SALAMANDER ENERGY

PURE ASIAN ENERGY

Salamander Energy PLC
Annual Report and Accounts 2013

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Rich in Asian Resource

Salamander Energy is an Asia-focused full cycle upstream oil and gas company.

Having operated in both Thailand and Indonesia for a number of years, Salamander has a well-developed understanding of the operating environment in both countries.

Annual Report 2013

Newly proposed regulations require the Board to prepare a 'Strategic Report' of the business for the financial year 2013.

A Strategic Report provides a greater focus to key areas of the business whilst underpinning our stategic aims and objectives.

FOR MORE DETAIL VISIT: WWW.LEGISLATION.GOV.UK

How to use this report

Throughout this report we have demonstrated how our key strategic drivers are directly aligned with our business to create sustainable shareholder value. We have highlighted relevant strategy in action case studies in the report to show how we are delivering on these key strategic drivers. For more information on our business model and strategy see pages 07 and 09.

Each spread of the strategic report is designed as a summary spread to provide an overview of each section. Throughout these summary spreads the more detailed narrative sections are referenced for further in-depth reading:

Go online:
www.salamander-energy.com

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Strategic report

A summary of our performance throughout 2013 and how we run our business in line with strategic objectives.

Go online:
www.salamander-ar-2013.com

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Performance review

More detailed narrative around our responsibilities, and our operating and financial performance.

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www.salamander-ar-2013.com/performance-review

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Governance

More detailed narrative around governance and how we run our business.

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Strategic report

Salamander at a glance

Our core asset portfolio is made up of hub positions with discovered hydrocarbons, step-out exploration potential, and new acreage opportunities within the same basin.

We have established a well respected operating capability across the full spectrum of upstream activity including:

- Exploration
- Appraisal
- Development
- Production
- Oil
- Gas

Where we operate

More information: Pg 22

Greater Bualuang

The Bualuang oil field is the Group's flagship production asset. Development drilling from the Bravo platform saw production grow 71% in 2013. It also highlighted significant further upside with contingent resource estimates increased by 129% at year end 2013 to 27.8 MMbo. The Group is evaluating options for further infrastructure that will facilitate the conversion of these resources to reserves and ultimately have them on stream in 2016.

Licences
B8/38 (100%, Operator)
G4/50 (100%, Operator)*

Key facts
- 30.1 MMbo 2P Reserves (Bualuang oil field)
- 2014 Production forecast 11,000-14,000 bopd
- 129% increase in contingent resource
- G4/50 exploration drilling expected in 2014

30.1 MMbo

2P Reserves (Bualuang oil field)

* Moeco retains a right to back in for up to 50%

Full operational review: Pg 25

Thailand

2013 Daily Production (Net WI)

	Liquids (bopd)	Gas (mcfd)	**Total (boepd)**
Sinphuhorm	40	8,345	**1,430**
Bualuang	12,317	–	**12,317**
Total	12,357	8,345	**13,747**

2P reserves	**2013**	2012
Liquids (MMbbls)	**30.5**	34.0
Gas (Bcf)	**107.7**	98.0
Total (MMboe)	**48.5**	50.3

Revenue	**2013**	2012
Liquids ($MM)	**454.9**	313.5
Gas ($MM)	**24.7**	29
Total ($MM)	**479.6**	342.5

Da

Indonesia

2013 Daily Production (Net WI)

	Liquids (bopd)	Gas (mcfd)	**Total (boepd)**
Kambuna	138	1,714	**495**
Total	138	1,714	**495**

2P reserves	**2013**	2012
Liquids (MMbbls)	**1.2**	1.6
Gas (Bcf)	**85.8**	119.2
Total (MMboe)	**16.8**	23.0

Revenue	**2013**	2012
Liquids ($MM)	**4.7**	14.9
Gas ($MM)	**3.3**	15.9
Total ($MM)	**8.1**	30.8

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Block PM-322

Block PM-322 represents Salamander's entry to Malaysia. The Block contains an oil discovery from 1991 and has step-out prospectivity.

Licence
PM-322 PSC (100%, Operator)

Key facts
- Port Klang-1 oil discovery made by Sun Oil in 1991
- Initial resource assessment c.30 MMbo
- Salamander will acquire 3D seismic and drill one well in three year work programme
- Production Sharing Contract ("PSC")
- Other similar opportunities in Malaysia

More information: Pg 26

North Kutei

Licences
Bontang PSC (100%, Operator)
SE Sangatta PSC (75%, Operator)

Key facts
- Three wells drilled in 2013
- South Kecapi oil and gas discovery in 1Q 2013 flowed 6,000 bopd
- North Kendang well encountered significant gas kick
- North Kendang prospect to be re-drilled in 1H 2014

600 Bcf

Mean resource estimate of North Kendang structure

Greater Kerendan

The Kerendan field will be ready to deliver first gas in 2H 2014 at 20 MMcfd. Negotiations are on going to commercialise a further tranche of gas from the contingent resource in the field.

The West Kerendan discovery at the end of 2013 is expected to give rise to significantly increased gas sales in the future.

More information: Pg 25

Licences
Bangkanai PSC (70%, Operator) NE Bangkanai/West Bangkanai PSCs (100%)

Key facts
- 17 MMboe 2P Reserves (Kerendan field)
- 22 MMboe contingent resource in Kerendan field yet to be monetised
- 43 MMboe of contingent resource added through West Kerendan discovery in 4Q 2013

43 MMboe

Contingent resources from West Kerendan discovery

Strategic report

Chairman's statement

Introduction
Despite continuing strong oil prices in 2013, the oil sector has been out of fashion with investors leading to disappointing share price performance for many E&P companies. Investors have viewed risk to oil and gas prices to be to the downside, due to global economic difficulties and increasing shale reserves expanding the supply side. Combined with this, significant exploration success has been rare and a number of companies have missed production targets.

Against this backdrop Salamander's production and development operations have outperformed expectations and have highlighted areas within the portfolio that offer further low risk growth opportunities. Exploration and appraisal activities have been largely frustrating, due to inconclusive results offshore Kalimantan and lack of drilling offshore Thailand due to the lengthy process to obtain environmental approvals. However, 2013 ended strongly with a significant gas discovery at West Kerendan, onshore Kalimantan. In 2014, we hope to be drilling in G4/50, proving up more gas at Kerendan and will be re-drilling the North Kendang well, offshore Kalimantan, which discovered hydrocarbons but could not be completed for technical reasons.

Markets
The overall macro-environment saw oil prices remain in a range between $100 and $110 per barrel throughout 2013. Tentative signs emerged of the start of a global economic recovery and the Southeast Asian markets that are most important for Salamander, Thailand and Indonesia, bounced back strongly in the second half of the year and are expected to continue to see GDP growth in excess of 5% per annum in 2014. This growth has led to strong demand for hydrocarbons and gas prices in the region continuing to increase. The gas pricing dynamics contrast sharply with the gas markets in North America where the success of shale gas has led to a huge increase in supply. Whilst some people view the potential of US LNG exports to Southeast Asia as a threat to the buoyancy of the regional gas markets we see this as being at least a decade away from reality and expect the strong pricing to remain for the foreseeable future.

Our Chairman's role

The Chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role.

Read more about Charles Jamieson: Pg 40

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"The strong performance of our production operations can be seen in our financial results where we recorded a sharp increase in both revenue and cash flow."

Health, safety and environment
Completing our operations safely and with minimal impact on the local environment and communities is central to our approach to business. With that in mind it was pleasing to see an improvement in the Lost Time Incident Frequency Rate despite a marked increase in man hours worked and we will continue to review our HSE procedures to try and further improve our performance in this area.

Performance
The strong performance of our production operations that I referred to above can be seen in our financial results where we recorded a sharp increase in both revenue and cash flow. Indeed, the record levels of cash flow per boe bear witness to the fact that we are capturing greater fiscal efficiencies as a result of the decision to focus the portfolio on fewer assets. The poor exploration performance to date is also seen in the financials with a large exploration write off leading to a post-tax loss being reported. The Board was keen to see the Company diversify its balance sheet in 2013 and through the issuance of a $150 million unsecured high-yield bond, we were able to achieve this goal. The ability to issue our first high-yield bond is also a great endorsement of the future cash generation of the current reserve base.

Governance
In terms of governance, the Board and its various committees have been focused on a number of key areas during the period. Whilst Salamander has always been committed to being an equal opportunities employer we have formalised this through the recent adoption of a diversity policy for incorporation into our Code of Conduct.

The Board has also been overseeing the plans for the Group's annual reporting to make sure that the appropriate internal procedures are in place to ensure that we comply with the new requirements for a strategic report. Finally, the Board has approved the implementation of a new management system that will enhance the internal control and risk management procedures. This proposal was finalised during 4Q 2013 and will be rolled out during the rest of the year.

Executive remuneration
Despite the operational progress made in 2013 the share price underperformed relative to the sector. In recognition of this the Executive Directors did not feel it appropriate to accept their cash bonus awards for 2013.

Outlook
Looking forward, the Company is in good financial health. Further development of our core assets will create shareholder value and provide a solid platform from which to seek further value creation through step-out exploration success. On behalf of the Board I would like to thank all of our employees for their contribution during 2013 and look forward to a successful year ahead.

Charles Jamieson
Chairman
12 March 2014

Board introduction

We are committed to the highest standards of corporate governance and consider it critical to the upholding of our business integrity wherever we work around the world.

The Board has been fully briefed on the new UK Corporate Governance Code. Key areas include annual re-election of all Directors, Board diversity, external evaluation, greater emphasis on risk, and a clear explanation of business model and strategy. We welcome these changes and are committed to complying with them.

Charles Jamieson
Chairman

James Menzies
Chief Executive Officer

Mike Buck
Chief Operating Officer

Dr Jonathan Copus
Chief Financial Officer

Struan Robertson
Senior Independent Non-executive Director

Dr Carol Bell
Non-executive Director

Robert Cathery
Non-executive Director

John Crowle
Non-executive Director

Michael Pavia
Non-executive Director

Strategic report

Chief Executive's strategic review

Introduction
In 2013 we have seen the continued benefits of the portfolio realignment that commenced in 2011. This was most evident in the strong, 31% increase in production year on year and in the record post-tax cash flows which rose 44% on a unit basis. We were delighted with the success of the West Kerendan well which has added value to acreage in the Greater Kerendan area and we retain the belief that our exploration programme around the Bualuang field will bear fruit.

Operational summary
Group production jumped sharply year on year, chiefly due to the success of our strategy to accelerate the development of the Bualuang field through investment in the Bravo platform. This helped to raise field output to 12,300 bopd. The drilling programme has also highlighted further material upside, resulting in a 129% increase in contingent resource in the Bualuang field which was certified at year end by our reserves auditor. Accelerating the conversion of these resources through to reserve bookings and ultimately production will be a key operational priority for the Group over the next 18 months. Consequently, we have started to explore options to expand the Bualuang production infrastructure to facilitate this growth.

The Kerendan field development in Kalimantan represents an excellent example of the value that can be created through establishing, developing and exploiting a hub position. Following the low-cost acquisition of a majority stake and operatorship in the production sharing contract ("PSC"), Salamander quickly commercialised the first tranche of gas and embarked on field development. Initial gas sales are scheduled to start later this year. The Kerendan field has been complemented with the discovery of gas in the neighbouring West Kerendan structure. We expect this to result in substantially increased gas sales in the future and Salamander has added to its operated acreage position in the basin.

The Kerendan field and West Kerendan discovery have all the characteristics to develop into a material resource with the potential to supply not only the local market for power generation but also the more mature East Kalimantan market.

Our Chief Executive's role

The role of the Group Chief Executive includes implementing the Group's strategy as agreed by the Board. We recognise and take seriously our responsibilities to conduct our operations safely and in full co-operation with the communities in which we operate.

Read more about James Menzies: Pg 40.

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"From existing reserves and resources we can see a clear opportunity to grow production to over 20,000 boepd by 2017."

Whilst production and development operations performed well in 2013, we had mixed exploration results. The high profile North Kutei drilling programme yielded three wells that encountered hydrocarbons without delivering a clear cut basin-opening commercial success. We don't intend to expose the balance sheet to further drilling in North Kutei but we are keen to follow up the North Kendang discovery and will be returning in 2Q 2014 with our insurers footing the greater part of the costs. Elsewhere, exploration drilling in the G4/50 area in the Gulf of Thailand was pushed into 2014 due to delays in obtaining environmental permits and we look forward to a multi-well programme there in 2014.

Portfolio management
Management has consistently demonstrated an ability to create value through active portfolio management. During 2013 we completed one major transaction of strategic significance bringing Saka Energi ("Saka") in as a partner on the Bangkanai PSC in Central Kalimantan where the Kerendan field is located. Saka paid an upfront cash payment, carried a share of development costs and paid a promote on the West Kerendan-1 exploration well in return for a 30% interest in the licence. The price paid highlights the value we have created in the time we have been operating the licence. The deal also had broader strategic significance as Saka is the upstream affiliate of PGN, Indonesia's largest gas transmission company.

We were delighted to announce the Group's entry into Malaysia with the signing of a PSC for Block PM-322. The characteristics of this block – operatorship, an existing oil discovery, step-out exploration opportunities – fit well with our strategic model. Furthermore, Malaysia has a number of similar fallow discoveries and we see this as the first step towards building a portfolio within the country.

Financial results
2013's financial performance reflects the fiscal synergies of investing in hub positions where we are also producing. This resulted in the Group delivering record unit post-tax cash flows of $57.8 per bbl. Looking forward, the investment made in 2013 will lead to a reduction in long term operating costs from our largest producing asset, the Bualuang oil field in Thailand. While the unsuccessful exploration drilling has resulted in a write-off, this is mainly related to drilling in the Kutei basin, an area where we are unable to offset costs with production.

We were pleased to enter the Bond market for the first time in 2013 with the issue of a $150 million unsecured high-yield bond. The Board was keen to diversify the balance sheet and put in place the finances to retire the convertible bond that matures in 1H 2015. Having successfully completed this issuance, and with healthy cash generation underpinning the business, the balance sheet is in good order.

Outlook
We believe the development of hub positions is an attractive business model for an operating, independent E&P company in Southeast Asia, which will benefit all of our stakeholders.

From our existing certified reserves and resources we can see a clear opportunity to increase Group production to over 20,000 boepd by 2017. The West Kerendan-1 exploration success has highlighted the potential of this play onshore Kalimantan where there is a lot of follow-on potential. In Thailand, we eagerly await the approval of our environmental permits to enable the start of our exploration programme as we seek to find the next Bualuang.

With visible production growth, a number of material, low-cost, step-out exploration targets and a solid balance sheet, we are looking forward to continuing to build the Group's position in Southeast Asia.

James Menzies
Chief Executive Officer
12 March 2014

Our key strategic drivers

To create sustainable shareholder value through building and exploiting our upstream oil and gas assets throughout Southeast Asia.

- Progressing field development and exploitation efficiently
- Resource additions through field revisions and discoveries
- Ensuring appropriate control over development and operating costs
- Operating safely and responsibly
- Ensuring appropriate financing is in place to fund work programmes
- Building portfolio benefits through a combination of organic growth and selective acquisitions

Read more on our KPIs Pg 10

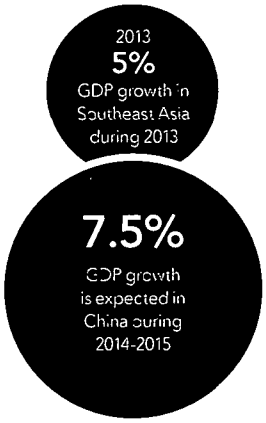
Strategic report

Market overview

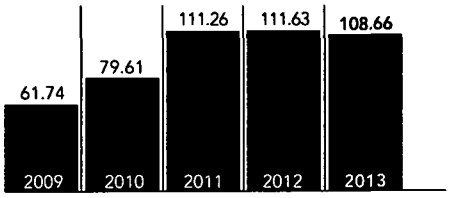
The increasing demand for hydrocarbons in Southeast Asia has been a constant factor, with energy demand expected to grow by over 80% between 2013 and 2035.

3.9%

Increase in global GDP in 2014



Average annual Brent crude price
US $ per barrel



Global
During 2013 the oil price continued to trade in a narrow range between $100 and $110 per barrel as the perception of a slowdown in demand growth, particularly in China, India and the Middle East, was offset by supply side concerns driven by potential political instability in the Middle East and North Africa.

Against the backdrop of stable oil prices, global activity and world trade started to show signs of a concerted recovery in the second half of 2013. Whilst the industry has been subject to increased cost inflation in recent years there is evidence to suggest that this peaked during the first half of 2013 and cost pressures started to ease during the second half of 2013.

Indonesia
Growth rates in Indonesia are expected to remain over 5% per annum in the coming years[1]. It has recently been named as one of the MINT economies – characterised by strong growth rates underpinned by a growing middle class and a young population – and is the fourth most populous country in the world. Indonesia is the largest economy in Southeast Asia and is predicted to be in the top ten economies in size, within a decade. Indonesia has moved from a position of being a net exporter to a net importer of hydrocarbons, and increasingly looks to curb exports and use its own resources to underpin its growth.

Overall Indonesia offers lots of opportunities for independent E&P operators like Salamander, from exploration to fallow discoveries in basins of varying maturity. There is also an active secondary market in assets in addition to regular licence rounds.

Thailand
Growth rates in Thailand slowed down to 3% in 2013, from 6.5% in 2012, but the country remains a significant user of power, importing hydro-power from neighbouring Laos, gas from Myanmar and is the first Southeast Asian country to begin importing LNG. Therefore any domestic hydrocarbon production is of both strategic and economic importance.

The political climate has been somewhat volatile in recent times with protests against the governing party, most noticeably in February 2014. However, we believe that all sections of the political establishment recognise the need to promote a domestic E&P industry. We have yet to see a significant impact on our operations or ability to conduct business in country and continue to enjoy the support of the Department of Minerals & Fuels and the Ministry of Energy.

Malaysia
Malaysia is a country Salamander has been looking to enter for a number of years and during 2013 we successfully signed our first licence in country. Growth rates in Malaysia are, in keeping with most of the region, expected to be around 5% per annum[1] in the coming years.

There are a number of fallow discoveries in Malaysia that have been made in the last 30 years but that have yet to be appraised and exploited. These are a good fit with Salamander's model of building hub positions around existing discoveries.

Southeast Asian energy demand
Growth in Southeast Asian economies slowed in 2013 compared with previous years but still averaged 5%, well in excess of most OECD countries[2]. Looking forward, while emerging markets have been volatile, growth is expected to pick up and is forecast to reach 5.6% in 2014[2].

The increasing demand for hydrocarbons in Southeast Asia has been a constant factor, with energy demand expected to grow by over 80% between today and 2035[3]. With a lack of new discoveries in the region, greater emphasis is being placed on LNG imports highlighting the value and economic significance of any existing indigenous fields to the host Southeast Asian countries. This trend is ultimately leading to increases in natural gas pricing.

[1] International Monetary Fund, World Economic Outlook, October 2013
[2] International Monetary Fund, World Economic Outlook Update, January 2014
[3] International Energy Agency, Southeast Asia Energy Outlook, September 2013

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Business model

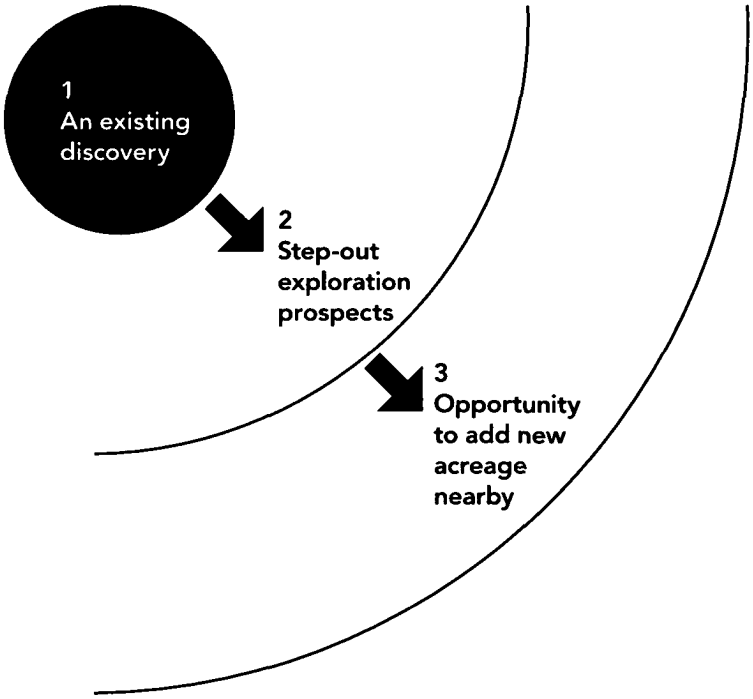
Salamander aims to create sustainable shareholder value through building and exploiting its portfolio of upstream oil and gas assets.

The Group concentrates on a small number of asset positions, or hubs, that each offer production, development and exploration opportunities. Salamander typically holds operatorship and controls the scale, scope and pace of implementation of the work programme across its asset base.

Within each hub, Salamander benefits from technical, operational and financial synergies from it's combined production, development and exploration activities. This helps the Group to control costs and build up a detailed understanding of the sub-surface in the areas in which the Group operates.

In order to be able to deliver on our work programmes we maintain a well-respected regional operating capability which includes recognising the need to complete our operations safely and responsibly.

A focused "hub" approach



"Hub" approach in action

1 Entered Bangkanai PSC in 2011 which contained Kerendan field which had an approved plan of development but on which no operational progress had been made. Salamander signed a gas sales agreement, booked reserves, drilled development wells and is now waiting for construction of the power plant to be completed which will enable production to commence.

2 West Kerendan gas discovery made end of 2013 added 43 MMboe to contingent resource. Intention is to fold into the Kerendan plan of development and sell to the power plant.

3 Added the West Bangkanai and Northeast Bangkanai PSCs in 2013 which provide extra running room for the play.

Planning and financial management

Operational execution and delivery

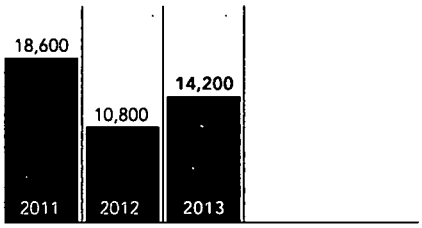
Corporate governance

Strategic report

Key performance indicators

KPIs provide an illustration of management ability to successfully deliver against the strategic objectives.

Working interest production
(boepd)



Delivering on our strategy

Definition
The average daily production associated with the Group's economic interest in its producing assets.

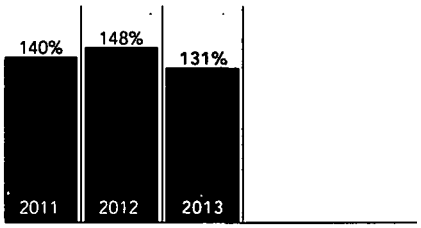
Relevance
Production is the source of the Group's cash flow and as such the key driver of its finances.

Progress
Following successful development drilling on the Bualuang field, production at this asset was up by 71% and Group production was up 31% on the prior year.

Outlook
Production in 2014 is expected to be in the 13,000-16,000 boepd range with the Kerendan field coming on stream in 2H. Production is expected to be over 20,000 boepd in 2017 as we convert our contingent resource base into production.

Risk management
Diversifying the production base. Maintaining high standards of HSE.

Reserves replacement: 3 year average
(%)



Delivering on our strategy

Definition
Indicate s how rapidly the Group is replenishing its reserve base.

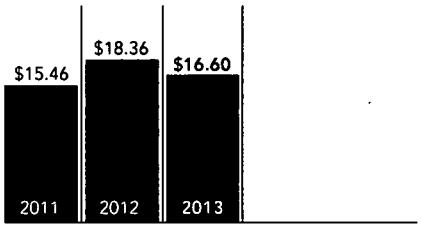
Relevance
Adding reserves at a faster rate than they are being produced indicates that the Group has a long reserve life.

Progress
Reserve additions at Bualuang and Sinphuhorm did not outweigh produced volumes in 2013.

Outlook
A more than doubling of contingent resources is indicative of a strong pipeline and one of the key focus of operations is converting these resources to reserves in the short to medium term.

Risk management
Further diversification of the production base.

Operating costs
($ per boe)



Delivering on our strategy

Definition
The average cost across the year of producing a barrel of oil equivalent of commercial hydrocarbons.

Relevance
The lower the operating cost base the greater the cash generation from production. A lower cost base will also prolong the field's productive life.

Progress
Operating costs per boe fell by 44% during 2013 as greater volumes were produced through the infrastructure at the Bualuang field.

Outlook
With new power and processing modules loaded on to the Bualuang Bravo platform in Q4 2013, we can now switch the FPSO for a lower cost FSO. This will happen during 2014 and will drive operating costs down further.

Risk management
Extensive planning pre-investment, cost engineering and estimating with experienced resources.

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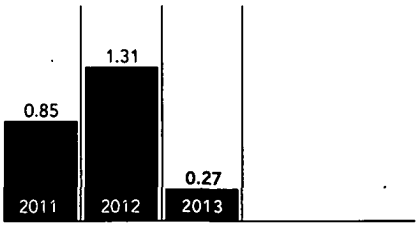
Key strategic drivers: Pg 07

- Progressing field development and exploitation efficiently
- Resource additions through field revisions and discoveries
- Ensuring appropriate control over development and operating costs
- Operating safely and responsibly
- Ensuring appropriate financing is in place to fund work programmes
- Building portfolio benefits through a combination of organic growth and selective acquisitions

Lost time injury frequency
(per million man hours)



Delivering on our strategy

Definition
A work related injury that results in the individual being unable to report for work the following day/shift.

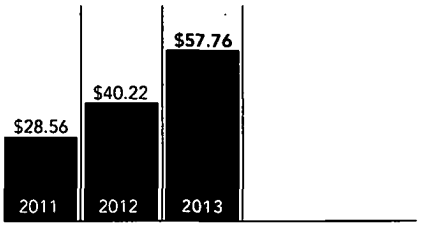
Relevance
This metric is used to provide guidance as to the Group's HSE performance.

Progress
The Group continually strives to improve its HSE performance which was reflected in a reduction in the LTIFR to 0.27.

Outlook
The new Integrated Management System is being rolled out in 2014 to further enhance the Group's HSE standards and processes.

Risk management
The Group targets zero Lost Time Injuries every year and has an active HSE plan to help try to achieve this.

Post-tax operating cash flow
($ per boe)



Delivering on our strategy

Definition
The free cash flow that is generated from a barrel of production.

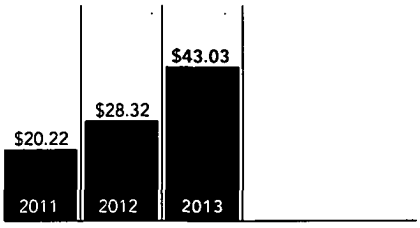
Relevance
The greater the post-tax operating cash flow per boe the more cash is generated from production to fund planned capital expenditure.

Progress
A combination of development spending in Thailand (which provides a tax shelter) and greater weighting of production from the higher margin Bualuang field led to an increase in post-tax cash flow in 2013.

Outlook
Further production growth from the Bualuang field combined with a reduction on operating cost will support cash generation from the Bualuang field. The Kerendan field coming on stream will diversify production but lower the cash flow per boe as Indonesian gas is not as valuable as Thai oil.

Risk management
Hedging policy to control cash flow volatility.

Finding, development and acquisition cost per barrel: 3 year average ($ per boe)



Delivering on our strategy

Definition
All in cost of the reserve base.

Relevance
Illustrates how cost effectively the Group is building its reserve base.

Progress
Kutei drilling that did not yield any reserve additions contributed significantly to an increase to FD&A costs in 2013.

Outlook
Material upgrades to contingent resources at Bualuang and Kerendan in 2013 are being targeted for conversion to reserves in 2014/2015 and this should drive FD&A costs down.

Risk management
Following a hub strategy seeking low-cost reserve and resource additions.

Strategic report

Operations summary

Operating highlights

- Group daily production average up 31% to 14,200 boe
- Bualuang contingent resource increased by 129% to 27.8 MMbo
- Power and processing modules successfully loaded on to Bravo Platform
- Kerendan development moving towards first production
- West Kerendan-1 exploration success added 43 MMboe of contingent resource
- North Kendang-1 discovery to be re-drilled in 2014
- Delays to environmental approvals in G4/50 have led to exploration wells on high graded prospects being delayed until 2014

Mike Buck
Chief Operating Officer
Read biography: **Pg 40**

"The West Kerendan gas discovery has added 43 MMboe to contingent resource."

Thailand

More on operations in Thailand: **Pg 22**

Greater Bualuang

Activity in 2013 was focused on development drilling to grow production.

Eleven development wells were drilled during the year which resulted in average daily production of 12,300 bopd, a 71% increase year on year.

The data from the new wells has resulted in the addition of 15.7 MMbo of contingent resource.

New power and processing modules were loaded on to the Bravo platform. These form part of a cost reduction initiative that will drive down operating costs over the life of the field.

Environmental approvals for our high graded exploration prospects in G4/50 were delayed.

Indonesia

More on operations in Indonesia: **Pg 25**

Greater Kerendan

Activity in the Kerendan area focused on the field development.

Four development wells were completed which tested at 40 MMscfd, double the 20 MMscfd that has been sold under the first GSA.

Construction of the PLN power plant commenced with its initial capacity expanded from 120 MW to 155 MW.

The West Kerendan-1 gas discovery added 43 MMboe to contingent resources. It is anticipated that this gas will be sold into the power plant and take it up to capacity of 70 MMscfd.

North Kutei

The North Kutei did not result in a basin opening commercial success. The North Kendang well was suspended following a major gas kick and will be re-drilled in 2014 using insurance funding.

Full operational review: **Pg 20**

65.3 MMboe
2P reserves

121.3 MMboe
contingent resources

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Financial summary

Dr Jonathan Copus
Chief Financial Officer
Read biography: **Pg 40**

"By enhancing the quality of the average barrel produced, Salamander has delivered a step-change in cash generation and used the tangibility of its reserve base to further reshape and diversify its balance sheet."

Full financial review: **Pg 28**

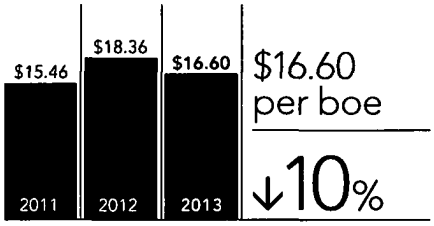
$265 MM
cash and funds

$57.8/boe
post-tax operating cash flow

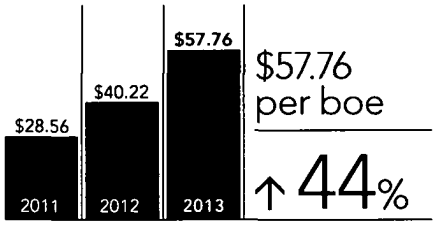
Financial highlights

- Pre-tax operating cash flow up 44% to $368 MM
- Post-tax operating cash flow up 90% to $300 MM
- Post-tax operating cash flow per boe up 44% to $57.76 per boe
- Unit operating costs down 10% to $16.60 per boe
- Pre-tax profit of $47.3 MM
- Exploration write off of $162 MM
- Year-end cash and funds of $265 MM
- Year-end net debt of $260 MM
- Balance sheet diversified with issue of $150 MM high-yield bond

Operating costs
($ per boe)



Post-tax operating cash flow
($ per boe)



Strong progress was made during 2013 in implementing our fiscal strategy, which aims to maximise cash-flow, capture fiscal synergies and diversify the balance sheet.

Income statement

Average realisations during the year were $103.98 per bbl and $7.77 per Mcf. Increased production through the facilities at Bualuang lowered unit operating costs to $16.60 per boe. As a consequence of unsuccessful drilling there was a $162 million exploration write off. Taxation charges were distorted by a number of non-deductible items and totalled $167 million leading to a net loss of $120 million.

Balance sheet

Net debt at 31 December 2013 totalled $260 million, flat on the mid-year. The Group diversified its balance sheet during 2013 with the issue of its first high-yield bond. Proceeds from this $150 million bond are allocated towards repaying short-term and convertible debt. Cash and fund balances at 31 December totalled $265 million.

Cash flow statement

Increased production at the high-margin Bualuang oil field boosted pre-tax operating cash flow by 44% to $368 million. Cash taxes were lower year on year at $67 million. As a result unit post- tax operating cash flow grew by 44% to $57.76 per boe. Capital expenditure in 2013 totalled $354 million, which was at the lower end of guidance.

Strategic report

Principal risks and uncertainties

The identification and mitigation of risks are of critical importance to the Group as it continues to expand and operate the majority of its activities.

Rick management
Effective risk management is essential if the Group is to deliver its strategic and operational objectives whilst maintaining its excellent HSE record. Risks are identified, documented and monitored through a risk register with senior management involved at all stages of this process. Once a risk is identified, mitigants are defined and responsibility assigned. The risk register is a dynamic process with new risks being added as identified and others being removed as they are eliminated or become immaterial. The risk register is presented to both the Audit Committee and Board on a regular basis.

