22 March 2018

STERLING ENERGY PLC

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

Sterling Energy plc is today issuing its preliminary results for the year ended 31 December 2017.

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 and the Middle East. The Group has a high potential exploration asset in Somaliland and an active strategy to deliver shareholder value through disciplined, material exploration and production projects; leveraging the Company's experience, with an emphasis on securing near term cash flow generative opportunities.

2017 SUMMARY

Operations

- April 2017: Odewayne block, Somaliland; reduction in exposure to deferred consideration payments.
- September 2017: Odewayne block, Somaliland; 1,000km 2D seismic campaign completed.
- November 2017: C-10 block, Mauritania; exit (13.5% working interest).
- Production, net to the Company from the Chinguetti field (including royalty barrels), averaged 199 barrels of oil per day ('bopd') (2016: 279 bopd).

Corporate

- January 2017: Refreshed Board and non-executive Directors appointed.
- June 2017: Completion of capital restructuring.
- October 2017: Relocation to new office (forecasted ca. 60% cost savings).
- December 2017: CEO resignation. Eskil Jersing to remain in the post to effect an orderly handover. Departure date in Q2 2018.

Financial

- Adjusted Earnings before Interest, Tax, Depreciation, Amortisation and Exploration Expense ('EBITDAX') loss for the Group of $5.9 million (2016: $3.1 million loss).
- Cash resources net to the Group at 31 December 2017 of $81.4 million (2016: $88.1 million).
- The Group remains debt free and fully funded for all commitments.
- Ongoing focus on capital discipline, cash G&A expenses reduced by ca. 15% to $3.9 million and is forecast to be ca. 25% lower in 2018.
- Continued merger and acquisition ('M&A') mandate for transformational growth (asset and corporate options).

Post year end

- January 2018: Chinguetti, Mauritania; cessation of production ('CoP') and negotiated termination of the Funding Agreement.

For further information contact:

Sterling Energy plc	**+44 (0) 20 7405 4133**
Eskil Jersing, Chief Executive Officer	
Michael Kroupeev, Chairman	
Peel Hunt LLP	**+44 20 7418 8900**
Richard Crichton	
Ross Allister	
www.sterlingenergyplc.com	**Ticker Symbol: SEY**

CHAIRMAN'S STATEMENT

Though 2017 was a year of partial oil price recovery, the question remains if this is a sign of reduced volatility and that the global oil market is finally finding its supply-demand balance.

Since 2014, a prolonged period of volatility has led to junior natural resource companies facing operational challenges and restricting their access to capital markets. We successfully navigated through this period without significant losses in our core values, and given the markets were still unsupportive, we managed to reduce our exposure to mid-term exploration. In 2017, we implemented our strategy of exiting from the Mauritanian C-10 block at low cost and also reduced our position in the Somaliland Odewayne block.

Oil production from the Chinguetti field ceased at the end of the year. Following a negotiated Deed of Termination settlement in January 2018, we are no longer exposed to this asset and the potential for escalating costs and project scope creep.

Following a period of instability in the oil market, many large portfolios of assets have been available for reorganisation and divestment. Numerous technically sound and material upstream opportunities have come to the market and were pursued by our team during 2017. No deals were concluded in the year, although due diligence is ongoing on a number of opportunities.

Financial

In 2017, business costs were further reduced by continued rationalisation of our structure and overheads. The Group had cash resources of $81.4 million at the end of 2017 (prior to the Chinguetti Funding Agreement termination settlement) and we remain free of debt with our work programme for 2018 fully funded.

Board and changes

In December 2017, Eskil Jersing elected to accept another appointment and resigned from the CEO role. The Board is currently reviewing options to further optimise the governance of the Company and will make appointments in due course. We would like to thank Eskil for his excellent contribution and achievements during his CEO tenure.

Outlook for 2018 and beyond

The outlook for 2018 to 2019 is positive. The Company is now in a good shape to pursue real time opportunities in our regions of focus and with strong expertise. Should market conditions worsen, we will preserve our capabilities and strengths, accordingly.

