

29 March 2010

STERLING ENERGY PLC

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

Sterling Energy Plc ("Sterling" or the "Company") is an upstream oil and gas Company listed on AIM in London. Sterling is an experienced operator of international licences with a current focus on projects in Africa and the Middle East. Sterling has high potential projects in Kurdistan, Madagascar and Cameroon.

2009 HIGHLIGHTS

- The Sangaw North 1 exploration well in Kurdistan was spudded 1 February 2010 and drilling ahead to test the prospectivity of the Cretaceous and Jurassic reservoirs.
- During 2009 Sterling issued new shares to raise £81.3 million (net of expenses).
- In December the Company consolidated 40 existing ordinary shares into 1 new ordinary share; current issued shares total 219.3 million.
- The Company sold its US business for a consideration of \$90.0 million.
- Loss for the year of \$202.5 million, includes \$170.8 million from discontinued US business.
- Sterling repaid all bank debt, is debt-free and had cash resources of \$113.9 million at 31 December 2009.
- Current cash at 24 March 2010 was \$110.6 million (unaudited).

CHAIRMAN'S STATEMENT

Sterling has emerged from 2009 as a focused exploration Company with material interests in several potentially significant projects. The 2010 work program is fully funded by a combination of carried interests and the Company's own resources. Furthermore the Company has no debt.

The most exciting news is that the planning that took place during 2009 has now culminated in the commencement of drilling the Sangaw North exploration well in Kurdistan. The well spudded on 1 February 2010 and is drilling ahead at 223m. Drilling operations for the two large diameter surface casing strings have been challenging. However these casing strings are now cemented in place and the well is progressing to the next casing depth. An independent study of the Cretaceous aged reservoirs concluded an unrisks best estimate of gross prospective resources totalling some 804 million barrels of oil. A discovery of this magnitude would transform the value of the Company. Sterling has also identified more prospective reservoirs in the deeper Jurassic and Triassic horizons.

It is reported that the Regional Government of Kurdistan and Federal Government of Iraq have indicated they wish to resolve their different proposals for the payment mechanism for oil revenues arising from the sale of oil produced in Kurdistan. We are optimistic both parties will help resolve the issues before we are ready to produce and export oil from our own licence area.

For most of 2009 Sterling's activities were constrained by the terms of the bank waivers agreed with the Company's lenders. At the start of 2009 the Company had significant borrowings that exceeded allowed levels, based on the projected future cash flow expected from developing, producing and selling its hydrocarbon reserves. This situation arose from the disappointing performance of Sterling's US oil and gas business, further accentuated by a period of very weak USA commodity pricing. Following a formal sale process that was undertaken over many months and involved many interested parties, the Company sold the US business in December 2009 and used the proceeds to repay the entire outstanding loan.

The Ntem licence, in Cameroon, remains in force majeure, the result of a border dispute between Cameroon and Equatorial Guinea. We are optimistic that a resolution between the two countries will be reached; we shall then be able to resume our exploration programme and work towards drilling our first exploration well. Sterling currently holds 100% of the Ntem licence and we envisage we will seek to farm out part of this interest in exchange for our share of costs for an exploration programme that includes at least the first exploration well.

In Madagascar the Company has interests in two projects, Ampasindava and Ambilobe. The current government, assumed power after a coup in March 2009, but is not recognised by its African neighbours or by most world governments. It is likely that Sterling, and Exxon as our partner in the Ampasindava block, will look for an improvement in the political situation prior to embarking upon any significant expenditure on seismic acquisition or a drilling programme.

During 2009 our share of oil production from the Chinguetti field in Mauritania, including our royalty interest, totalled 330,926 barrels (2008: 373,971 barrels), an average daily rate of 906 bopd (2008: 1,025 bopd). The production capability of the field continues to decline and Petronas, the operator of the field, is evaluating future options for the field which may include abandonment earlier than previously planned.

Following a review of the Company's smaller projects, and discussions with the various joint venture partners, the Company is rationalising its portfolio of projects. Markmore, Sterling's joint venture partner and operator of the Dome Flore concession has withdrawn the application for a licence extension for the Dome Flore block located in an area administered by AGC, a joint agency for Senegal and Guinea Bissau. The AGC has confirmed the termination of the licence.

The joint venture partners in the Iris Marin block, located in Gabon, have unanimously approved the operator's recommendation to relinquish the licence under the production sharing contract when the licence expires in May 2010. Sterling, as operator of the technical evaluation agreement for the Ibekelia block located adjacent to the Iris Marin block in Gabon, has recommended to the other partners to cease any further work towards a contract for the Ibekelia block. Sterling's withdrawal from AGC and Gabon will allow the Company's technical personnel to focus on the more material projects and the identification of new ventures.

In September, the Company successfully raised £60.9 million (net of expenses) from the placement of new shares with a new cornerstone investor and several existing shareholders. Part of these new funds were used to repay \$35 million of the bank debt, a condition of granting a further 17 month waiver by the lenders. In December the Company completed an open offer to all shareholders which, alongside a

placing to several Directors and staff, raised a further £20.4 million (net of expenses). The Company is now sufficiently funded to cover its share of the anticipated work program for 2010 and beyond.

Immediately following the issue of shares for the December open offer, all of the Company's ordinary shares were consolidated on the basis of 40 existing ordinary shares with a nominal value of 1 pence consolidated into 1 new ordinary share with a nominal value of 40 pence.

FINANCIAL

The financial results for 2009 and the detailed commentary are located in their relevant sections. The results for the financial period ending 31 December 2009 report certain losses arising from the impairment of assets, the disposal of the US business and accounting adjustments. The reporting of large losses for a growing E&P Company that has effectively undergone a financial and business re-structuring is not unusual and results in a good starting point for 2010 onwards.

The Directors do not recommend paying a dividend for 2009.

