22 July 2011

STERLING ENERGY PLC

Results for the 6 months ending 30 June 2011

Sterling Energy Plc ("Sterling", the "Company" or the "Group"), (Ticker Symbol: SEY), an upstream oil and gas company with interests in Africa and the Middle East, today announces its results for the six month period ending 30 June 2011.

Summary

- Sangaw North-1 exploration well in Kurdistan drilled to total depth of 4,190m; flow tests recovered hydrocarbons at non-commercial rates.
- Average net Group production decreased by 8% to 626 bopd (H1 2010: 681 bopd).
- Group turnover decreased 22% to $9.5 million (H1 2010: $12.2 million).
- Profit after tax of $6.5 million (H1 2010: profit of $0.1 million).
- Cash flow from operations of $5.8 million (H1 2010: $3.8 million).
- Cash as at 30 June 2011 of $113.4 million ($100.1 million net of partner funds), no debt.

Prospects and Outlook

- In the Sangaw North block, onshore Kurdistan, an integrated interpretation of the 2D seismic and the data acquired during the Sangaw North-1 well operations will be conducted to determine the potential of the block prior to recommendations to the joint venture group on future activity.
- In the Ntem concession, a large block offshore Cameroon containing four material prospects, farm out activities have been progressed and the Company is in final discussions with interested parties. The block remains in force majeure awaiting the resolution of the maritime border dispute between Cameroon and Equatorial Guinea.
- The large Sifaka prospect in the Ampasindava block, offshore Madagascar, is ready to drill and Sterling awaits confirmation from ExxonMobil on the expected timing for the exploration well.
- In the Ambilobe block, offshore Madagascar, Sterling is continuing discussion with OMNIS, the state regulator, with regard to the extension of the exploration period of the licence.
- In the Chinguetti field, offshore Mauritania, production is declining at a significantly lower rate than previously observed supporting a field abandonment date over five years in the future given the current oil price environment.

An updated investor presentation will be available to view and download from the Company's website, www.sterlingenergyplc.com, on 22 July 2011.

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Chairman's Statement

For the last one and a half years, shareholders have waited patiently as the Company has managed the drilling activities at Sangaw North-1, an exploration well testing a large structure in the Kurdistan region of northern Iraq. That well has now been drilled and tested, and although the operations have been conducted safely, the outcome of un-commercial gas flow rates has been a disappointment. However, the Company has had the opportunity to test a very large upside potential with limited exposure to costs; the risk of unsuccessful wells is inherent in oil and gas exploration. All of the licence data, including those acquired during well operations, will now be integrated to determine the future potential in the area.

Elsewhere in the portfolio, the Company holds material interests in world class exploration assets in two emerging areas in Africa. In West Africa, Sterling has a 100% working interest and operatorship of the Ntem offshore block in which the Company has identified, based on 3D seismic analysis, four large deep water prospects each of which is estimated to contain prospective resources of several hundred million barrels. The Company has made excellent progress this year towards introducing a partner into the project who, in exchange for a working interest in the licence, will provide the funding for the initial exploration of this block. We expect to conclude the final discussions by the end of 2011.

In East Africa, an area that has seen significant exploration success over recent years, Sterling holds interests in two large high potential offshore licences in Madagascar. Of these, the ExxonMobil operated Ampasindava licence contains the giant Sifaka prospect which is ready to drill and may contain best estimate prospective resources of 1.2 billion barrels. Re-commencement of activity on this project awaits the formation of an internationally recognised government, following the elections planned for the second half of this year.

The Company retains economic interests in production from the Chinguetti field offshore Mauritania. The operator, Petronas, has worked to optimise operations on this mature field resulting in production declining significantly less than previously observed and field abandonment, based on recent production history and the current oil price environment, is now expected to be more than five years in the future. A third-party review of decommissioning costs indicates that these costs, when they occur, may be less than previously expected. The current positive cash flow from Sterling's share of production exceeds the Company's general and administration costs and makes a contribution to operations.

