28 July 2016

Sterling Energy plc

Results for the six months ending 30 June 2016

Sterling Energy plc ('Sterling' or the 'Company'), together with its subsidiary undertakings (the 'Group'), an upstream oil and gas company listed on the AIM market of the London Stock Exchange (Ticker Symbol: SEY) today announces its results for the six month period ending 30 June 2016.

Sterling is an experienced operator of international licences, with a primary focus on Africa. The Group has high potential exploration projects in Mauritania, Somaliland and Cameroon together with a production interest in Mauritania.

Financial summary

- Cash as at 30 June 2016 of $92.5 million ($92.4 million net of partner funds), no debt.
- Group turnover of $1.3 million (1H 2015: $3.6 million).
- Loss after tax of $8.2 million (1H 2015: loss $1.5 million).
- Average net Group entitlement to production of 214 bopd (1H 2015: 358 bopd).
- Adjusted EBITDAX loss of $1.7 million (1H 2015: loss $1.5 million).

Operations summary

- Recent production performance for the Chinguetti field, offshore Mauritania has been consistent with the operator's projected 2016 forecast. The depressed oil price continues to have an onerous impact on the Chinguetti project and future joint venture economics. Discussions continue amongst respective stakeholders with the objective to execute an agreed and effective field decommissioning plan, following cessation of production, which is currently envisaged to be in late 2016/ early 2017.
- In Mauritania, block C-10, the joint venture have been maturing the prospect and lead inventory to inform the selection of a drilling candidate to meet the well commitment due by November 2017. Work has focused on the range of play types present within C-10 and in particular developing the Cenomanian play proven by Kosmos Energy in their deepwater Mauritanian acreage.
- In Somaliland, Sterling's interest in the large onshore Odewayne PSC block is carried by Genel Energy Somaliland Limited ('Genel') for all exploration costs during the current third, and subsequent fourth exploration period. The joint venture plans to acquire 2D seismic data in late 2016, early 2017.
- In Mauritania, Sterling completed its withdrawal from the C-3 Block, effective 16 March 2016.
- In Madagascar, Sterling completed its withdrawal from the Ambilobe Block, effective 9 May 2016.
- In Cameroon, on the Ntem block, given the lack of progress with SNH and the declaration of force majeure, forward plans on the block are currently under review.

Corporate summary

- On 11 May 2016 the Company announced that its Executive Chairman Alastair Beardsall would be retiring from the Company with immediate effect after six years of service for personal reasons.
- On 11 May 2016 Nicholas Clayton, who joined the Sterling Energy board as a Non-Executive Director in October 2009, was appointed by the Board to succeed Mr Beardsall in the position of Non-Executive Chairman.
- On 11 May 2016, the Company appointed Mr Michael Kroupeev as a Non-Executive Director of Sterling Energy.
- On 25 April 2016, the Company held its 2016 Annual General Meeting at which all shareholder resolutions were passed.

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CEO Statement

Through the first six months of 2016 we have continued to actively manage our exploration portfolio whilst controlling our costs and liability exposure. In parallel we have continued to focus on near term revenue generating growth opportunities, through comprehensive and focused M&A driven due diligence efforts, with the aim of securing value accretive asset(s) in 2016. This is in contrast to our 2015 efforts to refresh and enhance the portfolio value through a primarily exploration driven agenda.

The 'lower for longer' commodity price landscape continues through 2016 and is clearly not conducive to E&P players seeking carried funding through the exploration phase of project life cycles. Fewer buyers are interested in pure exploration assets with 5 plus years to monetisation, with limited M&A deals executing in this space over the last 18 months. In essence, this legacy pure exploration biased E&P model is flawed for most, bar those players with high quality executable assets and balance sheets. Partly as a result, we see a sector that in aggregate runs in cash deficit mode, with a continuing need to raise money from asset sales, share and bond issues and bank borrowing to finance capital spending.

