20 March 2017

STERLING ENERGY PLC

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

Sterling Energy plc is today issuing its preliminary results for the year ended 31 December 2016.

OVERVIEW

Sterling Energy plc ('Sterling' or the 'Company'), together with its subsidiary undertakings (the 'Group'), is an upstream oil and gas company listed on the AIM market of the London Stock Exchange. The Company is an experienced operator of international exploration and production licences, with a primary geographic focus on Africa. The Group has high potential exploration projects in Mauritania and Somaliland together with a production and royalty interest in Mauritania. The Company has an active strategy to deliver shareholder value through disciplined, material exploration and production projects; leveraging the Company's African experience, with a renewed emphasis on securing near term cash flow generative opportunities.

2016 SUMMARY

- Production, net to the Company from the Chinguetti field (including royalty barrels), averaged 279 barrels of oil per day ('bopd') (2015: 310 bopd).
- Adjusted Earnings before Interest, Tax, Depreciation, Amortisation and Exploration Expense ('EBITDAX') loss for the Group of $3.1 million (2015: $6.3 million loss).
- C-3 block, Mauritania, exit (40.5% working interest) in March 2016.
- Ambilobe block, Madagascar, exit (50% working interest and Operator) in May 2016.
- Ntem Concession, Cameroon, exit (100% working interest and Operator) in December 2016.
- Working with all Chinguetti oil field stakeholders on a safe, cost-effective and technically robust decommissioning and abandonment plan ('A&D plan'), to commence in 2017.
- Odewayne block, Somaliland, 2D seismic campaign to commence in Q2 2017.
- Cash resources net to the Group at 31 December 2016 of $88.1 million (2015: $97.6 million).
- The Group remains debt free, with cash resources significantly in excess of all outstanding firm commitments.
- Ongoing focus on capital discipline, cash G&A expenses reduced by approximately 20% with continued reductions in 2017.
- Continued merger and acquisition ('M&A') mandate for transformational growth (asset and corporate options).

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CHAIRMAN'S STATEMENT

The severe decline in the global oil price reached its lowest point during January 2016 when Brent crude reached $26 a barrel. During 2016 the price improved ending at $54 a barrel reversing the downward trend experienced in 2015. It appears therefore that the very low, longer downturn predicted has been partially reversed. Despite improvements to the oil price, the E&P sector continues to be adversely affected by projects being delayed and exploration being deferred or cancelled. As my predecessor observed last year many outside of our sector have benefitted from the lower cost of energy; however, inside the upstream oil and gas sector we have seen a significant slowdown in activity coupled with a shift away from exploration.

As reported this decline in the oil price has forced us to review our business model. Both the lack of farm-in appetite on the part of the larger oil companies to fund expensive exploration activities and the lack of appetite in the capital markets for funding appraisal projects, let alone funding exploration, has set us on a much narrower strategy where as a first step in our review cost saving and preservation of cash resources is our paramount objective. In addition to that ongoing process, we have reviewed our business model in light of the changes in market conditions and we are looking to invest in a more balanced cash flow generating portfolio.

We have also continued with our portfolio realignment efforts, relinquishing exploration assets with limited near to mid-term value triggers or monetisation options (at little or no cost). Sterling has successfully executed this re-alignment at minimal cost to the Company. We expect to see activity on both the Somaliland Odewayne block in 2017 and Mauritania C-10 exploration block in 2018. In addition, the Company continues to actively investigate possible acquisition or merger opportunities which may bring transformational growth and help deliver a more balanced cash flow generating portfolio.

Our financial interest in the Chinguetti oil field in Mauritania is loss making and we expect production to cease in 2017. We are therefore concentrating our efforts in determining the extent of our contingent financial liability for decommissioning and abandonment of the field.

In terms of cost saving initiatives, the Company has been working to reduce the Group's administrative expenses in reaction to external adverse market conditions. These efforts have, over the last year, materially reduced the Group's wages and salary expenses. A reduction in office floor space is also scheduled and we are committed to further material reduction in costs.

Financial

The Group had cash resources of $88.1 million at the end of 2016 and we remain free of debt. Our work programme for 2017 is fully funded and we have resources available to progress both our existing portfolio and add new venture activity in the event that such a venture presents itself and meets with our stricter investment criteria.

Board and changes

In the last quarter of 2016 three members of the Board resigned due to strategic differences on the future direction of the Company. Post the year end two new directors were appointed, namely Ilya Belyaev and Leo Koot. Mr Belyaev is a representative of one of our shareholders who brings valuable financial and entrepreneurial experience, while Mr Koot is an experienced oil and gas professional and we will benefit from his considerable industry experience. Also in 2017, I had the honour of being appointed as your Chairman, a role which I will faithfully serve in the interest of all shareholders. Eskil Jersing, our CEO, continues to serve on the Board.

Outlook for 2017 and beyond

While the global oil price has seen a marked and what appears to be a sustainable recovery, it is very unlikely that in the near term this will impact positively on the industry or investor appetite for exploration assets. We shall pursue our new business model cautiously, preserving resources in anticipation of a recovery in market conditions and investor sentiment towards active exploration driven strategies. Whilst we wait for this recovery, we will continue to actively investigate possible acquisition or merger opportunities, to deliver a more balanced, revenue focused portfolio of assets.

