18 July 2014

STERLING ENERGY PLC

Results for the six months ending 30 June 2014

Sterling Energy Plc ("Sterling", the "Company" or the "Group"), (Ticker Symbol: SEY), the AIM listed upstream oil and gas company with interests in Africa today announces its results for the six month period ending 30 June 2014.

Summary

- Cash as at 30 June 2014 of $110.9 million ($109.8 million net of partner funds), no debt.
- Group turnover of $9.1 million (H1 2013: $10.6 million).
- Profit after tax of $1.7 million (H1 2013: $1.8 million).
- Average net Group production of 436 bopd (H1 2013: 534 bopd).
- EBITDA of $4.7 million (H1 2013: $5.3 million).
- In the Ntem concession, a large deep water block offshore Cameroon, the Bamboo-1 exploration well was spudded on 9 February 2014. The well reached a total drilled depth of 4,747 m, however no commercial hydrocarbons were found and the well has been plugged and abandoned. The data from the well will be used to assess the remaining prospectivity of this large deep-water block which covers some 2,319 km^2. The current phase of the Ntem concession runs to April 2015 with no outstanding work commitments; there is an option to extend the exploration term by a further two years.
- In Somaliland, Sterling's interest in the large onshore block is carried by Genel Energy Somaliland Limited ("Genel") for the costs of all exploration activities during the Third and Fourth Periods of the Odewayne Production Sharing Contract ("PSC"). The Third Period expires in November 2016, with an outstanding minimum work obligation of 500 km of 2D seismic, while the Fourth Period expires in May 2018, with a minimum work obligation of 1,000 km of 2D seismic and one exploration well. Operations in Somaliland have been delayed while the Government of the Republic of Somaliland establishes a trained and equipped Oilfield Protection Unit ("OPU") that can provide the level of security required by the in-country operators so that future seismic and drilling operations can be conducted safely. The Third Period of the PSC was recently extended by two years in order to allow time for the OPU to be established. The OPU is expected to be operational in 2015.
- In Madagascar, Sterling is proceeding with a 3D seismic programme on the Ambilobe block, which is expected to commence late 2014. The costs of the 3D seismic campaign, up to a maximum of $15 million, are carried by our joint venture partner Pura Vida Mauritius ("Pura Vida"). The Ambilobe PSC, awarded in 2004, is in Phase 2 of the Exploration Period; Phase 2 was recently extended to September 2015. With respect to the Ampasindava block, the Company expects the large Sifaka prospect to be drilled in 2015 or 2016. The Ampasindava PSC, awarded in 2004, is in Phase 3 of the Exploration Period; Phase 3 was recently extended to September 2015.
- In the Chinguetti field, offshore Mauritania, production performance was consistent with the recently observed lower decline rate.

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Chairman's Statement

In January 2014 the joint venture partners lifted force majeure for the Ntem concession and shortly afterwards Sterling announced the spud of the Bamboo-1 exploration well. The well was designed to test the prospectivity of the Bamboo structure estimated by Sterling to potentially contain some 450 million barrels of oil equivalent. The well was drilled, safely, to a total depth of 4,747 metres but failed to identify any commercial hydrocarbons within the well-developed sands penetrated by the well. The well was subsequently plugged and abandoned. Sterling is working with Murphy Cameroon Ntem Oil Co. Ltd ("Murphy"), our joint venture partner, to interpret the new sub-surface data acquired from the Bamboo-1 well to define the remaining potential of the large Ntem offshore block.

In December 2013 Sterling completed the acquisition of an initial 10% interest in the PSC for the Odewayne block, located onshore Somaliland, and has subsequently completed two further transactions, in January and May 2014, to acquire an additional 30%. Sterling now holds a 40% carried interest in the Odewayne PSC, with the cost of the exploration work programme for Periods 3 and 4 under the Odewayne PSC paid by Genel Energy Somaliland Limited. Field activity on the Odewayne block has been delayed while the Government of Somaliland establishes its Oilfield Protection Unit to provide the security required for operations to be undertaken safely. The Government has recognised this delay and granted a two year extension to the work periods under the PSC.