Description and impact	How do we manage it?
Strategic risks	
Intensified political & fiscal risk through focus on a single region	Allow investor to diversify risk. Within region, exposure to three or more countries and a mix of economic regimes.
Over-reliance on a single producing asset	Diversify production base, partially monetise when peak value in view.
Operational risks	
Failure to develop & manage relationships with host governments, regulators and NOCs	Relationships well established in all countries. Ensure relationships established beyond Energy ministries to include Environment. Participate in industry-wide initiatives. Develop and maintain contacts at different levels throughout organisations.
Unbudgeted cost over-runs	Extensive planning pre-investment, cost engineering & estimating with experienced resources.
Value erosion through project drag	Extensive in-house experience to prepare, submit & lobby. Establish realistic schedule upfront, taking account of likely bureaucratic delays. Close monitoring and engagement with authorities at working levels.
HSE	
Catastrophic loss due to operational incident	Standard set of useable and comprehensible procedures. Utilise high quality and experienced staff. Training in critical operations with contingency plans that are communicated. Implementation enforced and policed.
Negative project impact through poor community stakeholder relations	Close engagement with communities. Educate as to our activities, sponsor community initiatives and local projects in line with CSR strategy.
Loss through poor third party HSE standards	HSE requirement in all tenders. Ensure bridging documents are in place before operations start and that there is sufficient resourcing in place to ensure contractor compliance.
Financial	
Business constrained through lack of capital availability	Targeting capital expenditure broadly in-line with cash generation. Diversity in funding options, asset-backed debt, corporate bonds and equity. Partial asset divestments provides further optionality.
Uncertainty in planning & results through volatile commodity prices	Hedging policy to mute cash flow volatility and enhance planning ability. Indonesian gas sales contracts at fixed prices.
Governance and compliance	
Ensuring Corruption & Bribery Act compliance	Continued review of financial procedures. Code of Conduct in place and rolled out among workforce, extensive in-house training. Internal Audit function in place, plus active participation in Industry initiatives.
Employee conduct damages the business	Code of Conduct rolled out, together with internal training. An effective whistle-blowing policy is also in place.
Loss due to occurrence of fraud	Well developed internal control systems and financial procedures. Conflicts of Interest policy implemented as well as Connected Persons Register.

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Key strategic drivers: Pg 07

- Progressing field development and exploitation efficiently
- Resource additions through field revisions and discoveries
- Ensuring appropriate control over development and operating costs
- Operating safely and responsibly
- Ensuring appropriate financing is in place to fund work programmes
- Building portfolio benefits through a combination of organic growth and selective acquisitions

↑ Increased
→ No change
↓ Decrease

Governance report: Pg 38

Strategic drivers	Responsibility	See also	Change (v prior year)	Assessment
	Chief Executive Officer	Market Overview	↑	Mid
	Chief Executive Officer	CEO's Review	↑	High
	Chief Executive Officer, Chief Operating Officer	Operational Review	↑	Low
	Chief Operating Officer	Financial Review	↑	High
	Chief Operating Officer	Operational Review	→	Mid
	Chief Operating Officer	Corporate Responsibility	→	Mid
	Chief Operating Officer	Corporate Responsibility	→	Mid
	Chief Operating Officer	Corporate Responsibility	→	Mid
	Chief Financial Officer	Financial Review	↓	Mid
	Chief Financial Officer	Financial Review	→	Low
	Chief Executive Officer, Group General Counsel	Corporate Responsibility	→	Low
	Chief Executive Officer, Group General Counsel	Corporate Responsibility	→	Low
	Chief Financial Officer, Group General Counsel	Audit Committee Report	↓	Low

Strategic report

Corporate responsibility summary

Mike Buck
Chief Operating Officer

"A vital component of preserving our licence to operate is demonstrating our commitment to all stakeholders to conduct our operations in a responsible and ethical manner."

Maintaining our licence to operate is essential if we are to successfully deliver on our strategy and business model. A vital component of preserving our licence to operate is demonstrating our commitment to all stakeholders to conduct our operations in a responsible and ethical manner mindful of protecting:

- Our employees
- The local communities in which we operate
- The environment
- Our reputation
- Our shareholders

We have a comprehensive Code of Conduct and accompanying set of policies that detail the levels of behaviour we expect all employees to adhere to when representing Salamander Energy. Full details of these policies are available on our website: www.salamander-energy.com Above and beyond our internal policies we also comply with various internationally recognised standards for ethical corporate behaviour including:

- UK Bribery Act
- International Labour Organisation Declaration of Fundamental Principles and Rights at Work
- UN Universal Declaration on Human Rights
- OECD Guidelines for Multinational Enterprises
- International Finance Corporation Environmental and Social Performance Standards
- Equator Principles

GHG emissions [1]

	CO_2 (tonnes)	GHG (tonnes CO_2 eq)
Scope 1	110,248	99,381
Scope 2	410	26,968
Scope 3	21,529	6,424
Total	**232,837**	**189,360**

(1) We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition).

During 2013 we completed a review of our internal control systems following which the Board approved the proposal for a new, more formalised internal control framework (the Integrated Management System). This will set out the organisational business principles, structure, and processes, required for implementing the systematic management of business activities to meet organisational objectives and goals.

Furthermore, in recognition of the need to further develop our relationships with the communities in which we operate, we increased our level of engagement with local communities to ensure that they understand the nature of our activities and to determine how our presence can bring sustainable benefits to the people living near to our operations.

Finally, completing our operations in a safe manner and healthy environment is of paramount importance to us and we were pleased that, despite a significant increase in man hours worked only one, minor, LTI was recorded.

Corporate responsibility framework

- Health and safety
- Environment
- Business conduct
- Employees
- Local communities

Employee diversity

Salamander employs a diverse workforce and draws heavily on the skills and experience of employees bases locally to its operations.

Full responsibility report: Pg 32

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Governance summary

Charles Jamieson
Chairman
Read biography: **Pg 40**

Key priorities for 2014

Succession planning

Supporting the development of an integrated internal control framework

Continued focus on managing the risks of the business

Ensure that our HSE standards are upheld across the business

Ensure that the structure and composition of our Board and governance framework supports the delivery of our strategy

Full Governance report: Pg 38

Chairman's introduction
The Board recognises that good governance is key to the future development and performance of the Company's business and to the attainment of the Board's strategic objectives.

This summary outlines the Group's governance framework and describes the key governance issues that have been addressed by the Board and its committees during 2013, together with the governance issues that will be a key focus for 2014.

Managing the Company's business
As Salamander expands its business, it is crucial that our system of internal control evolves to address the challenges associated with directing and controlling a more diverse organisation across different jurisdictions. To this end, in 2013, a detailed review of the Group's internal control systems was commissioned. Following this review, a formal internal control framework (the Integrated Management System or "IMS") was adopted by the Board. Implementation and functioning of the IMS will be a key focus of the Board and its Audit Committee during 2014.

Further details of the IMS can be found on page 49.

Succession planning
A key focus of the Board and the Nomination Committee during 2013 has been succession planning. Following the latest Board evaluation, a succession plan for 2014 onwards has been put in place and will continue to be an important element of the work of the Board and its Nomination Committee in 2014.

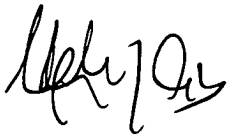
Board composition and diversity
The Board acknowledges the importance of diversity in building an effective Board. To this end, in 2013, a Board Committee was charged with drawing up a formal diversity policy. This has subsequently been adopted by the Board and will be applied throughout the business. Further information is contained in the Nomination Committee report on page 50. The Board is committed to the principle of greater transparency on workplace gender equality and has subscribed to the Government's 'Think, Act, Report' initiative. Further details of this initiative can be found at www.gov.uk/think-act-report.

A breakdown showing at the end of the financial year the number of persons of each sex who were Directors, together with the same breakdown for senior managers and for employees is shown below. Those persons included in the category of "senior management" are those with responsibility for planning, directing or controlling the activities of a strategically significant part of the Company.

The Strategic Report, as set out on pages 02 to 17, has been approved by the Board.

By order of the Board

Charles Morgan
Company Secretary
12 March 2014



Governance framework

***Remuneration Committee** – Key areas of responsibility*
Developing policy on executive remuneration; fixing remuneration of individual directors and monitoring level and structure of remuneration.

Nomination Committee – Key areas of responsibility
Succession planning; board appointments; oversight of diversity policy; recruitment process for directors.

Audit Committee – Key areas of responsibility
Monitor integrity of financial statements; review of internal control and risk management systems; monitor effectiveness of internal and external audit functions.

Individual Committees activities: Pg 50

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Performance review

Operational review

Mike Buck
Chief Operating Officer

"The 2014 work programme is well balanced between development activity in Bualuang and Kerendan that will grow the core value assets and increase flow, and exploration activity in the Greater Bualuang, Greater Kerendan and North Kutei areas that seek to deliver material resources growth."

Highlights
The operational highlight of 2013 was undoubtedly the performance of the Bualuang oil field which delivered production growth year on year of 71%. Eleven new development wells were brought on stream during 2013, providing a wealth of new data to be incorporated into the field model. Indeed, the performance of Bualuang was indicative of a strong performance across the whole of the production and development portfolio. In Indonesia, we successfully completed Kerendan development drilling and the gas buyer made good progress on the construction of the power plant. The Kambuna field outperformed in the last few months of its productive life before it was shut in over the summer. Onshore Thailand, the Sinphuhorm gas field proved yet again to be a very reliable production asset.

Our exploration and appraisal activities have had a mixed outcome. Drilling in the North Kutei yielded some valuable results and data, including hydrocarbon discoveries in all three wells drilled. The highly productive oil discovery at South Kecapi was welcome given that oil this shallow in the section was unexpected, but the failure of the Bedug well to find the up dip extension of the oil reservoir was disappointing and so more work is required to determine the size of the South Kecapi discovery. North Kendang will be re-drilled to determine the source and significance of the vigorous wet gas kick encountered deep in the well. The extensive exploration programme planned for the G4/50 block in Thailand has been delayed until 2014 pending approval of environmental permits. The year ended on a positive note with the West Kerendan-1 gas discovery in Indonesia. Initial indications are that this discovery could be in excess of pre-drill resource expectations. The PLN power plant, currently under construction, is an obvious route to early monetisation.

With activity levels at their highest ever, 2013 safety performance was very good with one (minor) lost time injury and only five recordable incidents from a total of 3.7 million man hours worked.

Group production
Group production increased by 31% year on year to 14,200 boepd. This comprised 88% liquids and 12% gas. During 2014 Group production is forecast to average between 13,000 and 16,000 boepd.

Reserves and resources
The Group entered 2013 with 73.3 MMboe of proved and probable reserves. Production totalled 5.3 MMboe and the Group completed a series of transactions on the Bangkanai PSC the net result of which was to reduce our interest by 15% meaning a downward revision to reserves of 6.0 MMboe. Set against these factors were 0.9 MMbo of reserve additions at the Bualuang field and a 2.3 MMboe upgrade to reserves at the Sinphuhorm field following the success of the Sinphuhorm East-1 well. As a result of these movements the Group's reserves as at 31 December 2013 were 65.3 MMboe.

Contingent resources saw a major increase at Bualuang and a substantial addition from West Kerendan. Overall contingent resources increased by 48% to 121 MMboe.

Health, safety and environment
During the year 3.7 million man hours were worked (2012: 2.2 million) reflecting the increase in operational activity. Despite the increase in man hours worked only one, relatively minor, lost time incident occurred. This is an improvement on previous years and well ahead of industry averages but falls short of our goal of zero LTI's.

14,200 boepd
average production in 2013

65.3 MMboe
proved and probable ('2P') reserves Y/E 2013

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Strategy in action

Progressing field development and exploitation efficiently

Pre-development the Bualuang oil field was thought to contain 2P reserves of 15 MMbo. Through a combination of reserve additions, reservoir performance and operational efficiencies we have upgraded reserves six times.

In 2013 we started to exploit new reservoirs in the structure and this has helped us to increase contingent resource in the field at year end 2013 by 129% to 27.8 MMbo. We now believe the field will ultimately produce around 75 MMbo and are still investing in new infrastructure to facilitate further production growth to enhance the value of these additional barrels.

Meet the people

Name: Parichat Wainuson

Job Title: Geologist

Located: Bangkok, Thailand

Employed since: November 2009

What tasks you undertake in your role
My current role is focused on the exploration campaign Block G4/50 and maturing prospects to drill-ready status through completing fault seal analysis and basin modelling using offset well data. I also carry out regional geochemistry and palaeontology studies to improve our understanding of the petroleum systems in theG4/50 block.

What you like about your job
I love geology and my job allows me to do things that improve my knowledge and understanding of geology, especially petroleum geology. I like the way that we consolidate various forms of data in order to rank prospects and complete our post-well analysis.

What you like about working for Salamander
Salamander provides substantial support for its employees. In my case, the Company sponsored me to complete a Master of Science Degree in Petroleum Geoscience between 2011 and 2012. This helped me to improve my geoscience skills, which in turn also helps Salamander.

Performance review

Thailand

The Group's operations in Thailand are focused on the Greater Bualuang area, offshore in the Gulf of Thailand where the flagship production asset, the Bualuang oil field, is located. There are further non-operated positions onshore in the Khorat Plateau in production, development and appraisal assets.

Key Licences	B8/38 (100%, Operator) G4/50 (100%*, Operator) EU1/E5N (9.5%) L27/43 (27%) L15/43 (27%)
Key facts	**– 48.5 MMboe 2P Reserves** **– 45.5 MMboe of contingent resource**

* Moeco retains a 50% back in right

Graham Balchin
General Manager, Thailand
Read biography: **Pg 42**

Greater Bualuang
The Greater Bualuang area comprises the B8/38 production licence, which contains the Bualuang oil field, and the G4/50 exploration concession.

B8/38
Average production from the Bualuang oil field during 2013 was 12,300 bopd, up 71% on the previous year. This growth was driven by the completion of eleven new development wells drilled from the Bravo platform, which was installed at the end of 2012. New wells into the main T4 reservoir outperformed expectation during the year.

The potential in the deeper T2 sandstones has always been recognised but no wells had previously been completed in this reservoir. The first planned well in the T2 reservoir during 1H 2013 produced at an initial rate of 3,000 bopd, more than double pre-drill expectations. As a result of this out-performance the forward programme was amended to incorporate a second well in the T2 reservoir which also significantly outperformed pre-drill forecasts. The excellent performance of the T2 reservoir is a combination of reservoir quality and natural pressure support.

At the beginning of 2013, Bualuang held certified 2P oil reserves remaining of 33.6 million barrels and 2C contingent oil resources of 12.1 million barrels, based on an estimated stock tank oil initially in-place ("STOIIP") of 180 million barrels, representing an expectation of overall recovery factor of approximately 33%.

Since then new wells, production data from on-going operations and detailed study of all field data has led management to increase its estimate of STOIIP from 180 million barrels to over 250 million barrels and in the year end 2013 re-certification of the field RPS has increased remaining 2P reserves by 0.9 MMbo and 2C resources by 15.6 MMbo.

One of the primary objectives of 2014 and beyond is to accelerate the conversion of the substantial contingent resource through to reserves and ultimately cash flow. A front end engineering design (FEED) study has been commissioned to assess design options for expanding the production infrastructure of the Bualuang field with an additional platform or platforms. These studies should be completed with a view to obtaining Board sanction for the next phase of development by mid-2014 making first production from new infrastructure achievable in 2016. Production from the field is expected to increase to in excess of 15,000 bopd once these new facilities are in place.

Whilst future investment in the field is sanctioned on the basis that it will create value, a positive side effect is that further investment in new facilities will also enhance the cash margin through reducing the Group's tax payments as a result of the fiscal incentives provided under the Thai concession agreement.

Meet the people

Name: Tharanit Thapanandana

Job Title: Corporate Affairs Manager

Located: Bangkok, Thailand

Employed since: January 2013

What tasks you undertake in your role
I have responsibility in four core areas which are Government Affairs, Corporate & Social Responsibilities, Public Relations & Communications, and Environmental Management. As a concessionaire under the governance of Thailand's Ministry of Energy my team has to work closely with the Department of Mineral Fuels (DMF) and other key government agencies both in Bangkok and in the areas near to our operations.

What you like about your job
Our objective is to be among the top tier of good E&P operators in Thailand as well as being the "partner of choice" in the communities wherever we work.

What you like about working for Salamander
In my opinion, there is no other position in the Company which truly requires the integration of multi-disciplines in technical, social, and people, together with the constructive visions, good planning and problems solving skills like Corporate Affairs. Every single task that I am working on needs the implementation of all those multi-skills to deliver success.

Strategy in action

● Ensuring appropriate control over development and operating costs

The initial development concept on the Bualuang field was configured to optimally recover 14 MMbo over five years, the original understanding of the life of the field. With the field now expected to recover approaching 100 MMbo and produce for at least another ten years there was an opportunity to review the development plan and drive cost down.

During 2013 new power and processing modules were constructed and loaded on to the Bravo platform. This will enable an FSO to replace the existing FPSO during 2014 which will drive operating costs on the field down by at least $20 million per annum.

The programme to reduce Bualuang operating costs progressed well in 2013 with the installation on the Bravo platform of power generation and processing modules, although the final construction, installation and commissioning costs were higher than originally planned due to increased costs for support vessels and fuel. The conversion of the Navion Clipper to the Suksan Salamander FSO is proceeding to schedule and the switch to the new facilities should be completed during Q3 2014. This will deliver a $20–25 million per annum reduction in operating costs.

Looking to 2014, production from the field is expected to remain broadly flat year on year. There are five further development wells to be drilled to utilise the sixteen original slots on the Bravo platform. Additional well slots will be installed on to the Bravo platform and five dual-lateral production wells are planned to be drilled to increase the number of production drain points per slot.

G4/50
Drilling of high-graded prospects in the central and southern area of the G4/50 licence was stalled after the rejection of the Environmental Impact Assessment ("EIA") following a third party oil spill in the eastern Gulf of Thailand that resulted in oil making landfall. The Group's oil spill contingency plans are extensive and well-resourced but in light of lessons learned from the spill in the eastern Gulf the plans have been enhanced and incorporated into a revised EIA submission that is now with the Thai authorities for consideration. It is hoped that the EIA approval will be received during 1H 2014 enabling exploration drilling to commence soon afterwards subject to the ongoing activity of the Atwood Mako drilling rig. The resource potential of the high-graded prospects in G4/50 ranges from 25-100 MMbo with chances of success in the one in three to one in four range.

Performance review

Thailand
continued

As a result of the delay to the EIA approvals, exploration drilling in 2013 focused on the northern part of the G4/50 block where there were existing EIA approvals. This part of the acreage was considered higher risk since its oil source potential was unproven. Three exploration wells were drilled in the north: Rayong tested the north eastern sub basin but was dry; Surin tested the Central Western sub-basin and found oil although less pay than had been predicted; Ayutthaya was drilled as a follow up to Surin but was dry, probably due to inadequate migration charge routes into the structure. Data gleaned from these wells was used determine which parts of the block to relinquish at the end of 2013 when a partial relinquishment (of 50% of the held area) was required. The Group secured an additional three year tenure on the acreage with a commitment to drill at least two exploration wells. This extension, the third exploration period, runs until December 2016.

Other
Onshore North East Thailand in the Khorat Plateau, the Sinphuhorm field (9.5%) continued its consistent performance delivering average daily production of 90 MMscfd during 2013. Production is expected to continue at similar levels in 2014. In the neighbouring block L15/43 (where the Group holds a 27% working interest), the operator completed an appraisal well on Sinphuhorm that flowed in excess of 50 MMscfd, one of the most productive wells ever drilled in the area. The well demonstrates that the field extends beyond the current production licence into L15/43 where Salamander has a higher equity interest. This well was the first to be drilled on the field using 3D seismic data. The success of the well highlights the potential to use 3D seismic, calibrated with wells, to identify the sweet spots in the Pha Nok Khao reservoir. The northern portion of the Sinphuhorm field has yet to be put on production and the 3D seismic may unlock potential upside and lead to further Gas Sales Agreements.

Also in the Khorat Plateau, negotiations are ongoing with potential buyers of gas from the Dong Mun discovery (27%). The operator believes these will be concluded in 2014 and is currently advising that first gas production, in the region of 20 MMscfd, could then be expected in 2016.

Meet the people

Name: Sasicha Thumpothong

Job Title: Accounting Manager

Located: Bangkok, Thailand

Employed since: January 2009

What tasks you undertake in your role
My tasks relate to all accounting and taxation aspects. My routine work is reviewing all accounting document prepared by my Finance colleagues closing month-end accounts accurately and punctually. At year-end, I work with the auditors for the preparation of the Financial Statements and related taxation returns for Thai government.

Human resources management for Finance team is also part of my job. I work with the Finance Manager to recruit new employees and complete the performance review for my finance colleagues.

What you like about your job
I like accounting and think it is challenging area in which to work as it is not only about knowing how to debit and credit but it is also about analysing information and problem solving.

What you like about working for Salamander
After working with Salamander for over five years I think the Company supports their employees and offers opportunities without any discrimination. Evidence of this can be seen from the fact that heads of department can be either expatriate or national employees.

One more important thing which I really love working here is a positive atmosphere in the workplace. Friendliness, assistance and optimism can be found a lot in our Company.

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Indonesia

The Greater Kerendan area comprises the Bangkanai PSC which contains the Kerendan gas field development and the West Kerendan discovery, the North East Bangkanai PSC and the West Bangkanai PSC.

Licences	Bangkanai PSC (70%, operator) SE Sangatta PSC (100%, operator) Bontang PSC (100%, operator)
Key facts	– **16.8 MMboe** 2P Reserves – **75.8 MMboe of contingent resource**

Craig Stewart
General Manager, Indonesia
Read biography: **Pg 42**

Kerendan field development
Material progress was made on the Kerendan gas field development in 2013, both by Salamander and by PLN our gas buyer as we close in on first commercial gas production.

Four Kerendan development wells were drilled during the year that tested at a combined rate of over 40 MMscfd. Given the initial gas sales agreement ("GSA") is for the supply of 20 MMscfd, the deliverability of the wells drilled provides excess production capacity.

Operating in Kerendan is very challenging due to the remote location of the field and the extremely wet conditions for large parts of the year. These conditions have resulted in drilling operations taking longer to complete than originally envisaged and costs have therefore come in higher than planned, although ultimately these are cost recoverable from production under the terms of the PSC.

Construction of the Kerendan Gas Processing Facility is well advanced and is due to be completed in September 2014. PLN's power plant is also progressing well. PLN contracted Wartsila to construct the gas engines and other surface facilities for the plant. The gas engines are *currently being shipped to site.* PLN has advised that the planned capacity of the power plant in phase one has been expanded from 120 MW to 155 MW providing scope for Salamander to supply above the volumes in the current GSA. PLN has planned for a second phase of construction at the power plant increasing capacity to 350 MW in 2016. This would require 70MMscfd to meet capacity and Salamander is well placed to provide this from currently booked contingent resources on the Kerendan field. Work is underway with an Indonesian reserves certification agency to move the contingent resources into the proven and probable reserves category which would allow another GSA to be negotiated and signed.

A renegotiation of the gas price in the current GSA has started and is expected to be completed prior to field start up. This should see a material increase in the current price of $5.03 per Mscf.

West Kerendan exploration
The West Kerendan-1 exploration well was spudded in 4Q 2013 with two primary targets. The shallower target, the Upper Berai Carbonates (West Kerendan prospect) comprise the main reservoir in the nearby Kerendan gas field. WK-1 penetrated the Upper Berai reservoir 110 metres high to prognosis with elevated background gas readings and gas peaks throughout the section. Pressure sampling indicated that the well has a potential gas column of 340m and is in the same pressure cell as the main Kerendan field some 10km away suggesting that the size of the gas-bearing structure is in excess of 100 sq km.

Testing of the Upper Berai is underway. A test over a 75 metre interval at the base of the gas column flowed at a rate of 18.6 MMscfd. The deeper target, Eocene sandstones of the Sungai Lahei prospect were poorly developed at WK-1. eight metres of gas-bearing sandstones were logged above a shallower than predicted basement penetration. The sandstones remain a valid target on the flanks of the WK-1 high and will be the subject of appraisal drilling.

Performance review

Indonesia
continued

Meet the people

Name: Marudut Manullang

Job Title: Vice President Human Resources and General Affairs

Located: Jakarta, Indonesia

Employed since: January 2013

What tasks you undertake in your role
My role has several different parts to is but all of them involve planning how we can support the business achieve its short and long term objectives through successful implementation of its work programmes.

What you like about your job
HR involves managing recruitment, training & development, compensation & benefits and employee relations. The External Relations & Security side means I am responsible for maintaining good relations with our key stakeholders including government and local communities close to our operations.

What you like about working for Salamander
My big passion is people and I most enjoy the HR part of the role and am driven by seeing the Company become stronger through developing the talented people within it. It is also an enjoyable challenge establishing strong relationships with all the key stakeholders in such a remote and logistically challenging location as the Kerendan area.

North Kutei
Three wells were drilled in the North Kutei during 1H 2013 to follow up on the Angklung discovery made in 2010. The wells drilled, South Kecapi, North Kendang and Bedug, all encountered hydrocarbon bearing reservoir quality sandstones, the presence of which was the key risk pre-drill.

The South Kecapi well was the first to be drilled and encountered multiple gas-bearing, stacked reservoirs in the shallow Pliocene section. The well then encountered an oil-bearing Miocene sandstone (the "BT45" sand) that tested at a flow rate of 6,000 bopd. South Kecapi was drilled on the flank of the Bedug high and the key question raised by the South Kecapi well was whether the BT45 sandstone interval ran up on to the Bedug high, in which case it could be a 100 MMbo plus sized accumulation.

The Bedug-1 well was drilled to test this thesis. The BT45 oil-bearing sandstones in the South Kecapi well had pinched out on the top of the Bedug high. Since completion of the well, the technical team have focused on remapping this part of the basin to determine the resource potential on the western flank of the large Bedug structure.

The North Kendang-1 well was drilled some 17km north of the South Kecapi-Bedug area. A few metres into the Upper Miocene target a high-pressure gas kick occurred resulting in the elevation of well-bore pressures up to 3,800 psi. The well was successfully brought under control but had to be plugged as continuing to drill or side-tracking carried a significant risk of not being able to safely achieve the objective of drilling through and testing the kick zone and the underlying Miocene objectives due to the unexpectedly high formation pressures.

A re-drill of the North Kendang well is planned for 2Q 2014 with the majority of the costs being borne by the insurers as a result of a claim relating to the well control incident which occurred in the drilling of the original well and calling upon the re-drill insurance for the follow up well.

The key question is how well developed the reservoir is in this location as there is the potential for a large hydrocarbon column to be present in the Miocene section of this well with revised resource estimates of between 160 Bcf and 1.3 Tcf of resource potential.

Elsewhere in the North Kutei, the Plan of Development for the Tutung discovery is being finalised and will be submitted during 2014.

Strategy in action

● Resource addition through field revision and discoveries

The Kerendan gas field, onshore Kalimantan, will be a key driver of value in the next eighteen months as we look to monetise the contingent resource in the field through the signing of a second gas sales agreement.

However, the West Kerendan gas discovery in 2013 has added a further 43 MMboe to contingent resource from the Berai carbonates that should be the source of increased gas sales to the local power plant. Furthermore, the deeper Lower Berai and Eocene targets were gas-bearing in the WK-1 well and could provide further resource upside once appraised.

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Strategy in action

● Building portfolio through a combination of organic growth and selective acquisition

Malaysia is a country with many existing oil and gas discoveries that have been left undeveloped for a number of years. These "fallow" discoveries are a good fit with Salamander's strategic model and operational expertise. As such Salamander has been looking for an opportunity to expand into Malaysia and during 2013 we signed our first licence in the country, the PM-322 Production Sharing Contract.

Block PM-322 contains the Port Klang oil discovery, made in the early 90's but which has no 3D seismic data over it and has never been appraised. The block also contains a number of step-out exploration prospects. There was no entry cost but Salamander has committed to a work programme that entails shooting 3D seismic and drilling one well. There are further such opportunities in Malaysia and we will be looking to build a portfolio in the country.

Other
The Kambuna field (50%, Operator) offshore North Sumatra produced for longer than expected in 2013 before finally being shut in during Q3 when gas rates fell below the commercial threshold. The field has now been successfully shut in and the facilities moth-balled and handed over to Pertamina.

Outlook
Capital expenditure in 2014 will be predominantly focused on production and development activity with the Bualuang field being one of the main areas of expenditure as we look to convert the increased resources that have been identified through to reserves. Production will be further diversified when the Kerendan field comes on stream. On the exploration and appraisal side, whilst capital expenditure will be significantly lower than in 2013, there remains a number of attractive targets. In Indonesia we will be looking to build on the success of the West Kerendan and are considering the options for the appraisal of the Upper Berai carbonate section to accelerate commercialisation of this discovery. The Ocean General rig will return to the North Kutei to re-drill the North Kendang well which has the potential to be a play opening discovery. In Thailand, we eagerly await the environmental approvals that will enable us to drill a multi-well programme stepping out from the Bualuang oil field and testing the most prospective areas of the G4/50 licence.

Mike Buck
Chief Operating Officer
12 March 2014

Meet the people

Name: Sally Ting

Job Title: Regional Counsel

Located: Singapore

Employed since: June 2007

What tasks you undertake in your role
Having worked for Salamander since 2007 I have had the opportunity to see through the full cycle of an asset right through from acquisition to then farming it out and ultimately selling or relinquishing it. The varied transactional work keeps things interesting.

What you like about your job
A great learning experience for me has been to follow through on an acquisition and work with the business units to operate those assets. This involves advisory work as well as interpreting contracts. This part of my job gives me the opportunity to work with lots of people both internally and externally from a variety of disciplines and at a variety of levels.

What you like about working for Salamander
One thing I particularly like about working at Salamander is the opportunity to learn about our business and the industry generally. The more I know and understand about our business and the running of it, the better I can represent Salamander to third parties.

Performance review

Financial review

"Capital expenditure in the coming years is expected to be strongly focused on growing Salamander's core production-based value."

Key strategic drivers

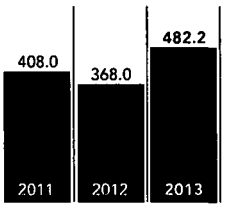
Read more about our key strategic drivers and business model: **Pages 07 and 09**

Introduction

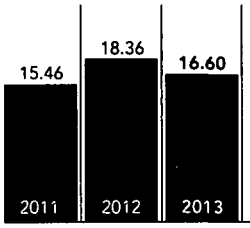
By disposing of mature low margin Indonesian reserves and production in late 2011, Salamander set itself on an investment path that has re-based the quality of the average barrel that it produces. With capital re-focused toward high-value, tax efficient development operations within Thailand, a c32% year-on-year expansion in Group production has delivered a significant step-change in pre-tax operating cash flow, which has grown by 44% to $367.8 million (2012: $255.6 million).

With production stepping up from a lower 2012 taxable base, in 2013 Salamander also captured significant fiscal efficiencies. These lowered the Group cash taxation charge to $67.5 million (versus guidance to hold cash taxation at least flat year-on-year, 2012: $97.2 million). As a result, post-tax operating cash flow expanded by 90% to $300.3 million (2012: $158.4 million). Against a broadly static 2011 to 2013 crude price, Salamander has grown its post-tax unit cash margins from $28.6 per boe in 2011, to $40.2 per boe in 2012 and $57.8 per boe in 2013.

Revenue
($'s millions)



Operating costs per boe
($/boe)



Having repositioned its portfolio toward a very tangible higher-value production mix, in 2013 Salamander used this foundation to begin reshaping its capital structure. Having refinanced its Reserve Based Lending facility in December 2012, the Group issued in November 2013 its first High-Yield Bond. The proceeds of this bond will be used to refinance the Company's short-term debt, which in turn provides Salamander with a robust platform from which to commercialise its large base of contingent resources and ultimately to deliver continued production and reserves growth.

Statement of Comprehensive Income

Revenue, realisations and production

Year-on-year Group average daily working interest production rose 31% to 14,200 boepd (2012: 10,800 boepd). Despite crude markets falling approximately 3% year-on-year, oil realisations remained flat at $103.98 per bbl. A greater weighting of Sinphuhorm volumes within output lifted gas realisations to $7.77/mcf (2012: $7.17/mcf). Combining these pricing movements with the Group's evolving production mix, revenue rose by 31% to $482.2 million (2012: $368.0 million), with 94% of this figure originating from oil (2012: 88% of revenue).

Cost of sales

Total cost of sales fell to $230.7 million (2012: $245.2 million). Of this figure, direct operating costs equalled $86.3 million (2012: $74.8 million); higher levels of Bualuang output lowering unit operating costs to $16.6/boe (2012: $18.36/boe). New processing and power modules were installed on the Bualuang Bravo platform in December 2013. These upgrades, together with the installation of a new FSO, target a minimum c$20 million per year reduction in operating costs, effective from 3Q 2014.