I would like to thank all our stakeholders for their continuing support and all of our management and staff for their diligent efforts during 2016.

Michael Kroupeev - Chairman

CHIEF EXECUTIVE'S REVIEW

Market landscape

The previous 12 months have clearly demonstrated that the prolonged commodity downturn will be the new normal, despite the slight respite from November's OPEC agreement boosting prices to above $50/bbl. The fundamentals of supply and demand continue to set the cost basis under which our industry operates.

Pure exploration driven activity continues to decline, with a renewed focus on lower risk infrastructure led drilling and hydrocarbon reserves conversion from contingent to firm. Whilst global upstream spending outlook is improving, capital spending in 2017 is still forecast to be approximately 40% lower than 2014, at *ca.* $450 billion per Wood Mackenzie. Governments and resource holders will need to continue the momentum in improving fiscal terms across the value lifecycle in order to attract investment. The forward view on oil prices suggests we will stay within a $50-$70 per barrel band through to 2020.

This backdrop imparts the need for acute focus on fiscal discipline, on those top quartile projects that deliver robust returns at the lower end of that price band, and as a consequence most mergers and acquisition activity is directed to lower cost, fast response projects.

The service cost deflation (approximately 20-30%) over the last few years appears to be reducing with some jurisdictions now seeing small cost increases. Despite this, the opportunity landscape continues to favour those with access to capital, operating cost advantages and flexibility to scale back, with deferred capital outlay as prices continue to stay low.

Refreshed board, shareholder alignment and strategy

Sterling has continued to proactively manage our legacy exploration portfolio by exiting from our C-3, Ntem and Ambilobe assets; all viewed as having no realistic chance of monetisation, or limited risked success potential in the near to mid-term.

Revenue from our Chinguetti oil field Funding and Royalty Agreements will come to end, with cessation of production in 2017. In response, our efforts continue to be focused on limiting our Chinguetti liability exposure and repositioning the Company to source and execute the acquisition of a material M&A led cash flow generating asset.

Through the last year, we have also seen a governance transition, with our majority shareholders Waterford Finance and Investment Limited ('Waterford') and Mistyvale, requesting seats on the Board to ensure a fully aligned forward strategy. In May 2016 Alastair Beardsall retired and was replaced by Nick Clayton in the position of non-executive Chairman. Additionally, Michael Kroupeev was appointed as a non-executive Director.

In October 2016, Nick Clayton, together with Keith Henry and Malcolm Pattinson, resigned from the Board citing strategic differences on the future direction of the Company.

Sterling remains unique in the smaller E&P sector, with a strong cash position from which to leverage. However, given our loss of Chinguetti revenue and external market conditions, we have continued on a path of prudent cash preservation. Since 2015, we have undertaken a number of initiatives to reduce our costs, with wages and salaries reducing by 23%, leaving our group administrative overhead at approximately $2.0 million. This has primarily been delivered through a shift in our capability set and resources related to exiting of non-core assets to better fit our strategic mandate. These efforts continue and will be regularly monitored into 2017, with amongst others, plans to move to smaller serviced office space.

Asset activity

The Group has an economic interest in the offshore Chinguetti oil field in Mauritania via the Funding and Royalty Agreements, amounting to *ca.* 9.5% of cumulative production. Revenues from Chinguetti since late 2014 have been insufficient to cover ongoing operational costs and thus Sterling's administrative overhead costs. The Joint Venture ('JV') participants, led by the operator PC Mauritania 1 PTY LTD ('Petronas') and relevant stakeholders are collectively working towards cessation of production in 2017, with the implementation of a safe, compliant and cost-effective A&D plan. The A&D plan and associated Environmental Impact Statement ('EIS') both lie with the Government of Mauritania for final approval.

On the C-10 block in Mauritania, we continue to work diligently with the operator Tullow Mauritania Limited ('Tullow Oil') and with Société Mauritanienne Des Hydrocarbures et de Patrimoine Minier

('SMHPM'), to mature a top ranking drill ready prospect suitable for drilling in 2018. We maintain the view that the world class gas discoveries made by Kosmos on the Mauritania – Senegal border further emphasise the infancy and potential upside of the analogous hydrocarbon plays in C-10, with flexible exit options for Sterling. This has further been validated by BP's recent *ca.* $1 billion strategic entry to the basin; in addition to the intention to drill up to 4 high impact exploration wells in 2017, some of which will target material oil prone prospects close to the C-10 block.

On the Odewayne licence in Somaliland, a regional 2D seismic acquisition program due to commence Q2 2017 will help de-risk this vast frontier exploration block. Sterling is fully carried by the operator Genel Energy for all exploration costs during the current third and subsequent fourth exploration period, covering the 2D seismic and the first exploration well commitment. In August 2016, we received a further 2 year extension on the current third exploration period of the block.

