

Sterling Energy Plc

19 October 2011

## **INTERIM MANAGEMENT STATEMENT**

Sterling Energy Plc (“Sterling” or the “Company”) is today issuing its Interim Management Statement for the period beginning 1 July 2011.

### **HIGHLIGHTS**

- Production, net to Sterling from the Chinguetti field, averaged 622 bopd for the third quarter 2011 (Q3 2010: 621 bopd).
- Adjusted EBITDA in third quarter of \$1.7 million (Q3 2010: \$2.8 million) (unaudited).
- Profit after tax in third quarter of \$0.05 million (Q3 2010: profit \$3.1 million) (unaudited).
- Cash as at 30 September 2011 of \$105.6 million (unaudited), including partner funds of \$1.6 million.
- Farm out of the Ntem deep water block, Cameroon, expected to close by year end.
- Dr Philip Frank appointed as Exploration Director on 3 October 2011.

Angus MacAskill, Sterling’s Chief Executive, said:

“We are pleased with the progress made towards introducing a partner to the Ntem block in Cameroon and expect to complete the process by the end of 2011.

Following the disappointing results of the Sangaw North-1 well in Kurdistan, we continue to integrate all the information from the well to determine the remaining potential of the block.

The focus for the Sterling organisation is the acquisition of new ventures whilst remaining ready to progress our existing assets once the in-country situations allow.”

### **Cameroon**

The Ntem concession area is a highly prospective deep water block, offshore Cameroon, in water depths ranging from 400 metres to 2,000 metres.

The Company currently holds 100% working interest in the licence and has made excellent progress this year towards introducing a partner into the project who, in exchange for a working interest in the license, will provide the funding for the initial exploration activities on the project. Discussions are expected to be concluded by the end of 2011.

The block remains in force majeure and the Company believes progress continues towards a resolution of the border dispute between the governments of Cameroon and Equatorial Guinea, but no specific timetable can be forecast.

### **Madagascar**

The Ampasindava and Ambilobe blocks are highly prospective blocks located in the deep water basin to the north-west of Madagascar. The Company holds a 30% working interest in the Ampasindava license, containing the Sifaka prospect which is independently estimated to have gross un-risked best estimate prospective recoverable resources of 1.2 billion barrels, and 100% working interest in the Ambilobe license.

The incumbent government, formed after the coup in March 2009, has not been recognised by its African neighbours or by many other governments. Sterling and ExxonMobil, our partner and the operator of the Ampasindava Block, will look for an improvement in the political situation before undertaking significant expenditure.

The current exploration periods for both the Ambilobe and Ampasindava licences were due to come to an end in November 2010. Sterling and ExxonMobil continue in discussions with OMNIS, the state oil company of Madagascar, with regard to an extension of both licences.

## Kurdistan

In the Sterling operated Sangaw North block, the Sangaw North-1 well was plugged and abandoned and the drilling rig was demobilised from the location. Activities commenced to reinstate the well site location, consistent with industry practice.

The Company is integrating the seismic, drilling, logging, and testing information to update the geological interpretation and determine the future potential of the block, prior to making recommendations to the joint venture group regarding future activities.

The first sub-period of the exploration phase of the Production Sharing Contract ("PSC") for the Sangaw North Block ends in November 2011. The second, and final, sub-period of the exploration phase of the PSC has a duration of 2 years. The drilling of the Sangaw North-1 well has already fulfilled the work commitment for the second sub-period.

## Mauritania

Third quarter 2011 production from the Chinguetti field net to Sterling totalled 57,237 barrels, an average of 622 barrels of oil per day, compared to 621 bopd for the same period in 2010. 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. A cargo commenced loading from the FPSO at the end of the third quarter and completed at the start of the fourth quarter 2011; thus a partial sale representing some 31% of this cargo was recorded in the third quarter with the remainder to be recorded in the fourth quarter 2011. If the entire cargo had been sold in the third quarter the revenue would have been increased by \$6.7m and the profit after tax some \$4.4m greater.

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

## Financial Position

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

		<b>Q3-2011</b>	Q3-2010	FY 2010
		<b>(Unaudited)</b>	(Unaudited)	(Audited)
		<b>\$ '000</b>	\$ '000	\$ '000
Revenue	(1)	<b>2,869</b>	6,183	25,314
Adjusted EBITDA	(2)	<b>1,674</b>	2,799	11,339
Profit/(Loss) after tax		<b>45</b>	3,143	5,845
Cash and cash equivalents at period end	(3)	<b>105,600</b>	109,407	111,679

- (1) Revenue is sourced from a partial cargo sold in the third quarter 2011, the balance of the sale will be recorded in the fourth quarter, and from royalty 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) Cash balances at the end of Q3 2011 totalled \$105.6 million, including \$1.6 million of partner funds, (Q2 2011: \$113.4 million, including \$13.3 million partner funds). The Group continues to remain debt free.

## Board Changes

Dr Philip Frank was appointed Exploration Director on 3 October 2011. Dr Frank has had a successful exploration and new ventures career in both large and small independent companies, and recently during his 6 year tenure at Emerald Energy the company had 8 commercial discoveries and working interest reserves increased from some 6 to 60 million barrels.

Andy Grosse stood down from the Board on 3 October 2011 and left the Company on 18 October 2011.

Jon Cooper stood down from the Board and left the Company on 18 October 2011 following his notice to resign, tendered on 19 April 2011. The process to appoint a new finance director is on-going and an announcement will be made at the appropriate time.

The Company thanks both Andy and Jon for their contributions during their tenure and wishes them well in their future ventures.

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