During the period to 30 June 2014, the Chinguetti field, offshore Mauritania, produced oil at an average rate of 436 barrels per day, net to Sterling. The positive cash flow from Sterling's share of production exceeds the Company's general and administration costs and the surplus adds to our working capital.

Sterling benefits from a strong balance sheet, with $110.9 million of cash, and no debt. The addition of new ventures remains a high priority and the recent acquisition of the 40% carried interest in the Odewayne PSC is evidence that patience is one of the many key skills required in sourcing potentially value accretive projects at a competitive cost.

Alastair Beardsall
Chairman
18 July 2014

Operations Review

Cameroon - Ntem

The Ntem concession area is a large, deep water block in the prospective southern Douala/Rio Muni Basin, offshore Cameroon, and is well placed with respect to both Tertiary and Upper Cretaceous plays.

The Company holds a 50% non-operated working interest in the Ntem concession, following the introduction in 2011 of Murphy, a wholly-owned subsidiary of Murphy Oil Corporation, as a 50% working interest partner and operator. As consideration, Murphy paid a contribution towards Sterling's past costs and is fully funding joint operations in relation to the current phase of exploration.

The Ntem concession was put under force majeure in June 2005 as a result of overlapping maritime border claims by the Republic of Cameroon and the Republic of Equatorial Guinea.

The border claims remain unresolved but Sterling and Murphy agreed, together with Société Nationale des Hydrocarbures ("SNH"), the national oil company of Cameroon, to lift the declaration of force majeure on 22 January 2014 in order to allow the Bamboo-1 exploration well to be drilled earlier this year.

Bamboo-1 failed to find commercial hydrocarbons but the well has provided significant new geological information in a lightly explored area. The data from the well continues to be analysed and the results are being used to assess the remaining prospectivity of this large deep-water block which covers some 2,319 km^2. The current phase of the Ntem concession runs to April 2015 with no outstanding work commitments; there is an option to extend the exploration term by a further two years.

Somaliland – Odewayne

The Odewayne PSC, awarded in 2005, is in the Third Period and covers block SL6 and part of blocks SL7 and SL10, comprising an area of 22,840 km^2, onshore Somaliland. During 2013, an aero-magnetic and gravity survey confirmed the geometry of a broad basin over the Odewayne block believed to be of Jurassic to Cretaceous origin, analogous to productive basins in Yemen. Fieldwork in the block has highlighted the presence of numerous seeps giving encouragement that a working hydrocarbon system is present in this undrilled basin.

Sterling's wholly owned subsidiary, Sterling Energy (East Africa) Limited, holds a 40% interest in the PSC. Sterling acquired 10% from Petrosoma Limited ("Petrosoma") in November 2013, 15% from Jacka Resources Somaliland Limited ("Jacka") in January 2014 and further 15% from Jacka in May 2014. In aggregate, as consideration, Sterling has paid $17 million to date and a further $8 million is to be paid to Petrosoma when certain operational milestones are reached. Sterling's joint venture partners in the Odewayne PSC are Genel (50% interest, operator) and Petrosoma (10%).

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

Madagascar – Ampasindava and Ambilobe

Sterling holds interests in a large acreage position in northwest Madagascar in the Ampasindava and Ambilobe Blocks. These blocks are located in one of the largest, undrilled, deep water provinces offshore East Africa, spanning the Majunga and Ambilobe basins. Exploration activities on both blocks were suspended in 2009 due to an uncertain political situation in Madagascar; however democratic elections in December 2013 resulted in the election of Hery Rajaonarimampianina as the new President and his government is now in place.

In the Ambilobe Block all minimum work commitments for the current exploration phase have been completed. In December 2013 Sterling's wholly owned subsidiary, Sterling Energy (UK) Limited, signed a Farmout Agreement with Pura Vida under which all costs associated with the acquisition of a 3D seismic programme, up to a maximum of $15 million, are carried by Pura Vida. Sterling and Pura Vida each hold a 50% interest in the Ambilobe Block with Sterling as operator.