Over the year we undertook disciplined exits from three assets at limited cost. All assets were seen as having low chances of being monetised in the near to mid-term and as such did not fit our revised strategic mandate. We completed our withdrawal from the C-3 block in Mauritania in March 2016, assigning our entire 40.5% participating interest to Tullow Oil; as a result we had no additional costs associated with the withdrawal.

Following a full interpretation and evaluation of our 2015 operated 3D survey on the Ambilobe block in Madagascar we completed our withdrawal in May 2016, without material cost. Prior to that, I am pleased that we maintained our corporate social responsibility ('CSR') activities by successfully completing the Nosy Be and Ambanja fish market rehabilitation and Beramanja school projects.

Finally on the Ntem block in Cameroon we exited in December 2016, as we were unable to reach an acceptable solution with the resource holder to advance operational activities on the block.

Outlook

Sterling is fully funded for all of our asset level commitments and liabilities through a strong balance sheet with cash resources of $88.1 million as at 31 December 2016.

With regards to the Sterling portfolio, we have the potential to deliver material value to our shareholders in the Somaliland and Mauritania assets over the next few years. We look forward towards the completion and interpretation of the Somaliland regional 2D seismic survey in the second half of 2017 and the C-10 JV drilling a material exploration well in 2018.

On the growth front, we restructured our capability set in 2016 to focus on M&A led due diligence efforts. As a result we undertook lengthy evaluations on a number of projects. We will continue on this M&A led mandate in 2017, with the intent of originating, delivering and executing on a transformative asset or corporate solution.

I am very pleased that as of January 2017, with Michael Kroupeev as our new Chairman along with Ilya Belyaev and Leo Koot joining the Board, we now have a highly aligned team looking to directly deliver on a refreshed shareholder driven mandate.

Finally, on behalf of the Company I would like to thank Alastair Beardsall, Nick Clayton, Keith Henry and Malcolm Pattinson for all their contributions to the Company since 2009; we wish them every success in their various endeavours.

Eskil Jersing - Chief Executive Officer

OPERATIONS REVIEW

The Group's African focused asset portfolio provides exposure to exploration opportunities within under-explored or frontier basins that have the potential to deliver material hydrocarbon reserves. These areas have historically seen little activity but offer significant encouragement for the presence of commercially viable, working hydrocarbon systems.

MAURITANIA

Chinguetti (*ca.* 9.5% of cumulative production through the Funding Agreement and a 6% Royalty Agreement derived from Premier's WI). The Group has economic interests in the Chinguetti oil field through a Funding Agreement with SMHPM, Mauritania's national oil company, and a Royalty Agreement with Premier Oil ('Premier'). The C-10 block offers potential exposure to a world class LNG and possibly liquids prone play, proved up by Kosmos in the adjacent outboard acreage.

Chinguetti Overview

Gross production for the Chinguetti oil field during 2016 averaged 4,549 bopd (2015: 5,083 bopd). Average production net to the Group, from the Group's economic interests during 2016, was 279 bopd (2015: 310 bopd). Production was in steady decline throughout the year, reflecting the maturity of the field, but revenues benefited from a reduction in the Floating Production, Storage and Offtake ('FPSO') base day rate, and a field wide cost saving exercise implemented by the Operator.

The Group estimates that at the end of 2016, net entitlement 2P reserves stood at 73k barrels of oil equivalent ('boe') (2015: 173k boe).

Outlook

The Chinguetti JV (Petronas, Tullow Oil, SMHPM, Premier, Kufpec) are evaluating how best to manage the Chinguetti field with the current end of field life challenges. Discussions continue to be held with the Government of Mauritania and relevant stakeholders on how best to both manage current operations and agree on a plan for a safe, cost-effective and technically robust decommissioning and abandonment phase.

In 2015, the Group enlarged its Mauritanian footprint through entering into two offshore exploration blocks, C-3 and C-10. The rationale underlying entry was that the acreage offered low cost ground floor exposure to material exploration upside in a re-emerging petroleum province. This was subsequently validated with recent world class LNG scale discoveries by Kosmos. Following the exit from C-3 in early 2016, efforts have been focused on maturing the prospect inventory for drilling on the C-10 block.

C-10 (WI 13.5%) Exploration block

Overview

Block C-10 covers an area of approximately 8,025km² and lies in water depths of 50 to 2,400m within the Nouakchott sub-basin, offshore Mauritania, and wholly surround the Chinguetti field. The C-10 production sharing contract ('PSC') is held by the Company's wholly owned subsidiary Sterling Energy Mauritania Limited ('SEML') (13.5% working interest), Tullow Oil (76.5% working interest and operator) and SMHPM (10% working interest). SMHPM is carried by SEML and Tullow Oil, pro-rata to their working interests, during the exploration phases. The PSC is in the second phase of the exploration period, which is due to expire on 30 November 2017 and has a minimum work obligation of one exploration well.

The block is almost fully covered by numerous legacy 3D seismic surveys and lies within a proven petroleum basin, offering exposure to multiple play-types from under-explored Jurassic and lower Cretaceous shelfal carbonates to Cretaceous and Tertiary clastic plays. Within the block confines, a successful exploration campaign in 2000-03 targeting the Miocene play and yielded four oil and gas discoveries, including the Chinguetti oil field.

