

# Activity Update

March 2012



The information in this presentation contains certain forward-looking statements including expectations of future production and capital expenditures. Information concerning reserves may also be deemed to be forward-looking statements as such estimates involve the implied assessment that the resources described can be profitably produced in the future. These statements are based on current expectations that involve a number of risks and uncertainties, which could cause actual results to differ from those anticipated by the Company. These risks include, but are not limited to: the background risks of the oil and gas industry (e.g., operational risks in exploration, development and production; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), risks in conducting foreign operations (e.g., political instability), the availability of financing, the terms and conditions on which financing is provided and price and exchange fluctuations.

Nothing contained herein is intended to constitute an offer to sell or a solicitation of an offer to purchase securities. Any such offer or solicitation may only be made by prospectus or otherwise pursuant to an exemption from prospectus and registration requirements applicable to the Company.

Share Price	C\$2.33 (March 2, 2012)
Shares Outstanding	223 million
Market Capitalization	C\$520 million
Cash Balance (incl. restricted)	C\$64 million (end February 2012)
Drawn Debt	£59 million (end February 2012)
Listing	TSX-Venture
Ticker	SLG
Operations	Oil & Gas Exploration and Production in the UK, Romania, Netherlands and France
First Material Production	Breagh – Q3 2012
2P Reserves	185 Bcf Gas and 2 MMbbls Oil <sup>(1)</sup>
P50 Contingent Resources	310 Bcf Gas and 44 MMbbls Oil <sup>(2)</sup>
P50 Unrisked Prospective Resources	1260 Bcf Gas and 272 MMbbls Oil <sup>(2)</sup>

<sup>(1)</sup> RPS, Year-end Report 2011

<sup>(2)</sup> RPS, Year-end Report 2010

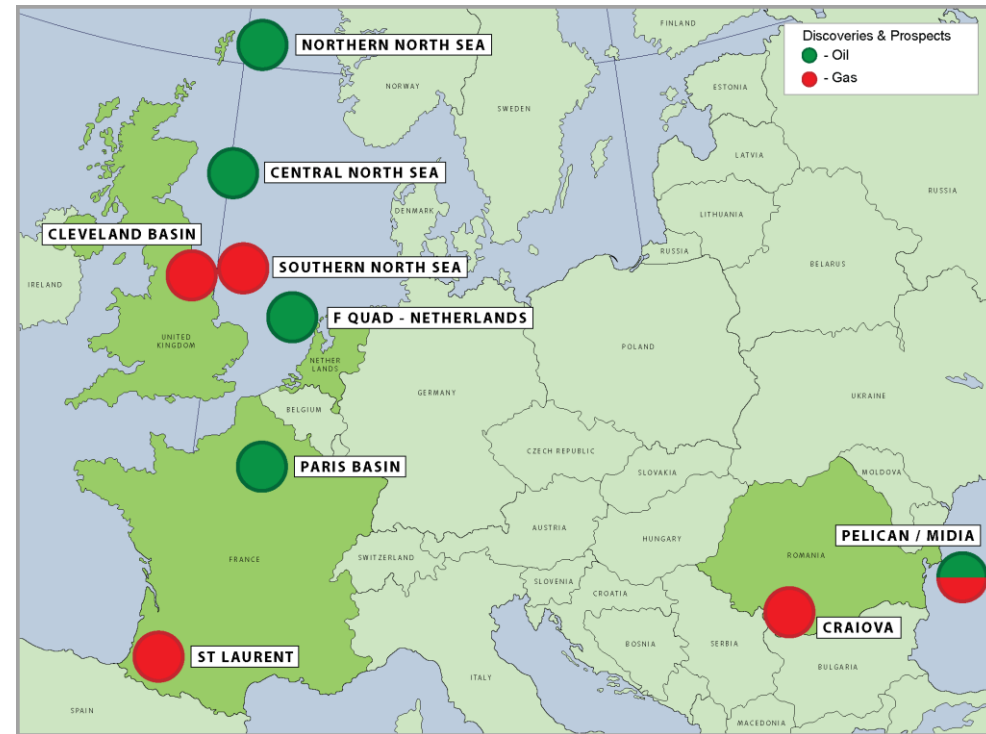
- ✓ **Outstanding track record of finding oil & gas**
  - **Discovered a total of > 200 MMbbls OIIP and > 1.5 Tcf of GIIP**
- ✓ **Breagh gas project in development and fully funded through to first production**
- ✓ **Government support in Romania allows development and exploration to proceed and deliver significant value**
- ✓ **Broad portfolio of high impact exploration prospects**
  - **482 MMboe of best estimate prospective resources (with additional significant unconventional targets in Romania and France)**
- ✓ **Several near-term catalysts for value creation**
  - **South Cladhan exploration well**
  - **Breagh first gas mid 2012**
  - **Continued exploration and appraisal activity, Romania, UK and Netherlands**
  - **Advancing developments in Romania and UK**

Three field developments, all discovered or appraised by Sterling, and material exploration upside in asset portfolio

## Asset Portfolio Summary

Asset	Working Interest	Net Reserves & Resources	Description
<b>NEAR-TERM PRODUCTION</b>			
<b>Breagh</b> <i>UK Southern North Sea</i>	30% Op: RWE Dea	31.4 MMboe (proved plus probable) <sup>(1)</sup>	Phase 1 in development, first gas expected July 2012
<b>Cladhan</b> <i>UK Northern North Sea</i>	39.9%, Op and 25% Op	11.0 MMboe (CR P50) <sup>(1)</sup>	Northern North Sea oil development and appraisal activities in 2012
<b>Doina &amp; Ana</b> <i>Offshore Romania</i>	65%, Op	37.3 MMboe (CR P50) <sup>(2)</sup>	Offshore gas discoveries, first production expected in 2014
<b>APPRAISAL</b>		<b>P50 CR<sup>(2)</sup></b>	
<b>Crosgan</b> <i>UK Southern North Sea</i>	30% Op: RWE Dea	5.1 MMboe	Appraisal planned for H1 2013; potential subsea tie-back to Breagh in 2013/14
<b>Offshore Netherlands</b>	25%, Op	8.0 MMboe	Four oil discoveries, appraisal drilling in progress
<b>UK North Sea</b>	Various	13.5 MMboe	5 Central North Sea discoveries
<b>EXPLORATION</b>		<b>P50 PR<sup>(2)</sup></b>	
<b>Offshore Romania</b>	65%, Op	325 MMboe	9 prospects across 2 blocks
<b>UK North Sea</b>	Various	8 MMboe	3 Central North Sea prospects
<b>Onshore Romania</b>	50%, Op	242 MMboe	Potential shale gas play
<b>Onshore France</b>	33.4%, Egdon	24 MMboe	Seismic over Audignon 2012