I would like to thank all our stakeholders for their continuing support and all of our management and staff for their diligent efforts during 2017.

Michael Kroupeev – Chairman

CEO'S STATEMENT

Market Landscape

The previous year has seen oil prices move within a relatively narrow band between $52 and $60. This period of price stability has allowed for better Upstream sector planning and more efficient project execution. This is in part due to OPEC and non OPEC members, led by Russia, agreeing to continue production cuts through into 2018.

The Oil and Gas industry continues on its slow recovery which though prolonged, will likely persist in constraining oil prices. This assumes ongoing compliance with OPEC led global production targets and recognises uncertainty around the likelihood of US shale oil production growth in the second half of 2018. As a result, market conditions remain somewhat strained as Companies seek greater returns on upstream investments amid capital markets being highly selective in their funding appetite for the E&P sector.

Shareholder alignment and Strategy

The Board, led by the major shareholder, Michael Kroupeev, has continued on the 2016 strategic mandate of repositioning the Company to execute on M&A led material cash flow generating asset(s) or Corporate solutions to the shareholders. In parallel, the overarching focus for management has been on continued cash preservation and reduction of outstanding asset liability exposure, in particular with respect to the Chinguetti oil field abandonment and decommissioning ('A&D') project.

Through early 2018 we have delivered on those initiatives, bar executing on a material M&A transaction. As a result, Sterling retains a unique position in the AIM listed E&P sector, with a strong cash platform of $48.8 million (post Chinguetti Deed of Termination as at 31 January 2018), lower G&A cost base and no liabilities, from which to leverage material growth.

Operations

The Group has had a Funding and Royalty Agreement based economic interest in the offshore Chinguetti oil field in Mauritania. The joint venture ('JV') participants, led by the Operator, Petronas, worked towards CoP at the end of 2017, through a safe, compliant and cost effective A&D project plan.

Given the corporate strategy and significant exposure to potentially major A&D operational risk and cost overruns, Sterling agreed to terminate the Funding Agreement on Chinguetti in January 2018 for $32.6 million. This was the culmination of almost two years of negotiations and persistence. The crystallisation of this liability exposure has cleaned up our balance sheet and allows for significantly improved optionality on the Company's strategic mandate.

On the C-10 block in Mauritania; in November 2017, we undertook a disciplined exit given the low likelihood of commercial hub-class risked potential. This was based on an extensive subsurface evaluation undertaken over the last two years. Subsequently, a penalty payment of $1.1 million for not fulfilling the minimum work obligations has been made to the Government as of March 2018.

With regards the Odewayne block in Somaliland; in April 2017, we reduced our overall cash exposure, by amending the farm-out agreement whilst still maintaining a material 34% working interest in the asset. Subsequently, we successfully and safely completed a ca. 1,000km regional 2D seismic acquisition program in Q3 2017 and will be trial line processing the data in house in Q1 2018.

Corporate

In June 2017 we completed a capital reduction reducing the nominal share value from 40 pence to 10 pence in order to eliminate our retained deficit, create distributable reserves, allow for the flexibility to make returns of capital to the shareholders and give the Company the option to issue new capital, should it be desirable to do so.

In October 2017, we moved to a smaller and more cost effective office space in Holborn and will see further G&A cost savings materialise into 2018.

Finally, I would like to truly thank the team at Sterling. They have my utmost respect and gratitude for their dedication and professionalism these last three years. It has been an honour to serve as your CEO leading the changed mandate. It is fitting that Sterling should embark on its next phase under new leadership, with a fresh and clean platform for growth. I wish my successor all the very best in steering the future progress of the Company to create shareholder value.

Eskil Jersing - Chief Executive Officer

OPERATIONS REVIEW

Since late 2015, the Company has continued with a strategic mandate of exiting non-core exploration portfolio assets and reducing outstanding liabilities, to provide a simpler and rejuvenated platform for M&A led growth. The Group's remaining African exploration focused Odewayne block provides fully carried exposure to a frontier basin that has the potential to deliver material hydrocarbon reserves.