Higher underlying Thai production led to a rise in royalty payments, which in 2013 totalled $44.4 million (2012: $30.6 million). The Group's amortisation charge totalled $113.0 million (2012: $96.7 million). There was a $13.0 million positive offset to cost of sales for the value of crude that remained unsold in Bualuang's tanks at 31 December 2013 (2012: $36.4 million charge).

Key financial indicators

	Units	2013	2012	2011	2010
Income statement:					
Realised prices:					
Oil and liquids	$/bbl	**103.98**	103.95	104.45	73.16
Gas	$/Mscf	**7.77**	7.17	5.47	5.12
Revenue	$'millions	**482.2**	368.0	408.0	323.4
Operating costs per boe	$/boe	**16.60**	18.36	15.46	15.11
Profit/(loss) before taxation	$'millions	**47.3**	10.8	112.6	(113.7)
Taxation	$'millions	**167.1**	73.1	158.1	55.8
Balance sheet:					
Capital expenditures:					
Exploration and appraisal	$'millions	**188.3**	134.1	92.1	73.5
Development and production	$'millions	**192.3**	194.8	99.0	140.9
Net disposal proceeds	$'millions	**27.0**	–	45.7	–
Net debt[1]	$'millions	**259.9**	194.6	210.1	190.2
Gearing[2]	%	**39**	27	36	30
Cash flow statement:					
Cash generated from operations	$'millions	**367.8**	255.6	296.0	125.2
Taxation payment	$'millions	**67.5**	97.2	102.1	18.7
Net cash from operations per boe	$/boe	**57.8**	40.2	28.6	14.4

[1] See note 23 to the consolidated Financial Statements for further details
[2] Gearing is defined as net debt divided by net debt plus book net equity

Exploration expenses

Exploration costs expensed through the income statement rose to $169.3 million (2012: $51.1 million). Of this figure, $162.3 million relates to the write-off of exploration costs. A significant portion of the cash cost associated with this activity was incurred within Indonesia during 2010 and 2011, with a more minor component relating to accumulated drilling and seismic costs on B8/38 and G4/50. Pre-licence exploration costs totalled $7.0 million (2012: $6.7 million).

Finance revenue and expense

Having refinanced the Group's $325 million 7-year Reserve Based Lending facilities under a simpler and lower cost structure in December 2012, finance costs in 2013 fell to $22.8 million (2012: $27.4 million). Against this, interest revenue totalled $0.1 million (2012: $0.2 million) and other financial losses totalled $4.1 million (2012: $6.3 million).

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 2013, the Group hedged 2,600 bbl/d of production at an average swap price of $103 per bbl. For 2014, Salamander has hedged 2,600 bbl/d 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 bbl/d of production is hedged at an average swap price of $103.3/bbl, also with a call option at $120/bbl.

Performance review

Financial review
continued

Strategy in action

Ensuring appropriate control over development and operating costs

The move to focus on higher margin barrels has transformed the Group's organic cash generation from $28.6 per bbl in 2011 to $57.76 per bbl in 2013, providing a solid foundation for the Group's operational activity. From this base, the Group was able to refinance its Reserve Based Lending Facility in December 2012, and in 2013 it then further diversified its balance sheet through the issue of its first High-Yield Bond. The proceeds of this $150 million bond have been used to repay an existing $50 million bridge facility and the balance will be used to refinance Salamander's $100 million convertible bond.

+44%

Pre-tax operating cash flow up 44% to $368 MM

+90%

Post tax operating cash flow up 90% to $300 MM

Taxation
Income statement taxation charges totalled $167.1 million (2012: $73.1 million). Within this figure, current taxation charges totalled $146.8 million (2012: $78.9 million), with deferred taxation charges rising to $20.3 million (2012: $5.8 million credit). As in previous periods, the income statement tax charge is distorted by a number of items that cannot be taken as allowances against tax. A reconciliation of the Group's tax charge is set out in note 9 to the financial statements.

A significant proportion of Salamander's 2013 exploration charge relates to activity in the North Kutei where the Group had no production to provide a tax shelter. As a result the tax effect of non-deductible exploration expenses totalled $51.6 million (2012: $9.2 million).

In Thailand, increased production and profit from the Bualuang field resulted in a special remuneratory benefit ('SRB') charge of $89.2 million (2012: $55.7 million). However, in cash terms a significant portion of the Group's SRB liability has been deferred into future years as a result of the tax shelter that is afforded by the Group's current capital investment programme on the B8/38 block. As a mirror to these value-enhancing cash savings, the Group's income statement carries an expanded non-cash deferred tax charge.

Reflecting 2013's unusually heavy exploration charge, the Group's net loss for the period totalled $119.8 million; equivalent to $0.46 loss per share (2012: $62.3 million loss, $0.32 loss per share). Without this exploration charge, Salamander would have reported a net profit of $49.5 million (2012: $11.2 million net loss).

Balance sheet

Capital expenditure
Accrued capital expenditure during 2013 totalled $380.6 million (2012: $328.9 million).

50% ($192.0 million) of this spend related to production and development activity (2012: $194.8 million), 91% of which was spent within Thailand where the Group is able to capture significant fiscal efficiencies. The balance of Group production and development spend lay within Indonesia. Expenditure associated with exploration and appraisal activity totalled $188.3 million, 67% of which lay in Indonesia where the Group drilled three higher-cost equity-funded North Kutei wells. Exploration and appraisal, and production and development expenditures capitalised and carried forward on the Balance Sheet at 31st December 2013 totalled $974.2 million (2012: $897.4 million).

Cash and net debt
At 31st December 2013, the Group's total gross debt equalled $525.0 million (30 June 2013: $425.0 million). This figure captures a transitional step in the strategic evolution of Salamander's balance sheet. In November 2013 the Group issued a $150 million bond into the Norwegian market. This bond is Salamander's first issuance of unsecured high-yield debt, and has a term of six years and one month, repayable as a bullet at maturity. The bond carries a coupon of 9.75% and was issued at par.

At 31st December 2013, $43.8 million of the bond proceeds had been used to retire a $50 million short-term facility that was secured against the Kerendan field. Bank borrowings at 31 December 2013 totalled $275.0 million (30 June 2013: $325.0 million).

It is intended that the balance of proceeds from the Norwegian market bond will, at Salamander's discretion, be used to refinance the Group's US$100 million of Convertible Bonds (due March 2015). After this transaction Salamander's debt portfolio will be simplified to: a secured 7-year Reserve Based Lending Facility (up to US$350 million), and the unsecured bond. Salamander's weighted average cost of borrowing across its portfolio will then be approximately 6.2%.

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Against this debt position, cash and funds totalled $265.0 million, $20.3 million of which lay within restricted bank deposits (30 June 2013: $166.8 million, with $3.8 million restricted). $18.0 million of these restricted deposits relate to a deposit guarantee issued by Salamander on its entry to Malaysia.

Taken together, Salamander's total net debt at 31 December 2013 amounted to $259.9 million (30 June 2013: $258.2 million), the Group's gearing had risen to 39% (30 June 2013: 37%), and net assets had fallen to $402.4 million (30 June 2013: $436.4 million).

Cash flow statement

Operating cash flow

Operating cash flow (before tax and working capital) rose by 67% to $355.5 million (2012: $213.0 million) underpinned by a 31% increase in production and a re-weighting towards higher value Bualuang barrels. On a unit basis this equates to $68.38/boe (2012: $54.21/boe).

Movements in working capital had a positive impact on cash flow of $12.3 million (2012: $42.7 million). Net of working capital, operating cash flow rose to $367.8 million, a 43% rise over 2012 ($255.6 million).

Since cash taxation payments relate predominantly to prior year activity, the step-up in production between 2012 and 2013 results in a low cash taxation charge being placed against an expanded level of pre-tax operating cash flow. 2013 cash taxation was then further reduced through the shelter that the Group receives because of its expanded capital expenditure programme on B8/38 and G4/50. Through capturing these fiscal synergies cash taxation in 2013 fell by 31% to $67.5 million (2012: $97.2 million).

In detail, $26.7 million of the Group's 2013 cash taxation charge related to special remuneratory benefit (SRB) payments (2012: $55.0 million), and $40.8 million to income tax (2012: $42.2 million).

Post-tax and movements in working capital, operating cash flow for 2013 totalled $300.3 million, a 90% year-on-year rise (2012: $158.4 million). On a unit basis, and against a broadly static crude price, Salamander has grown its unit cash margins from $28.6 per boe in 2011, to $40.3 per boe in 2012, and $57.8 per boe in 2013.

Investing cash flow

With the 2013 operational programme expanded through the proceeds of the 2012 equity raise, net cash used in investing activities rose to $348.6 million (2012: $285.7 million).

Cash spending on exploration and appraisal activities totalled $177.7 million (2012: $113.1 million). 74% of this spend occurred within Indonesia. Production and development capital expenditure totalled $179.4 million (2012: $174.0 million). The majority (88%) of this total was spent in Thailand, where the Group drilled eleven development wells and built and installed processing and power generation units on the Bualuang Bravo platform.

On a combined exploration and appraisal/production and development basis total capital spending lay toward the lower end of the Group's 2013 guidance range of $350-$375 million.

During the period, Salamander farmed-out a 30% interest in the Bangkanai PSC to Saka. This resulted in cash disposal proceeds of $27 million. Alongside this, Salamander received a $30 million cost carry on the Kerendan development and a promote on the West Kerendan exploration well.

Movements in other receivables (including restricted bank deposits) resulted in a $18.7 million outflow of cash (2012: inflow $1.2 million), and interest received during the period totalled $0.1 million (2012: $0.2 million).

Financing cash flow

Financing activities generated a net cash inflow of $97.2 million (2012: $277.1 million inflow). This movement chiefly reflected the combined impact of the issue of $150 million of Norwegian market bonds in November 2013, and the repayment of $50.0 million of bank borrowings.

The net impact of the Group's operational and financing activity led to a $48.9 million cash inflow during the period (2012: $149.9 million cash inflow).

Financial outlook

As reported in the operating review, activity in 2013 led to a significant upward revision to contingent resource. These resources are highly tangible and management is focused on their rapid conversion to reserves and cash flow. To deliver this, capital expenditure in the coming years is expected to be strongly focused on growing Salamander's core production-based value. Capital expenditure in 2014 is currently forecast to lie toward the upper end of the Group's guidance range of $250-$275 million. However 75% of this spend will be on fiscally efficient Thai development activities which will facilitate the next phase of growth from the Bualuang field.

With a new two-year oil sales agreement recently priced at a tighter discount (Dubai less $0.40 versus Dubai less $1.20 before), and good progress being made with operating cost reduction initiatives cash generation from Bualuang is expected to remain firm. When married with a significant opportunity to grow asset value, 2013 demonstrated the strong fiscal efficiencies that the Group can unlock through its Thai capital investment. In any single year cash taxation charges will however fluctuate as a function of oil price, prior-year production levels and capital spending.

Looking beyond Thailand, Salamander is closing on first gas sales from the Kerendan field, the delivery of which will begin to diversify Group output. Negotiations toward a higher gas price have commenced, and Salamander has taken steps toward monetisation of the significant contingent resource volumes on the Kerendan field.

Dr Jonathan Copus
Chief Financial Officer
12 March 2014

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"We appreciate, and take seriously, our responsibilities to conduct our operations safely and in full co-operation with the communities in which we operate."

Key strategic drivers

Read more about our key strategic drivers and business model: **Pages 07 and 09**

Performance highlights

- Lost time injury frequency rate down 1.04 to 0.27 per million man hours worked, below OGP average
- GHG emissions above OGP average as a result of unusually high number of drill stem tests completed during the year
- Flaring and venting higher year on year but still below OGP average
- Tonnes of oil to the environment per million tonnes of production reduced to 0.05, well below OGP average
- Produced water discharged reduced to zero

Our approach

We recognise that maintaining a well-respected operating capability is fundamental to our strategy and business model. Our approach to Corporate Responsibility (CR) is an important aspect of this overall goal. Our main areas of CR impact and opportunity comprise environmental matters, health and safety issues, our employees, our local communities and our approach to business conduct. The achievement of our overall business aim is clearly linked to our ability to manage all of these areas effectively.

We appreciate, and take seriously, our responsibilities to conduct our operations safely and in full co-operation with the communities in which we operate.

We ensure that the health and safety of our employees is protected; that our impact on the environment is minimised; and that we can be sensitive to the needs of, and provide long-term sustainable benefits for, the communities in which we operate. We conduct all of our business in a fair manner and comply fully with the relevant legal, regulatory and international accord requirements which apply to our businesses. These include the UK Bribery Act, the International Labour Organisation Declaration on Fundamental Principles and Rights at Work, the UN Universal Declaration on Human Rights, the OECD Guidelines for Multinational Enterprises, the International Finance Corporation Environmental and Social Performance Standards and the Equator Principles. The Group benchmarks its HSE performance against the statistics for the industry compiled by the International Oil and Gas Producers ("OGP") average.

During 2012 we completed an internal restructuring of the Group Corporate Social Responsibility Steering Committee, streamlining the membership to make it a more efficient and focused group that can oversee our CSR activities and relationships with local stakeholders.

Management systems

During the year a systematic review was undertaken of Salamander Energy's HSE Management System based on internal and external consultations. The review involved an examination of all existing corporate documentation as well as internal and external consultation on the options for evolving the current system to better align with business needs. The review culminated in a decision to move to having an integrated management system bringing together HSE and other management controls together under a single, fit for purpose, integrated system. Work is ongoing to develop the Integrated Management System (IMS) for Salamander Energy that ensures that the risks to which the Company is exposed are being properly managed. This ensures that accountability and performance are audited with the results reported to the Board. A Standards Committee comprised of the Company's senior management personnel has been established to oversee and direct the work.

Strategy in action

Operating safely and responsibly – Thailand

Enhancing our offshore operational capabilities and developing our people in Thailand

During the year, offshore operations staff in Thailand successfully underwent training and assessment to meet internationally recognised competency standards set out by OPITO – Offshore Petroleum Industry Training Organisation. The areas covered by the training included the management of major emergencies (MOME), Oil spill response (ISO level 2) and *International minimum industry safety training* (IMIST). The training and assessment has resulted in the staff involved being formally recognised as meeting international standards of competence that is an essential element to underpin the delivery of Good International Industry Practice for offshore operations.

Performance review

Corporate responsibility
continued

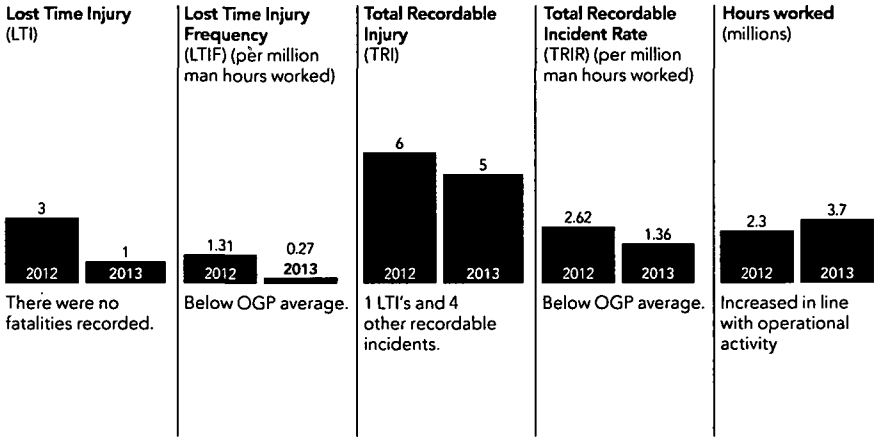
Health and safety

Policy highlights

Salamander Energy will operate in accordance with the following principles.

- We will promote a culture within the Company in which all employees share a commitment to a healthy and safe workplace
- We will comply with applicable laws and regulations and apply recognised international standards where laws and regulations are not in place
- Ensure that employees and contractors are properly trained and aware of the importance of health and safety matters

Group-wide health and safety KPIs



Performance

The Group has a rigorous set of HSE standards, procedures and guidelines that are made available to all employees via the Group's intranet. It is made clear to all employees, and contractors that they are expected to adhere to these standards when engaging in any business related activity on behalf of the Company. The Executive Directors reinforce this message during management visits that are conducted at least annually and their findings are reported back to the Board of Directors.

During 2013 a new Group HSE Manager was appointed who immediately undertook a review of current practice and reported back to the executive team with a number of recommendations as to how the Group could enhance its existing HSE processes and systems. These recommendations were approved by the Board in 2H 2013 and have started to be rolled out across the Company.

The number of man hours operated increased significantly during 2013 to 3.7 million man hours reflecting the increased levels of operational activity. Only one, relatively minor, lost time injury was recorded during the year resulting in a lost time injury frequency rate of 0.27, a significant improvement on previous years.

Targets for 2014

- Zero fatalities
- Zero LTI's
- TRIR 20% below OGP average

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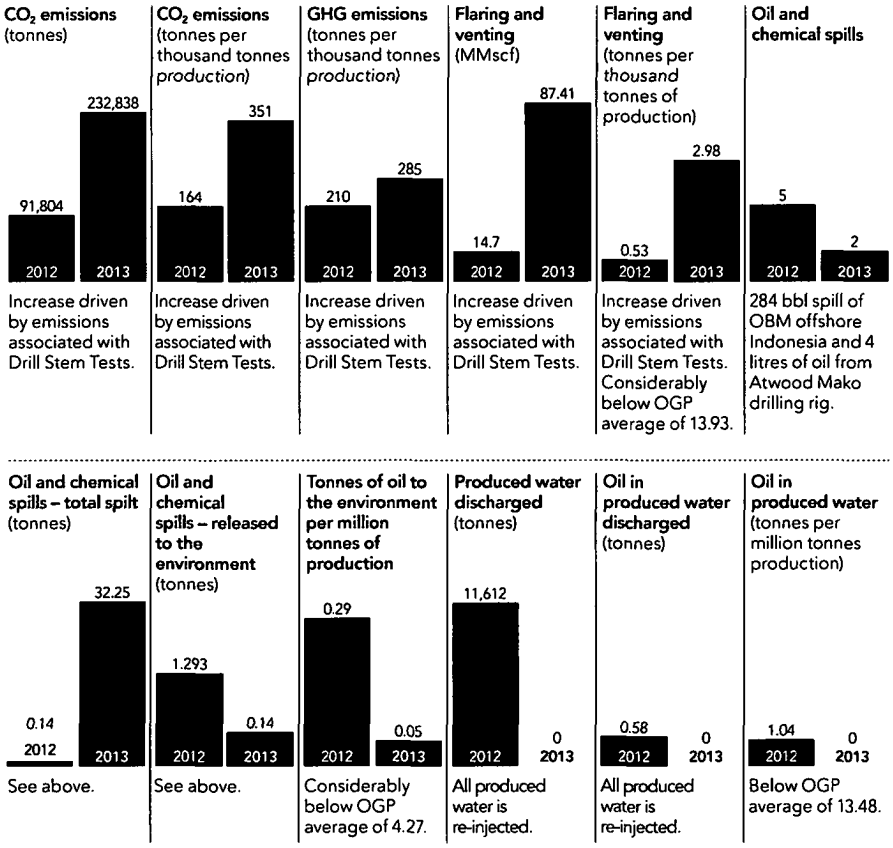
Environment

Policy highlights

Salamander Energy operates in accordance with the following principles.

- We are committed to protecting and conserving the environment in which we work
- We will adhere to the International Finance Corporation's Performance Standards on Social and Environmental Sustainability
- We strive to meet the challenges presented to the oil and gas industry by climate change matters
- We strive for viable ways to minimise the environmental impact of our operations, reduce waste generation, conserve resources and respect biodiversity
- We will comply with applicable laws and regulations and apply recognised international standards where laws and regulations are not in place

Group-wide environmental KPIs



[1] We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under the CRC Energy Efficiency scheme, and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2013.

[2] *2012 data has been re-based using the 2013 DEFRA conversion factors.*

Targets for 2014

- Keep CO_2 and GHG emissions below OGP average
- *Continue to seek ways of pollution prevention, emission reduction and improving the environmental performance of our operations*

Performance

2013 saw an increase in emissions that was primarily due to a rise in the quantity of gas flared and vented. This was the result of an expanded operational programme that involved a higher number of Drill Stem Tests ("DSTs") being completed in 2013 than in 2012. These DSTs were associated with the exploration drilling in the Kutei and the Kerendan development drilling.

All produced water at our operations is re-injected into the reservoir so there is no surface disposal of produced water. Cuttings generated during drilling operations at Bualuang are recovered and sent ashore for incineration.

During 2013 we also safely completed the decommissioning of the Kambuna field, offshore Sumatra, and handed over mothballed to Pertamina.

The Group is committed to minimising the environmental impact of its operations. We obtain all the relevant environmental permits prior to commencement of our operations and procedures are in place to monitor on-going operations. Examples include monitoring sea water quality at our sites in the Gulf of Thailand and soil quality and mineral levels in our onshore locations in Indonesia.

Corporate responsibility
continued

Business conduct

Policy highlights

Salamander Energy operates in accordance with the following principles:

- We aim to treat all our stakeholders fairly and with integrity
- We will not tolerate any form of bribery and corruption within our business activities or within business activities of those who perform services on our behalf
- We will comply with applicable laws and regulations (in particular the UK Bribery Act) and apply recognised international standards where laws and regulations are not in place

The Code of Business Conduct (the "Code") sets out the way the Group works and comprises its vision and values. The Code is supported by the Group's policies, standards, procedures and processes. The values set out in the Code can be viewed in full on the Group's website: www.salamander-energy.com.

Performance
During 2014, employees received training and briefings on the Code of Business Conduct and expected standards of behaviour, encompassing compliance with the Bribery Act. Towards the end of the year an annual ABC risk assessment was undertaken throughout the business.

As part of its regular monitoring of policies and procedures, the Company revised and issued the Code of Business Conduct during the year together with the Group's Gifts and Hospitality Policy.

Local communities

Policy highlights

Salamander Energy is committed to operation in accordance with the following principles:

- We will uphold the principles outlined in the UN Universal Declaration on Human Rights
- We will behave responsibly and with sensitivity towards the local communities in the areas in which we operate
- We will provide sustainable benefits and avoid the creation of a dependency culture

Performance
Building strong relationships with local communities is critical to the Group in maintaining its operating credibility. The Group adopts a pro-active approach to its community relations, seeking to engage with local stakeholders early in the operational planning stage and recognising any concerns/issues. The Group employs a number of specialist government liaison and community liaison officers, usually people who are from the area of our operations and have a detailed understanding of the local, national and regional environmental and social sensitivities.

During 2013 we increased our community liaison efforts. In Thailand we launched our "Happy Community with Salamander" initiative. This focuses investment into projects that deliver sustainable benefits to the community in three areas: education, environment preservation and community well-being. A number of workshops were held in local schools to not only raise awareness of our activities and operations but also to improve awareness of issues relating to our three key themes outlined above. Case studies detailing more of our activity in the "Happy Community with Salamander" initiative can be found on our website.

In Thailand we completed a detailed stakeholder consultation as part of our Environmental Impact Assessment for the planned exploration drilling in G4/50. This was not approved during 2013 as an oil spill relating to another operators downstream operations elsewhere in the Gulf of Thailand resulted in operators being asked to review their oil spill contingency planning in light of this spill and resubmit. Our application was resubmitted in December 2013 and we maintain an ongoing dialogue with the local community.

During 2012 we completed our first stakeholder benchmarking exercise and this will be completed on a biennial basis to monitor the local community's perception of Salamander and how it is evolving over time.

In Indonesia, our primary operations have been onshore in the Kerendan area. This is a remote area that has had limited exposure to the outside world. Since the inclusion of Kerendan in the Group's Reserve Based Lending Facility we have been working with specialist environmental consultants and the International Finance Corporation to ensure that we have completed full social and environmental mapping of the Kerendan area, including taking baseline surveys so that we can monitor and measure the impact of our presence in the area.

We have been involved in a number of community projects which include the successful hosting in January 2013 of the Salamander Cup, which involved 12 surrounding villages competing against each other in a multi-sport tournament using facilities constructed as part of an earlier Salamander sponsored initiative. We were also involved in a number of initiatives aimed at improving provision of health services. Case studies on our operations can be found on our website.

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Employees

Policy highlights

Salamander Energy is committed to upholding the principles outlined in the International Labour Organisation Declaration on Fundamental Principles and Rights at Work. These include the four fundamental principles and rights at work which are outlined below:

- Freedom of association and the effective recognition of the right to collective bargaining
- Elimination of all forms of forced or compulsory labour
- Effective abolition of child labour
- Elimination of discrimination in respect to employment and occupation

The Group is an equal opportunity employer and is committed to achieving and maintaining a workforce that represents the population as a whole and is compliant with applicable local laws and contractual obligations. The Company seeks to employ individuals who are qualified on the basis of merit and ability to fill its work positions regardless of gender, ethnic origin, colour, disability, marital status, race, religion, nationality, age, responsibility for dependants or sexual orientation. Each employee, consultant and contractor is expected to abide by the Company's Equal Opportunities Policy at all stages of employment.

All employees and consultants are recruited and promoted fairly on the basis of their aptitude for the job. A breakdown of the gender diversity of employees at all levels of the Company can be found on page 17 of the Strategic Report and a breakdown of national diversity of employees can be found on page 16 of the Strategic Report.

Performance
At year end 2013 the Group directly employed 184 employees. Of these employees 43% were female and 81% of the workforce was comprised of staff from the host countries of our operations.

Summary

The Board continually monitors the Group's performance with regards to HSE and CR matters. The new HSE Manager has provided fresh impetus to ensure the Group meets the expected standards and has been working very closely with representatives of the IFC to ensure that we comply with their high expectations in this area.

Whilst there is always room for improvement, the HSE performance in 2013 was excellent as despite a marked increase in man-hours worked we were able to deliver an improved HSE performance. We continue to evaluate opportunities to improve the environmental performance of our operations and make sure that we have minimise the impact of our operations.

Finally, we strive to conduct our business in an ethical manner and adhere to the IFC Environmental and Social Performance standards as well as other globally recognised standards of corporate conduct.

Governance

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Governance

Board of Directors and advisers

Charles Jamieson

Chairman

Biography
Charles Jamieson is Salamander's Chairman and a founder of Salamander. He holds an MBA from INSEAD.

Experience
Prior to joining Salamander, he spent over 25 years with Premier Oil plc where he held a number of posts, including Finance Director and Chief Executive Officer.

Year appointed
2006

Committee membership
Nomination Committee member

Independent
Yes

James Menzies

Chief Executive Officer

Biography
James Menzies is a founder of Salamander and its Chief Executive Officer. He holds a BSc (Hons) in Geology and an MSc in Geophysics and Planetary Physics.

Experience
After a period as a geophysicist at Schlumberger and ERC, he spent eleven years at LASMO plc holding a variety of posts including senior geophysicist in Vietnam, chief geophysicist in Indonesia, head of corporate development and head of strategy and corporate affairs. He spent four years as a senior partner at Lambert Energy Advisory prior to the founding of Salamander.

Year appointed
2006

Committee membership
None

Independent
Not applicable

Mike Buck

Chief Operating Officer

Biography
Mike Buck is Salamander's Chief Operating Officer and has been with the Company since 2006. He holds a BSc (Hons) in Geology with Geophysics and an MSc in Petroleum Geology (dist.).

Experience
He spent twenty years with LASMO plc as a geophysicist in the UK and Indonesia, chief geophysicist in Colombia, exploration manager in Vietnam and exploration and general manager in Libya. He then spent four years with ENI as managing director in Pakistan and managing director in Iran. Overall he has 34 years of international exploration and production experience.

Year appointed
2006

Committee membership
None

Independent
Not applicable

Dr Jonathan Copus

Chief Financial Officer

Biography
Jonathan Copus is Salamander's Chief Financial Officer. He has a PhD from the University of Cambridge and a First Class BSc in Geology from the University of Durham.

Experience
He began his oil and gas career working as an exploration geologist for Shell International in its Deepwater E&P team based in Holland and Houston. He then left industry, working for more than 10 years as a highly ranked oil and gas equity research analyst, most recently with Deutsche Bank where he was a director of the Oil and Gas Equity Research team. Jonathan was appointed the Company's Chief Financial Officer in October 2011.

Year appointed
2011

Committee membership
None

Independent
Not applicable

Struan Robertson

Senior Independent Non-executive Director

Biography
Struan Robertson is Salamander's Senior Independent Non-executive Director and was educated at the University of Natal and the University of Cape Town, followed by Wharton Business School.

Experience
He spent over 23 years at BP plc where he held a number of posts, including CEO of Oil Trading International and Executive Chairman of BP Asia Pacific based in Singapore. Between 2000 and 2004 he was Group Chief Executive of Wates Group Ltd. He is currently non-executive chairman of Eredene Capital PLC and Senior Independent Director at Schroders Asian Total Return Company plc.

Year appointed
2006

Committee membership
Nomination Committee chairman, Remuneration Committee member, Audit Committee member

Independent
Yes

Dr Carol Bell

Non-executive Director

Biography
Carol Bell is an Independent Non-executive Director of the Company and was appointed to the Board in January 2012.

Experience
She began her career in corporate planning and business development in the exploration and production sector at Charterhouse Petroleum and RTZ Oil & Gas. She enjoyed a successful career in the City, as a managing director of Chase Manhattan Bank's Global Oil & Gas Group, head of European equity research at JP Morgan and several years as an equity research analyst in the oil and gas sector at Credit Suisse First Boston and UBS. She is currently a Non-executive Director of Petroleum Geo-Services ASA, Caracal Energy Inc and is a member of the S4C authority, the governing body of the Welsh language public service broadcaster.

Year appointed
2012

Committee membership
Audit Committee member

Independent
Yes

Robert Cathery

Non-executive Director

Biography
Robert Cathery is an Independent Non-executive Director of the Company and a founder of Salamander.

Experience
He was a director of Vickers da Costa and Schroders Securities as well as head of corporate sales at SG Securities (London) Ltd. He also spent four years as head of oil & gas at Canaccord Europe. He is currently a Non-executive Director of Vostok Energy plc, SOCO International plc and Central Asia Metals plc.

Year appointed
2006

Committee membership
Remuneration Committee chairman, Nomination Committee member

Independent
Yes

John Crowle

Non-executive Director

Biography
John Crowle is an Independent Non-executive Director of the Company with over 35 years' experience in the oil industry and was educated at Durham University and Stanford University Business School.

Experience
He spent more than 18 years at Enterprise Oil where he held a number of posts, including technical manager and group exploration manager. Between 2002 and 2004 he was at Royal Dutch Shell as general manager of New Ventures Organisation Cluster, based in The Hague. He is currently a Non-executive Director of Rockhopper Exploration plc and a member of the Durham University Earth Sciences Advisory Board.

Year appointed
2006

Committee membership
Audit Committee member, Remuneration Committee member

Independent
Yes

Michael Pavia

Non-executive Director

Biography
Michael Pavia is an Independent Non-executive Director of the Company and was appointed to the Board in July 2007.

Experience
A chartered accountant, he has had a distinguished career in the energy sector, being finance director of UK independent LASMO plc and then SEEBOARD plc. He is currently a Non-executive Director of Thames Water Utilities Limited, Telecom Plus Plc, Wales & West Utilities Limited and non-executive chairman of PetroGranada Limited. He is also a trustee of the charity Elizabeth Finn Care.

Year appointed
2007

Committee membership
Audit Committee chairman

Independent
Yes

Corporate advisers

Corporate brokers
Jefferies Hoare Govett

Registered auditor
Deloitte LLP

Bankers
HSBC Bank plc

Legal advisers
Clifford Chance LLP

Financial PR
Brunswick Group LLP

Governance

Executive Committee and General Managers

Graham Balchin
General Manager, Thailand
Graham is Salamander's General Manager, Thailand. He joined Salamander in 2012 from BG Group where he worked on numerous projects around the globe, most recently running its activities in Trinidad & Tobago. Graham has over 25 years' industry experience having also worked for AGIP, LASMO, Amerada Hess and BP.

Graham has a BSc in Management Studies and an MBA from Durham University Business School.

Dr John Bell
Group Technical Director
John was appointed Group Technical Director in January 2012, having previously been Salamander's General Manager, Thailand. He has over 30 years' experience in the oil and gas industry, a number of which were spent in Southeast Asia.

He began his career as a geologist with BP, then worked for LASMO for 17 years in London with spells in Jakarta and Bogotá, and subsequently spent four years with ENI before working for Hess in London. John holds a PhD in Geological Sciences from Durham University and an MA in Natural Sciences from Cambridge University.

Nick Ingrassia
Corporate Development Director
Nick is Salamander's Corporate Development Director. Nick has over 14 years of experience in the upstream oil and gas sector both from an industry perspective at Valiant Petroleum and in an advisory capacity at Morgan Stanley and RBS. Nick holds an MA Hons in Ancient History from the University of St Andrews.

