23 July 2010

STERLING ENERGY PLC

Results for the 6 months ending 30 June 2010

Sterling Energy Plc ("Sterling", the "Company" or the "Group"), an oil and gas company with interests in the Middle East, and Africa, today announces its results for the six month period ending 30 June 2010.

Highlights

- Sangaw North #1 exploration well in Kurdistan is at 2,395 m and undergoing testing operations before drilling resumes to 3,660 m.

- Average net Group production decreased by 34% to 681 bopd (H1 2009*: 1,028 bopd).

- Group turnover decreased 25% to $12.2 million (H1 2009*: $16.3 million).

- Profit after tax of $0.1 million (H1 2009*: loss of $15.7 million).

- Cash flow from operations was $3.8 million (H1 2009*: cash outflow $5.4 million).

- Cash as at 30 June 2010 of $113.3 million, no debt.

* Note H1 2009 comparative figures exclude discontinued operations.

Prospects and Outlook

- Operations on the Sangaw North #1 well in Kurdistan will continue to fully test and evaluate the prospectivity of the Cretaceous and Jurassic horizons targeted by the well.

- The Ntem concession, a large block offshore Cameroon containing four material prospects, remains in force majeure awaiting the resolution of the maritime border dispute between Cameroon and Equatorial Guinea.

- The large Sifaka prospect in the Ampasindava block, offshore Madagascar is ready to drill and awaits confirmation from Exxon on timing for the well.

- On the Ambilobe block offshore Madagascar, Sterling is continuing to evaluate the leads identified to determine the forward plan for the block.

- The future of the Chinguetti field, offshore Mauritania, is dependent upon the Phase 3 development programme which remains unapproved by the joint venture partners. The Chinguetti field could be abandoned earlier than originally planned.

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Chairman's Statement

The excitement of spudding the Sangaw North #1 exploration well on 1 February has not been dulled by the drilling challenges we have faced. The causes of the difficult drilling conditions encountered near the surface of the well are now safely behind steel casing cemented in place. Drilling continued at a controlled and safe pace to reach the top Cretaceous reservoirs and onward to a depth of 2,395 m.

Interpretation of intermediate wire-line logs indicated several potential hydrocarbon bearing zones, a view supported further by the hydrocarbon shows observed while drilling this section. The well is undergoing open-hole flow testing to evaluate the hydrocarbon potential of the identified zones and Sterling will issue further updates on the Sangaw North well when appropriate.

Overcoming the various drilling challenges has delayed the overall progress of the Sangaw North well; the original estimate of 180 days to complete the drilling operation has now been extended to 240 days.

Progress with our other exploration projects in Cameroon and Madagascar continues to be hampered by politics over which we have little influence. We continue to advance our understanding of these project areas and advance the pre-planning for future operations wherever it is possible and cost-effective to do so.

The financial results for the 6 months to 30 June 2010 reflect a much slimmer Group operation following the sale of the US business. The positive cash flow generated from our economic interest in the Chinguetti field development offsets the costs of seeking new ventures and general administration. Further analysis can be found in the Financial Review below.

Sterling continues to seek and evaluate new projects. In this regard, our objective is to deliver value for our shareholders by securing interests in new acreage, farming in to existing exploration opportunities and possibly acquisition via corporate transactions.

With some $113.3 million of cash, at 30 June 2010, Sterling is well funded and we expect to advance all our existing projects through 2010 and into 2011 without needing additional financing.

Alastair Beardsall
Chairman
23 July 2010

Operations Review

Kurdistan, Iraq - Sangaw North

In the Sterling operated (53.33% WI) Sangaw North block, the Sangaw North #1 exploration well has penetrated the prospective Cretaceous horizon, been drilled to a depth of 2,395 m and open-hole wire-line log data acquired over the interval 1,450 m to 2,395 m. Preliminary analysis of the observed hydrocarbon shows while drilling, the cores that have been cut within this interval and the wire-line log data, indicate potential hydrocarbon bearing zones.

Sterling is now conducting open-hole flow testing of the prospective zones identified from the well data; this operation is expected to take up to 14 days and further updates on the testing will be announced after the testing is completed and the results evaluated.