SOMALILAND

Somaliland offers one of the last opportunities to target an undrilled onshore Mesozoic rift basin in Africa. The Odewayne block, with access to Berbera deepwater port less than a 100km to the north, is ideally located to explore this frontier basin. A 2D geophysical survey acquired in 2017, along with potential field data and legacy geological field studies help corroborate the presence of a sedimentary basin with further evidence for a working hydrocarbon system.

Odewayne (W.I. 34%) Exploration block

Overview

This large and unexplored frontier acreage position comprises an area of 22,840km^2, the equivalent of ca. 100 UK North Sea blocks. Exploration activity prior to the 2017 regional 2D seismic acquisition program has been limited to the acquisition of airborne gravity and magnetic data and surface fieldwork studies, with no wells drilled on block.

The Odewayne production sharing agreement ('PSA') was awarded in 2005. It is in the Third Period, with a minimum work obligation of 500km of 2D seismic. The Third Period has been extended to 2 November 2019, through the 6th deed of amendment. 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'), holds a 34% working interest in the PSA. SE(EA)L originally acquired a 10% position from Petrosoma Limited ('Petrosoma') in November 2013 and an additional 30% from Jacka Resources Somaliland Limited ('Jacka') in two transactions during 2014.

In April 2017, the Company agreed to revised farm-out terms to reduce the staged contingent consideration payments due to Petrosoma and reduce SE(EA)L's interest in the Odewayne asset by 6%. The farm-out agreement was amended such that the parties cancelled the $8.0 million contingent consideration in return for: (i) a payment by SE(EA)L to Petrosoma of $3.5 million; and (ii) a transfer from SE(EA)L to Petrosoma of a 6% interest in the PSA. Post Government of Somaliland approval, SE(EA)L holds a 34% interest in the Odewayne Block, fully carried by Genel Energy Somaliland Limited ('Genel Energy') for its share of the costs of all exploration activities during the Third and Fourth Periods of the PSA.

In June 2017, the Somali Government (Ministry of Energy and Minerals) contracted BGP (Geophysical contractor) to undertake a 1,000km (full fold, 1,076km surface) 10km by 10km, 2D seismic campaign, to both satisfy and exceed the 500km minimum work program for the current Third Period. This acquisition program was undertaken over the basinal areas identified from the potential fields (gravity and magnetic) legacy data. The three month program was completed in late August 2017, safely and on time, with the second 500km recorded at an average of 14.5km per day.

Outlook

As of November 2017, Sterling undertook an integrated geological review of the basic post stack processed 2D dataset provided by the Operator Genel Energy. Following encouraging technical indications, the Company will undertake a highly focused and rigorous processing effort, independent of the Operator. The first phase deliverables will be a full pre stack time migrated dataset, consisting of 3 lines of ca. 235km. The primary technical objective will be improving the deeper subsurface image. Should this be successful, a second phase of processing will be undertaken on the remaining 765km (13 lines) of data. This workflow will allow for an informed technical and commercial perspective on the block by end Q2 2018.

MAURITANIA

The Group has had an economic interest (ca. 9.5% of cumulative production through the Funding Agreement and a 6% Royalty Agreement derived from Premier's WI) in the Chinguetti oil field through a Funding Agreement with Société Mauritanienne Des Hydrocarbures et de Patrimoine Minier ('SMHPM'), Mauritania's national oil company since 2004, and a Royalty Agreement with Premier Oil ('Premier') since 2006.

Since 2016, a persistent and ultimately successful Board mandate has focused on crystallising the Company's A&D liability exposure on Chinguetti.

Additionally, post extensive regional and prospect level evaluations it was decided to exit the C-10 block in November 2017.

For Sterling, these activities comprised the final elements of a strategic exit from Mauritania. In particular, the settlement of A&D costs for a fixed amount with no exposure to future operational risk and/or cost overruns allow for certainty for the business as it plans for 2018 and beyond.

