28 August 2014

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

Half Year Financial Results

Salamander Energy announces its half year results for the six months ended 30 June 2014.

HIGHLIGHTS

OPERATIONAL

- Average daily production 11,800 boepd (1H 2013: 14,900 boepd), reflecting production downtime at start of year which reduced output by 2,800 boepd during the period
- Drilled 10 development wells in Bualuang field, East Terrace wells outperforming expectations
- Four additional slots added to the Bravo platform well bay
- Bualuang power and processing modules hooked up and commissioned, FSO now operational and receiving all crude production
- WK-1 discovery takes Kerendan field to over 1 TCF gas-in-place
- Kerendan Gas Processing Facilities construction now more than 70% complete

FINANCIAL

- Revenue of $177.8 million (1H 2013: $ 197.0 million)
- Pre-tax operating cash flow of $115.2 million (1H 2013: $147.0 million)

- Post-tax operating cash flow of $3.8 million (1H 2013: $96.0 million)
- Pre-tax profit of $66.4 million (1H 2013: $10.3 million)
- Post-tax loss of $27.9 million (1H 2013: $86.1 million loss)
- Calculated impact of the production outage on financials during the period: $53 million reduction in revenue and $39 million reduction in post-tax operating cash flow
- Net debt as at 30 June of $401.0 million (FY 2013: $259.9 million) with cash and funds of $154.1 million (FY 2013: $265 million)
- Gearing is expected to fall to c. 30% post completion of the SONA transaction (30 June 2014: 52%)

PORTFOLIO

- Reached agreement to sell 40% interests in B8/38 & G4/50 to Sona Petroleum Berhad ("SONA") for $280 million
- Price reflects over $19 per proved & probable barrel of reserves
- Reduces single asset exposure

OUTLOOK

- Full year 2014 average daily production forecast 13,000 - 15,000 boepd, with production in the second half to date averaging 15,300 boepd
- Current development drilling programme in Greater Bualuang to complete during 2H 2014
- Bualuang Charlie Platform to be sanctioned by Board in 2H 2014
- East Terrace Southern Culmination exploration well proposed to be drilled in Q4 2014
- EIA application for G4/50 submitted to Thai authorities, awaiting hearing
- Tutung Plan of Development (PoD) to be submitted to Indonesian regulator for approval

Chief Executive, James Menzies, commented:

"The first half saw significant resource additions at West Kerendan in Indonesia and an intense period of development activity in Indonesia and Thailand which is now coming to fruition. The FSP process resulted in a deal to crystallise value through the disposal of a minority stake in the Greater Bualuang area, which will allow us to return capital to shareholders, retire debt and free up resources to help further diversify the portfolio.

Looking forward our priorities continue to be to commercialise our resource base, generate step out exploration prospects near our principal assets and to complete the strengthening of our balance sheet while pursuing business development opportunities in our region."

Management will be holding a conference call for analysts at 9am this morning, a replay facility will be available on the company website later today.

Enquiries:

Salamander Energy	**+ 44 (0)20 7432 2680**
James Menzies, Chief Executive Officer	
Geoff Callow, Head of Corporate Affairs	
Brunswick Group	**+44 (0)20 7404 5959**
Patrick Handley	
Elizabeth Adams	

Chief Executive's Review

At a corporate level, the first half of 2014 was dominated by the process to divest of a stake in our key operated Bualuang field, which ultimately led to the transaction announced in June with SONA. Meanwhile, in Thailand the Group continued to make major steps in the development of the Bualuang field against a backdrop of political change in the country. In Indonesia, exploration success at West Kerendan materially increased the Group's certified resources and highlighted the potential of the area.

Operations

Production was impacted at the start of the period by the Bualuang field offshore Thailand, being shut in for six weeks as repairs were undertaken to the damaged facilities. Development drilling was able to continue during this time and the field resumed production in February. With new wells completed in the T4 and T2 reservoirs, Group production recovered to average 11,800 barrels of oil equivalent per day in the first half, resulting in operating cash flow, pre working capital, of $122.7 million (1H 2013: $169.0 million).

A major part of our initiative to upgrade the field infrastructure in order to reduce operating costs and reduce the risk of future down-time, is to replace the Floating Production, Storage & Offloading vessel ("FPSO") with a Floating, Storage & Offloading vessel ("FSO"). Conversion of the Suksan Salamander FSO was completed during the period and it is now on location and receiving 100% of Bualuang production. Use of this new FSO, together with the new power and processing modules is expected to yield operating cost savings of up to $25 million per annum. Meanwhile planning and design work for a third platform continues and will be presented to the Board for sanction later this year. This third platform, Charlie, will lead to the development, and commercialisation, of additional resources identified during this current development drilling campaign.

In Indonesia, the highlight of the period was the West Kerendan discovery which has increased certified recoverable resources to over 650 Bcf in the Kerendan field. Work is ongoing to increase the permitted sales volumes from Kerendan as a result of both the successful development and exploration drilling in and around the field. Gas price negotiations continue between the field partners, the gas buyer(PLN) and the Indonesian regulator. The construction of the power plant and transmission lines has continued during the period and PLN expects to be ready to receive gas around year end.

SONA Transaction & Formal Sales Process

The decision to partially divest of a stake in the Group's 100% interest in the Bualuang field was taken having made good progress in proving up further resources in the field and with planning for the next wave of investment underway. This is consistent with the Group's strategy of holding high equity interests in its assets and realising value from them as they mature.

The proposed transaction we have agreed with SONA is for the sale of a 40% interest in our acreage containing the Bualuang oil field, B8/38, and the adjacent exploration concession, G4/50. We have agreed to sell these interests for $280 million, a price which reflects the value created in the field since Salamander acquired an additional 40% interest in the asset in 2010 for $105 million. The transaction is expected to complete during 4Q 2014. In the four years since we acquired the additional interest we have increased ultimately recoverable reserves and resources from 43 to 75 million barrels of oil, produced over 10 million barrels of oil, and ultimately realised a $145 million increase in the value of a 40% interest in the field.

On completion of the transaction, we will look to reduce gross debt by $200-250 million, which will transform the balance sheet of the Company, as well as return $50 million to shareholders.

During the process to divest of a stake in the Bualuang oil field, the Group received a number of preliminary and conditional approaches to acquire the entire share capital of the Company. These approaches were taken seriously by the Board, which considered each in turn alongside proposals to acquire a stake in the Bualuang asset. The Board concluded that the SONA transaction was the most compelling and offered the best value for shareholders as well as achieving the objectives of the original process.

Outlook

Our priorities continue to be to commercialise our resource base, generate step out exploration prospects near our principal assets and to complete the strengthening of our balance sheet while pursuing further business development opportunities in our region. We have not only demonstrated the ability to make value added acquisitions but have also, importantly, shown our willingness to generate shareholder value through disposals at the appropriate time.

With a stronger balance sheet, we believe that Salamander will be well positioned to deliver this strategy to the benefit of shareholders in 2014 and beyond.

Operational Review

The operational focus during the first half of 2014 was on the conversion of resources to reserves in keeping with our stated strategy. We made significant strides forward at both our key development assets, Bualuang and Kerendan, moving us closer to booking additional reserves.

Production

Production averaged 11,800 boepd during the first half. This number was impacted by the fact that production from the Bualuang field was shut-in for the first six weeks of the year due to damage to the facilities. With development drilling at the field on-going throughout the period full year production is expected to be between 13,000 and 15,000 boepd. In the second half to date production has averaged 15,300 boepd.

