25 April 2016

INTERIM MANAGEMENT STATEMENT

Sterling Energy plc (the 'Company') together with its subsidiary undertakings (the 'Group') is today issuing its Interim Management Statement and financial results for the first quarter ended 31 March 2016. All figures are unaudited unless stated otherwise.

Highlights

- Production, net to the Company (including Royalty barrels) from the Chinguetti field, averaged 106 barrels of oil per day ('bopd') (Q1 2015: 382 bopd).
- Adjusted Earnings before Interest, Tax, Depreciation and Amortisation and Exploration Expense ('EBITDAX') loss for the Group of $2.0 million (Q1 2015: $878k loss).
- Loss after tax of $5.0 million (Q1 2015: $815k) due in part to the full impairment of PSC C-3 ($3.5 million).
- Cash (zero debt) as at 31 March 2016 of $95.2 million, including Joint Venture ('JV') partner funds of $419k.

Mauritania
Chinguetti oil field (ca. 9% economic interest)

The Company has economic interests in the Chinguetti field through a funding agreement with Société Mauritanienne Des Hydrocarbures et de Patrimoine Minier ('SMHPM'), Mauritania's national oil company, and a royalty agreement with Premier Oil.

Chinguetti field production, net barrels of oil ('bbls') to the Group (including Royalty bbls), in the period totalled 9,665 bbls (Q1 2015: 34,362 bbls), an average of 106 bopd, compared to 382 bopd for the equivalent period in Q1 2015. The reduction in net production has primarily been due to temporary flow assurance issues (a combination of hydrates blockages in a Chinguetti production well and the Banda gas line)in addition to the consistent Chinguetti field decline. The flow assurance issues are no longer affecting production and production has returned to normal levels.

Production from the Chinguetti field is stored on location in the Berge Helene floating, production storage and offloading vessel ('FPSO'). One cargo lifting was undertaken during the period totalling 30,489 bbls net (Q1 2015: one cargo totalling 30,258 bbls net).

The Chinguetti JV partners (Petronas, Tullow Oil, SMHPM, Premier, Kufpec) is evaluating how best to manage the Chinguetti field in the ongoing low oil price environment and with end of field life challenges looming. Formative discussions continue to be held with the Government of Mauritania and relevant stakeholders on how best to manage current operations and seek an agreed plan for a safe, cost effective and technically robust, decommissioning and abandonment phase.

PSC C-10 (WI 13.5%) Exploration block

Block C-10 covers an area of approximately 8,025km² and lies in water depths of 50 to 2,400m within the Nouakchott sub-basin, offshore Mauritania, surrounding the Chinguetti field. The C-10 block PSC is held by the Company's wholly owned subsidiary Sterling Energy Mauritania Limited ('SEML') (13.5% working interest), Tullow Oil (76.5% working interest and operator) and SMHPM (10% working interest). SMHPM is carried by SEML and Tullow Oil, pro-rata to their working interests, during the exploration phases. The PSC is in the second phase of the exploration period, which is due to expire on 30 November 2017 and has a minimum work obligation of one exploration well. Should the JV not fulfil the minimum work obligations, the gross liability owing to the Mauritanian government would be $7.5 million ($1.1 million net to SEML). Following the completion of Phase 2 the JV may elect to enter into Phase 3 (with a 3 year term) with a minimum work obligation of a further two exploration wells.

The block is fully covered by legacy 3D seismic data and lies within a proven petroleum basin offering exposure to multiple play-types from under-explored Jurassic and lower Cretaceous shelfal carbonates to Cretaceous and Tertiary clastic plays. Within the block confines a successful exploration campaign in 2000-2003 targeting the Miocene play, yielded four oil and gas discoveries, including the Chinguetti field.

Since 2014, Kosmos Energy, in deep water block C-8, immediately outboard of C-10 has discovered and appraised several world class LNG scale gas discoveries of Albian to Cenomanian age. The *greater* Tortue (Ahmeyim) structure alone has been reported to have P_{mean} gas resources of ca.20 Tcf, post drilling and appraisal of the recent Ahmeyim-2 well. Further south in Senegal, the Albian clastic shelf margin play has also been successful with commercial oil and gas discovered at the SNE field, with the SNE-3 appraisal well recently successfully completed. Prior to this well, the best estimate 2C contingent resources were 385 million barrels of oil as reported in Cairn Energy's press release in March 2016.