Chinguetti

Overview

Gross production for the Chinguetti oil field during 2017 averaged 3,524 bopd (2016: 4,549 bopd). Average production net to the Group, from the Group's economic interests during 2017, was 199 bopd (2016: 279 bopd). Production was in steady decline throughout the year, reflecting the approaching 31 December 2017 CoP.

As of 26 January 2018, in light of the CoP from the Chinguetti oil field, the Company, the Government of Mauritania and SMHPM agreed to terminate the Funding Agreement ('Deed of Termination'). The Deed of Termination provides for a payment (made on 26 January 2018) by Sterling to the Government of Mauritania and SMHPM of a fixed sum of $32.6 million to settle any and all claims under the Funding Agreement, including Sterling's obligation to pay for its share of A&D costs and outstanding 2018 operational expenditures. As a result, Sterling has no residual exposure to the A&D costs.

C-10 Exploration block (Relinquished November 2017)

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 surrounds 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 Operator in 2017, on behalf of the JV, undertook lengthy and ultimately unsuccessful negotiations with the Government, to secure a one year extension through committing to a new inboard 3D seismic survey. Subsequent, SEML determined that whilst the block was deemed technically prospective, there was insufficient commercial justification to entering Phase 3 (3 year term), with a minimum work obligation of 2 wells. Accordingly, the PSC second phase exploration period, with a minimum work obligation of one exploration well expired on 30 November 2017.

Outlook

Given that the JV did not fulfill the minimum work obligations, the gross penalty payment owing to the Mauritanian government is $7.5 million ($1.1 million net to SEML) and was paid in March 2018.

Anish Airi - Subsurface Manager

FINANCIAL REVIEW

Selected financial data		**2017**	2016
Chinguetti production	Bopd	**199**	279
Revenue	$million	**4.4**	4.8
Adjusted EBITDAX [1]	$million	**(5.9)**	(3.1)
Loss after tax	$million	**(9.0)**	(8.5)
Net cash investment in oil & gas assets	$million	**3.7**	1.1
Year end cash net to the Group	$million	**81.4**	88.1
Average realised oil price	$/bbl	**48.2**	39.8
Total cash operating costs (produced)	$/bbl	**87.1**	64.6
Year end share price	Pence	**13.8**	15.0
Share price change	%	**(8)**	3
Debt	$million	**-**	-

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

Revenue and cost of sales

2017 Chinguetti production, net to the Group, averaged 199 bopd (including royalty barrels), a decrease of 29% from the 279 bopd averaged in 2016. The reduced volumes were a result of operational difficulties, relating to subsea valve integrity in late Q3 where production had reduced by 36% in comparison to Q2; notwithstanding the expected decline in production for the field, until its CoP on 31 December 2017.

Gross volumes lifted and sold during the year from the Chinguetti oil field were down by 36% to 1.4 million barrels over three cargo liftings (2016: 2.2 million barrels over four cargo liftings); whilst the reduction in gross volumes can be partly attributed to the extra lift in 2016, on average cargo volumes were down by 17% in 2017.

The achieved direct operating lifting cost per barrel increased in 2017 by $14.4 to $68.8 (2016: $54.4) due to reduced lifting volumes. Cost of sales for the Group in 2017 increased by $2.0 million (excluding the 2016 onerous contract provision) due largely to the reduction in inventory entitlement. Inventories at 31 December 2017 stood at 6k barrels (2016: 39k barrels).

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

	2017	**2016**
Liftings (bbls)[1]	92,056	121,031
Revenue ($million)	4.4	4.8
Revenue / bbl ($)	48.2	39.8
Direct lifting cost ($million)[2]	(6.3)	(6.6)
Direct operating lifting cost / bbl ($)[2]	(68.8)	(54.4)

[1] Net Sterling production during the year totalled 72,697 (2016: 101,939)

[2] Excluding 2016 onerous contract provision

Loss for year

The 2017 loss totalled $9.0 million (2016: loss $8.5 million).