Health, Safety and Environment

A total of 1.7 million man hours were completed during the first half of 2014. In the year to date there have been six reportable incidents including three lost time incidents (LTIs) in Salamander's operated activities. All three LTIs were minor but avoidable, two having occurred on the Mako rig operating at Bualuang and one at the Kerendan river base. Whilst the Group's safety performance remains good by industry standards, steps have been taken to increase safety awareness in order to prevent these avoidable occurrences.

Thailand

Greater Bualuang

Operations in the Greater Bualuang area were centred on development drilling in the B8/38 block, the preparation for the installation of the FSO and replacement of the FPSO. Production from the Bualuang field averaged 9,900 bopd during the first half, due to a six week shut in whilst the facilities underwent repairs after being damaged in early January by an excursion of the Rubicon operated FPSO into the no-go area of its mooring spread. Average production for the days the field was on-stream was 13,400 bopd providing an indication of the strong underlying reservoir performance. Exploration activity was focused on obtaining the environmental permits required to drill wells in the G4/50 licence and the latest application is with the Thai authorities awaiting formal consideration.

B8/38 (100%, Operator)

10 wells were completed in the first half of 2014 as part of the Bravo platform development drilling programme, building on the 11 wells drilled during 2013. With the 16 slots on the Bravo platform having all been utilised, four additional slots have been added to the well bay on Bravo, and three have already been used to increase the number of producing wells. The wells drilled during 2014 to date have been conventional horizontal wells in the T4 and T2 reservoirs in both the main field and the East Terrace. The new wells have performed in line with expectations and driven further production growth relative to 2013. In particular, the production in the East Terrace has been strong with lower water cuts and higher well deliverability than forecast. We now plan to drill a number of dual lateral production wells with a view to increasing the number of production drain points per slot. The first of these wells has just been completed and is being brought on to production. The results are eagerly anticipated as success could generate significant efficiency gains in the future exploitation of the field.

Aside from development drilling, the first half was also a busy period in terms of upgrading the field infrastructure to both enable future growth and deliver a significant reduction in operating costs.

With all of the slots on the Bravo platform now utilised and significant resource upside having been identified a new platform is required. The Charlie platform will lead to both production growth and the conversion of contingent resource to reserves. A study examining the design options for the Charlie platform was completed during the period and an investment proposal is expected to be submitted for Board approval during 4Q 2014. Board approval should result in the first tranche of contingent resources being converted to 2P reserves at year end 2014.

The new infrastructure that will drive operating cost reductions at Bualuang of up to $25 million per annum is now on location and operational. The new power and processing modules on the Bravo platform were commissioned in May and have been running smoothly since. The Suksan Salamander FSO arrived on location in July, hook up and commissioning is now complete and the FSO is fully operational. The FPSO is expected to leave the field very soon.

Outside of the production and development work programme in B8/38, an exploration prospect, the "Southern Culmination", has been identified to the south of the East Terrace. This prospect has an EIA in place and is proposed to be drilled during 4Q 2014.

G4/50 (100%, Operator)

High graded drilling locations in G4/50 are all drill-ready pending approval of the Environmental Impact Assessment ("EIA"). An EIA application is with the Thai authorities and we are waiting to be notified of a date for the hearing before the Technical Review Committee which is responsible for approval of EIAs. The resource potential remains in the 25-100 MMbo range with chance of success of around one in four.

Other

Production from the Sinphuhorm field (9.5% interest) has been ahead of expectations during the first half with net daily production averaging 2,000 boepd. High demand due to a dearth of hydro-electric power has led to the higher than budgeted requirements of the Nam Phong power plant. PTT assumed the operatorship of the field during 1H following the acquisition of Hess' Thai portfolio. PTT has been extremely active since assuming the operatorship and is planning to start drilling on the field before year end. Plans include an extra producer in the South of the field and a well in the North. These will be the first wells to be drilled in the Sinphuhorm Production Licence area for six years, and the first well in the north of the field since the original discovery wells. If successful the northern well could result in a material upwards revision of recoverable resources.

To the east of Sinphuhorm, in L27/43 the operator APICO is planning to drill a pre-development well on the Dong Mun gas field to prove up more reserves and to provide additional production capacity on field start up. This work is going on in parallel to gas sales negotiations ahead of an investment decision on the development. The well is expected to spud during the first half of 2015.

Indonesia

Greater Kerendan

Greater Kerendan consists of the Bangkanai PSC where the Group now has over 650 Bcf of certified recoverable resource in the Kerendan gas field development and the West Kerendan gas discovery with first gas expected around the end of 2014. The Group's Northeast and West Bangkanai PSCs capture the upside exploration potential in the basin.

Kerendan/West Kerendan, Bangkanai PSC (70%, Operator)

The Group is now focused on commercialising the material gas resource discovered to date in the Kerendan area following the success of the development drilling on the Kerendan field in 2013 and the West Kerendan well in 1Q 2014. We are making progress on multiple fronts and construction of the Salamander gas processing facility is well advanced. Meanwhile, gas buyer PLN is moving towards completion of the power plant and transmission lines that will enable production to commence. Negotiations regarding the gas price of the current GSA are at an advanced stage. Furthermore Indonesian reserves certifiers are finalising their report on the Kerendan/West Kerendan area, which will lead to an increase in the gas we are permitted to sell by the Indonesian regulator.

The power plant will initially be a 155 MW facility and PLN has plans to expand this in 2016. This expansion in capacity will take demand above the daily contract quantity in the current GSA and it is expected that a second GSA will be negotiated for the supply of incremental volumes, potentially in excess of an additional 50 MMscfd.

Negotiations between Salamander, SKKMigas and PLN with regards to a higher gas price have progressed to an advanced stage and the re-negotiation is expected to conclude before first gas production which should result in a material uplift to the current $5.03 per Mscf.

The West Kerendan-1 exploration well was completed in the first half and found over 400 metres of gas saturation in two separate gas columns within the Upper Berai Carbonates, which tested at over 50 MMscfd. Salamander's independent reserves auditors have certified that there is over 300 Bcf of recoverable resource at the West Kerendan location. The upper zone is in communication with the main field c. 10 kilometres to the East suggesting a total gas bearing structure with an area in excess of 100 sq km.

The success of the West Kerendan-1 well has seen the Group's certified recoverable resource in the broader Kerendan area increase to over 650 Bcf. Whilst only 120 Bcf has currently been commercialised under the first GSA, the rest of the gas should not be deemed stranded. In Indonesia, to convert resources to reserves the regulator needs a reserves report from a domestic reserves certification agency and it will then use this report to determine what volume of gas may be offered for sale. An Indonesian resource certification agency is in the final stages of completing such a report which is an important step in the process of signing a second GSA to fill the expanded power plant.

North Kutei

The North Kendang-2 ("NK-2") exploration well was spudded towards the end of the period. The NK-2 well was a follow up to the North Kendang-1 well that was drilled in 2013 and encountered a high pressure wet gas kick in the Upper Miocene, which led to the well being plugged and abandoned.

In August, the NK-2 well reached a total depth of 2,569 metres true vertical depth sub-sea and encountered two hydrocarbon bearing intervals, one of which was the primary objective zone of high pressure encountered in the North Kendang-1 ("NK-1") well.

This was successfully penetrated in NK-2 and comprised a 2.5m gas condensate bearing sand. In addition, a 10.5m gas bearing sand with oil shows was encountered at a shallower depth. This sand is at the same stratigraphic level that flowed 6,000 bopd on test in the South Kecapi-1 DIR/ST well in the Bontang PSC.

The volume of hydrocarbons encountered by NK-2 were considered to be sub-commercial and the well was plugged and abandoned, with substantially all of the well costs covered under the Group's insurance policies. The NK-2 well concludes the North Kutei drilling programme and we will now review our strategic options in this area.