BOARD CHANGES

During the year Christopher Callaway, Harry Wilson, Peter Wilde and Graeme Thomson stepped down from the Board and we thank them for the contributions that each has made during their tenure.

In September Keith Henry and I were appointed to the Board, joined shortly thereafter by Nicholas Clayton. The Board is now comprised of three executive and three non-executive Directors, each bringing different expertise and experiences that will assist the Company and its staff in delivering the success which we believe will create increased shareholder value.

OUTLOOK

For the immediate future, the drilling of the Sangaw North exploration well is our most significant project; the well is expected to take 180 days to drill. A commercial discovery will have the potential to transform the Company.

Our exploration projects in Cameroon and Madagascar are expected to advance after their respective political situations are resolved.

We have sufficient cash resources to more than cover our anticipated work program for 2010, as well as identify, and hopefully secure, new ventures to create a more diverse exploration portfolio.

The Company has undergone major changes during 2009 and I believe has entered 2010 as a 'fit for purpose' E&P Company with several exciting and material projects to advance. I would like to thank the staff and shareholders alike for their patience during this period of change which I hope we shall capitalise on to create increased shareholder value.

Alastair Beardsall
Chairman

OPERATIONS REVIEW

KURDISTAN

Sangaw North PSC (WI 53.33% & Operator)

During 2009 preparations were made to drill the first exploration well on the Sangaw North block. Detailed well planning and design along with the procurement of well services and goods were progressed in parallel with construction of the well site. Heavy rain in the area during November and December delayed the completion of the civil works and drilling commenced on 1 February 2010. The well is drilling ahead at 223 m with drilling and preliminary evaluation expected to take 180 days.

Drilling operations for both the 36" and 28" diameter near surface sections, to accommodate the 30" and 24 ½" casing now set at 41 m and 223 m respectively, have been challenging due to lost circulation zones and poor hole conditions. Each section has required multiple drilling runs with a progressively larger drill bit to open the drilled section sufficiently to accommodate the large casing sizes. The well design requires these larger than usual surface casing sizes to provide flexibility when dealing with lost circulation or locally over-pressured zones where the running of an additional casing string is the prudent choice.

The well is being drilled using the 2,000 horse-power Sakson PR-4 rig to a planned total depth of 3,660m targeting several Cretaceous and Jurassic aged reservoirs. The well design gives the option to drill deeper to a total depth of 4,160m to test deeper Jurassic aged reservoirs. The decision to drill this additional section will be taken based upon the preliminary drilling results.

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 of the sub-surface structure. The interpretation and mapping of this seismic data confirmed the presence of a very large subsurface structure, coincident with the outcropping surface anticline. The integration of regional and locally acquired field geological data with the results of the seismic interpretation have been combined to advance the Sangaw North lead to a drillable prospect.

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 at Sangaw North. An independent report completed by RISC estimates best estimate gross prospective resources for the Upper Cretaceous reservoir of 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%.

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 Zagros Fold Belt. The thin Tertiary cover (i.e. thickness) on the Sangaw North structure and the drilling capacity of the rig being used make the Jurassic an achievable deeper target.

Continued exploration success by other operators confirms the highly prospective nature of the Kurdistan region. In May 2009, Heritage reported an oil discovery at Miran West, 40km north of Sangaw North-1. Further north Gulf Keystone reported an oil discovery at Shaikan in August 2009 in the same Cretaceous and Jurassic reservoirs being targeted by the Sangaw North-1 well.

CAMEROON

Ntem (WI 100% & Operator)

The Ntem concession area is a 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 1,500km² of 3D seismic data were acquired, along with the purchase of additional seismic and gravity data.

Sterling's financial obligations and work programme for the Ntem concession area are currently suspended under the force majeure provisions of the licence owing to an overlapping maritime border

claim between Cameroon and Equatorial Guinea. However, both countries are actively working to resolve this issue and Sterling understands the border dispute may be resolved soon.

This large block is undrilled and is well placed with respect to both Tertiary and Upper Cretaceous plays. Sterling is re-evaluating the area in the light of recent Tertiary discoveries made by Noble Energy to the north of the Ntem block. 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 reveal the presence of large and widespread submarine fans with good exploration potential. Sterling estimates that four of the Cretaceous prospects mapped so far have un-risked prospective resources of several hundred million barrels each. Sterling intends to farmout an interest in this licence.

MADAGASCAR

Civil unrest in Madagascar culminated in a military backed coup in March 2009; political uncertainty has continued for the remainder of the year.

Ampasindava (WI 30%)

The production sharing contract (PSC) for Ampasindava is in its third phase of the exploration period with a minimum work commitment of one exploration well. ExxonMobil (WI 70%, operator) and Sterling are unwilling to commit to drilling an exploration well on the Sifaka prospect until political stability has been established. It is unlikely that an exploration well will commence drilling before 2011.

Ambilobe (WI 100% and Operator)

The PSC for Ambilobe is in its second phase of the exploration period. All work commitments have been fulfilled by completing geological and geophysical studies and acquiring approximately 1,000 km of 2D seismic. In March 2009, ExxonMobil, who had farmed in to the PSC in July 2005 for a 70% working interest withdrew from the PSC and their interest in the block reverted to Sterling. Following ExxonMobil's withdrawal the duration of the second phase was extended by 18 months to November 2010. Sterling is monitoring the political situation in Madagascar and will evaluate the alternatives for progressing the exploration activities on Ambilobe.

GABON

Iris Marin (WI 32%)

The Iris Marin block 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 in the PSC and Addax is the operator. All licence commitments have been fulfilled and the PSC expires in May 2010. The operator has recommended that the PSC is relinquished when the current period expires and the partners have unanimously supported the recommendation.