	$ million
Loss for year 2016	**(8.5)**
Impairment of Ambilobe (2016)	3.8
Impairment of C-3 (2016)	3.5
Onerous contract provision (2016)	(3.7)
Decrease in revenue	(0.4)
Increase in cost of sales	(2.0)
Impairment of C-10 (2017)	(2.8)
Chinguetti cessation credit (2017)	0.9
Increase in net finance income	0.2
Loss for year 2017	**(9.0)**

During 2017, the Group fully impaired the C-10 block in Mauritania ($2.8 million).

Group cash general and administrative overhead decreased by 15% during the year to $3.9 million (2016: $4.6 million).

The continued reduction in the Group's administrative overhead is in keeping with the Board driven mandate for cash perseveration. In 2017 the Group's wages and salaries (excluding share-based payments) have reduced by 21%. Relocation to a smaller office in October 2017 will yield further savings going into 2018.

	2017 $ million	2016 $ million
Group administrative overhead (page 10)	**(2.4)**	**(2.0)**
Costs capitalised	(0.1)	(0.8)
Costs recharged to JV partners	-	(0.1)
Pre-licence expenditure	(1.4)	(1.8)
	(1.5)	**(2.7)**
Share based payment expense	(0.1)	0.1
Other non-cash expenditure	0.1	0.0
Group cash G&A expense	**(3.9)**	**(4.6)**

In 2017, a portion of the Group's staff costs and associated overheads have been expensed as pre-licence expenditure ($1.4 million), or capitalised ($66k) where they are directly assigned to capital projects. This totalled $1.5 million in the year (2016: $2.7 million).

The basic loss per share was $0.04 per share (2016: loss $0.04 per share).

Adjusted EBITDAX and net loss

Group adjusted EBITDAX (as defined within the definitions and glossary of terms) loss totalled $5.9 million (2016: $3.1 million loss):

	2017 $ million	2016 $ million
Loss after tax (page 10)	**(9.0)**	(8.5)
Finance costs	(0.5)	(0.3)
Impairment	2.8	7.4
Pre-licence costs	1.6	2.0
Chinguetti cessation costs	(0.9)	(3.7)
Share-based payments	(0.1)	0.1
Total EBITDAX (Adjusted)	**(5.9)**	(3.1)

Net finance income (interest received less finance expenses) totalled $459k in the year (2016: $290k income).

Interest received increased by ca. 61% during the year to $1.1 million (2016: $683k) as a result of improving deposit rates and a proactive focus on treasury management.

Finance expenses include; a non-cash finance expense of $707k (2016: $149k) relating to the accelerated unwinding of the Chinguetti decommissioning provision, exchange gains of $98k (2016: $231k losses) on GBP cash deposits reported in US dollars and other finance expenses of $21k (2016: $14k).

No dividend is proposed to be paid for the year ended 31 December 2017 (2016: $nil).

Cash flow

Net Group cash outflow generated from operating activities was $4.2 million (2016: $9.9 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 $3.7 million (2016: $1.1 million) and are summarised below:

	2017 $ million	**2016 $ million**
Mauritania	0.2	1.0
Somaliland	3.5	-
Madagascar	-	0.1
	3.7	1.1

The investment in Somaliland relates to the April 2017 revised farm-out terms with Petrosoma, which reduced the staged contingent consideration payments due, as discussed in the Operations.

Statement of financial position

At year end, cash and cash equivalents totalled $81.4 million (2016: $88.1 million).

At the end of 2017, net assets/total equity stood at $69.3 million (2016: $78.4 million), and non-current assets totalled $21.1 million (2016: $18.9 million). Net current assets reduced to $48.2 million (2016: $74.0 million) due in part to the movement in decommissioning provision from non-current to current liabilities.

At the end of 2017 the Group's exposure to abandonment and decommissioning costs relating to the Chinguetti oil field totalled $32.5 million, based on settlement discussions with SMHPM (see Note 6) being split between short-term provisions ($28.7 million) and trade payables ($3.8 million).

