23 September 2009

STERLING ENERGY PLC
("Sterling", the "Company" or the "Group")

2009 INTERIM RESULTS

Focus Returns to Delivering Shareholder Value
After £62.5 million Fund Raising

Sterling Energy PLC (AIM: SEY) an independent oil and gas exploration and production company with interests in the Middle East, Africa and the USA, today announces its financial results for the six month period ending 30 June 2009.

Highlights

- Financial position strengthened post period end following successful £62.5 million gross ($103 million) placing and agreed bank waiver to mid-February 2011. Proposed open offer to raise up to £20.6 million gross ($34 million) expected to be offered to shareholders in November.
- Board and management team revitalised by appointment of Alastair Beardsall as Executive Chairman and Keith Henry as a Non-executive Director.
- Preparations to drill the first exploration well on Sangaw North, Kurdistan progressed with unrisked best estimate prospective resources for the Upper Cretaceous reservoir of 804 mmbbl.
- Sterling remains committed to selling the USA business. USA gas prices have declined further during the period.
- Average Group first half production fell 13% to 4,563 boe/d (1H 2008: 5,242 boe/d), 5% below the average production rate for full year 2008. USA accounted for 77% of production (1H 2008: 82%).
- Group turnover decreased 24% to $43.3 million. Operating loss $1.6 million before non-cash impairment write-downs of $40.6 million (H1 2008: operating profit $3.4 million before non-cash impairment write-downs of $30.4 million).
- Current unrestricted cash is $67.1 million and debt of $74.4 million. $49 million of bank debt repaid to date since start of 2009.

Prospects and Outlook

- The Board will conduct a full review of the Group's exploration and production assets and seek to add new projects which will be opportunity led rather than geographically limited.
- Intention remains to dispose of USA assets. Proceeds are expected to repay remaining debt and supplement working capital. With the immediate pressure of bank debt relieved, Sterling is in a stronger negotiating position to achieve this.
- The future of the Chinguetti Field is linked to Phase 3 development programme economics; the Field could be abandoned as early as 2011.
- The Sangaw North (53.33% WI) Kurdistan prospect is on track for a December 2009 well spud. RISC (UK) Ltd assigns unrisked best estimate gross prospective resources for the Upper Cretaceous reservoir at 804 mmbbl with a 27% chance of success, and an equal chance of oil or gas condensate. Historical success rates for recent exploration wells drilled in the Kurdistan region are around 50%.
- The very large Sifaka prospect in the Ampasindava block, offshore Madagascar - one of the last undrilled exploration frontiers in Africa - is ready to drill and awaits confirmation from the operator Exxon on timing for the

well. RISC (UK) Ltd estimates the gross un-risked mean prospective resources for the Sifaka Prospect is 2 billion bbl.

- Sterling is seeking farm-in partners to its operated Ambilobe block offshore Madagascar, where large leads have been identified, and to its highly prospective Ntem deepwater block offshore Cameroon, which has recent discoveries to its north. The maritime border dispute between Cameroon and Equatorial Guinea is expected to be resolved soon.

Alastair Beardsall, Executive Chairman of Sterling, said:

"As a result of the new funding, shareholders can now look forward with renewed optimism. We shall remain focused on delivering value using Sterling's new financial strength and I look forward to working with my new colleagues to achieve this."

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Chairman's Statement

Dear Shareholder,

I am very pleased to have been appointed Executive Chairman of Sterling on 8 September 2009 and look forward with excitement at the opportunity to help turn the potential that exists within Sterling into shareholder value.

£62.5 million placing and 17-month bank waiver completed; £20.6 million open offer planned

I can report that the £62.5 million gross placing at 1.3p per share, announced on 14 August 2009, together with the related bank waiver to February 2011, have both been successfully completed. I welcome Waterford as our new 29.9% shareholder and thank them and the pre-existing major shareholders for their support in the placing. Our current cash balance is $67.1 million and bank debt is $74.4 million.

The board is keen that all shareholders are offered the opportunity to participate in the issue of new equity and proposes that an open offer of 2 new shares for 9 existing shares at 1.3 p per share be extended to all shareholders on the record date of 8 September 2009. This will raise up to a further £20.6 million. The documents for the open offer are expected to be sent to shareholders in November.

Strategy: deliver value through exploration success

As a result of the new funding, shareholders can now look forward with renewed optimism. Sterling's skilled staff are focussed on our exciting projects, and in particular, the near-term exploration drilling on our highly prospective Sangaw North block in Kurdistan.

We propose to conduct a full review of all the Group's exploration and production assets and then prioritise the allocation of both human and financial resources to those that offer the greatest opportunity. In parallel, Sterling will search for, and add, new projects. The Group will be opportunity led and our aim is simply to deliver value for all our shareholders.

We believe the USA assets are not part of our future and will continue the process to dispose of them at the earliest appropriate time and at the right price, thereby enabling us to repay our remaining debt and supplement our working capital. With the pressure of the bank debt now removed, the Company has a stronger negotiating position. However, natural gas prices in the USA have fallen significantly in the last year, with current month prices around $3.35 per mcf and prices realised for the limited number of recent asset transactions reflect the lowered commodity price expectations.

Board Changes

Following the placing, Dick Stabbins has stepped down as non-executive Chairman. On behalf of the Board, shareholders and staff, I thank him for his tenacity and leadership over an exceptionally difficult period for Sterling. I look forward to his continuing participation as he remains a non-executive director. Keith Henry joined the Board as a non-executive on 8 September; with 33 years international business experience in construction and energy, his expertise will be invaluable.

High potential Kurdistan drilling to commence

Our first major exploration activity will be to drill the Sangaw exploration well in Kurdistan. The well location, total drilling depth of 3,660m (with an option to drill to 4,160m) and rig contract have all been approved by both the Kurdistan Regional Government and joint venture partners. The rig contract has been awarded to Sakson Egypt and drilling is planned to commence in December 2009. We are operator and our 53.33% share of the drilling costs are paid for us up to the point of testing. It is expected that this new well will take 150 days to drill. Significant recent drilling successes in Kurdistan by other companies, and the new evaluation of potential resources completed by RISC, details of which were contained in the August circular, are very encouraging.

We shall remain focused to ensure that the opportunities Sterling's new financial condition offers deliver value, and I look forward to working with my new colleagues to achieve this.

Alastair Beardsall
Executive Chairman
23 September 2009

Operations

Kurdistan, Iraq

Sangaw North remains on track for 2009 drilling

The first half of 2009 has been dominated by preparation to drill the first exploration well on the Sangaw North Block (53.33% WI). Technical analysis and operational activity has continued apace in order to remain on track for a late fourth quarter 2009 well spud. This well is expected to take 150 days to drill.