In the C-10 block, Tullow Oil and the JV partners have matured a drill ready, Lower Cretaceous Neocomian age carbonate prospect, Lamina, located in water depths of approximately 100m. The JV anticipates that an exploration well to test this prospect in 2017 would have a gross dry hole cost in the order of $50 million ($7.5 million net to SEML), substantively lower than the originally proposed cost estimate of $77 million in 2015.

Following entry into the C-10 block in mid-2015, Sterling and its JV partners have been maturing and ranking the play, prospect and lead portfolio on the merged, reprocessed and depth-migrated 3D seismic dataset. The JV will work towards selecting the prospect for drilling in 2017, that will also meet the minimum work obligations. Sterling continues to high grade the remaining prospectivity on block, through 2016, with particular focus on the Cenomanian and Miocene clastic plays. Jurassic leads on the block are being investigated as well.

PSC C-3

Block C-3 is located in shallow water within the Nouakchott sub-basin, offshore Mauritania and covers an area of 9,825km².

During 2015 SEML completed a detailed interpretation of the newly acquired 2D data. The resulting technical evaluation of the remaining play and lead potential was deemed by Sterling to be insufficiently de-risked by the 2D to justify entering into Phase 2 of the PSC; which entailed a commitment to acquire 700km² of 3D seismic and drill one exploration well.

On 29 January 2016 Sterling announced that its wholly owned subsidiary SEML submitted a notice of withdrawal to its JV partners in relation to block C-3, offshore Mauritania. As part of the withdrawal, SEML has assigned its entire 40.5% participating interest in the production sharing contract for block C-3, located offshore in the Islamic Republic of Mauritania to Tullow Oil at no cost to Tullow Oil. The minimum work obligations for block C-3 have been completed. As a result, SEML will have no additional costs associated with the withdrawal, which was completed on 16 March 2016.

Madagascar
Ambilobe (WI 50% & operator) Exploration block

The Ambilobe block covers some 17,650km² and is located in the Ambilobe basin, offshore north-west Madagascar. Water depths across the block range from shoreline to 3,000m. The Ambilobe PSC is in the second phase of the exploration period and all work commitments have been fulfilled.

Sterling Energy (UK) Limited ('SE(UK)L') completed a farm-out agreement in December 2013 with Pura Vida under which Pura Vida assumed a 50% interest in the Ambilobe PSC and paid all costs associated with a discretionary 3D seismic survey subsequently acquired in 2015. Following the farm-out, SE(UK)L retained a 50% interest in the PSC and remains as operator.

The Ambilobe block is covered by an extensive database of vintage 2D data that led to the identification of a number of Cretaceous and Tertiary aged plays and leads, located in both shallow and deep waters. In June 2015 SE(UK)L as operator of the Ambilobe PSC completed a 1,175km2 3D seismic survey to improve the technical description of the high graded lead area prior to the "drill or drop" decision by mid-2016. The 3D survey acquired by CGG Services SA was completed on time and budget, without incident and fully compliant with all environmental regulatory requirements. Processing of the seismic data by ION Geophysical Company commenced in the second half of 2015, with interim products having been made available and reviewed in-house prior to 2015 year-end.

The 2015 3D seismic final Pre Stack Depth Migration product was received in Q1 2016 and is being interpreted. The evaluation is focused on high-grading and quantifying the lead inventory, to assess if drillable opportunities of sufficient risked materiality are present on block. This will help inform the commercial decision whether to enter into Phase 3, which carries a one well commitment.

With Phase 2 of the Ambilobe PSC due to expire in July 2016, the JV is currently seeking an extension in order to complete the subsurface technical evaluation, prior to a decision whether to enter into Phase 3.

Somaliland
Odewayne (WI 40%) Exploration block

This large, unexplored frontier acreage position comprises an area of 22,840km^2. Exploration to date has been limited to the acquisition of airborne gravity and magnetic data, with no seismic coverage and no wells drilled on block. Extensive geological field data provide strong encouragement for the presence of a deep sedimentary basin with the presence of oil seeps at the surface indicating a working hydrocarbon system is present.

The Odewayne production sharing agreement ('PSA') was awarded in 2005, and is in the Third Period with an outstanding minimum work obligation of 500km of 2D seismic. The Third Period was extended by two years (to 2 November 2016) in order to allow time for an Oilfield Protection Unit ('OPU') to be established. The minimum work obligation during the Fourth Period of the PSA (also extended by 2 years to May 2018) is for 1,000km of 2D seismic and one exploration well.