Elsewhere on the Bontang PSC, a plan of development for the Tutung discovery has been submitted to the authorities.

Malaysia

Malaysia is a region that Salamander is targeting for future growth. Having entered the country through the award of the PM-322 PSC at the end of 2013 the focus during this period has been on building a team in country ahead of a logistically challenging 3D seismic survey that is planned for 4Q 2014/1Q 2015 with a view to drilling a well before the end of 2016. We continue to evaluate other opportunities to build our business in Malaysia.

Summary

The Group has made significant steps towards converting contingent resources through to reserves in the first half of 2014 at both our Bualuang and Kerendan fields. The Kerendan position in particular was transformed during the first half with the West Kerendan discovery.

In Greater Bualuang we are already fully operational with the new FSO enabling us to realise a material reduction in operating costs. We also expect to finalise the conceptual design for the Charlie platform and obtain Board sanction for the project. Finally, we are cautiously optimistic that we will be in position to drill exploration wells on G4/50 before the end of the year. In Kerendan, PLN should be ready to receive first gas around year end. We also expect to conclude negotiations over the higher gas price and hope to be informed by the regulator as to the volume of gas we will be permitted to sell in our second gas sales agreement.

Financial Review

	Units	1H'14	1H'13	2013
Income statement:				
Realised prices:				

Oil and liquids	$/bbl	105.13	102.10	100.83
Gas	$/Mscf	-	5.39	5.62
Revenue	$'millions	177.8	197.0	456.2
Operating costs per boe	$/boe	18.98	14.44	16.63
Profit before taxation	$'millions	66.4	10.3	39.6
Taxation	$'millions	94.3	96.4	159.4
Balance sheet:				
Capital expenditures:				
Acquisitions	$'millions	0.1	-	-
Exploration and appraisal	$'millions	35.8	119.9	181.0
Development and production	$'millions	117.8	95.6	191.6
Net disposal proceeds	$'millions	-	27.0	27.0
Net debt[1]	$'millions	401.0	255.9	259.9
Gearing[2]	%	52	37	39
Cash flow statement:				
Cash generated from operations	$'millions	115.2	147.0	344.4
Taxation payment	$'millions	111.3	51.0	56.7
Cash from operations per boe	$/boe	56.50	60.13	70.88

1 - See note 16 for further details
2 - Gearing is defined as net debt divided by net debt plus book equity

Introduction

Salamander's financial performance in the first half of 2014 was coloured by the impact of an unplanned six week shutdown on the Bualuang field. Looking through this event, the Group's development-focused investment programme continued to drive robust revenue generation, which combined with successful exploration drilling to deliver a pre-tax profit of $66.4 million (1H 2013: $10.3 million). Translated to cash flow, finances displayed the normal first-half weighting of taxation payments, but in 1H 2014 these payments were magnified by strong levels of cash generation in 2013. As is normal, Salamander will generate the majority of its net cash flow during the second half of the year.

To accommodate the various financial impacts of Bualuang's shutdown, the Group drew a cushion of additional debt and extended the Mako rig contract by a further two months. With the production back online, the additional debt is now being repaid (post 30 June 2014) and production continues to benefit from the new wells drilled. Reflective of these steps, full year capital expenditure guidance is revised to circa $300 million (from $275 million).

On completion of the proposed SONA transaction, the Group intends to repay between $200 and $250 million of debt (inclusive of the Convertible Bonds) and to return $50 million to shareholders. Net of these steps, Salamander's gearing is anticipated to fall to circa 30% (1H 2014 52%).

Statement of Comprehensive Income

Revenue, realisations and production

Group first half working interest production averaged 11,800 boe per day (1H 2013: 14,900 boepd), with the Bualuang field accounting for 83% of output. Underlying the decline in Group output is the impact of the unplanned shutdown on the Bualuang oil field. This outage lowered production in the period by circa. 0.5 million barrels (or c. 2,800 bopd), and masked the underlying positive impact of the continued programme of Bualuang development drilling, which was uninterrupted by the outage. Adding these volumes back would have resulted in growth of 6% in production relative to 2H 2013.

Group average realisations improved year-on-year by 8% (1H 2014: $105.13/boe; 1H 2013: $97.55/boe) as a result of marginally higher oil prices and an improved contract price for Bualuang crude, priced at $0.4/bbl discount to Dubai v $1.10/bbl discount to Dubai in 1H 2013. Figures for both periods are rebased in absolute terms by the adoption of IFRS 11 - Joint Arrangements ("IFRS 11") under which the financial contribution of Sinphuhorm volumes is now equity accounted.

Group revenue totalled $177.8 million (1H 2013: $197.0 million). Adjusted for the impact of the shutdown, revenue would have totalled circa $231 million.

Cost of Sales

Cost of sales totalled $89.4 million (1H 2013: $78.5 million). Within this figure, direct operating costs of $39.7 million (1H 2013: $37.7 million) include additional fixed FPSO-related costs associated with the Bualuang outage. Adjusting for the outage underlying Group operating expenditure averaged c$16 per barrel.

Salamander remains on track to deliver operating cost savings at the Bualuang field of up to $25 million per annum. During the period the Group began powering the field facilities with its own crude and in July the Teekay Suksan Salamander FSO arrived on location. Crude production switched to the FSO in mid-August, and the Rubicon Vantage FPSO is scheduled to leave the field at the month's end.

Royalty declined to $15.5 million (1H 2013: $16.8 million); amortisation fell to $40.8 million (1H 2013: $53.0 million); and a $6.6 million positive offset adjusts for the value of crude that remained unsold in Bualuang's tanks at 30 June 2014 (1H 2013: $29.0 million positive inventory adjustment).

Exploration expense

Exploration costs expensed through the income statement fell significantly to $6.7 million (1H 2013: $111.2 million). Of this figure $2.7 million relates to the write-off of unsuccessful exploration costs (1H 2013: $108.7 million), the balance in both periods being pre-licence costs.

Equity accounted investments and Administrative Expense

Having adopted IFRS 11 for the reporting of Sinphuhorm's financial contribution to the Group, the share of profit from equity accounted investments totalled $7.9 million (1H 2013: $7.5 million).

Administrative costs rose year-on-year to $5.0 million (1H 2013: $2.3 million), but were flat on 2H 2013. Salamander remains focused on managing administrative expense toward 2013's lower FY levels.

Finance revenue and expense

1H 2014 accounts capture a transitional step in the Group's balance sheet (see discussion below). This led to temporarily higher levels of gross debt, and net finance costs rose to $16.9 million (1H 2013: $10.4 million). Alongside this, an 'other financial' loss of $1.3 million in 1H 2014 contrasts to a gain of $9.1 million in 1H 2013. 2013's gain reflected a positive mark-to-market movement on the Group's oil hedge book (which in 2013 was subsequently offset by an 2H 2013 currency loss).

Year-to-year the Group undertakes a limited oil price hedging programme, the aim of which is to protect the cash flows that fund the Group's future capital expenditure programme. For 2014 Salamander has hedged 2,600 bopd of production at an average swap price of $104.0 per bbl, with a further call option over these volumes at $120/bbl. In 2015, 1,200 bopd of production is hedged at an average swap price of $103.3/bbl, also with a call option at $120/bbl. The Group is no longer subject to material mark-to-market movements in the income statement in relation to these programmes as it adopted hedge accounting principles from mid-way through 2013.

Profit before taxation totalled $66.4 million (1H 2013: $10.3 million).

