sales of Gas	38,535	28,980
Oil and Gas Derivatives:		
Realised Settlement Losses	-	(154)
<b>Total Revenue (excluding Interest Revenue)</b>	<b>100,753</b>	<b>69,561</b>

Total revenue in accordance with IAS 18 includes interest income and amounted to \$106,567,000 (2007: \$77,309,000).

### 4. Cost of Sales

Cost of Sales comprises:

	<b>2008</b>	<b>2007</b>
	<b>\$'000s</b>	<b>\$'000s</b>
Operating Costs	37,179	28,291
Royalty Payable	4,254	2,320
Amortisation of Oil and Gas Properties	27,725	15,093
Impairment	55,000	-
(Underlift)/Overlift	(1,303)	2,143
Inventories of Oil	2,697	-
<b>Total Cost of Sales</b>	<b>125,552</b>	<b>47,847</b>

Royalty of \$3,113,000 (2007: \$2,320,000) was payable in respect of certain of the Group's Thailand assets and in accordance with the applicable Thailand tax regulations, was deductible as an advance payment of income tax to the extent income tax was payable (see note 5).

### 5. Tax

The tax credit for the year of \$8,977,000 (2007 tax charge: \$13,434,000) comprised corporate income tax of \$14,651,000 (2007: \$12,172,000) and net deferred tax credit of \$23,628,000 (2007 net deferred tax charge: \$1,262,000) arising on the Group's Thailand and Indonesia activities which includes a deferred tax credit of \$27,500,000 arising as a direct consequence of the \$55,000,000 impairment charge against the Thailand Bualuang asset.

#### **Reconciliation of Tax to (Loss)/Profit**

The tax (credit)/charge for the year can be reconciled to the (loss)/profit before tax per the income statement as follows:

	<b>2008</b>	<b>2007</b>
	<b>\$'000s</b>	<b>\$'000s</b>
<b>(Loss)/Profit Before Tax</b>	(75,472)	18,026
Applicable Rate of Tax	28.5%	30.0%
<b>Tax at the Applicable Rate of Tax</b>	(21,509)	5,408
Tax Effect of:		
Items which are not Deductible for Tax	18,783	4,927
UK Losses not Recognised	306	336
Foreign Losses not Recognised	276	48
Royalty Tax Credit	(1,774)	(1,392)
Different Foreign Tax Rates	(5,059)	4,107
<b>Total Income Tax (Credit)/Charge</b>	(8,977)	13,434

The average applicable rate of tax is assumed as 28.5% being an average of the UK corporation tax rate of 30% for the period to 31 March 2008 and 28% for period since 1 April 2008.

Items not deductible for tax primarily relates to the depreciation and exploration write offs in respect of the Group's assets in Thailand, Indonesia and the Philippines.

## 6. (Loss)/Earnings per Ordinary Share

The calculation of the basic and diluted earnings per share is based on the following data:

	<b>2008</b>	<b>2007</b>
	<b>\$ '000s</b>	<b>\$ '000s</b>
(Loss)/Earnings for the purpose of basic (loss)/earnings per share being the net (Loss)/profit attributable to equity holders of the parent	(66,495)	4,592
Effect of dilutive potential ordinary shares	-	-
(Loss)/Earnings for the purpose of diluted earnings per share	(66,495)	4,592

	<b>2008</b>	<b>2007</b>
	<b>Shares '000s</b>	<b>Shares '000s</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	126,268	88,543
Effect of dilutive potential ordinary shares: PSP <sup>(1)</sup>	-	920
Weighted average number of ordinary shares for the purpose of diluted earnings per share	126,268	89,463

	<b>2008</b>	<b>2007</b>
	<b>\$'s</b>	<b>\$'s</b>
<b>Earnings per Ordinary Share</b>		
Basic	(0.53)	0.05
Diluted	(0.53)	0.05

1. As there is a loss for the year ended 31 December 2008, there is no difference between the basic and diluted earnings per share. Potentially dilutive ordinary shares for the year ended 31 December 2008 were 2,489,785 (2007: 1,709,026).