The Ambilobe PSC, awarded in 2004, is in Phase 2 of the Exploration Period; Phase 2 was recently extended to September 2015. The PSC covers approximately 17,650 km^2 of the Ambilobe Basin, a large under-explored area where both Cretaceous and Tertiary leads have been identified. There are no outstanding work commitments in Phase 2, but Sterling and Pura Vida are planning a discretionary 3D seismic programme that is expected to be acquired in Q4 2014. The seismic programme aims to mature the best leads to one or more drill ready prospects prior to the expiry of Phase 2 as Phase 3, if entered, has a commitment to drill an exploration well.

Sterling also holds a 30% non-operated working interest in the Ampasindava licence which contains the Sifaka prospect, independently assessed to potentially hold, gross best estimate prospective resources of 1.2 billion barrels but is considered to be a very high-risk target. As a result of the farm-in to the Ampasindava Block by ExxonMobil Exploration and Production (Northern Madagascar) Limited (“ExxonMobil”) in 2005 (70% working interest and operator), Sterling’s costs in this block are carried up to a fixed gross amount. The cost to drill the Sifaka prospect would exceed the remaining gross carry and Sterling has engaged in a farm-out process to introduce an additional partner to fund its share of the drilling costs.

Processing of the new seismic data acquired over part of the Ampasindava block in 2013 is in progress and drilling is being planned for 2015 or 2016. The PSC, awarded in 2004, is in Phase 3 of the Exploration Period; Phase 3 was recently extended to September 2015.

Mauritania - Chinguetti field

Sterling has an economic interest in production from the Chinguetti field in Mauritania via a Funding Agreement with Société Mauritanienne des Hydrocarbures et de Patrimoine Minier, equivalent to approximately 8% of production from the field.

The average daily production during the period was approximately 5,479 bopd gross, and 436 bopd net to Sterling. Production in the period was reduced by one planned shutdown of 10 days for a subsurface intervention campaign and to do maintenance work on the floating production storage and offloading vessel (“FPSO”).

Production is stored on location in the FPSO until a suitable volume is accumulated which is then sold and transported away by sea tanker. Two cargoes were sold in the period, with loading taking place in March and May 2014.

Currently, there are no approved plans for further development of the Chinguetti field.

New Ventures

Sterling remains focused on expanding its existing exploration portfolio. The Company’s technical and commercial team has, in the period, completed a preliminary screening of a number of opportunities and evaluated a smaller number in more detail. The projects evaluated were not sufficiently attractive to meet the value accretive hurdle the Company is seeking to deliver and were therefore not progressed further. Sterling continues to identify and screen potential opportunities.

Qualified person

In accordance with the guidelines of the AIM Market of the London Stock Exchange, Dr Philip Frank, Ph.D. Geology (1977), 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 set out above.

Financial Review

Selected financial data

		H1 2014	H1 2013	Year 2013
Production	bopd	**436**	**534**	**527**
Revenue	$ million	**9.1**	**10.6**	**18.4**
Cash	$ million	**110.9**	**119.3**	**120.8**
Debt	$ million	**-**	**-**	**-**
EBITDA [1]	$ million	**4.7**	**5.3**	**9.1**
Profit after tax	$ million	**1.7**	**1.8**	**8.3**
Share price (at period end)	pence	**29**	**35**	**43**

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

Revenues

Net Chinguetti field production for the first half of the year was 436 bopd, including royalty barrels, a decrease of 18% from the 534 bopd in H1 2013. The reduction in field production is due to natural field decline and a scheduled 10 day maintenance intervention programme in January 2014.

Group turnover for the period decreased by 14% to $9.1 million (H1 2013 $10.6 million). During the period, there were 2 liftings from Chinguetti resulting in a net 81,988 barrels sold (H1 2013: 99,228 barrels sold, from 2 liftings).