Having completed the acquisition of 325km of 2D seismic data during 2008, a number of specialist processing techniques were undertaken in order to achieve the best possible seismic image. The interpretation and mapping of these data confirmed the presence of a very large subsurface structure, coincident with the outcropping surface anticline. The integration of regional geology and locally acquired field geological data with the results of the seismic interpretation have been combined to mature the Sangaw North prospect to drillable status.

The primary reservoir target is the Upper Cretaceous carbonates of the Shiranish, Kometan and Qamchuqa formations. These intervals are proven, hydrocarbon bearing and productive in all directions including the Taq Taq and Chemchemal fields. The presence of surface oil seeps on the Sangaw North structure, geochemically akin to the oil in adjacent fields such as Kirkuk and Taq Taq, provides considerable encouragement for the presence of subsurface hydrocarbon entrapment. An independent competent persons report published by RISC (UK) Ltd ("RISC") assigns best estimate gross prospective resources for the Upper Cretaceous reservoir at 804 mmbbl with a 27% chance of success. RISC considers that condensate and gas are at least as likely to be discovered as oil. Historical success rates for recent exploration wells drilled in the Kurdistan region are around 50%.

	Gross 100%			Fully diluted* Net Working Interest attributable to Sterling (40%)			
All figures in mmbbl	**Low Estimate**	**Best Estimate**	**High Estimate**	**Low Estimate**	**Best Estimate**	**High Estimate**	**Risk Factor**
Cretaceous Oil Prospective Resources un-risked	179	804	1,664	72	322	666	0.27

*If the KRG's back-in rights are fully exercised, then Sterling's WI will reduce from 53.33% to 40%

Source: RISC

Secondary reservoir potential is also being targeted in a number of Jurassic objectives. Underexplored due to the impact of Tertiary overburden on drill depths, the Jurassic is the emerging play in the basin. Limited Tertiary cover on the Sangaw North structure, coupled with the specifications of the rig being contracted, make the Jurassic an achievable deeper target. Recent discoveries such as Hawler, drilled by DNO in 2008, flowed oil from a Jurassic interval at a rate of 9,000 bo/d.

Continued exploration success confirms the highly prospective nature of the Kurdistan region. In May, Heritage reported a major oil discovery at Miran West, 30km north-east of Sangaw North, with estimated oil in place of 2.3 to 4.2 billion bbl (Recovery Factor 50-70%) and estimated flow rates of 8-10,000 bo/d per well. More recently Gulf Keystone reported an oil discovery at Shaikan having tested 5-8,000 bo/d from the Jurassic Sargelu Formation, one of the Jurassic objectives being targeted by the Sangaw North-1 well. Prime Natural Resources' also announced a discovery in September 2009 in their Shakal block.

The outstanding commercial potential of the province was highlighted by the initiation in June of crude oil exports to Turkey from the Taq Taq and Tawke fields. Initial exports are planned at 40,000 bo/d from Taq Taq and 60,000 bo/d from Tawke with maximum combined output projected at 250,000 bo/d by mid 2010.

An extensive tender process resulted in the identification of a number of available drilling rigs meeting the required specifications for drilling the Sangaw North prospect. Following a competitive tender process the rig contract has been awarded to Sakson Egypt for their PR- 4 2,000 HP rig. The well location, total drilling depth of 3,660m (with an option to drill to 4,160m) and rig contract have all been approved by both the Kurdistan regional Government and the joint venture partners.

In country, operations have been strengthened by the appointment of an expatriate country manager to work closely with the company's local staff in our Suleimaniah office.

Cameroon

Ntem (100%)

Farmout sought

The Ntem concession area is a highly prospective deepwater block situated in the southern Douala/Rio Muni Basin and lies adjacent to the northern maritime border of the Rio Muni province of Equatorial Guinea. Water depths range from 400m to 2,000m across the block. During the first term of the concession over 2,100km of 2D, and 1,500 sq km of 3D seismic data was acquired, along with the purchase of additional seismic and gravity studies.

Sterling's financial obligations and work programme for the Ntem concession area (100% WI) are currently suspended owing to overlapping maritime border claims between Cameroon and Equatorial Guinea. However, both countries are actively working to resolve this issue. Sterling is evaluating the area in the light of recent Tertiary discoveries made by Noble Energy to the north of the block and understands the border dispute may be resolved soon. We intend to farmout an interest in this licence.

This large block is undrilled and is well placed with respect to both Tertiary and Upper Cretaceous plays. As a result, it is attracting a good level of industry interest. Many large leads and prospects have been identified following a detailed interpretation of the extensive 2D and 3D seismic database. Recent seismic attribute analysis and inversion studies on this dataset reveal the presence of large and widespread submarine fans with good exploration potential. Four of the Cretaceous prospects mapped so far have un-risked prospective resources of several hundred million barrels each.

Madagascar

Major prospect awaits drilling

Sterling's Ambilobe and Ampasindava blocks are located in the deepwater basin offshore north-west Madagascar - one of the last undrilled exploration frontiers in Africa. In the Ampasindava block, the giant Sifaka prospect is ready to drill and we await confirmation from the operator, Exxon, on timing for the well. In the Ambilobe block, our technical evaluation has indentified a number of large leads in the Cretaceous and Tertiary plays which we are continuing to work up. We have recently completed a major 2D seismic reprocessing project across both blocks of nearly 9,000km of CACP (controlled amplitude, controlled phase) compliant seismic data, to help identify potential hydrocarbon-bearing anomalies in the subsurface. Our exploration efforts have been hampered in the first half of the year due to political upheaval in Madagascar. However, there are now signs that the political parties are willing to work together, which augurs well that a solution can be found.

In the Exxon operated Ampasindava block (Sterling 30% WI), RISC estimate the gross un-risked mean prospective resource for the Sifaka Prospect is 2 billion bbl (RISC Competent Persons Report, March 2008). The block is in Phase 3 of the exploration period which currently expires in late 2010 (and has a minimum work commitment of one exploration well). The well cost will materially exceed the value of our remaining carry and we are seeking to farm down our interest in the PSC to cover these costs. Following the recent political changes it is now unlikely drilling will take place before late 2010. Following an extension agreed with Exxon, a well participation decision has been deferred until the end of December 2009.

In the Sterling operated Ambilobe block (Sterling 100% WI) we are evaluating numerous large leads of Cretaceous and Tertiary age. We have been granted an 18-month extension to Phase 2 of the exploration period, which will now expire in November 2010. All work commitments for phase 2 have been completed. We are actively seeking a farm-in partner to share the cost of future 3D seismic acquisition and exploration drilling.