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

	31st December 2017 $000	31st December 2016 $000
Revenue	**4,433**	4,815
Cost of sales	**(7,917)**	(2,262)
Gross (loss)/profit	**(3,484)**	2,553
Other administrative expenses	**(2,379)**	(2,045)
Impairment of oil and gas exploration assets	**(2,834)**	(7,375)
Pre-licence costs	**(1,628)**	(1,951)
Chinguetti cessation credit	**866**	-
Total administrative expenses	**(5,975)**	(11,371)
Loss from operations	**(9,459)**	(8,818)
Finance income	**1,089**	683
Finance expense	**(630)**	(394)
Loss before tax	**(9,000)**	(8,529)
Tax	**-**	-
Loss for the year attributable to the owners of the parent	**(9,000)**	(8,529)
Other comprehensive (expense)/income - items to be reclassified to the income statement in subsequent periods		
Currency translation adjustments	**(20)**	50
Total other comprehensive (expense)/income for the year	**(20)**	50
Total comprehensive expense for the year attributable to the owners of the parent	**(9,020)**	(8,479)
Basic loss per share (US cents)	**(4.09)**	(3.88)
Diluted loss per share (US cents)	**(4.09)**	(3.88)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31st December 2017 $000	31st December 2016 $000
Non-current assets			
Intangible exploration and evaluation assets	4	**21,041**	18,846
Property, plant and equipment		**14**	17
		21,055	18,863
Current assets			
Inventories		**363**	1,948
Trade and other receivables		**868**	6,540
Cash and cash equivalents		**81,365**	88,058
		82,596	96,546
Total assets		**103,651**	115,409
Equity			
Share capital		**28,143**	149,014
Share premium		**-**	378,863
Currency translation reserve		**(189)**	(169)
Retained earnings/(deficit)		**41,343**	(449,318)
Total equity		**69,297**	78,390
Non-current liabilities			
Long-term provisions		**-**	14,472
		-	14,472
Current liabilities			
Short-term provisions		**28,659**	21,184
Trade and other payables		**5,695**	1,363
		34,354	22,547
Total liabilities		**34,354**	37,019
Total equity and liabilities		**103,651**	115,409

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital $000	Share premium $000	Currency translation reserve $000	Retained earnings [1] $000	Total $000
At 1 January 2016	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
Loss for the year	-	-	-	(9,000)	(9,000)
Currency translation adjustments	-	-	(20)	-	(20)
Total comprehensive expense for the year attributable to the owners of the parent	-	-	(20)	(9,000)	(9,020)
Capital reduction	(120,871)	(378,863)	-	499,734	-
Share option credit for the year	-	-	-	(73)	(73)
At 31 December 2017	**28,143**	-	**(189)**	**41,343**	**69,297**

[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	2017 $000	2016 $000
Operating activities:			
Loss before tax		**(9,000)**	(8,529)
Depreciation, depletion & amortisation		**10**	32
Impairment expense		**2,834**	7,375
Chinguetti cessation credit		**(866)**	-
Onerous provision		**-**	(3,700)
Finance income and gains		**(1,089)**	(683)
Finance expense and losses		**609**	380
Share-based payment charge		**(73)**	75
Decommissioning costs	5	**(125)**	(1,088)
Operating cash flow prior to working capital movements		**(7,700)**	(6,138)
Decrease/(increase) in inventories		**1,585**	(628)
Decrease/(increase) in trade and other receivables		**5,672**	(5,990)
Increase/(decrease) in trade and other payables		**4,332**	(1,377)
(Decrease)/increase in provisions		**(8,041)**	4,200
		(4,152)	(9,933)
Cash outflow from continuing operations		**(4,152)**	(9,923)
Cash outflow from discontinued operations		**-**	(10)
Net cash flow used in operating activities		**(4,152)**	(9,933)
Investing activities			
Interest received		**1,089**	683
Purchase of property, plant and equipment		**(7)**	(15)
Exploration and evaluation costs	4	**(3,690)**	(1,147)
Net cash used in investing activities		**(2,608)**	(479)
Net decrease in cash and cash equivalents		**(6,760)**	(10,412)
Cash and cash equivalents at beginning of year		**88,058**	98,653
Effect of foreign exchange rate changes		**67**	(183)
Cash and cash equivalents at end of year		**81,365**	88,058

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The preliminary results announcement is for the year ended 31 December 2017.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2017 or 2016, but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies and those for 2017 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 2018, 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 is the Groups sole operating segment. The UK corporate office is a technical and administrative cost centre. The operating results of each segment are regularly reviewed by the Board of Directors in order to make decisions about the allocation of resources and to assess their performance.