Ibekelia (WI 40% & Operator)

Sterling and its partners have been negotiating to convert the Technical Evaluation Agreement for the Ibekelia block into a PSC. However, following further studies that have identified limited prospectivity and the expectation that the Iris Marin PSC will expire in May 2010. Sterling has recommended to its partners to cease the negotiations for a PSC.

MAURITANIA

Chinguetti (Economic Interest via Funding and Royalty Agreements)

No in-fill drilling or work-over activity took place on the Chinguetti field during the first half of 2009. Gross production continued to decline over the first six months of 2009, from 16,500 bopd to 9,500 bopd prior to the planned FPSO annual maintenance shutdown on 26 June. The decline was attributed to increasing water production in most wells. The field performed better after returning to production on 1 July with a reduced decline rate. In November and December subsea intervention work was carried out, gas lift was initiated in well C-20, and optimization of the process system was undertaken. However the overall decline has continued and gross daily production at year end was around 9,200 bopd.

Sterling estimates that at the end of 2009 Chinguetti held a remaining 5.72 mmbbl of gross 2P reserves that could be accessed with the existing wells. Technical work continues on the reservoir model to investigate the potential for a Phase 3 drilling campaign to access potential resources in 2010/1. However, given the current oil price forecasts, the Phase 3 programme may not be economic and Sterling believes the Chinguetti Field could be abandoned earlier than originally planned.

During 2009, Sterling's share of production averaged 906 bopd from its interests in the Chinguetti field through the funding agreement and royalty interest. Sterling's current share of Chinguetti production is approximately 715 bopd.

AGC (SENEGAL / GUINEA BISSAU)

Dome Flore (WI 30%)

Markmore, Sterling's joint venture partner and operator of the Dome Flore concession, has withdrawn the application for a licence extension for the Dome Flore block located in an area administered by AGC, a joint agency for Senegal and Guinea Bissau. The AGC has confirmed the termination of the licence.

USA

In December 2009 Sterling disposed of its USA business as part of its strategy to re-focus on material exploration activity.

FINANCIAL REVIEW

SELECTED FINANCIAL DATA

| | | 2009 | 2008 |
|--|-----------|--------------|--------------|
| USA production | bopd | 3,587 | 3,784 |
| Chinguetti production | bopd | 906 | 1,025 |
| Total production | bopd | 4,493 | 4,809 |
| Year-end 2P reserves | 000 boe | 340 | 18,332 |
| Revenue (continuing operations) | \$million | 22.7 | 20.4 |
| Revenue (discontinued operations) | \$million | 50.2 | 83.1 |
| EBITDA ¹ | \$million | 10.0 | 21.4 |
| Loss after tax | \$million | (202.5) | (156.8) |
| Net cash investment in oil & gas assets | \$million | 31.7 | 57.4 |
| Year end cash (including partner funds) | \$million | 113.9 | 23.8 |
| Year end debt | \$million | - | (119.3) |
| Year end net cash/ (debt) | \$million | 113.9 | (95.5) |
| Selected financial data | | | |
| Average realised oil price (net of hedges) | \$/bbl | 62.02 | 67.21 |
| Average realised gas price (net of hedges) | \$/mcf | 5.93 | 8.82 |
| Total cash operating costs per boe | \$/boe | 16.06 | 18.55 |
| Year end share price * | Pence | 155 | 95 |
| Share price growth (based on year end share price) | % | 63 | (81) |

¹ EBITDA is calculated as earnings before interest, taxation, depreciation, amortisation, impairment and pre-licence expenditure on continuing operations

* Adjusted for 40:1 share consolidation implemented in December 2009

HIGHLIGHTS

- Net loss of \$202.5 million in 2009 reflects pre-tax asset impairment charges of \$94.1 million, offset by a deferred tax credit of \$24.0 million, and a loss on disposal of the US business of \$118.8 million;
- Sterling repaid \$122.9 million of debt outstanding during the period and was debt free at the end of 2009;
- Equity placings in September and December raised a total of £81.3 million (\$133.3 million);
- Cash balances at year-end were \$113.9 million.

CONTINUING AND DISCONTINUED OPERATIONS

Following the disposal of the USA business on 2 December 2009, the Group's income statement has been represented for both 2009 and 2008 to show revenues and expenses from continuing operations only, with results from discontinued operations condensed into a single line item at the foot of the income statement. An analysis of the income statement showing both continuing and discontinued operations is presented in note 3.

REVENUE AND COST OF SALES

2009 production was 4,493 bopd, a decrease of 7% from the 4,809 bopd in 2008.

USA production decreased to 21.5 mmcfge/d (2008: 22.7 mmcfge/d). This was a result of natural production decline rates and the deferral of capital expenditure ahead of the disposal. The USA business accounted for 80% of production in 2009 (2008: 79%). Net Chinguetti field production for the year was equivalent to 906 bopd (2008: 1,025 bopd), including royalty barrels.

Currently, all of the Group's production is from the Chinguetti field and the Group's net production is approximately 715 bopd.

2009 Group turnover from continuing operations was \$22.7 million (2008: \$20.4 million), this was primarily as result of an increased average realised oil price from the Chinguetti liftings during the year, net of hedges (2009: \$68.62 per bbl, 2008: \$54.67 per bbl). Including discontinued operations, turnover decreased by 30% to \$72.9 million, including hedge settlement income of \$16.9 million, compared to 2008 turnover of \$103.6 million (after \$16.0 million expense for hedges). This decrease was a result of declining USA and Mauritanian production, US gas prices not recovering to the same degree as oil

prices, and approximately one month less contribution to revenue by the USA business due to its disposal during the period.

OPERATING LOSS

The 2009 operating loss from continuing operations amounted to \$18.0 million. The operating loss from both continuing and discontinued operations amounted to \$214.4 million (2008: loss \$175.2 million) after pre-tax non-cash impairment charges of \$94.1 million and a pre-tax loss on the disposal of discontinued operations of \$118.8 million. Due to a deferred tax credit of \$24.0 million relating to the impairment, the post-tax impairment charge was \$70.1 million.