The Company's wholly owned subsidiary, Sterling Energy (East Africa) Limited ('SE(EA)L'), currently holds a 40% working interest in the PSA. SE(EA)L acquired an initial 10% interest position from Petrosoma Limited

('Petrosoma') in November 2013 and an additional 30% interest from Jacka Resources Somaliland Limited ('Jacka') in two transactions during 2014.

In aggregate, as consideration, SE(EA)L has paid $17.0 million to date and a further $8.0 million is to be paid to Petrosoma when certain operational milestones are reached. SE(EA)L is fully carried by Genel Energy for its share of the costs of all exploration activities during the Third Period and Fourth Period of the PSA.

Operational activities in Somaliland continue to be delayed while the Government of the Republic of Somaliland establishes a trained and equipped OPU that can provide the level of security required by in-country operators to ensure all future seismic and drilling operations are conducted safely. A regional 2D seismic acquisition program is currently scheduled to commence in H2 2016.

Cameroon

Ntem (WI 100% & operator) Exploration block

The Ntem Concession lies adjacent to the southern maritime border of Cameroon. Water depths range from 400 to 2,000m across this 2,319km² block. This acreage is well positioned with respect to both Tertiary and Upper Cretaceous play potential, both of which have proved commercially successful in Cameroon and Equatorial Guinea.

The Ntem Concession was subject to force majeure from June 2005 to January 2014, as a result of overlapping maritime border claims by the Republic of Cameroon and the Republic of Equatorial Guinea. Following the lifting of force majeure, the current exploration period ('First Renewal Period') of the Ntem Concession re-commenced on 22 January 2014. At that date, the remaining term of the First Renewal Period was approximately 15 months (expiring April 2015). The minimum work obligation (one exploration well) was satisfied by the drilling of the Bamboo-1 exploration well in February 2014, which failed to find commercial hydrocarbons.

On 6 May 2014, the Ntem JV partners notified Société Nationale des Hydrocarbures ('SNH') the national oil company of Cameroon, of the JV's declaration of force majeure pending formal resolution of the overlapping maritime border claims. SNH has advised that "Cameroon does not recognise that any situation of force majeure exists in the Ntem Permit".

SCL received written notice, dated 22 April 2015, from SNH that it considered the First Renewal Period of the Ntem Concession to have expired on 22 April 2015 and the Ntem Concession to have lapsed.
The Group believes that, in accordance with the terms of the Ntem Concession, the declaration of force majeure on 6 May 2014 remains valid. As such, the First Renewal Period has been suspended since 6 May 2014 and therefore has not expired.

In December 2015, SCL became aware that SNH publicised the Ntem Concession as an "open block", SCL disputes this claim and reserves its rights to the Ntem Concession.

New Ventures & Growth

Sterling continues to high-grade and re-position the portfolio for both value creation and transformative growth and/or monetisation options.

A prudent, selective and persistent effort continues to be directed towards shorter-cycle revenue generating projects that can deliver in a sustained lower oil price landscape.

Sterling continues to maintain a disciplined approach to new venture activities, only pursuing and executing those growth options that the Company believes to have the best opportunity to ultimately deliver value for shareholders.

Financial Position

In the period, the Group reports the following results:

		Q1 2016 (unaudited)	Q1 2015 (unaudited)	FY 2015 (audited)
		$ '000	$ '000	$ '000
Revenue	*(1)*	**725**	1,725	5,031
Adjusted EBITDAX	*(2)*	**(2,021)**	(878)	(6,340)
Loss after tax	*(3)*	**(5,046)**	(815)	(15,950)
Net to Group - cash and cash equivalents at period end	*(4)*	**94,746**	106,095	97,524
JV Partner held funds		**419**	10,882	1,129

(1) Revenue in the period is derived from income relating to interests in the Chinguetti field.

(2) Adjusted EBITDAX are (losses)/earnings before interest (plus other finance income and expense), tax, depreciation, depletion, amortisation, provisions and write-offs of oil & gas assets. Adjusted EBITDAX also excludes pre-licence award exploration costs and share based payments; the latter being a non-cash expense charged to the income statement under IFRS 2.

(3) Loss after tax in the period of $5.0 million compares to a loss after tax in Q1 2015 of $815k due in part to the full impairment of PSC C-3 ($3.5 million).

(4) Cash balances at the end of the period totalled $95.2 million, including $419k of JV partner funds (Q1 2015: $117.0 million, including $10.9 million of JV partner funds). The Group continues to remain debt free.

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