The following table's present revenue, profit and certain asset and liability information regarding the Group's operating segments for the year ended 31 December 2017 and for the year ended 31 December 2016.

	Africa		Total	
	2017	2016	**2017**	2016
	$000	$000	**$000**	$000
Statement of comprehensive income				
Revenue [1]	**4,433**	4,815	**4,433**	4,815
Cost of sales	**(7,917)**	(2,262)	**(7,917)**	(2,262)
Gross (loss)/profit	**(3,484)**	2,553	**(3,484)**	2,553
Impairment of E&E assets	**(2,834)**	(7,375)	**(2,834)**	(7,375)
Pre-licence costs	**(1,628)**	(1,951)	**(1,628)**	(1,951)
Chinguetti cessation costs	**866**	-	**866**	-
Segment result	**(7,080)**	(6,773)	**(7,080)**	(6,773)
Unallocated corporate expenses			**(2,379)**	(2,045)
Loss from operations			**(9,459)**	(8,818)
Finance income			**1,089**	683
Finance expense			**(630)**	(394)
Loss before tax			**(9,000)**	(8,529)
Tax			**-**	-
Loss attributable to owners of the parent			**(9,000)**	(8,529)

Unallocated corporate expenses (general and administrative overheads) include amounts of a corporate nature and not specifically attributable to a reportable segment.

	Corporate		Africa		Total	
	2017	2016	**2017**	2016	**2017**	2016
	$000	$000	**$000**	$000	**$000**	$000
Other segment information						
<u>Capital additions</u>						
Property, plant and equipment	**15**	15	**-**	-	**15**	15
Exploration and evaluation	**-**	-	**5,029**	1,147	**5,029**	1,147
Depreciation, depletion & amortisation	**(10)**	(32)	**-**	-	**(10)**	(32)
Impairment expense	**-**	-	**(2,834)**	(7,375)	**(2,834)**	(7,375)
Segment assets and liabilities						
Non-current assets [2]	**14**	17	**21,041**	18,846	**21,055**	18,863
Segment assets [3]	**81,772**	88,570	**824**	7,976	**82,596**	96,546
Segment liabilities [4]	**(484)**	(560)	**(33,870)**	(36,459)	**(34,354)**	(37,019)

[1] Revenue from continuing operations (Mauritania, Africa) includes amounts of $4.1 million (100% external) from one single customer (2016: $4.6 million).

[2] Segment non-current assets include $nil million in Mauritania (2016: $1.4 million) and $21.0 million in Somaliland (2016: $17.5 million).

[3] Corporate segment assets include $81.4 million cash and cash equivalents (2016: $88.1 million) and $406k other receivables (2016: $511k).

Carrying amounts of segment assets exclude investments in subsidiaries.

[4] Africa segment liabilities includes short and long-term provision of $28.7 million (2016: $35.7 million) and $5.2 million other payables (2016: $803k). Carrying amounts of segment liabilities exclude intra-group financing.

4. Intangible Exploration and Evaluation assets

	Group
	$000
Net book value at 1 January 2016	25,074
Additions during the year	1,147
Impairment for the year	(7,375)
Net book value at 31 December 2016	18,846
Additions during the year	5,029
Impairment for the year	(2,834)
Net book value at 31 December 2017	**21,041**

Included within additions are accruals of $1.3 million relating to C-10.

Impairment for 2017 refers to the full impairment of the C-10 asset (2016: Ambilobe and C-3).