The total cost of sales from both continuing and discontinued operations decreased to \$57.6 million (2008: \$87.0 million), reflecting a reduction in the depletion charge in the year to \$33.5 million (2008: \$53.9 million), and lower operating costs. The decrease in depletion was as a result of the impairments to exploration, evaluation and property, plant and equipment assets, and because the USA business was classified as a discontinued operation on 20 October 2009. Under IFRS 5 discontinued operations are not depleted whilst held for sale.

Chinguetti cost of sales was \$13.5 million (2008: \$27.0 million) averaging \$40.79/bbl (2008: \$73.14/bbl), of which \$25.11/bbl related to production costs and \$15.68/bbl to depletion charges.

The \$94.1 million (2008: \$180.1 million) impairment charge was in recognition of poor field performance and a continued weakness in US gas prices. This impairment comprises the following:

(i) \$17.9 million impairment of Chinguetti producing field, \$0.8 million impairment of the Chinguetti royalty asset, and \$3.3 million impairment of the Gabon exploration and evaluation assets.

(ii) \$72.1 million impairment of USA assets of which exploration and evaluation assets accounted for \$69.9 million, and \$2.2 million was in relation to producing assets.

Pre-licence exploration costs of \$0.5 million (2008: \$2.7 million) were written off as required under IFRS.

Administrative costs for continuing operations and after capitalised costs and partner recharges fell by \$1.5 million to \$4.7 million in 2009 (2008: \$6.2 million). This was due to a reduction in the share-based payment expense and favourable movements in the average £ to \$ exchange rate during the year.

Total Group administrative expenses, including discontinued operations, increased by 8% to \$15.5 million (2008: \$14.3 million). This included a one-off charge for USA staff severance payments of \$2.6 million, and was after a non-cash share option charge of \$0.7 million (2008: \$1.5 million). The non-cash share option charge has decreased compared to the 2008 charge due a reduction in employees following the USA disposal during the year.

EBITDA AND NET LOSS

EBITDA for continuing operations totalled \$10.0 million (2008: \$21.4 million).

Finance costs for continuing operations less interest revenue from cash deposits were a net expense of \$13.6 million (2008: \$9.5 million). This reflects the interest cost, repayment of waiver fees and other costs associated with the Group's loans.

A deferred tax credit of \$26.0 million arose in 2009 (2008: \$27.9 million credit), including \$24.0 million relating to impairments which partly offset the USA impairment charge in the year.

Net loss after tax totalled \$202.5 million (2008: \$156.8 million loss) of which a net loss of \$170.8 million was attributable to discontinued operations. This net loss attributable to discontinued operations comprised a net loss on operations of \$52.0 million for 2009 and a loss of \$118.8 million on disposal. The loss per share was US\$2.10 per share (2008: US\$3.45 loss per share).

CASH FLOW

Cash inflow generated from operating activities was \$33.9 million (2008: \$56.7 million). Cash out-flow from continuing operations was \$4.5 million (2008: \$22.0 million), cash flow generated from discontinued operations was \$38.4 million (2008: \$34.7 million).

Net cash investments in oil and gas assets totalled \$31.7 million (2008: \$57.4 million) and primarily comprised \$22.3 million invested in the USA producing assets and \$5.9 million in USA non-producing

assets. The Group's exploration expenditure in Kurdistan is carried by Addax up to the point of testing the first well.

The Company repaid \$122.9 million of debt during the period and was debt free at the end of 2009.

A net amount of £60.9 million was raised in September 2009 from an equity placing which strengthened the Company's balance sheet and secured the bank waiver. At the time of the placing, Sterling announced its intention to offer shares at the placing price to all of its shareholders. Following publication of the prospectus and approval of shareholders at the EGM, Sterling raised an additional net £20.4 million in December 2009.

BALANCE SHEET

At the end of 2009 non-current assets were \$11.1 million (2008: \$321.4 million). This decrease was primarily as a result of the USA disposal and impairments during the year. Net current assets increased to \$98.3 million (2008: net current liabilities \$16.2 million). During 2009 Sterling repaid \$122.9 million of principal leaving the Group debt free with a net cash position of \$113.9 million at the year end. At the end of 2009, net assets stood at \$88.1 million (2008: \$171.2 million).

The Group's total decommissioning provision decreased during the year by \$5.5 million to \$21.0 million (2008: \$26.5 million). The Chinguetti decommissioning provision increased by \$12.8 million. This was offset by the disposal of the USA business and the decommissioning work undertaken in USA during the year. The costs of Chinguetti decommissioning may exceed the value of reserves remaining and the Company may have to draw on funds from other sources to satisfy such costs.

HEDGING

At the end of 2009 the Group did not have any oil and gas price derivatives in place.

CAUTIONARY STATEMENT

This financial report 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 Directors believe the expectation reflected herein to be reasonable in light of the information available up to the time of their approval of this report, the actual outcome may be materially different owing to factors either beyond the Group's control or otherwise within the Group's control but, for example, owing to a change of plan or strategy. Accordingly, no reliance may be placed on the forward-looking statements.