Charles Morgan
Group General Counsel and Company Secretary
Charles is Salamander's Group General Counsel and Company Secretary. He has over 25 years' experience providing legal counsel in the international upstream oil and gas sector, having previously worked for companies such as BP, LASMO and CEPSA.

He received his MA in Jurisprudence from Oxford and was admitted to the Bar of England and Wales, and California, USA.

Shaun Richardson
General Manager, Malaysia
Shaun was appointed General Manager, Malaysia in January 2014, having previously been Salamander's Regional Geoscience Director. Shaun has over 30 years of industry experience and was most recently exploration director for Harvest Natural Resources with responsibility for Southeast Asia. Prior to that Shaun spent nearly 18 years with BG Group, including a spell as chief geologist in Jakarta. He also worked earlier in his career for Gearhart, Britoil plc and BP Exploration.

Craig Stewart
General Manager, Indonesia
Craig is Salamander's General Manager, Indonesia. He has over 30 years' industry experience and joined Salamander in April 2012 from Vico Indonesia where he was President and CEO. Vico Indonesia is one of the main operators in the Kutei basin and produces over 80,000 boepd and employs 700 people and 1,800 permanent contractors. Craig started his career as a drilling engineer with Unocal before moving on to take managerial roles with Unocal in both Thailand and Indonesia and with Eni in Indonesia.

Craig has a BSc in Chemical Engineering from the University of Calgary and an MBA from the University of California at Los Angeles.

Directors' report

The Directors submit their report together with the audited Consolidated and Parent Company Financial Statements of Salamander Energy PLC for the year ended 31 December 2013. This report is required to be produced by law and its contents are prescribed in the Companies Act 2006 (the "Act"). In addition, the Disclosure and Transparency Rules and the Listing Rules of the United Kingdom Listing Authority require certain additional disclosures to be made in the report. The liabilities of the Directors in connection with the Directors' Report shall be subject to the limitations and restrictions provided in the Act.

The following sections of this annual report and accounts form part of the *Directors' Report*:

Information	Location in the Annual Report
Corporate Governance Statement	pages 46 to 54
Operational Review	pages 20 to 27
Financial Review	pages 28 to 31
Corporate Responsibility Report	pages 32 to 37
Principal Risks and Uncertainties	pages 14 to 15

The Company
Salamander Energy PLC is a company incorporated in England and Wales, with company number 05934263. It is the holding company of the Group and trades principally through its subsidiary undertakings in various jurisdictions. Its material subsidiary undertakings are listed in note 15 to the accounts.

Salamander Energy PLC's issued ordinary shares are listed on the main market of the London Stock Exchange, under the designation SMDR. The Group's head office is in London with regional offices in Singapore, Thailand, Indonesia and Malaysia.

The Company's constitution is set out in its Articles of Association which is essentially an agreement between the Company and its shareholders, governing certain aspects of the management of the Company. The Articles of Association may only be amended by a special resolution of shareholders at a general meeting.

The Directors
The Directors who served in office during the financial year and subsequently were as follows:

- Charles Jamieson (Chairman)
- James Menzies (Chief Executive)
- Struan Robertson (Senior Independent Non-executive Director)
- Carol Bell
- Mike Buck
- Robert Cathery
- Jonathan Copus
- John Crowle
- Michael Pavia

The Company's rules on the appointment and replacement of directors are set out in the Company's Articles of Association. Directors may be appointed by the Company by ordinary resolution of shareholders or by the Board. A Director appointed by the Board holds office only until the next annual general meeting after his or her appointment and is then eligible for election by the shareholders. The Company's Articles of Association may only be amended by a special resolution of the shareholders of the Company.

Under the Articles of Association, at every Annual General Meeting of the Company, every Director is required to retire from office but is eligible for election or re-election by the shareholders. If a Director is not reappointed or deemed reappointed, he or she may retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting.

In addition to any power of removal conferred by the Act, the Company may by ordinary resolution remove a Director before the expiry of his period of office and may (subject to the Articles of Association) by ordinary resolution appoint another person who is willing to act to be a Director in his or her place.

In accordance with the UK Corporate Governance Code and the company's Articles of Association, each Director will retire and submit himself or herself for re-election at the Company's 2014 Annual General Meeting. Biographical details of each of the Directors can be found on pages 40 and 41.

The Board may exercise all the powers of the Company, subject to the provisions of the Articles of Association, the Act and any directions given by ordinary or special resolution of the Company.

Power conferred on the Directors in relation to share capital are set out in the table below. The Directors will seek to renew these powers at the 2014 Annual General Meeting. Further details are contained in the Company's Notice of Annual General Meeting.

Authority
Power granted at the 2013 Annual General Meeting to allot the Company's shares up to a maximum nominal amount of £8,578,836 (representing one-third of the Company's issued ordinary share capital as at 16 April 2013) or £17,157,673 (representing two-thirds of the Company's issued ordinary share capital as at 16 April 2013) if allotted in connection with a pre-emptive offer to existing shareholders by way of a rights issue.
Power granted at the 2013 Annual General Meeting to allot equity securities for cash on a non pre-emptive basis pursuant to a rights issue (e.g. to deal with fractional entitlements) or up to an aggregate nominal amount of £1,286,825 (representing 5% of the Company's issued ordinary share capital as at 16 April 2013).

Governance

Directors' report
continued

Directors' interests
A list of Directors, their interests in the ordinary share capital of the Company and details of options granted over the ordinary share capital of the Company under the terms of the Company's share award schemes are given in the Directors' Remuneration Report on page 55. There were no changes to the Directors' interests between 31 December 2013 and the date of signing this Directors' Report. No Director had a material interest in any significant contract, other than a service contract or contract for services, with the Company or any of its operating companies at any time during the year.

Directors' indemnity arrangements
The Company had purchased and has maintained throughout the financial year and at the date of approval of this Annual Report and Accounts, Directors' and Officers' liability insurance in respect of itself and its Directors whether in their capacity as Directors of the Company or associated companies. The Directors also have the benefit of indemnity provisions in the Company's Articles of Association. These provisions are qualifying third party indemnity provisions as defined in section 234 of the Companies Act 2006.

Employees
As at 31 December 2013, Salamander employed 184 people compared with 210 employees at the end of 2012. The Group has a diverse workforce comprising local employees and expatriates. It is an equal opportunities employer and gives every consideration to applications for employment by disabled persons where the requirements of the job may be adequately filled by a disabled person. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under similar terms and conditions and to provide training, career development and promotion wherever appropriate.

The Company has a policy of providing employees with information about the Company and actively encourages employee involvement and consultation. Emphasis is placed on keeping employees informed of activity and financial performance by way of briefings and publication to staff of all relevant information and corporate announcements. All employees who receive a bonus during the year are eligible to participate in the Company's Deferred Equity Plan. Further details are contained in note 29 to the accounts.

Results and dividends
The consolidated Financial Statements for the year ended 31 December 2013 are as set out in the Financial Statements. The Group's loss after taxation for the year was $119.8 million (2012: post-tax loss of $62.3 million).

The Company has declared no dividend for the year ended 31 December 2013 (2012: nil). The Directors do not currently intend that the Company will pay a dividend in the foreseeable future.

Future developments in the business of the Group
Details of the likely future developments in the business of the Group are set out in the Strategic Report on pages 02 to 17 and in the Operational and Financial Reviews on pages 20 to 31.

Capital structure and ordinary shares
Details of the issued share capital together with details of movements in share capital during the year are included in note 28 to the consolidated Financial Statements. The Company has one class of ordinary shares.

Details of employee share schemes are disclosed in the Remuneration Report and in note 29 to the consolidated financial statements.

On a show of hands at a general meeting (including any Annual General Meeting of the Company) every holder of ordinary shares present in person and entitled to vote shall have one vote and, on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of general meeting specifies deadlines for exercising voting rights either by proxy or in person in relation to resolutions to be passed at the general meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the general meeting and, in accordance with the current requirements of the UK Corporate Governance Code, will be published on the Company's website after the meeting.

There are no restrictions on the transfer of ordinary shares in the Company other than:
- pursuant to the Listing Rules of the UK Listing Authority whereby employees of the Company require the approval of the Company to deal in the Company's securities;
- pursuant to the Company's various share scheme arrangements; and
- certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws and market requirements relating to close periods).

The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Powers relating to the issuing and buy back of shares are included in the Company's Articles of Association and the authority to issue shares is renewed by shareholders each year at the Annual General Meeting.

Use of financial instruments
Convertible bonds were issued during March 2010 and are described in note 21 of the consolidated Financial Statements. Pending conversion, the convertible bonds carry no votes at meetings of the Company. Ordinary shares in the Company issued on conversion will rank pari passu with the Company's existing issued share capital. On a change of control of the Company, bondholders have an entitlement to exercise their conversion rights and are also entitled to require the Company to redeem the bonds at par value (plus accrued interest).

The Company issued a US$150 million senior unsecured bond issue in December 2013, as described in note 22 of the consolidated Financial Statements. The bonds have a tenor of six years and one month. The

bonds will be listed on the Nordic ABM. On a change of control of the Company, bondholders have an entitlement to prepayment of the bonds at a price of 101% of par value (plus accrued interest).

Details of the financial risk management objectives and policies of the Group, including the policy for hedging each major type of forecast transaction for which hedge accounting is used, is set out in note 26 to the consolidated Financial Statements and details of the Group's exposure to price risk, credit risk, liquidity risk and cash flow risk are set out in note 26.

Significant agreements – change of control
A number of agreements take effect, alter or terminate upon a change of control of the Company as a result of a takeover bid, such as commercial contracts, property lease arrangements, debt facilities and employee share plans. None of these is considered to be significant in terms of their likely impact on the business of the Group as a whole except for the bond issues referred to above and the Company's reserves based lending facility in the amount of up to $350 million, further details of which are set out in note 20 to the consolidated financial statements.

The rules of the Deferred Equity Plan, in which all employees participate, allow for the full vesting of awards on a change of control. Awards granted under the terms of the Performance Share Plan, in which Executive Directors and certain members of senior management participate, vest on a change of control to the extent that the Performance Conditions have been met and with a pro rata reduction to the number of shares based on the number of years after their date of grant rounded up to the next whole year. The Remuneration Committee may apply discretion for a greater number of shares to vest provided they are acting fairly and reasonably.

Significant shareholders

At 31 December 2013 the significant interests in the voting rights of the Company's issued ordinary shares as notified in accordance with Chapter 5 of the Disclosure and Transparency Rules were as follows:

	Voting rights attaching to issued ordinary shares	Percentage of total voting rights	Nature of holding
RS Investments	36,173,272	14.01	Indirect
Genesis Asset Managers, LLP	18,531,000	7.18	Direct
Aviva plc	15,045,139	5.82	Direct/ Indirect
Genesis Smaller Companies SICAV[1]	14,839,140	5.75	Direct
T Rowe Price Associates, Inc[2]	8,536,487	5.51	Indirect

[1] This holding is included in the significant interests notified by Genesis Asset Managers, LLP
[2] Notification received prior to the Company's Rights Issue in May 2012

The significant interests in the voting rights of the Company's issued ordinary shares shown above, as notified in accordance with Chapter 5 of the Disclosure and Transparency Rules, were unchanged between 1 January 2014 and 12 March 2014, being the latest practicable date prior to the publication of this Annual Report.

Greenhouse gas emissions
The disclosures concerning greenhouse gas emissions required by law are included in the Strategic Report on page 16.

Annual General Meeting
The Company's eighth Annual General Meeting ("AGM") as a listed public company will be held at 2pm on Tuesday 6 May 2014 at the Institute of Directors, 116 Pall Mall, London SW1Y 5ED. The Notice of AGM and an explanatory circular setting out the business to be conducted at the AGM has been circulated to shareholders and can be found on the Company's website: www.salamander-energy.com

Political donations
During the year the Group made no political donations (2012: nil).

Auditors
Each person who is a Director at the date of approval of this Annual Report and Accounts confirms that as far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. In addition, each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP was first appointed as Auditors to the Company in September 2005 and has expressed its willingness to continue as Auditors. A resolution to reappoint Deloitte LLP as the Group's Auditors will be proposed at the forthcoming AGM.

Post balance sheet events
Particulars of important events affecting the Group since the end of the financial year are set out in note 31 to the accounts.

Going concern
The Group has significant expenditure commitments on its exploration and development portfolio within the next twelve months. As highlighted in notes 20 and 26 to the consolidated Financial Statements, 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 financial resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

By order of the Board

Charles Morgan
Company Secretary
12 March 2014

Governance

Corporate governance statement

Chairman's introduction

Charles Jamieson
Chairman

This section of the Annual Report and Accounts outlines in detail how the Company has complied with the UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council ("FRC") in September 2012. A summary report by the Chairman on key governance issues addressed by the Board and its committees during the year ended 31 December 2013 and key issues that the Board and its committees will focus on during 2014 can be found in the Strategic Report on page 17.

Compliance with the FRC's UK Corporate Governance Code
The Board confirms that the Company has applied the principles of the Code as described in this report and complied with its provisions throughout the financial year ended 31 December 2013.

A copy of the Code is publicly available on the Financial Reporting Council's website: www.frc.org.uk.

Leadership

The role of the Board
The role of the Board is clearly defined. The Board is accountable to shareholders for the creation and delivery of strong, sustainable financial performance and long-term shareholder value. To achieve this, the Board directs and monitors the Group's affairs within a framework of controls which enable risk to be assessed and managed effectively. During 2013, the Company has embarked upon a major review of its internal control framework, further details of which are set out on page 49.

The Board sets the Group's strategic aims, ensuring that the necessary resources are in place to achieve those aims. As part of this process, the Board undertakes a comprehensive annual strategic review which is then monitored against any change in circumstances. The Board also periodically reviews management and financial performance against set targets.

The Board has responsibility for setting the Group's core values and standards of business conduct and for ensuring that these, together with the Group's obligations to its stakeholders, are widely understood throughout the Group. In 2013, a review of the Group's Anti-Bribery and Corruption Policy led to the re-issue of certain procedures and update of some of the Group's governance policies.

The Board normally meets six times during the year and on an ad hoc basis as required. The attendance record of each Director is shown in the following table:

Director	Attended	Possible
Charles Jamieson	7	7
Carol Bell	7	7
Mike Buck	7	7
Robert Cathery	6	7
Jonathan Copus	7	7
John Crowle	7	7
James Menzies	7	7
Michael Pavia	6	7
Struan Robertson	6	7

In addition to the formal meetings of the Board, the Chairman and Executive Directors maintain frequent contact with the other Directors to discuss any issues of concern they may have relating to the Group or as regards their area of responsibility and to keep them fully briefed on matters relating to the Group's operations.

The Board has a formal schedule of matters specifically reserved for its decision. A summary of the key matters reserved for the Board is set out below. In addition to those formal matters required by the Companies Act to be set before a board of directors, matters considered are those that are significant to the Group as a whole because of their strategic, financial or reputational implications or consequences.

Matters reserved for the Board
the Group's strategy, and medium and short-term plans;
major acquisitions, mergers or disposals;
major capital investments and projects;
the annual production and financial budget;
the Group's risk management strategy;
health, safety, environmental and ethical policies;
the Company's dividend policy;
the appointment and removal of any directors of the Company; and
the authorisation of Directors' conflicts or potential conflicts of interest.

Subject to those reserved matters, the Board delegates authority for the management of the business primarily to the Chief Executive Officer and a senior executive committee. Certain other matters are delegated to the Audit, Remuneration and Nomination Committees. Further details of the Nomination Committee and Audit Committee are outlined on pages 50 and 51. Further details of the Remuneration Committee are contained in the Directors' Remuneration Report on pages 55 to 69. Copies of each Committee's terms of reference are available on the Company's website: www.salamander-energy.com.

Division of responsibilities and roles of the Chairman and Chief Executive Officer

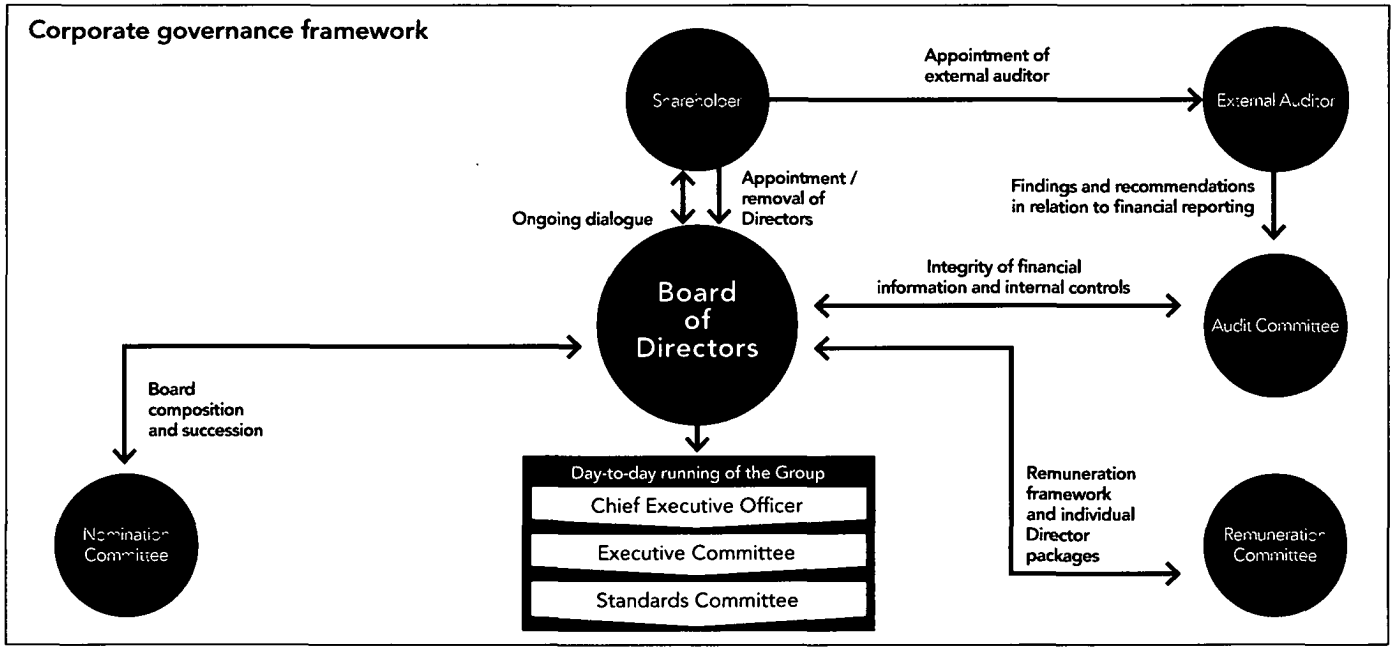
There is a clear separation between the roles of the Chairman and Chief Executive Officer. The Chairman's key responsibilities are the effective running of the Board, ensuring that the Board plays a full and constructive part in the development and determination of the Group's strategy, and acting as guardian of the Board's decision-making process.

The key responsibilities of the Chief Executive Officer are managing the Group's business, proposing and developing the Group's strategy and overall commercial objectives in consultation with the Board and, as leader of the executive team, implementing the decisions of the Board and its Committees. In addition, the Chief Executive Officer is responsible for maintaining regular dialogue with major shareholders as part of the Company's overall investor relations programme.

Non-executive Directors

Non-executive Directors are appointed for an initial term of three years. They may serve a further three-year term subject to satisfactory performance; thereafter, their appointments are renewed on an annual basis, again, subject to satisfactory performance. The letter of appointment for each Non-executive Director is available for inspection. The Senior Independent Non-executive Director is Struan Robertson. In this role he is available to shareholders who have concerns that cannot be resolved through discussion with the Chief Executive Officer or Chairman.

Charles Jamieson, Robert Cathery, John Crowle and Struan Robertson have served two consecutive three-year terms followed by a one-year term in accordance with the above policy. Their terms of office have been renewed for a further one year subject to annual re-election by shareholders. The Board and the Nomination Committee have taken into account the need for progressive refreshing of the Board and believe that it is in the interests of the Company to retain their services for this further period due to the knowledge and experience they bring to the Board.



Corporate governance statement
continued

Effectiveness

The composition of the Board
On 31 December 2013, the Board comprised the Non-executive Chairman, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and five independent Non-executive Directors.

All of the Executive Directors have extensive upstream oil and gas experience. The majority of the Non-executive Directors have held senior appointments in oil and gas companies and, together, the Non-executive Directors bring a broad range of business and commercial experience to the Board. Brief biographies of the Board members are set out in the Board of Directors and advisers section on pages 40 and 41. These demonstrate a wide range of experience and sufficient calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct, which are fundamental to the continuing success of the Group. The Board structure ensures that no individual or group dominates the decision-making process.

Appointments to the Board
Appointments to the Board are made on merit against objective criteria and with due regard for the benefits of diversity on the Board, including gender. Further details of the Board's policy on diversity is set out on page 50. The Board, assisted by the Nomination Committee, ensures that plans are in place for the orderly succession for appointments to the Board and senior management to ensure an appropriate balance of skills, knowledge and experience within the Company and on the Board and to ensure progressive refreshing of the Board.

Induction, training and development
The Company Secretary, in consultation with the Chairman and Chief Executive Officer, provides an induction process for each new Director tailored to their individual knowledge and experience.

The Company provides training to Directors where required. Training can include attendance at seminars, briefings by advisers and internal briefings. During 2013, the Company Secretary provided updates to the Board on corporate governance matters and detailed presentations were received by the Board from key members of the senior management team in each of Salamander's business units in Indonesia and Thailand. The Board also received detailed briefings and presentations from external bodies regarding the Company's entry into the Malaysian E&P sector.

Information and support
Directors have access to a regular supply of financial, operational and strategic information, as well as to the Company Secretary on corporate governance matters, to assist them in the discharge of their duties. Such information is provided as part of the normal monthly management reporting cycle undertaken by senior management. Board papers are generally circulated seven days in advance of Board meetings and each formal Board meeting includes a review of operational performance of key assets together with reporting on financial performance. All Directors and Board Committee members have access to independent professional advice, at the Company's expense, as and when required.

Board performance and evaluation
In 2013, Socia Limited was commissioned to undertake a Board performance review, which included as part of its remit, an assessment of progress in those areas previously identified for action in the 2012 performance review.

As part of the Board performance review, the external facilitator conducted interviews with each Board member and the Group General Counsel and Company Secretary. The review covered, inter alia, Board processes, the functioning of Board Committees, the balance of skills and the roles of Board members. It included, further, an appraisal by the Senior Independent Director and the Non-executive Directors of the Chairman's performance in leading the Board and ensuring that the Board's business is conducted in an effective manner.

The evaluation was instrumental in assisting with the development of an action plan for 2014 with a focus in particular on succession planning and Board composition.

Socia Limited does not provide any other services to the Company.

Re-election
All Directors appointed by the Board are subject to re-election by shareholders at the next Annual General Meeting after their appointment and subsequently to re-election by shareholders on an annual basis in accordance with the Code and the Company's Articles of Association. Accordingly, all Board members will step down at the 2014 AGM and offer themselves for re-election by shareholders. The Chairman and the Nomination Committee have reviewed each Director's performance to ensure they continue to be effective and demonstrate commitment to the role.

Directors' conflicts of interest
Where the Articles of Association of a company contain a provision to that effect, the Companies Act 2006 allows directors of public companies to consider, and if thought fit, authorise situations where a director has an interest that conflicts, or may potentially conflict, with the interests of the Company. The Articles of Association of the Company contain a provision to this effect. Directors of the Company who have an interest in matters under discussion at a Board meeting must declare that interest and abstain from voting. Only Directors who have no interest in the matter being considered are able to approve a conflict of interest and, in taking the decision the Directors must act in a way they consider, in good faith, would be most likely to promote the Company's success. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate.

Accountability

Risk management and internal control
The Board has established a process for identifying, evaluating and managing the significant risks faced by the Group's businesses. Additionally, the Board is responsible for the Group's internal control system and for monitoring its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material mis-statement or loss.

The Board formally reviews the Group's risk register twice a year and the Executive Directors monitor events on a continuing basis and report any material risks or failure in controls to the Audit Committee.

The Board regularly reviews the effectiveness of the Group's system of internal control which has been in place throughout 2013 and up to the date of approval of this Annual Report and Accounts. As part of its review of internal controls during the year, the Group undertook, on the instruction of the Audit Committee, various audits and reviews, implemented relevant training programmes and also conducted a review of its policies and procedures. The Board's monitoring covers control matters, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. The Audit Committee assists the Board in discharging its review responsibilities. A summary of the key risks facing the Group and mitigating actions are described in the Principal Risks and Uncertainties section of the Strategic Report.

Following its review of the system of internal control, including the review of the Group's policies and procedures noted above, the Board confirms that necessary actions have been taken or are being taken to remedy any significant failings or weaknesses identified from that review.

Integrated Management System
During the year a systematic review was undertaken of the Group's HSE Management System. The review involved an appraisal of the existing framework of controls and an examination of all existing corporate documentation. A comprehensive internal consultation took place, and external advice was sought on the options for evolving the current system to better align with business needs. The review culminated in a decision to move to an integrated management system bringing together HSE and other management controls together under a single, fit for purpose, integrated system that ensures that the risks to which the Company is exposed are being properly managed. A Standards Committee comprising the Company's senior management personnel has been established to oversee and direct the work and is accountable to the Company's Executive Committee. During 2014, work will continue on the development of the control documentation, including the incorporation of the requirements prescribed by the IFC Performance Standards.

Dialogue with shareholders
Communication with shareholders is given high priority and there is regular dialogue with institutional investors, as well as general presentations to analysts at the time of the release of the annual and half-year results. Management completed over 200 meetings with institutions during 2013. The Board receives regular investor relations reports covering key investor meetings and activities, as well as shareholder and investor feedback. The Group publishes its periodic results and other stock market announcements in the Investor Relations section of the Company's website and regular news updates in relation to the Group, including the status of exploration and development programmes, are also included on the website: www.salamander-energy.com. Shareholders and other interested parties can subscribe to receive these news updates by e-mail by registering online on the website.

Constructive use of Annual General Meeting
The Board also uses the AGM to communicate with private and institutional investors and welcomes their participation. The Board aims to ensure that the entire Board is available at the AGM to answer questions and explain details of the resolutions proposed at the AGM. Notice of the AGM and related papers are sent to shareholders at least 20 clear business days before the meeting in accordance with the Code and the 2006 Companies Act.

Charles Jamieson
Chairman

Corporate governance statement
continued

Nomination Committee

Struan Robertson
Chairman of the Nomination Committee

Members
The members of the Nomination Committee are Struan Robertson (Chairman), Charles Jamieson and Robert Cathery. The attendance record of each member of the Committee is shown in the table below.

Director	Attended	Possible
Struan Robertson	3	3
Robert Cathery	3	3
Charles Jamieson	3	3

Terms of reference
The Nomination Committee's terms of reference, which are included on the Company's website: www.salamander-energy.com, are to review regularly the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes. The Nomination Committee also considers the future composition of the Board, taking into account the challenges and opportunities facing the Group, and what skills and expertise are needed on the Board. Following a decision of the Board that the appointment of a new director is appropriate, the duty of the Committee is to present for consideration of the Board a shortlist of suitably qualified candidates for interview. Similar selection processes would apply for the appointment of a Chairman. Succession plans for key management roles, including the Executive Directors, are reviewed on an ongoing basis.

The Committee's activities during 2013
The Committee met three times during the year and its key activities are summarised in the table below.

Priority matter	Matters discussed
Succession planning	Progress against the succession plan for the Chairman and other Non-executive Directors.
Board composition	The structure, size and composition of the Board and the independence of the Non-executive Directors.
Diversity	Board diversity, including gender, and whether it was appropriate to recommend to the Board the adoption of a formal Board diversity policy with measurable objectives. Further details are included below.
Board performance evaluation	Progress against actions identified from an external Board performance evaluation programme undertaken in 2012. Further details are included on page 48.

Diversity
The Board recognises the importance of diversity as a driver for Board effectiveness and ultimately delivery of shareholder value, and the benefits of diversity, including gender diversity, are actively considered when changes to the Board's composition are contemplated.

During 2013, a Board committee was tasked with formulating a policy on board diversity, including gender diversity, and where appropriate, recommending measurable objectives for adoption by the Board. A diversity policy has subsequently been adopted by the Board.

The board recognises the challenges in respect of achieving the optimum level of diversity to companies working within the extractive industries. Notwithstanding this, the Board is committed to the development and implementation of policies, programmes and initiatives designed to promote diversity at all levels of the organisation. The Board believes in creating throughout the Company a culture free from discrimination in any form and providing mentoring for women in senior roles to help them maximise their careers in the Company.

The Board has chosen not to impose a quota regarding gender balance at this time, although the Nomination Committee and Board will continue to give full consideration to the need to ensure that the business reflects a diverse workforce, at all levels of seniority, when considering Board appointments and internal promotions, whilst always seeking to ensure that individuals are appointed strictly on merit.

The Company's full diversity policy is published on the Company's website: www.salamander-energy.com.

Struan Robertson
Chairman of the Nomination Committee

Audit Committee

Michael Pavia
Chairman of the Audit Committee

Members
The members of the Audit Committee are Michael Pavia (Chairman), Dr Carol Bell, John Crowle and Struan Robertson. Other Board members may also be invited to attend Committee meetings. Michael Pavia is considered to have recent and relevant financial experience.

The attendance record of each member of the Committee is shown in the table below.

Director	Attended	Possible
Michael Pavia	4	4
Carol Bell	4	4
John Crowle	4	4
Struan Robertson	4	4

Meetings are held at least three times a year. The Chief Financial Officer and other members of the Board are invited to attend meetings where appropriate. The Group's auditors are regularly invited to attend meetings, which are held at the planning stage before the audit, after completion of the year-end audit and at the half-year review at the reporting stage. At least once a year the Audit Committee will also meet the Group's external auditors without Management being present.

Terms of reference
The key responsibilities of the Audit Committee are as follows:

- consideration of matters relating to the appointment of the Group's auditors;
- reviewing the independence, objectivity and effectiveness of the Group's auditors;
- reviewing the integrity of the Group's annual and half-year reports, interim management statements and any other formal announcement relating to its financial performance;
- reviewing the key judgements made by management in relation to preparation of the Financial Statements and potential risks associated with material misstatement;
- reviewing the Annual Report and Accounts and reporting to the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- reviewing the effectiveness of the Group's system of internal controls and compliance procedures;
- reviewing the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters; and
- reporting to the Board on how the Committee has discharged its responsibilities.

The full terms of reference of the Audit Committee are included on the Company's website: www.salamander-energy.com.

Provision of non-audit services and auditor independence
The Company has a formal policy on the provision of non-audit services. In compiling that policy, which sets out the external auditor's permitted and prohibited non-audit services and a fee threshold requiring prior approval by the Audit Committee for any new engagement, reference was made to Ethical Standard 5 of the Auditing Practices Board.

There were no material non-audit services provided by the Company's external auditors during the year ended 31 December 2013.

Details of non-audit fees incurred during 2012 and 2013 are set out in note 5 of the consolidated 2013 Financial Statements. Non-audit fees in 2012 included the provision of reporting accounting services in relation to the Company's Rights Issue that took place in the second Quarter of 2012.

The Board is satisfied that Deloitte LLP has adequate policies and safeguards in place to ensure that auditor objectivity and independence are maintained. The external auditors report to the Audit Committee annually on their independence from the Company. In accordance with professional standards, the partner responsible for the audit is changed every five years, and last changed in 2010.

Reviewing the effectiveness of the external auditors
In order to assess the effectiveness of the external audit process and the objectivity and independence of the Auditors, the Committee considers a report from the Auditors setting out the steps they have taken to ensure their objectivity and independence is maintained, in particular where non-audit services have been provided. In addition, a questionnaire is circulated to Financial Controllers in each jurisdiction in which the Company operates and to key members of management in order to obtain an assessment of the external audit process.

The Audit Committee has primary responsibility for making a recommendation on the appointment, reappointment or removal of the external auditors. The Committee has noted the changes to the UK Corporate Governance Code, the recent findings of the Competition Commission and the Guidance for Audit Committees issued by the Financial Reporting Council, specifically in respect of audit tendering and the requirement of the Competition Commission that FTSE 350 companies put the external audit contract out to tender at least every ten years.

Governance

Corporate governance statement
continued

The current auditors, Deloitte LLP were first appointed by the Company in 2005 and the current partner is due to rotate off the engagement after completing the 2014 audit. Taking into consideration the transitional rules issued by the Competition Commission as an indication of best practice, the Company would intend to put the audit out to tender after the end of the 2019 audit at the latest. Having assessed the performance, objectivity and independence of the Auditors, the Committee will be recommending the reappointment of Deloitte LLP as auditors to the Company at the 2014 Annual General Meeting.

The Committee's activities during 2013

The Committee met four times during the year and its key activities are summarised in the table below.