The AIM E&P sector in particular continues to be over endowed with marginal asset positions, weak balance sheets and low trading liquidity. Sterling, however, have maintained our discipline through the downturn, with a strong balance sheet, no debt and fully funded on outstanding commitments and liabilities.

We have proactively continued our portfolio re-alignment mandate, shedding those marginal assets (at little to no cost to Sterling) with limited near to mid-term monetisation options, allowing us an effective and focused platform for growth, with an exploitation asset bias.

On the Chinguetti field, we continue to diligently work with Société Mauritanienne Des Hydrocarbures et de Patrimoine Minier ('SMHPM'), the Mauritanian National Oil Company, and the joint venture ('JV') partnership, operated by Petronas; to execute both a safe and cost effective Abandonment and Decommissioning plan for the field. Cessation of production is currently scheduled for late 2016/ early 2017, with well abandonment and FPSO decommissioning operations following directly thereafter.

The C-3 block (Mauritania) and Ambilobe (Madagascar) exit decisions were both data driven and based on disciplined technical and commercial rationale. In block C-3, we completed a full technical evaluation of the acreage in early Q1, on the newly acquired 2D seismic data. This enabled us to take a view that the 2D data had insufficiently de-risked the remaining play and lead potential to justify committing to a 3D seismic survey and the drilling of 1 well. In Ambilobe, we fully evaluated our 2015 operated deep water 3D seismic survey and concluded that there was insufficient evidence to suggest the presence of commercially viable drill-worthy opportunities left on the block.

We have however, been encouraged by the material scope and exploration potential on our C-10 and Odewayne blocks in Mauritania and Somaliland respectively.

On C-10 we continue to technically de-risk and high grade the lead and prospect portfolio, prioritising the Cenomanian play, analogous to recent outboard Kosmos world class LNG scale gas discoveries in this premier emerging oil and gas province. Our aim will be to make a decision on the highest ranking drill-worthy prospect by end Q3 2016, leading to a 2017 exploration well by the JV partnership.

Furthermore, in Odewayne we look forwards to the joint venture acquiring regional 2D seismic data in late 2016/ early 2017. This block-wide data set, for which the Company is fully carried, will significantly assist in our understanding of the petroleum system of this frontier sedimentary basin with a view to planning for a first well in 2018.

In summary, we continue to see a strong M&A (both asset led and corporate) opportunity window, for Sterling to take advantage of by virtue of: a) our strong balance sheet, b) lower entry costs and commitments, c) deflated contractor costs in a distressed landscape, d) the opportunity to leverage the requisite technology and capabilities to convert 2C resources to 2P reserves, and e) the potential benefits from an improvement in oil prices; all combining to provide a compelling and transformative value proposition to our shareholders in this depressed market.

As such, a prudent, selective and persistent effort continues to move away from mid to long-cycle (to monetisation) exploration led assets, towards much shorter-cycle (onshore/shallow water) revenue generating projects (through M&A) that can deliver transformative value to Sterling, at or below oil prices of $50 flat, both in Africa and beyond.

Eskil Jersing
CEO

28 July 2016

Operations Review

Mauritania

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 85% covered by legacy 3D seismic coverage and lies within a proven petroleum basin offering exposure to multiple play-types from under-explored Jurassic and lower Cretaceous shelfal carbonates to Cretaceous (Cenomanian age) 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 oil field and the Banda, Tiof and Tevet gas discoveries.

Since 2014, Kosmos Energy, immediately outboard of C-10, has discovered and appraised several world class LNG scale gas discoveries of Albian to Cenomanian age. The Tortue (Ahmeyim), Marsouin and Teranga discoveries within a deepwater reservoir fairway have alone been reported to contain gross Pmean gas resources upwards of 25 Tcf. Further south in Senegal, the Albian clastic shelf margin play has been successfully appraised at SNE where Cairn Energy and partners are moving towards commercial development, with Woodside's acquisition of ConocoPhillip's 35 percent interest and development operator option in the reported 560 million barrel oil field recently announced. Sterling is primarily focused on both quantifying and risk mitigating the liquids prone part of the Cenomanian play that is interpreted to impinge into the NW part of block C-10.