Group intangible assets at the year end 2017:

Odewayne PSA - Somaliland: SE(EA)L 34%, Genel Energy 50%, Petrosoma 16%

Classified as a joint arrangement in accordance with IFRS 11.

5. Short and Long-term provisions

Short term provisions are detailed in the table below:

	Group		**Company**	
	2017	2016	**2017**	2016
	$000	$000	**$000**	$000
Decommissioning provision (a)	**28,659**	16,984	**28,659**	16,984
Odewayne consideration	**-**	4,000	**-**	-
Other provisions	**-**	200	**-**	-
	28,659	21,184	**28,659**	16,984

At 31 December 2016 the Odewayne consideration provision was recognised due to the possibility of certain operational milestones being met in 2017. In April 2017, the Company agreed to revised farm-out terms, to reduce the staged contingent consideration payments due Petrosoma and reduce SE(EA)L interest in the Odewayne asset by 6%.

The farm-out agreement was amended such that the parties cancelled the $8.0 million contingent consideration in return for: (i) a payment by SE(EA)L to Petrosoma of $3.5 million; and (ii) a transfer from SE(EA)L to Petrosoma of a 6% interest in the PSA.

a) Decommissioning provisions	**2017**	2016
Group/Company	**$000**	$000
At 1 January	**16,984**	-
Transferred from long term provision	**15,641**	18,072
Transferred to payables	**(3,841)**	-
Used	**(125)**	(1,088)
	28,659	16,984

Decommissioning provisions	**2017**	2016
Group/Company	**$000**	$000
At 1 January	**14,472**	32,395
Increase in decommissioning provision	**462**	-
Unwinding of discount	**707**	149
Transferred to short term provision	**(15,641)**	(18,072)
	-	14,472

The amounts shown above represent the estimated costs for decommissioning the Group's producing interests in respect of its economic interest in the Chinguetti field in Mauritania (see Note 6).

6. Subsequent event

Mauritania - termination of the Chinguetti Funding Agreement.

On the 26 January 2018 it was announced that the Company, the Government of Mauritania and SMHPM agreed to terminate the Funding Agreement ('Deed of Termination').

The Deed of Termination provided for a payment (made on 26 January 2018) by Sterling to the Government of Mauritania and SMHPM of $32.6 million to settle any and all claims under the Funding Agreement, including Sterling's obligation to pay for its share of A&D costs and outstanding 2018 operational expenditures.

As at 31 December 2017 short-term provisions amounted to $28.7 million with trade payables of $3.8 million, being the amount due to SMHPM. The residual amount relating to operational expenditures will be expensed in 2018.

DEFINITIONS AND GLOSSARY OF TERMS

$	US dollars
Companies Act or Companies Act 2006	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."
A&D	abandonment and decommissioning
AIM	AIM, a SME Growth 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
City Code	The City Code on Takeovers and Mergers
Company	Sterling Energy plc
CoP	cessation of production
CSOP	Company Share Option Plan (HMRC approved share option scheme)
Directors	the Directors of the Company
D&P	development and production assets
E&E	exploration and evaluation assets
E&P	exploration and production

EBITDAX (Adjusted)	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 of the United Kingdom
FPSO	Floating, Production, Storage and Offloading vessel
G&A	general and administrative
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
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
Index	FTSE 350 Index
Jacka	Jacka Resources Somaliland Limited
JV	joint venture
k	thousands
km	kilometre(s)

km^2	square kilometre(s)
KPIs	key performance indicators
lead	indication of a potential exploration prospect
London Stock Exchange or LSE	London Stock Exchange Plc
LTIP	long-term incentive plan
M&A	merger and acquisition
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
OPEC	Organisation of the Petroleum Exporting Countries
OPU	Oil Protection Unit
Ordinary Shares	ordinary shares of 10 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
QCA Code	Corporate Governance Code for Small and Mid-Size Quoted Companies 2012
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	10p ordinary shares
Shareholders	ordinary shareholders of 10p 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 Oil	Tullow Mauritania Limited
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
Waterford Finance and Investment	Waterford Limited
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