Priority matter	Matters discussed
Review of the integrity of the annual and half-yearly reports	The Committee reviewed accounting principles, policies and practices adopted in the preparation of public financial information and examined documentation relating to the Annual Report and Half-year Report. The clarity of disclosures included in the Financial Statements was reviewed by the Audit Committee, as was the basis for significant estimates and judgements. In assessing the accounting treatment of major transactions open to different approaches, the Committee considered written reports by management and the external auditors. The Committee's recommendations were submitted to the Board for approval. The Committee reviewed the key judgements made by management in preparation of the Annual Report and Accounts and the risks of material misstatements. Detailed consideration was given to the reports received from the Company's auditors setting out their assessment of management's key judgements.
Review of the overall framework and contents of the Annual Report	The Committee kept under review the development of a new framework for the Annual Report and Accounts which was compliant with the new legislation and would provide shareholders with a fair, balanced and understandable assessment of the business together with the information necessary to assess the Company's performance, business model and strategy.
Review of the work and independence of the external auditor	The Committee approved the scope of the work to be undertaken by the external auditors for half-year and year-end statutory audits and reviewed and discussed the external auditors' final audit report. The Committee also reviewed the independence and effectiveness of the external auditors, accepting that their independence had been maintained throughout the audit process for the financial year.
Review of the internal audit process and the results of internal audits undertaken	The Committee approved the programme of 2013 internal audit work aimed at addressing both financial and overall risk management objectives identified within the Group. The Committee received an update at each meeting of work done to test internal controls. Audits and reviews were undertaken during the year on specific areas of internal control, at the direction of the Audit Committee, and the outcome and findings of those audits and reviews, along with recommendations, were reported to the Audit Committee to consider and to implement appropriate responses.
Review of business risks	The Committee reviewed the business risks identified by the Executive and examined the management and mitigation of those risks. The Committee kept under review the Company's compliance programme, including the implementation and effectiveness of the Company's anti-bribery and corruption policies and procedures.

Significant issues considered in relation to the Financial Statements
The significant issues considered by the Committee in relation to the financial statements and how these were addressed by the Committee are set out in the table below.

Issue	Action taken by the Committee
Impairment of exploration and evaluation assets ("E&E") assets In accordance with relevant standards, E&E costs are written off unless commercial reserves have been established or the appraisal process is not completed. This was considered a key risk due to the significant judgements and estimates that are required to be assessed and the highly material nature of the related balances in the Financial Statements.	The Company employs the 'successful efforts' method to determine when balances are written off or transferred to tangible assets. The Committee has undertaken a full review of each asset balance carried under the E&E classification and ensured that there are valid justifications for the balances to remain on the balance sheet until such time as they are written off or capitalised.
Capitalisation and impairment of development and producing oil and gas properties within property, plant and equipment ("PP&E") These are considered key risks due to the significant judgements and estimates required which, in respect of impairment, include future capital expenditure, production volumes, discount rates and future oil prices. In addition, for producing properties, judgement needs to be applied in assessing whether expenditure qualifies for capitalisation under the relevant accounting standards.	The assessment for impairment of balances carried within PP&E is a judgemental area and relates to significant amounts carried within the Company's balance sheet. The Committee reviewed the assumptions and calculations used to assess whether such assets are impaired.
Depletion, depreciation and amortisation ("DD&A") The accounting for DD&A of oil and gas assets within PP&E, is considered a significant issue due to the calculation including judgemental estimates of the remaining commercial oil and gas reserves and the future capital expenditure required to extract those reserves.	The Committee reviewed and challenged the estimates and assumptions used in the calculation of DD&A charges within the accounts. Third party certified reserves reports are used to ensure that the reserves inputs forming the basis of the calculation are verified and within reasonable expectations. The Committee considers this to be an important judgemental area.
Decommissioning provision The recognition and measurement of final decommissioning provisions involves a high degree of judgement and estimation in regard to future costs, timing and discount rates.	The Committee recognises that the decommissioning of assets is a judgemental area and one where liabilities extend well into the future. During the year, the Company decommissioned one of its assets (the Kambuna Gas Field) and the Committee was satisfied that full provision had been made. To complement our existing work in this respect on the Bualuang field, the Company has commissioned the services of an independent consultancy to assess the field's decommissioning cost.
Taxation Accounting for income taxes is considered a key issue, due to the diverse geographical nature of the Group, the different tax legislation in place in the jurisdictions in which the Group operates and the nature of the calculation of special remuneratory benefit ("SRB") tax in Thailand. The calculation of deferred SRB taxation requires judgements in relation to the inputs of the calculation.	Along with an in-house tax specialist, the Company seeks local professional advice on the interpretation of local tax legislation to ensure that exposure to local tax regulation and practices is addressed on a timely basis. The Committee continues to monitor the impact of the SRB regime on the Company's tax calculation on a regular basis.

Governance

Corporate governance statement
continued

Issue	Action taken by the Committee
Internal control The internal controls within the Group are designed to manage key risks that could result in the failure of the Group to achieve its business objectives. Such failure could impact negatively on the financial performance of the Group. The internal control in the Company is based on the Group's structure, whereby the Group's operations are organised into distinct business units and support functions. The Group issues corporate guidelines that stipulate responsibilities and authorities and form part of the control environment for specific areas, such as finance, accounting, investments and procurement.	The Internal Audit function has assisted the Audit Committee during the year in assessing and assuring the adequacy and effectiveness of internal controls and risk management. This has been carried out by performing regular audits in the Group's business units and support functions according to its continuously updated audit programme. The audit plan is targeted at those areas considered to be the key areas of material risk to the Group. During the year an audit was carried out on the Group's external financial reporting process to ensure that financial information across the Salamander Group is being collated and reviewed in an effective manner for accurate external reporting. The subsequent report gave comfort to the Committee that controls were in place that reinforced the accuracy of the Financial Statements. The Committee receives reports at the Audit Committee on progress in addressing any key audit findings.

Michael Pavia
Chairman of the Audit Committee

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Directors' remuneration report

Statement by Remuneration Committee Chairman

Robert Cathery
Chairman of the Remuneration Committee

On behalf of your Board, I am pleased to present the Directors' Remuneration Report for 2013. The report sets out details of the remuneration policy for Executive and Non-executive Directors, describes the implementation of that policy and discloses the amounts paid relating to the year ended 31 December 2013.

The report complies with the provisions of the Companies Act 2006 and Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations"). It has also been prepared in accordance with the recommendations of the UK Corporate Governance Code and the requirements of the UKLA Listing Rules. In accordance with the Regulations the Directors' Remuneration Report contains two separate sections as follows:

- a Remuneration Policy report which sets out the Company's policy and framework for the remuneration of Executive and Non-executive Directors that will apply from 6 May 2014 (the date of the Company's AGM) subject to shareholder approval (the "Policy"); and
- an Annual Report on Remuneration setting out how the Company's remuneration policy has been implemented in the year ended 31 December 2013.

The Policy is set out on pages 57 to 63 and a separate resolution will be put to shareholders to approve the Policy by way of a binding vote at the 2014 Annual General Meeting (the "AGM"). The Policy provides continuity of approach to that adopted for the year ended 31 December 2012. The Policy is currently under review and the Company intends to submit a revised remuneration policy in due course to shareholders for approval.

A separate advisory vote will be taken on the Annual Report on Remuneration, which is set out on pages 64 to 69.

Remuneration strategy

Our objective is to ensure that our remuneration policy is aligned with the Company's business strategy and achieves the necessary balance between the interests of our shareholders and those of the Directors. We operate a simple remuneration structure made up of base salary and benefits, a bonus plan, which provides a clear link between pay and the achievement of short and medium-term objectives, and a single long-term incentive scheme (the Performance Share Plan), which provides a clear link between the remuneration of Executive Directors and shareholder returns.

Performance and reward for 2013

Base salary
In 2013, salary levels increased by 3% for Mike Buck and 3.4% for James Menzies and Jonathan Copus. In making the decision to increase salaries, the Committee gave due consideration to salary levels across the industry and the need to ensure that base salaries were not excessive yet remained sufficiently competitive to retain and motivate a high calibre executive team with the appropriate skills to implement the Group's strategy and business objectives.

Bonus
In December 2013, the Committee reviewed performance against the Executive bonus targets set for 2013. 50% of the maximum bonus was linked to the Company's share price performance, both in absolute terms and relative to a peer group of companies; it was determined that no payment was triggered in respect of this element of the bonus. Having reviewed individual and team performance, which comprises the remaining 50% of the maximum potential bonus, it was agreed that bonus awards of 30.7% of base salary would be made to each Executive Director in respect of individual and team performance. In recognition of the underperformance in the Company's share price, the Executive Directors subsequently declined their bonus awards.

Performance Share Plan
In line with the Company's usual policy, the Executive Directors received awards under the Company's Performance Share Plan ("PSP") worth up to 200% of base salary. The vesting of these awards is subject to a relative total shareholder return performance condition, comparing the Company's performance to that of a selected group of other listed Oil & Gas Exploration & Production companies drawn from the constituents of the FTSE 250, SmallCap and AIM with market capitalisations in excess of £100 million at or around the date of grant, measured over three years. The Committee believes that the PSP is an important component of the overall remuneration package for Directors in that it provides a simple, open and transparent method of aligning shareholders' and Directors' interests by linking reward to share price performance. In May 2013, following the testing of performance criteria attaching to awards made in 2010, and taking into consideration the overall performance of the business, the Committee determined that 53.39% of the maximum awards would vest. The Committee believes that this is a fair reflection of the performance of the business over the relevant performance period.

Governance

Directors' remuneration report
continued

Pensions and benefits
During 2013, the Committee reviewed pension provision for its Directors relative to a peer group of companies and it was decided that the level of pension provision was broadly in line with that of its peers and that no change was required to the level of pension contributions made by the Company, which remain at 15% of base salary.

Performance and reward for 2014

Following the Executive Directors' decision to decline bonuses for the year ended 31 December 2013, a comprehensive review of the Company's remuneration policy is being undertaken to ensure that the Company remains competitive and continues to achieve its objectives of attracting and retaining executives of sufficient calibre and with the required experience to deliver the Company's short and long-term objectives. This revised policy will be submitted in due course to shareholders for approval. The Policy presented in this report will be submitted to shareholders for approval by way of a binding vote at the 2014 AGM and, subject to shareholder approval, will apply from that date until such time as a revised policy is approved by shareholders.

As explained on page 69, following a salary review undertaken in January 2014, the Executive Directors' base salaries were increased by 4%. This increase was considered necessary to ensure salary levels remain competitive in a sector where there is a high demand for top talent. However, no changes have been made to pension/benefits provision, annual bonus opportunity or long-term incentive provision for 2014.

Engagement with shareholders

The voting outcome at the 2013 AGM in respect of the Directors' Remuneration Report for the year ended 31 December 2012 is set out on page 68. The voting results reflected very strong individual and institutional shareholder support for the Company's remuneration policy and its implementation. The Policy presented on pages 57 to 63 largely reflects the policy adopted in 2012.

The Committee will continue to be mindful of the concerns of shareholders and other stakeholders, and welcomes shareholder feedback on any issue related to executive remuneration.

In conclusion, we believe that the Policy presented in this report continues to be aligned with our strategic goal of delivering shareholder value. However, the Committee has taken note of the decision of the Directors to decline bonus awards for the year ended 31 December 2013 and is in the process of conducting a comprehensive review of the Company's remuneration policy. It is planned to submit a revised remuneration policy in due course to shareholders for approval.

Robert Cathery
Chairman of the Remuneration Committee

The Remuneration Committee

The role of the Remuneration Committee
The Committee's principal function is to support the Group's strategy by ensuring that its delivery is supported by the Company's overall remuneration policy. It also determines the specific remuneration packages, including service contracts and pension arrangements, for each Executive Director. Further details of the Committee's terms of reference are set out below and the full terms of reference can be found on the Company's website: www.salamander-energy.com.

Membership of the Committee
The members of the Remuneration Committee are currently Robert Cathery (Chairman), John Crowle and Struan Robertson. The Committee's primary duty is to determine and agree with the Board the framework or broad policy for the remuneration of the Group's Chief Executive, the Chairman, the Executive Directors, the Company Secretary and such other members of the senior management as it is designated to consider. The remuneration of the Non-executive Directors is a matter for the Chairman and the executive members of the Board. The Chief Executive Officer is invited to attend meetings of the Committee but does not take part in the decision-making of the Committee.

The Committee members have no personal or financial interest other than as shareholders in matters to be decided and no day-to-day involvement in running the business.

Details of each Committee member's attendance at Committee meetings held during the year is set out in the table below.

Member	Attended	Possible
Robert Cathery (Chairman)	4	4
John Crowle	4	4
Struan Robertson	4	4

Committee terms of reference
The main responsibilities of the Committee are to:

- set and monitor performance criteria for any bonus arrangements operated by the Company and its Group, ensuring that they represent achievable and motivating rewards for appropriate levels of performance and, where appropriate, are justifiable taking into account the Company's and Group's overall performance and the corresponding return on shareholders' investment in the same period;
- recommend to the Board the policy for and scope of pension arrangements for the Executive Directors and other senior management;
- review and approve the Company's share plans, approve proposed grants to Directors and senior management, and to set or recommend performance criteria for share awards; and
- within the terms of the agreed policy, determine the total individual remuneration package for the Company's Chairman, Executive Directors, Company Secretary and other members of senior management including, where appropriate, bonuses, incentive payments and share awards.

Directors' remuneration policy (unaudited)

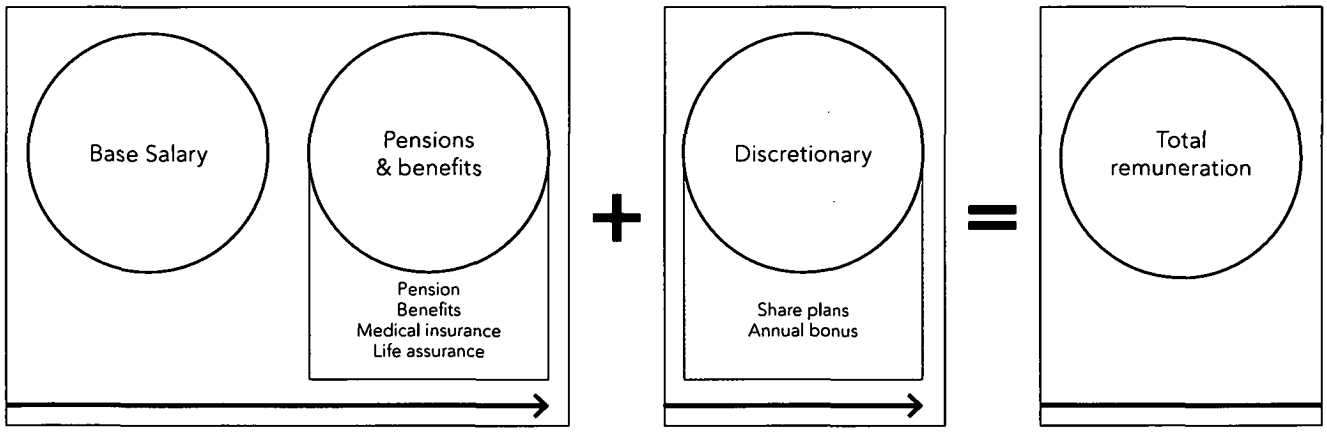
The Group's Policy is underpinned by the objective of providing remuneration packages which ensure that Directors and senior managers are fairly and responsibly rewarded for their contributions. The aim is to provide remuneration packages which are sufficiently competitive to attract, retain and motivate individuals of the quality required to achieve the Group's objectives and thereby enhance shareholder value. The Committee takes account of the level of remuneration paid to Executive Directors and senior managers of comparable public companies and best practice standards. A significant proportion of Salamander's total remuneration package for its Directors is variable with an emphasis on long-term incentives in the form of share-based payments linked to Company performance. This ensures that the interests of Directors are aligned closely with those of shareholders. The main components of Executive Directors' remuneration are set out in the diagram below and further details are provided in the Directors' Remuneration Policy table on pages 60 and 61.

How the Executive Directors' remuneration policy relates to the wider Group

When setting the remuneration policy for Executive Directors, consideration is given to pay and conditions across the Group. The Group operates in a number of different countries and has many employees who perform a diverse range of jobs. Therefore, although it is difficult to take into account pay and employment conditions across the Group, specifically when setting the remuneration of the Executive Directors:

- all employees, including the Directors, are paid by reference to the market rate;
- consistently high performance is rewarded through a number of performance-related bonus schemes across the Group;
- the Group offers employment conditions which are commensurate with a UK-listed company including high standards of health and safety and equal opportunity policies;
- the Group offers a range of benefits depending on employee location, including pension, flexible benefits, paid annual leave and healthcare insurance;
- in accordance with the Company's belief that share plans are important to align the interests of employees and shareholders, the Company offers the following employee share plans, further details of which are set out in note 29 to the Financial Statements and, in respect of the Performance Share Plan ("PSP"), in the Policy table on page 61:
  - the Performance Share Plan, open to Executive Directors and senior management; and
  - the Deferred Equity Plan, open to all other employees.

Components of remuneration



Directors' remuneration report
continued

The Remuneration Committee will continue to assess these and other matters, such as the prevailing market conditions, when determining levels of remuneration for Executive Directors (but will not, reflecting general industry practice, consult with employees in relation to the formulation or operation of Executive Directors' remuneration).

How shareholders' views are taken into account
The Remuneration Committee considers shareholder feedback received at the time of the Company's AGM each year and guidance from shareholder representative bodies more generally. This feedback, plus any additional feedback received during any meetings from time to time with shareholders, is then taken into consideration as part of the annual process for the review of Directors' remuneration.

The Remuneration Committee will be consulting with major shareholders on any new policy resulting from the proposed review of current policy.

Approach to recruitment remuneration
The remuneration package for a new Executive Director would be set in accordance with the terms of the approved remuneration policy in force at the time of appointment, subject to the points set out below. When agreeing the components of a remuneration package for the appointment of Directors, base salary levels will take into account market data for the relevant role, internal roles of a comparable nature, the individual's experience and current base salary. Where an individual is recruited at below market norms, their base salary may be re-aligned over the following years, subject to performance in the role.

The maximum level of variable pay that may be offered on an ongoing basis and the structure of remuneration will be in accordance with the approved policy detailed below i.e. an aggregate maximum of up to 300% of salary (200% under the terms of the PSP and 100% in the form of a performance-related bonus). This limit does not include the value of any buyout arrangements (as to set a limit on such recruitment-related awards would not be in shareholders' interests as it might set an expectation as to quantum by the candidate). That said, as explained below, the size of such awards will take due account of the remuneration lost from the previous employer. Individuals will normally participate in the PSP on the basis of awards granted up to a maximum value of 200% of annual base salary vesting three years from date of grant. However, in circumstances where the Committee considers it appropriate to do so, including but not limited to the recruitment of a Director, then under the rules of the PSP as approved by shareholders, this maximum total market value of share awards may be increased at the discretion of the Committee.

Should it be appropriate to recruit a director who is required to live and work overseas, benefits will be provided that take account of additional costs associated with working as an expatriate. The Committee may also agree that the Company will meet certain relocation expenses.

In the case of internal hires, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant.

The Committee may consider buying out incentive awards which an individual would forfeit upon leaving their current employer although any compensation would, where possible, be consistent with respect to the structure of the original award. Buyout payments would be based solely on remuneration lost when leaving the former employer and would, where possible, reflect the delivery mechanism (i.e. cash, shares, options), time horizons and performance requirements attaching to that remuneration. The Committee may rely on the exemption under 9.4.2R of the Listing Rules, to allow the grant of these buy-out awards.

In accordance with the Policy table on pages 60 and 61, new Non-executive Directors would be paid a base fee, plus a fee for additional responsibilities such as chairing Board Committees and/or acting as Senior Independent Director. On the appointment of a new Chairman or Non-executive Director, the fees will be set taking into account the experience and calibre of the individual.

A new Executive Director will not, save in exceptional circumstances, be offered a service contract with a notice period in excess of one year.

Service contracts and policy on payment for loss of office
The service contracts for the current Executive Directors are one-year renewable contracts and may in normal circumstances be terminated by either party on giving six months' notice. The Company reserves the right and discretion to pay the Executive Director in lieu of notice. If the Company terminates the employment of an Executive Director by exercising its right to pay in lieu of notice, the Company is required to make a payment equal to the aggregate of basic salary and the cost to the Company of providing other contractual benefits (which excludes bonus) for the unexpired portion of the duration of any entitlement to notice. On a case by case basis, where the Company terminates the employment of a Director or where a Director's employment terminates due to "Good Leaver" reasons, the Company may pay certain disbursements such as legal costs.

If, within 12 months of a change of control, the Company terminates the employment of an Executive Director in breach of the terms of his Service Agreement in circumstances where the Company is not entitled to terminate the Executive Director's employment, the Executive Director will be entitled to payment of a fixed sum equal to six months' base salary (not including accrued bonus). In return for the payment of such a fixed sum, the Executive Director agrees to waive, release and discharge any entitlement to further or additional compensation of any kind whatsoever. There are no other special provisions in these contracts relating to compensation for loss of office.

Executive Directors may take on external appointments, subject to the approval of the Board. Whether any associated fees are retained by the individual or are remitted to the Company will be considered on a case by case basis. No Executive Director currently holds such a position.

For the avoidance of doubt, in approving this Policy, authority is given to the Company to honour any commitments entered into with current or former Directors that have been disclosed to shareholders in previous remuneration reports. Details of any payments to former Directors will be set out in the relevant report going forward as required by the new Regulations.

In addition, and consistent with market practice, in the event of termination of an Executive Directors' employment, the Company may pay a contribution towards the individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees would be disclosed as part of the detail of termination arrangements. Should it become necessary to make additional payments in respect of such professional fees that were not ascertained at the time of reporting, the Company may do so. For the avoidance of doubt, the Policy does not include an explicit cap on the cost of termination payments.

Executive Director service contracts

Executive Director	Date of contract	Notice period
James Menzies	29/11/06	Six months
Mike Buck	29/11/06	Six months
Jonathan Copus	31/10/11	Six months

In line with best practice for listed companies, the Committee's policy is for Executive Directors to have one year rolling contracts with a six month notice period (although in some recruitment circumstances, in exceptional circumstances, a longer notice period may be offered).

Non-executive Director letters of engagement

Non-executive Directors have letters of engagement setting out their duties and the time commitment expected. They are appointed for an initial period of three years, after which the appointment is renewable for a further three years and then annually thereafter by mutual consent. In accordance with the Code, all Directors offer themselves for annual re-election by shareholders. Details of Non-executive Directors' appointments, which are terminable without compensation, are set out in the table below.

Non-Executive Director	Original appointment date	Expiry date of current term
Charles Jamieson	29/11/06	31/12/14
Carol Bell	25/01/12	24/01/15
Robert Cathery	29/11/06	31/12/14
John Crowle	29/11/06	31/12/14
Michael Pavia	09/07/07	08/07/14
Struan Robertson	29/11/06	31/12/14

In addition to the contractual provision regarding payment on termination set out above, the Group's incentive plans contain provisions for termination of employment as set out in the table below. There is no contractual right to receive a bonus on loss of office.

Payment	"Good" leaver (e.g. death, ill health, redundancy)	"Bad" leaver (e.g. resignation or termination for cause)	Change of control
Annual bonus (cash)	Considered on a case by case basis with a starting point of pro rata payment.	Award forfeited on resignation.	Considered on a case by case basis with a starting point of pro rata payment.
Performance Share Plan	Unvested Awards will normally vest on the normal vesting date to the extent that any performance conditions have been met and after a pro rata reduction based on the number of years after the grant date. The Committee, acting fairly and reasonably, may accelerate vesting to the date of cessation and may also exercise discretion to increase the number of vested shares in cases where the Committee deems that the pro rata reduction is inappropriate (but not to exceed that which vests based on the performance conditions).	Awards lapse on resignation.	Unvested Awards will normally vest upon notification of the change of control and a pro rata reduction to the number of shares will be made based on the number of years after grant. The Committee, acting fairly and reasonably, may exercise discretion to increase the number of vested shares in cases where the Committee deems that the reduction is inappropriate (but not to exceed that which vests based on the performance conditions).
Deferred Equity Plan (no longer used for Executive Directors)	Awards vest in full subject to Remuneration Committee discretion.	Awards lapse on resignation.	Awards vest in full subject to Remuneration Committee discretion.

Governance

Directors' remuneration report
continued

Table of future remuneration policy for Executive Directors
The key components of Executive Directors' remuneration for the period from the 2014 AGM, as well as for the year ended 31 December 2013, are summarised below:

	Base salary	Benefits
Purpose and link to strategy	To attract and retain individuals with the skills and experience required to deliver our strategy.	To ensure broad competitiveness with market practice and to support general wellbeing. As the Company is obliged to operate cross-border income tax and social security deductions, the Company provides appropriate support to help the individual with these complex obligations, to avoid the distraction or time consumed in basic compliance activities.
Operation	Reviewed annually with increases effective from 1 January. Base salaries are set by the Committee taking into consideration: • levels of base salary for similar positions with comparable status, responsibility and skills, in organisations of broadly similar size and complexity; • individual performance; • experience and responsibilities; and • pay and conditions throughout the Company. Expatriate Directors are paid a net salary after deduction of hypothetical UK tax, which is set off against local tax.	Private medical cover and life assurance is provided under a Group scheme. The Committee may apply discretion to offer further benefits where it deems such benefits necessary to attract and retain relevant individuals. Expatriate Directors receive a relocation allowance where relevant, together with certain other benefits including but not limited to housing and cost of living allowances.
Maximum opportunity	No increase in base salary will be made from the current levels if it would take an Executive Director's salary above the median level of salary of executives with that role within the FTSE 250 Oil & Gas Producers sector at the relevant time.	The Committee has discretion to increase the value of benefits where there is an associated increase in the fees of the provider of such benefits and/or where it is deemed in the Company's interest to attract and retain individuals, albeit always taking due account of general market practice.
Performance metrics	Individual and business performance are considerations in deciding salary levels.	Not applicable.

The Committee does not consider it necessary to operate malus or clawback provisions in its incentive arrangements but will keep the matter under review.

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Pension	Annual Bonus	Share Awards (Performance Share Plan)
To attract and retain individuals with the skills and experience required to deliver our strategy	To incentivise outperformance of targets linked to the Company's key strategic objectives and to provide a competitive total annual earnings opportunity.	To align Executive interests with those of the Company's shareholders by creating a substantial share-ownership opportunity justified by generation of sustainable returns to shareholders.
Contributions made to personal pension plan (or salary supplement in lieu of pension contributions)	Discretionary bonus payable wholly in cash to the extent that individual, team and corporate performance targets set by the Remuneration Committee are achieved in the relevant year. Targets for the annual bonus plan are reviewed and agreed by the Remuneration Committee each year to ensure that they are appropriate to the current position of the Company.	Grant of nominal cost options or conditional share awards. Awards vest on or following the third anniversary of the date of grant once the Committee has determined the extent to which the applicable performance conditions have been satisfied and provided the participant remains an employee with the Group. Awards in the form of nominal cost options, once vested, will normally remain capable of exercise for a period of twelve months.
Contributions equal to 15% of base salary	Non-pensionable discretionary annual bonus up to a maximum of 100% of base salary.	Awards are made annually to Executive Directors worth up to 200% of salary. In exceptional circumstances, such as the recruitment of a new Director, under the rules of the PSP as approved by shareholders, the Remuneration Committee has discretion to increase this amount.
Not applicable	Executive bonus levels are assessed on the level of the Company's performance against financial, operational and strategic targets, subject to the Committee's discretion based on a broader assessment of overall Company performance. The exact measures, weightings and targets are determined by the Committee each year, taking into account the Group's key strategic priorities and the approved budget for the year. A sliding scale between 0% and 100% of the maximum award applies for achievement between threshold and maximum performance.	The Committee has discretion under the PSP Rules to set performance conditions for Awards. Historically the performance condition imposed has been a relative TSR measure, comparing the Company's performance with that of a selected group of companies drawn from FTSE 250, FTSE SmallCap and AIM listed companies in the Oil and Gas Producers sector, measured over three years. Threshold vesting is 30% of full grant for median performance with straight-line vesting to 100% at upper quartile performance. 0% vesting occurs below median performance.

Governance

Directors' remuneration report
continued

Table of future remuneration policy for Non-executive Directors

	Annual fee and benefits
Purpose and link to strategy	Competitive fee to recruit and retain.
Operation	The Chairman is paid an all-inclusive fee for all Board responsibilities. Non-executive Directors receive a basic fee, with supplementary fees payable for additional Board responsibilities. The Non-executive Directors do not participate in any of the Company's incentive arrangements. Additional payments are made for additional responsibilities such as chairing a Committee and/or acting as Senior Independent Director. Non-executive Directors also receive basic travel and accommodation expenses in relation to attending Board and Committee meetings.
Maximum opportunity	Fee levels are reviewed on a periodic basis, and may be increased taking into account factors such as time commitment demanded by the role and market levels in companies of comparable size. Flexibility is retained to go above the current fee levels if necessary to do so to appoint a new Chairman or Non-executive Director of an appropriate calibre, albeit subject to the overall cap on fees contained in the Company's Articles of Association.
Performance metrics	Not applicable.

Accompanying notes by way of further explanations in relation to matters such as the rationale for performance conditions, changes to pay components and the differences between Executive Director and all-employee pay can be found elsewhere in this report.

The Committee will operate the PSP according to the PSP's rules. The Committee retains discretion, consistent with market practice, in a number of respects, in relation to the operation and administration of the PSP. These discretions include, but are not limited to, the following:

- the participants;
- the timing of grant of an award;
- the size of an award;
- the determination of performance against targets and resultant vesting;
- discretion required when dealing with a change of control or restructuring of the Group;
- determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends); and
- the annual review of performance measures, weightings and targets from year to year.

In relation to the PSP, the Committee retains the ability to adjust the targets and/or set different measures if events occur (e.g. material acquisition and/or divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy. Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Bonus awards are not governed by plan rules and will be operated in accordance with this Policy.

Governance

Directors' remuneration report
continued

Annual report on remuneration

This Annual Report on Remuneration has been prepared in accordance with the Regulations and discloses how the 2013 remuneration policy has been implemented during the year ended 31 December 2013. The Annual Report on Remuneration will be put forward to shareholders for an advisory vote at the Company's 2014 Annual General Meeting as required by section 439 of the Companies Act 2006.

The Regulations stipulate which sections of the Annual Report on Remuneration are subject to audit. Where a section of the report has been audited, this is indicated in brackets after each heading.

Consideration by the Directors of matters relating to Directors' remuneration
Details of the membership of the Remuneration Committee are set out on page 56. All members of the Committee served throughout the year ended 31 December 2013.

The Committee has access to external consultancy services on remuneration and sector issues. Hewitt New Bridge Street Consultants was employed during the year to assist with matters solely relating to the Company's Performance Share Plan. Hewitt New Bridge Street Consultants was appointed by the Corporate HR Manager on behalf of the Remuneration Committee. They have no other connection with the Company and were selected based on their experience of the Company's share schemes. Hewitt New Bridge Street provided the results for the testing of pre-set performance criteria. No subjective judgements were required of Hewitt New Bridge Street and the Committee was satisfied that objectivity was maintained. The fee paid to Hewitt New Bridge Street amounted to £6,884 and was charged on a fixed fee basis.

Single total figure of remuneration for each Executive Director (audited)
The remuneration of the Executive Directors for the year ended 31 December 2013 was as follows:

	(a) Salary £'s		(b) Taxable benefits £'s		(c) Annual bonus[3] £'s		(d) Share Awards vesting[4] £'s		(e) Pension[6] £'s		(f) Other remuneration[5] £'s		(g) Single figure total (sum of a-f) £'s	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
James Menzies[1]	425,000	410,970	6,307	5,482	–	165,000	363,191	599,268	63,750	61,646	–	–	858,248	1,242,366
Mike Buck[2]	312,000	302,820	207,248	193,877	–	125,000	267,614	452,647	46,800	45,423	–	–	833,662	1,119,767
Jonathan Copus[1]	300,000	290,000	5,568	2,843	–	125,000	–	–	45,000	43,500	53,755	–	404,323	461,343

[1] Taxable benefits for James Menzies and Jonathan Copus comprise private medical insurance and life assurance.
[2] Taxable benefits for Mike Buck comprise private medical insurance, life assurance and benefits associated with the additional costs of working as an expatriate such as housing costs, cost of living allowance and foreign services allowance. Where expatriate benefits are payable in local currency, an average exchange rate over the financial year has been used to calculate the value of the benefits reported in the above table. The 2012 figure has been re-stated to align with the method of calculation used for 2013 benefits, which is shown gross of the related tax benefit.
[3] Annual bonus is based on payment for performance during the year. For the year ending 31 December 2013 a bonus of 30.7% was awarded to each director, details of which are outlined below. All Directors declined bonus awards for the year ended 31 December 2013.
[4] Share awards vesting represent the value of share awards where the performance period ends in the relevant financial year. Awards granted under the Performance Share Plan ("PSP") in 2010 vested on 23 May 2013 following the end of a three-year performance period ending on 10 May 2013. 53.39% of the Award vested. In accordance with the rules of the PSP vesting of the Award occurs on the later of three years from date of grant or the date on which the Remuneration Committee determine the extent of vesting. The value of the award in the above table is calculated by reference
to the market price of the shares on the date the Committee determined the extent of vesting (£1.70).
[5] Other remuneration includes the value of share awards granted to Jonathan Copus in 2011 as part of a recruitment incentive. The awards are subject to a holding period of two years ending on 31 October 2013, after which time the awards vest subject to any restrictions on dealing in Salamander Energy PLC shares. The awards are in the form of nominal cost options and no performance conditions attach to the vesting of the options which are exercisable for a period of two years from date of vesting. The value of the award is calculated by reference to the market price of the shares at the end of the holding period.
[6] Employer's pension contributions are equal to 15% of base salary. James Menzies receives part of this amount in the form of a cash payment.