Following entry into the C-10 block in mid-2015, Sterling and its JV partners have been maturing and ranking the prospect and lead portfolio on the extensive 3D seismic dataset. The JV is working towards selecting by the end of Q4 2016, a material exploration prospect for drilling in 2017 by end Q4 2016, to meet the minimum work obligations.

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.

On 29 January 2016 SEML announced that it had submitted a notice of withdrawal to its JV partners in relation to Block C-3. As part of the withdrawal, SEML assigned its entire 40.5% participating interest in the production sharing contract for Block C-3 to Tullow Oil. The withdrawal was completed on 16 March 2016.

Chinguetti oil field (ca. 9% economic interest)

The Company has an economic interest in the Chinguetti field via a Funding Agreement with SMHPM and a Royalty Agreement with Premier within the Group, together currently equivalent to 4.9% of production; the average daily production during 1H 2016 was 4,395 bopd gross (214 bopd net entitlement to Sterling). Economic rights are transferred to the seller on the completion of each cargo lifting and two cargoes were sold in the period; liftings were completed in both January 2016 and May 2016. Discussions continue between the Joint Venture stakeholders with the objective to execute an agreed and effective field decommissioning plan.

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, which has given strong encouragement of the presence of a sedimentary basin deep enough to support hydrocarbon generation. Geological fieldwork has highlighted the presence of oil seeps at the surface further supporting the hypothesis that 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 to support future seismic acquisition. 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 original 10% from Petrosoma Limited ('Petrosoma') in November 2013 and an additional 30% 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 and Fourth Periods of the PSA.

A regional 2D seismic acquisition program is currently scheduled to commence in late 2016, early 2017.

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 block 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 (referred to as the 'Affected Area') 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.

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".

In April 2015, Murphy Cameroon Ntem Oil Co. Ltd ('Murphy') and Sterling Cameroon Limited ('SCL') completed the transfer of Murphy's 50% interest in, and operatorship of the Ntem Concession, to SCL.

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.

Madagascar
Ambilobe

The Ambilobe block covers some 17,650km² and is located in the Ambilobe basin, offshore north-west Madagascar.

On 28 April 2016 it was announced that Sterling Energy (UK) Limited had submitted a notice of withdrawal from the Ambilobe block, offshore Madagascar to its joint venture partner Pura Vida Mauritius. The withdrawal and transfer of operatorship from Sterling Energy to Pura Vida was completed on 9 May 2016.

New Ventures & Growth

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

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

The Company and Group will continue to maintain a disciplined approach to all growth activities, only pursuing and executing those growth options that the Company believes to have the best opportunity to ultimately deliver value for shareholders.

Qualified person

In accordance with the guidelines of the AIM Market of the London Stock Exchange, Matthew Bowyer, Exploration Manager of the Company, who has been involved in the oil industry for over 21 years, is the qualified person that has reviewed the technical information set out above.

Financial Review

Selected financial data

		1H 2016	1H 2015	FY 2015
Net entitlement from production	bopd	**214**	358	310
Net cargo liftings / # liftings	bbls	**42,812 / 2**	61,656 / 2	92,445 / 3
Sales revenues (including royalty)	$ million	**1.3**	3.6	5.0
Cash (excluding partner held funds)	$ million	**92.4**	106.2	97.6
Partner held funds	$ million	**0.1**	6.0	1.1
Debt	$ million	**-**	-	-
G&A cash expenditures	$ million	**2.4**	2.4	5.5
Adjusted EBITDAX [1]	$ million	**(1.7)**	(1.5)	(6.3)
Loss after tax	$ million	**(8.2)**	(1.5)	(16.0)
Share price (at period end)	GBP pence	**15**	18	15

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

Revenues and cost of sales

Net entitlement from Chinguetti field production for the period was 214 bopd, including royalty barrels, a decrease of 40% from the 358 bopd in 1H 2015. The reduction in produced barrels has in part 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 through time. The temporary flow assurance issues are no longer affecting production and production has returned to normal levels.