Mauritania

Chinguetti Production Decline

No in-fill drilling or work-over activity took place during the first half of 2009. Field production declined quite steeply over the six-month period, from around 16,500 bo/d down to around 9,500 bo/d prior to the planned FPSO annual maintenance shutdown on 26 June. This decline was as a result of increasing water production in most wells, particularly in wells C-19 and C-20 which were drilled in 2008. The field has performed better since being returned to production on 1 July, with a reduced decline rate, partly due to an optimisation of the subsea system.

Sterling estimates that, at the end of June 2009, Chinguetti held a remaining 7.6 mmbbl of gross 2P reserves to be accessed with the existing wells. Evaluation work continues to be carried out in 2009 to optimise the reservoir model and investigate the potential for a Phase 3 drilling campaign to access contingent resources in 2010/11. However, given the current commodity price environment, the Phase 3 programme may not be economic and the Chinguetti Field could be abandoned as early as 2011.

During the first half of 2009, Sterling's share of production was 1,028 bo/d from its interests in the Chinguetti field through the funding agreement and its Royalty Interest. Currently Chinguetti net production is 714 bo/d. This generated over $12.4 million gross revenue ($16.2 million after the effect of hedges) from four cargo liftings.

Other development potential

The operator, Petronas, is understood to be preparing a Field Development Plan for the Banda Field which it expects to submit to the government by the end of 2009, with FEED commencing at the beginning of 2010. Sterling would be entitled to revenue under its Royalty Interest from any development of Banda.

AGC

Dome Flore licence extension sought

The Dome Flore concession lies within the AGC, a joint exploration zone between Senegal and Guinea Bissau. Sterling holds a 30% WI and Markmore Energy (70% WI) is the operator. The first renewal period for the licence expired in January 2008, a licence extension has not yet been granted and is still being sought.

Gabon

Iris Marin

The Iris Marin Production Sharing Contract (PSC) is situated in the Southern Gabon Basin, adjacent to the Gamba and Ivinga producing oil fields and the Olowi oil field development. The permit extends from the shoreline to a water depth of 60m. Sterling holds a 32% WI, and sold an 18% interest to Addax Petroleum and also transferred the operatorship to Addax in June 2008. All licence commitments have been fulfilled. This PSC expires in May 2010 and the operator has been undertaking geological studies during 2009 in order to make a recommendation as to whether or not to seek an extension to the PSC.

Ibekelia

Sterling and its partners are in advanced negotiations to convert Ibekelia from a TEA into a PSC. The TEA covers an area of approximately 673 sq km adjacent to Gamba, Ivinga and Olowi fields. Sterling holds a 40% WI and is the operator.

USA

2009 continues to be a transitional period for the USA division of Sterling. We remain committed to disposing of the USA business and the sales process initiated in 2008 is ongoing. Gas prices reached record levels in mid 2008 of almost $13/mcf, fell dramatically in the second half of 2008 and have continued to fall in 2009. During the period Sterling reduced the book value of its USA oil and gas assets to reflect both the fall in USA gas prices and field performance. There has recently been some renewed interest from buyers in the USA division, albeit at an interest level that reflects the weaker gas price.

The USA division has remained active and has been operating within its internally generated cashflow and funding monthly bank debt repayments. Current production is 20.5 mmcfge/d.

Highlights for the period include:

- Participation in the drilling of our first Eagle Ford shale well with a second well currently drilling
- Drilling of a discovery well in the Devil's Pocket (L. Wilcox) field in Newton County Texas
- Completion of two Viking wells and Duhon replacement well that were drilling at year-end 2008
- Operations to plug and abandon the Hurricane Ike damaged EI268 field have been largely completed and paid for by insurance cover.

During the period, we also participated in the drilling of seven wells and over 14 recompletion or workover procedures, with two drilling rigs. Total net production was 0.16 mmbbl of liquids and 2.9 bcf of gas, making a total of 3.8 bcf for an average rate of 21.2 mmcfge/d during the first six months of 2009.

Independent third party and company reserve reports, effective 1 April 2009, estimated proved reserves of 53.0 bcf and probable reserves of 41.5 bcf (31 December 2008: 61 bcf and 42 bcf respectively) of which 73% is gas and 27% is oil. The decline of 8.5 bcf in 2P reserves was the result of 2 bcf of production, the effect of lower gas prices and a change in reserve categorisation.

Austin Chalk

No new wells were drilled during this period. Subsequent to the end of the period, the division has assumed the operatorship of future drilling activities. The infill development well Apolonia #2 was spudded (91.5% WI) and the first lateral has been successfully completed and the second lateral is being drilled. The well is designed to take advantage of recent success in this area utilising dual 5,000 ft laterals in the Austin Chalk. By utilising dual laterals, operators have been able to increase the recoverable reserves dramatically with less than a 20% increase in drilling costs. The division is carrying five additional confirmed and eight possible follow up locations planned for 2010 drilling and beyond. Current net production for this project area is approximately 0.9 mmcfge/d.

STS Eagle Ford Shale Project

In 2008, Sterling initiated and participated in a 90 sq km 3D seismic survey. During 2009, several operators including Petrohawk made significant discoveries drilling horizontal wells in the Eagle Ford shale resource play. The division farmed out a portion of its ownership in the block retaining approximately a 10% WI. The first well has been drilled and is producing over 7 mmcfge/d (520 mcfge/d net) and the second well is currently drilling. Nearby operators have reported gross reserves of up to 5 bcf per well, based on 160 acre spacing. Using this projection there are potentially up to 55 additional locations on our block.

Viking Joint Venture

In 2007, Sterling entered into a joint venture with Viking International Petroleum in which the Company gained access to a substantial inventory of drilling opportunities. Prior to 2009, nine wells had been drilled with four successfully completed. During 2009, four additional wells have been drilled, with three completed, and one well testing. Current production is approximately 1 mmcfge/d with three further additional wells scheduled to be drilled before the end of the year.

Eugene Island 268

In 2008, Hurricane Ike severely damaged the Sterling operated EI268 platform and well. In early 2009, an agreement was reached with the insurers to plug and abandon the well and remove the damaged platform. This work was initiated in the second quarter of 2009, and has now been largely completed, and with costs covered by insurance cover.