## Asset Locations

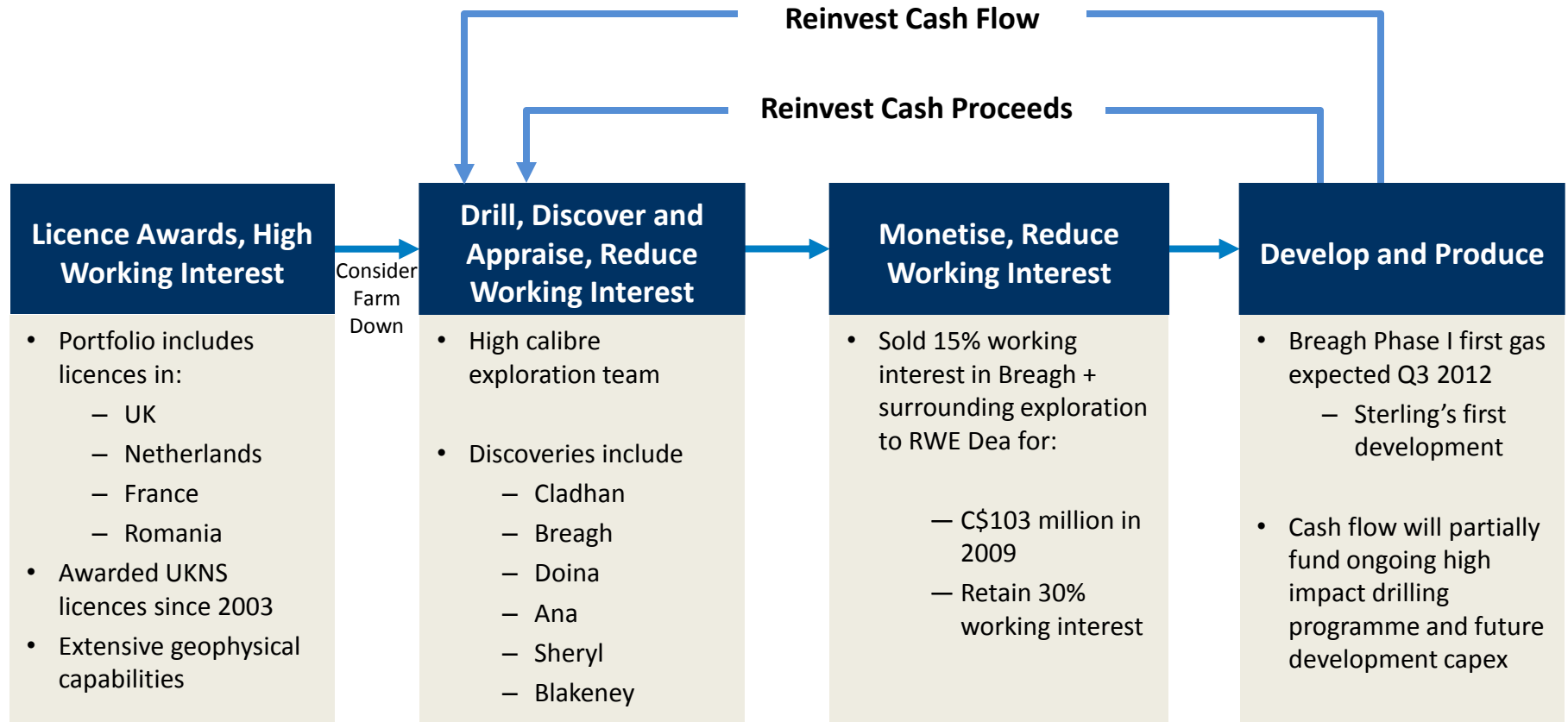


<sup>(1)</sup> RPS, Year-end Report 2011

<sup>(2)</sup> RPS, Year-end Report 2010

CR = Contingent Resources, PR = Prospective Resources  
The definitions of Contingent and Prospective Resources can be found on Page 24 of the Sterling 2010 Annual Report

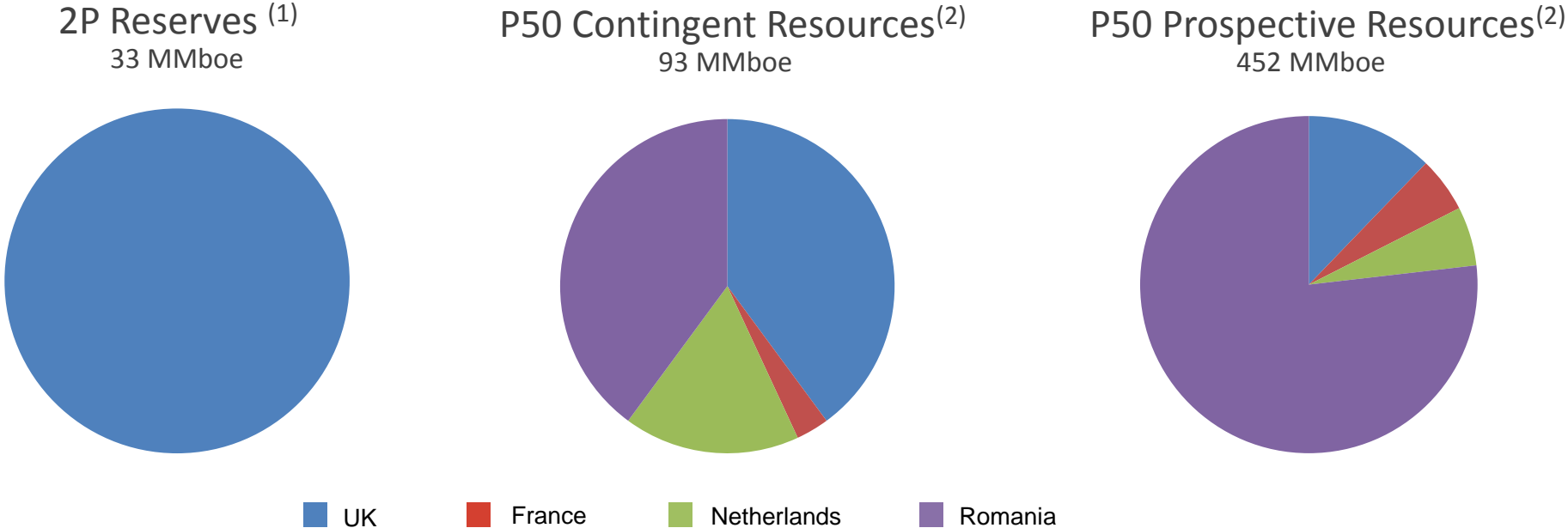
## Balance high impact exploration with major projects and funding



<b>Breagh</b>	2004	2007 / 2008	2009	★
<b>Cladhan</b>	2003	2008 / 2010	★	2014
<b>Doina/Ana</b>	1997	2007 / 2008	★	2014

★ Current Status

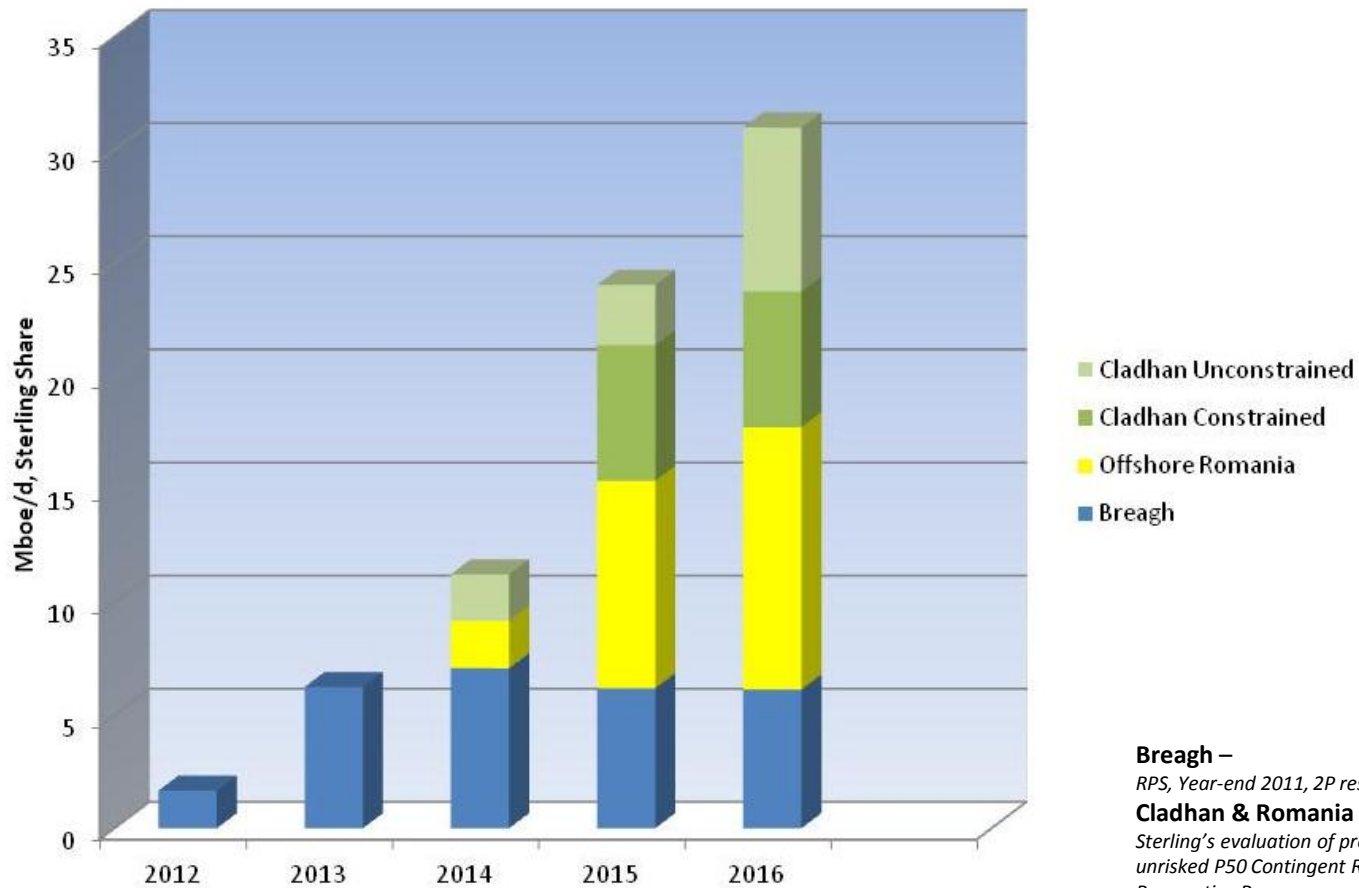
Material 2P reserve base under development with significant upside from discovered contingent resources and undrilled high impact prospects



<sup>(1)</sup> RPS, Year-end Report 2011  
<sup>(2)</sup> RPS, Year-end Report 2010  
Excludes unconventional resources

Sterling expects to achieve first gas from Breagh in Q3 2012 with Cladhan and Doina/Ana to follow in 2014

## Sterling's Potential Production Profile – Next Five Years



**Breagh –**  
*RPS, Year-end 2011, 2P reserves, Phase 1 development*

**Cladhan & Romania –**  
*Sterling's evaluation of profiles based on RPS, year-end 2010 unrisks P50 Contingent Resources plus Best Estimate Prospective Resources,*



## Near-term gas production (Sterling share)



### Asset Overview

### Key Statistics

2P Reserves <sup>(1)</sup>	184 Bcf, 0.8 MMbbls condensate 31.4 MMboe
Working Interest	30%
Operator	RWE Dea (70%)
First Production	Mid 2012