Group turnover for the period decreased by 63% to $1.3 million (1H 2015 $3.6 million) due to the low oil price realised at the start of the period and a reduction in lifting volumes. During the period, there were two liftings from Chinguetti resulting in (net to the Company) 42,812 bbls sold (1H 2015: 61,656 bbls sold, from two liftings).

Total cost of sales decreased to $424k (1H 2015: $3.2 million), including the onerous provision release of $2.1 million (1H 2015: $1.5 million), due to cost savings implemented by the Operator and a contractual reduction in FPSO day rates.

Loss from operations

The loss from operations for 1H 2016 was $8.1 million (1H 2015: loss $1.3 million). This increase is primarily due to the Group impairments totalling $7.4 million (1H 2015: $131k), relating to both Ambilobe ($3.8 million) and C-3 ($3.6 million) exploration and evaluation assets.

During the period, net administrative expenditure (excluding impairments) remained at $1.6 million (1H 2015: $1.6 million) and includes pre-licence costs of $1.1 million (1H 2015: $1.0 million).

Adjusted EBITDAX and loss after tax

Adjusted EBITDAX totalled a loss of $1.7 million (1H 2015: loss $1.5 million).

The loss after tax totalled $8.2 million (1H 2015: loss $1.5 million). Basic loss per share was 3.74 US¢ per share (1H 2015: 0.66 US¢ loss per share).

Finance income totalled $294k (1H 2015: $135k) and represents interest received during the period on cash held by the Group. Finance costs totalled $436k (1H 2015: $298k) and comprise foreign exchange losses of $186k on GBP denominated cash balances, reported in US Dollars (1H 2015: loss $15k), bank and other charges of $8k (1H 2015: $7k) and Chinguetti decommissioning provision movements of $241k (1H 2015: $275k).

No dividend is proposed to be paid for the six months to 30 June 2016 (1H 2015: nil).

Cash flow

Net cash outflow from operating activities (pre-working capital movements) totalled $778k (1H 2015: outflow $1.1 million). After working capital, net cash outflow from operating activities totalled $5.1 million (1H 2015: inflow $4.7 million).

Statement of financial position

At 30 June 2016, Sterling held $92.5 million cash and cash equivalents. Of the $92.5 million (1H 2015: $112.2 million) $112k is held on behalf of partners (1H 2015: $6.0 million), leaving a cash balance of $92.4 million available for Sterling's use (1H 2015: $106.2 million).

Group net assets at 30 June 2016 were $78.6 million (1H 2015: $101.1 million).

Net investments in oil and gas assets in the first half of 2016 totalled $1.1 million (1H 2015: $756k).

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 CEO Statement and in the Operations Review. The financial position of the Group is described in the Financial Review.

The Company has sufficient cash resources for its working capital needs and its committed capital expenditure programme for at least the next 12 months. As a consequence, the Directors believe the Company is well placed to manage its business risks. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the results for the six months ended 30 June 2016.

Disclaimer

This document contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration and production business. Whilst the Group believes the expectation reflected herein to be reasonable in light of the information available to it at this time, the actual outcome may be materially different owing to factors either beyond the Group's control or otherwise within the Group's control but where, for example, the Group decides on a change of plan or strategy. Accordingly, no reliance may be placed on the figures contained in such forward-looking statements.