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Ticker Symbol: SEY

STERLING ENERGY PLC
CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2009

| | Note | 31st December 2009 \$000 | 31st December 2008 \$000 |
|---|------|-----------------------------|-----------------------------|
| Continuing operations | | | |
| Revenue | | 22,709 | 20,444 |
| Cost of sales | | (13,498) | (26,971) |
| Gross profit | | 9,211 | (6,527) |
| Administrative expenses | | (4,684) | (6,246) |
| Impairment of oil and gas assets | 3 | (22,055) | (100,012) |
| Other impairments | | - | (833) |
| Profit on disposal of oil and gas assets | | - | 2,200 |
| Profit on disposal of investment | | - | 2,871 |
| Pre-licence exploration costs | 3 | (512) | (2,014) |
| Operating loss | | (18,040) | (110,561) |
| Interest revenue and other finance gains/ losses | | (252) | 116 |
| Finance costs | | (13,340) | (9,606) |
| Loss before tax | | (31,632) | (120,051) |
| Tax | 4 | - | - |
| Loss for the financial period from continuing operations | | (31,632) | (120,051) |
| Discontinued operations | | | |
| Loss from the period from discontinued operations | 5 | (170,851) | (36,779) |
| Loss for the year | | (202,483) | (156,830) |
| Loss per share (USc) | | | |
| From continuing operations | 6 | (32.75) | (264.21) |
| From continuing & discontinued operations | 6 | (209.66) | (345.15) |
| Basic and diluted | 6 | (209.66) | (345.15) |

STERLING ENERGY PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE EXPENSE
YEAR ENDED 31 DECEMBER 2009

| | 31st December 2009 | 31st December 2008 |
|--|--------------------|--------------------|
| | \$000 | \$000 |
| Loss for the year | (202,483) | (156,830) |
| Hedge movement | (15,574) | 29,995 |
| Currency exchange adjustments | 1,155 | (1,921) |
| Revaluation of shares | 12 | (657) |
| | <hr/> | <hr/> |
| Total comprehensive expense for the year, net of tax | (216,890) | (129,413) |
| | <hr/> | <hr/> |
| Tax | - | - |
| | <hr/> | <hr/> |
| Total comprehensive expense for the year | (216,890) | (129,413) |

STERLING ENERGY PLC
CONSOLIDATED BALANCE SHEET
31 DECEMBER 2009

| | Note | 31st December 2009 \$000 | 31st December 2008 \$000 |
|--|------|-----------------------------|-----------------------------|
| Non-current assets | | | |
| Intangible royalty assets | 7 | 1,818 | 3,791 |
| Intangible exploration and evaluation assets | 8 | 8,957 | 125,756 |
| Property, plant and equipment | 9 | 305 | 187,760 |
| Investments | | 18 | 996 |
| Other receivables - restricted bank deposits | | - | 3,145 |
| | | <u>11,098</u> | <u>321,448</u> |
| Current assets | | | |
| Inventories | | 4,367 | 4,994 |
| Trade and other receivables | | 2,578 | 32,606 |
| Derivative financial instruments | | - | 16,071 |
| Cash and cash equivalents | | 113,859 | 23,854 |
| | | <u>120,804</u> | <u>77,525</u> |
| Total assets | | <u>131,902</u> | <u>398,973</u> |
| Current liabilities | | | |
| Trade and other payables | | (22,525) | (39,533) |
| Derivative financial instruments | | - | (497) |
| Bank loan | | - | (53,700) |
| | | <u>(22,525)</u> | <u>(93,730)</u> |
| Net current assets/(liabilities) | | <u>98,279</u> | <u>(16,205)</u> |
| Non-current liabilities | | | |
| Bank loan | | - | (65,570) |
| Deferred tax liabilities | | - | (40,793) |
| Long-term provisions | | (21,238) | (27,664) |
| | | <u>(21,238)</u> | <u>(134,027)</u> |
| Total liabilities | | <u>(43,763)</u> | <u>(227,757)</u> |
| Net assets | | <u>88,139</u> | <u>171,216</u> |
| Equity | | | |
| Share capital | 10 | 148,537 | 42,749 |
| Share premium account | | 378,859 | 351,334 |
| Share option reserve | | 7,104 | 9,869 |
| Investment revaluation reserve | | 12 | - |
| Currency translation reserve | | (108) | (1,263) |
| Hedge reserve | | - | 15,574 |
| Retained earnings | | (446,265) | (247,047) |
| Total Equity | | <u>88,139</u> | <u>171,216</u> |

STERLING ENERGY PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
31 DECEMBER 2009

| Group | 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 year | - | - | - | (657) | (1,921) | 29,995 | (156,830) | (129,413) |
| Issued share capital | 10,938 | 9,920 | - | - | - | - | - | 20,858 |
| Share option reserve charge for the year | - | - | 1,501 | - | - | - | - | 1,501 |
| At 1 January 2009 | 42,749 | 351,334 | 9,869 | - | (1,263) | 15,574 | (247,047) | 171,216 |
| Total comprehensive expense for the year | - | - | - | 12 | 1,155 | (15,574) | (202,483) | (216,890) |
| Issued share capital | 105,788 | 27,525 | - | - | - | - | - | 133,313 |
| Share option reserve charge for the year | - | - | 500 | - | - | - | - | 500 |
| Transfer of share based payment reserve | - | - | (3,265) | - | - | - | 3,265 | - |
| At 31 December 2009 | 148,537 | 378,859 | 7,104 | 12 | (108) | - | (446,265) | 88,139 |

STERLING ENERGY PLC
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2009

| | Note | 31st December 2009 \$000 | 31st December 2008 \$000 |
|---|------|-----------------------------|-----------------------------|
| Operating activities | | | |
| Cash generated from operations | 11 | 33,936 | 56,745 |
| Net cash flow from operating activities | | 33,936 | 56,745 |
| Investing activities | | | |
| Interest received | | 837 | 1,635 |
| Capital expenditure | | (31,688) | (112,874) |
| Increase in investment | | - | (550) |
| Proceeds on disposal subsidiary | | 85,812 | - |
| Proceeds on disposal of property, plant & equipment | | 9 | 16,526 |
| Proceeds on farmout of exploration and evaluation asset | | - | 38,960 |
| Decrease in restricted cash | | - | 2,620 |
| Net cash generated/(used) in investing activities | | 54,970 | (53,683) |
| Financing activities | | | |
| Net proceeds from issue of ordinary shares | | 133,314 | 20,858 |
| Repayments on loan facilities | | (122,909) | (30,409) |
| Interest paid | | (8,768) | (8,347) |
| Decrease in overdraft | | - | (3,781) |
| Net cash flow generated/(used) in financing activities | | 1,637 | (21,679) |
| Net increase/(decrease) in cash and cash equivalents | | 90,543 | (18,617) |
| Cash and cash equivalents at beginning of period | | 23,854 | 44,101 |
| Effect of foreign exchange rate changes | | (538) | (1,630) |
| Cash and cash equivalents at end of period | | 113,859 | 23,854 |