#### Breagh Phase 1 (Alpha Platform)

- 2P Reserves <sup>(1)</sup>: 28.7 MMboe
- First production Mid 2012
- FDP approval from DECC in July 2011
- Development activities: Offshore pipelines and cabling laid, jacket and topsides installed. Onshore operations ongoing. Well hook up and rig operation start in April 2012

#### Breagh Phase 2 (Bravo Platform or Subsea )

- Incremental 2P Reserves <sup>(1)</sup> : 2.7 MMboe
- Project sanction: 2012
- First production target : 2014

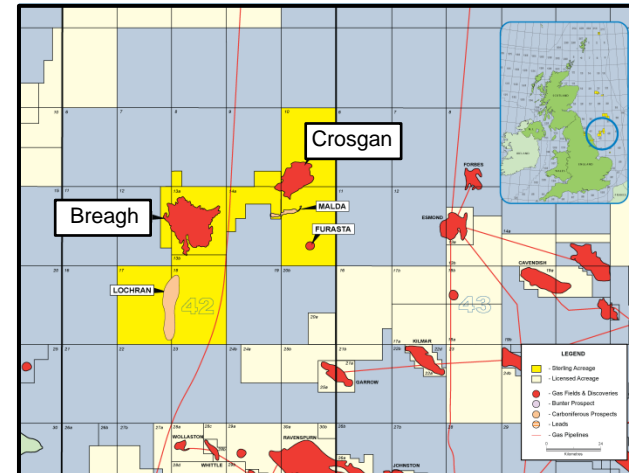
#### Crosgan

- P50 Contingent Resources<sup>(2)</sup>: (30.3 Bcf) 5.1 MMboe
- Potential subsea tie-back to Breagh in 2014

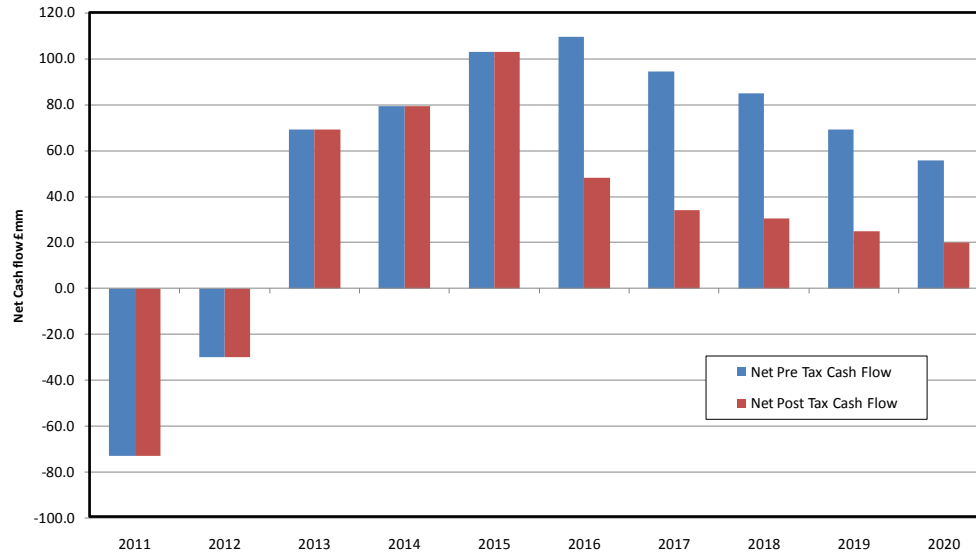
<sup>(1)</sup> RPS, Year-end Report 2011

<sup>(2)</sup> RPS, Year-end Report 2010

### Asset Location



## Cashflow Projection – Full Development Case <sup>(1), (2)</sup>



<sup>(1)</sup> RPS, year-end 2011 financial evaluation with proved plus probable production profile, Company Share

<sup>(2)</sup> tax reflects b/f UK tax loss of £204 MM at September 30, 2011

Field Life Economics (C\$/boe) <sup>(1)</sup>	Phase 1	Full Dev't
REVENUE	63.2	62.8
CAPEX	9.6	11.5
OPEX	10.1	9.5
PRE TAX CASH FLOW	43.5	41.9
TAX	22.0	21.4
POST TAX CASH FLOW <sup>(2)</sup>	21.5	20.4
NET PRESENT VALUE (10%)	12.7	11.7

## Project Financing

- RBL of £105 million with BNP Paribas / CBA / GE Energy Financial Services / Société Générale (£95 million main, £10 million cost overrun facility)
- Current projections show main facility will be fully utilised with a minor utilisation of cost overrun tranche in Q2/Q3 2012; this will need to be matched by equal equity contribution
- Net project cash flow builds up in a restricted account until Project Completion (all facilities operational, all wells drilled and flowed satisfactorily for 90 days), currently expected for Phase 1 end Q2 2014
- Cash flow statements are supplied to banks quarterly, showing that group cash balances exceed minimum cash requirement under RBL over following 12 months. For cash flow statements prepared from end Q1 2012, minimum cash requirement to increase to £35 million up to Project Completion, then drops to £7 million
- Interest on main facility 4.0% over LIBOR until Project Completion, then drops to 3.5% for 2 years

## Commercial discovery with appraisal upside

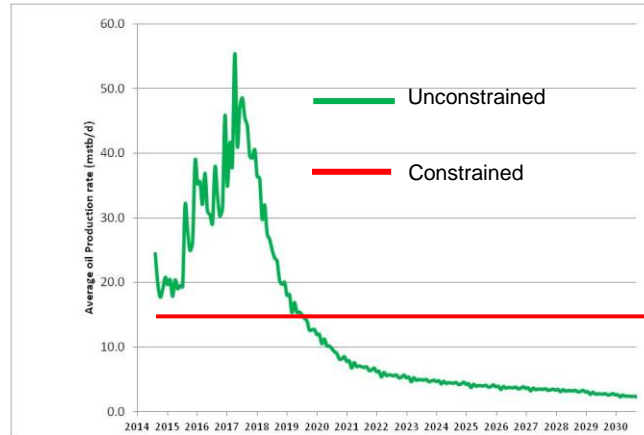
### Asset Overview

#### Key Statistics

P50 Contingent Resources <sup>(1)</sup>	11 mmbbls
P50 Prospective Resources <sup>(1)(2)</sup>	16 mmbbls
Working Interest	39.9%
Operator	Sterling
Field Partners	Wintershall (33.5%) Taqa (26.6%)*
First Production	2014

\* Being acquired by Taqa

#### Indicative Production Profile (100%)



Discovered in 2008

Initial appraisal in August 2010

- Five fields within tie-back distance to Cladhan discovery

Completed four-well appraisal programme H1 2011

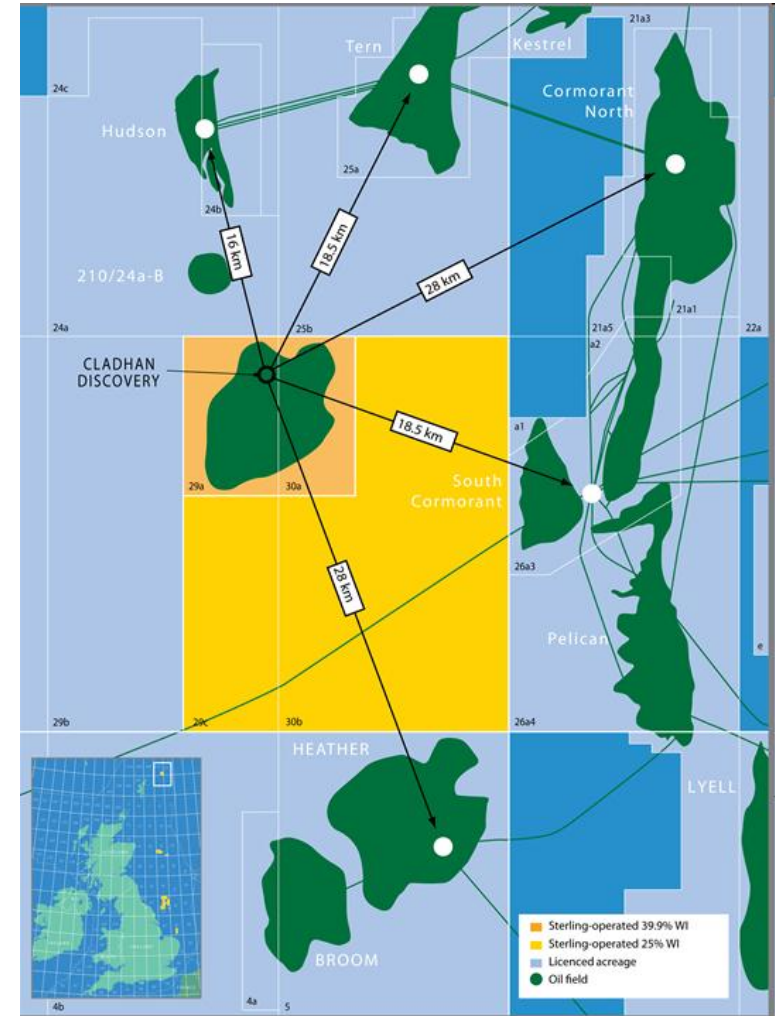
- Successful in delineating the northern core area with a new effective oil column of over 1,200 feet
- Better understanding of the field's limits – enabling Sterling to proceed with development planning
- Field development submission in mid 2012
- Subsea development options being considered are to own FPSO or via host platform
- Acquired Geostreamer data Sept 2011