Definitions

$	US Dollars
2D	two dimensional
3D	three dimensional
bbl	barrel(s) of oil
bopd	barrels of oil per day
Adjusted EBITDAX	earnings before interest, taxation, depreciation, amortisation, impairment, pre-licence expenditure, provisions and share based payments
km	kilometre
m	metre
mmbbl	millions of barrels
PSC	production sharing contract
RI	royalty interest
km^2	square kilometre
US¢	US$ cents
WI	working interest

Sterling Energy plc
Condensed consolidated income statement for the six months to 30 June 2016

	Six months to 30th June 2016 $000 (unaudited)	Six months to 30th June 2015 $000 (unaudited)	Year ended 31st December 2015 $000 (audited)
Revenue	**1,320**	3,588	5,031
Cost of sales	**(424)**	(3,157)	(6,028)
Gross profit/(loss)	**896**	431	(997)
Other administrative expenses	**(508)**	(554)	(2,305)
Impairment of oil and gas assets	**(7,403)**	(131)	(8,183)
Pre-licence costs	**(1,077)**	(1,034)	(2,212)
Onerous contract	**-**	-	(3,700)
Chinguetti cessation costs	**-**	-	2,159
Total administrative expenses	**(8,988)**	(1,719)	(14,241)
Loss from operations	**(8,092)**	(1,288)	(15,238)
Finance income	**294**	135	356
Finance costs and exchange losses	**(436)**	(298)	(1,068)
Loss before tax	**(8,234)**	(1,451)	(15,950)
Tax	**-**	-	-
Loss for the period attributable to the owners of the parent	**(8,234)**	(1,451)	(15,950)
Other comprehensive (expense)/income			
Currency translation adjustments	**(1)**	23	6
Total comprehensive (expense)/income for the period	**(1)**	23	6
Total comprehensive expense for the period attributable to the owners of the parent	**(8,235)**	(1,428)	(15,944)
Basic loss per share (USc)	**(3.74)**	(0.66)	(7.25)
Diluted loss per share (USc)	**(3.74)**	(0.66)	(7.25)

Sterling Energy plc
Condensed consolidated statement of financial position as at 30 June 2016

	Note	**As at 30th June 2016 $000 (unaudited)**	As at 30th June 2015 $000 (unaudited)	As at 31st December 2015 $000 (audited)
Non-current assets				
Intangible exploration and evaluation assets	3	**18,739**	29,051	25,074
Property, plant and equipment		**28**	56	34
		18,767	29,107	25,108
Current assets				
Inventories		**2,126**	2,410	1,320
Trade and other receivables		**636**	604	550
Cash and cash equivalents		**92,540**	112,233	98,653
		95,302	115,247	100,523
Total assets		**114,069**	144,354	125,631
Equity				
Share capital		**149,014**	149,014	149,014
Share premium		**378,863**	378,863	378,863
Currency translation reserve		**(220)**	(202)	(219)
Retained deficit		**(449,050)**	(426,621)	(440,862)
Total equity		**78,607**	101,054	86,796
Non-current liabilities				
Long-term provisions		**32,414**	22,943	32,395
		32,414	22,943	32,395
Current liabilities				
Trade and other payables		**1,456**	18,421	2,740
Short-term provisions		**1,592**	1,936	3,700
		3,048	20,357	6,440
Total liabilities		**35,462**	43,300	38,835
Total equity and liabilities		**114,069**	144,354	125,631

Sterling Energy plc

Condensed consolidated statement of changes in equity for the six months ended 30 June 2016

	Share capital $000	Share premium $000	Currency translation reserve $000	Retained deficit[1] $000	Total $000
At 1 January 2015	149,014	378,863	(225)	(425,209)	102,443
Total comprehensive income/(expense) for the period attributable to the owners of the parent	-	-	23	(1,451)	(1,428)
Share option charge for the period	-	-	-	39	39
At 30 June 2015	149,014	378,863	(202)	(426,621)	101,054
Total comprehensive income/(expense) for the period attributable to the owners of the parent	-	-	(17)	(14,499)	(14,516)
Share option charge for the period	-	-	-	258	258
At 31 December 2015	149,014	378,863	(219)	(440,862)	86,796
Total comprehensive expense for the period attributable to the owners of the parent	**-**	**-**	**(1)**	**(8,234)**	**(8,235)**
Share option charge for the period	**-**	**-**	**-**	**46**	**46**
At 30 June 2016	**149,014**	**378,863**	**(220)**	**(449,050)**	**78,607**

[1] The share option reserve has been included within the retained deficit reserve.