Since 2014, Kosmos Energy has discovered and appraised in deep water block C-8 immediately outboard of C-10, several world class LNG scale gas discoveries of Albian to Cenomanian age, with the Tortue West (Ahmeyim) structure alone reported to have Pmean gas resources of *ca.*15 Tcf. In

2017, Kosmos and new partner BP will continue exploration within the Cenomanian/Albian play with a focus on proving an oil fairway adjacent to the northwestern boundary of the C-10 block. Further south in Senegal, the Albian clastic shelf margin play has also been successful with commercial oil and gas discovered at the SNE field, currently being appraised with current 2C in place resources of more than 2.7 billion barrels and the ongoing programme will further define the recovery potential of the field per Cairn Energy's press release in March 2017.

Outlook

Following entry into the C-10 block in mid-2015, Sterling and its JV partners have been actively maturing and ranking the technical description of the play, prospect and lead portfolio on the 3D seismic dataset. The JV continues to work towards selecting a prospect for drilling to meet the minimum work obligations.

Tullow Oil and the JV are in discussions with SMHPM and the Ministry with regards to the appropriate future path on the C-10 block, with a view to securing an extension and recognising that a well will not be drilled prior to the current Phase 2 expiry in November 2017.

Should the JV not fulfil the minimum work obligations, the gross liability owing to the Mauritanian government would be $7.5 million ($1.1 million net to SEML). Following the completion of Phase 2 the JV may elect to enter into Phase 3 (with a 3 year term) with a minimum work obligation of a further two exploration wells.

C-3 Exploration block (Relinquished 2016)

Overview

Following the submission of a withdrawal notice in January 2016 to Tullow Oil and SMHPM, the completion of Sterling's withdrawal from the C-3 block became effective in March 2016.

Sterling entered into the C-3 block in February 2015 following extensive re-evaluation of exploration data along the margin post the 2014 Cairn SNE-1 discovery in Senegal to the south. This highlighted the possible extension of an Albian clastic play into PSC C-3.

The subsequent C-3 block exit decision was data driven and based on disciplined technical and commercial rationale. A full technical evaluation of the acreage was completed in early Q1 2016 on the newly acquired 2D seismic data. This enabled Sterling to take a technical view that the new data had insufficiently de-risked the remaining play and lead potential to justify committing to a 3D seismic survey and the drilling of 1 well.

SOMALILAND

The onshore basins of Somaliland offer one of the last opportunities to target an undrilled Mesozoic basin in Africa. The Odewayne block is ideally located to explore this play covering a large area of a completely unexplored onshore rift basin. Geophysical data and geological field studies indicate that the sedimentary basin underlying the block has encouraging evidence of a working hydrocarbon system. In 2016 the JV, in collaboration with the Ministry of Energy and Mines has been progressing towards the acquisition of the first seismic data in the region.

Odewayne (WI 40%) Exploration block

Overview

This large, unexplored frontier acreage position comprises an area of 22,840km^2. Exploration activity to date has been limited to the acquisition of airborne gravity and magnetic data, with no seismic coverage and no wells drilled on block. Extensive geological field data provides strong encouragement for a deep sedimentary basin and has highlighted the presence of oil seeps at surface, suggesting that a working hydrocarbon system exists.

The Odewayne production sharing agreement ('PSA') was awarded in 2005 and is in the Third Period with an outstanding minimum work obligation of 500km of 2D seismic. The Third Period was recently extended in 2016 by two years to 2 November 2018. The minimum work obligation during the optional Fourth Period of the PSA (also extended by 2 years to May 2020) is for 1,000km of 2D seismic and one exploration well.

The Company's wholly owned subsidiary, Sterling Energy (East Africa) Limited ('SE(EA)L'), currently holds a 40% working interest in the PSA. SE(EA)L acquired an original 10% from Petrosoma Limited ('Petrosoma') in November 2013 and an additional 30% from Jacka Resources Somaliland Limited ('Jacka') in two transactions during 2014. In aggregate, as consideration, SE(EA)L has paid $17.0 million to date and a further $4.0 million is to be paid in stages to Petrosoma as and when certain operational milestones are reached, with a further $ 4.0 million due on drilling of an exploration well.

SE(EA)L is fully carried by Genel Energy for its share of the costs of all exploration activities during the Third and Fourth Periods of the PSA.

Outlook

In 2016 the Ministry of Energy and Mines progressed a directed speculative survey in Somaliland to allow the acquisition of 2D seismic data. The project is led by the Ministry who in Q4 2016 signed a contract with BGP (a Chinese geophysical and drilling contractor) to acquire seismic data over a number of blocks, including Odewayne. The data on Odewayne is scheduled to be acquired from Q2 2017, is intended to fulfil (at least) the minimum work obligation and will be the first seismic data acquired on the block.

MADAGASCAR

Ambilobe Exploration block (Relinquished 2016)

Overview

Following the acquisition and interpretation of 3D seismic data on the Ambilobe block in 2015 and 2016, Sterling issued a notice of withdrawal from the Ambilobe block in April 2016 to its JV partner Pura Vida Mauritius ('Pura Vida'). In May 2016 the withdrawal was completed prior to the end of the second phase of the PSC with all commitments met and no material surrender costs.