FINANCIAL REPORT

Overview

The current economic and operating environment remains challenging. At the end of June 2009, following continued weakening of the USA gas prices during the second half of 2008 and 2009, Sterling had a debt gap of $24.3 million. This is calculated as excess drawings over the level available under the terms of its Borrowing Base Facility. Based on Borrowing Base forecasts in January 2009, the Borrowing Base was forecast to fall from $76.3 million to $58.5 million in August 2009. Since the January forecast there has been further weakening of the USA gas prices, which would have resulted in a lower Borrowing Base for August than was originally forecast in January 2009. In April 2009, the Company secured a waiver agreement with the banks which allowed Sterling to reschedule its loan payments until the Borrowing Base review scheduled for August 2009. Under this Borrowing Base Facility, at the end of June 2009, Sterling had an outstanding balance of $100.3 million. Additionally, Sterling had drawn down $11.0 million under its Corporate Facility.

Prior to the expiry of that waiver in August 2009, Sterling negotiated a revised waiver that expires in February 2011. This revised waiver was conditional upon the receipt, by Sterling, of the proceeds of the £62.5 million share placing, announced on 14 August 2009, and the repayment to the banks of $35 million. Following the shareholder vote at the EGM held on 7 September 2009 approving the placing, the $35 million of principal was paid to the banks on 9 September 2009. At the same time the placing was announced the Company also announced its intention to undertake an open offer to shareholders to raise a further approximately £20.6 million at the Placing Price. The open offer will give shareholders the right to subscribe for 2 new ordinary shares for every 9 ordinary existing shares. The record date for the open offer was the date of Admission of the placing shares (8 September 2009). The ordinary shares traded ex-entitlement from 8.00am on 4 September 2009, shares traded after this time will not be entitled to participate in the open offer. The new ordinary shares issued pursuant to the recent placing will also be entitled to participate in the open offer on the same basis. The prospectus for this open offer is expected to be sent to shareholders by mid-November.

During the first six months of 2009, USA gas prices have approximately halved. This fall, combined with some field performance has resulted in a further mid-2009 impairment of the carrying values of our USA assets. A further impairment to the Chinguetti field arose due to field performance. The Company remains committed to disposing of its USA business, and would use the sale proceeds to pay down bank debt and for working capital purposes.

The Group operating loss for the first half of 2009 was $42.2 million (H1 2008: loss $27.1 million) after non-cash pre-tax impairment charges (net of impairment reversals) of $40.6 million. Due to the deferred tax credit of $11.3 million relating to the impairment, the post tax net impairment charge was $29.3 million. Adjusting for these impairment charges gives an adjusted operating loss of $1.6 million.

Key Indicators

		H1 2009	**H1 2008**	**Year 2008**
USA production	(boe/d, entitlement basis)	**3,535**	**4,265**	**3,784**
Chinguetti production	(boe/d, entitlement basis)	**1,028**	**977**	**1,025**
Total production	(boe/d, entitlement basis)	**4,563**	**5,242**	**4,809**
EBITDA*	$ million	**21.9**	**33.0**	**65.1**
Average realised oil price (including hedges)	$/bbl	**$61.72**	**$95.84**	**$67.21**
Average realised gas price (including hedges)	$/mcf	**$6.17**	**$8.84**	**$8.82**
Total cash operating costs (including production taxes)	$/bbl	**$14.15**	**$18.40**	**$18.55**

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

Revenues

Production was 4,563 boe/d for the first half of 2009, a decrease of 13.0% from the 5,242 boe/d in H1 2008 and was 5.1% below the average production rate for 2008.

USA production decreased to 21.2 mmcfge/d (H1 2008: 25.6 mmcfge/d). This was a result of natural production decline rates and a deferral of capital expenditure. The USA business accounted for 77% of production in H1 2009 (H1 2008: 80%). Net Chinguetti field production for the first half of the year was 1,028 bo/d, including royalty barrels, with natural decline rates being offset by the Phase 2b drilling and workover programme (H1 2008: 1,034 bo/d). Currently net Chinguetti production is 714 bo/d.

Group turnover for the period decreased by 24% to $43.3 million, including hedge settlements of $12.2 million (income), compared to H1 2008 turnover of $56.7 million (net of $14.6 million expense for hedges). The proportion of Group turnover arising from Chinguetti increased from 19% in H1 2008 to 38% in H1 2009.

Cost of sales decreased from $45.3 million in H1 2008 to $36.5 million in H1 2009. Chinguetti cost of sales (including depletion) decreased to $57.7/bbl (H1 2008: $69.2/bbl) predominantly as a result of lower depletion costs which decreased to $24.8/bbl (H1 2008: $43.5/bbl). This fall was mainly as a result of non-cash impairments in 2008 which reduced the carrying value of the Chinguetti field. USA cost of sales (including depletion) decreased to $6.71/mcfge (H1 2008: $7.10/mcfge) which is a result of lower production taxes.

Operating loss $42.2 million after $40.6 million non-cash impairments

The operating loss for H1 2009 was $42.2 million (H1 2008: loss $27.1 million) after net non-cash pre-tax impairment charges of $40.6 million (comprised of $62.1 million impairment of oil and gas assets, and $21.5 million reversal of previous period oil and gas impairments). Due to the deferred tax credit of $11.3 million relating to the impairment, the post tax impairment charge was $29.3 million. Adjusting for these impairment charges gives an adjusted operating loss of $1.6 million.

During the period Sterling recognised a $40.6 million non-cash net impairment of oil and gas assets, this was due to both a continued decline in USA gas prices and field performance. The USA impairment of $26.9 million is made up of an Exploration and Evaluation impairment charge of $22.9 million and a net Property, Plant and Equipment impairment charge of $4.0 million. The Chinguetti non-cash impairment of $13.7 million comprises a Property, Plant and Equipment impairment of $12.9 million and Intangible Royalty Asset impairment of $0.8 million.

Group administrative expenses, net of third-party recharges for operating licences and costs capitalised, decreased by 15% to $7.3 million (H1 2008 $8.5 million).

EBITDA and net loss

EBITDA totalled $21.9 million (H1 2008: $33.0 million, year 2008: $65.1 million).

Net finance expense for the first half of 2009 was $4.3 million (H1 2008: $4.4 million). The charge comprised $2.5 million of interest charges on the $125 million bank loan facility, $1.1 million in respect to other bank loan expenses (waiver fee, agent fees, commitment fees and loan expenses), $1.0 million in respect to unwinding of decommissioning discounted finance charge and $0.2 million in respect to exchange differences expense. $0.5 million interest income was received from bank deposits.

A taxation credit of $11.3 million arose, reflecting a deferred tax credit of $11.3 million as a result of the USA impairment which partly offsets the gross USA impairment charge in the period.