Sterling benefits from a strong balance sheet, with $113.4 million of cash at the middle of the year and no debt. With a reduced near-term requirement for capital expenditure in Kurdistan and, in the event of a farm out in Cameroon removing the need to retain capital for a well in the Ntem block, the Company can now budget a substantial proportion of cash resources to new ventures. The Company has committed more resources to identify potential new ventures, focusing on exploration and appraisal projects particularly in Africa and the Middle East regions.

The well result in Kurdistan has been a disappointment. However, the Company remains well placed, with production that generates positive cash flows, excellent exploration assets and a strong balance sheet, to grow and deliver shareholders materially enhanced value.

Alastair Beardsall
Chairman
21 July 2011

Operations Review

Kurdistan, Iraq - Sangaw North

In the Sterling operated Sangaw North block (53.33% WI), the Sangaw North-1 exploration well was drilled to a total depth of 4,190m into the Triassic Kurra Chine formation and in the current reporting period three flow tests were conducted across intervals between the Triassic Kurra Chine and the Cretaceous Kometan formations. Gas was produced, along with formation water, at rates that are not commercial and the well has been plugged and abandoned.

DST-3 tested an open-hole interval from 3,338m to 4,190m across the Jurassic Mus and Butmah formations and the Triassic Kurra Chine formation. The well flowed at a stabilised rate of approximately 4.6 million standard cubic feet of gas and 7,280 barrels of formation water per day during a 12 hour flow period through a 96/64ths inch choke with a wellhead pressure of 470 pounds per square inch. Analysis of gas samples, following the flow test, indicated that 53 per cent of the produced gas was hydrocarbon gas with the remainder comprising 46 per cent hydrogen sulphide and 1 per cent carbon dioxide.

DST-4 tested a 100m cased hole interval within the Jurassic aged Sargelu formation. Formation gas and water were observed in small quantities at surface but sustainable flow rates were not achieved.

DST-5 tested a 100m cased hole interval within the Cretaceous aged Kometan formation. The well flowed at a stabilised rate of approximately 0.4 million standard cubic feet of gas and 4,500 barrels of formation water per day during an 8 hour flow period through a 60/64ths inch choke with a wellhead pressure of 280 pounds per square inch. Analysis of gas samples, during the flow test, indicated approximately 83 per cent of the produced gas was hydrocarbon gas with the remainder comprising 10 per cent hydrogen sulphide and 7 per cent carbon dioxide.

The current exploration phase of the Production Sharing Contract ("PSC") for the Sangaw North area will end in November 2011 and the joint venture partnership may elect to enter the next exploration phase which will then run until November 2013; the Sangaw North-1 well has fulfilled the work commitment for this next phase. During the coming months Sterling will integrate and analyse the seismic, drilling, logging and testing data before making recommendations to the joint venture group.

The Korean National Oil Company is planning to drill an exploration well in 2011 in the adjacent PSC area, Sangaw South. The well is planned to be drilled on a similar structure to the one tested by the Sangaw North-1 well. Sterling is not a partner in the Sangaw South PSC but the results of this well may influence the Company's view of the future potential of the Sangaw North PSC.

Cameroon - Ntem

The Ntem concession area is a highly prospective offshore block in water depths from 400m to 2,000m, situated in the southern Douala/Rio Muni Basin. Over 2,100km of 2D and 1,500 sq km of 3D seismic data have been acquired, along with the purchase of additional seismic and gravity data.

This large block is undrilled and is well placed with respect to both Cretaceous and Tertiary plays. Four large Cretaceous prospects have been identified, supported by 3D seismic attribute analysis and inversion studies. Sterling estimates each prospect to have prospective recoverable resources of several hundred million barrels. Multiple additional leads have been identified in the Cretaceous and Tertiary plays and technical work is being undertaken to progress these to prospects.

Tertiary oil, gas and condensate discoveries made by Noble Energy 50 km to the north of the Ntem block are now being developed, and further discoveries have been reported in the same area during 2010 and 2011 by Euroil (Bowleven) in both Tertiary and Cretaceous plays.