Taxation

Income statement taxation charges totalled $94.3 million (1H 2013: $96.4 million). Current taxation charges equalled $49.2 million (1H 2013: $48.4 million) and deferred taxation charges totalled $45.1 million (1H 2013: $48.0 million). As in previous periods, the income statement taxation charge is distorted by a number of items that cannot be taken as allowances against tax. In addition the deferred tax charge does not yet reflect the improved profile of future payments that will be triggered by board sanction of the 'Charlie' development. A reconciliation of the Group's taxation charge is set out in note 9 to the financial statements.

After tax, Salamander reported a net loss of $27.9 million (1H 2013: $86.2 million).

Balance Sheet

Capital expenditure

Accrued capital expenditures totalled $153.7 million (1H 2013: $214.7 million). 77% ($117.8 million) of this spend related to production and development activity (1H 2013: $96.0 million), 84% of which was spent on drilling and facilities upgrades within Thailand where the Group is able to capture significant fiscal efficiencies. The balance of Group production and development spend lay within Indonesia, where the development of the Kerendan gas field is now at an advanced stage. Expenditure associated with exploration and appraisal activity totalled $35.8 million, 86% of which lay in Indonesia where the Group made a significant discovery at West Kerendan. Exploration and appraisal, and production and development expenditures capitalised and carried forward on the Balance Sheet at 30 June 2014 totalled $1,051.1 million (1H 2013: $896.2 million).

Cash and net debt

Post the impact of the Bualuang outage and reflective of the normal 1H-weighting of the Group's cash taxation payments, at 30 June 2014 Group net debt had risen to $401.0 million (30 June 2013: $255.9 million). Breaking this into its component parts, total gross debt equalled $555.0 million (1H 2013: $425.0 million), and cash and funds totalled $154.1 million (1H 2013: $169.1 million). This net position reflects a transitional step in Salamander's balance sheet.

Alongside total gross bank borrowings at 30 June 2014 of $311.0 million (1H 2013: $325.0 million), Salamander continued to hold $94 million of Convertible Bond debt (due March 2015) as well as $150 million of high-yield bond debt. These high yield bonds were issued in November 2013, and $50 million of the proceeds were used in 4Q 2013 to retire a short-term debt facility. The security behind this facility (Kerendan) was then rolled into the lower-cost RBL, which subsequently expanded in size to $350 million (from $300 million). Cash relating to the $100 million balance of proceeds is earmarked to refinance the Group's $94 million of convertibles, however these have remained on the balance sheet since the Group has from a regulatory point of view been restricted from tendering for the bonds due to the Bualuang sale process.

Post completion of the SONA transaction the Group intends to repay between $200 and 250 million of debt and to return $50 million to shareholders. Net of these steps, Salamander's gearing is anticipated to fall to circa 30% (1H 2014 52%).

Cash flow statement

Operating cash flow

Post the impact of Bualuang's unplanned shutdown, pre-tax operating cash flow declined to $115.2 million (1H 2013: $147.0 million). Adding back the barrels that were not produced due to the incident, operating cash flow would rise to $154.2 million, approximately flat on 1H 2013.

In any particular year, Salamander's cash taxation payments are heavily first half weighted and levied against the levels of prior-year activity (in May the full SRB charge liable on the previous year's production is paid, as well as a balancing payment for the prior year's Petroleum Income Tax). As a result, the Group's post-tax cash flow is always heavily second-half-loaded.

For the full year 2013, a 71% year-on-year step-up in Bualuang production led to a high level of pre-tax operating cash flow ($344.4 million) versus a relatively low cash taxation payment ($56.7 million). The resulting post-tax margin was further enhanced through the shelter that the Group received from its expanded programme of facilities-based Bualuang investment.

The cash taxation payment of $111.3 million for the current period (1H 2013: $51.0 million) was calculated with reference to FY 2013 levels of cash generation, and reflects a shift in investment focus from facilities (where each dollar spent receives a 25% uplift for SRB) to production drilling (where there is no uplift for SRB but each dollar spent receives circa 70% relief against SRB and petroleum income tax). $70.3 million of cash taxation relates to SRB payments (1H 2013: $26.0 million) and $41.0 million to income tax (1H 2013: $25.0 million). Combining the timing characteristics of the Group's Thai taxation payments, and the impact of the Bualuang outage, operating cash flow net of taxation fell to $3.8 million (1H 2013: $96.0 million).

Looking to the future, as Salamander begins the construction of a third Bualuang platform, the focus of activity will return to facilities based investment.

Investing cash flow

Having rescaled and refocused the Group's capital spending programme, total capital expenditures declined by 28% to $130.1 million (1H 2013: $181.1 million) whilst the weight of spend on production and development activities expanded to 74% (1H 2013: 37%).

Within these figures, Bualuang activity accounted for 81% of production and development capital expenditures. The balance was spent on the Kerendan gas development in Indonesia. Exploration and appraisal capital expenditures were almost exclusively spent within Indonesia, where the Group announced the 350 bcf West Kerendan discovery and spudded the re-drill of the North Kendang exploration prospect. Costs at North Kendang are largely covered under the Group's insurance policies.

Across the balance of the year, activity will be development-based and focused at Bualuang and Kerendan. This will include costs associated with a two month extension to the Atwood Mako rig contract, which is being used to regain ground lost following Bualuang's unplanned outage. The contract extension lifts 2014 capital expenditures guidance to $300 million (from $275 million).

Alongside its budgeted programmes of capital investment, in 1H 2013 Salamander sold a 30% interest in the Bangkanai PSC to Saka

Energy for net $27 million. Although no similar cash inflows occurred in 2014, on 21st July 2014 Salamander announced the sale of 40% of the B8/38 and G4/50 licences to SONA for a cash consideration of $280 million. This transaction is expected to close during 4Q 2014 assuming receipt of various regulatory and shareholder approvals.

Financing cash flow

Having repaid $50 million of higher-cost short-term debt at the end of 2013, the Group considered it prudent to redraw net $30 million against its banking facilities whilst it managed the financial impact of Bualuang's unplanned shutdown. As a consequence, total gross debt at 30 June 2014 rose to $555 million, which in turn lifted interest payments to $16.8 million (1H 2013: $11.3 million). Post 30 June 2014, Salamander has made significant inroads to repaying this additional drawn debt.

Net of these movements, financing activities in 1H 2014 generated a net cash inflow of $12.2 million (1H 2013: $10.8 million net inflow).

The net impact of the Group's operational, investing and financial activity led to an $112.9 million cash outflow during the period (1H 2013: $46.0 million cash outflow).

Financial outlook

Completion of the sale of 40% of B8/38 and G4/50 to SONA will fundamentally rescale the Group's balance sheet and leave Salamander in a strong position to advance to cash flow its highly tangible portfolio of development opportunities (Bualuang Charlie and continued development of the Kerendan field) and to begin the process of broadening its base of development opportunities.

Ahead of this, remedial action taken at the time of Bualuang's unplanned outage ensures that Group average production for the year remains on target for the narrowed 2014 guidance range of 13,000 to 15,000 boepd. In parallel, the recently announced delivery of first oil into the Suksan Salamander FSO leaves Salamander on track from September 2014 to lower Bualuang's operating costs by up to $25 million per year.

Elsewhere, progress on the Kerendan gas development continues at pace and Salamander is on course to begin diversifying its output away from Bualuang. Kerendan gas price negotiations are at an advanced stage; the aim being to reset pricing within the base Gas Sales Agreement ahead of the commercialisation of Kerendan's significant and growing contingent resource base.

Risk management

The Group's Executive Directors constantly monitor the Group's risk exposures and report to the Audit Committee on a six monthly basis, with more frequent updates on particular risks as required. The Audit Committee provides oversight on risks whilst ultimate authority remains with the Group's Board.