Acquired a 25% interest in Cladhan South in March 2011 through an asset swap with Valiant Petroleum, provides further potential upside. Well planned 2Q 2012

<sup>(1)</sup> RPS, Year-end Report 2011

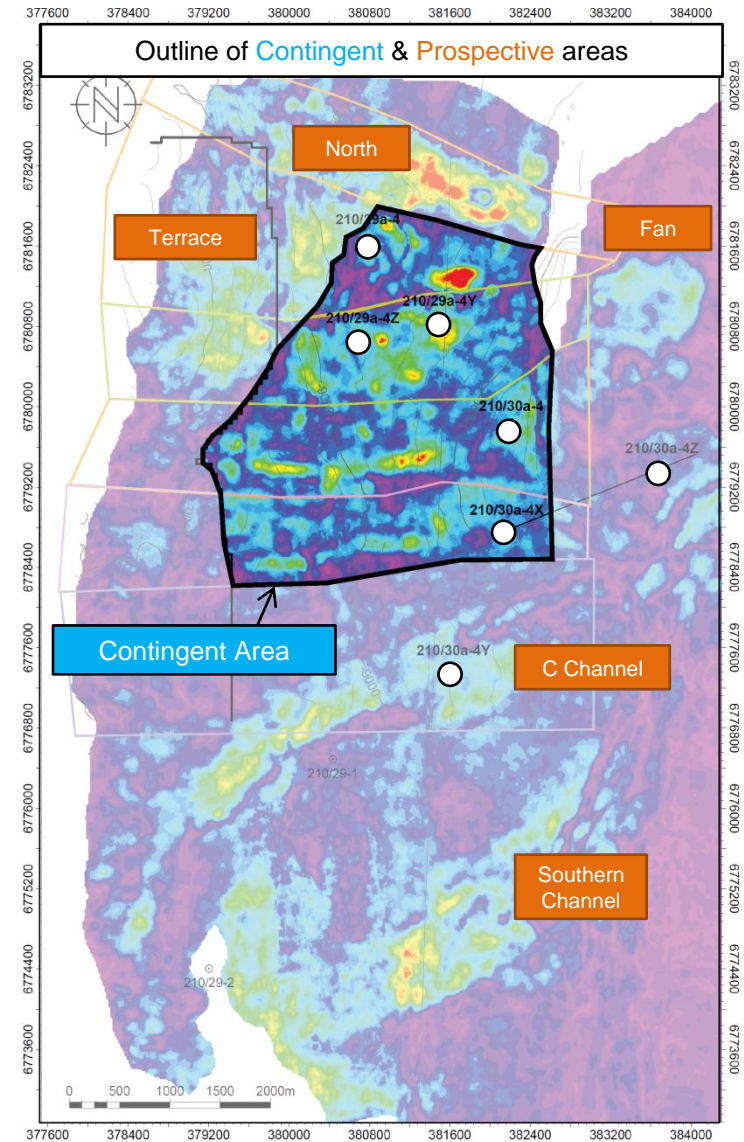
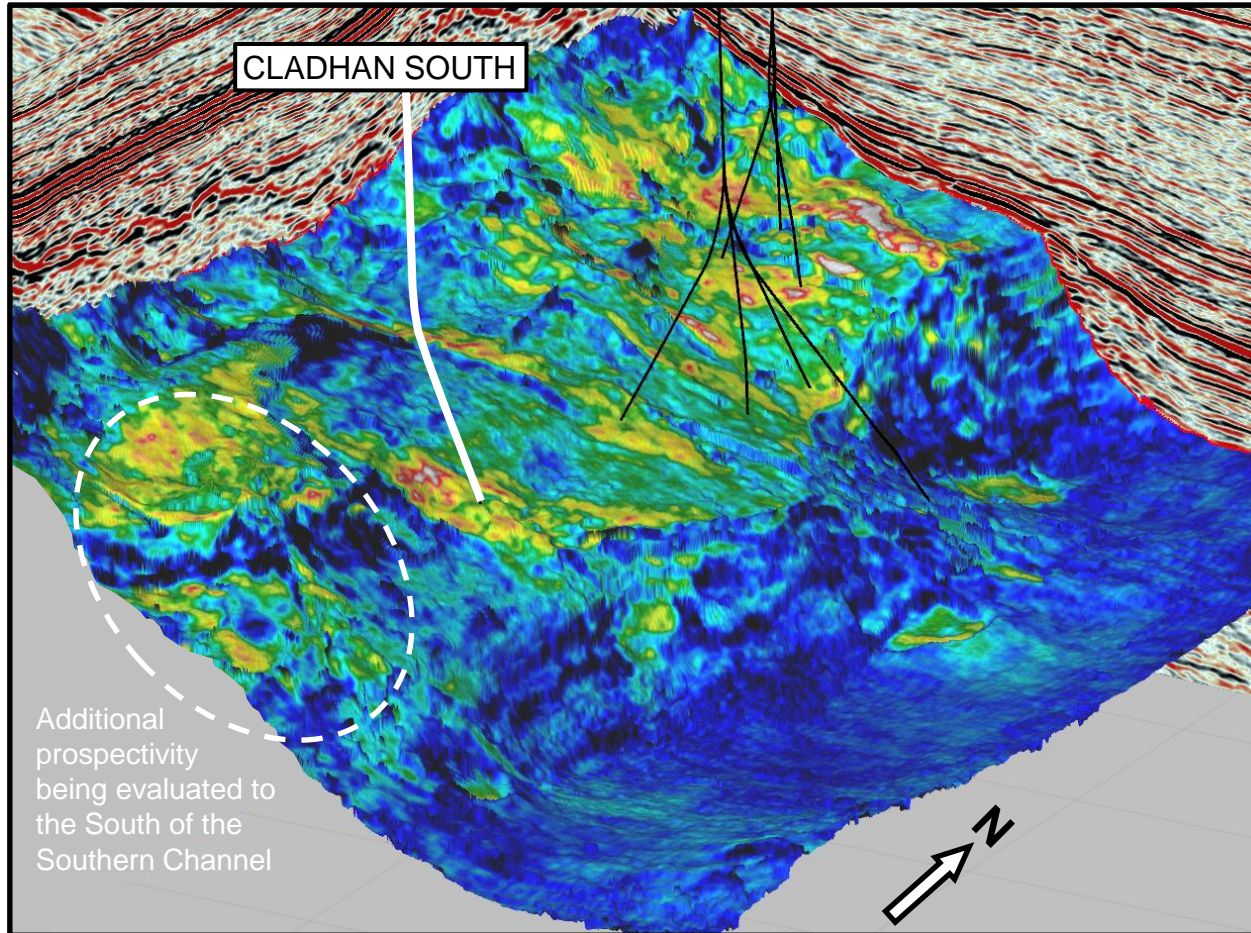
<sup>(2)</sup> Includes Cladhan South prospect @ WI% of 25%

### Asset Location



# Cladhan Area - Sand Fairways, Current Contingent & Prospective Areas

Cladhan Area. Mu-Rho seismic attribute showing sand fairways & recent wells



XV Midia (Gas Prone Block) – 65% WI		XIII Pelican (Oil Prone Block) – 65% WI	
Discoveries	P50 CR <sup>(1)</sup>	Prospects	P50 PR <sup>(1)</sup>
Doina and Ana	37.4 MMboe	Eugenia	78 MMboe
Prospects	P50 PR <sup>(1)</sup>	Eugenia South	12 MMboe
Ioana	71 MMboe	Mihaela	59 MMboe
Clara	6 MMboe	Cati	4 MMboe
Florina	8 MMboe		
Gina	12 MMboe		
Bianca	12 MMboe		

CR = Contingent Resources  
PR = Prospective Resources

<sup>(1)</sup> RPS, Year-end Report 2010

## Country Highlights

- 345 Bcf discovered on Doina and Ana (XV Midia block)
  - 224 Bcf (37.4 MMboe) net to Sterling<sup>(1)</sup>
- 6 further prospects on XV Midia block
- 6 oil prospects identified on XIII Pelican
- Favourable fiscal regime
- Strong local demand for gas