The forward well plan after testing is to drill ahead through the remaining Cretaceous section and the deeper potential reservoirs in the Jurassic. Overcoming the various drilling challenges has delayed the overall progress of the well; the original estimate of 180 days to complete the drilling operation has now been revised to approximately 240 days.

An independent competent persons report published by RISC (UK) Ltd assigns best estimate gross prospective resources for the Upper Cretaceous reservoir at 804 mmbbl with 27% chance of success and considers that gas and condensate are at least as likely to be discovered as oil.

Secondary reservoir potential is also being targeted in a number of Jurassic objectives. Limited thickness of the Tertiary on the Sangaw North structure, coupled with the high specifications of the drilling rig contracted, make the Jurassic an achievable deeper target; Sterling estimates the Jurassic may contain gross unrisked resource of 600 mmbbl with a 10% chance of success.

Cameroon - Ntem

The Ntem concession area is a highly prospective offshore block in water depths from 400m to 2,000m, situated in the southern Douala/Rio Muni Basin adjacent to the northern maritime border of Equatorial Guinea. 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 working to resolve this issue.

More than 2,100 km of 2D, and 1,500 sq km of 3D seismic data has been acquired over the block, along with the purchase of additional seismic and gravity studies. 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 prospective resources of several hundred million barrels each. A Tertiary discovery made by Noble Energy to the north of the block, which is now under development, indicates further potential prospectivity on the Ntem block.

This large block is undrilled and is well placed with respect to both Tertiary and Upper Cretaceous plays; many large leads and prospects have been identified following a detailed interpretation of the extensive 2D and 3D seismic database. Several major E&P companies have shown an interest in partnering Sterling on this licence and a farmout process will be conducted at the appropriate time. While the licence is in force majeure the minimum work commitment to drill a well is suspended. Following ratification of a resolution of the border dispute Sterling will have approximately 15 months to drill an exploration well to complete the work commitment.

Madagascar – Ampasindava and Ambilobe

Sterling's Ambilobe and Ampasindava blocks are located in the deepwater basin offshore north-west Madagascar. The exploration programme for both blocks continues to be hampered due to the political situation in Madagascar; there are no signs of an imminent resolution of the underlying issues.

In the Ampasindava block, the large Sifaka prospect is ready to drill and Sterling (30% WI) awaits confirmation from Exxon, the operator (70% WI), on timing for the well. RISC estimate the gross un-risked mean prospective resource for the Sifaka Prospect is 2 billion bbl (RISC Competent Persons Report, March 2008). The estimated cost to drill the Sifaka prospect will materially exceed the value of the remaining carry and Sterling will seek to farm down its 30% working interest in the PSC to cover these costs.

The Ampasindava block is in phase 3 of the exploration period which expires in late 2010 and includes a firm exploration well. There are provisions within the licence agreement for prolongation or extension of the current exploration phase.

In the Sterling operated Ambilobe block (100% WI) all work commitments for Phase 2 have been fulfilled and evaluation of several large leads of Cretaceous and Tertiary age continues. Phase 2 of the exploration period expires in November 2010 and Sterling is seeking a farm-in partner to share the cost of future seismic acquisition and exploration drilling.

Mauritania - Chinguetti field

The rate of production decline for the Chinguetti field has reduced over the six-month period, with average production of approximately 8,161 bopd gross, and 681 bopd net to Sterling.

Petronas, the operator, continues to investigate the potential for a Phase 3 drilling campaign to access contingent resources from the Chinguetti field, however further development may not be economic and, in the absence of Phase 3, the field could be abandoned earlier than originally planned.

Petronas is reported to be preparing a field development plan for the Banda field; Sterling would be entitled to revenue under its royalty interest agreements with Premier Oil from any commercial development of Banda.

AGC - Dome Flore

AGC is a joint exploration zone between Senegal and Guinea Bissau. The Dome Flore licence expired in January 2008; discussions regarding a licence extension have been unsuccessful and the AGC authorities have advised that the Dome Flore licence has been terminated. Markmore Energy the operator of the Dome Flore block held 70% WI and Sterling 30% WI.

Gabon - Iris Marin

The Iris Marin Production Sharing Contract (Sterling 32% WI) expired on 13 May 2010.

Gabon - Ibekelia

Sterling (40% WI, operator) and its joint venture partners have discontinued negotiations for a production sharing contract for the Ibekelia block.