Cost of sales decreased to $5.1 million (H1 2013: $5.8 million) primarily due to the reduced lifting volumes.

Profit from operations

The profit from operations for H1 2014 was $2.0 million (H1 2013: profit $2.7 million). This decrease is primarily due to the reduced lifting volumes from Chinguetti outlined above.

During the period, administrative expenditure decreased by $213k to $2.0 million (H1 2013: $2.2 million) and includes pre-licence costs of $1.2 million (H1 2013: $1.1 million).

EBITDA and profit after tax

EBITDA totalled $4.7 million (H1 2013: $5.3 million).

The profit after tax totalled $1.7 million (H1 2013: $1.8 million). Basic profit per share was 0.76 US¢ per share (H1 2013: 0.81 US¢ profit per share).

Finance income totalled $188k (H1 2013: $193k) and represents interest received during the period on cash held by the Group. Finance costs totalled $470k (H1 2013: $1.1 million) and comprise foreign exchange gains of $71k on sterling cash balances which are reported in US Dollars (H1 2013: loss $547k), bank and other charges of $12k (H1 2013: $6k) and Chinguetti decommissioning provision movements of $529k (H1 2013: $524k).

No dividend is proposed to be paid for the six months to 30 June 2014.

Cash flow

Net cash flow from operating activities pre-working capital movements totalled $3.5 million (H1 2013: $4.3 million). After working capital, net cash flow from operating activities totalled $3.2 million (H1 2013: $371k).

Statement of financial position

At 30 June 2014, Sterling held $110.9 million cash and cash equivalents. Of the $110.9 million (H1 2013: $119.3 million) $1.1 million is held on behalf of partners (H1 2013: $1.3 million), leaving a cash balance of $109.8 million available for Sterling's own use (H1 2013: $118.0 million). Group net assets at 30 June 2014 were $116.1 million (H1 2013: $106.8 million).

Net investments in oil and gas assets in the first half of 2014 totalled $16.3 million (H1 2013: $975k) and comprise $15.3 million for Odewayne (Somaliland), $450k for Ntem (Cameroon), $387k for Ambilobe (Madagascar) and $118k for Ampasindava (Madagascar).

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 2014.

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
km	kilometre
m	metre
mmbbl	millions of barrels
PSC	production sharing contract
RI	royalty interest
km^2	square kilometre
US¢	US$ cents
WI	working interest

Sterling Energy Plc – Condensed consolidated income statement for the six months to 30 June 2014

	Note	**Six months to 30th June 2014 $000 (unaudited)**	Six months to 30th June 2013 $000 (unaudited)	Year ended 31st December 2013 $000 (audited)
Revenue		**9,104**	10,645	18,370
Cost of sales		**(5,130)**	(5,761)	(9,766)
Gross profit		**3,974**	4,884	8,604
Other administrative expenses		**(816)**	(1,170)	(3,177)
Reversal of impairment of oil and gas assets		**-**	-	4,359
Pre-licence costs		**(1,198)**	(1,057)	(2,226)
Total administrative expenses		**(2,014)**	(2,227)	(1,044)
Profit from operations		**1,960**	2,657	7,560
Finance income		**188**	193	892
Finance costs and exchange losses		**(470)**	(1,077)	(1,143)
Profit before tax		**1,678**	1,773	7,309
Tax	4	**-**	-	-
Profit for the period from continuing operations		**1,678**	1,773	7,309
Profit for the period from discontinued operations		**-**	-	1,025
Profit for the period attributable to the owners of the parent		**1,678**	1,773	8,334
Other comprehensive income/(expense)				
Currency translation adjustments		**4**	(8)	(39)
Total comprehensive income/(expense) for the period		**4**	(8)	(39)
Total comprehensive income for the year attributable to the owners of the parent		**1,682**	1,765	8,295
Basic profit per share (USc)	5			
From continuing operations		**0.76**	0.81	3.32
From continuing and discontinued operations		**0.76**	0.81	3.79
Diluted profit per share (USc)	5			
From continuing operations		**0.76**	0.81	3.32
From continuing and discontinued operations		**0.76**	0.81	3.78