The principal risks for the Group remain as previously detailed on pages 14 to 15 of the 2013 Annual Report and Accounts and can be summarised as:

- Strategic risks: Bualuang's importance to production and cash flow, the intensified political and fiscal risks that could result through the Group's focus on a single geographic region
- Operational risks: the need for effective management of relations with host governments, regulators and NOCs, the potential for un-budgeted cost over-runs, the risk of value erosion due to project delays
- HSE risks: the potential for catastrophic loss following an operational incident, the potential consequences of mismanagement of community stakeholder relations, the risk of loss through poor third party HSE standards
- Financial risks: the risk that a restriction of available capital could constrain the business, the potential for commodity price volatility to disrupt planning and/or project execution
- Governance and compliance: an exposure to business risks that are governed by the Corruption & Bribery Act, an exposure to risks that might result from employee misconduct, the risk of loss due to the occurrence of fraud

Related Party Transactions

There have been no material related party transactions during the period.

Dr Jonathan Copus

Chief Financial Officer

27 August 2014

Responsibility statement

We confirm that to the best of our knowledge:

a. the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";

b. the interim management report includes a fair review of the information required by Disclosure and Transparency Rules ("DTR") 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

c. the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board
27 August 2014

Independent review report to Salamander Energy PLC
Six months ended 30 June 2014

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 20. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410

"Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 3, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

27 August 2014

Condensed consolidated statement of comprehensive income
Six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 Unaudited $'000s	Six months ended 30 June 2013 Unaudited Restated[1] $'000s	Year ended 31 December 2013 Restated[1] $'000s
CONTINUING OPERATIONS				
Revenue	6	177,781	196,989	456,196
Cost of sales:				
Operating costs		(39,689)	(37,701)	(83,904)
Royalty payable		(15,460)	(16,797)	(41,141)
Amortisation of oil and gas properties		(40,813)	(52,972)	(111,987)
Movement in inventories of oil		6,602	28,949	13,007
Total cost of sales		(89,360)	(78,521)	(224,025)
Gross profit		88,421	118,468	232,171
Exploration expenses:				
Pre-licence exploration expenses		(3,973)	(2,569)	(7,041)
Exploration costs written off	11	(2,729)	(108,650)	(162,253)
Total exploration expenses		(6,702)	(111,219)	(169,294)
Share of profit of investments accounted for using the equity method	19	7,856	7,494	11,522
Loss on disposal of assets		-	(871)	(871)
Administration expenses		(4,996)	(2,327)	(7,290)
Operating profit		84,579	11,545	66,238
Interest revenue		81	58	103
Finance costs	7	(16,917)	(10,383)	(22,780)
Other financial (losses)/gains	8	(1,332)	9,077	(3,981)
Profit before tax		66,411	10,297	39,580
Taxation:				

	Notes			
Current tax		(49,189)	(48,370)	(138,868)
Deferred tax		(45,107)	(48,046)	(20,487)
Total Taxation	9	(94,296)	(96,416)	(159,355)
Loss after taxation		(27,885)	(86,119)	(119,775)
Loss on cash flow hedges[2]		(2,135)	(1,357)	(4,346)
Total comprehensive loss for the period		(30,020)	(87,476)	(124,121)

	Notes	$'s	$'s	$'s
Loss per ordinary share				
Basic and diluted	10	(0.11)	(0.33)	(0.46)

1 Prior period comparatives have been restated following the adoption of IFRS 11 (see note 19)
2 This loss may be subsequently recycled to the income statement.

Condensed consolidated statement of change in equity
Six months ended 30 June 2014

	Share Capital $'000s	Share Premium $'000s	Other Reserves $'000s	Retained Loss $'000s	Total $'000s
1 January 2013	46,632	563,703	271,719	(361,746)	520,308
Ordinary shares issued	194	-	-	-	194
Share-based payments	-	-	3,374	-	3,374
Comprehensive loss for the period	-	-	(1,357)	(86,119)	(87,476)
30 June 2013 (unaudited)	46,826	563,703	273,736	(447,865)	436,400
Ordinary shares issued	16	-	-	-	16
Share-based payments	-	-	2,642	-	2,642
Comprehensive loss for the period	-	-	(2,989)	(33,656)	(36,645)
31 December 2013	46,842	563,703	273,389	(481,521)	402,413
Ordinary shares issued	87	-	-	-	87

Share-based payments	-	-	2,538	-	2,538
Comprehensive loss for the period	-	-	(2,135)	(27,885)	(30,020)
30 June 2014 (unaudited)	**46,929**	**563,703**	**273,792**	**(509,406)**	**375,018**

Other reserves

Other reserves comprise:

	Six months ended 30 June 2014 Unaudited $'000s	Six months ended 30 June 2013 Unaudited $'000s	Year ended 31 December 2013 $'000s
Share-based payment reserve	27,271	22,091	24,733
Convertible bonds (see Note 14)	11,271	11,271	11,271
Hedge reserve	(6,481)	(1,357)	(4,346)
Merger reserve	241,731	241,731	241,731
Total other reserves	273,792	273,736	273,389

Condensed consolidated balance sheet
At 30 June 2014

	Notes	30 June 2014 Unaudited $'000s	30 June 2013 Unaudited Restated[1] $'000s	31 December 2013 Restated[1] $'000s
Assets				
Non-current assets				
Intangible exploration and evaluation assets	11	325,979	293,204	293,147
Property, plant and equipment	12	725,104	602,951	648,012
Other receivables:			-	
Restricted bank deposits		19,439	2,331	18,000
Other		37,772	32,700	30,493
Investments accounted for using the equity method	19	36,664	27,797	29,922
Total non-current assets		1,144,958	958,983	1,019,574

Current assets				
Inventories		51,228	62,473	42,370
Trade and other receivables		25,033	53,938	46,738
Restricted bank deposits		843	3,768	2,279
Cash and cash equivalents		133,773	162,992	244,769
Assets classified as held for sale		-	18,000	-
Total current assets		210,877	301,171	336,156
Total assets		1,355,835	1,260,154	1,355,730
Liabilities				
Non-current liabilities				
Bank borrowings	13	223,632	254,017	259,593
Convertible bonds	14	-	95,093	96,495
Bonds payable	15	145,596	-	145,970
Provisions		52,614	26,885	47,698
Deferred tax liability	9	215,559	198,011	170,452
Total non-current liabilities		637,401	574,006	720,208
Current liabilities				
Liabilities associated with assets held for sale		-	3,034	-
Trade and other payables		95,857	126,011	87,727
Bank borrowings due within one year	13	80,226	61,995	7,834
Convertible bonds	14	91,897	-	-
Current tax liability		75,436	54,708	137,548
Provisions		-	4,000	-
Total current liabilities		343,416	249,748	233,109
Total liabilities		980,817	823,754	953,317
Net assets		375,018	436,400	402,413
Equity				
Share capital	18	46,929	46,826	46,842
Share premium		563,703	563,703	563,703
Other reserves		273,792	273,736	273,389
Retained loss		(509,406)	(447,865)	(481,521)
Total equity		375,018	436,400	402,413

1 Prior period comparatives have been restated following the adoption of IFRS 11 (see note 19)

The interim financial information was approved by the Board of Directors on 27 August 2014.