Sterling's work programme for the Ntem concession area (100% WI) is currently suspended as a result of overlapping maritime border claims between Cameroon and Equatorial Guinea; however, Sterling understands both countries are working to resolve this issue and that further progress is expected to follow the elections scheduled to take place in October 2011. Following ratification of a resolution of the border dispute Sterling will have approximately 15 months to drill an exploration well to complete the work commitment.

Several large E&P companies have shown an interest in partnering Sterling on this licence. Sterling has advanced a farm out process and is in final discussions with interested parties to fund some of the Company's share of exploration costs. We expect to conclude the final discussions by the end of 2011.

Madagascar – Ampasindava and Ambilobe

Sterling's Ambilobe and Ampasindava blocks are located in the deep-water basin offshore north-west Madagascar. Since the transition to an unelected government in March 2009, the government of Madagascar has not been recognised by its African neighbours or the United Nations. Government and Presidential elections are planned to take place during the second half of 2011.

Prior to November 2010, when the current exploration phase of each licence was due to expire, discussions commenced with OMNIS, the state regulator, to prolong these licences. These discussions have been constructive and an outcome is expected in the second half of 2011.

In Ampasindava (WI 30%) the large Sifaka prospect remains ready-to-drill and is independently estimated to contain gross, un-risked best-estimate prospective recoverable resources of 1.2 billion barrels (RISC Competent Persons Report, March 2008). ExxonMobil (WI 70% & Operator) and Sterling expect to re-commence activity, including the drilling of the Sifaka exploration well, after an elected government is recognised by the international community. The estimated cost to drill the Sifaka prospect will exceed the value of the remaining carry, approximately $35 million of gross costs, and Sterling will seek to farm down its working interest to cover these costs.

In Ambilobe (WI 100% & Operator) a large number of Cretaceous and Tertiary leads, located in both shallow and deep water, have been identified from regional 2D seismic. An environmental impact assessment for a 3D seismic acquisition programme is being prepared, together with planning for an airborne gravity and magnetic survey to enhance the understanding of the sub-surface hydrocarbon prospectivity currently identified on this block.

Mauritania - Chinguetti field

Production decline for the Chinguetti field has continued at a reduced rate over the six-month reporting period, following field optimisation and a well reactivation. The average production during the period was approximately 7,540 bopd gross, and 626 bopd net to Sterling.

Petronas, the operator, estimates that, at the current production decline rate and oil price environment, field abandonment is unlikely to take place within the next five years. A third-party field abandonment study, commissioned by the operator and under review by the joint venture partners, indicates that the costs may be less than the operator's previous estimate.

Qualified person

In accordance with the guidelines of the AIM Market of the London Stock Exchange, Andrew Grosse, B.Sc. (Hons) Geology & Geophysics (1980), Exploration Director of Sterling Energy Plc, who has been involved in the oil industry for over 30 years, is the qualified person that has reviewed the technical information contained in this document.

Financial Review

Selected financial data

		H1 2011	H1 2010	Year 2010
Production	bopd	**626**	**681**	**654**
Revenue	$ million	**9.5**	**12.2**	**25.3**
Cash (including partner funds)	$ million	**113.4**	**113.3**	**111.7**
Debt	$ million	**-**	**-**	**-**
EBITDA *	$ million	**6.9**	**5.6**	**11.3**
Net profit	$ million	**6.5**	**0.1**	**5.8**
Share price (at period end)	pence	**39**	**145**	**84**

* EBITDA is calculated as earnings before interest, taxation, depreciation, amortisation, impairment, pre-licence expenditure and share-based payments.

Highlights

- Net profit of $6.5 million in H1 2011;
- 30 June 2011 cash balances $113.4 million;
- Average Chinguetti production 626 bopd

Revenues

Net Chinguetti field production for the first half of the year was 626 bopd, including royalty barrels, a decrease of 8% from the 681 bopd in H1 2010.

Group turnover for the period decreased by 22% to $9.5 million (H1 2010 $12.2 million). During the period, there was one lifting from Chinguetti resulting in a net 79,611 barrels sold (H1 2010: 144,615 barrels sold, from 2 liftings).