2013 annual bonus performance conditions

The annual bonus is driven by the achievement of Group, business and individual targets. The individual objectives were determined with consideration to the strategic goals set for each Executive Director. The performance measures and targets are set out below.

James Menzies

	Metric	Weighting (% of max award)	Target	Stretch	Actual performance achieved	Resulting level of award (% of maximum opportunity)
Group performance	Relative share price performance	25%	Top half of peer group	Top Quartile of peer group	Top half not achieved	0%
	Absolute share price performance	25%	10% return	>10% return	<10%	0%
Business performance	Working Interest Production	25%				13.5%
	Operating costs					
	Total Recordable Incident Rate					
	Total gross G&A costs					
	7 specific objectives linked to strategy					
Individual performance	8–10 stretching personal targets linked to strategic plan	25%				17.2%
Total resulting level of award as % of maximum opportunity						**30.7%**

The Committee believes that the specific targets set for the business performance and individual performance elements of the annual bonus are commercially sensitive and will therefore not be disclosed as it would not be in shareholders' interests for further details of these targets to be provided now or in the future.

As described above, the Executive Directors have declined these bonuses.

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Directors' remuneration report
continued

Single total figure of remuneration for each Non-executive Director (audited)
The table below sets out a single figure for the total remuneration received by each Non-executive Director for the year ended 31 December 2013.

	Fee		Committee Chair fees		Additional fees [1]		Total	
	2013 £'s	2012 £'s	2013 £'s	2012 £'s	2013 £'s	2012 £'s	2013 £'s	2012 £'s
Charles Jamieson	125,000	100,000	–	–	–	–	125,000	100,000
Carol Bell	50,000	44,223	–	–	–	–	50,000	44,223
Robert Cathery	50,000	47,250	5,000	5,000	–	–	55,000	52,250
John Crowle	50,000	47,250	–	–	5,000	5,000	55,000	52,250
Michael Pavia	50,000	47,250	5,000	5,000	–	–	55,000	52,250
Struan Robertson	50,000	47,250	5,000	5,000	10,000	10,000	65,000	62,750

[1] John Crowle received an additional annual fee of £5,000 in recognition of his responsibility for advising, as required, on technical issues. Struan Robertson received an additional annual fee of £10,000 for his role as Senior Independent Director.

Statement of Directors' shareholding and share interests (audited)
The Directors' shareholdings and share interests are set out in the table below. There is no minimum shareholding requirement for Directors.

Director	Shares held [1]	Share Awards held [2,4] (unvested)	Share Awards held [2,5] (vested and unexercised)	Share Awards (exercised) [2]
James Menzies	2,607,768	1,236,495	213,642	–
Mike Buck	877,477	909,974	–	157,420 [3]
Jonathan Copus	34,969	851,377	50,121	–
Charles Jamieson	848,619	–	–	–
Struan Robertson	20,345	–	–	–
Carol Bell	12,012	–	–	–
Robert Cathery	537,500	–	–	–
John Crowle	71,515	–	–	–
Michael Pavia	59,500	–	–	–

[1] Shares held include shares held by connected persons.
[2] Share Awards are in the form of nominal cost options exercisable at a price of £0.10 per share.
[3] The share price on date of exercise (10 June 2013) was £1.637. Aggregate gains made by Directors exercising options in the year was £235,343 (2012: £638,698).
[4] Awards were granted under the terms of the Performance Share Plan with vesting subject to achievement of performance conditions measuring the Company's Total Shareholder Return performance relative to a comparator group of companies in the oil and gas sector over a three-year performance period. No Awards vest if performance is ranked below median, 30% of the Awards vest for a ranking position of median and 100% of Awards vest if performance is at or above the upper quartile. For a ranking between the median and upper quartile, there is a straight line vesting between 30% and 100%.
[5] Vested and unexercised Share Awards held by Jonathan Copus relate to an option over 50,121 ordinary shares granted under the terms of the Deferred Equity Plan as part of a recruitment incentive. The shares are normally exercisable for a period of two years from date of vesting. Vested and unexercised Share Awards held by James Menzies relate to Awards granted under the terms of the Performance Share Plan. Vesting of these options was subject to the achievement of performance conditions. No further performance conditions apply and the option is normally exercisable for a period of one year from the date of vesting. Further details are outlined on page 61.

There have been no changes in the Directors' shareholdings and share interests from the year end to the date of this report. The Directors are not permitted to hold their shares in hedging arrangements or as collateral for loans without the express permission of the Board. No Director has entered into such arrangements.

Scheme interests awarded during the year (audited)
PSP Awards granted to the Executive Directors during the year were as follows:

	PSP Awards (nominal cost options)[1]	Face value at date of grant £'s	% of Award vesting at minimum performance	Performance period[2]
James Menzies	413,424	850,000	30%	12 April 2013 – 11 April 2016
Mike Buck	303,502	624,000	30%	12 April 2013 – 11 April 2016
Jonathan Copus	291,829	600,000	30%	12 April 2013 – 11 April 2016

[1] Awards granted on 12 April 2013 are in the form of nominal cost options exercisable at their nominal value of 10p per ordinary share during a period of 12 months from date of vesting. Awards are made to the value of 200% of base salary based on the middle market value of the Company's shares on the dealing date immediately preceding date of grant (2.056p).
[2] Options vest on or after three years from date of grant subject to the achievement of performance conditions as outlined on page 61.

Governance

Directors' remuneration report
continued

Statement of voting at general meeting
At the Annual General Meeting held on 23 May 2013, votes cast by proxy and at the meeting in respect of the Directors' Remuneration Report were as follows:

Votes for	% for	Votes against	% against	Votes withheld
178,035,897	92.75	13,921,386	7.25	3,337,610

Table of historic data – Chief Executive Officer pay and performance
The following table sets out the total remuneration for the person undertaking the role of chief executive officer ("CEO") during the period of five years from 1 January 2009 to 31 December 2013. The figure assumes a value for Share Awards based on the number of shares vesting pursuant to a performance period ending in the year. The share price used to determine the value of the Award is the share price on the date of vesting.

Year	CEO	CEO Single figure of total remuneration £'s	Annual bonus payout against maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
2013	James Menzies	858,248	30.7	53.39
2012	James Menzies	1,242,674	40.0	77.46
2011	James Menzies	894,367	60.0	62.53
2010	James Menzies	889,362	33.0	91.79
2009	James Menzies	540,172	55.0	–

Percentage change in remuneration of CEO
The table below sets out the percentage change in base salary, benefits and annual bonus from the preceding financial year in respect of the CEO and the average percentage change from the preceding financial year in respect of a comparator group of employees. The comparator group is made up of UK employees (excluding Directors) who were employed for the whole of the year. This comparator group has been used to ensure that comparisons are not skewed by the difference in inflationary increases across jurisdictions. The bonus figure for the CEO includes the amount of bonus awarded for performance in 2013. This bonus award was declined but has been included in the table below for the purpose of comparison to prior years.

Component of remuneration

	CEO			Employees*		
	2013 £'s	2012 £'s	% change	2013 £'s	2012 £'s	% change
Base salary [1]	425,000	410,970	3%	114,751	109,814	4%
Benefits	6,307	5,482	15%	2,733	2,399	14%
Annual bonus	130,500	165,000	-21%	49,400	44,455	11%

[1] figures stated are an average per employee.

Relative importance of spend on pay
The table below sets out the Company's actual expenditure on remuneration paid or received by all Group employees relative to distributions to shareholders and investments in future growth, debt repayments and tax payments.

	2013 £'000	2012 £'000	% change
Remuneration paid to or receivable by all employees of the Group	33,110	37,774	-12.3%
Distributions to shareholders and share buybacks	–	–	0.0%
Expenditure on intangible assets and purchase of property, plant and equipment	357,068	287,107	24.4%

Payments to past Directors (audited)
There were no payments made during the year to past Directors.

Payments for loss of office (audited)
There were no payments made during the year for loss of office.

Statement of implementation of remuneration policy in 2014
A full review of the Company's remuneration policy is currently in progress and it is intended to put this new policy to shareholders for approval at the 2015 Annual General Meeting to be effective from 1 January 2015 and beyond.

The Policy outlined in this report provides continuity of approach to that adopted for the year ended 31 December 2012. It is intended that the Policy will apply from the date of the 2014 Annual General Meeting until such time as a revised policy is approved by shareholders.

Details of how the Policy is being implemented for 2014 is set out below.

Base salary
Base salaries will continue to be reviewed annually in January, taking into account the scale, scope, responsibility of the role, skills and experience of the individual, retention risk and base salary increases of other employees. For 2014, Executive Director salaries have been increased as set out in the table below. This increase was made to ensure that they remain competitive when compared to those within peer group companies in what is a highly competitive market for top talent.

Executive Director salaries

Executive Director	2014 salary £'s	2013 salary £'s	% increase
James Menzies	442,000	425,000	4.0%
Mike Buck	324,500	312,000	4.0%
Jonathan Copus	312,000	300,000	4.0%

Pension and other benefits
Each Executive Director continues to be entitled to receive a payment of 15% of his base salary into his private pension arrangements or, where maximum limits have been reached, as a pension benefit payable monthly. In addition, each Executive Director receives private medical insurance and life assurance benefits. Mike Buck receives additional expatriate benefits equal to the additional costs of living and working overseas. The Group will reimburse the Executive Directors in respect of all expenses reasonably incurred by them in the proper performance of their duties.

Annual bonus
Following the end of the financial year, Executive Directors will be eligible to receive an annual bonus of up to 100% of base salary.

Performance targets for 2014 bonuses
The performance metrics used to determine bonuses for the year ended 31 December 2014 are as follows:

	Metric	Weighting (% of max award)
Group performance	Relative share price performance	25%
	Absolute share price performance	25%
Business performance	Working Interest Production	25%
	Operating costs	
	Total Recordable Incident Rate	
	Total gross G&A costs	
	7 specific objectives linked to strategy	
Individual performance	8–10 stretching personal targets linked to strategic plan	25%

For reasons of commercial sensitivity, the Company does not prospectively publish performance targets.

Performance Share Plan
Executive Directors will receive nominal cost option awards with a value equivalent to 200% of 2014 base salary with vesting subject to TSR performance relative to a comparator group of companies over a three-year performance period. This is consistent with the Company's usual policy and the terms of the scheme as approved by shareholders.

On behalf of the Board

Robert Cathery
Chairman of the Remuneration Committee
12 March 2014

Governance

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company Financial Statements under IFRSs as adopted by the EU. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these Financial Statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy.

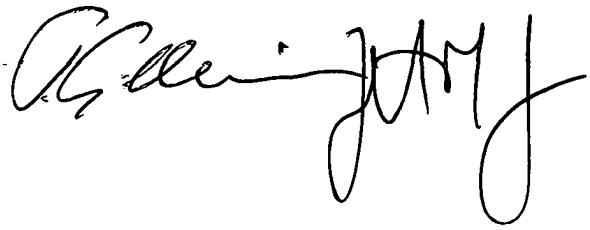
Directors' responsibility statement
The Directors confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report required by DTR 4.1.8R (contained in the Strategic Report and the Directors' Report) includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

James Menzies
Chief Executive Officer
12 March 2014

Dr Jonathan Copus
Chief Financial Officer
12 March 2014



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Financial statements

Independent Auditor's Report to the members of Salamander Energy PLC

Opinion on financial statements of Salamander Energy PLC

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the consolidated statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated and parent company cash flow statements, the consolidated and parent company statements of changes in equity, the statement of accounting policies and general information and the related notes 1 to 31 in respect of the consolidated financial statements and 1 to 12 in respect of the parent company financial statements. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Going concern

As required by the Listing Rules we have reviewed the directors' statement on page 45 that the group is a going concern. We confirm that:

- we have not identified material uncertainties related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern which we believe would need to be disclosed in accordance with IFRSs as adopted by the European Union; and
- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

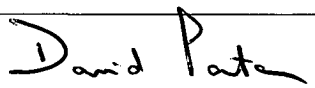
Risk	How the scope of our audit responded to the risk
Impairment of intangible exploration and evaluation ("E&E") assets In accordance with relevant accounting standards, E&E costs are written off unless commercial reserves have been established or the appraisal process is not completed. This was considered a key risk due to the significant judgements and estimates that are required to be assessed and the highly material nature of the related balances in the financial statements.	Management has performed an impairment review of its exploration and evaluation assets. We assessed the outcome of this review, taking into consideration the impairment indicators outlined in IFRS 6 "Exploration for and Evaluation of Mineral Resources". The procedures we performed included participating in meetings with key operational and finance staff in London, Thailand and Indonesia to understand the current status and future intention for each asset, confirming that all assets which remain capitalised are included in future budgets and are considered to contain potentially commercial volumes of hydrocarbons. We also identified any fields where the group's rights to explore is either at, or close to, expiry and considered whether this caused the field to be impaired. Where an asset has been impaired we have obtained supporting evidence for the events that led to the impairment.

Our assessment of risks of material misstatement continued	**Capitalisation and Impairment of development and producing oil and gas properties within Property, plant and equipment** These are considered key risks due to the significant judgments and estimates required which, in respect of impairment, include future capital expenditure, production volumes, discount rates and future oil prices. In addition, for producing properties judgment needs to be applied in assessing whether expenditure qualifies for capitalisation under the relevant accounting standards.	Management has performed a review of its development and producing assets for indicators of impairment and, where indicators of impairment have been identified, has undertaken full impairment reviews. We have obtained supporting evidence for the key judgments and estimates used by management which are outlined opposite, including third party reservoir engineer reports, gas sales agreements and available market information. We have also run sensitivities on the discount rate and price assumptions adopted by management as well as comparing them to market and competitor information. We have tested capitalised expenditure during the year on a sample basis to assess whether the related costs qualify for capitalisation under the relevant accounting standards.
	Taxation Accounting for incomes taxes is considered a key risk, due to the diverse geographical nature of the group, the different tax legislation in place in the jurisdictions in which the group operates and the nature of the calculation of special remuneratory benefit tax in Thailand ("SRB"). The deferred SRB calculation is considered a key risk as the tax rate varies depending on the revenue and depth of wells drilled each year.	We worked with tax specialists in the relevant locations to understand the tax legislation governing the group's operations in each of the jurisdictions in which the group operated during the year; we obtained the group's taxation computations in respect of current and deferred tax and assessed the computations for compliance with local tax legislation and relevant accounting standards; and we evaluated, with input from tax specialists, judgmental tax exposures and provisions to assess the position taken by management in respect of the probability and amount of potential exposures. Our work on deferred SRB has included consideration of both the expected timing of reversal of the temporary difference at year end and the tax rate that is expected to apply in each period.
	Depletion, depreciation and amortisation The accounting for depletion, depreciation and amortisation ("DD&A") of oil and gas assets within property, plant and equipment is a key risk, due to the calculation including judgmental estimates of the remaining commercial oil & gas reserves and the future capital expenditure required to extract those reserves.	We reconciled the reserves figures used in the DD&A calculation to those shown in the third party reservoir engineer reports and held interviews with those engineers to understand the process that was undertaken and the source of their data as well as to confirm their objectivity and independence. We compared the estimates of future capital expenditure to those used in the group's impairment calculations. We reperformed the depreciation calculation to check for mechanical accuracy.
	Decommissioning Provision The recognition and measurement of final decommissioning provisions which involve a high degree of judgment and estimation in regard to future costs, timing and discount rates.	We have assessed the appropriateness of the assumptions used in the decommissioning calculation which are discussed in note 24 of the financial statements. In particular we obtained appropriate supporting evidence for the expected timing, related costs and discount rate applied to the calculation, including consideration of any estimates used by the third party reservoir engineers in their calculation of commercial reserves. We have benchmarked the assumptions used against available market information. Where decommissioning activities have taken place during the year, we have obtained supporting evidence for the costs incurred.

Independent Auditor's Report to the members of Salamander Energy PLC continued

Our assessment of risks of material misstatement continued	The Audit Committee's consideration of these risks is set out on page 53. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.
Our application of materiality	We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. We determined planning materiality for the group to be $5.9 million, which was 5% of pre-tax profit. Pre-tax profit has been normalised for the materiality calculation by adding back the exploration cost write off for the year, to the extent it exceeds the average write off during the three years ended 31 December 2013. The exploration write off for the current year was significantly higher than in 2011 and 2012 and has therefore been normalised in our materiality calculation to reduce the extent of volatility that would otherwise arise. In order to ensure we obtain sufficient assurance and oversight of misstatements throughout the group, materiality for each of the reporting components has been set at between $2.9 million and $4.7 million, depending on the relative size of the component. We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $110, 000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.
An overview of the scope of our audit	The group's two key business units are located in Thailand and Indonesia and component auditors have been engaged at these two locations together with the group's administrative centre in Singapore. All the operations of the group, including its two key business units, were subject to a full scope audit using the component materiality figures outlined above. The group audit team is involved in the work of the component auditors at all stages of the audit process. This includes a programme of planned visits that has been designed so that the Senior Statutory Auditor or a senior member of the engagement team visits each of the key business units at least once a year as well as performing a review of the work performed on significant risks by the component auditors.
Opinion on other matters prescribed by the Companies Act 2006	In our opinion: • the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and • the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
Matters on which we are required to report by exception	
Adequacy of explanations received and accounting records	Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or • the parent company financial statements are not in agreement with the accounting records and returns. We have nothing to report in respect of these matters.

Matters on which we are required to report by exception continued	
Corporate Governance Statement	Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.
Our duty to read other information in the Annual Report	Under International Standards on Auditing, we are required to report to you if, in our opinion, information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.
Respective responsibilities of directors and auditor	As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.
Scope of the audit of the financial statements	An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



David Paterson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
12 March 2014

Financial statements

Statement of accounting policies and general information

General Information on the Company and the Group

Salamander Energy PLC (the "Company") is a company registered in Great Britain on 13 September 2006 under the Companies Act, which serves as a holding company for the Group. The address of the registered office is 4th Floor, 25 Great Pulteney Street, London W1F 9LT. The nature of the Group's operations and its principal activities are as an independent oil and gas exploration, development and production company focused on building a portfolio of assets in Southeast Asia.

Financial Information

The financial information is presented in US Dollars because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with policies set out later in this section.

Accounting Policies and Presentation of Financial Information

Basis of Preparation

The Financial Statements have been prepared in accordance with IFRSs and IFRIC interpretations adopted for use in the European Union and therefore the consolidated Financial Statements comply with Article 4 of the EU IAS Regulation.

The Financial Statements have been prepared under the historical cost convention except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The Financial Statements have been prepared on a going concern basis as set out in the Directors' Report.

The separate Financial Statements of the Parent Company are presented as required by the Companies Act 2006 (the "Act"). As permitted by the Act, the separate Financial Statements have been prepared in accordance with IFRS. The Financial Statements have been prepared on the historical cost basis. The principal accounting policies are the same as those set out in the Statement of Accounting Policies and General Information in this section. As a Consolidated Statement of Comprehensive Income is included, a separate Statement of Comprehensive Income for the Parent Company has not been included in accordance with section 408 of the Companies Act 2006. The loss for the year for the Parent Company is disclosed in the Statement of Changes in Equity to the Company Financial Statements.

Adoption of New and Revised Accounting Standards

In the current year, the following new and revised Standards and Interpretations have been adopted:

IFRS 7 (amended)	Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 13	Fair Value Measurement
IAS 1 (amended)	Presentation of Items of Other Comprehensive Income
IAS 19 (revised)	Employee Benefits

The adoption of the standards listed above did not have a material impact on the Financial Statements of the Group in the current financial year, but may impact the accounting for future transactions and arrangements. The additional disclosures required by IFRS 13 are provided in note 26.

At the date of authorisation of these financial statements, the Group has not applied the following Standards and Interpretations that have been issued but are not effective:

IFRS 9	Financial Instruments
IFRS 10	Investment Entities
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IAS 27 (amended)	Separate Financial Statements
IAS 28 (amended)	Investments in Associates

IAS 32 (amended)	Financial Instruments: Presentation
IAS 36 (amended)	Impairment of Assets
IAS 39 (amended)	Financial Instruments: Recognition and Measurement

The directors do not expect that the adoption of the standards listed above will have a material impact on the Financial Statements of the Group in future periods, except as follows:

- IFRS 9 will impact both the measurement and disclosures of Financial Instruments;
- IFRS 11 will when adopted on 1 January 2014, require the Group to change its accounting treatment for its investment in the various APICO interests in Thailand from proportional consolidation to equity accounting. Details of the most recent financial results of these entities are provided in note 15; and
- IAS 32 (amended) will increase the disclosure requirements for offsetting financial assets and financial liabilities on the balance sheet.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Basis of Consolidation
The consolidated Financial Statements consist of the Financial Statements of the Company and all its subsidiary undertakings. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Revenues and the results of subsidiary undertakings are consolidated in the Consolidated Statement of Comprehensive Income from the dates on which control over the operating and financial decisions is obtained.

Where necessary, adjustments are made to the results of Subsidiary and Joint Venture Entities to bring the Accounting Policies into line to those used by the Group.

Commercial Reserves
Commercial reserves are proved and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially viable. There should be a 50% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50% statistical probability that it will be less.

Joint Ventures
A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control.

Where a Group Company undertakes its activities under joint venture arrangements directly, the Group's share of jointly-controlled assets and any liabilities incurred jointly with other ventures' are recognised in the Financial Statements of the relevant company and classified according to their nature.

Liabilities and expenses incurred directly in respect of interests in jointly-controlled assets are accounted for on an accruals basis. Income from the sale or use of the Group's share of the output of jointly-controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transaction will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly-controlled entities. The Group reports its interest in jointly-controlled entities using proportionate consolidation, that is, the Group's share of the assets, liabilities, income and expenses of jointly-controlled entities that are combined with the equivalent items in consolidated Financial Statements on a line-by-line basis.

Where the Group transacts with its jointly-controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Statement of accounting policies and general information
continued

Acquisitions
On an acquisition that qualifies as a business combination in accordance with IFRS 3 – Business Combinations, the assets and liabilities of a subsidiary are measured at their fair value as at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill which is treated as an intangible asset. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to the Statement of Comprehensive Income in the period of acquisition.

If the Group acquires a group of assets or equity in a company that does not constitute a business combination in accordance with IFRS 3 – Business Combinations, the cost of the acquired group of assets or equity is allocated to the individual identifiable assets acquired based on their relative fair value.

Revenue
Revenue represents the sales value, net of value added tax ("VAT") and equivalent taxes of the Group's share of liftings in the period together with tariff income.

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Income received under take-or-pay sales contracts in respect of undelivered volumes is accounted for as deferred income. Revenue is recognised when goods are delivered and title has passed.

Interest Revenue
Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Derivative Financial Instruments and Hedge Accounting
The Group uses derivative financial instruments to manage its exposure to movements in oil and gas prices, interest rates and foreign exchange. The Group does not use derivatives for speculative purposes.

Derivative Financial Instruments are stated at Fair Value
The purpose for which a derivative is used is established at inception. To qualify for hedge accounting, the derivative must be highly effective in achieving its objective and this effectiveness must be documented at inception and throughout the period of the instrument (designation).

Gains or losses on derivatives that do not qualify for hedge accounting treatment (either from inception or during the life of the instrument) are taken directly to the Statement of Comprehensive Income in the period. These include economic hedges that might qualify as accounting hedges, but were not designated as such at inception.

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 estimated fair value of these derivatives is included in other creditors or other debtors in the Balance Sheet and the related changes in the fair value are included in other financial gains and losses in the Statement of Comprehensive Income. Upon settlement, the cumulative amount of previously recognised gains or losses is reversed out of other financial gains and losses and, together with any final realised gains or losses, recorded within revenue.

The Group designates certain hedging instruments, which include derivatives, as cash flow hedges of future forecast sales revenues.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item.

Note 26 sets out details of the fair values of the derivative instruments used for hedging purposes.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Cost of Sales
Underlift and Overlift
Lifting or offtake arrangements for oil and gas produced in certain of the Group's jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production is 'underlift' or 'overlift'. Underlift and overlift are valued at market value and included within debtors and creditors respectively. Movements during an accounting period are adjusted through Cost of Sales such that Gross Profit is recognised on an entitlements basis.

Share-Based Payment
The Company has applied the requirements of IFRS 2 – Share Based Payment.

The Group makes equity settled Share-Based Payment to certain employees. Equity settled share based schemes are measured at fair value of the equity instrument at the date of grant. The fair value excludes the effect of non-market based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 29.

The fair value determined at the grant of the equity settled Share Based Payment is expensed on a straight line basis over the vesting period, based on an estimate of shares that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of the non-market based vesting conditions. The expenses so recognised are simultaneously added back as an adjustment through equity.

Operating Leases
Rentals under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Operating Profit
Operating profit is stated before investment income and finance costs.

Foreign Currencies
The individual Financial Statements of each Group Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated Financial Statements, the results and financial position of each Group Company are expressed in US Dollars, which is the functional currency of the Company, and the presentation currency for the consolidated Financial Statements.

On consolidation, Financial Statements of foreign currency denominated subsidiaries are translated into US Dollars whereby the results of the overseas operations are translated at the average rate of exchange for the period and their Balance Sheets at rates of exchange current at the balance sheet date.

Transactions in foreign currencies in individual subsidiaries are recorded at the rates of exchange current at the transaction dates. Monetary assets and liabilities are translated into US Dollars at the exchange rates current at the balance sheet date, with a corresponding charge or credit to the Statement of Comprehensive Income.

Finance Costs and Borrowings
Finance costs of borrowings are allocated to periods over the term of the related debt at a constant rate on the carrying amount. Debt is shown on the Balance Sheet net of arrangement fees and issue costs, and amortised through to the Statement of Comprehensive Income as finance costs over the term of the debt.

Financial statements

Statement of accounting policies and general information
continued

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

Taxation
Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred corporation tax is recognised on all temporary differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more, or right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted.

Deferred tax is provided on temporary differences arising on acquisitions that are categorised as business combinations. Deferred tax is recognised at acquisition as part of the assessment of the fair value of assets and liabilities acquired. Any deferred tax is charged or credited in the Statement of Comprehensive Income as the underlying temporary difference is reversed.

Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Exploration and Evaluation Assets
The Group adopts the "successful efforts" method of accounting for exploration and evaluation costs. All licence acquisition, exploration and evaluation costs are initially capitalised as intangible fixed assets in cost centres by well, field or exploration area, as appropriate. Directly attributable administration costs and borrowing costs are capitalised insofar as they relate to specific exploration and development activities. Pre-licence costs are expensed in the period they are incurred.

If prospects are deemed to be impaired ("unsuccessful") on completion of an evaluation, the associated capitalised costs are charged to the Statement of Comprehensive Income. If the field is determined to be commercially viable, the attributable costs are transferred to Property, Plant and Equipment in a single field cost centre.

Property, Plant and Equipment
Property, plant and equipment is stated in the Balance Sheet at cost less accumulated amortisation and depreciation.

Oil and Gas Properties
Oil and gas properties expenditures carried within each field are amortised from the commencement of production, on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, on a field-by-field basis. Costs used in the unit of production calculation comprise the net book amount of capitalised costs plus the estimated future field development costs. The production and reserve estimates used in the calculation are on an entitlements basis. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Where there has been a change in economic conditions (including commodity assumptions and cost of capital) that indicate a possible impairment of a field previously determined to be commercially viable, the recoverability of the net book amount relating to that field is assessed by comparison with its recoverable amount, which is typically the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs. Any impairment identified is charged to the Statement of Comprehensive Income as additional depreciation, depletion and amortisation. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the Statement of Comprehensive Income, net of any depreciation that would have been charged since the impairment.

Provision for decommissioning is recognised in full when the related facilities are installed, where the Group has a legal or constructive obligation to decommission. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively

by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is included as Finance Costs.

Other Fixed Assets
Property, plant and equipment other than oil and gas properties, is depreciated at rates calculated to write-off the cost less estimated residual value of each asset on a straight-line basis over its expected useful economic life of between three and five years.

Assets as held for sale
Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Investments
Investments in subsidiaries and joint venture entities held by the Company as non-current assets are stated at cost less any provision for impairment.

Share Issue Expenses and Share Premium Account
Costs of share issues are written off against the premium arising on the issue of share capital.

Inventories
Inventories of oil are stated at their net realisable values. Inventories of materials are stated at the lower of cost or net realisable value.

Financial Instruments
Financial assets and financial liabilities are recognised in the group's Balance Sheet when the group becomes a party to the contractual provisions of the instrument.

Financial Assets
All financial assets are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit and loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit and loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and Receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective Interest Method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Statement of accounting policies and general information
continued

Financial Assets at Fair Value through Profit and Loss ("FVTPL")
Financial assets are classified as financial assets at fair value through profit or loss where the Group acquires the financial asset principally for the purpose of selling in the near term, is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short term profit taking as well as all derivatives that are not designated and effective as hedging instruments. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other financial gains and losses' line item in the Consolidated Statement of Comprehensive Income. Fair value is determined in the manner described in note 26.

Impairment of Financial Assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. All impairment losses are taken to the Statement of Comprehensive Income.

Trade receivables are assessed for impairment based on the number of days outstanding on individual invoices. Any trade receivable that is deemed uncollectible is immediately written off to the Statement of Comprehensive Income, any subsequent recoveries are also taken directly to the Statement of Comprehensive Income upon receipt of cash collected.

Cash and Cash Equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Derecognition of Financial Assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial Liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial Liabilities at Fair Value through Profit and Loss ("FVTPL")
Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other financial gains and losses' line item in the Consolidated Statement of Comprehensive Income. Fair value is determined in the manner described in note 26.

Other Financial Liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of Financial Liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Critical Judgements and Accounting Estimates

In the process of applying the Group's accounting policies described above, management has made judgements and estimates that may have a significant effect on the amounts recognised in the Financial Statements.

Commercial Reserves
Management is required to assess the level of the Group's commercial reserves together with the future expenditures to access those reserves, which are utilised in determining the amortisation and depreciation charge for the period and assessing whether any impairment charge is required. The Group employs independent reserves specialists who periodically report on the Group's level of commercial reserves by evaluating the estimates of the Group's in house reserves specialists and where necessary referencing geological, geophysical and engineering data together with reports, presentation and financial information pertaining to the contractual and fiscal terms applicable to the Group's assets. In addition the Group undertakes its own assessment of commercial reserves and related future capital expenditure by reference to the same datasets using its own internal expertise. The estimates adopted by the Group may differ from the independent reserves specialists' estimates where management considers that adjustments are appropriate in the circumstances. For the year ended 31 December 2013, the Group has adopted reserves consistent with the level of reserves assessed by its independent reserves specialist.

Carrying Value of Intangible Fixed Assets
Management is required to assess intangible exploration and evaluation ("E&E") assets for impairment with reference to the indicators provided in IFRS 6 – Exploration for Evaluation of Mineral Resources. The outcome of continuing exploration, and therefore whether the carrying value of E&E assets will ultimately be recovered, is inherently uncertain as it depends on a number of factors, including whether commercial reserves exist and estimates of future commodity prices, capital / operating expenditure and discount rate. Note 11 to the consolidated Financial Statements discloses the carrying value of such assets.

Carry Value of Property Plant and Equipment
Management is required to review and potentially test property plant and equipment for impairment usually by estimating a pre-tax value in use for each asset held and comparing that value to the net book amount of the asset being carried in the Balance Sheet. Such a review is done on at least an annual basis. This requires estimates to be made of in particular, future commodity prices, production volumes, capital/operating expenditure and an appropriate pre-tax discount rate. Details of the Group's property plant and equipment are provided in note 12 to the consolidated Financial Statements.

Provision for Decommissioning
In recording a provision for decommissioning, management is required to make estimates as to the legal requirements, related costs, timing of work and the discount rate.