## 7. Intangible Assets

	2008	2007
	\$'000s	\$'000s
<b>Exploration and Evaluation</b>		
<b>At 1 January</b>	54,523	9,121
Additions	206,770	45,402
Transfers to Property, Plant and Equipment	(7,414)	-
Costs Written Off	(39,065)	-
<b>At 31 December</b>	214,814	54,523

## 8. Property, Plant and Equipment

	2008			2007		
	Oil and Gas Properties	Other Fixed Assets	Total	Oil and Gas Properties	Other Fixed Assets	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>Cost</b>						
At 1 January	141,725	1,756	143,481	129,809	497	130,306
Additions	507,830	107	507,937	11,916	1,259	13,175
Transfers from Intangible Assets	7,414	-	7,414	-	-	-
<b>At 31 December</b>	656,969	1,863	658,832	141,725	1,756	143,481
<b>Amortisation and Depreciation</b>						
At 1 January	22,998	592	23,590	7,906	180	8,086
Charge for the Year	82,725	379	83,104	15,092	412	15,504
<b>At 31 December</b>	105,723	971	106,694	22,998	592	23,590
<b>Net Book Amount at 31 December</b>	551,246	892	552,138	118,727	1,164	119,891

Additions to oil and gas properties include capitalised interest of \$5,457,000 (2007: nil) charged at an average rate of 4.7%. Included in the net book amount at 31 December 2008 in oil and gas properties are assets amounting to \$543,832,000 pledged against the Group's BNP Paribas led seven years reserve-based lending facility.

Oil and gas properties include an impairment of \$55,000,000 against the Group's oil producing asset, Bualuang in Thailand. The maximum carrying value of the assets is reliant on external assumptions including oil price expectations and discount rate and it is changes in these assumptions in light of the current economic climate that has led to the impairment charge. The impairment provision was calculated based on the assets value in use. The discount rate used in the value in use calculation has been based on the Group's weighted average cost of capital, taking into account the risks specific to the assets for which the future cash flows have already been adjusted.

## 9. Borrowings

	<b>2008</b>	<b>2007</b>
	<b>\$'000s</b>	<b>\$'000s</b>
<b>Principal Repayable on Maturity</b>	160,918	25,702
Less Deferred Fees	(3,902)	(376)
<b>Total Unamortised Borrowings</b>	157,016	25,326
Less Amounts Due Within One Year	-	(702)
<b>Total Long Term Borrowings</b>	157,016	24,624

## Net Debt

	<b>2008</b>	<b>2007</b>
	<b>\$'000s</b>	<b>\$'000s</b>
<b>Long Term Borrowings</b>	157,016	24,624
Add Amounts Due Within One Year	-	702
Less Cash and Cash Equivalents	(103,012)	(116,881)
<b>Total Net Debt/(Cash)</b>	54,004	(91,555)

At the Balance Sheet date, the principal repayable on maturity is calculated to be repayable as follows:

	<b>2008</b>	<b>2007</b>
	<b>\$'000s</b>	<b>\$'000s</b>
On demand or due within one year	-	702
In the second year	2,563	7,377
In the third to fifth year inclusive	86,419	14,001
After five years	71,936	3,622
<b>Total Principal Payable on Maturity</b>	160,918	25,702

Borrowings at the balance sheet date are a BNPP led seven year borrowing base facility. The loan is secured against certain of the Group's Thailand and Indonesia development and producing assets and includes certain covenants relating to the ratio of the loan balance outstanding to the net present value of cash flows of the secured assets. The key terms of the facility are:

- An initial facility amount of \$200 million
- The Group may draw an amount up to the lower of the facility amount or the borrowing base amount as determined by the cash flows arising from the borrowing base assets
- Interest accrues at a rate of between 2.20% and 2.45% plus LIBOR depending on the maturity of the assets
- The borrowing base amount is redetermined on an annual basis, with the Group further having the option to undertake two mid-period redeterminations in each year should it elect to do so
- Annual redeterminations of debt capacity
- No early repayment penalties
- Change of control provisions

At 31 December 2008, \$15,561,000 against the facility was available but undrawn.