Cost of sales decreased from $6.6 million in H1 2010 to $3.0 million in H1 2011.

Profit from operations of $4.2 million

The profit from operations for H1 2011 was $4.2 million (H1 2010: profit $3.2 million).

Pre licence costs were $0.9 million.

Other administrative expenses, net of partner recharges and after costs capitalised, decreased by 33% to $1.4 million (H1 2010: $2.0 million). This was primarily due to a reduction in head office G&A cash costs.

EBITDA and net profit

EBITDA totalled $6.9 million (H1 2010: $5.6 million).

The net profit after tax totalled $6.5 million (H1 2010: net profit $0.1 million). Basic profit per share was 2.94 US¢ per share (H1 2010: 0.07 US¢ profit per share).

Interest revenue and other finance gains of $2.3 million (H1 2010: net expense $3.0 million) reflect foreign exchange gains of $0.4 million on GBP cash balances held at 30 June 2011 which are reported in US Dollars. Additionally, during the period the Chinguetti abandonment provision, non-cash finance charge, was reduced by $1.6 million reflecting the additional time discounting associated with the deferral of the abandonment date. Interest revenue was $0.3 million.

No dividend is proposed to be paid for the six months to 30 June 2011.

Cash flow

Net cash flow from operating activities pre-working capital movements totalled $6.0 million (H1 2010: $5.1 million). After working capital, net cash flow from operating activities totalled $5.8 million (H1 2010: $3.8 million). The principal movements in working capital were a decrease in trade and other receivables, an increase in inventories, and a decrease in trade and other payables.

Statement of financial position

At 30 June 2011, Sterling held $113.4 million cash and cash equivalents. Of the $113.4 million (30 June 2010: $113.3 million, 31 December 2010: $111.7 million) $13.3 million was held on behalf of partners, leaving a cash balance of $100.1 million available for Sterling's own use at 30 June 2011. Group net assets at 30 June 2011 were $103.8 million compared to $95.8 million at 31 December 2010.

Net investments in oil and gas assets in the first half of 2011 totalled $4.7 million (H1 2010: $2.5 million) and comprised of $3.4 million in Kurdistan, $0.9 million in Ntem, and $0.4 million in Madagascar. The Middle East segment exploration and evaluation additions of $3.4 million are stated net of Sterling's carry on the Sangaw North-1 well.

Included in the exploration and evaluation assets is $12.8 million relating to Kurdistan. The carrying value of this exploration and evaluation asset will be reviewed following the integrated analysis of the seismic, drilling, logging and testing data.

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 Chairman's statement, and in the Operations Review above.

The Company 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 the Company is well placed to manage its business risks. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the results for the six months ended 30 June 2011.

Disclaimer

This document 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 Group believes the expectation reflected herein to be reasonable in light of the information available to it at this time, the actual outcome may be materially different owing to factors either beyond the Group's control or otherwise within the Group's control but where, for example, the Group decides on a change of plan or strategy. Accordingly, no reliance may be placed on the figures contained in such forward-looking statements.

Definitions

$	US Dollars
2D	two dimensional
3D	three dimensional
bbl	barrel (s) of oil
bopd	barrels of oil per day
EBITDA	earnings before interest, taxation, depreciation, amortisation, impairment, pre-licence expenditure and share based payments
GBP	Sterling pounds
km	kilometre
m	metres
mmbbl	millions of barrels
PSC	production sharing contracts
RI	royalty interest
RISC	RISC (UK) Limited of Golden Cross House, 8 Duncannon Street, London WC2N 4JF
sq km	square kilometre
US¢	US$ cents
WI	working interest

Sterling Energy Plc – Condensed consolidated income statement for the six months to 30 June 2011