Sterling Energy Plc – Condensed consolidated statement of financial position as at 30 June 2014

	Note	**As at 30th June 2014 $000 (unaudited)**	As at 30th June 2013 $000 (unaudited)	As at 31st December 2013 $000 (audited)
Non-current assets				
Intangible royalty assets	6	**2,449**	2,030	2,794
Intangible exploration and evaluation assets	7	**29,464**	11,220	13,187
Property, plant and equipment	8	**4,866**	3,225	5,644
		36,779	16,475	21,625
Current assets				
Inventories		**3,600**	1,727	2,746
Trade and other receivables		**883**	5,799	5,935
Cash and cash equivalents		**110,882**	119,282	120,755
		115,365	126,808	129,436
Total assets		**152,144**	143,283	151,061
Equity				
Share capital	10	**149,014**	149,014	149,014
Share premium		**378,863**	378,863	378,863
Currency translation reserve		**(245)**	(218)	(249)
Retained deficit		**(411,512)**	(420,899)	(413,550)
Total equity		**116,120**	106,760	114,078
Non-current liabilities				
Long-term provisions		**22,116**	21,728	21,651
		22,116	21,728	21,651
Current liabilities				
Trade and other payables		**13,908**	14,795	15,332
		13,908	14,795	15,332
Total liabilities		**36,024**	36,523	36,983
Total equity and liabilities		**152,144**	143,283	151,061

Sterling Energy Plc – Condensed consolidated statement of changes in equity for the six months ended 30 June 2014 (unaudited)

	Share capital $000	Share premium $000	Currency translation reserve $000	Retained deficit[1] $000	Total $000
At 1 January 2013	149,014	378,863	(210)	(423,050)	104,617
Total comprehensive income for the period attributable to the owners of the parent	-	-	(8)	1,773	1,765
Share option charge for the period	-	-	-	378	378
At 30 June 2013	149,014	378,863	(218)	(420,899)	106,760
Total comprehensive income for the period attributable to the owners of the parent	-	-	(31)	6,561	6,530
Share option charge for the period	-	-	-	788	788
At 31 December 2013	149,014	378,863	(249)	(413,550)	114,078
Total comprehensive income for the period attributable to the owners of the parent	-	-	4	1,678	1,682
Share option charge for the period	-	-	-	360	360
At 30 June 2014	**149,014**	**378,863**	**(245)**	**(411,512)**	**116,120**

[1] 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 2014

	Note	**Six months to 30th June 2014 $000 (unaudited)**	Six months to 30th June 2013 $000 (unaudited)	Year ended 31st December 2013 $000 (audited)
Operating activities				
Cash generated from operations	9	**3,185**	371	6,269
Net cash flow from operating activities		**3,185**	371	6,269
Investing activities				
Interest received		**188**	193	268
Purchase of property, plant and equipment		**(37)**	(24)	(85)
Exploration and evaluation costs		**(13,277)**	(975)	(5,942)
Net cash used in investing activities		**(13,126)**	(806)	(5,759)
Net (decrease)/increase in cash and cash equivalents		**(9,941)**	(435)	510
Cash and cash equivalents at beginning of period		**120,755**	120,348	120,348
Effect of foreign exchange rate changes		**68**	(631)	(103)
Cash and cash equivalents at end of period		**110,882**	119,282	120,755

1. General information

This consolidated results for the six months ended 30 June 2014 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 18 July 2014.

2. Accounting policies

This condensed consolidated financial information for the half-year ended 30 June 2014 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 2013, 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, estimates and judgements applied are consistent with those of the annual financial statements for the year ended 31 December 2013 and those envisaged for the year ended 31 December 2014 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 2014. Except as noted, the implementation of these standards is not expected to have a material effect on the Group.

