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Salamander Energy plc

Kambuna Field Update

Salamander Energy plc (“Salamander” or “The Company”), the Asia focused independent oil and gas exploration and production company, provides an update on the Kambuna gas-condensate field, offshore North Sumatra Indonesia.

The Kambuna field commenced production in August 2009 and is currently running at c. 42 MMscfd and 3,700 barrels of condensate per day. Based on initial down-hole pressure data recorded in one of the Kambuna wells, the rate of pressure decline in the main Belumai reservoir in the central area of the field implies a volume of recoverable gas lower than determined in previous reserve assessments.

As part of Salamander’s Reserve Base Lending (“RBL”) Facility, an independent reserves audit of Salamander’s operated fields, including Kambuna, has been carried out by RPS Energy. The reserves assessment has taken into account all of the historic Kambuna production and pressure data in addition to seismic and well data. As a consequence, Salamander has re-stated its net reserves attributable to the Kambuna field, reducing its net entitlement of proved and probable (“2P”) reserves by 1.8 million barrels of oil equivalent (MMboe).

On a 2P basis, production from Kambuna is expected to remain at current levels until at least 2013; thereafter gradual decline is anticipated. Production may be maintained at or near to plateau beyond 2013 in the 3P case or should contingent resources be converted to recoverable reserves.

Kambuna Field Reserves

Following the review, 2P reserves in Kambuna field as at 1st January 2010, net to Salamander, are being re-stated as 6.5 MMboe on an entitlement basis (working interest 9.1 MMboe). As part of the 2P reserves figure previously reported at the time of 2009 results, the Kambuna field 2P reserves net to Salamander were carried at 8.3 MMboe on an entitlement basis (working interest 16.6 MMboe). The new RPS Energy audit has resulted in a net decrease of 1.8 MMboe on a net entitlement basis, with gross Kambuna field 2P working interest reserves as at 1.1.10 now restated as 61.8 billion cubic feet (Bcf) of gas and 5.4 million barrels of condensate.

Kambuna Field Performance & Future Work Programme

The Kambuna field is currently producing at above the DCQ rate at rates of c. 42 MMscf/d and 3,700 bcp/d and is expected to remain at plateau production levels for the next three to four years. The exploitation of resources currently carried as contingent would see the plateau extended further, although the licence is due to expire in 2016.

In order to mitigate pressure decline, installation of compression facilities is envisaged as part of the 2011 work programme, earlier than originally planned. This should extend production from the main Belumai reservoir until the end of the licence life.

An additional 32 Bcf and 2.1 MMbc of possible reserves have been estimated by management for the field, above and beyond the 2P reserves. Recovery of these reserves is dependent on contribution from poorer quality reservoir surrounding the central area of the field, the extent of this contribution will be determined through future monitoring of pressure data from all production wells and an existing well slot on the Kambuna platform may be utilized for further development drilling should this be warranted.

The Kambuna field partners are working towards commercialising additional resources in the licence, in particular contingent resources of circa 30 Bcf have been identified in the Baong formation as well as an additional 25 Bcf of contingent resources in the Peutu formation, both of which overlie the main Belumai formation reservoir, neither of which are yet considered as 2P reserves. In order to access this additional 55 Bcf of contingent resources, the near-term work programme will include an assessment of the productive capacity of both the Baong and Peutu formations either via workover or test using existing wellbores.

In addition, the partners continue to assess the potential for proving up further resources and adding reserves through appraisal of the Glagah light oil discovery on the block and satellite prospects to the North, Northwest and Southeast of the Kambuna field.

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Footnote: Kambuna field development

The Kambuna field development, located in offshore North Sumatra, comprises three production wells and a wellhead platform linked via a multiphase pipeline back to processing facilities located onshore at Pangkalan Branden. Pressure data is collated from all three wells.

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.