	Note	Six months to 30th June 2011 $000 (unaudited)	Six months to 30th June 2010 $000 (unaudited)	Year ended 31st December 2010 $000 (audited)
Revenue		**9,540**	12,234	25,314
Cost of sales		**(3,040)**	(6,570)	(13,565)
Gross profit		**6,500**	5,664	11,749
Other administrative expenses		**(1,358)**	(2,041)	(3,649)
Impairment of oil and gas assets		**(87)**	(80)	(152)
Pre-licence costs		**(885)**	(356)	(698)
Total administrative expenses		**(2,330)**	(2,477)	(4,499)
Profit from operations		**4,170**	3,187	7,250
Finance income		**272**	98	224
Finance costs and exchange gains/(losses)		**2,015**	(3,138)	(1,629)
Profit before tax		**6,457**	148	5,845
Tax	4	**-**	-	-
Profit for the period		**6,457**	148	5,845
Other comprehensive income/(expense)				
Currency translation adjustments		**51**	(211)	(127)
Revaluation of investments		**-**	-	(12)
Total comprehensive expense for the period		**51**	(211)	(139)
Total comprehensive income/(expense) for the year attributable to the owners of the parent		**6,508**	(63)	5,706
Basic profit per share (US¢)	5	**2.94**	0.07	2.66
Diluted profit per share (US¢)	5	**2.94**	0.07	2.65

Sterling Energy Plc – Condensed consolidated statement of financial position as at 30 June 2011

	Note	As at 30th June 2011 $000 (unaudited)	As at 30th June 2010 $000 (unaudited)	As at 31st December 2010 $000 (audited)
Non-current assets				
Intangible royalty assets	6	**615**	1,304	824
Intangible exploration and evaluation assets	7	**25,515**	11,349	20,793
Property, plant and equipment	8	**88**	151	175
Investments		**-**	16	-
		26,218	12,820	21,792
Current assets				
Inventories		**2,029**	3,061	901
Trade and other receivables		**10,903**	7,849	17,695
Cash and cash equivalents		**113,396**	113,315	111,679
		126,328	124,225	130,275
Total assets		**152,546**	137,045	152,067
Equity				
Share capital	10	**148,589**	148,540	148,573
Share premium		**378,859**	378,859	378,859
Investment revaluation reserve		**-**	12	-
Currency translation reserve		**(184)**	(319)	(235)
Retained deficit		**(423,456)**	(437,816)	(431,380)
Total equity		**103,808**	89,276	95,817
Non-current liabilities				
Long-term provisions		**20,584**	21,683	22,231
		20,584	21,683	22,231
Current liabilities				
Trade and other payables		**28,154**	26,086	34,019
		28,154	26,086	34,019
Total liabilities		**48,738**	47,769	56,250
Total equity and liabilities		**152,546**	137,045	152,067

Sterling Energy Plc – Condensed consolidated statement of changes in equity for the six months ended 30 June 2011 (unaudited)

	Share capital $000	Share premium $000	Investment revaluation reserve $000	Currency translation reserve $000	Retained deficit* $000	Total $000
At 1 January 2010	148,537	378,859	12	(108)	(439,161)	88,139
Profit for the period	-	-	-	-	148	148
Currency translation adjustments	-	-	-	(211)	-	(211)
Issued share capital	3	-	-	-	-	3
Share option charge for the period	-	-	-	-	1,197	1,197
As at 1 July 2010	148,540	378,859	12	(319)	(437,816)	89,276
Profit for the period	-	-	-	-	5,697	5,697
Currency translation adjustments	-	-	-	84	-	84
Investment revaluation	-	-	(12)	-	-	(12)
Issued share capital	33	-	-	-	-	33
Share option charge for the period	-	-	-	-	739	739
At 1 January 2011	148,573	378,859	-	(235)	(431,380)	95,817
Profit for the period	**-**	**-**	**-**	**-**	**6,457**	**6,457**
Currency translation adjustments	**-**	**-**	**-**	**51**	**-**	**51**
Issued share capital	**16**	**-**	**-**	**-**	**-**	**16**
Share option charge for the period	**-**	**-**	**-**	**-**	**1,467**	**1,467**
At 30 June 2011	**148,589**	**378,859**	-	**(184)**	**(423,456)**	**103,808**

* The share option reserve has been included within the retained deficit reserve.