## 10.Share Capital, Share Premium and Reserves

Share capital as at 31 December 2008 amounted to \$29.8 million. During the period, the Group issued 30,843,367 ordinary shares at \$5.97 (£2.99) per share as part of the consideration paid for the acquisition of GFI in March 2008, and 33,333,334 ordinary shares at \$5.76 (£3.00) per share as a placing and open offer in August 2008, which increased the number of shares in issue from 88,604,554 to 152,781,255.

### Authorised Equity Share Capital

	<b>2008</b>	<b>2007</b>
	<b>Number</b>	<b>Number</b>
Ordinary Shares at £0.10 each	205,000,000	150,000,000

### Allotted Equity Share Capital

	<b>2008</b>	<b>2007</b>
	<b>Ordinary Shares 10p Number</b>	<b>Ordinary Shares 10p Number</b>
<b>At 1 January</b>	88,604,554	82,947,277
4 January 2007: Allotment of Shares	-	5,657,277
17 March 2008: Allotment of Shares	30,843,367	-
8 August 2008: Allotment of Shares	33,333,334	-
<b>At 31 December</b>	152,781,255	88,604,554

### Movement on Equity

	<b>2008</b>				
	<b>Share Capital</b>	<b>Share Premium</b>	<b>Other Reserves</b>	<b>Profit and Loss</b>	<b>Total</b>
	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>
<b>At 1 January 2008</b>	17,271	202,345	67,996	(4,450)	283,162
Shares Issued					
Ordinary Shares Issued in Business Combination	6,172	-	178,064	-	184,236
Ordinary Shares Issued for Cash	6,401	185,618	-	-	192,019
Share Issue Costs	-	(9,278)	(3,574)	-	(12,852)
Share Based Payments	-	-	2,033	-	2,033
Loss for the Year	-	-	-	(66,495)	(66,495)
<b>At 31 December 2008</b>	29,844	378,685	244,519	(70,945)	582,103

	<b>2007</b>				
	<b>Share Capital</b>	<b>Share Premium</b>	<b>Other Reserves</b>	<b>Profit and Loss</b>	<b>Total</b>
	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>
<b>At 1 January 2007</b>	16,171	176,494	67,289	(9,042)	250,912
Shares Issued					
Ordinary Shares Issued for Cash	1,100	27,500	-	-	28,600
Share Issue Costs	-	(1,649)	-	-	(1,649)
Share Based Payments	-	-	707	-	707
Profit for the Year	-	-	-	4,592	4,592
<b>At 31 December 2007</b>	17,271	202,345	67,996	(4,450)	283,162

### **Other Reserves**

Other Reserves comprise:

	<b>2008</b>	<b>2007</b>
	<b>\$'000s</b>	<b>\$'000s</b>
Share Based Payment Reserve	2,788	755
Merger Reserve	244,731	67,241
<b>Total Other Reserves</b>	244,519	67,996

## **11. Post Balance Sheet Events**

### ***Oil Derivatives***

On 16 January 2009, the Group sold its \$45.00/bbl put options of 1,500 bpd for the period February to June 2009 and 4,000 bpd for the period July to December 2009. In turn, the Group purchased a forward sale (swap) of 2,500 bpd at an average of \$53.83/bbl for period February to December 2009 and put options at \$54.00/bbl for 1,500 bpd for the period July to December 2009. Additionally, the Group realised proceeds of \$0.8 million from the transactions.

### ***Reserves Based Lending Facility***

In January 2009, the Group drew down a further \$15.6 million against its BNPP led reserves based lending facility, taking total borrowings to \$176.5 million.

### ***Block 31, Vietnam***

On 10 March 2009, the Group signed a PSC for Block 31, offshore southern Vietnam as operator of the PSC with a 60% working interest.