



2<sup>nd</sup> September 2011

## Salamander Energy plc

### Sale of interests in Offshore Northwest Java and South East Sumatra PSCs

Salamander Energy announces that it has agreed terms with Risco Energy Pte Ltd (“Risco”) for the sale of Salamander Energy (Java & Sumatra) B.V. through which the Group holds five per cent interests in the Offshore Northwest Java (“ONWJ”) and Southeast Sumatra (“SES”) PSCs respectively. The cash consideration is \$55 million plus working capital adjustments of \$1.3 million, with a further deferred cash consideration payable upon the buyer’s participation in any extension of the ONWJ PSC.

#### Highlights

- Salamander has agreed to sell its five percent interests in the ONWJ and SES PSCs to Risco, with an effective date of 30<sup>th</sup> June 2011. The initial cash consideration for the transaction is \$55 million plus working capital adjustments of \$1.3 million. The deal is not subject to any additional approvals.
- In addition, a deferred cash payment is to be made upon confirmation of Risco’s participation in the extension of the ONWJ PSC. The amount of the deferred payment will be dependent on the timing and level of participation in the ONWJ PSC extension. For a 5% participation, the payment will be capped at \$4 million. The payment will be pro-rated to the 5% interest.
- Production attributable to the net 5% interests in the first half of 2011 averaged c. 6,000 boepd and proved and probable reserves attributable to the interests are estimated to be 13 million barrels of oil equivalent as at the mid-year 2011.

#### Background

The ONWJ and SES PSCs came into production in 1971 and are currently in long-term decline. The assets are currently operated by PT Pertamina Hulu Energi (ONWJ) and CNOOC SES Ltd. (SES).

- The PSCs are currently in their second extension phase, and are due to expire in January 2017 (ONWJ) and September 2018 (SES).
- The assets were originally acquired by the Group in the first half of 2006, since when the ONWJ and SES fields have produced approximately 12.5 million barrels of oil equivalent net to Salamander.
- During the first half of 2011, the interests generated approximately \$6.3 million of cash flow post-tax and capex net to the Group.

James Menzies, Chief Executive, Salamander Energy, said:

“We have realised excellent full cycle returns on the investment in these mature assets, and this is a timely moment for exit. The strategic motivation for this deal is to re-deploy capital from declining assets into operated, material growth projects where Salamander has influence.”

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**Further details on the transaction**

The proceeds from the sale will be redeployed into strategic assets that offer potentially higher returns. Salamander Energy (Java) B.V. and Salamander Energy (Sumatra) B.V. had combined gross assets as at 31 December 2010 of \$41.7 million and for the year ended 31 December 2010 they made a profit before tax of \$6.0 million.

**About Salamander Energy**

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, and Lao PDR.

**About Risco Energy Pte Ltd**

Incorporated in Singapore, Risco is an energy investment company. It has extensive coal seam methane interests in Indonesia, through a major shareholding in Ephindo Energy. Risco also operates oil and gas producing assets onshore USA and is actively growing its South East Asia portfolio with the recently announced plan to acquire a 26.84% interest in the oil producing Galoc Block, offshore Philippines.