Sterling Energy Plc – Condensed consolidated statement of cash flow statement for the six months ended 30 June 2011

	Note	Six months to 30th June 2011 $000 (unaudited)	Six months to 30th June 2010 $000 (unaudited)	Year ended 31st December 2010 $000 (audited)
Operating activities				
Cash generated from operations	9	**5,829**	3,760	10,460
Net cash flow from operating activities		**5,829**	3,760	10,460
Investing activities				
Interest received		**272**	98	224
Purchase of property, plant and equipment		**(116)**	46	(178)
Exploration and evaluation costs		**(4,726)**	(1,551)	(12,030)
Proceeds on disposal of available for sale assets		-	-	20
Proceeds on disposal of fixtures and fittings		**23**	-	8
Net cash used in investing activities		**(4,547)**	(1,407)	(11,956)
Financing activities				
Net proceeds from issue of ordinary shares		**16**	3	36
Interest paid and banking charges		**(6)**	(8)	(14)
Net cash flow generated/(used) in financing activities		**10**	(5)	22
Net increase/(decrease) in cash and cash equivalents		**1,292**	2,348	(1,474)
Cash and cash equivalents at beginning of period		**111,679**	113,859	113,859
Effect of foreign exchange rate changes		**425**	(2,892)	(706)
Cash and cash equivalents at end of period		**113,396**	113,315	111,679

1. General Information

This consolidated results for the six months ended 30 June 2011 have not been audited or reviewed by the Company's auditors. The Directors of the Company approved the financial information included in the results on 21 July 2011.

2. Accounting Policies

This condensed consolidated financial information for the half-year ended 30 June 2011 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with IFRSs.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an invested entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2010 and those envisaged for the year ended 31 December 2011 financial statements, except as described below.

(i) New and amended standards adopted by the Group: The following new standards and amendments to standards are mandatory for the first time for the Group for financial year beginning 1 January 2011. Except as noted, the implementation of these standards is not expected to have a material effect on the Group.

Improvements to IFRSs (2010) - The improvements in this amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards. The improvements did not have any impact on the current or prior years' financial statements

(ii) Standards, amendments and interpretations to existing standards effective in 2011 but not relevant to the Group:

IAS 32, Amendment – Classification of Right Issues

IAS24, Revised – Related Party Disclosures

The information for the year ended 31 December 2010 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include any references to any matters to which the auditors drew attention by way of emphasis and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

3. Operating segments

The Group's two operating segments are its Africa and Middle East segments. The UK corporate office is a technical and administrative cost centre. The operating results of each of these segments are regularly reviewed by the Group's chief operating decision makers in order to make decisions about the allocation of resources and to assess their performance.

The following tables present revenue, profit and certain asset and liability information regarding the Group's business segments for the six months ended 30 June 2011, for the year ended 31 December 2010, and for the six months ended 30 June 2010.

	Africa			Middle East			Total		
	H1 2011 $000 (unaudited)	H1 2010 $000 (unaudited)	FY 2010 $000 (audited)	H1 2011 $000 (unaudited)	H1 2010 $000 (unaudited)	FY 2010 $000 (audited)	H1 2011 $000 (unaudited)	H1 2010 $000 (unaudited)	FY 2010 $000 (audited)
Income Statement									
Revenue	**9,540**	12,234	25,314	-	-	-	**9,540**	12,234	25,314
Cost of sales	**(3,040)**	(6,570)	(13,565)	-	-	-	**(3,040)**	(6,570)	(13,565)
Gross profit	**6,500**	5,664	11,749	-	-	-	**6,500**	5,664	11,749
Impairment provision	**(87)**	(80)	(152)	-	-	-	**(87)**	(80)	(152)
Pre-licence costs	**(885)**	(356)	(698)	-	-	-	**(885)**	(356)	(698)
Segment result	**5,528**	5,228	10,899	-	-	-	**5,528**	5,228	10,899
Unallocated corporate expenses							**(1,358)**	(2,041)	(3,649)
Profit from operations							**4,170**	3,187	7,250
Finance income							**272**	98	224
Finance costs and exchange gains/(losses)							**2,015**	(3,137)	(1,629)
Profit before tax							**6,457**	148	5,845
Tax							-	-	-
Profit attributable to owners of the parent							**6,457**	148	5,845