Taxation
The Group is subject to income tax principally in Thailand and Indonesia. In deciding whether provisions or disclosure are required for uncertain tax positions, management is required to make judgements as to the status of ongoing discussions with the relevant tax authorities and other counterparties and uses both its in-house tax expertise and advice from independent tax advisors. In such circumstances the Group recognises liabilities for anticipated taxes based on the best information available and where the anticipated liability is both probable and estimable. Where the potential liability is not probable, it is disclosed as a contingent liability unless the risk of an outflow of economic benefit is remote. There were no additional tax exposures that required disclosure as a contingent liability in the current year.

The Group is subject to a special remuneratory benefit tax in Thailand, the rate for which depends on the annual revenue per cumulative metre drilled. Accordingly the tax rate to be applied in calculating the Group's deferred special remuneratory benefit tax depends on management's forecast of future revenues and drilling activities.

Financial statements

Consolidated statement of comprehensive income

For the year ended 31 December 2013

	Notes	2013 $'000s	2012 $'000s
Continuing operations			
Revenue	2	**482,220**	367,987
Cost of sales:			
Operating costs		**(86,272)**	(74,784)
Royalty payable		**(44,394)**	(30,572)
Amortisation of oil and gas properties		**(113,029)**	(96,723)
Impairment of producing oil and gas properties	12	**–**	(6,682)
Movement in inventories of oil	17	**13,007**	(36,403)
Total cost of sales		**(230,688)**	(245,164)
Gross profit		**251,532**	122,823
Exploration expenses:			
Pre-licence exploration expenses		**(7,041)**	(6,744)
Exploration costs written off	11	**(162,253)**	(44,384)
Total exploration expenses		**(169,294)**	(51,128)
Loss on disposal of assets	5	**(871)**	–
Impairment of non-producing assets held for sale	16	**–**	(16,554)
Administration expenses		**(7,290)**	(10,820)
Operating profit		**74,077**	44,321
Interest revenue	6	**111**	193
Finance costs	7	**(22,804)**	(27,352)
Other financial losses	8	**(4,093)**	(6,328)
Profit before tax		**47,291**	10,834
Taxation:			
Current tax	9	**(146,756)**	(78,910)
Deferred tax	9	**(20,310)**	5,786
Total taxation		**(167,066)**	(73,124)
Loss after taxation		**(119,775)**	(62,290)
Loss on cash flow hedges[1]		**(4,346)**	–
Total comprehensive loss for the year		**(124,121)**	(62,290)

	Notes	$'s	$'s
Loss per ordinary share			
Basic and diluted	10	**(0.46)**	(0.32)

[1] This loss may be subsequently recycled to the income statement.

Consolidated balance sheet

31 December 2013

	Notes	2013 $'000s	2012 $'000s
Assets			
Non-current assets			
Intangible exploration and evaluation assets	11	**311,419**	298,256
Property, plant and equipment	12	**662,777**	599,184
Other receivables:			
Restricted bank deposits	13	**18,000**	–
Other	13	**30,493**	47,206
Deferred tax asset	9	**1,718**	559
Total non-current assets		**1,024,407**	945,205
Current assets			
Inventories	17	**43,556**	37,508
Trade and other receivables	18	**51,688**	64,115
Restricted bank deposits	13	**2,279**	1,467
Cash and cash equivalents	19	**244,769**	207,342
Assets classified as held for sale	16	**–**	18,000
Total current assets		**342,292**	328,432
Total assets		**1,366,699**	1,273,637
Liabilities			
Non-current liabilities			
Bank borrowings	20	**259,593**	280,823
Convertible bonds	21	**96,495**	93,691
Bonds payable	22	**145,970**	–
Provisions	24	**48,440**	25,267
Deferred tax liability	9	**171,434**	149,965
Total non-current liabilities		**721,932**	549,746
Current liabilities			
Liabilities associated with assets held for sale	16	**–**	1,884
Trade and other payables	25	**89,796**	119,461
Bank borrowings due within one year	20	**7,834**	12,709
Current tax liability		**144,724**	65,529
Provisions	24	**–**	4,000
Total current liabilities		**242,354**	203,583
Total liabilities		**964,286**	753,329
Net assets		**402,413**	520,308
Equity			
Share capital	28	**46,842**	46,632
Share premium		**563,703**	563,703
Other reserves		**273,389**	271,719
Retained loss		**(481,521)**	(361,746)
Total equity, all attributable to owners of the Company		**402,413**	520,308

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

Jonathan Copus
Chief Financial Officer
12 March 2014
Company Number 5934263

Financial statements

Consolidated statement of changes in equity

For the year ended 31 December 2013

	Share capital $'000s	Share premium $'000s	Other reserves $'000s	Retained loss $'000s	Total $'000s
At 1 January 2012	30,160	381,565	266,704	(299,456)	378,973
Ordinary shares issued	16,472	182,138	–	–	198,610
Share-based payments	–	–	5,015	–	5,015
Comprehensive loss for the year	–	–	–	(62,290)	(62,290)
At 31 December 2012	46,632	563,703	271,719	(361,746)	520,308
Ordinary shares issued	210	–	–	–	210
Share-based payments	–	–	6,016	–	6,016
Comprehensive loss for the year	–	–	(4,346)	(119,775)	(124,121)
At 31 December 2013	46,842	563,703	273,389	(481,521)	402,413

Other reserves

Other reserves comprise:

	2013 $'000s	2012 $'000s
Share-based payment reserve	**24,733**	18,717
Convertible bond (see note 21)	**11,271**	11,271
Hedge reserve	**(4,346)**	–
Merger reserve	**241,731**	241,731
Total other reserves	**273,389**	271,719

Consolidated cash flow statement

For the year ended 31 December 2013

	2013 $'000s	2012 $'000s
Cash flow from operating activities		
Profit before tax	**47,291**	10,834
Adjustments for:		
Amortisation, depreciation and impairment of property plant and equipment	**113,806**	96,907
Impairment of producing oil and gas properties	–	6,682
Exploration write offs	**162,253**	44,384
Loss on disposal of assets	**871**	–
Impairment of non-producing assets held for sale	–	16,554
Interest revenue	**(111)**	(193)
Finance costs	**22,804**	27,352
Other financial losses	**4,093**	6,328
Share based payment	**4,463**	4,113
Operating cash flow prior to movement in working capital	**355,470**	212,961
(Increase)/decrease in oil inventories	**(13,007)**	36,403
Decrease/(increase) in trade and other receivables	**7,304**	(10,425)
Decrease in trade and other payables	**18,027**	16,679
Cash generated from operations	**367,794**	255,618
Payment of tax	**(67,538)**	(97,188)
Net cash from operating activities	**300,256**	158,430
Investing activities		
Expenditure on intangible assets	**(177,654)**	(113,125)
Expenditure on property, plant and equipment	**(179,414)**	(173,982)
Proceeds from disposal of assets	**27,000**	–
Movement in restricted bank deposits	**(18,650)**	1,235
Interest received	**111**	193
Net cash used in investing activities	**(348,607)**	(285,679)
Financing activities		
Interest paid	**(19,283)**	(14,700)
Other financial receipts and payments	**715**	573
Cash flows in respect of long term borrowings:		
Repayment of borrowings facilities	**(50,000)**	(195,805)
Drawdown of borrowings facilities	**20,557**	288,466
Cash flow in respect of shares issued:		
Gross proceeds	**209**	210,455
Fees	–	(11,845)
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	**97,246**	277,144
Net increase in cash and cash equivalents	**48,895**	149,895
Cash and cash equivalents at the beginning of the year	**207,342**	60,376
Effect of foreign exchange rate changes	**(11,468)**	(2,929)
Cash and cash equivalents at the end of the year	**244,769**	207,342

Financial statements

Notes to the financial statements

1. Segmental Analysis

The Group's reportable and geographical segments are Thailand, Indonesia and Other. Other includes Malaysia and corporate centres in the UK and Singapore. Information regarding the Group's operating segments is reported below.

Segment Revenues and Results
The following is an analysis of the Group's revenue, results and assets by reportable segment (as reviewed by management):

	2013			
	Thailand $'000s	Indonesia $'000s	Other $'000s	Total $'000s
Revenue (external)	**479,602**	**8,063**	**(5,445)**	**482,220**
Operating profit/(Loss)	**209,161**	**(110,415)**	**(24,669)**	**74,077**
Interest revenue	–	–	**111**	**111**
Finance cost	–	–	**(22,804)**	**(22,804)**
Other financial losses	–	–	**(4,093)**	**(4,093)**
Profit/(loss) before tax	**209,161**	**(110,415)**	**(51,455)**	**47,291**
Tax	–	–	**(167,066)**	**(167,066)**
Loss for the year	**209,161**	**(110,415)**	**(218,521)**	**(119,775)**
Non-current assets	**619,919**	**384,212**	**20,276**	**1,024,407**
Total assets	**709,515**	**425,641**	**231,543**	**1,366,699**
Additions to non-current assets	**222,292**	**156,851**	**1,543**	**380,687**
Depreciation and amortisation	**102,448**	**11,358**	–	**113,806**
Exploration costs written off	**54,127**	**108,126**	–	**162,253**

	2012			
	Thailand $'000s	Indonesia $'000s	Other $'000s	Total $'000s
Revenue (external)	342,581	30,808	(5,402)	367,987
Operating profit/(Loss)	113,072	(46,993)	(21,758)	44,321
Interest revenue	–	–	193	193
Finance cost	–	–	(27,352)	(27,352)
Other financial losses	–	–	(6,328)	(6,328)
Profit before tax	113,072	(46,993)	(55,245)	10,834
Tax			(73,124)	(73,124)
Loss for the year	113,072	(46,993)	(128,369)	(62,290)
Non-current assets	570,704	369,763	4,738	945,205
Total assets	655,711	436,590	181,336	1,273,637
Additions to non-current assets	183,151	140,619	3,697	327,467
Depreciation and amortisation	55,480	41,243	–	96,723
Impairment of producing oil and gas properties	–	6,682	–	6,682
Exploration costs written off	41,516	1,344	1,524	44,384
Impairment of non-producing assets held for sale	–	16,554	–	16,554

The accounting policies used for the reportable segments are the same as the Group's accounting policies.

For the purposes of monitoring segment performance and allocating resources between segments, the Group's Chief Executive Officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of the segments financial assets (except for trade and other receivables) (see note 18) and tax assets.

Substantially all of the tax charge in both 2012 and 2013 arises in Thailand.

Information about Major Customers
Included in revenue are the following which arise from sale to individual customers amounting to 10% or more of the Group total:

	2013 $'000s	2012 $'000s
Thailand:		
PTT International Trading Pte. Ltd.	**226,149**	250,588
PTT Public Company Limited	**227,429**	61,477

The Group had no such customers in segments Indonesia or Other.

2. Revenue

Revenue, excluding interest revenue (see note 6), comprises:

	2013 $'000s	2012 $'000s
Sales of oil	**459,627**	328,427
Sales of gas	**28,038**	44,962
Oil and gas derivatives:		
Realised settlement losses	**(5,445)**	(5,402)
Total revenue (excluding interest revenue)	**482,220**	367,987

Total revenue in accordance with IAS 18 includes interest revenue and amounted to $482,331,000 (2012: $368,180,000).

3. Employee Numbers and Costs

The monthly average number of employees (including Executive Directors and consultants) employed and charged to operations was as follows:

	2013 Number	2012 Number
Professional	**106**	98
Administration	**78**	107
Total employee numbers	**184**	205

Their aggregate remuneration was as follows:

	2013 $'000s	2012 $'000s
Wages and salaries	**24,984**	30,199
Share based payment (see note 28)	**6,016**	5,015
Pension	**1,321**	1,349
Social security	**789**	1,211
Total employee costs	**33,110**	37,774

A proportion of total employee costs were directly attributable to capital and other projects and were capitalised or expensed consistent with the project expenditures as follows:

	2013 $'000s	2012 $'000s
Non-current assets	**26,221**	25,403
Operating costs	**4,840**	4,168
Administrative expenses	**2,049**	8,203
Total employee costs	**33,110**	37,774

Notes to the financial statements
continued

4. Operating Lease Arrangements

	2013 $'000s	2012 $'000s
FPSO lease	**21,113**	20,554
Office leases	**1,914**	3,056
Minimum lease payments under operating leases recognised in Statement of Comprehensive Income for the year	**23,027**	23,610

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2013			2012	
	FSO $'000s	FPSO $'000s	Offices $'000s	FPSO $'000s	Offices $'000s
Within one year	**8,212**	**14,164**	**2,431**	21,113	3,240
Within two to five years	**56,510**	**–**	**2,443**	14,164	3,435
Greater than five years	**81,756**	**–**	**112**	–	12
Total outstanding operating lease commitments	**146,478**	**14,164**	**4,986**	35,277	6,687

Office leases are negotiated for an average term of two years with rentals fixed for an average of two years. The FSO lease, which will replace the FPSO, is negotiated for a term of 10 years and will commence in August 2014.

5. Operating Profit

Operating profit is stated after charging:

	2013 $'000s	2012 $'000s
Amortisation of oil and gas properties	**113,029**	96,723
Impairment of producing oil and gas properties	**–**	6,682
Pre-licence exploration expenses	**7,041**	6,744
Exploration costs written off	**162,253**	44,384
Loss on disposal of assets[1]	**871**	–
Impairment of non-producing assets held for sale	**–**	16,554
Employee costs expensed (see note 3)	**6,889**	12,371
Auditor's remuneration (see below)		
Audit services	**753**	681
Non-audit services	**195**	106
Operating lease arrangements (see note 4)		
FPSO lease	**21,113**	20,554
Office leases	**1,914**	3,056

[1] Loss as a result of disposal of 30% of participating interest in the Bangkanai PSC to PT Saka Energi ("Saka"). In exchange for this interest, Saka has made a cash payment of $27 million, will carry $30 million of Salamander's forward development costs and will pay a promote on the forthcoming exploration drilling in the block.

Auditor's Remuneration
The following is an analysis of gross fees paid to the Company's Auditor, Deloitte LLP:

	2013 $'000s	2012 $'000s
Audit services		
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	**565**	493
The audit of the Company's subsidiaries pursuant to legislation	**188**	188
Total audit fees	**753**	681
Non-audit services		
Audit related assurance services	**80**	75
Corporate finance services (reporting accountant services)	**–**	796
Tax compliance services	**39**	15
Tax advisory services	**76**	–
Other assurance services	**–**	16
Total non-audit services	**195**	902
Total	**948**	1,583

Audit related assurance services represents the fees for the Group's half year review.

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated Financial Statements are required to disclose such fees on a consolidated basis.

6. Interest Revenue

	2013 $'000s	2012 $'000s
Bank interest revenue	**111**	193
Total interest revenue	**111**	193

7. Finance Costs

	2013 $'000s	2012 $'000s
Long term borrowings:		
Amortisation of capitalised arrangement fees		
Fees attributable to repaid borrowings	**1,607**	12,721
Fees attributable to outstanding borrowings	**2,219**	–
Interest expense	**18,966**	15,169
Unwinding of discount:		
Convertible bonds	**2,317**	2,317
Provision for decommissioning	**648**	474
Less interest capitalised	**(2,953)**	(3,329)
Total finance costs	**22,804**	27,352

Interest capitalised during the year arose on the general borrowings pool and is calculated by applying a capitalisation rate of 4.2% (2012: 4.3%) to expenditure on such assets.

The amortisation of capitalised arrangement fees attributable to repaid borrowings of $1,607,000 for 2013 is the write off of unamortised fees in respect of the $50 million bridge facility which was fully repaid in December 2013.

Notes to the financial statements
continued

8. Other Financial Gains and (Losses)

	2013 $'000s	2012 $'000s
Gain/(loss) relating to oil derivatives	**7,130**	(3,982)
Profit relating to interest rate swap derivatives	**–**	395
(Loss)/profit on investments	**(162)**	188
Currency exchange loss	**(11,061)**	(2,929)
Total other financial losses	**(4,093)**	(6,328)

No other gains and losses have been recognised in respect of loans and receivables, other than those recognised in note 6. No other gains or losses have been recognised on financial liabilities measured at amortised cost other than as disclosed in note 7.

9. Taxation

Taxation charge comprises:

	2013 $'000s	2012 $'000s
Current taxation		
Special remuneratory benefit	**91,128**	26,096
Income tax	**55,628**	52,814
Total current tax	**146,756**	78,910
Deferred taxation		
Special remuneratory benefit	**(1,883)**	31,600
Income tax	**22,193**	(37,386)
Total deferred tax	**20,310**	(5,786)
Total tax charge	**167,066**	73,124

Special remuneratory benefit 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 2013 was 52% (2012: 47%). 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 special remuneratory benefit charge to profit before taxation
The taxation charge for special remuneratory benefit for the year can be reconciled to the profit before tax per the Statement of Comprehensive Income as follows:

	2013 $'000s	2012 $'000s
Profit before taxation	**47,291**	10,834
Less (profits) and losses before taxation for activities outside of Thailand	**161,870**	102,238
Profit before taxation for activities in Thailand	**209,161**	113,072
Applicable rate of special remuneratory benefit	**52%**	47%
Tax at the applicable rate of special remuneratory benefit	**108,764**	53,144
Thai (profits) and losses not subject to special remuneratory benefit	**13,368**	(6,486)
Special reduction	**(6,141)**	(6,575)
Change in special remuneratory benefit average deferred tax rate[1]	**(29,386)**	20,463
Other	**4,523**	(2,850)
Total special remuneratory benefit charge	**91,128**	57,696
Income tax impact (after deduction at the applicable rate of income tax)	**45,564**	28,848

[1] Special remuneratory benefit average deferred tax rate for 2013 was 18.6 % (2012: 20.0%). This differs from the actual rate for 2013 of 52% as it takes into consideration the rate expected to apply when the related temporary differences reverse.

The applicable rate for special remuneratory benefit is the rate applied for the year.

There were no unrelieved losses in respect of special remuneratory benefit for year ended 31 December 2013 (2012: nil).

Special remuneratory benefit is fully deductible for corporate tax purposes in Thailand and accordingly the figure of $45,564,000 (2012: $28,848,000) in the income tax effective rate reconciliation below represents the incremental impact of special remuneratory benefit, 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:

	2013 $'000s	2012 $'000s
Profit before taxation	**47,291**	10,834
Applicable rate	**50%**	50%
Tax at the applicable rate of tax	**23,646**	5,418
Tax effect of:		
UK losses not recognised	**12,660**	21,365
Utilisation of brought forward exploration expenses / losses on which a deferred tax asset has not been recognised	**(6,971)**	(18,000)
Special remuneratory benefit	**45,564**	28,848
Items which are not deductible for tax:		
Exploration expenses	**51,608**	9,211
Disposal of assets	**3,593**	–
Other	**37,531**	26,558
Different foreign tax rates	**(565)**	(276
Total tax charge	**167,066**	73,124

The Group's operations are conducted primarily outside the United Kingdom. Accordingly the applicable tax rate used above is the average statutory rate of tax (excluding special remuneratory benefit), weighted in proportion to accounting profits, applicable across the Group.

Deferred tax
Net deferred tax liabilities were:

	Accelerated Tax Amortisation	
	2013 $'000s	2012 $'000s
At 1 January	**149,406**	155,192
Debited/(credited) to Statement of Comprehensive Income:		
Income tax	**22,193**	(37,386)
Special remuneratory benefit	**(1,883)**	31,600
At 31 December	**169,716**	149,406

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continued

9. Taxation continued

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

	Special remuneratory benefit		Income tax		Total	
	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
Deferred tax assets	–	–	**(1,718)**	(559)	**(1,718)**	(559)
Deferred tax liabilities	**72,354**	76,120	**99,080**	73,845	**171,434**	149,965
Net deferred tax liabilities	**72,354**	76,120	**97,362**	73,286	**169,716**	149,406

At 31 December 2013, the Group had unused tax attributes (including tax losses, exploration expenses and pre-trading expenditure) of $673,200,000 (2012: $542,100,000) available for offset against future profits. The Group has not recognised a potential deferred tax asset relating to these attributes, as there is insufficient evidence of future taxable profits in the relevant jurisdictions.

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

The net deferred tax liability of $169,716,000 (2012: $149,406,000) materially arose as a result of accelerated tax depreciation.

10. Loss per Ordinary Share

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

	Units	2013	2012
Loss for the purpose of basic and diluted earnings per share being the net loss attributable to equity holders of the parent	$'000s	**(119,775)**	(62,290)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share[1]	000s	**257,805**	193,517
Loss per ordinary share			
Basic and diluted	$'s	**(0.46)**	(0.32)

[1] As there is a loss for the year ended 31 December 2013 and 2012, there is no difference between the basic and diluted earnings per share. Potentially dilutive ordinary shares for the year ended 31 December 2013 were 8,280,594 (2012: 7,646,056) in respect of share options and 17,982,465 (2012: 17,982,465) in respect of convertible bonds.

11. Intangible Exploration and Evaluation Assets

	2013 $'000s	2012 $'000s
Exploration and evaluation		
At 1 January	**298,256**	226,825
Additions	**188,339**	128,543
Transfers to property, plant and equipment	**(8,306)**	–
Disposals for the period	**(4,617)**	–
Transfers to assets held for sale (note 16)	–	(3,400)
Impairment of assets held for sale (note 16)	–	(9,328)
Costs written off	**(162,253)**	(44,384)
At 31 December	**311,419**	298,256

The amounts shown above for intangible exploration and evaluation assets represent the Group's current exploration projects. Included within the total amount are assets held in Indonesia of $251,596,000 (2012: $242,503,000) and Thailand of $71,046,000 (2012: $54,621,000).

12. Property, Plant and Equipment

	Oil and gas properties			Other fixed assets			
	Cost $'000s	Amortisation $'000s	Total $'000s	Cost $'000s	Depreciation $'000s	Total $'000s	Total net book value $'000s
1 January 2012	984,408	(463,120)	521,288	3,654	(2,172)	1,482	522,770
Additions for the period	200,360	–	200,360	1,469	–	1,469	201,829
Transfers to assets held for sale (note 16)	(14,600)	–	(14,600)	–	–	–	(14,600)
Impairment of assets held as property, plant and equipment	(6,682)	–	(6,682)	–	–	–	(6,682)
Impairment of assets held for sale (note 16)	(7,226)	–	(7,226)	–	–	–	(7,226)
Amortisation and depreciation	–	(96,723)	(96,723)	–	(184)	(184)	(96,907)
31 December 2012	1,156,260	(559,843)	596,417	5,123	(2,356)	2,767	599,184
Additions for the period	191,892	–	191,892	456	–	456	192,348
Transfers from intangible exploration and evaluation assets	8,306	–	8,306	–	–	–	8,306
Disposal for the period	(23,255)	–	(23,255)	–	–	–	(23,255)
Amortisation and depreciation	–	(113,029)	(113,029)	–	(777)	(777)	(113,806)
31 December 2013	1,333,203	(672,872)	660,331	5,579	(3,133)	2,446	662,777

Additions to oil and gas properties includes capitalised interest of $2,953,000 (2012: $3,329,000) charged at an average rate of 4.2% (2012: 4.3%).

Included in the net book amount at 31 December 2013 in oil and gas properties are assets amounting to $637,877,900 (2012: $588,389,000) pledged against the Group's lending facilities.

The 2012 impairment of $6.7 million relates to the Kambuna field in Indonesia and was calculated on a value in use basis, using management's best estimate of future commodity prices, the latest estimate of commercial reserves and a pre-tax discount rate of 12.5%.

13. Other Receivables

Restricted long term bank deposits of $18,000,000 (2012: $nil) and short term bank deposits of $2,279,000 (2012: $1,467,000) represent deposits held as security against bank guarantees issued by the bank on behalf of the Group in support of certain of its operations. The $18,000,000 deposit represents the Group's minimum exploration commitment in respect of its Malaysian exploration interest and is released back to the Group as the related expenditure is incurred.

The Other balance of $30,493,000 (2012: $47,206,000) represents VAT arising in respect of the Group's Thailand and Indonesian operations. In respect of Indonesia exploration and evaluation activities, VAT can be recovered once the related assets begin production.

14. Commitments and Guarantees

Bank Guarantees

At 31 December 2013, there were outstanding bank guarantees issued by banks on behalf of the Group, amounting to $20,279,000 (2012: $3,411,000).

Capital Commitments

The Group's outstanding financial capital commitments represent the minimum agreed amounts the Group will expend completing its obligated work programmes of carrying out geophysical and geological studies, and to drill exploration and appraisal wells. At 31 December 2013, the Group's anticipates it will discharge its minimum financial capital commitments as follows:

	2014 $'000s	2015 $'000s	2016 $'000s
Future capital commitments	266,703	15,419	6,255

Under certain Indonesia licence agreements, BPMigas has the right to determine that a 10% undivided interest in the total rights and obligations under the PSC be offered to a Government-designated Indonesian company, the shareholders of which shall be Indonesian Nationals or a Local Government company (the "Indonesian Participant").

Notes to the financial statements
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15. Group Companies

The Subsidiaries and Jointly Controlled Entities of the Group, the activity of which relates to oil and gas exploration, development and production, at the balance sheet date were as follows:

Subsidiaries

Company	Country of Incorporation	Percentage Holding
Bontang Energy Limited[1]	England and Wales	100.00%
PHT Partners LP	United States of America	100.00%
Salamander Bualuang & Kambuna Holdings Limited	British Virgin Islands	100.00%
Salamander Energy (Bangkanai) Limited	British Virgin Islands	100.00%
Salamander Energy (Bengara) limited	England and Wales	100.00%
Salamander Energy (Bontang) Pte Ltd	Singapore	100.00%
Salamander Energy (Bualuang Holdings) Limited	England and Wales	100.00%
Salamander Energy (Bualuang) Limited	British Virgin Islands	100.00%
Salamander Energy (Canada) Limited	Canada	100.00%
Salamander Energy (Central Kalimantan) Limited	Belize	100.00%
Salamander Energy (E&P) Limited	England and Wales	100.00%
Salamander Energy (Glagah Kambuna Holdings) Limited	England and Wales	100.00%
Salamander Energy (Glagah Kambuna) Limited	British Virgin Islands	100.00%
Salamander Energy (Holdco) Limited	England and Wales	100.00%
Salamander Energy (Indonesia) Limited	England and Wales	100.00%
Salamander Energy (JS) Limited	England and Wales	100.00%
Salamander Energy (Kerendan) Limited	Mauritius	100.00%
Salamander Energy (Kutai) Limited	England and Wales	100.00%
Salamander Energy (Lao) Company Limited	Lao PDR	100.00%
Salamander Energy (Malaysia) Limited	British Virgin Islands	100.00%
Salamander Energy (North East Bangkanai) Limited	British Virgin Islands	100.00%
Salamander Energy (North Sumatra) Limited	British Virgin Islands	100.00%
Salamander Energy (Philippines) Limited	England and Wales	100.00%
Salamander Energy (S.E. Asia) Limited	England and Wales	100.00%
Salamander Energy (S.E. Sangatta) Limited	England and Wales	100.00%
Salamander Energy (Simenggaris) Limited	England and Wales	100.00%
Salamander Energy (South Sokang) Limited	England and Wales	100.00%
Salamander Energy (Thailand) Co., Ltd	Thailand	100.00%
Salamander Energy (Vietnam Group) Pte Ltd	Singapore	100.00%
Salamander Energy (Vietnam) Limited	England and Wales	100.00%
Salamander Energy (West Bangkanai) Limited	British Virgin Islands	100.00%
Salamander Energy Group Limited[1]	England and Wales	100.00%
Salamander Energy Singapore Pte Ltd	Singapore	100.00%

[1] Salamander Energy Group Limited and Bontang Energy Limited are the only direct subsidiaries of the Company.

Jointly Controlled Entities

Company	Country of Incorporation	Percentage Holding
APICO LLC	United States of America	27.18%
APICO (Khorat) Holdings LLC	United States of America	27.18%
APICO (Khorat) Limited	Thailand	27.18%

The following amounts are included in the Financial Statements relating to proportionately consolidated Jointly Controlled Entities of the Group:

	2013 $'000s	2012 $'000s
Total revenue	**26,024**	30,515
Total expenses	**14,502**	25,371
Non-current assets	**34,755**	26,740
Current assets	**44,314**	9,559
Non-current liabilities	**1,724**	458
Current liabilities	**9,244**	12,253

16. Assets Held for Sale

The major classes of assets classified as held for sale are as follows:

	2013 $'000s	2012 $'000s
Intangible exploration and evaluation assets	**–**	3,400
Property, plant and equipment	**–**	14,600
Liabilities associated with assets held for sale	**–**	(1,884)
Net assets held for sale	**–**	16,116

Intangible exploration and evaluation assets relate to the Group's asset, the Bengara-1 PSC (41%), Indonesia. Property, plant and equipment assets relate to the Group's asset, Simenggaris JOB (21%), Indonesia. They were classified as held for sale as the Group agreed in principle in December 2012 to exchange its interest in the assets for an additional 15% interest in the Bangkanai PSC.

An impairment charge of $16.6 million was recognised in 2012 reflecting the difference between the asset carrying value and the fair value of the 15% interest in Bangkanai PSC. The transaction was completed in December 2013.

17. Inventories

	2013 $'000s	2012 $'000s
Oil	**15,164**	2,157
Materials	**28,392**	35,351
Total Inventories	**43,556**	37,508

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18. Trade and Other Receivables

	2013 $'000s	2012 $'000s
Prepayments	**6,771**	8,292
Trade debtors	**25,204**	40,423
Other debtors	**19,713**	15,400
Total trade and other receivables	**51,688**	64,115

Trade debtors disclosed above are classified as loans and receivables and are therefore measured at amortised cost. The Other debtors balance above primarily relates to VAT and amounts owed by other joint venture partners.

The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty. The average age of trade debtors is 18.9 days (2012: 39.6 days). The average age of trade debtors for 2013 of 18.9 days is an arithmetic average calculated based on revenue for the year compared to trade debtors outstanding at 31 December 2013. At any given point in time, due to the revenue cycle of the Group, the arithmetic average calculated does not necessarily reflect the terms negotiated by the Group with its trade customers which are typically 30 days.

The Group does not have any receivables that are past their due date. No provision for doubtful debts has been raised (2012: nil) as it is believed that all trade debtor balances are recoverable. The Directors consider the carrying amount of trade and other receivables approximates to their fair value.

19. Cash and Cash Equivalents

	2013 $'000s	2012 $'000s
Amounts held directly by the Group	**244,220**	206,817
Amounts held in joint ventures	**549**	525
Total cash and cash equivalents	**244,769**	207,342

Of the amounts held directly by the Group, $4,275,000 (2012: $5,322,000) was held in a debt service account in accordance with the Group's reserves based lending facility, the key terms of which are described in note 20 to the consolidated Financial Statements.

Financial institutions, and their credit ratings, who held greater than 5% of the Group's cash and cash equivalents at the balance sheet date were as follows:

	S&P Credit Ratings	2013 $'000s	2012 $'000s
HSBC Bank Plc	AA-	**23,591**	26,822
BNPP	A+	**135,955**	153,310
ANZ	AA-	**31,000**	–
Credit Agricole	A	**33,501**	–

20. Bank Borrowings

	2013 $'000s	2012 $'000s
Principal repayable on maturity	**274,993**	303,368
Less deferred fees	**(7,566)**	(9,836)
Total unamortised borrowings	**267,427**	293,532
Less amounts due within one year	**(7,834)**	(12,709)
Total long term borrowings	**259,593**	280,823

In December 2012, the Group completed the refinancing of its existing borrowings, replacing its combined $325 million senior/junior reserves based lending facilities with an up to $350 million senior reserves based lending facility and a $50 million bridge facility. The new facilities have been arranged for tenures of seven years and two years respectively. In December 2013, the Group repaid in full the $50 million bridge facility.

The reserves based lending facility is secured against certain of the Group's Thailand and Indonesia development and producing assets. There has been no breach of terms on the borrowing facility. The key terms of the facility are:

- Initial facility amount of up to $350 million.
- Financial covenants relating to the ratio of the loan balance outstanding to the net present value of cash flows of the secured assets and relating to the ratio of the loan balance outstanding to the net present value of cash flows during the life of the loan of the secured assets.
- Financial covenants relating to the maximum amount of borrowings of the Group.
- The Group may draw an amount up to the lower of the facility amount or the borrowing base amount as determined by the forecast cash flows arising from the borrowing base assets, which at 31 December 2013 was $300 million.
- Interest accrues at a rate of between 3.70% and 4.20% plus LIBOR depending on the maturity of the assets. The borrowing base amount is re-determined on a bi-annual basis, with the Group further having the option to undertake two mid-period redeterminations in each year should it elect to do so.
- No early repayment penalties.
- Change of control provisions.

At 31 December 2013, the Group had not drawn fully against the amounts that were available under the reserves based lending facility (2012: fully drawn as the facility available).

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21. 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:

	2013 $'000s	2012 $'000s
Liability component at start of period	**94,941**	92,137
Coupon interest charged	**5,000**	5,000
Unwinding of discount	**2,317**	2,317
Interest paid	**(5,000)**	(5,000)
Amortisation of deferred fees	**487**	487
Liability component at end of period	**97,745**	94,941
Reported in:		
Non-current liabilities	**96,495**	93,691
Trade and other payables in current liabilities (interest payable)	**1,250**	1,250
Total liability component	**97,745**	94,941

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 that settlement date.

