25 April 2014

INTERIM MANAGEMENT STATEMENT

Sterling Energy Plc ("Sterling") is today issuing its Interim Management Statement for the period beginning 1 January 2014.

HIGHLIGHTS

- Sterling drilled the first exploration well on Ntem block, Cameroon. Bamboo-1 was drilled to 4,747m total depth but failed to identify commercial hydrocarbons; the well has been plugged and abandoned.
- Production, net to Sterling from the Chinguetti field, averaged 400 barrels of oil per day ("bopd") for the first quarter 2014 (Q1 2013: 568 bopd) reflecting normal field decline, and 10 days no production during scheduled maintenance work.
- Adjusted Earnings Before Interest Tax Depreciation and Amortisation ("EBITDA") in the first quarter of $2.1 million (Q1 2013: $2.4 million) (unaudited).
- Profit after tax in first quarter of $489k (Q1 2013: profit after tax of $130k million) (unaudited).
- Cash as at 31 March 2014 of $121.3 million (unaudited), including partner funds of $1.1 million.

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

"Unfortunately Bamboo-1, our first exploration well drilled on the Ntem Block, failed to find commercial hydrocarbons; fortunately the well was drilled at no cost to Sterling. Sterling holds material interests in three deep-water exploration blocks, one in Cameroon and two in Madagascar, and in one onshore block in Somaliland. We continue to work with our joint venture partners to deliver exploration programmes for all of these blocks to test for hydrocarbon potential."

Cameroon

The Ntem concession area is a large, deep water block in the prospective southern Douala/Rio Muni Basin, offshore Cameroon, and is well placed with respect to both Tertiary and Upper Cretaceous plays. The Ntem Concession was put under force majeure in June 2005 as a result of overlapping maritime border claims by the Republic of Cameroon and the Republic of Equatorial Guinea.

The border claims remain unresolved but Sterling and Murphy Cameroon Ntem Oil Co. Ltd ("Murphy") agreed, together with Société Nationale des Hydrocarbures ("SNH"), the national oil company of Cameroon, to lift the declaration of force majeure on 22 January 2014 and the Bamboo-1 exploration well was spudded on 9 February 2014. The well, in approximately 1,600 m of water, was designed to target a series of stacked Cretaceous aged, basin floor submarine fans, the main target being the Bamboo fan. The well reached a total drilled depth of 4,747m and encountered all pre-drill targets, however analysis of the data indicates that no commercial hydrocarbons were found and the well has been plugged and abandoned.

Bamboo-1 has provided significant new geological information in a lightly explored area. The data from the well will be analysed and the results used to update the inventory of prospects that Sterling has mapped and to assess the remaining prospectivity of this large deep-water block which covers some 2,319 km^2. The current phase of the Ntem concession runs to April 2015 with no outstanding work commitments; there is an option to extend the exploration term by a further two years.

Somaliland

Sterling's wholly owned subsidiary, Sterling Energy (East Africa) Limited, holds a 25% interest in the Production Sharing Contract of the Odewayne Block ("PSC") which is located onshore in the Republic of Somaliland. Sterling acquired 10% from Petrosoma Limited ("Petrosoma") in November 2013 and 15% from Jacka Resources Somaliland Limited ("Jacka") in January 2014; in aggregate, as consideration, Sterling has paid $5 million to date and a further $20 million is to be paid when certain operational milestones are reached. The joint venture partners in Odewayne PSC are Genel Energy Somaliland Limited ("Genel") (50% interest, operator), Sterling (25%), Jacka (15%) and Petrosoma (10%).

Sterling's 25% interest will be carried by Genel for the costs of all exploration activities during the Third Period of the PSC, expiring November 2014, with an outstanding minimum work obligation of 500 km of 2D seismic; and the Fourth Period of the PSC, expiring May 2016, with a minimum work obligation of 1,000 km of 2D seismic and one exploration well. Operations in Somaliland have been delayed by security concerns and the joint venture partners are working with the Ministry of Energy and Minerals to resume operations as soon as practicable.

The PSC, awarded in 2005, is in the Third Period and covers block SL6 and part of blocks SL7 and SL10, comprising an area of 22,840 km^2. During 2013, an aero-magnetic and gravity survey confirmed the geometry of a broad basin over the Odewayne block believed to be of Jurassic to Cretaceous origin, analogous to productive basins in Yemen. Fieldwork in the block has highlighted the presence of numerous seeps giving encouragement that a working hydrocarbon system is present in this undrilled basin.

Madagascar

Sterling holds interests in a 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 East Africa, spanning the Majunga and Ambilobe basins. Exploration activities on both blocks were suspended in 2009 due to the political situation in Madagascar; however democratic elections were completed in December 2013 with Hery Rajaonarimampianina elected as the new President and progress continues on the formation of the new government.

In the Ambilobe Block all minimum work commitments for the current exploration phase have been completed. In December 2013 Sterling's wholly owned subsidiary, Sterling Energy (UK) Limited signed a Farmout Agreement with Pura Vida Mauritius ("Pura Vida"); all costs associated with the acquisition of a 3D seismic programme, up to a maximum of US$15 million, are carried by Pura Vida. Sterling and Pura Vida each hold a 50% interest in the Ambilobe Block with Sterling as operator.

The PSC, awarded in 2004, is in Phase 2 of the Exploration Period; Phase 2 was recently extended to September 2015. The PSC covers approximately 17,650 km^2 of the Ambilobe Basin, a large under-explored area where both Cretaceous and Tertiary leads have been identified. There are no outstanding work commitments in Phase 2, but Sterling and Pura Vida, have commenced planning a discretionary 3D seismic programme to be acquired in the second half of 2014. The seismic programme aims to mature the best leads to one or more drill ready prospects prior to the expiry of Phase 2 as Phase 3, if entered, has a commitment to drill an exploration well.

Sterling also holds a 30% non-operated working interest in the Ampasindava licence which contains the Sifaka prospect, independently assessed to potentially hold, gross best estimate prospective resources of 1.2 billion barrels and considered to be a high-risk target. As a result of the farm-in to the Ampasindava Block by ExxonMobil Exploration and Production (Northern Madagascar) Limited ("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 would 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 completed the acquisition of an infill discretionary 1,314 km 2D seismic programme in December 2013 to provide additional control over the Sifaka prospect and to delineate previously identified prospects within the Sifaka trend. Processing of the new seismic data is in progress and drilling is being planned for 2015 or 2016. The PSC, awarded in 2004, is in Phase 3 of the Exploration Period; Phase 3 was recently extended to September 2015.

Mauritania

First quarter 2014 production from the Chinguetti field net to Sterling totalled 35,957 barrels of oil (Q1 2013: 51,082 barrels of oil), an average of 400 barrels of oil per day ("bopd"), compared to 568 bopd for the same period in 2013. The reduction in production levels is consistent with normal field decline and reflects 10 days of scheduled maintenance work in January that was deferred from 2013 in order to minimize total field down-time. There was no maintenance work during the same period in 2013.

Production from the Chinguetti field is stored on location in the floating production storage and offloading vessel (FPSO); there was one cargo sold during the period totalling 31,282 barrels net to Sterling (Q1 2013: one cargo totalling 50,145 barrels net to Sterling).

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

		Q1-2014 (Unaudited)	Q1-2013 (Unaudited)	FY 2013 (Audited)
		$ '000	$ '000	$ '000
Revenue	*(1)*	**3,471**	5,597	18,370
Adjusted EBITDA	*(2)*	**2,112**	2,361	9,080
Profit after tax	*(3)*	**489**	130	8,334
Cash and cash equivalents at period end	*(4)*	**121,344**	116,966	120,755

(1) Revenue for Q1 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 2013 despite a reduced lifting of 31,282 barrels net to Sterling (Q1 2013: 50,145 barrels net to Sterling) contributing $1.7 million (Q1 2013: $2.0 million), offset by reduced administrative overhead costs and currency translation gains on working capital deposits held in pounds Sterling following a strengthening of the US dollar exchange rate.

(4) Cash balances at the end of Q1 2014 totalled $121.3 million, including $1.1 million of partner funds, (Q1 2013: $117.0 million, including $1.4 million of partner funds). The Group continues to remain debt free.

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