Sterling Energy Plc

24 October 2013

INTERIM MANAGEMENT STATEMENT

Sterling Energy Plc ("Sterling") is today issuing its Interim Management Statement for the period beginning 1 July 2013.

HIGHLIGHTS

- Production, net to Sterling from the Chinguetti field, averaged 527 barrels of oil per day ("bopd") for the third quarter 2013 (Q3 2012: 569 bopd).
- Adjusted Earnings Before Interest Tax Depreciation and Amortisation ("EBITDA") in the third quarter of $3.2 million (Q3 2012: $0.6 million) (unaudited).
- Profit after tax in third quarter of $2.7 million (Q3 2012: loss $0.7 million) (unaudited).
- Cash as at 30 September 2013 of $121.6 million (unaudited), including partner funds of $1.1 million.

Alastair Beardsall, Sterling's Chairman and Interim CEO, said:

"Sterling has interests in three large and highly material exploration blocks; progress continues to be made in planning the drilling of exploration wells in these blocks, offshore Cameroon and Madagascar. Sterling remains committed to add new opportunities to our existing portfolio that will deliver real growth potential and ultimately value for our shareholders."

Cameroon

The Ntem concession area is a large, undrilled, deep water block, in water depths ranging from 400m to 2,000m, in the highly prospective southern Douala/Rio Muni Basin, offshore Cameroon.

Following a farmout in 2011, Murphy Cameroon Ntem Oil Co. Ltd, a wholly-owned subsidiary of Murphy Oil Corporation ("Murphy Oil") holds a 50% working interest in, and is the operator of, the Ntem concession; Sterling holds the remaining 50% working interest.

Using the extensive 3D seismic data set that covers more than 70% of the concession area, Sterling has identified a series of vertically stacked submarine fans which offer the opportunity for multiple exploration targets to be intersected by a single well; each of these targets has the potential to contain, un-risked, gross prospective resources of several hundred million barrels.

The Ntem Block remains in force majeure; Sterling believes that the governments of Cameroon and Equatorial Guinea continue to work towards a resolution of their border dispute however there is no definitive timetable for reaching a resolution. After the joint venture partners lift force majeure there will be 15 months remaining in the current exploration period during which one exploration well must be drilled.

Madagascar

Sterling holds interests in a very large acreage position in northwest Madagascar in the Ampasindava and Ambilobe Blocks. These blocks are located in one of the largest, undrilled, deep water provinces offshore Africa, spanning the Majunga and Ambilobe basins.

Sterling is operator, and holds a 100% working interest, in the Ambilobe Block. All commitments for the current exploration phase have been completed. Sterling is considering a discretionary 2D seismic programme in early 2014 to mature identified leads into one or more drill-ready prospects.

The farmout process to introduce a joint venture partner into the Ambilobe block is well advanced, however no definitive agreement has been concluded.

Sterling also holds a 30% non-operated working interest in the Ampasindava licence which contains the Sifaka prospect, independently assessed to potentially contain, un-risked, gross best estimate prospective resources of 1.2 billion barrels. As a result of the farm-in to the Ampasindava Block by ExxonMobil in 2005 (70% working interest and operator), Sterling's costs in this block are carried up to a fixed gross amount. The cost to drill the Sifaka prospect will exceed the remaining gross carry and Sterling has engaged in a farm-out process to introduce an additional partner to fund its share of the drilling costs.

ExxonMobil and Sterling have agreed to acquire an infill discretionary 2D seismic programme in late 2013 / early 2014 to provide additional control over the Sifaka prospect and to delineate previously identified prospects within the Sifaka trend. Drilling is being planned for 2015 or 2016.

Agreement has been reached with OMNIS, the state regulator, to prolong the current exploration period of both the Ambilobe and Ampasindava production sharing contracts, with no changes to the work commitments. These agreements have now been signed and ratified by the President of the Transitional Government; formal gazettal of the agreements is expected in the near future. The Transitional Government is making progress along an agreed political "roadmap", developed in co-operation with their African neighbours and signed in September 2011, with democratic elections due to take place before the end of 2013.

Mauritania

Third quarter 2013 production from the Chinguetti field net to Sterling totalled 48,440 barrels of oil (Q3 2012: 52,312 barrels of oil), an average of 527 barrels of oil per day (bopd), compared to 569 bopd for the same period in 2012. The reduction in production levels is consistent with normal production decline in addition to an unplanned 3 day interruption in September.

Production is stored on location in the floating production storage and offloading vessel (FPSO) until a suitable volume is accumulated which is then sold and transported away by sea tanker. There was one cargo sold during the period totalling 48,471 barrels net to Sterling (Q3 2012: none).

There are no approved plans for further development of the Chinguetti field.

New Ventures

Sterling continues to progress new venture evaluations. In addition to focusing on its core area of sub-Saharan Africa, evaluation of opportunities in new geographic regions is underway utilising the skills and experience of the Management and New Venture teams.

Financial Position

In the third quarter of this financial year, Sterling reports the following unaudited results:

		Q3-2013 (Unaudited)	Q3-2012 (Unaudited)	FY 2012 (Audited)
		$ '000	$ '000	$ '000
Revenue	*(1)*	**5,311**	306	22,496
Adjusted EBITDA	*(2)*	**3,178**	584	11,126
Profit/(Loss) after tax	*(3)*	**2,738**	(742)	(12,920)
Cash and cash equivalents at period end	*(4)*	**121,645**	**116,548**	120,348

(1) Revenue for Q3 is derived from incomes relating to interests in the Chinguetti field.

(2) EBITDA is earnings before interest (and other finance income and costs), tax, depreciation, depletion, amortisation and write-offs of oil & gas assets. Adjusted EBITDA is calculated before share based payments, charged to the income statement under IFRS 2 and pre-licence costs.

(3) Profit after tax increased, compared to the equivalent period in 2012, following the lifting of 48,471 barrels net to Sterling (Q3 2012: none) and contributing $3.2 million (lifting revenue $5.0 million).

(4) Cash balances at the end of Q3 2013 totalled $121.6 million, including $1.1 million of partner funds, (Q3 2012: $116.5 million, including $1.6 million of partner funds). The Group continues to remain debt free.

Board and Management Change

On 16 August 2013 Angus MacAskill resigned from his role as CEO and director of Sterling; Alastair Beardsall, Sterling's Chairman, is acting as interim CEO until further notice.

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