Condensed consolidated cash flow statement
Six months ended 30 June 2014

	Six months ended 30 June 2014 Unaudited $'000s	Six months ended 30 June 2013 Unaudited Restated[1] $'000s	Year ended 31 December 2013 Restated[1] $'000s
Cash flow from operating activities			
Profit before tax	66,411	10,297	39,580
Adjustments for:			
Amortisation, depreciation and impairment of PPE	41,053	53,238	112,764
Exploration write-offs	2,729	108,650	162,253
Loss on disposal of assets	-	871	871
Interest revenue	(81)	(58)	(103)
Finance costs	16,917	10,383	22,780
Other financial losses/(gains)	1,332	(9,077)	3,981
Share of profit of investments accounted for using the equity method	(7,856)	(7,494)	(11,522)
Share-based payment	2,179	2,175	4,463
Operating cash flow prior to movement in working capital	122,684	168,985	335,067
Increase in oil inventories	(6,496)	(28,949)	(13,007)
Decrease in trade and other receivables	5,845	20,366	4,171
(Decrease)/increase in trade and other payables	(6,847)	(13,380)	18,127
Cash generated from operations	115,186	147,022	344,358
Payment of tax	(111,338)	(50,974)	(56,718)
Net cash from operating activities	3,848	96,048	287,640
Investing activities			
Expenditure on intangible assets	(33,946)	(113,665)	(170,178)
Purchase of property, plant and equipment	(96,124)	(67,469)	(179,726)

Dividend received from investments	1,359	3,533	6,115
Increase in investments	(272)	-	(679)
Proceeds from disposal of assets	-	27,000	27,000
Movement in other receivables	(3)	(2,301)	(18,650)
Interest received	81	59	103
Net cash used in investing activities	(128,905)	(152,843)	(336,015)
Financing activities			
Interest paid	(16,787)	(11,282)	(19,283)
Other financial receipts and payments	(7,652)	736	739
Cash flows in respect of long-term bank borrowings:			
Repayment of borrowings facilities	(6,242)	-	(50,000)
Drawdown of borrowings facilities	42,758	21,134	20,557
Cash flow in respect of shares issued:			
Gross proceeds	87	194	209
Cash flow in respect of bonds issued:			
Proceeds from issue of bonds payable	-	-	150,000
Fees from issue of bonds payable	-	-	(4,952)
Net cash from financing activities	12,164	10,782	97,270
Net (decrease)/ increase in cash and cash equivalents	(112,893)	(46,013)	48,895
Cash and cash equivalents at the beginning of the year	244,769	207,342	207,342
Effect of foreign exchange rate changes	1,897	1,663	(11,468)
Cash and cash equivalents at the end of the year	133,773	162,992	244,769

1 Prior period comparatives have been restated following the adoption of IFRS 11 (see note 19)

Notes to consolidated financial information
Six months ended 30 June 2014

1. General Information

The information for the year ended 31 December 2013 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2. Going Concern

The Group has significant expenditure commitments on its exploration and development portfolio within the next 12 months. As highlighted in notes 13, 14 and 15, the Group intends to meet these investment requirements through a mixture of an up to $350 million reserves based lending facility, bond financing and free cash flow.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of this report. Accordingly, the Company continues to adopt the going concern basis in the preparation of the condensed consolidated interim financial statements.

3. Accounting Policies

The annual financial statements of Salamander Energy PLC are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

4. Basis of Preparation

The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Except for the adoption of IFRS 11 on 1 January 2014 (see below), the same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements. A number of other new standards, amendments to existing standards and interpretations were applicable from 1 January 2014. The adoption of these amendments did not have a material impact on the Group's condensed financial statements for the period ended 30 June 2014.

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangement and determined it to be a joint venture. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. See note 19 for further details.

5. Segmental Analysis

The Group's reportable and geographical segments are Thailand, Indonesia and Other. Other includes Malaysia and corporate centre in the UK and Singapore.

Segment Revenues and Results

The following is an analysis of the Group's revenue and assets by reportable segment:

	Six months ended 30 June 2014			
	Thailand	**Indonesia**	**Other**	**Total**
	$'000s	**$'000s**	**$'000s**	**$'000s**
Revenue (external)	181,046	-	(3,265)	177,781
Operating profit/(loss)	97,835	(2,308)	(10,948)	84,579
Interest revenue	-	-	81	81
Finance cost	-	-	(16,917)	(16,917)
Other financial losses	-	-	(1,332)	(1,332)
Profit/(loss) before tax	97,835	(2,308)	(29,116)	66,411
Tax	-	-	(94,296)	(94,296)
Profit/(loss) for the period	97,835	(2,308)	(123,412)	(27,885)
Total assets	779,264	458,407	118,164	1,355,835

	Six months ended 30 June 2013 (Restated - note 19)			
	Thailand	**Indonesia**	**Other**	**Total**
	$'000s	**$'000s**	**$'000s**	**$'000s**
Revenue (external)	192,310	7,046	(2,367)	196,989
Operating profit/(loss)	130,006	(97,134)	(21,327)	11,545
Interest revenue	-	-	58	58
Finance cost	-	-	(10,383)	(10,383)
Other financial gains	-	-	9,077	9,077
Profit/(loss) before tax	130,006	(97,134)	(22,575)	10,297
Tax			(96,416)	(96,416)
Profit/(loss) for the period	130,006	(97,134)	(118,991)	(86,119)
Total assets	718,444	419,878	121,832	1,260,154

	Year ended 31 December 2013 (Restated - note 19)			
	Thailand	**Indonesia**	**Other**	**Total**
	$'000s	**$'000s**	**$'000s**	**$'000s**
Revenue (external)	453,578	8,063	(5,445)	456,196

Operating profit/(loss)	201,450	(110,415)	(24,797)	66,238
Interest revenue	-	-	103	103
Finance cost	-	-	(22,780)	(22,780)
Other financial losses	-	-	(3,981)	(3,981)
Profit/(loss) before tax	201,450	(110,415)	(51,455)	39,580
Tax	-	-	(159,355)	(159,355)
Profit/(loss) for the period	201,450	(110,415)	(210,810)	(119,775)
Total assets	698,546	425,641	231,543	1,355,730

Substantially all the tax charge in all periods presented arises in Thailand.

6. Revenue

Revenue, excluding interest revenue of $81,000 (1H 2013: $58,000, FY 2013: $103,000), comprises:

	Six Months ended 30 June 2014 $'000s	**Six Months ended 30 June 2013 (Restated - note 19) $'000s**	**Year ended 31 December 2013 (Restated - note 19) $'000s**
Sales of Oil	181,046	196,198	458,336
Sales of Gas	-	3,157	3,305
Realised settlement losses on hedging	(3,265)	(2,366)	(5,445)
Total revenue (excluding interest revenue)	177,781	196,989	456,196

7. Finance Costs

	Six Months ended 30 June 2014 $'000s	**Six Months ended 30 June 2013 (Restated - note 19) $'000s**	**Year ended 31 December 2013 (Restated - note 19) $'000s**
Long term borrowings:			
Amortisation of capitalised arrangement fees	2,098	1,590	3,826
Interest expense	15,740	9,101	18,966
Unwinding of discount:	-		-
Convertible bonds	1,159	1,147	2,317
Provision for decommissioning	501	286	624

Less interest capitalised	(2,581)	(1,741)	(2,953)
Total finance costs	16,917	10,383	22,780

8. Other Financial Gains and Losses

	Six Months ended 30 June 2014	Six Months ended 30 June 2013 (Restated - note 19)	Year ended 31 December 2013 (Restated - note 19)
	$'000s	$'000s	$'000s
Gain relating to oil derivatives	-	7,130	7,130
(Loss)/profit on investments	(99)	68	(162)
Currency exchange gain/(loss)	1,604	1,879	(10,949)
Bad debt written off	(2,837)	-	-
Total other financial (losses)/gain	(1,332)	9,077	(3,981)

Profit relating to hedges is a result of hedges contracted by the Group. Refer to note 17 for further details.

