Recapitalization Overview and Corporate Update

15 March 2016

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- **Background to recapitalization**
- **Rights Offering and Bond Exchange**
- **Remaining Bonds and Super Senior Credit Facility**
- **Corporate update**

The need for a refinancing

- Sterling has been exploring a range of options to either refinance the business with third party debt (possibly combined with equity or equity-linked finance), sell all or part of Breagh, sell the UK subsidiary or merge the parent company, for the past 2 years

- Against the backdrop of falling gas prices and a very weak industry environment, exacerbated by the prolonged uncertainty regarding the ownership of Dea UK under RWE and LetterOne, the refinancing and M&A processes have not been successful

- SRUK had been due to repay its senior secured bonds and associated liabilities, currently estimated at ca. USD 208m(1), by 31 March 2016 (postponed from 29 February 2016), however, following the implementation of the recapitalization a significant portion of the outstanding bond debt is expected to be swapped for equity in SRL

- The sum required to repay the bonds is in excess of the current estimated net present value of its interest in the Breagh field (which provides materially all of the asset value of Sterling) at recent forward curve prices, plus existing cash(2)

- Although SRL had an equity market cap of ca. USD 11m on the day prior to the announcement of the Recapitalization, this likely reflects an expectation of some recapitalisation with bondholders, an M&A transaction and/or a material recovery in gas prices

- The company has therefore negotiated a consensual financial restructuring with its Bondholders involving a large scale debt-for-equity swap and the provision of a new standby credit facility, which should provide the company with sufficient funding for all foreseeable needs over the next 2-3 years

(1) *$180m principal, $13.5m redemption premium, $8.4m accrued interest since 30 October 2015, $6m additional amendment fees payable if no redemption by 29 February.*

(2) *NPV calculated at 10% discount rate using technical and economic assumptions set out in news release of 11 March 2016*

- Background to recapitalization
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Simplified key steps in the proposed recapitalization

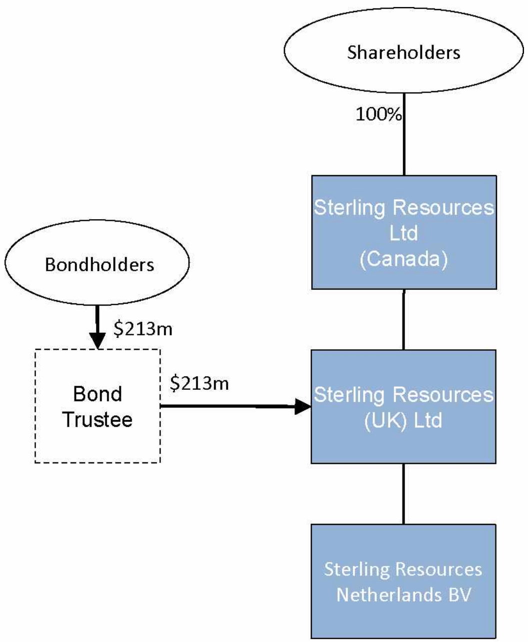
- A Rights Offering will be launched for an amount equal to the difference between (i) SRUK's bond liabilities at the time of completion (expected to be ca. USD213m) and (ii) remaining bond principal of USD40m (potentially slightly more than USD40m, subject to USD/CAD movements during the period the Rights Offering is open)
- The number of shares to be offered is ca. 14.3 billion, which is designed to be 97% of the total share capital that would be issued and outstanding post completion of the rights offering. This leads to a subscription price of ca. USD 1.2 cents or CAD 1.6 cents per share
- The proceeds of any subscriptions from existing shareholders would reduce the outstanding bond liability on a $ for $ basis (after any adjustment for USD/CAD movements during the period the Rights Offering is open)
- In the likely event that all the rights are not taken up, the Bond Trustee, for and on behalf of the bondholders, will subscribe for the remaining common shares of SRL offered under the Rights Offering at the same subscription price
- SRL will transfer the share capital of SRUK to a new UK company, also 100% owned by SRL (for flexibility in security arrangements and any future debt refinancing)
- SRUK will enter into the Amended and Restated Bond Agreement No. 4 (effectively restating bonds to a value of $40m and amending terms as summarised hereafter)
- SRUK will enter into the Super Senior Loan Facility Agreement (as summarised hereafter) with two of the Bondholders

Timetable

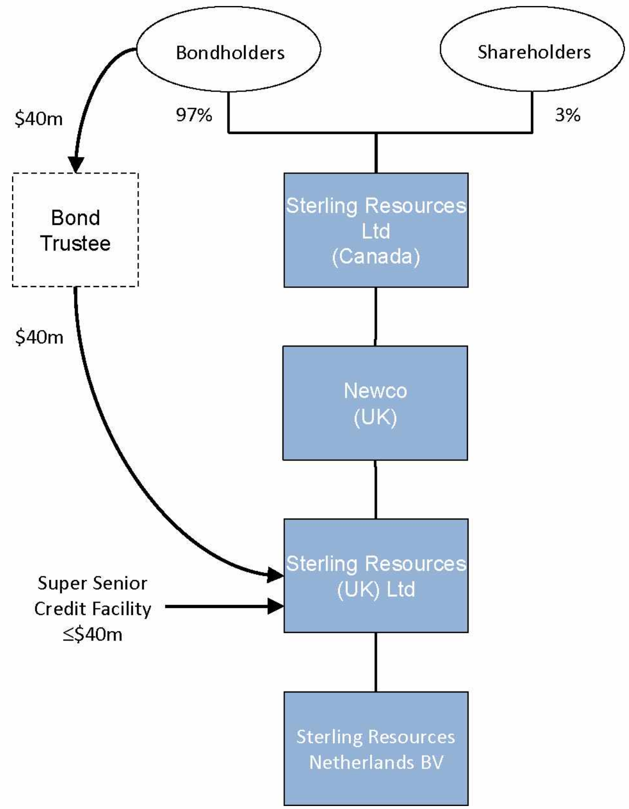
- The Bond Trustee has hitherto granted various waivers and amendments in relation to these obligations to avoid any event of default under the terms of the Bond Agreement
- Discussions have taken place between the Parent, the Issuer and a group of large Bondholders holding in aggregate a majority of Bonds (the "Bondholder Committee") in relation to a recapitalisation of the Group
- On 11 March 2016 a bondholder summons was issued with the pre-agreed support from Bondholders holding over 76 percent of Bonds to vote in favour of the recapitalization at a Bondholder Meeting to be held on 18 March
- The SSCF is fully committed and credit approved on the basis of agreed detailed term sheets, from two Bondholders
- The recapitalization is expected to complete in mid May 2016
- A share consolidation is planned shortly afterwards, to be approved separately at a general meeting of shareholders

Before and after (assuming zero take-up of rights by existing shareholders)

Simplified structure immediately prior to completion



Simplified structure after completion of recapitalization



Note: numbers are indicative and may vary as explained in preceding pages

- Background to recapitalization
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Remaining Bonds – simplified key terms

- US$40 million principal amount (unless increased as a result of an exchange rate movement), with no associated accrued and unpaid redemption premium, amendment fees and interest).

- No redemption premium or make-whole provision

- Maturity 30 April 2020

- 9% per annum interest coupon, semi-annual interest payment dates on 30 April and 30 October, paid in kind until repayment of the SSCF

- Repayment out of cash sweep (subject to various tests) after full repayment of SSCF and final bullet repayment

- Financial covenants comprise, on a simplified basis: (i) a minimum field life cover ratio of 1.5x dropping to 1.0x after the date the SSCF is discharged, (ii) cumulative production for the previous 12 months to be not less than 90% of budgeted amount, (iii) a minimum Group cash requirement of US$5 million at all times, (iv) a minimum Group cash requirement of US$5 million on a projected basis after the date the SSCF is discharged through to the bond maturity date, and (v) a backward-looking minimum debt service cover ratio of 1.0x

- Guarantees from each Group company (except Sterling Resources Netherlands BV) and a security package based on existing security documents extended to cover Newco

- Further details are set out in Schedule A to the Recapitalization Agreement

Super Senior Credit Facility – simplified key terms

- Two tranches each of USD 20m; Tranche A used first and Tranche B if required; revolving basis, multi-currency
- 2 or 3 year maturity (3 years subject to satisfying extension conditions); bullet repayment
- 7% arrangement fee on each Tranche, Tranche A paid cash on completion, Tranche B paid cash if and when the tranche is used or after two years, if not cancelled by that date
- Interest margin 13% Tranche A (paid in cash); 13% rising to 15% Tranche B (paid in kind); in both cases plus LIBOR subject to floor of 1%
- Commitment fee on unused facility: half of applicable margin; Tranche A paid in cash, Tranche B paid in kind and only if tranche is used
- Cancellation premium on Tranche A and (if used) Tranche B, equal to relevant commitment fee on cancelled amount from date of cancellation to maturity
- Utilisation conditions:(i) a minimum interest cover ratio (EBITDA to SSCF cash charges) of 1.0x, (ii) a minimum 4-year Rolling NPV cover ratio of 1.3x, (iii) a minimum Group cash requirement of US$5 million on a projected basis until the SSCF discharged date, (iv) a minimum field life cover ratio of 1.5x
- Senior ranking in relation to guarantees and security package as described under Remaining Bonds, as set out in the Intercreditor Agreement
- Further details are set out in Schedule A to the Recapitalization Agreement