## Other Participants in Region



## Resolution of Outstanding Issues

**April 2011**

Sterling Claims Force Majeure on Offshore Romania Licences

**October 2011**

Amendment of Romanian Construction Permit Law

**November 2011**

Agreement on Assignments and Licence Extensions

## Doina/Ana Development Timeline

**2011-2012**

Platform & Pipeline designs / Offtake arrangements

**End 2012**

FDP Submission

**2014**

Development First Gas

## Progressing development of material gas discoveries and new regional infrastructure

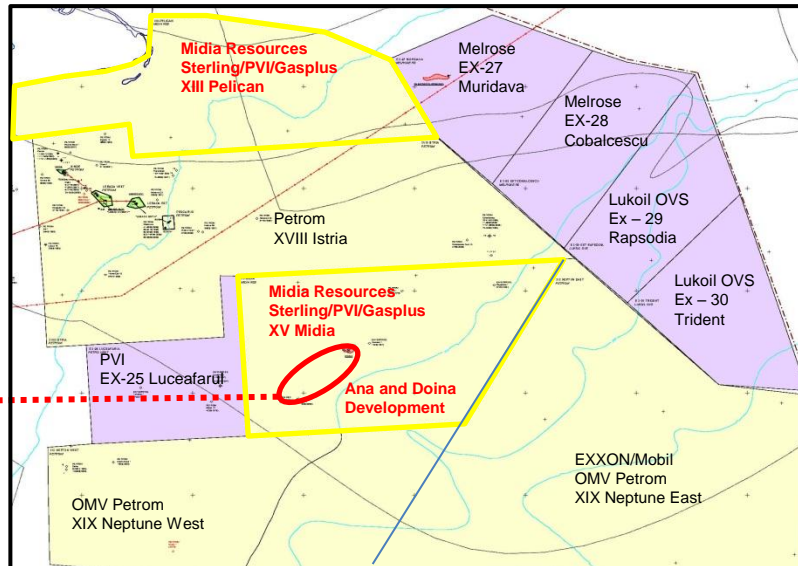
### Asset Overview

### Key Statistics

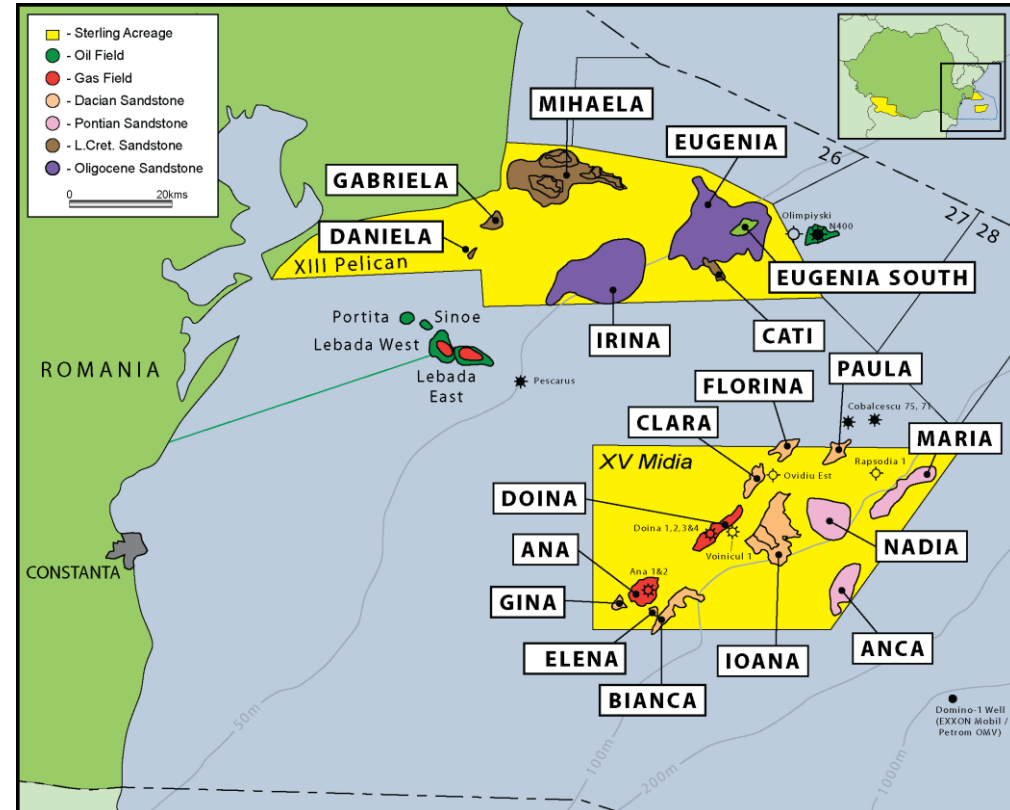
P50 Contingent Resources <sup>(1)</sup>	224 Bcf (Ana & Doina) 37.4 MMboe
Working Interest	65%
Operator	Sterling
Field Partners	PVI (20%) GasPlus (15%)
First Production	2014

- Third largest Romanian gas discovery – peak production expected to be 25,000 boe/d (gross)
- Recent resolution with government and assignments granted to partners; green light to proceed
  - Exploration and appraisal in both blocks
  - Development of Ana and Doina

<sup>(1)</sup> RPS, Year-end Report 2010



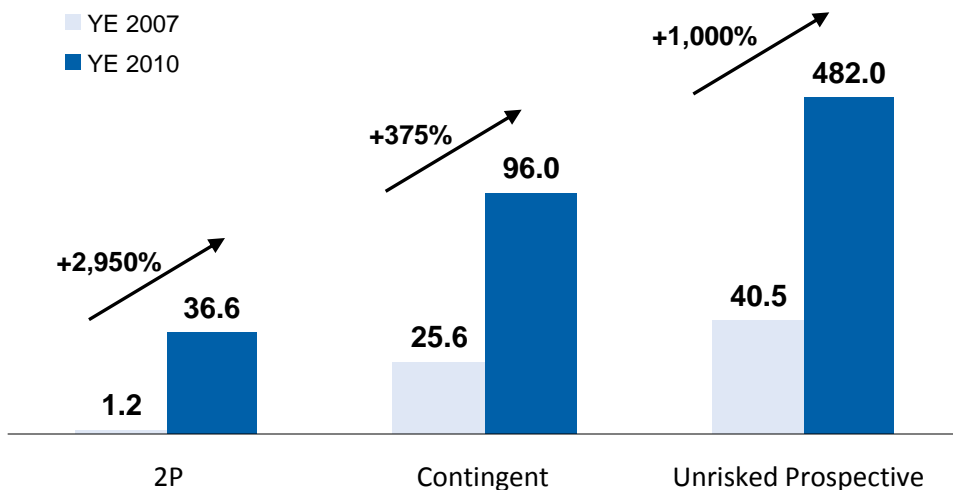
### Asset Location



## Drilling success, finding 36 MMboe 2P reserves and 49 MMboe contingent resources<sup>(1)</sup>

Field	Seismic		Exploration Well	Appraisal Well	2P Reserves		Contingent Resources	
	2D	3D			Initial	Current	Initial	Current
Breagh	✓	✓		✓✓✓✓✓	--	36 MMboe		
Cladhan	✓	✓	✓	✓✓✓xx✓	--	--		12 Mmboe
Doina/Ana	✓		✓	✓✓				37 MMboe

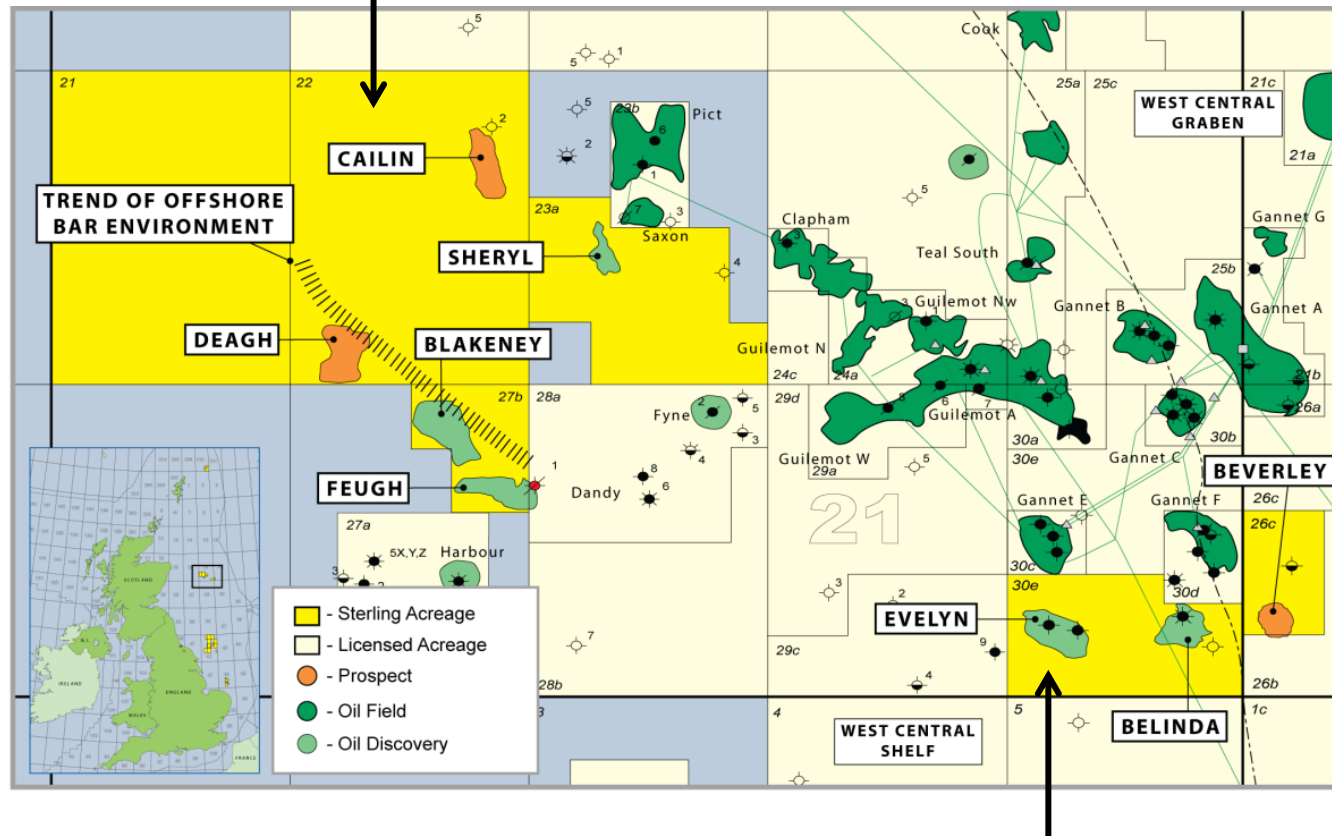
### Reserves & Resources Growth 2007-2010 (MMboe)



- Company has a significant track record in exploration and appraisal since 2007 and has materially enhanced the portfolio through the drill bit
  - Growing 2P reserves from 1.2 MMboe to 36.6 MMboe
  - Contingent resource base expanded by ~375% from 25.6 MMboe to 96 MMboe
  - Conventional prospective resources expanded by ~1000% from 40.5 MMboe to 482 MMboe
- In addition to the above, the unconventional gas potential on our Craiova licence onshore Romania has been evaluated with unrisked prospective resources of 1.5 Tcf (net)

<sup>(1)</sup> RPS, mid-year Report 2011 & year-end Report 2010

- Recent drilling in the Fyne area may add impetus for collective developments to include Sheryl, Blakeney & Feugh
- Production capacity on the Triton vessel may be coming available



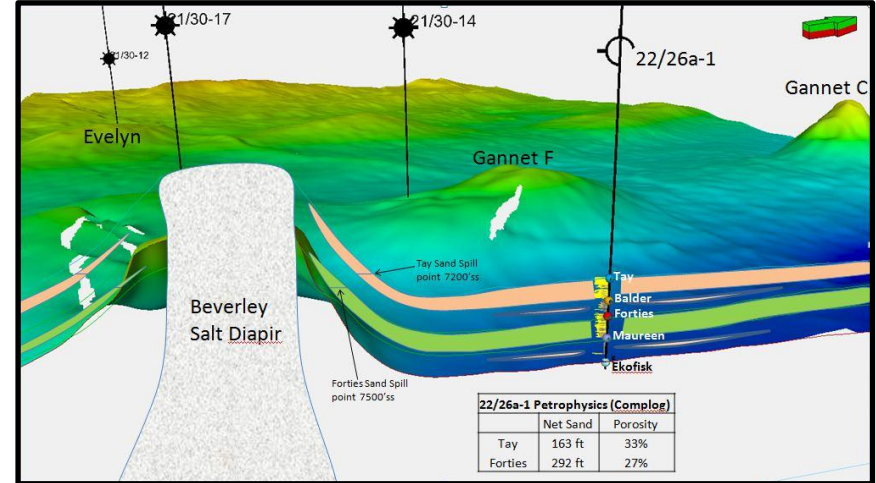
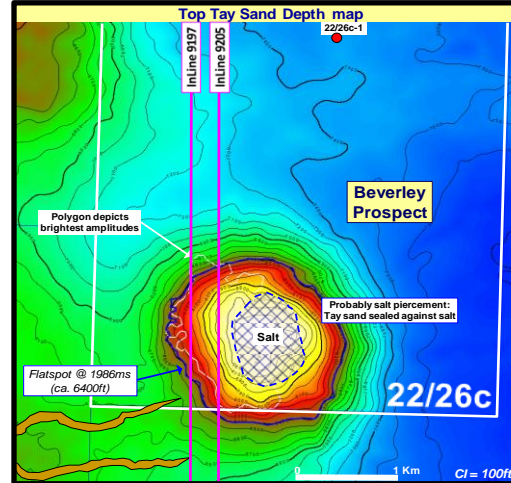
- Beverley – the last undrilled Salt Diapir in the Central North Sea
- A number of analogous Diapirs have been drilled resulting in discoveries (e.g. Gannet B, Gannet C, Kyle and Banff)
- Success would add to the existing Evelyn and Belinda discoveries to create producing hub



# Beverley Play Type & Regional Setting

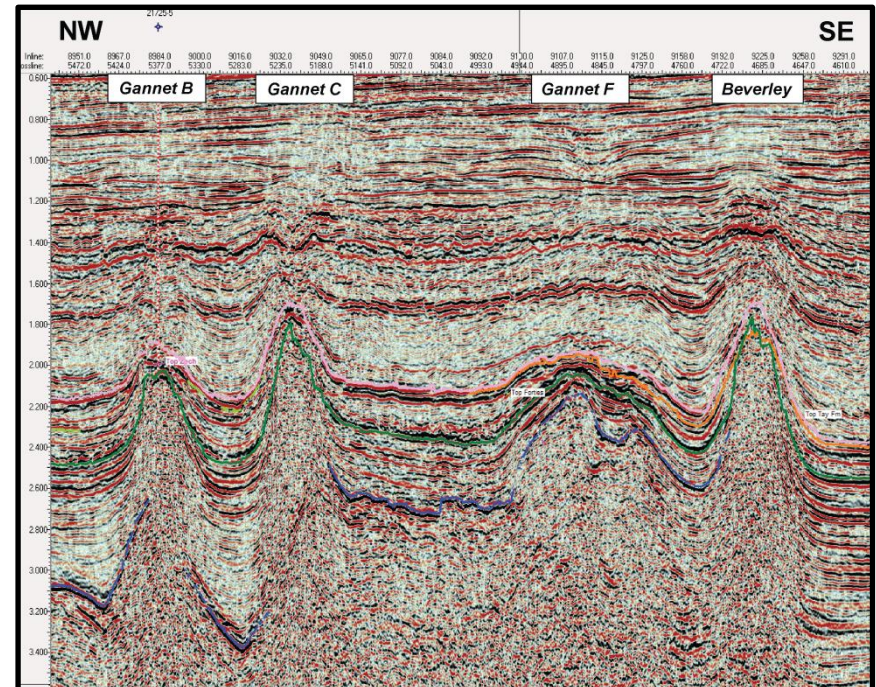
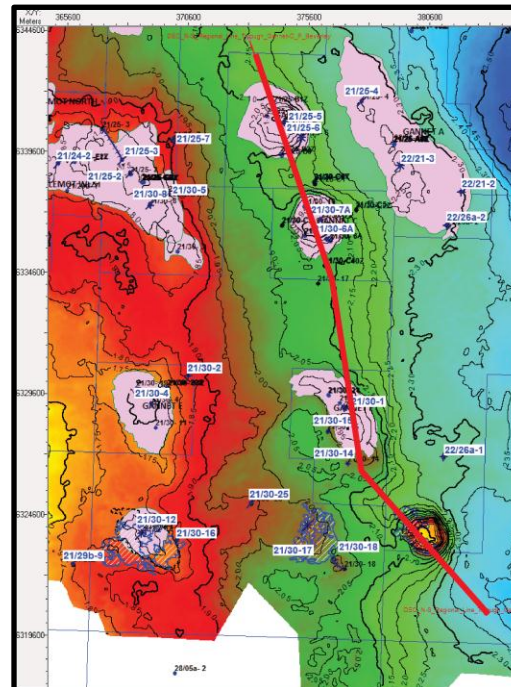
## Beverley (Left to Right):

- Structure map
- Schematic showing potential for multiple targets



## Beverley (Left to Right):

- Regional setting & line of section
- Seismic detail showing Beverley together with analogue significant producing fields Gannet B & Gannet C



# 1) Appraising oil discoveries

Prospects	SLG WI	Drill Date	Development Scenario
F17	25%	H1 2012	Host Facility (see below)
F17-4	25%	H2 2012*	Subsea tie-back to F17
F14	25%	TBD	Subsea tie-back to F17
F18	25%	H2 2013*	Subsea tie-back to F17
L01-FB	25%	TBD	Subsea tie-back to F17

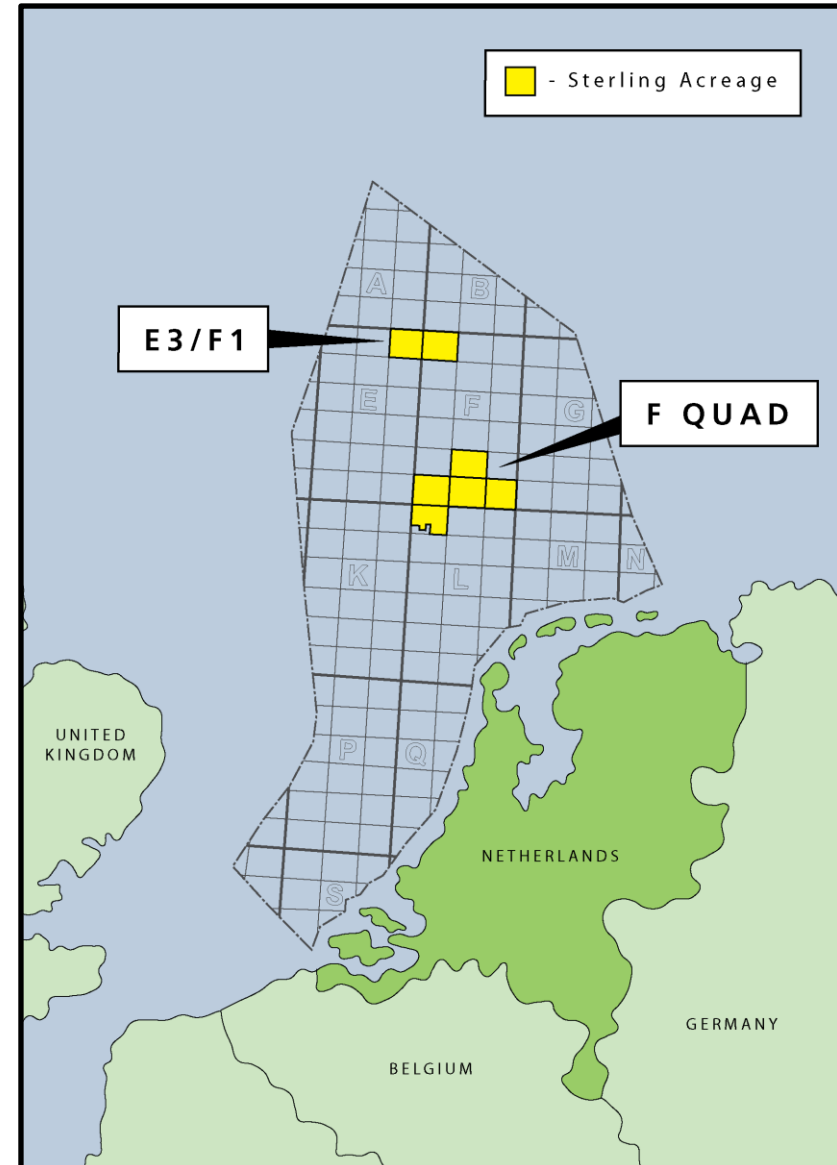
\* - Potential Drill date

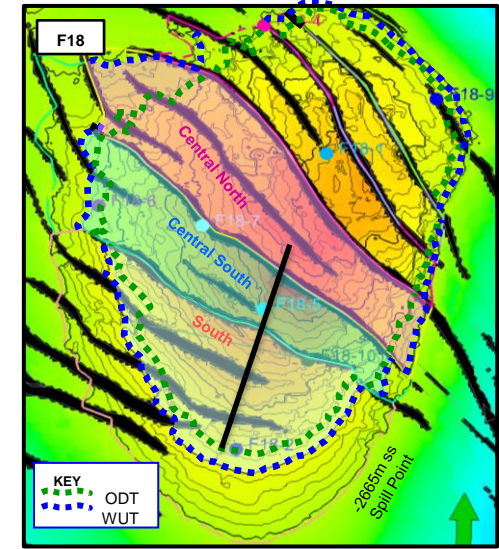
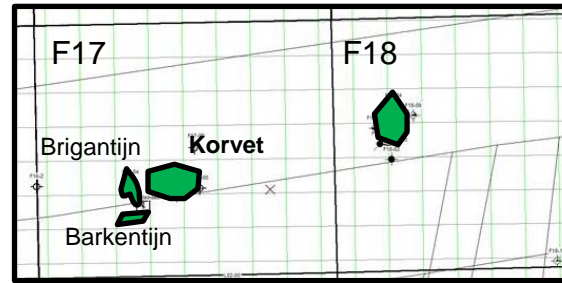
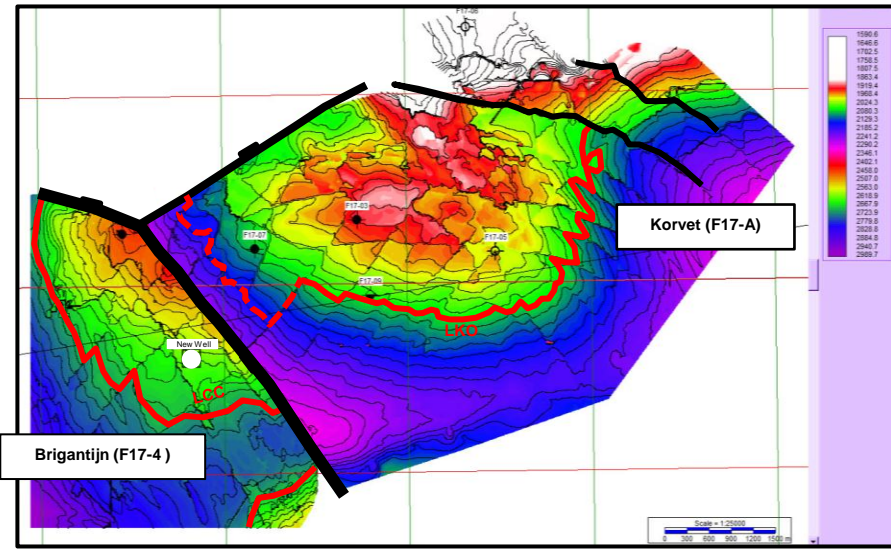
- Owner and operator of shallow horizons in licences F14, F16 (excluding the F16-E and F16-P production units), F17a, F18 and L1b
- Four oil discoveries in five blocks, previous wells have tested at flow rates between 2,000 bbls/d and 4,000 bbls/d
- Gross acreage position of 479,000 acres
- Appraisal well in Block F17 completed, F17-9, encountered 10m gross oil section and OWC – remapping in progress
- P50 contingent resources 8 MMbbl and prospective resources of 9.7 MMbbl<sup>(1)</sup>
- Lack of existing oil infrastructure in region but development solutions available

<sup>(1)</sup> RPS, Year-end Report 2010

# 2) Exploration

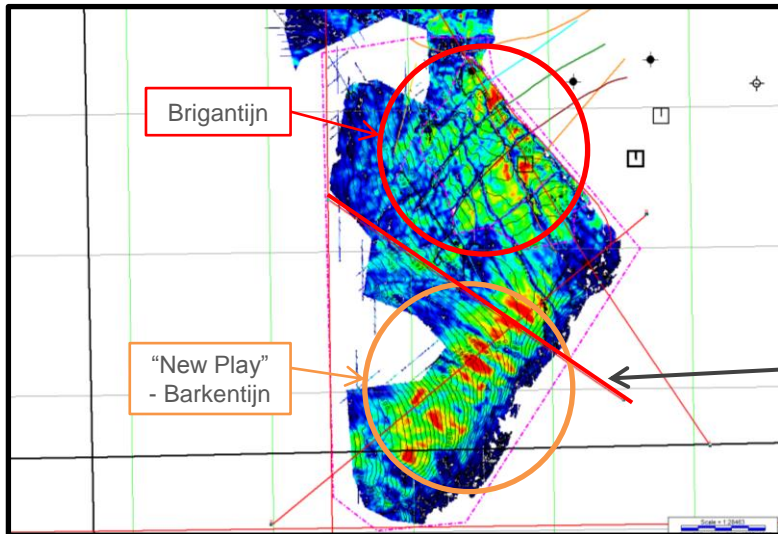
- Additional prospectivity identified in the F Quad area by recent 3D analysis
- Recently awarded 50% working interest in the Wintershall operated E3-F1 blocks





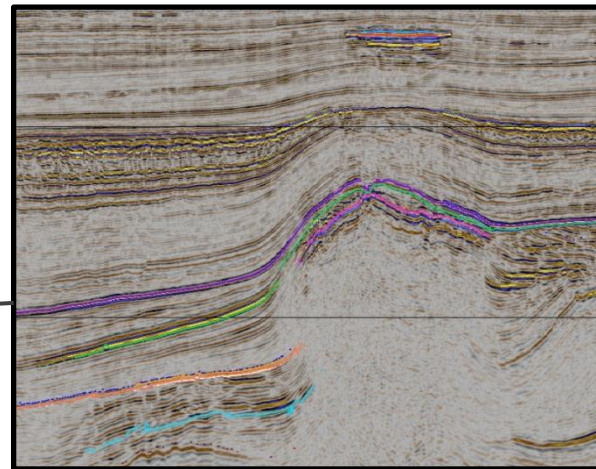
APPRAISAL / DEVELOPMENT

F17-4 Amplitude



## EXPLORATION

F17-4 "New Play" Regional Detail



- Continued 3D analysis presents additional prospectivity associated with amplitude and salt ridges – as per Barkentijn example given
- Exploration portfolio recently supplemented by addition of E3-F1 blocks awarded early 2012

## Conventional and unconventional gas play

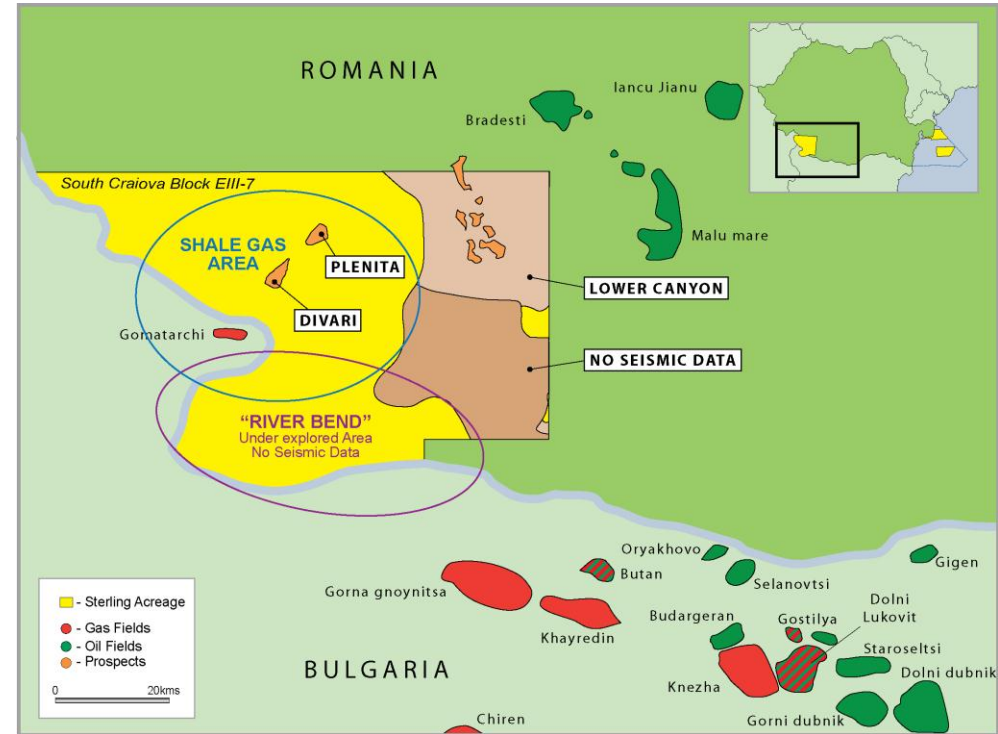
### Asset Overview

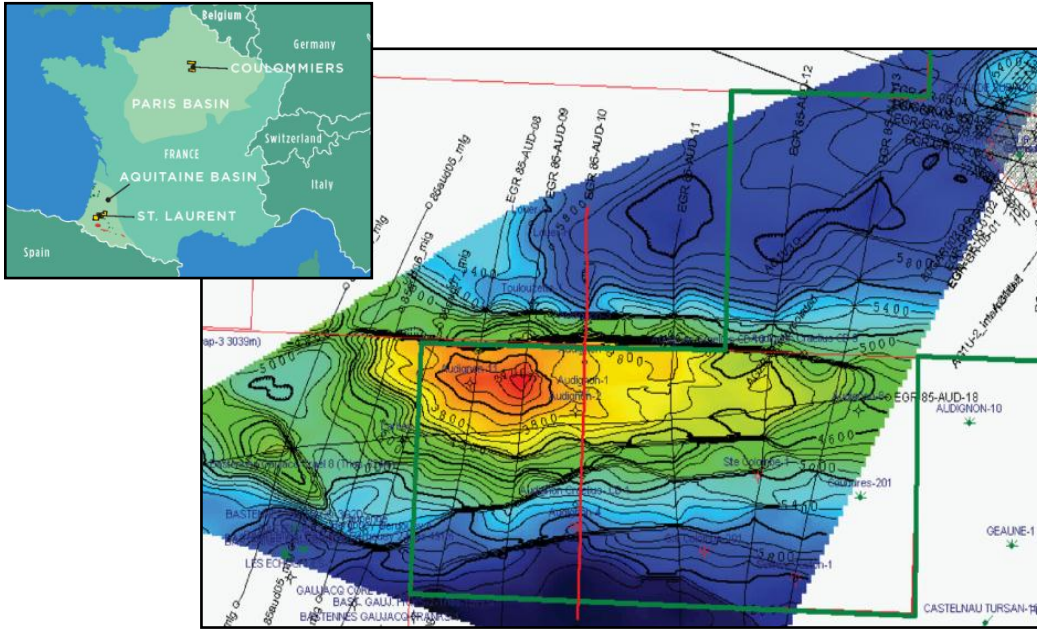
Prospects	SLG WI	P50 PR	Drill Date
<b>EIII-7 South Craiova</b>			
Conventional <sup>(1)</sup>	50%	23 MMboe	TBD
Unconventional <sup>(1)</sup>	50%	242 MMboe	2013

- Operated by Sterling (50% WI)
- 1.0 million acres total
- Work commitments fulfilled in 2010
  - Three Goshawk Canyon play wells drilled in 2009 had gas shows but were abandoned
- Conventional structures
  - Lower Canyon area
  - Identified prospects (Divari and Plenita)
- Unconventional potential
  - Shale gas potential in Silurian shales
  - 400,000 acres
  - Studies underway to characterise Silurian shale
    - Reprocessing existing 2D seismic to identify a drillable location and evaluate re-entering a legacy well

<sup>(1)</sup> RPS, Year-end Report 2010

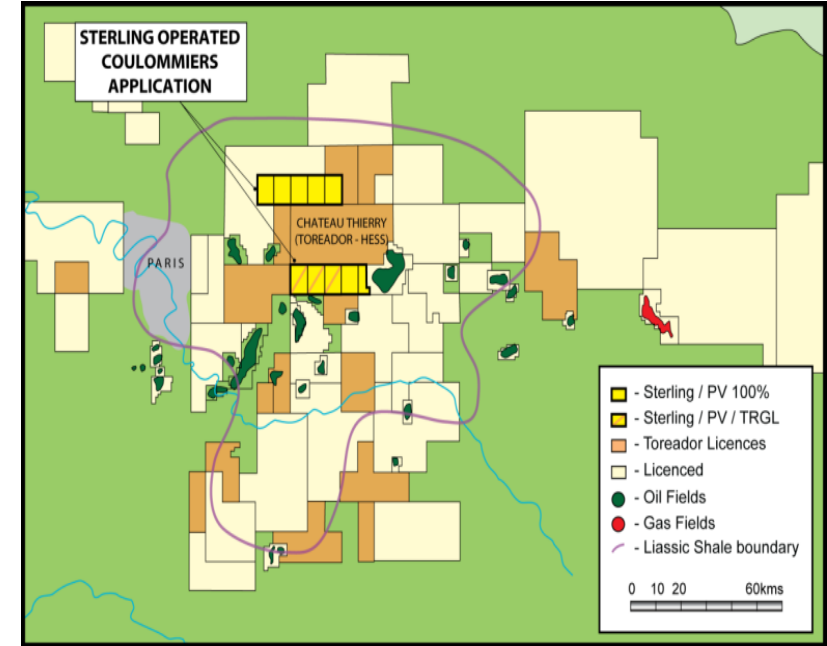
### Asset Location





### Aquitaine Basin:

- Sterling to be operator with 40% interest of St Laurent & Donzacq licenses.
- 3D seismic reprocessing and acquisition.
- Potential well in 2013 on Audignon gas prospect.
- 173 Bcf best estimate unrisked Prospective Resources<sup>(1)</sup>



### Paris Basin:

- 9.5 Blocks of gross 150,000 acres
- Jurassic & Triassic aged targets
- Potential drilling in 2013

<sup>(1)</sup> RPS, Year-end Report 2010

Up to 6 exploration and appraisal wells in 2012

Development	Operator	2012			
		1Q	2Q	3Q	4Q
Breagh Phase I	RWE Dea			● - 1st Gas	
Breagh Phase II	RWE Dea				
Appraisal		Operator			
Netherlands F17	Sterling	Well			
Cladhan North	Sterling			Well	
Netherlands F17-4	Sterling				Well
Exploration		Operator			
UKNS Cladhan South	Sterling		Well	3D Seismic	
Romania Ioana	Sterling			Well	
Romania Eugenia	Sterling			Well	
Romania Midia Block	Sterling			2D/3D Seismic	
UKNS Beverley	Sterling	3D Seismic			
UKNS Lochran	RWE Dea			3D Seismic	
Netherlands E3/F1	Wintershall			3D Seismic	



**Mike Azancot**  
President and CEO

A Petroleum Engineer (Master of Engineering) specialising in Upstream business optimisation. 30 years of broad experience in the E&P sector holding senior management positions in International businesses with Occidental, LASMO and Petrokazakhstan in the North Sea, China, Indonesia and Kazakhstan.



**David Blewden**  
CFO

A senior financial executive with over twenty five years of international experience in oil and gas financial management, corporate finance and energy investment banking. He has held senior financial positions at PetroSaudi International, African Arabian Petroleum, Yukos Oil Company and energy investment banking roles at Citigroup, UBS, Chase Manhattan and Schroders. Mr Blewden holds a BA (Honours) and MA in Natural Sciences from Cambridge University, England.



**John Rapach**  
COO

Over twenty-five years of operations experience in both offshore and onshore environments. He is an industry renowned specialist in the preparation of reserve assessments, well testing, field development and performance enhancement.