CAMEROON

Ntem Exploration block (Relinquished 2016)

Overview

The Company issued a notice of surrender in relation to the Ntem Concession, offshore Cameroon in 2016 which became effective in December 2016. The Company did not incur any material costs associated with the surrender.

Matthew Bowyer - Subsurface Manager

FINANCIAL REVIEW

SELECTED FINANCIAL DATA

		2016	2015
Chinguetti production	bopd	**279**	310
Year end 2P reserves	kboe	**73**	173
Revenue	$million	**4.8**	5.0
Adjusted EBITDAX [1]	$million	**(3.1)**	(6.3)
Loss after tax	$million	**(8.5)**	(16.0)
Net cash investment in oil & gas assets	$million	**1.1**	4.8
Year-end cash net to the Group	$million	**88.1**	97.6
Average realised oil price	$/bbl	**39.8**	50.3
Total cash operating costs (produced)	$/bbl	**64.6**	75.3
Year-end share price	Pence	**15.0**	14.5
Share price change	%	**3**	(26)
Debt	$million	**-**	-

[1] as defined within the definitions and glossary of terms

Revenue and cost of sales

2016 Chinguetti production, net to the Group, averaged 279 bopd (including royalty barrels), a decrease of 10% from the 310 bopd averaged in 2015; the reduced volumes reflect the lower oil price realised at the start of 2016 along with the expected decline in production for the field.

Gross volumes lifted and sold during the year from the Chinguetti oil field were up by 49% to 2.2 million barrels over four cargo liftings (2015: 1.5 million barrels over three cargo liftings); whilst the main increase in gross volumes is as a result of the extra lift, on average cargo volumes were up by 12% in 2016.

The achieved lifting cost per barrel (excluding the onerous contract provision) has decreased in 2016 by $44.9 to $49.3 (2015: $94.2).

Cost of sales for the Group for 2016 (excluding the onerous contract provision) decreased by $3.5 million, due in part to a reduction in the FPSO base day rates and a field wide cost saving exercise implemented by the Operator.

A summary of revenue, cost of sales and lifting volumes are provided below:

	2016	2015
Liftings (bbls)[1]	**121,031**	99,948
Revenue ($million)	**4.8**	5.0
Revenue / bbl ($)	**39.8**	50.3
Lifting cost ($million)[2]	**(6.0)**	(9.4)
Lifting cost / bbl ($)[2]	**(49.3)**	(94.2)

[1] Net Sterling production during the year totalled 101,939 (2015: 113,085)
[2] Excluding onerous contract provision

Loss for year

The 2016 loss totalled $8.5 million (2015: loss $16.0 million).

	2016 $ million
Loss for year 2015	**(16.0)**
Other obligations (2015)	3.7
Impairment of Ntem (2015)	8.2
Chinguetti cessation costs (2015)	(2.2)
Impairment of Ambilobe (2016)	(3.8)
Impairment of C-3 (2016)	(3.6)
Decrease in revenue	(0.2)
Decrease in cost of sales	3.9
Decrease in G&A and pre licence	0.5
Increase in net finance income	1.0
Loss for year 2016	**(8.5)**

During 2016, the Group fully impaired the Ambilobe block in Madagascar ($3.8 million) and the C-3 block in Mauritania ($3.6 million), resulting in a total charge of $7.4 million.

Group administrative overhead decreased during the year to $2.0 million (2015: $2.3 million). Included within this charge is $73k (2015: $297k) with respect to share-based payment charges. The continued reduction in the Group's administrative overhead is in reaction to both external market conditions and the change in strategic mandate. In 2016 the Group's wages and salaries have reduced by 23%.

In 2016, a portion of the Group's staff costs and associated overheads have been recharged to JV partners ($87k), expensed as pre-licence expenditure ($1.8 million), or capitalised ($785k) where they are directly assigned to capital projects. This totals $2.7 million in the year (2015: $3.6 million).

A summary of these movements is provided below.

	2016 $ million	2015 $ million
Group administrative overhead (page 11)	**(2.0)**	**(2.3)**
Costs capitalised	(0.8)	(1.1)
Costs recharged to JV partners	(0.1)	(0.5)
Pre-licence expenditure	(1.8)	(2.0)
	(2.7)	**(3.6)**
Share based payment expense	0.1	0.3
Other non-cash expenditure	-	0.1
Group cash G&A expense	**(4.6)**	**(5.5)**

Adjusted EBITDAX and net loss

Group adjusted EBITDAX (as defined within the definitions and glossary of terms) loss totalled $3.1 million (2015: $6.3 million loss).

Net loss after tax totalled $8.5 million (2015: loss $16.0 million). The basic loss per share was $0.04 per share (2015: loss $0.07 per share).

Interest received and finance expenses result in a net income of $290k (2015: $712k expense) which includes exchange losses of $231k (2015: $89k) on GBP cash deposits held at 31 December 2016 reported in US dollars, a non-cash finance expense of $149k (2015: $1.0 million) relating to the unwinding of the Chinguetti decommissioning provision (see Note 5 on pages 16 and 17), interest received totalling $683k (2015: $356k) and other finance expenses totalling $14k (2015: $13k).