	Corporate		Africa		Middle East		Total	
	H1 2011 $000 (unaudited)	FY 2010 $000 (audited)	H1 2011 $000 (unaudited)	FY 2010 $000 (audited)	H1 2011 $000 (unaudited)	FY 2010 $000 (audited)	H1 2011 $000 (unaudited)	FY 2010 $000 (audited)
Other segment information								
Capital additions								
Property, plant and equipment	**33**	178	**83**	-	-	-	**116**	178
Exploration and evaluation	-	-	**1,317**	3,045	**3,409**	8,985	**4,726**	12,030
Depreciation & amortisation	**(105)**	(299)	**(209)**	(1,003)	-	-	**(314)**	(1,302)
Net impairment	-	-	**(87)**	(152)	-	-	**(87)**	(152)
Statement of financial position								
Non current assets*	**88**	159	**13,356**	12,268	**12,774**	9,365	**26,218**	21,792
Segment assets**	**100,574**	102,004	**11,396**	7,841	**14,358**	20,430	**126,328**	130,275
Segment liabilities***	**(855)**	(1,873)	**(32,874)**	(34,692)	**(15,009)**	(19,685)	**(48,738)**	(56,250)

Revenue from continuing operations includes amounts of $9.5 million from one single customer (2010: $25.3 million)

*Segment non-current assets include $10.3 million in Cameroon (2010: $9.4 million) and $12.8 million in Kurdistan (2010: $9.4 million)

**Carrying amounts of segment assets exclude investments in subsidiaries.

***Carrying amounts of segment liabilities exclude intra-group financing.

4. Taxation

At 30 June 2011 there is no current tax amount payable or receivable (31 December 2010: nil). At 30 June 2011 the Group had an unrecognised deferred tax asset of $26.6 million (31 December 2010: $28.5 million) relating primarily to unused tax losses and unutilised capital allowances. No deferred tax asset has been recognised due to the uncertainty of future profit streams against which these losses could be utilised.

5. Profit per share

Basic earnings per share is based on the profit after taxation of $6,457,353 (first half 2010: profit for the period, $147,891) and the weighted average number of 219,376,615 ordinary shares of 40p each in issue during the period (30 June 2010: 219,307,551, 31 December 2010: 219,332,806). As the Company's share price at the period end was below the exercise price of all share options there is no difference in the basic and diluted profit per share.

6. Intangible royalty assets

	Total $000 (unaudited)
Net book value at 1 January 2010	1,818
Amortisation charge for the period	(514)
Net book value at 30 June 2010	1,304
Amortisation charge for the period	(480)
Net book value at 31 December 2010	824
Amortisation charge for the period	(209)
Net book value at 30 June 2011	**615**

Group net book value at 31 December 2010 comprises the value of rights to future royalties in respect of the Group's agreements covering licences PSC A and PSC B in Mauritania. The value of these royalty interests is dependent upon future oil and gas prices and the development and production of the underlying oil and gas reserves. An impairment assessment and any subsequent charge are calculated on an individual royalty interest basis. Future recoverable amounts are estimated by management based on the present value of future cash flows expected to be derived from the production of commercial reserves in these licences and are compared against the carrying value of these assets.

7. Intangible exploration and evaluation (E&E) assets

	Total $000 (unaudited)
Net book value at 1 January 2010	8,957
Additions during the period	2,551
Impairment charge for the period	(159)
Net book value at 30 June 2010	11,349
Additions during the period	9,479
Impairment charge for the period	(35)
Net book value at 31 December 2010	20,793
Additions during the period	4,726
Impairment charge for the period	(4)
Net book value at 30 June 2011	**25,515**

Impairment tests on E&E assets are conducted on an individual cost pool basis when facts and circumstances suggest that the carrying amount in the pool may exceed its recoverable amount.