9. Taxation

Taxation charge comprises:

	Six Months ended 30 June 2014	Six Months ended 30 June 2013 (Restated - note 19)	Year ended 31 December 2013 (Restated - note 19)
	$'000s	$'000s	$'000s
Current taxation			
Special remuneratory benefit	32,193	28,550	91,128
Income tax	16,996	19,820	47,740
Total current tax	49,189	48,370	138,868
Deferred taxation			
Special remuneratory benefit	28,648	27,796	(1,883)
Income tax	16,459	20,250	22,370
Total deferred tax	45,107	48,046	20,487

Total tax charge	94,296	96,416	159,355

Special remuneratory benefit (SRB) is a tax that arises on one of the Group's assets, Bualuang in Thailand, at rates that vary from zero to 75% of annual petroleum profit depending on the level of annual revenue per cumulative metre drilled. The current rate for special remuneratory benefit for 1H 2014 was 52% (1H 2013: 47%, FY 2013: 52%). Petroleum profit for the purpose of special remuneratory benefit is calculated as revenue less a number of deductions including operating costs, royalty, capital expenditures, special reduction (an uplift of certain capital expenditures) and losses brought forward.

Reconciliation of SRB charge to profit before taxation

The taxation charge for SRB for the year can be reconciled to the profit before tax per the Statement of Comprehensive Income as follows:

	Six Months ended 30 June 2014 **$'000s**	**Six Months ended 30 June 2013 (Restated - note 19)** **$'000s**	**Year ended 31 December 2013 (Restated - note 19)** **$'000s**
Profit before taxation	66,411	10,297	39,580
Less losses before taxation for activities outside of Thailand	31,424	119,709	161,870
Profit before taxation for activities in Thailand	97,835	130,006	201,450
Applicable rate of SRB	52%	47%	52%
Tax at the applicable rate of SRB	50,874	61,103	104,754
Special reduction	(4,116)	(2,191)	(6,141)
Change in SRB average deferred tax rate	-	4,446	(29,386)
Other	14,083	(7,012)	21,901
Total SRB charge	60,841	56,346	91,128
Income tax impact (after deduction at the applicable rate of income tax)	30,421	28,173	45,564

The applicable rate for SRB is the rate applied for the financial period.

There were no unrelieved losses in respect of SRB for period ended 30 June 2014 (1H 2013: $nil, FY 2013: $nil).

SRB is fully deductible for corporate tax purposes in Thailand and accordingly the figure of $30,421,000 in the income tax effective rate reconciliation below represents the incremental impact of SRB, current and deferred, on the overall tax charge, after taking account of the tax relief thereon.

Reconciliation of total tax charge to profit before taxation

The tax charge for the year can be reconciled to the profit before tax per the Statement of Comprehensive Income as follows:

	Six Months ended 30 June 2014 $'000s	**Six Months ended 30 June 2013 (Restated - note 19) $'000s**	**Year ended 31 December 2013 (Restated - note 19) $'000s**
Profit before taxation	66,411	10,297	39,580
Applicable rate	50%	50%	50%
Tax at the applicable rate of tax	33,206	5,149	19,790
Tax effect of:			
UK losses not recognised	14,021	7,770	12,660
Utilisation of brought forward exploration expenses / losses on which a deferred tax asset has not been recognised	-	-	(6,971)
SRB	30,421	28,173	45,564
Tax effect of investment in jointly controlled entities	(3,928)	(3,747)	(5,761)
Other	18,752	3,721	39,437
Items which are not deductible for tax:			
Exploration expenses	1,824	55,610	51,608
Disposal of assets	-	-	3,593
Different foreign tax rates	-	(260)	(565)
Total tax charge	94,296	96,416	159,355

The Group's operations are conducted primarily outside the United Kingdom and Thailand predominantly. Accordingly the applicable tax rate used above is the Thailand statutory rate of tax (excluding SRB).

Deferred tax

Deferred tax liabilities included in the Balance Sheet were as follows:

	30 June 2014 $'000s	**30 June 2013 (Restated - note 19) $'000s**	**31 December 2013 (Restated - note 19) $'000s**
Income tax	114,557	94,095	98,098
SRB	101,002	103,916	72,354
Net deferred tax liabilities	215,559	198,011	170,452

There are no significant unrecognised temporary differences associated with undistributed profits of subsidiaries and joint ventures.

The net deferred tax liability of $215,559,000 materially arose as a result of accelerated tax depreciation.

10. Earnings/(loss)Per Ordinary Share

The calculation of the basic and diluted profit/(loss) per share is based on the following data:

	Units	Six months to 30 June 2014	Six months to 30 June 2013	Year ended 31 December 2013
Loss for the purpose of basic earnings per share being the net profit/(loss) attributable to equity holders of the parent	$'000s	(27,885)	(86,119)	(119,775)
Basis weighted average number of shares	$'000s	258,410	257,360	257,805
Earnings/(loss) per ordinary share: basic and diluted	$'s	(0.11)	(0.33)	(0.46)

As there is a loss for the period ended 30 June 2014, 30 June 2013 and 31 December 2013, there is no difference between the basic and diluted earnings per share.

11. Intangible Exploration and Evaluation Assets

	30 June 2014 $'000s	30 June 2013 (Restated - note 19) $'000s	31 December 2013 (Restated - note 19) $'000s
At 1 January	293,147	287,348	287,348
Additions for the period	35,761	119,123	180,975
Transfers to property, plant and equipment	(200)	-	(8,306)
Disposals for the period	-	(4,617)	(4,617)
Costs written off for the period	(2,729)	(108,650)	(162,253)
Net book amount at end of period	325,979	293,204	293,147

The amounts shown above for intangible exploration and evaluation assets principally represent the Group's current exploration projects in Indonesia ($281,028,000) and Thailand ($39,262,000).

12. Property, Plant and Equipment

	Oil and gas properties			Other fixed assets			Total net
	Cost	Amort'n	Total	Cost	Dep'n	Total	book amount
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	
1 January 2013	1,137,025	(556,126)	580,899	5,103	(2,356)	2,747	583,646
Additions for the period	95,627	-	95,627	167	-	167	95,794
Disposals for the period	(23,254)	-	(23,254)	-	-	-	(23,254)
Charge for the period	-	(52,969)	(52,969)	-	(266)	(266)	(53,235)
30 June 2013 (restated - note 19)	1,209,398	(609,095)	600,303	5,270	(2,622)	2,648	602,951
Additions for the period	96,002	-	96,002	282	-	282	96,284
Transfers from intangible exploration and evaluation assets	8,306	-	8,306	-	-	-	8,306
Amortisation and depreciation	-	(59,018)	(59,018)	-	(511)	(511)	(59,529)
31 December 2013 (restated - note 19)	1,313,706	(668,113)	645,593	5,552	(3,133)	2,419	648,012
Additions for the period	117,805	-	117,805	140	-	140	117,945
Transfers from intangible exploration and evaluation assets	200	-	200	-	-	-	200
Charge for the period	-	(40,812)	(40,812)	-	(241)	(241)	(41,053)
30 June 2014	**1,431,711**	**(708,925)**	**722,786**	**5,692**	**(3,374)**	**2,318**	**725,104**

13. Bank Borrowings

	30 June 2014	30 June 2013	31 December 2013
	$'000s	$'000s	$'000s
Principal repayable on maturity	311,013	324,993	274,993
Less deferred fees	(7,155)	(8,981)	(7,566)
Total unamortised borrowings	303,858	316,012	267,427
Less amounts due within one year	(80,226)	(61,995)	(7,834)
Total long term borrowings	223,632	254,017	259,593

The Group's borrowings comprised a $350 million senior reserves based lending facility secured against certain of the Group's development and producing assets in Thailand and Indonesia for a tenure of seven years commencing in December 2012.