The net loss after tax totalled $35.2 million (H1 2008: net loss $21.9 million). Fully diluted loss per share was 1.52 USc per share (H1 2008: 1.33 USc loss per share).

Cash flow

Net cash flow from operating activities pre-working capital totalled $20.7 million. After working capital net cash flow from operating activities totalled $27.4 million. The principal movements in working capital were a decrease in trade and other receivables, a decrease in inventories, and an increase in trade and other payables.

Cash investments in oil and gas assets in the first half of 2009 totalled $21.0 million (H1 2008: $25.3 million). Of this $18.7 million was invested in various USA assets ($5.2 million of this cash spent related to 2008 capex spend paid in 2009), $1.2 million was invested in Mauritania in respect of remaining costs associated with the 2008 Phase 2B drilling programme, $0.2 million in Madagascar, $0.3 million in Ntem, and $0.6 million in Gabon. Sterling's expenditure in Kurdistan is carried up to the point of testing the exploration well.

Bank Facility

At mid-year 2009, gross debt was $111.3 million ($108.1 million in the balance sheet which is net of pre-paid finance expenses of $3.2 million which are included in note 10 in the balance sheet) under the Group's long-term finance agreements comprising $100.3 million under the Borrowing Base Facility, and $11.0 million drawn against its Corporate Facility. Net debt stood at $96.7 million (after cash and cash equivalents) at 30 June 2009 (30 June 2008: net debt $122.7 million; 31 December 2008: net debt $95.5 million). Interest currently accrues on bank debt at an average rate of 4.42% before other financing fees.

During the period Sterling repaid a total of $11.6 million of bank debt.

As discussed earlier in this section, following the successful placing on 8 September 2009, Sterling repaid $35 million of bank debt and secured a revised waiver to February 2011. This revised waiver contains various amendments to the terms of the loan, including changes to the interest margin and an increase in the fees payable, dependent on the timing of the elimination of the debt gap, prior bank approvals of certain capital costs, and a monthly repayment of not less than $1 million under a cash sweep mechanism. Sterling's current cash balance is $67 million and total outstanding bank debt is $74 million.

Balance Sheet

At 30 June 2009, Sterling held $11.4 million cash and cash equivalents, and $3.1 million monies in restricted accounts. Of the $11.4 million (30 June 2008: $26.1 million, 31 December 2008: $23.9 million) $3.0 million was held on behalf of partners, $4.4 million relates to the amount prepaid by the insurance syndicate for the plugging and abandoning of Eugene Island 268, leaving a cash balance of $4.0 million freely available to Sterling at 30 June 2009.

Group net assets at 30 June 2009 were $126.0 million compared to $171.2 million at 31 December 2008. This movement was primarily due to further non-cash impairments to USA and Africa assets, and the decrease in the mark to market hedge position at 30 June 2009 compared to 2008 year-end. The mark to market hedges were $3.8 million asset (31 December 2008: $16.1 million current asset, $0.5 million current liability). This mark to market calculation was undertaken when prices were $69.89/bbl WTI, $69.30/bbl Brent and $3.84/mcf Henry Hub gas.

Oil and gas price hedge positions

Cash settlements of hedges in the period were $12.2 million cash inflow (2008: $16.5 million cash outflow). The Group accounts for its derivatives as cash flow hedges. During the period the Group unwound a portion of the remaining Brent hedged oil volume against its Mauritania production. This was due to lower forecast production in the second half of 2009 in order to maintain the Group's hedging effectiveness strategy.

During the period the Group has not put in any further hedges in place due to restrictions imposed under the Group's bank waiver. Hedge positions held at 30 June 2009 can be summarised as follows:

	H2 2009
Brent Oil Price	
Volume (bbl)	**90,000**
Current price hedge (per bbl) - Floor	**$74.30**
WTI Oil Price	
Swap volume (bbl)	**78,000**
Current price hedge (per bbl) - Swaps	**$69.90-$84.45**
Henry Hub Gas Price	
Swap volume (mcf)	**100,000**
- Swap price	**$8.00 - $8.33**
Collar volume (mcf)	**1,200,000**
- Collar price	**$8.00 / $8.65 - $9.00**
Basis swap volume (mcf)	**50,000**
- Basis swap price	**($0.31)**

The Board regularly reviews the Group's exposure to oil and gas price movements.

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 review, and in the operational review on pages 3-7. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 8-11.

Following the successful placing approved at the EGM held on 7 September 2009 and the subsequent payment of $35 million of principal to the bank syndicate, Sterling has secured an amended bank waiver agreement to February 2011. The directors believe that the Group is well placed to manage its business risks successfully despite the challenging economic and operating conditions for oil and gas exploration and production companies.

After making enquiries, 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 interim review.

Disclaimer

This statement 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

Definitions	
$	US Dollars
2D	two dimensional
2P	proven and probable
3D	three dimensional
bbl	barrel (s) of oil
bcf	billion cubic feet of gas
bcfge	billions of cubic feet gas equivalent
bo/d	barrels of oil per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
EBITDA	earnings before interest, taxation, depreciation, amortisation, impairment and pre-licence expenditure
FEED	front end engineering and design
HSE	health, safety and environment
km	kilometre
m	metres
mbo/d	thousand barrels of oil per day
mcf	thousand cubic feet of gas
mcfge	thousand cubic feet of gas equivalent
mcfge/d	thousand cubic feet of gas equivalent per day
mmbbl	millions of barrels
mmboe	millions of barrels of oil equivalent
mmcf	millions cubic feet of gas
mmcfg/d	million cubic feet of gas per day
mmcfge/d	millions of cubic feet of gas equivalent per day
PSC	production sharing contracts
RI	Royalty interest
sq km	square kilometre
tcf	trillion cubic feet of gas
TEA	technical evaluation agreement
WI	working interest

Independent Review Report to Sterling Energy PLC

We have been engaged by the Group to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprise the condensed consolidated income statement, the condensed consolidated statement of financial position, the condensed consolidated statement of comprehensive expense, condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of consolidated financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Group a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

Deloitte LLP
Chartered Accountants and Registered Auditors
22 September 2009
London, UK

Sterling Energy PLC – Condensed consolidated income statement for the six months to 30th June 2009

	Note	Six months to 30th June 2009 $000 (unaudited)	Six months to 30th June 2008 $000 (unaudited)	Year ended 31st December 2008 $000 (audited)
Revenue		**43,338**	56,730	103,568
Cost of sales		**(36,514)**	(45,319)	(87,035)
Gross profit		**6,824**	11,411	16,533
Administrative expenses		**(7,286)**	(8,475)	(14,307)
Reversal of impairment	7	**21,544**	-	-
Impairment of oil and gas assets	5,6,7	**(62,106)**	(30,442)	(180,142)
Other impairments		**-**	-	(2,833)
(Loss)/profit on disposal of oil and gas assets		**(657)**	1,425	5,311
Profit on disposal of investment		**-**	-	2,871
Pre-licence exploration costs		**(548)**	(998)	(2,664)
Operating loss	8	**(42,229)**	(27,079)	(175,231)
Interest revenue and other finance gains/ losses		**340**	852	1,159
Finance costs		**(4,643)**	(5,296)	(10,620)
Loss before tax		**(46,532)**	(31,523)	(184,692)
Tax	3	**11,287**	9,658	27,862
Loss for the financial period		**(35,245)**	(21,865)	(156,830)
Loss per share (USc)				
Basic and diluted	4	**(1.52)**	(1.33)	(8.63)

Condensed consolidated statement of comprehensive expense for the six months to 30th June 2009

	Six months to 30th June 2009 $000 (unaudited)	Six months to 30th June 2008 $000 (unaudited)	Year ended 31st December 2008 $000 (audited)
Loss for the period	**(35,245)**	(21,865)	(156,830)
Hedge movement	**(10,104)**	(58,704)	29,995
Currency translation adjustments	**1,482**	(1,879)	(1,921)
Revaluation of shares	**11**	178	(657)
Total comprehensive expense for the period, net of tax	**(43,856)**	(82,270)	(129,413)
Tax relating to componants of other comprehensive income*	**(1,698)**	12,864	-
Total comprehensive expense for the period	**(45,554)**	(69,586)	(129,413)

* All movement relates to tax effects of hedge provision movement in the period

Sterling Energy PLC – Condensed consolidated statement of financial position as at 30th June 2009

	Note	As at 30th June 2009 $000 (unaudited)	As at 30th June 2008 $000 (unaudited)	As at 31st December 2008 $000 (audited)
Non-current assets				
Intangible royalty assets	5	**2,400**	15,972	3,791
Intangible exploration and evaluation assets	6	**104,730**	153,678	125,756
Property, plant and equipment	7	**172,834**	297,319	187,760
Investments		**1,174**	7,394	996
Other receivables - restricted bank deposits (reclassified- note 8)		**3,146**	4,500	3,145
		284,284	478,863	321,448
Current assets				
Inventories		**2,426**	5,915	4,994
Trade and other receivables		**31,799**	43,147	32,606
Derivative financial instruments		**5,516**	-	16,071
Current tax repayable		-	833	-
Cash and cash equivalents (reclassified- note 8)		**11,367**	26,117	23,854
		51,108	76,012	77,525
Total assets		**335,392**	554,875	398,973
Current liabilities				
Trade and other payables		**(36,633)**	(51,953)	(39,533)
Derivative financial instruments		**(47)**	(51,295)	(497)
Bank loan	10	**(47,000)**	(34,800)	(53,700)
		(83,680)	(138,048)	(93,730)
Net current liabilities		**(32,572)**	(62,036)	(16,205)
Non-current liabilities				
Bank loan	10	**(61,072)**	(114,017)	(65,570)
Deferred tax liabilities		**(31,174)**	(47,229)	(40,793)
Derivative financial instruments		-	(21,002)	-
Long-term provisions		**(33,512)**	(24,727)	(27,664)
		(125,758)	(206,975)	(134,027)
Total liabilities		**(209,438)**	(345,023)	(227,757)
Net assets		**125,954**	209,852	171,216
Equity				
Share capital	9	**42,749**	31,846	42,749
Share premium account		**351,334**	341,515	351,334
Share option reserve		**8,550**	9,400	9,869
Investment revaluation reserve		**11**	835	-
Currency translation reserve		**219**	(1,221)	(1,263)
Hedge reserve		**3,772**	(60,441)	15,574
Retained earnings		**(280,681)**	(112,082)	(247,047)
Total Equity		**125,954**	209,852	171,216

Sterling Energy PLC – Condensed consolidated statement of changes in equity for six months ended 30th June 2009

	Share capital account $000	Share premium account $000	Share option reserve $000	Investment revaluation reserve $000	Currency translation account $000	Hedge reserve $000	Retained earnings $000	Total $000
At 1 January 2008	31,811	341,414	8,368	657	658	(14,421)	(90,217)	278,270
Total comprehensive expense for the period	-	-	-	178	(1,879)	(46,020)	(21,865)	(69,586)
Issued share capital	35	-	-	-	-	-	-	35
Premium on shares issued	-	101	-	-	-	-	-	101
Share option reserve charge for the period	-	-	1,032	-	-	-	-	1,032
As at 1 July 2008	31,846	341,515	9,400	835	(1,221)	(60,441)	(112,082)	209,852
Total comprehensive expense for the period	-	-	-	(835)	(42)	76,015	(134,965)	(59,827)
Issued share capital	10,903	-	-	-	-	-	-	10,903
Premium on shares issued	-	9,819	-	-	-	-	-	9,819
Share option reserve charge for the period	-	-	469	-	-	-	-	469
At 1 January 2009	**42,749**	**351,334**	**9,869**	-	**(1,263)**	**15,574**	**(247,047)**	**171,215**
Total comprehensive expense for the period	**-**	**-**	**-**	**11**	**1,482**	**(11,802)**	**(35,245)**	**(45,554)**
Transfer of share based payment reserve	**-**	**-**	**(1,611)**	**-**	**-**	**-**	**1,611**	**-**
Share option reserve charge for the period	**-**	**-**	**292**	**-**	**-**	**-**	**-**	**292**
At 30 June 2009	**42,749**	**351,334**	**8,550**	**11**	**219**	**3,772**	**(280,681)**	**125,954**

Sterling Energy PLC – Condensed consolidated statement of cash flow statement for the six months ended 30th June 2009

	Note	Six months to 30th June 2009 $000 (unaudited)	Six months to 30th June 2008 $000 (unaudited)	Year ended 31st December 2008 $000 (audited)
Operating activities				
Cash generated from/(used in) operations	8	**27,426**	(431)	56,745
Net cash flow from/(used in) operating activities		**27,426**	(431)	56,745
Investing activities				
Interest received		**540**	852	1,635
Capital expenditure		**(20,967)**	(25,282)	(112,874)
Increase in investment		**(166)**	-	(550)
Proceeds on disposal of property, plant & equipment		**10**	11,102	16,526
Proceeds on farmout of exploration and evaluation asset		**-**	-	38,960
(Increase)/decrease in restricted cash (reclassified)		**(1)**	1,265	2,620
Net cash used in investing activities		**(20,584)**	(12,063)	(53,683)
Financing activities				
Net proceeds from issue of ordinary shares		**-**	136	20,858
Repayments on loan facilities		**(11,642)**	(420)	(30,409)
Interest paid		**(3,172)**	(5,141)	(8,347)
Decrease in overdraft		**(3,967)**	-	(3,781)
Net cash flow used in financing activities		**(18,781)**	(5,425)	(21,679)
Net decrease in cash and cash equivalents		**(11,939)**	(17,919)	(18,617)
Cash and cash equivalents at beginning of period		**23,854**	44,101	44,101
Effect of foreign exchange rate changes		**(548)**	(65)	(1,630)
Cash and cash equivalents at end of period		**11,367**	26,117	23,854