8. Property, plant and equipment (PPE)

	Oil and Gas assets $000 (unaudited)	Computer and office equipment $000 (unaudited)	Total $000 (unaudited)
Cost			
At 1 January 2010	185,871	2,771	188,642
Additions during the period	-	33	33
Adjustments during the period	(79)	-	(79)
At 30 June 2010	185,792	2,804	188,596
Additions during the period	-	145	145
Adjustments during the period	37	-	37
At 31 December 2010	185,829	2,949	188,778
Additions during the period	83	33	116
Disposals during the period	-	(26)	(26)
At 30 June 2011	**185,912**	**2,956**	**188,868**
Accumulated depreciation			
At 1 January 2010	(185,871)	(2,466)	(188,337)
Charge for the period	-	(187)	(187)
Impairment reversal for the period	79	-	79
At 30 June 2010	(185,792)	(2,653)	(188,445)
Charge for the period	-	(121)	(121)
Impairment charge for the period	(37)	-	(37)
At 31 December 2010	(185,829)	(2,774)	(188,603)
Charge for the period	-	(105)	(105)
Disposals during the period	-	11	11
Impairment charge for the period	(83)	-	(83)
At 30 June 2011	**(185,912)**	**(2,868)**	**(188,780)**
Net book value at 30 June 2010	-	151	151
Net book value at 31 December 2010	-	175	175
Net book value at 30 June 2011	**-**	**88**	**88**

9. Cash flow

Cash flows from operating activities:

	Six months to 30th June 2011 $000 (unaudited)	Six months to 30th June 2010 $000 (unaudited)	Year ended 31st December 2010 $000 (audited)
Operating activities:			
Profit before tax	**6,457**	148	5,845
Finance income and other finance gains/losses	**(272)**	2,507	(224)
Finance costs and exchange (gains)/losses	**(2,015)**	532	1,629
Depletion and amortisation	**314**	701	1,302
Impairment expense	**87**	80	152
Gain on disposal of available for sale assets	**-**	-	(14)
Gain on disposal of fixtures and fittings	**(8)**	-	(8)
Share-based payment charge	**1,467**	1,197	1,936
Operating cash flow prior to working capital	**6,030**	5,165	10,618
(Increase)/decrease in inventories	**(1,128)**	1,306	3,466
Decrease/(increase) in trade and other receivables	**6,792**	(5,272)	(15,117)
(Decrease)/increase in trade and other payables	**(5,865)**	2,561	11,493
	5,829	3,760	10,460

10. Share capital

	As at 30th June 2011 $000 (unaudited)	As at 30th June 2010 $000 (unaudited)	As at 31st December 2010 $000 (audited)
Authorised, called up, allotted and fully paid			
219,389,020 (31 December 2010: 219,363,506; 30 June 2010: 219,309,625) ordinary shares of 40p	**148,589**	148,540	148,573

11. Reserves

Reserves within equity are as follows:

Share capital
Amounts subscribed for share capital at nominal value.

Share premium account
The share premium account represents the amounts received by the Company on the issue of its shares which were in excess of the nominal value of the shares.

Investment revaluation reserve
Gains/losses arising on the revaluation of the Group's investments that are classified as available-for-sale.

Currency translation reserve
The foreign currency translation reserve includes movements that relate to the retranslation of the subsidiaries whose functional currencies are not the US$.

Retained deficit
Cumulative net gains and losses recognised in the Statement of Comprehensive Income less any amounts reflected directly in other reserves.

12. 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 Chairman's Statement and in the Operational Review. The financial position of the Group is described in the Financial Review.

The Company has sufficient cash resources for its working capital needs and its committed capital expenditure programme for at least the next 12 months. As a consequence, the Directors believe the Company is well placed to manage its business risks. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the results for the six months ended 30 June 2011.

These results for the six months ended 30 June 2011 are available on the Company's website: www.sterlingenergyplc.com