No dividend is proposed to be paid for the year ended 31 December 2016 (2015: $nil).

Cash flow

Net Group cash outflow generated from operating activities was $8.8 million (2015: $4.9 million outflow) a full reconciliation of which is provided in the Consolidated Statement of Cash Flows.

Net cash investments in oil and gas assets totalled $1.1 million (2015: $4.8 million) and are summarised below:

	2016 $ million	2015 $ million
Mauritania	1.0	4.0
Somaliland	-	0.1
Madagascar	0.1	0.6
Cameroon	-	0.1
	1.1	4.8

Statement of financial position

At the year end, cash and cash equivalents totalled $88.1 million (2015: $98.7 million of which $1.1 million were held on behalf of partners, leaving a cash balance of $97.6 million).

At the end of 2016, net assets/total equity stood at $78.4 million (2015: $86.8 million), and non-current assets totalled $18.9 million (2015: $25.1 million). Net current assets reduced to $74.0 million (2015: $94.1 million) due mainly to the $18.1 million decommissioning provision movement from non-current to current liabilities.

The Group's Chinguetti decommissioning provision (current and non-current) decreased during the year by $939k to $31.5 million (2015: $32.4 million) reflecting the Group's estimate of gross abandonment and decommissioning costs based on a draft A&D plan presented to the JV by the operator and further provided to the Group by SMHPM (see Note 5 on pages 16 and 17).

Cautionary statement

This financial report contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration and production business. Whilst the Directors believe the expectation reflected herein to be reasonable in light of the information available up to the time of their approval of this report, the actual outcome may be materially different owing to factors either beyond the Group's control or otherwise within the Group's control but, for example, owing to a change of plan or strategy. Accordingly, no reliance may be placed on the forward-looking statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	31st December 2016 $000	31st December 2015 $000
Revenue		**4,815**	5,031
Cost of sales		**(2,262)**	(6,028)
Gross profit/(loss)		**2,553**	(997)
Other administrative expenses		**(2,045)**	(2,305)
Impairment of oil and gas exploration assets	**4**	**(7,375)**	(8,183)
Pre-licence costs		**(1,951)**	(2,212)
Onerous contract	**5**	**-**	(3,700)
Chinguetti cessation costs		**-**	2,159
Total administrative expenses		**(11,371)**	(14,241)
Loss from operations		**(8,818)**	(15,238)
Finance income		**683**	356
Finance expense		**(394)**	(1,068)
Loss before tax		**(8,529)**	(15,950)
Tax		**-**	-
Loss for the year attributable to the owners of the parent		**(8,529)**	(15,950)
Other comprehensive income - items to be reclassified to the income statement in subsequent periods			
Currency translation adjustments		**50**	6
Total other comprehensive income for the year		**50**	6
Total comprehensive expense for the year attributable to the owners of the parent		**(8,479)**	(15,944)
Basic loss per share (US cents)		**(3.88)**	(7.25)
Diluted loss per share (US cents)		**(3.88)**	(7.25)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31st December 2016 $000	31st December 2015 $000
Non-current assets			
Intangible exploration and evaluation assets	4	**18,846**	25,074
Property, plant and equipment		**17**	34
		18,863	25,108
Current assets			
Inventories		**1,948**	1,320
Trade and other receivables		**6,540**	550
Cash and cash equivalents		**88,058**	98,653
		96,546	100,523
Total assets		**115,409**	125,631
Equity			
Share capital		**149,014**	149,014
Share premium		**378,863**	378,863
Currency translation reserve		**(169)**	(219)
Retained deficit		**(449,318)**	(440,862)
Total equity		**78,390**	86,796
Non-current liabilities			
Long-term provisions	5	**14,472**	32,395
		14,472	32,395
Current liabilities			
Trade and other payables		**1,363**	2,740
Short-term provisions	5	**21,184**	3,700
		22,547	6,440
Total liabilities		**37,019**	38,835
Total equity and liabilities		**115,409**	125,631

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital $000	Share premium $000	Currency translation reserve $000	Retained deficit [1] $000	Total $000
At 1 January 2015	149,014	378,863	(225)	(425,209)	102,443
Loss for the year	-	-	-	(15,950)	(15,950)
Currency translation adjustments	-	-	6	-	6
Total comprehensive expense for the year attributable to the owners of the parent	-	-	6	(15,950)	(15,944)
Share option charge for the year	-	-	-	297	297
At 31 December 2015	149,014	378,863	(219)	(440,862)	86,796
Loss for the year	-	-	-	(8,529)	(8,529)
Currency translation adjustments	-	-	50	-	50
Total comprehensive expense for the year attributable to the owners of the parent	-	-	50	(8,529)	(8,479)
Share option charge for the year	-	-	-	73	73
At 31 December 2016	**149,014**	**378,863**	**(169)**	**(449,318)**	**78,390**

[1] The share option reserve has been included within the retained deficit reserve and is a non-distributable reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2016	2015
		$000	$000
Operating activities:			
Loss before tax		**(8,529)**	(15,950)
Depreciation, depletion & amortisation		**32**	54
Impairment expense	4	**7,375**	8,183
Chinguetti cessation costs		**-**	(2,159)
Onerous provision		**(3,700)**	310
Finance income and gains		**(683)**	(356)
Finance expense and losses		**380**	1,056
Share-based payment charge		**75**	297
Operating cash flow prior to working capital movements		**(5,050)**	(8,565)
(Increase)/decrease in inventories		**(628)**	903
(Increase)/decrease in trade and other receivables		**(5,990)**	2,744
Decrease in trade and other payables		**(1,377)**	(2)
Increase in short-term provisions		**4,200**	-
		(8,845)	(4,920)
Cash outflow from continuing operations		**(8,835)**	(4,877)
Cash outflow from discontinued operations		**(10)**	(43)
Net cash flow (used in)/generated from operating activities		**(8,845)**	(4,920)
Investing activities			
Interest received		**683**	356
Purchase of property, plant and equipment		**(15)**	(16)
Exploration and evaluation costs		**(1,147)**	(4,831)
Decommissioning costs	5	**(1,088)**	-
Net cash used in investing activities		**(1,567)**	(4,491)
Net decrease in cash and cash equivalents		**(10,412)**	(9,411)
Cash and cash equivalents at beginning of year		**98,653**	108,148
Effect of foreign exchange rate changes		**(183)**	(84)
Cash and cash equivalents at end of year		**88,058**	98,653

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The preliminary results announcement is for the year ended 31 December 2016.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2016 or 2015, but is derived from those accounts. Statutory accounts for 2015 have been delivered to the Registrar of Companies and those for 2016 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs.

The Annual Report and Accounts and the notice for the Company’s Annual General meeting, which is to be held at 11.00 a.m. on 25 April 2017, will be posted to Shareholders on or about 30 March 2017.

2. Going concern

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Operations Review. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review.

The Group has sufficient cash resources for its working capital needs and its committed capital expenditure programme at least for the next 12 months. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

3. Operating segments

		Africa		Middle East (Discontinued)		Total	
		2016	2015	**2016**	2015	**2016**	2015
		$000	$000	**$000**	$000	**$000**	$000
Statement of comprehensive income							
Revenue		**4,815**	5,031	**-**	-	**4,815**	5,031
Cost of sales		**(2,262)**	(6,028)	**-**	-	**(2,262)**	(6,028)
Gross profit/(loss)		**2,553**	(997)	**-**	-	**2,553**	(997)
Impairment of E&E assets	Note 4	**(7,375)**	(8,183)	**-**	-	**(7,375)**	(8,183)
Accruals release		**-**	-	**-**	5	**-**	5
Pre-licence costs		**(1,951)**	(2,212)	**-**	-	**(1,951)**	(2,212)
Onerous contract		**-**	(3,700)	**-**	-	**-**	(3,700)
Chinguetti cessation costs		**-**	2,159	**-**	-	**-**	2,159
Segment result		**(6,773)**	(12,933)	**-**	5	**(6,773)**	(12,928)
Unallocated corporate expenses						**(2,045)**	(2,310)
Loss from operations						**(8,818)**	(15,238)
Finance income						**683**	356
Finance expense						**(394)**	(1,068)
Loss before tax						**(8,529)**	(15,950)
Tax						**-**	-
Loss attributable to owners of the parent						**(8,529)**	(15,950)

4. Intangible Exploration and Evaluation ("E&E") assets

	Group
	$000
Net book value at 1 January 2015	28,426
Additions during the year	4,831
Impairment for the year	(8,183)
Net book value at 31 December 2015	25,074
Additions during the year	1,147
Impairment for the year	(7,375)
Net book value at 31 December 2016	**18,846**

Impairment for the 2016 refers to the full impairment of the Ambilobe and C-3 assets (2015: Ntem).

5. Short and Long-term provisions

Short-term provisions are detailed in the table below:

	Group	
	2016	2015
	$000	$000
Onerous commitment	**-**	3,700
Decommissioning provision (a)	**16,984**	-
Odewayne consideration	**4,000**	-
Other provisions	**200**	-
	21,184	3,700

a) Decommissioning provisions	**2016**
Group	**$000**
At 1 January	**-**
Transferred from long term provision	**18,072**
Used	**(1,088)**
	16,984

Long-term provisions are detailed in the table below:

Decommissioning provisions	**2016**	2015
Group	**$000**	$000
At 1 January	**32,395**	22,667
Increase in decommissioning provision	**-**	8,762
Unwinding of discount	**149**	966
Transferred to short term provision	**(18,072)**	-
	14,472	32,395

6. Subsequent event

No significant subsequent events requiring disclosure or adjustment have occurred.