Sterling Energy plc

Condensed consolidated statement of cash flows for the six months ended 30 June 2016

	Note	**Six months to 30th June 2016 $000 (unaudited)**	Six months to 30th June 2015 $000 (unaudited)	Year ended 31st December 2015 $000 (audited)
Operating activities:				
Loss before tax		**(8,234)**	(1,451)	(15,950)
Finance income and gains		**(294)**	(135)	(356)
Finance expense and losses		**427**	288	1,056
Depletion and amortisation		**20**	28	54
Impairment expense	3	**7,403**	131	8,183
Chinguetti cessation costs		**-**	-	(2,159)
Share-based payment charge		**46**	39	297
Gain on disposal of subsidiary		**(146)**	-	-
Operating cash outflow prior to working capital movements		**(778)**	(1,100)	(8,875)
(Increase)/decrease in inventories		**(807)**	(187)	903
(Increase)/decrease in trade and other receivables		**(86)**	2,690	2,744
(Decrease)/increase in trade and other payables		**(1,283)**	4,758	(2)
(Decrease)/increase in provisions		**(2,108)**	(1,454)	310
Net cash (outflow)/inflow from operating activities		**(5,062)**	4,707	(4,920)
Investing activities				
Interest received		**294**	135	356
Purchase of property, plant and equipment		**(15)**	(11)	(16)
Exploration and evaluation costs	3	**(1,068)**	(756)	(4,831)
Net cash used in investing activities		**(789)**	(632)	(4,491)
Net (decrease)/increase in cash and cash equivalents		**(5,851)**	4,075	(9,411)
Cash and cash equivalents at beginning of period		**98,653**	108,148	108,148
Effect of foreign exchange rate changes		**(262)**	10	(84)
Cash and cash equivalents at end of period		**92,540**	112,233	98,653

Sterling Energy plc

Notes to the consolidated results for the six months ended 30 June 2016

1. Basis of preparation

The financial information contained in this announcement does not constitute statutory financial statements within the meaning of Section 435 of the Companies Act 2006.

The financial information for the six months ended 30 June 2016 is unaudited. In the opinion of the directors, the financial information for this period fairly represents the financial position of the Group. Results of operations and cash flows for the period are in compliance with International Financial Reporting Standards as adopted by the EU ('EUIFRS'). The accounting policies, estimates and judgements applied are consistent with those disclosed in the annual financial statements for the year ended 31 December 2015. These financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015.

All financial information is presented in USD, unless otherwise disclosed.

An unqualified audit opinion was expressed for the year ended 31 December 2015, as delivered to the Registrar.

The Directors of the Company approved the financial information included in the results on 27 July 2016.

2. Results & dividends

The Group has a retained deficit at the end of the period of $449.1 million (30 June 2015: $426.6 million) to be carried forward. The directors do not recommend the payment of a dividend (1H 2015: nil).

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

	Total $000 (unaudited)
Net book value at 1 January 2015	28,426
Additions during the period	756
Impairment for the period	(131)
Net book value at 30 June 2015	29,051
Additions during the period	4,075
Impairment for the period	(8,052)
Net book value at 31 December 2015	25,074
Additions during the period	1,068
Impairment for the period	(7,403)
Net book value at 30 June 2016	**18,739**

The amount for intangible exploration and evaluation assets represents investments in respect of exploration licences. E&E assets are reviewed for impairment when circumstances arise which indicate that the carrying value of an E&E asset exceeds the recoverable amount.