Qualified person

In accordance with the guidelines of the AIM Market of the London Stock Exchange, Andrew Grosse, B.Sc. (Hons) Geology & Geophysics (1980), Exploration & Technical Director of Sterling Energy Plc, who has been involved in the oil industry for over 29 years, is the qualified person that has reviewed the technical information contained in this document.

Financial Review

Selected financial data

		H1 2010	Year 2009	H1 2009
Production*	bopd	**681**	**906**	**1,028**
Revenue*	$ million	**12.2**	**22.7**	**16.3**
Cash (including partner funds)	$ million	**113.3**	**113.9**	**11.4**
Debt	$ million	**-**	**-**	**108.1**
EBITDA*	$ million	**5.6**	**10.5**	**5.3**
Share price**	pence	**145**	**155**	**78**
Share price growth (based on period end share price)	%	**(6)**	**63**	**(18)**

* Note 2009 comparative figures exclude discontinued operations following the sale of the Group's US business in December 2009.
** Adjusted for the effects of a 1 for 40 share consolidation in December 2009.

Revenues

Net Chinguetti field production for the first half of the year was 681 bopd a decrease of 34% from the 1,028 bopd in H1 2009, including royalty barrels.

Group turnover from continuing operations for the period decreased by 25% to $12.2 million compared to H1 2009 continuing operations turnover of $16.3 million.

Cost of sales for continuing operations decreased from $10.7 million in H1 2009 to $6.6 million in H1 2010, a reduction of 38% in line with the reduced level of production.

Profit from operations $3.2 million

The profit from operations for H1 2010 was $3.2 million (H1 2009 from continuing operations: loss $11.7 million after a $13.7 million impairment of Chinguetti).

Group administrative expenses for continuing operations, net of partner recharges and after costs capitalised, decreased by 32% to $2.0 million (H1 2009 $3.0 million).

EBITDA and net profit

Continuing operations EBITDA totalled $5.6 million (H1 2009: $5.3 million from continuing operations).

The net profit after tax totalled $0.1 million (H1 2009: net loss from continuing operations $15.7 million). Fully diluted profit per share was 0.07 US¢ per share (H1 2009: 60.2 US¢ loss per share).

Interest revenue and other finance losses of $2.5 million (H1 2009: $0.2 million) reflects foreign exchange losses on the company's GBP cash balances held at 30 June 2010 which are reported in US Dollars. Finance costs of $0.5 million in H1 2010 include the unwinding of the decommissioning discount in relation to the Chinguetti abandonment provision.

No dividend is proposed to be paid for the six months to 30 June 2010.

Cash flow

Net cash flow from operating activities pre-working capital movements totalled $5.1 million (H1 2009 from continuing operations: $0.1 million). After working capital net cash flow from operating activities totalled $3.8 million (H1 2009 from continuing operations: cash outflow $5.4 million). The principal movements in working capital were an increase in trade and other receivables, a decrease in inventories, and a decrease in trade and other payables.

Statement of financial position

At 30 June 2010, Sterling held $113.3 million cash and cash equivalents. Of the $113.3 million (30 June 2009: $11.4 million, 31 December 2009: $113.9 million) $6.9 million was held on behalf of partners, leaving a cash balance of $106.4 million available for Sterling's own use at 30 June 2010. Group net assets at 30 June 2010 were $89.3 million compared to $88.1 million at 31 December 2009.

Net investments in oil and gas assets in the first half of 2010 totalled $2.5 million (H1 2009 continuing operations: $2.3 million) and primarily comprised $1.1 million in Kurdistan, $0.9 million in Ntem, and $0.3 million in Madagascar. The Middle East segment exploration and evaluation additions of $1.1 million are stated net of Sterling's carry on the Sangaw North #1 well.

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 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 2010.

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

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

Sterling Energy Plc – Condensed consolidated income statement for the six months to 30 June 2010

	Note	Six months to 30th June 2010 $000 (unaudited)	Six months to 30th June 2009 $000 (unaudited)	Year ended 31st December 2009 $000 (audited)
Continuing operations				
Revenue		**12,234**	16,278	22,709
Cost of sales		**(6,570)**	(10,738)	(13,498)
Gross profit		**5,664**	5,540	9,211
Administrative expenses		**(2,041)**	(2,990)	(4,684)
Reversal of impairment		**79**	-	-
Impairment of oil and gas assets		**(159)**	(13,703)	(22,055)
Pre-licence exploration costs		**(356)**	(526)	(512)
Profit/(loss) from operations	9	**3,187**	(11,679)	(18,040)
Interest revenue and other finance gains/ losses		**(2,507)**	(190)	(252)
Finance costs		**(532)**	(3,865)	(13,340)
Profit/(loss) before tax		**148**	(15,734)	(31,632)
Tax	4	**-**	-	-
Profit/(loss) for the financial period from continuing operations		**148**	(15,734)	(31,632)
Discontinued operations				
Loss for the period from discontinued operations		**-**	(19,511)	(170,851)
Profit/(loss) for the period		**148**	(35,245)	(202,483)
Profit/(loss) per share (US¢)				
From continuing operations		**0.07**	(27.06)	(32.75)
From discontinued operations		**-**	(33.56)	(176.91)
Basic	5	**0.07**	(60.62)	(209.66)
From continuing operations		**0.07**	(27.06)	(32.75)
From discontinued operations		**-**	(33.56)	(176.91)
Diluted	5	**0.07**	(60.62)	(209.66)

Condensed consolidated statement of comprehensive income and expense for the six months to 30 June 2010

	Six months to 30th June 2010 $000 (unaudited)	Six months to 30th June 2009 $000 (unaudited)	Year ended 31st December 2009 $000 (audited)
Profit/(loss) for the period	**148**	(35,245)	(202,483)
Hedge movement	**-**	(10,104)	(15,574)
Currency translation adjustments	**(211)**	1,482	1,155
Revaluation of shares	**-**	11	12
Total comprehensive expense for the period, net of tax	**(63)**	(43,856)	(216,890)
Tax relating to components of other comprehensive income*	**-**	(1,698)	-
Total comprehensive expense for the period	**(63)**	(45,554)	(216,890)

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

Sterling Energy Plc – Condensed consolidated statement of financial position as at 30 June 2010

Sterling Energy PLC – Condensed Consolidated Balance Sheet

	Note	As at 30th June 2010 $000 (unaudited)	As at 30th June 2009 $000 (unaudited)	As at 31st December 2009 $000 (audited)
Non-current assets				
Intangible royalty assets	6	**1,304**	2,400	1,818
Intangible exploration and evaluation assets	7	**11,349**	104,730	8,957
Property, plant and equipment	8	**151**	172,834	305
Investments		**16**	1,174	18
Other receivables - restricted bank deposits		**-**	3,146	-
		12,820	284,284	11,098
Current assets				
Inventories		**3,061**	2,426	4,367
Trade and other receivables		**7,849**	31,799	2,578
Derivative financial instruments		**-**	5,516	-
Cash and cash equivalents		**113,315**	11,367	113,859
		124,225	51,108	120,804
Total assets		**137,045**	335,392	131,902
Current liabilities				
Trade and other payables		**(26,086)**	(36,633)	(22,525)
Derivative financial instruments		**-**	(47)	-
Bank loan		**-**	(47,000)	-
		(26,086)	(83,680)	(22,525)
Net current assets/ (liabilities)		**98,139**	(32,572)	98,279
Non-current liabilities				
Bank loan		**-**	(61,072)	-
Deferred tax liabilities		**-**	(31,174)	-
Long-term provisions		**(21,683)**	(33,512)	(21,238)
		(21,683)	(125,758)	(21,238)
Total liabilities		**(47,769)**	(209,438)	(43,763)
Net assets		**89,276**	125,954	88,139
Equity				
Share capital	10	**148,540**	42,749	148,537
Share premium account		**378,859**	351,334	378,859
Share option reserve		**8,301**	8,550	7,104
Investment revaluation reserve		**12**	11	12
Currency translation reserve		**(319)**	219	(108)
Hedge reserve		**-**	3,772	-
Retained deficit		**(446,117)**	(280,681)	(446,265)
Total Equity		**89,276**	125,954	88,139

Sterling Energy Plc – Condensed consolidated statement of changes in equity for the six months ended 30 June 2010 (unaudited)

	Share capital account $000	Share premium account $000	Share option reserve $000	Investment revaluation reserve $000	Currency translation reserve $000	Hedge reserve $000	Retained deficit $000	Total $000
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 credit for the period	-	-	292	-	-	-	-	292
As at 1 July 2009	42,749	351,334	8,550	11	219	3,772	(280,681)	125,954
Total comprehensive expense for the period	-	-	-	1	(327)	(3,772)	(167,238)	(171,336)
Issued share capital	105,788	-	-	-	-	-	-	105,788
Premium on shares issued	-	27,525	-	-	-	-	-	27,525
Transfer of share based payment reserve	-	-	(1,654)	-	-	-	1,654	-
Share option reserve charge for the period	-	-	208	-	-	-	-	208
At 1 January 2010	148,537	378,859	7,104	12	(108)	-	(446,265)	88,139
Total comprehensive expense for the period	**-**	**-**	**-**	**-**	**(211)**	**-**	**148**	**(63)**
Issued share capital	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**3**
Share option reserve charge for the period	**-**	**-**	**1,197**	**-**	**-**	**-**	**-**	**1,197**
At 30 June 2010	**148,540**	**378,859**	**8,301**	**12**	**(319)**	**-**	**(446,117)**	**89,276**

Sterling Energy Plc – Condensed consolidated statement of cash flow statement for the six months ended 30 June 2010

	Note	Six months to 30th June 2010 $000 (unaudited)	Six months to 30th June 2009 $000 (unaudited)	Year ended 31st December 2009 $000 (audited)
Operating activities				
Cash generated from operations	9	**3,760**	27,426	33,936
Net cash flow from operating activities		**3,760**	27,426	33,936
Investing activities				
Interest received		**98**	540	837
Capital expenditure		**(1,505)**	(20,967)	(31,688)
Increase in investment		**-**	(166)	-
Proceeds on disposal of subsidiary		**-**	-	85,812
Proceeds on disposal of property, plant & equipment		**-**	10	9
Increase in restricted cash		**-**	(1)	-
Net cash (used)/generated in investing activities		**(1,407)**	(20,584)	54,970
Financing activities				
Net proceeds from issue of ordinary shares		**3**	-	133,314
Repayments on loan facilities		**-**	(11,642)	(122,909)
Interest paid			(3,127)	(8,716)
Other finance charges		**(8)**	(45)	(52)
Decrease in overdraft		**-**	(3,967)	-
Net cash flow (used)/generated in financing activities		**(5)**	(18,781)	1,637
Net increase/(decrease) in cash and cash equivalents		**2,348**	(11,939)	90,543
Cash and cash equivalents at beginning of period		**113,859**	23,854	23,854
Effect of foreign exchange rate changes		**(2,892)**	(548)	(538)
Cash and cash equivalents at end of period		**113,315**	11,367	113,859

1. General Information

This consolidated results for the six months ended 30 June 2010 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 22 July 2010.

2. Accounting Policies

a) This condensed consolidated financial information for the half-year ended 30 June 2010 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 2009, which have been prepared in accordance with IFRSs.

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

The accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2009 and those envisaged for the year ended 31 December 2010 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 financial year beginning 1 January 2010.

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. During the period, there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity; there have been no transactions with non-controlling interests.

(ii) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group:

IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

'Additional exemptions for first-time adopters' (Amendment to IFRS 1) were issued in July 2009. The amendments can be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

The information for the year ended 31 December 2009 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. Segmental reporting

The Group's continuing operating segments are its Africa, and Middle East segments. In December 2009 the Group completed the sale of its North America segment and this segment is presented as a discontinued operation for all periods presented.

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 2010, for the year ended 31 December 2009, and for the six months ended 30 June 2009.

	Africa			Middle East			North America (discontinued)			Total		
	H1 2010 $000 (unaudited)	H1 2009 $000 (unaudited)	FY 2009 $000 (audited)	H1 2010 $000 (unaudited)	H1 2009 $000 (unaudited)	FY 2009 $000 (audited)	H1 2010 $000 (unaudited)	H1 2009 $000 (unaudited)	FY 2009 $000 (audited)	H1 2010 $000 (unaudited)	H1 2009 $000 (unaudited)	FY 2009 $000 (audited)
Income Statement												
Revenue	12,234	16,278	22,709	-	-	-	-	27,060	50,199	12,234	43,338	72,908
Cost of sales	(6,570)	(10,738)	(13,498)	-	-	-	-	(25,776)	(44,104)	(6,570)	(36,514)	(57,602)
Gross profit	5,664	5,540	9,211	-	-	-	-	1,284	6,095	5,664	6,824	15,306
Net Impairment	(80)	(13,703)	(22,055)	-	-	-	-	(26,859)	(72,085)	(80)	(40,562)	(94,140)
Pre-licence exploration costs	(356)	(526)	(512)	-	-	-	-	(22)	(18)	(356)	(548)	(530)
Profit/(loss) on disposal of subsidiary/assets	-	-	-	-	-	-	-	(657)	(682)	-	(657)	(682)
Segment result	5,228	(8,689)	(13,356)	-	-	-	-	(26,254)	(66,690)	5,228	(34,943)	(80,046)
Unallocated corporate expenses										(2,041)	(7,287)	(15,487)
Profit/(loss) from operations										3,187	(42,230)	(95,533)
Loss on disposal of subsidiary										-	-	(118,820)
Interest revenue and finance gains										99	340	837
Finance costs										(532)	(4,441)	(14,714)
Other gains/(losses)										(2,606)	(201)	(265)
Profit/(loss) before tax										148	(46,532)	(228,495)
Tax										-	11,287	26,012
Profit/(loss) attributable to equity holders										148	(35,245)	(202,483)
Profit/(loss) for the period from continuing operations										148	(15,734)	(31,632)
Loss for the period from discontinued operations										-	(19,511)	(170,851)
										148	(35,245)	(202,483)

	Unallocated		Africa		Middle East		North America		Total	
	H1 2010 $000 (unaudited)	FY 2009 $000 (audited)	H1 2010 $000 (unaudited)	FY 2009 $000 (audited)	H1 2010 $000 (unaudited)	FY 2009 $000 (audited)	H1 2010 $000 (unaudited)	FY 2009 $000 (audited)	H1 2010 $000 (unaudited)	FY 2009 $000 (audited)
Other segment information										
Capital additions										
Property, plant and equipment	33	210	(79)	1,048	-	-	-	22,309	(46)	23,567
Exploration and evaluation	-	-	1,455	2,001	1,096	189	-	5,231	2,551	7,421
Depreciation & amortisation	(182)	(294)	(519)	(5,193)	-	-	-	(28,391)	(701)	(33,878)
Net impairment	-	-	(80)	(22,055)	-	-	-	(72,085)	(80)	(94,140)
Balance sheet										
Non current assets*	147	297	11,197	10,421	1,476	380	-	-	12,820	11,098
Segment assets**	106,892	108,488	3,690	5,500	13,643	6,816	-	-	124,225	120,804
Segment liabilities***	(665)	(3,299)	(34,430)	(34,100)	(12,674)	(6,364)	-	-	(47,769)	(43,763)

Revenue from continuing operations includes amounts of $11.5 million from one single customer (2009: $17.4 million)

*Segment non-current assets include $0.1 million in UK (2009: $0.3 million) and $8.5 million in Cameroon (2009: $7.6 million)

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

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

4. Taxation

The Group tax charge comprises:

	Six months to 30th June 2010 $000 (unaudited)	Six months to 30th June 2009 $000 (unaudited)	Year ended 31st December 2009 $000 (audited)
Current tax	-	-	-
Deferred tax - origination and reversal of timing differences	-	-	-
Total credit	-	-	-

At 30 June 2010 the Group had an unrecognised deferred tax asset of $34.5 million (31 December 2009: $33.8 million) relating primarily to unused tax losses and unutilised capital allowances. No deferred tax asset has been recognised due to the uncertainty of future profit streams against which these losses could be utilised.

5. Profit/(loss) per share

Basic earnings per share is based on the profit after taxation of $147,891 (first half 2009: loss for the period, $35,245,000) and the weighted average number of 219,307,551 ordinary shares of 40p each in issue during the period (30 June 2009: 58,137,765, 31 December 2009: 96,577,765).