DEFINITIONS AND GLOSSARY OF TERMS

$	US dollars
2006 Act	the Companies Act 2006, as amended
1P	proven reserves (both proved developed reserves + proved undeveloped reserves).
2D	two dimensional
2P	1P (proven reserves) + probable reserves, hence "proved AND probable."
3D	three dimensional
3P	the sum of 2P (proven reserves + probable reserves) + possible reserves, all 3Ps "proven AND probable AND possible."
AIM	AIM, a market of the London Stock Exchange
All Staff LTIP	the All Staff Long-Term Incentive Plan adopted in 2009
AGM	Annual General Meeting
Articles	the Articles of Association of the Company
bbl	barrel, equivalent to 42 US gallons of fluid
bopd	barrel of oil per day
boe	barrel of oil equivalent, a measure of the gas component converted into its equivalence in barrels of oil
Board	the Board of Directors of the Company
Combined Code or Code	UK Corporate Governance Code
Companies Act	the Companies Act (as amended 2006)
Company	Sterling Energy plc
CSOP	Company Share Option Plan (HMRC approved share option scheme)
Directors	the Directors of the Company
E&P	exploration and production
Adjusted EBITDAX	earnings before interest, taxation, depreciation, depletion and amortisation, impairment, share-based payments, provisions, and pre-licence expenditure
EITI	Extractive Industries Transparency Initiative

EUR	the total amount of hydrocarbons expected to be produced from the hydrocarbon accumulation over the life of the project. Estimated ultimate recovery is synonymous with recoverable resource and the terms are used interchangeably.
Farm-in & Farm-out	a transaction under which one party (farm-out party) transfers part of its interest to a contract to another party (farm-in party) in exchange for a consideration which may comprise the obligation to pay for some of the farm-out party costs relating to the contract and a cash sum for past costs incurred by the farm-out party
FA	Funding Agreement
FCA	Financial Conduct Authority
FPSO	Floating, Production, Storage and Offloading vessel
G&G	geological and geophysical
GBP	pounds sterling
Genel Energy	Genel Energy Somaliland Limited
Group	the Company and its subsidiary undertakings
HMRC	Her Majesty's Revenue and Customs
HMRC Approved Sub-Plan or HMRC Sub-Plan	The HMRC approved sub-plan of the All Staff LTIP
HSSE	Health, Safety, Security and Environment
hydrocarbons	organic compounds of carbon and hydrogen
IFRS	International Financial Reporting Standards
Index	FTSE 350 Index
JV	joint venture
K	thousands
km	kilometre(s)
km^2	square kilometre(s)
lead	indication of a potential exploration prospect
London Stock Exchange or LSE	London Stock Exchange Plc
m	metre(s)
mcf	thousand cubic feet

NED LTIP	non-executive Director Long Term Incentive Plan adopted in 2009
OECD	Organisation for Economic Cooperation and Development
OPU	Oil Protection Unit
Ordinary Shares	ordinary shares of 40 pence each
P90	the value on a probabilistic distribution which is exceeded by 90% of the outcomes.
P50	the value on a probabilistic distribution which is exceeded by 50% of the outcomes. The P50 is also the median value of the distribution.
P10	the value on a probabilistic distribution which is exceeded by 10% of the outcomes.
Pmean	the average of the values in the probabilistic distribution between defined ‘boundary conditions’. Universally regarded as the best single value to quote or communicate for any uncertain distribution of outcomes involved in repeated trial investigations.
Panel or Takeover Panel	the Panel on Takeovers and Mergers
Petroleum	oil, gas, condensate and natural gas liquids
Petroleum system	geologic components and processes necessary to generate and store hydrocarbons, including a mature source rock, migration pathway, reservoir rock, trap and seal.
Petronas	PC Mauritania 1 PTY LTD
Petrosoma	Petrosoma Limited (JV partner in Somaliland)
Premier	Premier Oil PLC
Pre Stack Depth Migration	process by which seismic events are geometrically re-located in space and depth to the location the event occurred in the subsurface
Prospect	an area of exploration in which hydrocarbons have been predicted to exist in economic quantity. A group of prospects of a similar nature constitutes a play.
PSA	production sharing agreement
PSC	production sharing contract
Pura Vida	Pura Vida Mauritius

RA	Royalty Agreement
Reserves	reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria; they must be discovered, recoverable, commercial and remaining based on the development projects applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by development and production status
Reservoir	a porous and permeable rock capable of containing fluids
Seismic	data, obtained using a sound source and receiver, that is processed to provide a representation of a vertical cross-section through the subsurface layers
SESP	Sterling Energy plc share price
Shares	40p ordinary shares
Shareholders	ordinary shareholders of 40p each in the Company
SMHPM	Société Mauritanienne Des Hydrocarbures et de Patrimoine Minier (Mauritania's national oil company)
Subsidiary	a subsidiary undertaking as defined in the 2006 Act
Tcf	Trillion cubic feet
TSR	total shareholder return (End Share Price – Opening Share Price/Opening Share Price) plus (Sum of Dividends per Share/Opening Share Price)
Tullow Mauritania Limited	Tullow Oil
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
UK Corporate Governance Code	Formerly the Combined Code, sets out standards of good practice in relation to Board leadership and effectiveness, remuneration, accountability and relations with shareholders
Waterford Finance and Investment Limited	Waterford
Working Interest or WI	a Company's equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms