10 October 2018

INTERIM MANAGEMENT STATEMENT

Sterling Energy plc (the ‘Company’ or ’Sterling') together with its subsidiary undertakings (the ‘Group’) is today issuing its Interim Management Statement and financial results for the third quarter ended 30 September 2018. All figures are unaudited unless stated otherwise.

Operations

- Odewayne block, Somaliland; trial line 2D processing ongoing.
- Dialogue continues between the Joint Venture (‘JV’) partners on developing the technical understanding of the block.

Financial

- Net cash (zero debt) to the Group as at 30 September 2018 of $46.6 million (30 September 2017: $83.1 million).
- Adjusted Earnings before Interest, Tax, Depreciation and Amortisation and Exploration Expense (‘EBITDAX’) loss for the Group of $313k (Q3 2017: $1.4 million loss).
- Loss after tax of $306k (Q3 2017: $4.3 million loss).

Corporate

- Appointment of GMP FirstEnergy as the Company's co-broker, with immediate effect. GMP FirstEnergy’s Oil and Gas expertise, experience and capabilities in research and capital markets will benefit the Company’s continued drive to a material M&A transaction.

Chief Executive Officer’s Statement

“Technical understanding of the Odewayne exploration block continues, with the initial 3 trial seismic lines increasing the imaging quality. Discussions with the JV on the progression of the block are ongoing and updates will made at the appropriate time.

Since my appointment in June, Sterling has progressed its efforts on securing a material M&A transaction. The appointment of GMP FirstEnergy as co-broker, coupled with the engagement of Pinsent Masons, adds to strengthen Sterling’s ability to achieve the mandate.

We have a clear strategy and can move quickly and decisively for the right opportunity, leveraging our full cash balance of ca.$47 million and technical capabilities to good effect. We remain very focused on finding a suitable acquisition.

In line with other AIM companies, the Board has decided that its regular market updates will continue in conjunction with publication of its annual and interim financial statements. Given the Company’s obligation to keep the market immediately updated as material events occur, it was concluded that going forwards there was little benefit from continuing to provide quarterly updates (for Q1 and Q3).”

Somaliland - Odewayne (WI 34%) Exploration block
Overview

This large and unexplored frontier acreage position comprises an area of 22,840km^2, the equivalent of approximately 100 UK North Sea blocks. Exploration activity prior to the 2017 regional 2D seismic acquisition program has been limited to the acquisition of airborne gravity and magnetic data and surface fieldwork studies, with no wells drilled on block.

The Company's wholly owned subsidiary, Sterling Energy (East Africa) Limited ('SE(EA)L'), holds a 34% working interest in the PSA. SE(EA)L originally acquired a 10% position from Petrosoma Limited ('Petrosoma') in November 2013 and an additional 30% from Jacka Resources Somaliland Limited ('Jacka') in two transactions during 2014.

In April 2017, the Company agreed to revised farm-out terms to reduce the staged contingent consideration payments due to Petrosoma and reduce SE(EA)L's interest in the Odewayne asset by 6%. The farm-out agreement was amended such that the parties cancelled the $8.0 million contingent consideration in return for: (i) a payment by SE(EA)L to Petrosoma of $3.5 million; and (ii) a transfer from SE(EA)L to Petrosoma of a 6% interest in the PSA. Post Government of Somaliland approval, SE(EA)L holds a 34% interest in the Odewayne Block, fully carried by Genel Energy Somaliland Limited ('Genel Energy') for its share of the costs of all exploration activities during the Third and Fourth Periods of the PSA.

In June 2017, the Somali Government (Ministry of Energy and Minerals) contracted BGP (Geophysical contractor) to undertake a 1,000km (full fold, 1,076km surface) 10km by 10km, 2D seismic campaign, to both satisfy and exceed the 500km minimum work program for the current Third Period. This acquisition program was undertaken over the basinal areas identified from the potential fields (gravity and magnetic) legacy data. The three month program was completed in late August 2017, safely and on time, with the second 500km recorded at an average of 14.5km per day.

Exploration Term

Period	Date	Work commitment
Period 3	To 2 Nov-18	500km 2D seismic acquisition*
Period 4 (optional)	To 2 May-20	1,000km 2D seismic acquisition and one exploration well*
Period 5 (optional)	To 2 May-21	500km 2D seismic acquisition and one exploration well
Period 6 (optional)	To 2 May-22	500km 2D seismic acquisition and one exploration well

6th Deed of Amendment (dated August 2016) in place which allows for the extension to Period 3 beyond 2 November 2018, thus extending all subsequent Periods accordingly.

* Sterling is fully carried by Genel Energy for its share of the costs of all exploration activities during the Third and Fourth Periods of the PSA.

Outlook

In November 2017, Sterling undertook an integrated geological review of the basic post-stack processed 2D dataset provided by the Operator Genel Energy. Following encouraging technical indications, the Company then undertook a highly focused and rigorous processing effort, independent of the Operator, with the primary technical objective of improving the deeper subsurface image. An initial 3 seismic lines of approximately 235km in length have now been processed to a full pre-stack time migrated dataset. This new processing has resulted in a material increase in the subsurface imaging quality, and technical work is underway to integrate this new insight into our technical understanding of the block. The option to process the remaining 765km (13 lines) of data remains in place and the decision to progress to this second phase is currently under review while the deliverables are being assessed. This workflow will allow for an informed technical and commercial perspective on the block in 2H 2018.

Financial Summary

In the period, the Group reports the following results:

		Q3 2018 (unaudited)	Q3 2017 (unaudited)	FY 2017 (audited)
		$ '000	$ '000	$ '000
Revenue	*(1)*	-	1,771	4,433
Adjusted EBITDAX	*(2)*	(313)	(1,377)	(5,926)
Loss after tax		(306)	(4,261)	(9,000)
Net to Group - cash and cash equivalents at period end		46,589	83,058	81,365

(1) Revenue 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.

For further information contact:

Sterling Energy plc +44 (0) 20 7405 4133
David Marshall, Chief Executive Officer
Michael Kroupeev, Chairman

Peel Hunt LLP +44 20 7418 8900
Richard Crichton
James Bavister

www.sterlingenergyplc.com
Ticker Symbol: SEY