For the six months to 30 June 2010, the fully diluted earnings per share were 0.07 US¢ per share. This is computed based on 220,876,692 ordinary shares, being the total used for the computation of the basic earnings per share as adjusted in assuming the exercise of 1,569,141 of the 5,714,208 options granted or approved for grant as at 30 June 2010.

6. Intangible royalty assets

	Total $000 (unaudited)
Net book value at 1 January 2009	3,791
Amortisation charge for the year	(1,147)
Impairment charge for the year	(826)
Net book value at 31 December 2009	**1,818**
Amortisation charge for the period	(514)
Net book value at 30 June 2010	**1,304**

Group net book value at 30 June 2010 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 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 2009	125,756
Additions during the year	7,422
Transfer to PPE	(700)
Disposals during the year - US sale	(45,743)
Amortisation charge for the period	(4,520)
Impairment charge for the year	(73,258)
Net book value at 31 December 2009	**8,957**
Additions during the period	2,551
Impairment charge for the period	(159)
Net book value at 30 June 2010	**11,349**

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

8. Property, plant and equipment (PPE)

	Oil and Gas assets $000 (unaudited)	Computer and office equipment $000 (unaudited)	Total $000 (unaudited)
Cost			
At 1 January 2009	511,951	4,811	516,762
Additions during the year	35,369	265	35,634
Disposals during the year - US sale	(361,449)	(2,305)	(363,754)
At 31 December 2009	**185,871**	**2,771**	**188,642**
Additions/adjustments during the period	(79)	33	(46)
At 30 June 2010	**185,792**	**2,804**	**188,596**
Accumulated depreciation			
At 1 January 2009	(325,471)	(3,531)	(329,002)
Disposals during the year - US sale	187,506	1,427	188,933
Charge for the year	(27,850)	(362)	(28,212)
Impairment Charge for the year	(20,056)	-	(20,056)
At 31 December 2009	**(185,871)**	**(2,466)**	**(188,337)**
Charge for the period	**-**	(187)	(187)
Reversal of impairments	79	-	79
At 30 June 2010	**(185,792)**	**(2,653)**	**(188,445)**
Net book value at 30 June 2010	**-**	**151**	**151**
Net book value at 31 December 2009	-	305	305

9. Cash flow

Cash flows from operating activities:

	Six months to 30th June 2010 $000 (unaudited)	Six months to 30th June 2009 $000 (unaudited)	Year ended 31st December 2009 $000 (audited)
Operating activities:			
Profit/(loss) before tax from continuing operations	**148**	(19,511)	(31,632)
Loss before tax from discontinued operations	**-**	(27,021)	(196,866)
Interest revenue and other finance gains/ losses	**2,507**	(139)	(572)
Finance costs	**532**	4,441	14,714
Profit/(loss) from operations	**3,187**	(42,230)	(214,356)
Depletion and amortisation	**701**	23,067	33,878
Net impairment expense	**80**	40,562	94,140
Gain on disposal of fixed assets	**-**	657	682
Loss on disposal of subsidiary	**-**	-	118,820
Share-based payment provision	**1,197**	(1,318)	500
Operating cash flow prior to working capital	**5,165**	20,738	33,664
Decrease in inventories	**1,306**	2,568	626
Decrease/(increase) in trade and other receivables	**(5,272)**	1,096	21,964
Increase/(decrease) in trade and other payables	**2,561**	3,024	(22,317)
Net cash flow from operating activities	**3,760**	27,426	33,936
Cash generated/(outflow) from continuing operations	**3,760**	(5,379)	(4,517)
Cash generated from discontinued operations	**-**	32,805	38,453
	3,760	27,426	33,936

10. Share capital

	As at 30th June 2010 $000 (unaudited)	As at 31st December 2009 $000 (audited)
Called up, allotted and fully paid		
219,309,625 (2009: 219,304,551) ordinary shares of 40p	**148,540**	148,537

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.

Share option reserve
The balance held in the share options reserve relates to the fair value of the share options that have been charged to the profit or loss since adoption of IFRS 2.

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

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

10. Share capital (continued)

Hedge reserve
Gains/losses arising on the effective portion of hedging instruments carried at fair value in a qualifying hedge.

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

11. 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 1 - 4. The financial position of the Group is described in the financial review on pages 5 - 6.

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 2010.

These results for the six months ended 30 June 2010 are available on the companies' website: www.sterlingenergyplc.com