- IFRS 10: Consolidated Financial Statements. Effective date 1 January 2014 (endorsed by EU 1 January 2013).
- IFRS 10, 11 and 12: Consolidated Financial Statements. Joint Arrangements and Disclosure of Interests in Other Entities (Amendments). Effective date 1 January 2014 (endorsed 8 April 2013).
- IFRS 11: Joint Arrangements. Effective date 1 January 2014 (endorsed 1 January 2013).
- IFRS 12: Disclosure of Interests in Other Entities. Effective date 1 January 2014 (endorsed 1 January 2013).
- IAS 27: Separate Financial Statements. Effective date 1 January 2014 (endorsed 1 January 2013).
- IAS 28: Investments in Associates and Joint Ventures. Effective date 1 January 2014 (endorsed 1 January 2013).
- IAS 32: Offsetting Financial Assets and Financial Liabilities (Amendments). Effective date 1 January 2014 (endorsed 1 January 2013).
- IAS 36: Recoverable Amounts (Amendments). Effective date 1 January 2014 (endorsed 23 December 2013).

Other standards effective for periods beginning 1 July 2014 or after have not been adopted early and are not expected to have any material effect on the Group. These include IAS 19 and Annual Improvements to IFRSs where the mandatory effective date of the EU endorsed version is 1 July 2014.

(ii) Standards, amendments and interpretations to existing standards effective in 2014 but not relevant to the Group:

- IFRS 10, 12 and IAS 27: Investment Entities (Amendments). Effective date 1 January 2014 (endorsed 24 November 2013).
- IAS 39: Novation of Derivatives (Amendments). Effective date 1 January 2014 (endorsed 23 December 2013).
- IFRIC 21: Levies. Effective date 1 January 2014 (endorsed 17 June 2013).

The information for the year ended 31 December 2013 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 (discontinued) 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 executive Directors and senior management 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 2014, for the year ended 31 December 2013, and for the six months ended 30 June 2013.

	Africa			Middle East (Discontinued)			Total		
	H1 2014 $000 (unaudited)	H1 2013 $000 (unaudited)	FY 2013 $000 (audited)	H1 2014 $000 (unaudited)	H1 2013 $000 (unaudited)	FY 2013 $000 (audited)	H1 2014 $000 (unaudited)	H1 2013 $000 (unaudited)	FY 2013 $000 (audited)
Income statement									
Revenue [1]	**9,104**	10,645	18,370	**-**	-	-	**9,104**	10,645	18,370
Cost of sales	**(5,130)**	(5,761)	(9,766)	**-**	-	-	**(5,130)**	(5,761)	(9,766)
Gross profit	**3,974**	4,884	8,604	**-**	-	-	**3,974**	4,884	8,604
Impairment reversal	**-**	-	4,359	**-**	-	-	**-**	-	4,359
Accruals release	**-**	-	-	**-**	-	1,025	**-**	-	1,025
Pre-licence costs	**(1,198)**	(1,057)	(2,226)	**-**	-	-	**(1,198)**	(1,057)	(2,226)
Segment result	**2,776**	3,827	10,737	**-**	-	1,025	**2,776**	3,827	11,762
Unallocated corporate expenses							**(816)**	(1,170)	(3,177)
Profit from operations							**1,960**	2,657	8,585
Finance income							**188**	193	892
Finance costs and exchange losses							**(470)**	(1,077)	(1,143)
Profit before tax							**1,678**	1,773	8,334
Tax							**-**	-	-
Profit attributable to owners of the parent							**1,678**	1,773	8,334
Profit from continuing operations							**1,678**	1,773	7,309
Profit from discontinued operations							-	-	1,025
							1,678	1,773	8,334

	Corporate			Africa			Middle East (Discontinued)			Total		
	H1 2014	H1 2013	FY 2013	H1 2014	H1 2013	FY 2013	H1 2014	H1 2013	FY 2013	H1 2014	H1 2013	FY 2013
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
	(unaudited)		(audited)	(unaudited)		(audited)	(unaudited)		(audited)	(unaudited)		(audited)
Other segment information												
Capital additions												
Property, plant and equipment	**37**	24	85	**-**	-	-	**-**	-	-	**37**	24	85
Exploration and evaluation	**-**	-	-	**16,277**	975	2,942	**-**	-	-	**16,277**	975	2,942
Depreciation & amortisation	**(29)**	(34)	(69)	**(1,131)**	(1,218)	(2,420)	**-**	-	-	**(1,160)**	(1,252)	(2,489)
Impairment reversal	**-**	-	-	**-**	-	4,359	**-**	-	-	**-**	-	4,359
Statement of financial position												
Non-current assets [2]	**106**	72	97	**36,673**	16,403	21,528	**-**	-	-	**36,779**	16,475	21,625
Segment assets [3]	**110,081**	118,465	119,146	**5,225**	6,915	9,210	**59**	1,428	1,080	**115,365**	126,808	129,436
Segment liabilities [4]	**(595)**	(750)	(1,298)	**(35,399)**	(33,928)	(35,179)	**(30)**	(1,845)	(506)	**(36,024)**	(36,523)	(36,983)

[1] Revenue from continuing operations includes amounts of $8.5 million from one single customer (2013: $17.1 million, H1 2013: $10.0 million). (100% external).

[2] Segment non-current assets include $7.7 million in Cameroon (2013: $7.3 million, H1 2013: $6.8 million), $7.2 million in Mauritania (2013: $8.3 million, H1 2013: $5.2 million), $4.4 million in Madagascar (2013: $3.9 million, H1 2013: $4.4 million) and $17.4 million in Somaliland (2013: $2.1 million, H1 2013: nil).

[3] Carrying amounts of segment assets exclude investments in subsidiaries.

[4] Carrying amounts of segment liabilities exclude intra-group financing.

4. Taxation

The tax charge is calculated by applying the applicable standard rate of tax as follows:

	Six months to 30th June 2014 $000 (unaudited)	Six months to 30th June 2013 $000 (unaudited)	Year ended 31st December 2013 $000 (audited)
Profit before tax	**1,678**	1,773	8,334
Tax on profit on ordinary activities at standard UK corporation tax rate of 22.00% (2013: 23.25%, H1 2013: 23.50%)	**369**	417	1,938
Effects of:			
Expenses not deductible for tax purposes	**242**	266	27
Capital allowances in excess of depreciation	**(382)**	(576)	(1,891)
Adjustment for tax losses	**(229)**	(106)	(74)
Tax charge for the year	**-**	-	-

5. Earnings per share

	Basic			Diluted		
	Six months to 30th June 2014	**Six months to 30th June 2013**	**Year ended 31st December 2013**	**Six months to 30th June 2014**	**Six months to 30th June 2013**	**Year ended 31st December 2013**
	(unaudited)	**(unaudited)**	**(audited)**	**(unaudited)**	**(unaudited)**	**(audited)**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Profit for the year (continuing operations)	**1,678**	1,773	7,309	**1,678**	1,773	7,309
Profit for the year (discontinuing operations)	-	-	1,025	**-**	-	1,025
Weighted average number of ordinary shares in issue during the year	**220,053,520**	220,053,520	220,053,520	**220,053,520**	220,053,520	220,053,520
Dilutive effect of share options outstanding	-	-	-	-	-	367,069
Fully diluted average number of ordinary shares during the year	**220,053,520**	220,053,520	220,053,520	**220,053,520**	220,053,520	220,420,589
EPS (continuing operations)	**0.76**	0.81	3.32	**0.76**	0.81	3.32
EPS (discontinuing operations)	**-**	-	0.47	**-**	-	0.46

6. Intangible royalty assets

	Total $000 (unaudited)
Net book value at 1 January 2013	2,424
Amortisation charge for the period	(394)
Net book value at 30 June 2013	2,030
Amortisation charge for the period	(388)
Impairment reversal	1,152
Net book value at 1 January 2014	2,794
Amortisation charge for the period	(345)
Net book value at 30 June 2014	**2,449**

Group net book value at 30 June 2014 comprises the value of rights to future royalties in respect of the Group’s agreements covering licences PSC A and PSC B and PSC C-10 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 2013	10,245
Additions during the period	975
Net book value at 30 June 2013	11,220
Additions during the period	3,217
Reimbursement of back costs on farm-out of Ambilobe licence	(1,250)
Net book value at 1 January 2014	13,187
Additions during the period	16,277
Net book value at 30 June 2014	**29,464**

The amount for intangible exploration and evaluation assets represents investments in respect of exploration licences. 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	Computer and office equipment	Total
	$000	$000	$000
	(unaudited)	(unaudited)	(unaudited)
Cost			
At 1 January 2013	185,802	3,064	188,866
Additions during the period	-	24	24
At 30 June 2013	185,802	3,088	188,890
Additions during the period	-	61	61
Disposals in the year	-	(3,006)	(3,006)
At 1 January 2014	185,802	143	185,945
Additions during the period	-	37	37
At 30 June 2014	**185,802**	**180**	**185,982**
Accumulated depreciation			
At 1 January 2013	(181,825)	(2,982)	(184,807)
Charge for the period	(824)	(34)	(858)
At 30 June 2013	(182,649)	(3,016)	(185,665)
Charge for the period	(814)	(35)	(849)
Impairment reversal in the period	3,207	-	3,207
Disposals in the year	-	3,006	3,006
At 1 January 2014	(180,256)	(45)	(180,301)
Charge for the period	(786)	(29)	(815)
At 30 June 2014	**(181,042)**	**(74)**	**(181,116)**
Net book value at 30 June 2013	3,153	72	3,225
Net book value at 31 December 2013	5,546	98	5,644
Net book value at 30 June 2014	**4,760**	**106**	**4,866**

9. Cash flow

Cash flows from operating activities:

	Six months to 30th June 2014 $000 (unaudited)	Six months to 30th June 2013 $000 (unaudited)	Year ended 31st December 2013 $000 (audited)
Operating activities:			
Profit before tax from continuing operations	**1,678**	1,773	7,309
Profit before tax from discontinued operations	**-**	-	1,025
Finance income and gains	**(188)**	(193)	(892)
Finance expense and losses	**463**	1,077	1,066
Depletion and amortisation	**1,160**	1,252	2,488
Impairment reversal	**-**	-	(4,359)
Share-based payment charge	**361**	378	1,166
Operating cash flow prior to working capital	**3,474**	4,287	7,803
(Increase)/decrease in inventories	**(854)**	1,266	247
Decrease/(increase) in trade and other receivables	**2,052**	(4,589)	(1,725)
Decrease in trade and other payables	**(1,424)**	(593)	(56)
Decrease in provisions	**(63)**	-	-
	3,185	371	6,269
Cash generated from continuing operations	**3,185**	371	6,822
Cash outflow from discontinued operations	**-**	-	(553)
	3,185	371	6,269

10. Share capital

	As at 30th June 2014 $000 (unaudited)	As at 30th June 2013 $000 (unaudited)	As at 31st December 2013 $000 (audited)
Authorised, called up, allotted and fully paid			
220,053,520 (31 December and 30 June 2013: 220,053,520) ordinary shares of 40p	**149,014**	149,014	149,014

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.

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. Related party transactions

Details of Directors' remuneration, which comprise key management personnel, are provided below:

	Six months to 30th June 2014	Six months to 30th June 2013	Year ended 31st December 2013
	$000	$000	$000
	(unaudited)	(unaudited)	(audited)
Short-term employee benefits	**484**	540	1,371
Payments on loss of office	**-**	-	117
Defined contribution pension	**21**	45	63
Share-based payments	**216**	268	758
	720	854	2,309

13. 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 2014.

These results for the six months ended 30 June 2014 are available on the Company's website: www.sterlingenergyplc.com