Cash and cash equivalents at 31 December 2009 includes \$4,146,000 that is restricted. This relates to short-term restrictions on cash following the US sale. These restrictions have now been lifted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The preliminary results announcement is for the year ended 31 December 2009.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2009 or 2008, but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in April 2010.

2. GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the operations review. The financial position of the Company, its cash flows and liquidity position are described in the financial review.

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 successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

3. OPERATING SEGMENTS

| | Africa and Middle East | | North America | | Total | |
|--|------------------------|------------------|-----------------|-----------------|------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Income Statement | | | | | | |
| Revenue | 22,709 | 20,444 | 50,199 | 83,124 | 72,908 | 103,568 |
| Cost of sales | (13,498) | (26,971) | (44,104) | (60,064) | (57,602) | (87,035) |
| Gross profit | 9,211 | (6,527) | 6,095 | 23,060 | 15,306 | 16,533 |
| Impairment provision | (22,055) | (100,845) | (72,085) | (82,130) | (94,140) | (182,975) |
| Pre-licence exploration costs | (512) | (2,014) | (18) | (650) | (530) | (2,664) |
| Profit and loss on disposals of assets/investments | - | 5,071 | (682) | 3,111 | (682) | 8,182 |
| Segment result | (13,356) | (104,315) | (66,690) | (56,609) | (80,046) | (160,924) |
| Unallocated corporate expenses | | | | | (15,487) | (14,307) |
| Operating loss | | | | | (95,533) | (175,231) |
| Loss on disposal of subsidiary | | | | | (118,820) | - |
| Interest revenue and finance gains | | | | | 837 | 1,977 |
| Finance costs | | | | | (14,714) | (10,620) |
| Other gains/ (losses) | | | | | (265) | (818) |
| Loss before tax | | | | | (228,495) | (184,692) |
| Tax | | | | | 26,012 | 27,862 |
| Loss attributable to equity holders | | | | | (202,483) | (156,830) |
| Loss for the financial period from continuing operations | | | | | (31,632) | (120,051) |
| Loss from the period from discontinued operations | | | | | (170,851) | (36,779) |
| | | | | | (202,483) | (156,830) |

| | Unallocated | | Africa and Middle East | | North America | | Total | |
|----------------------------------|-------------|-----------|------------------------|-----------|---------------|----------|----------|-----------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Other segment information | | | | | | | | |
| Capital additions | | | | | | | | |
| Property, plant and equipment | 210 | 224 | 1,048 | 22,697 | 22,309 | 35,616 | 23,567 | 58,537 |
| Exploration and evaluation | 139 | 258 | 2,051 | 21,080 | 5,231 | 7,271 | 7,421 | 28,609 |
| Depreciation & amortisation | (294) | (487) | (5,193) | (15,559) | (28,391) | (38,621) | (33,878) | (54,667) |
| Impairment provision | - | - | (22,055) | (100,845) | (72,085) | (82,130) | (94,140) | (182,975) |
| Balance sheet | | | | | | | | |
| Non current assets* | 1,294 | 2,218 | 9,804 | 21,886 | - | 297,344 | 11,098 | 321,448 |
| Segment assets** | 108,488 | 24,015 | 12,316 | 5,724 | - | 47,786 | 120,804 | 77,525 |
| Segment liabilities*** | (3,299) | (123,510) | (40,464) | (25,957) | - | (78,290) | (43,763) | (227,757) |

Revenue from continuing operations includes amounts of \$17.4 million from one single customer (2008: \$27.0 million).

*Segment non-current assets include \$0.3 million in UK (2008: \$0.4 million) and \$ 7.6 million in Cameroon (2008: \$6.1 million).

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

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

4. TAXATION

| | Continuing operations | |
|---|-----------------------|--------------|
| | 2009 | 2008 |
| | \$000 | \$000 |
| Deferred tax - origination and reversal of timing differences | - | - |
| Current tax credit | - | - |
| Total credit | - | - |
| | Total | |
| | 2009 | 2008 |
| | \$000 | \$000 |
| Loss before tax on continuing operations | (31,632) | (120,051) |
| Tax on loss on ordinary activities at standard UK corporation tax rate of 28% (2008: 28.5%) | (8,857) | (34,215) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 7,581 | 24,734 |
| Capital allowances in excess of depreciation | (2,318) | (2,350) |
| Difference in UK tax rates | - | 601 |
| Other temporary differences | 228 | 2,381 |
| Adjustment for tax losses | 3,366 | 8,849 |
| Tax credit for the year | - | - |

5. DISCONTINUED OPERATIONS

In April 2008 Sterling announced its intention to sell the USA business following a comprehensive strategic review of the Company's assets and prospects. This review concluded that focusing the Company's resources on higher impact opportunities in Africa and the Middle East would be in shareholders best interests. The sale documentation was signed on 20 October 2009 with a gross initial sale consideration of \$90.0 million, before closing adjustments, with an effective economic date of 1 April 2009. On completion, the consideration was adjusted for intra- group cash movements since 1 April 2009 and other costs. The sale completed on 2 December 2009, on which date control of the USA business passed to the acquirer, and Sterling repaid all bank debt.