1. Accounting Policies

a) The interim financial information in this report which is unaudited is prepared on the basis of the accounting policies set out in the 2008 Annual Report and Accounts together with the adoption of certain new accounting standards in 2009 as follows:

IFRS 8 Operating Segments – IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and assess their performance. The adoption of IFRS 8 has not resulted in a change to the Group's reportable segments.

IAS 1 (Revised) Presentation of Financial Statements – IAS 1 (Revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a condensed consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each period presented.

IAS 23 (amendment) - 'Borrowing Costs'. The amended standard requires borrowing costs related to the acquisition, construction or production of a qualifying asset to be capitalised as part of the cost of the asset. All other borrowing costs should be expensed as incurred. The adoption of this standard has not had any impact on the accounting policies applied by the Group.

These accounting policies are consistent with International Financial Reporting Standards (IFRS) adopted for use by the European Union. The Interim Report is prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union.

b) No interim dividend is proposed to be paid for the six months to 30th June 2009.

c) The information for the year ended 31st December 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 237(2) or 237(3) of the Companies Act 1985. The auditors' report did include a reference to going concern to which the auditor drew attention by way of emphasis, without qualifying the report.

d) The Directors of the Company approved the financial information included in this interim result document on 22nd September 2009.

2. Segmental reporting

In the opinion of the Directors the operations of the Group comprise one class of business activity being the exploration, development and production of oil and gas. The reportable segments in accordance with IFRS 8 are the geographical markets that the Group operates; North America, and Africa & Middle East.

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 2009, for the year ended 31 December 2008, and for the six months ended 30 June 2008.

	North America			Africa + Middle East			Total		
	H1 2009	H1 2008	FY 2008	H1 2009	H1 2008	FY 2008	H1 2009	H1 2008	FY 2008
	$000	$000	$000	$000	$000	$000	$000	$000	$000
	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(audited)
Income Statement									
Revenue	**27,071**	45,796	83,176	**16,267**	10,934	20,392	**43,338**	56,730	103,568
Cost of sales	**(25,776)**	(33,170)	(59,681)	**(10,738)**	(12,149)	(27,354)	**(36,514)**	(45,319)	(87,035)
Gross profit	**1,295**	12,626	23,495	**5,529**	(1,215)	(6,962)	**6,824**	11,411	16,533
Impairment provision	**(26,859)**	(30,442)	(82,130)	**(13,703)**	-	(100,845)	**(40,562)**	(30,442)	(182,975)
Pre-licence exploration costs	**(22)**	(150)	(650)	**(526)**	(848)	(2,014)	**(548)**	(998)	(2,664)
Profit and loss on disposals of assets/investments	**(657)**	1,425	3,111	-	-	5,071	**(657)**	1,425	8,182
Segment result	**(26,243)**	(16,541)	(56,174)	**(8,700)**	(2,063)	(104,750)	**(34,943)**	(18,604)	(160,924)
Unallocated corporate expenses							**(7,287)**	(8,475)	(14,307)
Operating loss							**(42,230)**	(27,079)	(175,231)
Interest revenue and finance gains							**340**	852	1,977
Finance costs							**(4,442)**	(5,927)	(10,620)
Other losses							**(201)**	631	(818)
Loss before tax							**(46,533)**	(31,523)	(184,692)
Tax							**11,287**	9,658	27,862
Loss attributable to equity holders							**(35,246)**	(21,865)	(156,830)

	Unallocated		North America		Africa + Middle East		Total	
	H1 2009	FY 2008	H1 2009	FY 2008	H1 2009	FY 2008	H1 2009	FY 2008
	$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	-	224	**14,102**	35,616	**8,119**	22,697	**22,221**	58,537
Exploration and evaluation	-	258	**6,736**	7,271	**1,143**	21,080	**7,879**	28,609
Depreciation & amortisation	**(167)**	(487)	**(18,291)**	(38,621)	**(4,609)**	(15,559)	**(23,067)**	(54,667)
Impairment provision	-	-	**(26,859)**	(82,130)	**(13,703)**	(100,845)	**(40,562)**	(182,975)
Balance sheet								
Segment assets*	**7,295**	26,232	**304,984**	345,131	**23,113**	27,610	**335,392**	398,973
Segment liabilities**	**(111,830)**	(123,510)	**(66,713)**	(78,290)	**(30,895)**	(25,957)	**(209,438)**	(227,757)

*Carrying amounts of segment assets exclude investments in subsidiaries

**Carrying amounts of segment assets exclude intra-group financing

3. Taxation

The Group tax charge comprises:

	Six months to 30th June 2009 $000 (unaudited)	Six months to 30th June 2008 $000 (unaudited)	Year ended 31st December 2008 $000 (audited)
Current tax	**-**	-	74
Deferred tax - origination and reversal of timing differences	**(11,287)**	(9,658)	(27,936)
Total credit	**(11,287)**	(9,658)	(27,862)

4. Loss per share

Basic earnings per share is based on the loss on ordinary activities after taxation of $35,246,492 (first half 2008: loss for the period, $21,864,540) and the weighted average number of 2,325,510,585 ordinary shares of 1p each in issue during the period (30 June 2008: 1,649,384,618, 31 December 2008: 1,817,510,912). As the Group was loss making in the period there is no difference in the basic and diluted loss per share.

5. Intangible royalty assets

	Total $000 (unaudited)
Net book value at 1 January 2008	16,600
Amortisation charge for the year	(1,508)
Impairment charge for the year	(11,301)
Net book value at 31 December 2008	**3,791**
Amortisation charge for the period	(565)
Impairment charge for the period	(826)
Net book value at 30 June 2009	**2,400**

Group net book value at 30 June 2009 comprises the value of rights to future royalties in respect of the Group's agreements covering licences PSCA and PSCB 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 is 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.