14. Convertible Bonds

The net proceeds received from the issue of the convertible bonds have been split between the financial liability element (estimated at the time of issue using the prevailing market interest rate for similar non-convertible debt) and an equity component, representing the fair value of the embedded option to convert the financial liability into equity of the Company. The movement in the liability component during the period was as follows:

	30 June 2014 $'000s	30 June 2013 $'000s	31 December 2013 $'000s
Liability component at start of period	97,745	94,941	94,941
Coupon interest charged	2,500	2,500	5,000
Unwinding of discount	1,159	1,159	2,317
Interest paid	(2,500)	(2,500)	(5,000)
Amortisation of deferred fees	243	243	487
Redemption	(6,000)	-	-
Liability component at end of period	93,147	96,343	97,745
Reported in:			
Non-current liabilities	-	95,093	96,495
Current liabilities - principal	91,897	-	-
Current liabilities - interest	1,250	1,250	1,250
Total liability component	93,147	96,343	97,745

If the bonds have not been converted, they will be redeemed on 30 March 2015 at par. Interest of 5% will be paid annually up until settlement date.

The total convertible bond interest expense for the period is calculated by applying an effective interest rate of 8% to the liability component for the period since the bonds were issued. The liability component is measured at amortised cost. The difference between the carrying amount of the liability component at the date of issue and the amount reported in the Balance Sheet at 30 June 2014 represents the effective interest rate less interest paid to that date.

The fair value of the convertible bond at the Balance Sheet date is not materially different from the book value.

15. Bonds Payable

The unsecured callable bonds were issued in December 2013 at an issue price of $150 million. The bonds have a term of 6 years and 1 month and will be repaid in full at maturity. The bonds carry a coupon of 9.75% and were issued at par.

	30 June 2014 $'000s	30 June 2013 $'000s	31 December 2013 $'000s

Liability component at start of period	145,970	-	-
Proceeds of issue of bonds payable	-	-	150,000
Coupon interest charged	7,366	-	922
Interest paid	(8,288)	-	-
Less fees relating to bond issue	-	-	(4,952)
Amortisation of deferred fees	548	-	-
Total liability component at end of period	145,596	-	145,970

16. Net Debt

	30 June 2014 $'000s	30 June 2013 $'000s	31 December 2013 $'000s
Amounts due on maturity:			
Bank borrowings (see note 13)	311,013	324,993	274,993
Convertible bonds (see note 14)	94,000	100,000	100,000
Bonds payable (see note 15)	150,000	-	150,000
Total gross debt	555,013	424,993	524,993
Less restricted bank deposits	(20,282)	(6,099)	(20,279)
Less cash and cash equivalents	(133,773)	(162,992)	(244,769)
Total net debt	400,958	255,902	259,945

The average maturity of gross debt at 30 June 2014 was 3.9 years (30 June 2013: 3.3 years).

17. Fair Value of Financial Instruments

Fair value of financial instruments carried at amortised cost

The directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the interim condensed consolidated financial statements approximate their fair values.

The fair values of financial assets and liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market

transactions and dealer quotes for similar instruments.

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities:
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

	30 June 2014 Level 2	30 June 2013 Level 2	31 December 2013 Level 2
Derivative financial liabilities held to hedge the Group's exposure on expected future sales and interest rate movements:			
Derivative financial assets	1,378	1,138	2,730
Derivative financial liabilities	(5,363)	-	(4,581)
Total	(3,985)	1,138	(1,851)

All of the Groups' fair value financial assets and liabilities are deemed to be Level 2. There were no transfers between Level 1 and 2 during the six months ended 30 June 2014.

18. Share Capital

Share capital as at 30 June 2014 amounted to $46,929,000 (1H 2013: $46,826,000, FY 2013: $46,842,000).

Allotted and fully paid equity share capital

	30 June 2014 Ordinary Shares 10p Number

At 1 January 2014	258,317,599
Other share issue	521,378
At 30 June 2014	258,838,977

The Company has one class of ordinary shares, which carry no right to fixed income.

19. Investments Accounted for Using the Equity Method

The investments represent the Group's interest in the following jointly controlled entities, accounted for using the equity method in compliance with IFRS 11.

Company	Percentage Holding
APICO LLC	27.18%
APICO (Khorat) Holdings LLC	27.18%
APICO (Khorat) Limited	27.18%

The investments in the jointly controlled entities have been classified as joint ventures under IFRS 11 and therefore the equity method of accounting has been used in the consolidated financial statements. Prior to the adoption of IFRS 11 on 1 January 2014, the Group's interest was proportionately consolidated.

The Group recognised its investment in the joint venture at the beginning of the earliest period presented (1 January 2013), as the total of the carrying amounts of the assets and liabilities previously proportionately consolidated by the Group. This is the deemed cost of the Group's investment in the joint venture for applying equity accounting.

The tables below show the effect on the statement of comprehensive income, balance sheet and the statement of cash flows.

Impact on statement of comprehensive income:

Credit/ (charge)	Six Months ended 30 June 2014 $'000s	Six Months ended 30 June 2013 $'000s	Year ended 31 December 2013 $'000s
Revenue	(17,245)	(17,353)	(26,024)
Operating expenses	3,917	4,001	6,663
Share of profit of investments accounted for using the equity method	7,856	7,494	11,522
Administration expenses	-	-	-
Interest revenue	(4)	(6)	(8)
Finance costs	16	12	24

Other financial losses	47	231	112
Taxation	5,413	5,621	7,711
Total	-	-	-

Impact on balance sheet:

Increase/ (decrease)	**30 June 2014** **$'000s**	**30 June 2013** **$'000s**	**31 December 2013** **$'000s**
Assets:			
- Intangible exploration and evaluation assets	(18,602)	(11,681)	(18,272)
- Property, plant and equipment	(14,465)	(14,898)	(14,765)
- Investments accounted for using the equity method	36,664	27,797	29,922
- Deferred tax asset	(1,937)	(1,503)	(1,718)
- Inventories	(1,424)	(1,521)	(1,186)
- Trade and other receivables	(10,236)	(6,839)	(4,950)
Total	(10,000)	(8,645)	(10,969)
Liabilities:			
- Provisions	(1,308)	(509)	(742)
- Deferred tax liability	(884)	(670)	(982)
- Trade and other payables	(2,069)	(1,902)	(2,069)
- Current tax liability	(5,739)	(5,564)	(7,176)
Total	(10,000)	(8,645)	(10,969)

Impact on statement of cash flows:

Increase/ (decrease)	**Six months ended 30 June 2014** **$'000s**	**Six months ended 30 June 2013** **$'000s**	**Year ended 31 December 2013** **$'000s**
Net cash from operating activities	1,529	(4,308)	(12,616)
Net cash from investing activities	(1,545)	4,296	12,592
Net cash from financing activities	16	12	24
Net increase/(decrease) in cash and cash equivalents	-	-	-

The table below shows the movement in investments in the jointly controlled entities:

	30 June 2014 $'000s	30 June 2013 $'000s	31 December 2013 $'000s
Opening balance as start of period	29,922	23,836	23,836
Share of profit of investments	7,856	7,494	11,522
Dividends received	(1,359)	(3,533)	(6,115)
Additions	245	-	679
Total at end of period	36,664	27,797	29,922

20. Post Balance Sheet Events

In August this year, the Group concluded operations on the North Kendang-2 exploration well ("NK-2") in its operated South East Sangatta PSC. The volume of hydrocarbons was considered to be sub-commercial and the NK-2 well was plugged and abandoned pending a review of the Group's strategic options in this area.

On 18 July, The Group announced it had signed a Sale and Purchase Agreement with SONA Petroleum Berhard ("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. The transaction is expected to complete in 4Q 2014 subject to shareholder and regulatory approvals.