In addition to the initial consideration, there is a three year 'upside sharing agreement', under which Sterling is entitled to a 40% share of the annual excess net production proceeds if the average business' realised oil price exceeds \$90 per barrel and/or the realised gas price exceeds \$9 per mcf in any of 2010-2012. The Company has analysed the Henry Hub and WTI forward curves over the agreement period, and assessed accounting disclosure required in the period (IAS 37/ IAS 39) and has accounted for the agreement as a financial asset embedded derivative as the outcome of the agreement relates to commodity prices over future dates. At 31 December 2009 the value of the upside sharing agreement was determined to be insignificant, and therefore no amount has been recognised. See notes 1 and 26 for full accounting disclosure.

The results of the Group's discontinued USA operations are shown on the consolidated income statement and in Notes 3 and 4. Net operating cash flows from discontinued operations are shown in Note 25. During the period to the date of disposal the cash used in investing activities was \$27.5 million (2008 – \$30.0 million). Immediately prior to the sale, the Group's share of net assets associated with the USA operations was \$200.7 million (2008– \$265.3 million), comprising non- current assets of \$221.7 million (2008 – \$295.6 million), current assets of \$24.0 million (2008 – \$43.5 million), current liabilities including intra-group financing of \$148.3 million (2008 – \$139.0 million), and long term liabilities of \$27.9million (2008 – \$58.6 million).

Upon completion the Group recognised cash inflow of \$85.8 million, transaction costs of \$3.9 million and, and a loss of \$170.8 million.

| | Period ended 2 December 2009 \$000 | Year Ended 2008 \$000 |
|--|---|--------------------------------|
| Revenue | 50,199 | 83,124 |
| Expenses | (128,242) | (147,765) |
| Loss before tax | (78,043) | (64,641) |
| Attributable tax expense | 26,012 | 27,862 |
| Loss on disposal of discontinued operations | (118,820) | - |
| Net loss attributable to discontinued operations | <u>(170,851)</u> | <u>(36,779)</u> |

6. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the Group Consolidated (continued and discontinued) loss for the financial year of \$202,483,000 (2008: loss \$156,830,000) and on 96,577,765 (restated 2008: 45,437,773) 40p ordinary shares, being the weighted average number of ordinary shares in issue.

The calculation of basic and diluted loss per share from continuing operations loss for the financial year of \$31,632,000 (2008: loss \$120,051,000) and on 96,577,765 (restated 2008: 45,437,773) 40p ordinary shares, being the weighted average number of ordinary shares in issue.

The calculation of basic and diluted loss per share from discontinued operations for the financial year of \$170,851,000 (2008: loss \$36,779,000) and on 96,577,765 (restated 2008: 45,437,773) 40p ordinary shares, being the weighted average number of ordinary shares in issue.

| | Total | Total |
|---|-----------------|----------|
| | 2009 | 2008 |
| Loss per share (USc) | | |
| From continuing & discontinued operations | (209.66) | (345.15) |
| From continuing operations | (32.75) | (264.21) |
| From discontinued operations | (176.91) | (80.94) |

As the effect of any dilutive shares would decrease the loss per share, the basic and diluted losses per share are the same. In addition 6,029,480 (restated 2008: 3,391,150) share options were in issue that could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share because they are anti-dilutive.

7. INTANGIBLE ROYALTY ASSETS

| | Group |
|---|--------------|
| | \$000 |
| 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 year | (1,147) |
| Impairment charge for the year | (826) |
| Net book value at 31 December 2009 | 1,818 |

Group net book value at 31 December 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 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.

8. INTANGIBLE EXPLORATION AND EVALUATION ASSETS

| | Group |
|---|--------------|
| | \$000 |
| 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 year | 7,422 |
| Transfer to PPE | (700) |
| Disposals during the year - US sale | (45,743) |
| Amortisation charge for the year | (4,520) |
| Impairment charge for the year | (73,258) |
| Net book value at 31 December 2009 | 8,957 |

The amount for intangible exploration and evaluation assets represents investments in respect of exploration licences (see note 1f). 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 of \$69.9 million (2008: \$nil), and Africa pool of \$3.3 million (2008: \$12.6 million) where the estimated recoverable amount of the property, plant and equipment and E&E in the pool was insufficient to cover the carrying amount.

9. PROPERTY, PLANT AND EQUIPMENT

| Group | Oil and Gas assets \$000 | Computer and office equipment \$000 | Total \$000 |
|--|--------------------------------|--|------------------|
| Cost | | | |
| At 1 January 2008 | 467,870 | 3,966 | 471,836 |
| Additions during the year | 57,692 | 845 | 58,537 |
| Disposals during the year | (13,611) | - | (13,611) |
| At 31 December 2008 | 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 |
| Accumulated depreciation and impairment | | | |
| 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 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) |
| Net book value at 31 December 2009 | - | 305 | 305 |
| Net book value at 31 December 2008 | 186,480 | 1,280 | 187,760 |

The impairment charge in the year for the Group relates to the Group's Mauritanian and USA interests. The impairment charge 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.