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

	Total $000 (unaudited)
Net book value at 1 January 2008	155,581
Additions during the year	28,609
Disposals during the year (farm-out)	(39,988)
Amortisation charge for the year	(5,829)
Impairment charge for the year	(12,617)
Net book value at 31 December 2008	**125,756**
Additions during the period	7,879
Transfer to PPE	(3,066)
Amortisation charge for the period	(2,905)
Impairment charge for the period	(22,934)
Net book value at 30 June 2009	**104,730**

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. The impairment recorded above relates to assets held in the USA pool where the estimated recoverable amount of the property, plant and equipment and E&E in the pool was insufficient to cover the carrying amount.

7. Property, plant and equipment (PPE)

	Oil and Gas assets $000 (unaudited)	Computer and office equipment $000 (unaudited)	Total $000 (unaudited)
Cost			
At 1 January 2008	467,870	3,966	471,836
Additions during the year	57,692	845	58,537
Additions through acquisitions during the year	(13,611)	-	(13,611)
At 31 December 2008	**511,951**	**4,811**	**516,762**
Additions during the period	22,170	51	22,221
Disposals during the period	(748)	-	(748)
At 30 June 2009	**533,373**	**4,862**	**538,235**
Accumulated depreciation			
At 1 January 2008	(126,169)	(2,750)	(128,919)
Disposals during the year	3,471	-	3,471
Charge for the year	(46,549)	(781)	(47,330)
Impairment Charge for the year	(156,224)	-	(156,224)
At 31 December 2008	**(325,471)**	**(3,531)**	**(329,002)**
Disposals during the period	-	-	-
Charge for the period	(19,435)	(162)	(19,597)
Reversal of impairments	21,544	-	21,544
Impairment Charge for the period	(38,346)	-	(38,346)
At 30 June 2009	**(361,708)**	**(3,693)**	**(365,401)**
Net book value at 30 June 2009	**171,665**	**1,169**	**172,834**
Net book value at 31 December 2008	186,480	1,280	187,760

The impairment charge in the period relates to the Group's Mauritanian and USA interests. Such impairment charge is calculated by reference to assessment of future discounted cash flows expected to be delivered from production of commercial reserves against the individual cash generating unit carrying values. During the period $21.5 million reversal of impairments relates to USA fields which were impaired in 2008.

8. Cash flow

Cash flows from/(used in) operating activities

	Six months to 30th June 2009 $000 (unaudited)	Six months to 30th June 2008 $000 (unaudited)	Year ended 31st December 2008 $000 (audited)
Operating activities:			
Operating loss	**(42,230)**	(27,079)	(175,231)
Depletion and amortisation	**23,067**	28,606	54,667
Net impairment expense	**40,562**	30,442	180,142
Other impairments	**-**	-	2,833
Inventory revaluation	**-**	-	4,730
Loss/(gain) on disposals	**657**	-	(8,182)
Share-based payment provision	**(1,318)**	1,032	1,501
Operating cash flow prior to working capital	**20,738**	33,001	60,460
Decrease/(increase) in inventories	**2,568**	(880)	(4,689)
Decrease/(increase) in trade and other receivables	**1,096**	(5,144)	1,938
Increase/(decrease) in trade and other payables	**3,024**	(27,408)	(964)
Net cash flow from operating activities	**27,426**	(431)	56,745

Amounts of $3,146,000 (30 June 2008: $4,500,000, 31 December 2008: $3,145,000) in the Group previously presented as cash equivalents were reclassified in the 2008 financial statements as Other receivables - Restricted cash to better reflect restrictions over their availability to the Group. Prior period comparatives for June 2008 have been reclassified accordingly.

9. Share capital

	As at 30th June 2009 $000 (unaudited)	As at 31st December 2008 $000 (audited)
Authorised:		
4,500,000,000 (2008: 3,000,000,000) ordinary shares of 1p	**81,135**	56,433
Called up, allotted and fully paid		
2,325,510,585 (2008: 2,325,510,585) ordinary shares of 1p	**42,749**	42,749

10. Bank loan facilities

	As at 30th June 2009 $000 (unaudited)	As at 31st December 2008 $000 (audited)
Bank loan current	**47,000**	53,700
Bank loan non-current	**61,072**	65,570
	108,072	119,270

At 30 June 2009 the Group had a bank loan facility of $125,000,000 (the "Borrowing-Base Facility") of which $100,250,468 had been drawn down at the end of the period (Senior facility: $62,897,835, Junior facility: $13,005,067, Debt Gap: $24,347,566). In addition, a further $482,136 is pledged under letters of credit.

The amount that is available to be drawn under this facility is determined by a twice-yearly Borrowing Base review. As a consequence of the most recent Borrowing Base review, the amount available reduced to a level below that drawn down, resulting in the debt gap. As a result of the Debt Gap, the Group obtained a waiver in the period until August 2009, which was subsequently extended to February 2011 as described in note 11 below.

The facility was secured by a floating charge over the share capital of the subsidiaries of the Group and its property, plant and equipment. Interest was payable at a margin 2.25%- 4.5% over USA LIBOR rate. The facility also includes certain financial and non-financial covenants.

In addition to the borrowing-base facility, the Company has an unsecured corporate facility available of $15,000,000 of which, at 30 June 2009, $11,016,855 had been drawn.

At 30 June 2009 $3.2 million of loan facility expenses are included as a prepayment within the bank loan balance. These costs are amortised over the remaining life of the facility.

11. Subsequent Events

Prior to the expiry of the April 2009 waiver in mid August 2009, which had allowed Sterling to reschedule its loan repayments, Sterling negotiated a revised waiver agreement that expires in February 2011. This revised waiver was conditional upon the receipt, by Sterling, of the proceeds of the placing announced on 14 August 2009 and the repayment to the banks of $35 million. Following the shareholder vote at the EGM held on 7 September 2009 approving the placing, the $35 million was paid to the banks on 9 September 2009. The placing raised £62.5 million (before expenses) by way of a placing of 4,807,315,000 new ordinary shares at a price of 1.3 pence per share. The Company also announced its intention to undertake an open offer to raise approximately £20.6 million at the placing price. The prospectus for this open offer is expected to be sent to shareholders by mid- November.

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 review and in the operational review on pages 3-7. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 8-11.

Following the successful placing approved at the EGM held on 7 September and the subsequent payment of $35 million of principal to the bank syndicate, Sterling has secured an amended bank waiver agreement to February 2011. The directors believe that the Group is well placed to manage its business risks successfully despite the challenging economic and operating conditions for oil and gas exploration and production companies.

After making enquiries, 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 interim review.

These interim results are available on the companies website: www.sterlingenergyplc.com