

Salamander Energy plc Announces Agreement to Sell 40% Stake in Greater Bualuang Area

21 July 2014

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

Further to the Heads of Agreement announced on 5 June 2014, Salamander is pleased to announce that a definitive Share Sale and Purchase Agreement has now been signed with SONA Petroleum Berhad ("SONA") to dispose of an effective 40% working interest in the B8/38 concession containing the Bualuang oil field and the surrounding G4/50 concession, both located in the Gulf of Thailand (together the "Transaction").

Proposed Transaction Terms

Under the terms of the Transaction:

- SONA will pay a consideration of US\$280 million in cash plus working capital adjustments based on the effective date of 1 January 2014.
- Salamander will pay for the costs associated with the drilling of two exploration wells in the G4/50 concession, up to a cap of US\$15 million
- A contingent payment of up to US\$15 million to be made by SONA to Salamander in the event of a commercial discovery in the G4/50 concession

Mitsui Oil Exploration Co Ltd ("MOECO"), from whom Salamander acquired its 100% interest in G4/50, holds back-in rights to up to 50% of the concession while the licence is in its exploration phase. In the event that MOECO exercises its back-in rights, Salamander's and SONA's effective working interests will each be diluted in proportion to their ownership in G4/50 (being 60 / 40).

The Transaction remains conditional, amongst other things, on approval by Salamander's shareholders and SONA receiving regulatory approval from the Securities Commission of Malaysia and approval by its shareholders. The consideration will be met by SONA via existing cash resources and financing arranged with BNP Paribas the final documentation of which is a condition to closing of the Transaction. The Transaction is not subject to any other regulatory approvals.

Transaction Rationale

The Transaction is in line with the Group's stated strategy of active portfolio management to realise value from its assets over time. In particular the sale:

- Demonstrates and crystallises the value created in the B8/38 concession since the Group increased its stake through acquiring an additional 40% interest in the acreage for \$105 million in 2010. Since that time the Bualuang field has seen material reserves and production growth and generated significant free cash flow.
- Reduces asset concentration risk within the Group's portfolio
- Reduces the Group's balance sheet exposure to the next phase of capital expenditure associated with the Bualuang field development
- Strengthens the balance sheet with the Group expected, subject to closing of the Transaction, to retire between US\$200 and US\$250 million of gross debt
- Provides sufficient cash to return US\$50 million to shareholders, equivalent to approximately 11 pence per share.

Asset Description

The B8/38 concession is located in the Gulf of Thailand and contains the Bualuang oil field. The field was brought on-stream in 2008 and to date has produced over 17 million barrels of oil. It has two production platforms, Alpha and Bravo, and a Floating, Production, Storage & Offtake vessel ("FPSO") which processes and stores Bualuang crude and from which cargoes are offloaded on a regular basis. Gross daily production in 2014 is expected to average between 11,000 and 14,000 barrels of oil per day ("bopd").

The field is currently undergoing a phase of development drilling and infrastructure upgrade, with wells being drilled from the Bualuang Bravo Platform. The Bualuang FPSO is to be replaced with a Floating, Storage & Offtake vessel ("FSO") and the Bualuang crude will be processed using newly installed modules located on the Bravo platform. The FSO is currently in the field awaiting hook up, once the facilities upgrade is completed, it is expected to result in substantial savings in operating costs.

Further exploitation of the field is anticipated through the design, construction and installation of a third platform, Charlie. This is currently at the conceptual design phase but is expected to be sanctioned later this year and will ultimately lead to the commercialisation of a proportion of the identified contingent resource in the field.

Reserves and resources in the Bualuang oil field have been estimated as at 31 December 2013 by both Salamander management and RPS Energy, its independent reserve auditor as follows:

		Proved Reserves	Proved + Probable Reserves	Best Estimate Contingent Resources
Salamander Management	(MMbo)	19.3	32.7	52.3

RPS Energy (MMbo) 19.3 30.1 27.8

The G4/50 concession surrounds the B8/38 concession and Salamander has acquired 3D seismic over the acreage and mapped a large number of prospects and leads in the 10-100 MMbo size range. Environmental permits are currently being sought to cover 20 drilling locations in the G4/50 acreage.

For the twelve months ended 31 December 2013, on an IFRS basis, Salamander Energy Bualuang Limited ("SEBG"), the Group's wholly-owned subsidiary which holds 60% interest in the B8/38 concession, and which is the subject of the proposed Transaction, generated revenues of approximately US\$272 million and profit before taxation of US\$103 million. Gross assets of SEBG, as at 31 December 2013, were US\$438 million.

In connection with the proposed Transaction, and with effect from 1 January 2014, SEBG has agreed to transfer a 40% working interest in G4/50 to a subsidiary of Salamander. The value of the interest to be transferred was US\$11.3 million as at 31 December 2013, reducing the gross assets, the subject of the proposed Transaction accordingly.

Transaction Structure

The proposed Transaction is to be effected via a share sale to SONA of an interest in SEBG which will result in SONA having an effective 40% working interest in both B8/38 and G4/50. The relationship between Salamander and SONA will be governed by a series of documents including a Shareholders Agreement, a Joint Operating Agreement and certain Management, Technical and Support Service Agreements. These Agreements will set out the respective rights and obligations of the two shareholders of SEBG, which will be governed by its own Board, chaired by Salamander.

Following the Transaction, Salamander Energy (Bualuang) Limited will continue to operate the B8/38 concession. Salamander will retain an effective 60% interest in both the B8/38 and G4/50 concessions through its residual holding in SEBG and through Salamander Energy (E&P) Limited, a second, wholly-owned subsidiary which holds a direct 40% interest in the B8/38 concession.

General Meeting and Shareholder Circular

Completion of the Transaction is conditional upon, amongst other things, Salamander shareholders' providing approval for the proposed Transaction, as due to its size, it constitutes a Class 1 Disposal under the Listing Rules. A circular setting out further details of the Transaction, together with the notice to convene the general meeting and the form of proxy for use at the general meeting, will be posted to Salamander shareholders in due course. The resolution will be proposed as an ordinary resolution that will be passed if a simple majority of the votes cast at the meeting are in favour of the resolution. Completion of the Transaction is expected to occur during the fourth quarter of 2014.

Clifford Chance acted as Legal Adviser to Salamander on the Transaction.

James Menzies, CEO of Salamander, commented:

"The transaction announced today, represents excellent value for shareholders. Since increasing our stake in the field in 2010, Bualuang has produced over 10 million barrels of oil and generated significant cash flow. This deal demonstrates that during that time, Salamander has more than doubled the value of the field under its stewardship against a flat commodity price.

Partially crystallising that value now allows us to significantly strengthen the balance sheet and return capital to shareholders while retaining a majority interest in, and operatorship of the field. Meanwhile, we are looking forward to both the continued development of the field and the exploration of the G4/50 concession together with our new partner."

There will be a conference call for analysts and investors at 9 am UK time on Monday 21 July, Dial in details as below:

Participant UK FreeCall Dial-In Numbers: 0800 6940257

Participant International: +44 (0) 1452 555566

Conference ID: 76597417

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Notes to Editors

About Salamander

Salamander Energy is an independent upstream oil and gas exploration and production company listed on the main market of the London Stock Exchange (Ticker: SMDR). The Group has a balance of producing, development and exploration assets in Thailand, Indonesia and Malaysia.

About SONA

SONA is a special purpose acquisition company ("SPAC") listed on the Malaysian stock exchange formed by a group of experienced senior executives from the oil and gas industry targeting the acquisition of upstream assets in SE Asia and elsewhere.

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