10. SHARE CAPITAL

| | 2009 \$000 | 2008 \$000 |
|--|----------------|---------------|
| Called up, allotted and fully paid | | |
| 219,304,551 (2008 restated: 58,137,765) ordinary shares of 40p | 148,537 | 42,749 |

Movements during the year included:

- 4,807,315,000: 1p Ordinary shares (120,182,875 40p new Ordinary Shares) were issued by way of a Placing on 8 September 2009 in order to repay \$35 million of debt upon receipt of the placing proceeds, provide a stronger negotiating position for the Company with respect to its USA disposal process and strengthen the working capital position of the Group;
- The Open Offer of 1,585,072,352: 1p Ordinary shares (39,626,809: 40p new Ordinary shares) on 23 December 2009 which provided all shareholders the opportunity to subscribe for two new ordinary shares for every nine existing held, at the same price as the September Placing;
- The Firm Placing of 52,224,231: 1p Ordinary shares (1,305,606: 40p new Ordinary shares) on 23 December 2009 to certain employees and management of the Company;
- Further movements during the year consisted of 1,881,208: 1p Ordinary shares (47,030: 40p new Ordinary shares) during November 2009 which were issued to a former employee who exercised share options in the year;
- Following the completion of the capital raising on 23 December 2009 a share consolidation was undertaken to consolidate every 40 Ordinary of 1 pence each shares then in issue in the capital of the Company (8,772,003,400 1p Ordinary shares) to one 40p Ordinary share (219,300,085 40p Ordinary Shares). Fractions of Ordinary shares created as a result of the Consolidation are being aggregated and sold in the market place for the benefit of the Company;
- Issue of 4,466 Ordinary Shares of 40 pence to a former employee on 31 December 2009.

11. CASH FLOWS FROM OPERATING ACTIVITIES

| Group | 2009 | 2008 |
|--|------------------|--------------|
| | \$000 | \$000 |
| Operating activities: | | |
| Operating loss from continuing operations | (18,040) | (110,561) |
| Operating loss from discontinued operations | (196,316) | (64,670) |
| | (214,356) | (175,231) |
| Depletion and amortisation | 33,878 | 54,667 |
| Impairment expense | 94,140 | 180,142 |
| Other impairments | - | 2,833 |
| Inventory revaluation | - | 4,730 |
| Loss/(gain) on disposal of fixed assets | 682 | (8,182) |
| Loss on disposal of subsidiary | 118,820 | - |
| Share-based payment provision | 500 | 1,501 |
| Operating cash flow prior to working capital | 33,664 | 60,460 |
| Decrease/(increase) in inventories | 626 | (4,689) |
| Decrease in trade and other receivables | 21,964 | 1,938 |
| Decrease in trade and other payables | (22,317) | (964) |
| | 33,936 | 56,745 |
| Cash generated/ (outflow) from continuing operations | (4,517) | 21,973 |
| Cash generated from discontinued operations | 38,453 | 34,772 |
| | 33,936 | 56,745 |

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

| | |
|-------------------------|--|
| \$ | US Dollars |
| 1P | Proven reserves or in-place quantities depending on the context |
| 2D | two dimensional |
| 2P | the sum of Proven and Probable reserves or in-place quantities depending on the context |
| 3D | three dimensional |
| AIM | Alternative Investment Market of the London Stock Exchange |
| bbl | barrel, equivalent to 42 US gallons of fluid |
| bbl/d | barrel per day |
| bopd | barrel of oil per day |
| boepd | barrel of oil equivalent per day |
| Borrowing Base Facility | the facility made available under the Senior Facility Agreement |
| Bcf | billion cubic feet of gas |
| Board | the Board of Directors of the Company |
| boe | barrel of oil equivalent, a measure of the gas component converted into its equivalence in barrels of oil |
| Capex | capital expenditure |
| Company or Sterling | Sterling Energy Plc |
| Directors | the directors of the Company |
| EBITDA | earnings before interest, taxation, depreciation, depletion and amortisation, impairment and pre-licence expenditure |
| E&E | Exploration and evaluation assets |
| farmin & farmout | a transaction under which one party (farmout party) transfers part of its interest to a contract to another party (farmin party) in exchange for a consideration which may comprise the obligation to pay for some of the farmout party costs relating to the contract and a cash sum for past costs incurred by the farmout party |
| Firm Placing | the firm placing of shares pursuant to the prospectus dated 4 December 2009 |
| FPSO | Floating, Production, Storage and Offloading vessel |
| Group | the Company and its subsidiary undertakings |
| HSES | Health, Safety, Environment and Security |
| hydrocarbons | organic compounds of carbon and hydrogen |
| km | kilometre(s) |
| km ² | square kilometre (s) |
| m | metre(s) |
| mmbbl | million barrels |
| mmstb | million barrels of oil at stock tank conditions |
| mmboe | million barrels of oil equivalent |
| mmcf | million cubic feet of gas |
| mmcfg/d | million cubic feet of gas per day |
| mmcfge/d | million cubic feet of gas equivalent per day |

| | |
|---------------------------|---|
| mmscf/d | million cubic feet at standard pressure and temperature per day |
| Open Offer | the invitation to qualifying shareholders to subscribe for open offer shares pursuant to the prospectus dated 4 December 2009 |
| petroleum | oil, gas, condensate and natural gas liquids |
| Petronas | PC Mauritania I PTY LTD |
| PP&E | Property, Plant & Equipment |
| Prospective Resources | those quantities of petroleum which are estimated, as at a given date, to be potentially recoverable from undiscovered accumulations |
| PSC | production sharing contract |
| Reserves | reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria; they must be discovered, recoverable, commercial and remaining based on the development projects applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by development and production status |
| reservoir | a porous and permeable rock capable of containing fluids |
| RI | royalty interest |
| RISC | RISC (UK) Limited of Golden Cross House, 8 Duncannon Street, London WC2N 4JF |
| seismic | data, obtained using a sound source and receiver, that is processed to provide a representation of a vertical cross-section through the subsurface layers |
| Senior Facility Agreement | \$125 million borrowing base facility agreement dated 26 September 2007 |
| September Placing | the placing of 4,807,315,000 ordinary 1 pence shares at a price of 1.3 pence per share to raise £62.5 million which was completed in September 2009 |
| shares | 40p Ordinary Shares |
| spud | to commence drilling a well |
| sq km | square kilometre |
| sq mi | square mile |
| Tcf | trillion cubic feet of gas |
| TEA | technical evaluation agreement |
| Working Interest or WI | a Company's equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms |