24 October 2014

INTERIM MANAGEMENT STATEMENT

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

HIGHLIGHTS

- Production, net to Sterling from the Chinguetti field, averaged 463 barrels of oil per day ("bopd") for the third quarter 2014 (Q3 2013: 527 bopd).
- Adjusted Earnings Before Interest Tax Depreciation and Amortisation ("EBITDA") in the third quarter of $1.2 million (Q3 2013: $3.2 million) (unaudited).
- Loss after tax in third quarter of $0.4 million (Q3 2013: profit after tax of $2.7 million) (unaudited).
- Cash as at 30 September 2014 of $107.5 million (unaudited), including partner funds of $1.1 million.

Cameroon

The Ntem Concession is a large under-explored block, in water depths ranging from 400m to 2,000m, in the prospective southern Douala - Rio Muni Basin, offshore Cameroon.

The Ntem Concession was under force majeure from June 2005 to January 2014 as a result of overlapping maritime border claims by the Republic of Cameroon and the Republic of Equatorial Guinea. Whilst the border claims have not been resolved by the Cameroon and Equatorial Guinea Governments, in January 2014 the joint venture partners, Sterling Cameroon Limited ("Sterling") and Murphy Cameroon Ntem Oil Co., Ltd ("Murphy"), agreed, with Société Nationale des Hydrocarbures ("SNH"), the national oil company of Cameroon, to formally lift the declaration of force majeure in order to allow drilling of the Bamboo-1 exploration well. An important consideration in the joint venture decision was that the prospect targeted by the Bamboo-1 well lay outside the area affected by the unresolved border claims (the "Affected Area").

Following the lifting of force majeure, the current exploration period (the "First Renewal Period") of the Ntem Concession re-commenced on 22 January 2014. At that date, the remaining term of the First Renewal Period was approximately 15 months (expiring April 2015). The minimum work obligation in the First Renewal Period of drilling one exploration well was satisfied by the Bamboo-1 well. As has been announced previously, the Bamboo-1 well failed to find hydrocarbons and was plugged and abandoned on 16 April 2014.

The data from the Bamboo-1 well continues to be evaluated and incorporated into an updated assessment of the Ntem Concession, however the initial conclusion is that the best remaining untested potential is located primarily within the Affected Area.

On 6 May 2014, Murphy (as operator and on behalf of the Ntem joint venture partners) notified SNH of the joint venture's declaration of force majeure pending formal resolution of the conflicting maritime border claims. SNH has advised that "Cameroon does not recognise any situation of Force Majeure exists in the Ntem Permit". The joint venture partners are working with SNH to determine the forward plan given their declaration of force majeure.

Following the declaration of force majeure, the remaining term of the First Renewal Period is approximately 11 months.

Somaliland

Sterling's wholly owned subsidiary, Sterling Energy (East Africa) Limited, holds a 40% interest in the Production Sharing Contract ("PSC") of the Odewayne Block which is located onshore in the Republic of Somaliland. Sterling acquired 10% from Petrosoma Limited ("Petrosoma") in November 2013 and 30% from Jacka Resources Somaliland Limited ("Jacka") in two transactions during 2014; in aggregate, as consideration, Sterling has paid $17 million to date and a further $8 million is to be paid to Petrosoma when certain operational milestones are reached. The joint venture partners in the Odewayne PSC are Genel Energy Somaliland Limited ("Genel") (50% interest, operator), Sterling (40%) and Petrosoma (10%).

Sterling's 40% interest will be carried by Genel for the costs of all exploration activities during the Third Period of the PSC, expiring November 2016, with an outstanding minimum work obligation of 500 km of 2D seismic; and the Fourth Period of the PSC, expiring May 2018, with a minimum work obligation of 1,000 km of 2D seismic and one exploration well. Operations in Somaliland have been delayed while the Government of the Republic of Somaliland establishes a trained and equipped Oilfield Protection Unit ("OPU") that can provide the level of security required by the in-country operators so that future seismic and drilling operations can be conducted safely. The OPU is expected to be operational in 2015.

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. The Third Period of the PSC was recently extended by two years in order to allow time for the OPU to be established. 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. The joint venture plans to undertake seismic acquisition in 2015 once the OPU is operational.

Madagascar

Sterling holds interests in a large offshore 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.

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 farm-out agreement with Pura Vida Mauritius ("Pura Vida") under which 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 Ambilobe 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 early 2015. 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. The Environmental Impact Assessment for this programme has been submitted and the environmental permit is awaited.

Sterling also holds a 30% non-operated working interest in the Ampasindava PSC 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 with a chance of success estimated at 8%. 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 a 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 completed. The Ampasindava PSC, awarded in 2004, is in Phase 3 of the Exploration Period; Phase 3 was recently extended to September 2015.

Mauritania

Third quarter 2014 production from the Chinguetti field net to Sterling totalled 42,587 barrels of oil (Q3 2013: 48,440 barrels of oil), an average of 463 barrels of oil per day ("bopd"), compared to 527 bopd for the same period in 2013. The reduction in production levels is consistent with normal field decline.

Production from the Chinguetti field is stored on location in the floating production storage and offloading vessel (FPSO) and sold when suitable sized cargos have been produced. There was one cargo sold during the period totalling 40,065 barrels net to Sterling realising revenue of $3.9 million at an average of $97.46/bbl (Q3 2013: one cargo totalling 48,471 barrels net to Sterling realising revenue of $5.0 million at an average of $102.65/bbl). Sterling received royalty revenue during Q3 2014 of $0.3 million.

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:

		Q3-2014 (Unaudited)	Q3-2013 (Unaudited)	FY 2013 (Audited)
		$ '000	$ '000	$ '000
Revenue	*(1)*	**4,188**	5,311	18,370
Adjusted EBITDA	*(2)*	**1,208**	3,178	9,080
Loss/profit after tax	*(3)*	**(373)**	2,738	8,334
Cash and cash equivalents at period end	*(4)*	**107,545**	121,645	120,755

(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) Loss after tax compared to the equivalent period in 2013 due to a reduced lifting of 40,065 barrels net to Sterling (Q3 2013: 48,471 barrels net to Sterling) and increased operating expenditures in Chinguetti offset by reduced administrative overhead costs.

(4) Cash balances at the end of Q3 2014 totalled $107.5 million, including $1.1 million of partner funds, (Q3 2013: $121.6 million, including $1.1 million of partner funds). Sterling continues to remain debt free.

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