The total convertible bond interest expensed 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 31 December 2013 represents the effective interest rate less interest paid to that date.

The fair value of the convertible bond at the Balance Sheet date of 31 December 2013 is not materially different from the book value of $97,745,000 (2012: $94,941,000).

22. Bonds Payable

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

	$'000s
Proceeds of issue of bonds	**150,000**
Coupon interest charged	**922**
Less fees relating to bond issue	**(4,952)**
Total liability component at 31 December 2013	**145,970**

23. Net Debt

	2013 $'000s	2012 $'000s
Amounts Due on Maturity:		
Bank borrowings (see note 20)	**274,993**	303,368
Bonds payable (see note 22)	**150,000**	–
Convertible bonds (see note 21)	**100,000**	100,000
Total gross debt	**524,993**	403,368
Less restricted bank deposits (see note 13)	**(20,279)**	(1,467)
Less cash and cash equivalents (see note 19)	**(244,769)**	(207,342)
Total net debt	**259,945**	194,559

At the balance sheet date, the bank borrowings are calculated to be repayable as follows:

	2013 $'000s	2012 $'000s
On demand or due within one year	**7,834**	12,709
In the second year	**74,427**	101,448
In the third to fifth year inclusive	**149,319**	132,128
After five years	**43,413**	57,083
Total principal payable on maturity	**274,993**	303,368

Total gross debt at the balance sheet date includes a five year convertible bond completed May 2010 (see note 21), a seven year reserves based lending facility completed in December 2012 (see note 20), and a six years callable bond completed in December 2013 (see note 22).

24. Provisions

Provisions for decommissioning and restoration of oil and gas assets are:

	2013 $'000s	2012 $'000s
At 1 January	**29,267**	12,677
Additions	**22,503**	16,116
Wells restored	**(3,978)**	–
Unwinding of discount	**648**	474
At 31 December	**48,440**	29,267

The above amounts are included as:

	2013 $'000s	2012 $'000s
Non-current liabilities	**48,440**	25,267
Current liabilities	**–**	4,000
At 31 December	**48,440**	29,267

During the year, the Kambuna field in Indonesia was fully decommissioned. The provision outstanding at 31 December 2013 is expected to fall due from 2035 onwards.

Notes to the financial statements
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25. Trade and Other Payables

	2013 $'000s	2012 $'000s
Other creditors	**48,210**	43,373
Accrued expenses	**41,586**	76,088
Total trade and other payables	**89,796**	119,461

The average credit period taken for trade purchases is 26.7 days (2012: 35.8 days). The Directors consider the carrying value of trade and other payables (on which no interest is incurred) approximates to their fair value.

26. Financial Instruments

Capital Risk Management
The Group manages its capital to ensure that entities in the Group are able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings, convertible bonds and bonds payable disclosed in notes 20, 21 and 22, cash and cash equivalents as disclosed in note 19, and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in note 28 and the Consolidated Statement of Changes in Equity. This is further discussed in the Directors' Report.

Gearing Ratio
Management reviews the capital structure on a continuing basis. The gearing ratio is defined as net debt divided by net book equity plus net debt and at the year-end was as follows:

	2013 $'000s	2012 $'000s
Net debt (see note 23)	**259,945**	194,559
Equity plus net debt	**662,358**	714,867
Gearing ratio	**39%**	27%

Significant Accounting Policies
Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which the income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the statement of accounting policies.

Categories of Financial Instruments

	2013 $'000s	2012 $'000s
Financial assets:		
Restricted bank deposits	**20,279**	1,467
Cash and bank balances	**244,769**	207,342
Loans and receivables	**33,682**	44,487
Mark to market value of oil derivatives	**2,730**	–
Financial liabilities:		
Mark to market value of oil derivatives	**4,581**	4,634
Amortised cost	**598,150**	504,300

Financial assets and liabilities exclude tax receivables and payables as they do not constitute a contractual right or obligation to receive or pay cash or another financial asset.

There were no reclassifications of financial assets during the year (2012: nil).

Financial Risk Management
The Group's Board of Directors monitors and manages the financial risks relating to the operations of the Group through an internal risk register. These include commodity, foreign exchange, credit, liquidity and interest rate risks.

Commodity Price Risk
The Group's policy is to consider oil and gas price hedging when and where it is economically attractive to lock-in prices at levels that protect the cash flow of the Salamander Group, its business plan and debt related coverage ratios. All hedging transactions to date have been related directly to expected cash flows and no speculative transactions have been undertaken.

For 2013, the Group's oil production was all sold at prices relative to the spot market. 2013 production was hedged with swaps for 2,600 bopd with an average swap price of $103 per barrel. The hedges expired at the end of 2013.

During 2013, 26% of the Group's gas production (its Indonesian gas production) was sold at fixed prices under long term contracts with the balance (its Thai gas production) sold at prices based on a formula related to spot medium sulphur fuel oil prices. The Group held no hedges with respect to its gas production during 2013.

The key variable which affects the fair value of the Group's hedging instruments is market expectations about future commodity prices. The following illustrates the sensitivity on hedging mark to markets values to net income and equity to a 20% increase and a 20% decrease in this variable (a positive sign indicates a positive effect on net income and vice versa):

Increase/(decrease) to Mark to Market Value

	2013 Oil $'000s	2012 Oil $'000s
Twenty per cent increase	**(2,461)**	(16,908)
Twenty per cent decrease	**2,461**	12,849

Foreign Exchange Risk
The Group undertakes certain transactions denominated in foreign currencies, hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed through maintaining the majority of the Group's cash and cash equivalent balances in US Dollars, the Group's presentational currency and the functional currency of all its subsidiaries. The Group also holds, from time to time, cash balances in UK Pounds Sterling and other currencies to meet short-term commitments in those currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
US Dollar equivalent of:				
Canadian Dollar	**12**	229	**–**	–
UK Pounds Sterling	**4,514**	25,154	**726**	843
Singapore Dollar	**720**	646	**426**	253
Indonesian Rupiah	**10,765**	15,531	**26,771**	5,780
Thailand Baht	**20,265**	67,697	**107,388**	60,281

The UK Pound Sterling net asset balance at 31 December 2013 substantially represent cash and cash equivalents which are held by the Group to meet future UK Pound Sterling commitments.

Notes to the financial statements
continued

26. Financial Instruments continued

The following table details the Group's sensitivity to a 20% increase or decrease in the US Dollar against the relevant foreign currency. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 20% change in the foreign currency rate. A positive number below indicates an increase in profit after tax where the US Dollar strengthens by 20% against the relevant currency. For a 20% weakening of the US Dollar against the relevant currency, there would be an equal and opposite impact on the profit after tax and the balances below would be negative.

	2013 $'000s	2012 $'000s
Change in profit or loss:		
Canadian Dollar	**2**	46
UK Pounds Sterling	**758**	4,862
Singapore Dollar	**59**	79
Indonesian Rupiah	**3,201**	1,950
Thailand Baht	**17,425**	1,483

Credit Risk
Credit risk refers to the risk that a counter-party will default on its obligations resulting in a financial loss to the Group. The Group is exposed to the following credit and counter party risks.

In respect of cash and cash equivalents, the Group's principal financial asset, the credit risk is deemed limited because the majority of the cash and cash equivalents are deposited with banks with AA- or A+ credit ratings assigned by international credit-rating agencies, as set out in note 19.

In respect of the Group's trade sales, the Group manages credit risk through dealing with, whenever possible, either international energy companies or state owned companies based in Thailand and Indonesia and obtaining sufficient collateral where appropriate. The Group consistently monitors counterparty credit risk. The carrying value of financial assets recorded in the Financial Statements represents the Group's maximum exposure to credit risk at the year-end without taking account of any collateral obtained. In addition, the Group's operations are typically structured via contractual joint venture arrangements. As such the Group is reliant on joint venture partners to fund their capital or other funding obligations in relation to assets and operations which are not yet cash generative. The Group closely monitors the risks and maintains a close dialogue with those counterparties considered to be highest risk in this regard.

Liquidity Risk

The Group manages its liquidity risk by maintaining adequate cash and cash equivalents, and borrowing facilities to meet its forecast short, medium and long-term commitments. The Group continually monitors its actual and forecast cash flows to ensure that there are adequate reserves and banking facilities to meet the maturing profiles of its financial assets and liabilities.

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date the Group was required to pay at the balance sheet date. The table includes both interest and principal cash flows.

	2013						
	Weighted average effective interest rate %	**Less than 1 month $'000s**	**2–3 months $'000s**	**3 months to 1 year $'000s**	**1–5 years $'000s**	**5+ years $'000s**	**Total $'000s**
Non-interest bearing	**n/a**	**10,358**	**79,438**	**–**	**–**	**–**	**89,796**
Variable interest rate instruments	**5.70**	**–**	**3,919**	**20,809**	**290,360**	**–**	**315,088**
Fixed interest rate instruments:							
– Convertible bond	**5.00**	**–**	**2,500**	**2,500**	**102,500**	**–**	**107,500**
– Bond payable	**9.75**	**–**	**–**	**14,625**	**58,500**	**164,625**	**237,750**
Total		**10,358**	**85,857**	**37,934**	**451,360**	**164,625**	**750,134**

	2012						
	Weighted average effective interest rate %	Less than 1 month $'000s	2–3 months $'000s	3 months to 1 year $'000s	1–5 years $'000s	5+ years $'000s	Total $'000s
Non-interest bearing	n/a	49,935	69,526	–	–	–	119,461
Variable interest rate instruments	5.1	–	4,632	26,407	302,633	27,088	360,760
Fixed interest rate instruments – convertible bond	5.0	–	2,500	2,500	107,500	–	112,500
Total		49,935	76,658	28,907	410,133	27,088	592,721

Additionally, note 14 to the Financial Statements set-outs the Group's outstanding financial commitments at the balance sheet date.

The following table details the Group's remaining contractual maturities for its derivative financial instruments:

	2013			
	Less than 1 month $'000s	**1–3 months $'000s**	**3 months to 1 year $'000s**	**Total $'000s**
Oil swap – assets	**2,730**	**–**	**–**	**2,730**
Oil swap – liabilities	**(4,581)**	**–**	**–**	**(4,581)**
Total	**(1,851)**	**–**	**–**	**(1,851)**

	2012			
	Less than 1 month $'000s	1–3 months $'000s	3 months to 1 year $'000s	Total $'000s
Oil swap	4,634	–	–	4,634
Total	4,634	–	–	4,634

Notes to the financial statements
continued

26. Financial Instruments continued

Interest Rate Risk
The Group is exposed to interest rate movements through its lendings, bank borrowings and cash and cash equivalent deposits, which are at rates fixed to LIBOR.

The sensitivity analysis below have been determined based on the Group's exposure to an interest rate movement and is prepared assuming the amount of the net debt and interest rate swaps outstanding at the balance sheet date were outstanding for the whole year.

For net debt, if interest rates had been 1% higher or lower and all other variables were held constant, the Group's loss after tax for the year ended 31 December 2013 would have increased or decreased by $3.8 million (2011: $0.9 million) respectively. This is principally attributable to the Group maintaining a higher cash and cash equivalents position as described in note 19.

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 Financial Statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value.

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.

Fair Value of Financial Assets and Financial Liabilities
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 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities:
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2013			
	Level 1 $'000s	Level 2 $'000s	Level 3 $'000s	Total $'000s
Derivative financial instruments held to hedge the Group's exposure on expected future sales movements:				
Derivative financial assets	–	**2,730**	–	**2,730**
Derivative financial liabilities	–	**(4,581)**	–	**(4,581)**
Total	–	**(1,851)**	–	**(1,851)**

	2012			
	Level 1 $'000s	Level 2 $'000s	Level 3 $'000s	Total $'000s
Derivative financial liabilities held to hedge the Group's exposure on expected future sales movements:				
Derivative financial liabilities	–	(4,634)	–	(4,634)
Total	–	(4,634)	–	(4,634)

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 year (2012: nil).

27. Related Party Transactions

Transactions with Key Management Personnel

Details of the remuneration of key management personnel (defined as both those of executive and Non-executive Directors together with the members of the leadership team) are provided below:

	2013 $'000s	2012 $'000s
Short term employee benefits	**5,870**	9,974
Share based payment	**2,914**	3,415
Total key management employee costs	**8,784**	13,389

28. Share Capital

Share capital as at 31 December 2013 amounted to $46,842,000 (2011: $46,632,000).

Allotted and Fully Paid Equity Share Capital

	2013 Ordinary Shares 10p Number	2012 Ordinary Shares 10p Number
At 1 January	**256,954,637**	154,797,171
Rights issue	**–**	100,654,679
27 March to 17 December 2012 : Allotment of shares to employees	**–**	1,502,787
27 February to 23 December 2013 : Allotment of shares to employees	**1,362,962**	–
At 31 December	**258,317,599**	256,954,637

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

In 2012, the Company raised $198,610,000 (net of expenses of $11,844,000) through a rights issue of 100,654,679 new ordinary shares at 130 pence each on the basis of thirteen new ordinary shares for every twenty existing ordinary shares. The issue price represented a discount of 49% to the closing price of 256.1 pence per existing ordinary share on 26 April 2012, the announcement date of the rights issue.

Notes to the financial statements
continued

29. Share Option Schemes and Share Based Payment

Performance Share Plan

The Company has an equity-settled share option scheme for employees called the Salamander Energy Performance Share Plan (PSP). Further details of the PSP are set out in the Remuneration Report. Awards under the PSP may be satisfied by the issue of new shares, or the transfer of shares from the Company's treasury or shares purchased in the market. In any ten year period, the Company may not issue (or have the possibility to issue) more than 10% of the issued capital of the Company pursuant to awards granted under the PSP and any other rights granted under any other employee share plan adopted by the Company. Shares held in treasury will count as new issue shares for the purposes of the above limits unless institutional bodies decide that they need not count. Shares purchased in the market will not, however, count towards the limit described above.

Movement in PSP Shares during the year was as follows:

	2013		2012	
	Shares under option Number	Weighted average price £'s	Share under option Number	Weighted average price £'s
Outstanding at 1 January	**5,911,544**	**0.10**	4,676,140	0.10
Granted during the year	**2,274,371**	**0.10**	2,822,986[1]	0.10
Exercised during the year	**(736,674)**	**0.10**	(1,301,302)	0.10
Lapsed during the year	**(1,116,918)**	**0.10**	(286,280)	0.10
Outstanding at 31 December	**6,332,323**	**0.10**	5,911,544	0.10
Exercisable at 31 December	**250,917**		347,784	

[1] The number of shares subject to the Share Award was adjusted by increasing the original Share Award by 24.1% to reflect the rights issue which took place in May 2012. The adjusted numbers are quoted in the table above.

The expense recognised for unvested employee share options of $3,697,000 (2012: $3,726,000) relates wholly to equity-settled share based payment arising from grants made under the PSP. Of this amount, $954,000 (2012: $492,000) was capitalised as being directly attributable to capital and other projects. At 31 December 2013, the total future expense relating to unvested awards not yet recognised was $2,599,000 (2012: 3,031,000), which is expected to be recognised over the following three years. The weighted average market price of shares at the date of exercise was £1.79. Outstanding share options at 31 December 2013 will vest between 2014 and 2015 subject to the vesting criteria.

The weighted average fair value of share options granted during the year, as estimated at the date of grant, was £1.04 per share (2012: £1.02). This was calculated using a Monte-Carlo simulation model based on the following assumptions:

	2013	2012
Weighted average share price at date of grant	**£2.06**	£1.63
Exercise price	**0.10**	£0.10
Expected volatility	**38%**	39%
Expected life	**3 years**	3 years
Expected dividend	**0%**	0%
Risk-free interest rate	**0.89%**	0.42%

There is a 12 month window for exercise. However, as the exercise price is nominal it is assumed that recipients exercise at the end of the performance period. Therefore an expected life of three years after the date of grant has been assumed.

Deferred Equity Plan

The Company also has another equity-settled share option scheme for employees called the Salamander Energy Deferred Equity Plan (DEP). The DEP follows a similar principle to the PSP scheme, but removes the requirement of a comparator group with shares settled after a period of two years by the issue of new shares, or the transfer of shares from the Company's treasury or shares purchased in the market.

Movement in DEP Shares during the year was as follows:

	2013		2012	
	Shares under option Number	Weighted average price £'s	Share under option Number	Weighted average price £'s
Outstanding at 1 January	**1,734,512**	**0.10**	772,617[1]	0.10
Granted during the year	**867,567**	**0.10**	1,347,163	0.10
Exercised during the year	**(626,876)**	**0.10**	(215,119)	0.10
Lapsed during the year	**(129,908)**	**0.10**	(170,149)	0.10
Outstanding at 31 December	**1,845,295**	**0.10**	1,734,512	0.10
Exercisable at 31 December	**110,500**		54,407	

[1] The number of shares subject to the Share Award was adjusted by increasing the original Share Award by 24.1% to reflect the rights issue which took place in May 2012. The adjusted numbers are quoted in the table above.

The expense recognised for unvested employee share options of $2,319,000 (2012: $1,289,000) relates wholly to equity-settled share-based payment arising from grants made under the DEP. Of this amount, $599,000 (2012: $384,000) was capitalised as being directly attributable to capital and other projects. At 31 December 2013, the total future expense relating to unvested awards not yet recognised was $1,146,000, which is expected to be recognised over the following two years. The weighted average market price of shares at the date of exercise was £1.46. Outstanding share options at 31 December 2013 will vest between 2014 and 2015 subject to the vesting criteria.

The weighted average fair value of share options granted during the year, as estimated at the date of grant, was £1.53 per share (2011: £1.53). This was calculated using a Monte-Carlo simulation model based on the following assumptions:

	2013	2012
Weighted average share price at date of grant	**£2.06**	£1.63
Exercise price	**£0.10**	£0.10
Expected life	**2 years**	2 years
Expected dividend	**0%**	0%
Risk-free interest rate	**0.89%**	0.31%

There is a 12 month window for exercise. However, as the exercise price is nominal it is assumed that recipients exercise at the end of the performance period. Therefore an expected life of two years after the date of grant has been assumed.

30. Dividends

The Company has declared no dividend for the year (2012: nil).

31. Post Balance Sheet Events

On the 8th January 2014, Salamander Energy announced that due to a damaged production riser, production from the Bualuang oil field in Thailand was temporarily shut-in. Production recommenced on 13th February 2014 and the Group anticipates that any costs associated with the repair will be reimbursed under the Group's insurance policies.

Financial statements

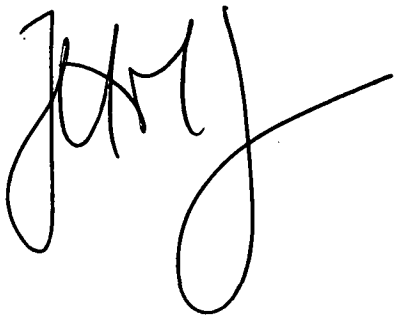
Parent Company balance sheet

31 December 2013

	Notes	2013 $'000s	2012 $'000s
Assets			
Non-current assets			
Investments	3	**869,761**	855,288
Other debtors		**241**	–
Loans to group companies		**175,156**	189,422
Total non-current assets		**1,045,158**	1,044,710
Current assets			
Cash and cash equivalents		**128,847**	70,652
Total current assets		**128,847**	70,652
Total assets		**1,174,005**	1,115,362
Liabilities			
Non-current liabilities			
Borrowings	4	**–**	35,953
Convertible bonds	5	**96,495**	93,691
Bonds payable	6	**145,970**	–
Total non-current liabilities		**242,465**	129,644
Current liabilities			
Other payables	7	**2,325**	2,145
Borrowings due within one year		**–**	12,500
Total current liabilities		**2,325**	14,645
Total liabilities		**244,790**	144,289
Net assets		**929,215**	971,075
Equity			
Share capital	11	**46,842**	46,632
Share premium		**563,703**	563,703
Other reserves		**410,065**	404,049
Retained loss		**(91,395)**	(43,309)
Total equity		**929,215**	971,075

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

Dr Jonathan Copus
Chief Financial Officer
12 March 2014
Company Number 5934263



Parent Company statement of changes in equity

For the year ended 31 December 2013

	Share capital $'000s	Share premium $'000s	Other reserves $'000s	Profit and loss $'000s	Total $'000s
At 1 January 2012	30,160	381,565	399,034	(22,616)	788,143
Ordinary shares issued	16,472	182,138	–	–	198,610
Share-based payment	–	–	5,015	–	5,015
Loss for the year	–	–	–	(20,693)	(20,693)
At 31 December 2012	46,632	563,703	404,049	(43,309)	971,075
Ordinary shares issued	210	–	–	–	210
Share-based payment			6,016	–	6,016
Loss for the year	–	–	–	(48,086)	(48,086)
At 31 December 2013	46,842	563,703	410,065	(91,395)	929,215

Other reserves

Other reserves comprise:

	2013 $'000s	2012 $'000s
Share based payment reserve	**24,733**	18,717
Convertible bond	**11,271**	11,271
Merger reserve	**374,061**	374,061
Total other reserves	**410,065**	404,049

Parent Company cash flow statement

For the year ended 31 December 2013

	2013 $'000s	2012 $'000s
Cash flow from operating activities		
Loss before tax	**(48,086)**	(20,693)
Adjustments for:		
Interest revenue	**(97)**	(133)
Finance costs	**13,177**	7,927
Other financial losses	**1,009**	3,661
Impairment of investments	**17,261**	–
Share based payment	**6,016**	4,113
Operating cash flow prior to movement in working capital	**(10,720)**	(5,125)
Increase in other receivables	**(241)**	–
Increase in other payables	**182**	873
Net cash used in operating activities	**(10,779)**	(4,252)
Investing activities		
Repayments of loans to Group companies	**14,268**	(173,043)
Acquisition of investment in subsidiaries	**(31,734)**	–
Interest received	**97**	133
Net cash used in investing activities	**(17,369)**	(172,910)
Financing activities		
Interest paid	**(7,816)**	(5,071)
Other financial receipts and payments	**(1,636)**	–
Cash flows in respect of other long term borrowings, net		
Repayment of acquisition bridge facility	**(48,453)**	–
Drawdown of bridge facility	**–**	48,453
Cash flow in respect of shares issued:		
Gross proceeds	**209**	210,455
Fees	**–**	(11,845)
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	**87,352**	241,992
Net increase in cash and cash equivalents	**59,204**	64,830
Cash and cash equivalents at the beginning of the year	**70,652**	9,483
Effect of foreign exchange rate change	**(1,009)**	(3,661)
Cash and cash equivalents at the end of the year	**128,847**	70,652

Notes to the Parent Company financial statements

For the year ended 31 December 2013

1. Segmental Analysis

The Company currently operates only in the United Kingdom and its activities comprise one class of business, being that of a holding company for the Group.

2. Employee Numbers and Costs

The monthly average number of employees (being the Executive Directors) employed was as follows:

	2013 Number	2012 Number
Professional	**3**	3
Total employee numbers	**3**	3

The aggregate remuneration was as follows:

	2013 $'000s	2012 $'000s
Wages and salaries	**1,788**	2,234
Share based payment	**1,325**	1,201
Pensions	**170**	171
Social security	**181**	390
Total employee costs	**3,464**	3,996

Details of Directors' remuneration are provided in the Remuneration Report. A proportion of employee costs were charged to other subsidiaries of the Group.

Share Based Payments
Share Based Payments are disclosed in note 29 to the consolidated Financial Statements.

3. Investments

The Group's principal Subsidiaries and Jointly Controlled Entities are as set out in note 15 to the consolidated Financial Statements.

Fair value information regarding investments in subsidiaries and jointly controlled entities has not been disclosed as their fair value cannot be measured reliably, as they are investments in unquoted group companies.

4. Borrowings

The Company entered into a $50 million bridge facility in December 2012 which was repaid during 2013. For details on the facility see note 20 in the consolidated Financial Statements.

5. Convertible Bonds

See note 21 in the consolidated Financial Statements.

6. Bonds Payable

See note 22 in the consolidated Financial Statements.

Notes to the Parent Company financial statements
continued

7. Other Payables

	2013 $'000s	2012 $'000s
Other creditors	**1,274**	1,250
Accrued expenses	**1,051**	895
Total other payables	**2,325**	2,145

The Directors consider the carrying value of other payables approximates their fair value.

8. Commitments and Guarantees

Bank Guarantees
At 31 December 2013, there were no outstanding bank guarantees issued by banks on behalf of the Company (2012: $3,411,000). In 2012, guarantees were issued against work programme obligations of subsidiary undertakings of the Company.

Salamander Energy PLC has entered into certain parent guarantee and other undertakings in relation to the Group's reserves based lending facility.

9. Financial Instruments

Full details of the Company's risk management and financial instrument policies are shown in note 26 to the consolidated Financial Statements.

Significant Accounting Policies
The Company follows the accounting policies as shown in statement of accounting policies.

Categories of Financial Instruments

	2013 $'000s	2012 $'000s
Financial assets:		
Cash and bank balances	**128,847**	70,652
Loans and receivables	**241**	–
Loans to group companies	**175,156**	189,422
Financial liabilities:		
Amortised cost	**244,790**	144,287

Financial Risk Management
Foreign Exchange Risk
The carrying amounts of the Company's UK Pounds Sterling monetary assets and liabilities at the balance sheet date were as follows:

	Assets		Liabilities	
	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
UK Pounds Sterling	**3,852**	27,971	**24**	144,289

The following table details the Company's profit/(loss) after tax sensitivity to a 20% change in US Dollars against UK Pounds Sterling.

	UK Pound Sterling currency impact	
	2013 $'000s	2012 $'000s
Change in profit or loss	**766**	23,864

This is mainly due to the Company holding UK Sterling Pounds cash and cash equivalent deposits.

9. Financial Instruments continued

Interest Rate Risk

If interest rates had been 1% higher or lower and all other variables were held constant, the Company's loss for the year ended 31 December 2013 would have increased or decreased as applicable by $1.1 million (2012: increase or decrease of $51,000).

Liquidity Risk

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	2013						
	Weighted average effective interest rate %	Less than 1 month $'000s	2–3 months $'000s	3 months to 1 year $'000s	1–5 years $'000s	5+ years $'000s	Total $'000s
Non-interest bearing	n/a	1,047	1,278	–	–	–	2,325
Fixed interest rate instruments:							
– Convertible bond	5.00	–	2,500	2,500	102,500	–	107,500
– Bond payable	9.75	–	–	14,625	58,500	164,625	237,750
Total		1,047	3,778	17,125	161,000	164,625	347,575

	2012						
	Weighted average effective interest rate %	Less than 1 month $'000s	2–3 months $'000s	3 months to 1 year $'000s	1–5 years $'000s	5+ years $'000s	Total $'000s
Non-interest bearing	n/a	1,312	833	–	–	–	2,145
Variable interest rate instruments	7%		875	15,125	40,125	–	56,125
Fixed interest rate instruments – convertible bond	5%	–	2,500	2,500	107,500	–	112,500
Total		1,312	4,208	17,625	147,625	–	170,770

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 Financial Statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

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.

Notes to the Parent Company financial statements
continued

10. Related Party Transactions

Transaction with Directors
Transactions with Directors are included in the Remuneration Report.

Related Party Transactions with Subsidiary Companies
The Company held balances with related parties at the balance sheet date as follows:

	2013 $'000s	2012 $'000s
Investment in Salamander Energy Group Limited	**884,022**	852,288
Investment in Bontang Energy Limited	**2,600**	3,000
Loans to Salamander Energy Group Limited	**175,156**	189,422

11. Share Capital

Share capital as at 31 December 2013 amounted to $46,842,000 (2012: $46,632,000).

Allotted and fully paid Equity Share Capital

	2013 Ordinary Shares 10p Number	2012 Ordinary Shares 10p Number
At 1 January	**256,954,637**	154,797,171
Rights issue	**–**	100,654,679
27 March to 17 December 2012 : allotment of shares to employees	**–**	1,502,787
27 February to 23 December 2013 : Allotment of shares to employees	**1,362,962**	–
At 31 December	**258,317,599**	256,954,637

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

In 2012, the Company raised $198,610,000 (net of expenses of $11,844,000) through a rights issue of 100,654,679 new ordinary shares at 130 pence each on the basis of thirteen new ordinary shares for every twenty existing ordinary shares. The issue price represented a discount of 49% to the closing price of 256.1 pence per existing ordinary share on 26 April 2012, the announcement date of the rights issue.

12. Dividends

The Company has declared no dividend for the year.

Statement of proved and probable reserves (working interest basis)

The Group's proven and probable commercial working interest reserves at 31 December 2013 were as follows:

	Thailand		Indonesia		Total		
	Oil MMbo	Gas Bcf	Oil MMbo	Gas Bcf	Oil MMbo	Gas Bcf	MMboe[1]
At 1 January 2013	34.1	97.7	1.5	119.2	35.6	216.9	73.3
Additions	–	–	–	17.1	–	17.1	3.1
Disposals	–	–	–	(49.9)	–	(49.9)	(8.9)
Revisions	0.9	13.0	–	–	0.9	13.0	3.1
Production	(4.5)	(3.0)	(0.2)	(0.6)	(4.7)	(3.6)	(5.3)
At 31 December 2013	30.4	107.7	1.1	85.8	31.8	193.5	65.3

[1] All gas reserves are converted at 6.0 Bcf/MMbo except Kerendan which is converted at 5.5 Bcf/MMbo.

Proved and probable commercial reserves are based on reports produced by the Group's independent engineer, RPS Energy, and supplemented by the Group where necessary 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 62.7 MMboe at 31 December 2013 (31 December 2012: 61.9 MMboe).

The 2013 reserves replacement ratio was 62% (2012: 49%). On a three year rolling average, reserves replacement ratio was 131% (2012: 148%).

Financial statements

Glossary

$ or US Dollar	United States Dollar
£	UK Pounds Sterling
€	Euro
Bbl	Barrel
Bcf	Billion of standard cubic feet
boepd	Barrels of oil equivalent per day
boe	Barrels of oil equivalent
bopd	Barrels of oil per day
E&P	Exploration and production
FPSO	Floating Production Storage Offtake
FSO	Floating Storage Offtake
GDP	Gross domestic product
GHG	Greenhouse Gases
GSA	Gas sales agreement
HSE	Health, Safety and Environmental
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
km^2	sq km
LNG	Liquid natural gas
LTI	Lost Time Injury: a fatality or lost work day case. The number of LTIs is the sum of fatalities and lost work day cases
LTIFR	Lost Time Injury Frequency Rate (per million man hours worked)
Mbo	Thousand barrels of oil
Mbopd	Thousand barrels of oil per day
Mboepd	Thousand barrels of oil equivalent per day
MMbo	Million barrels of oil
MMboe	Millions barrels of oil equivalent
Mscf	Thousand standard cubic feet of gas
MMscfd	Million standard cubic feet per day of gas
OGP	Oil and Gas Producers
PSC	Production Sharing Contract
PSP	Performance Share Plan
TRIR	Total Recordable Injury Rate: the number of recordable injuries (fatalities + lost workday cases + restricted workday cases + medical treatment cases) per 1,000,000 hours worked

Corporate directory

Directors

Charles Jamieson
Chairman and Non-executive Director

James Menzies
Chief Executive Officer

Mike Buck
Chief Operating Officer

Dr Jonathan Copus
Chief Financial Officer

Struan Robertson
Senior Independent Non-executive Director

Dr Carol Bell
Independent Non-executive Director

Robert Cathery
Independent Non-executive Director

John Crowle
Independent Non-executive Director

Michael Pavia
Independent Non-executive Director

Secretary

Charles Morgan

Registered office

4th Floor
25 Great Pulteney Street
London
W1F 9LT

Company Registration number

5934263

Auditors

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Lawyers

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ

Bankers

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Jefferies Hoare Govett
Vintners Place
68 Upper Thames Street
London
EC4V 3BJ

Public relations

Brunswick Group LLP
16 Lincoln's Inn Fields
London
WC2A 3ED

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Our offices

Singapore

80 Raffles Place
#34 – 02 UOB Plaza 1
Singapore 048624
Tel + 65 6309 3300
Fax + 65 6536 5390

Bangkok

28th Floor, Unit 2802
Q House Lumpini Building
1 South Sathorn Road
Tungmahamek
Sathorn District
Bangkok 10120
Thailand
Tel +66 2620 0800
Fax +66 2620 0820

Jakarta

15th Floor
Indonesia Stock Exchange Building
#15 – 02 Tower II
Jl Jenderal Sudirman Kav 52 – 53
Jakarta 12190
Indonesia
Tel + 62 21 5291 2900
Fax + 62 21 3000 4020

Malaysia

CEO Suite Kuala Lumpur
Menara Maxis
Level 36
Kuala Lumpur City Centre
Kuala Lumpur 50088
Malaysia
Tel + 603 2615 0000/2688
Fax + 603 2615 0088/2699

Notes

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