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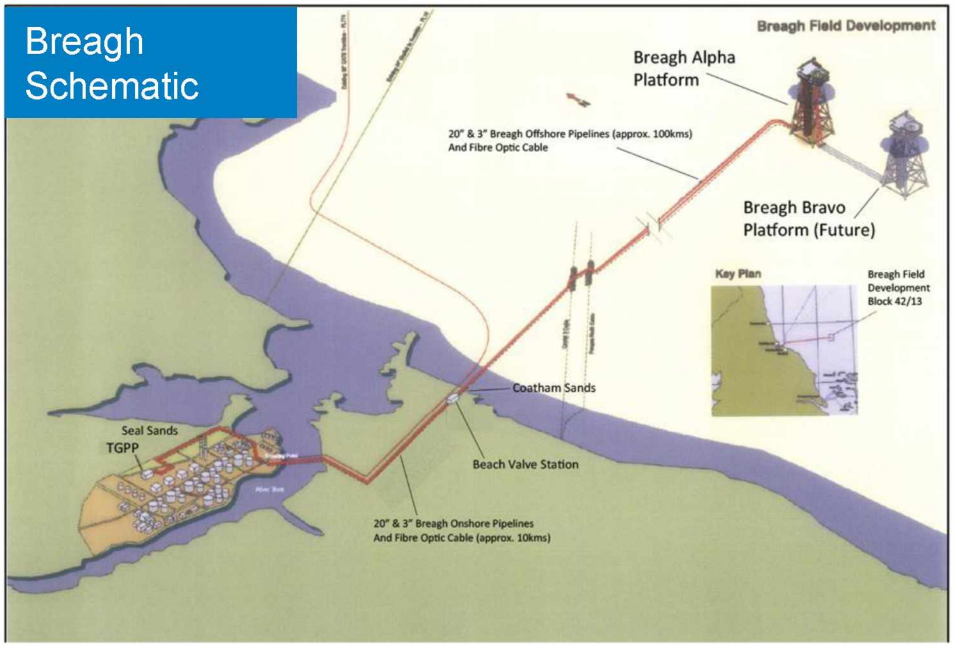
STERLING RESOURCES

- E&P independent listed on TSX-V (Toronto, ticker SLG)
  - Market cap of C$9m (11 March 2016, at C$0.02/share, 441.6m shares in issue)
  - Net debt of US$196m(1) (29 Feb 2016)
- 3 areas of operations: UK, the Netherlands and France
  - Romanian business sold – completed August 2015
  - Netherlands being held for monetization over medium term
  - Exiting France
- Main producing asset – UK Breagh gas field
  - Currently producing 4.5 Mboe/d net
  - 2016 to date facilities operational uptime > 98%
- Second producing field – UK Cladhan oil field
  - Production started Dec 2015
  - Currently producing 210 bopd net
- Large UK tax loss of $726m(2): no taxes expected to be payable during Breagh/Cladhan field lives(3)
- Material asset base: 22.6 MMboe of 2P reserves(4) and 36 MMboe 2C resources(4)

(1) *Total Bondholder liabilities of US$208 million (see page 3) minus cash & cash equivalents (incl. restricted cash) of US$12 million (non-IFRS)*
(2) *Management estimate at 31 Dec 2015 for Ring Fence CT loss (SCT loss is approx. $621m)*
(3) *Management estimate assuming no Breagh Phase 2, no further exploration costs, forecast G&A, forward curve gas prices as of 29 February 2016*
(4) *Sterling end 2014 NI51-101F1 reporting of Cladhan reserves & RPS Mid-2015 Breagh Report adjusted for production until year-end 2015; 2C resources adjusted for Romanian sale and abandonment of Grenade discovery in France by arithmetic subtraction of these volumes*
(5) *Breagh photographs on this page and cover page courtesy of Ineos*

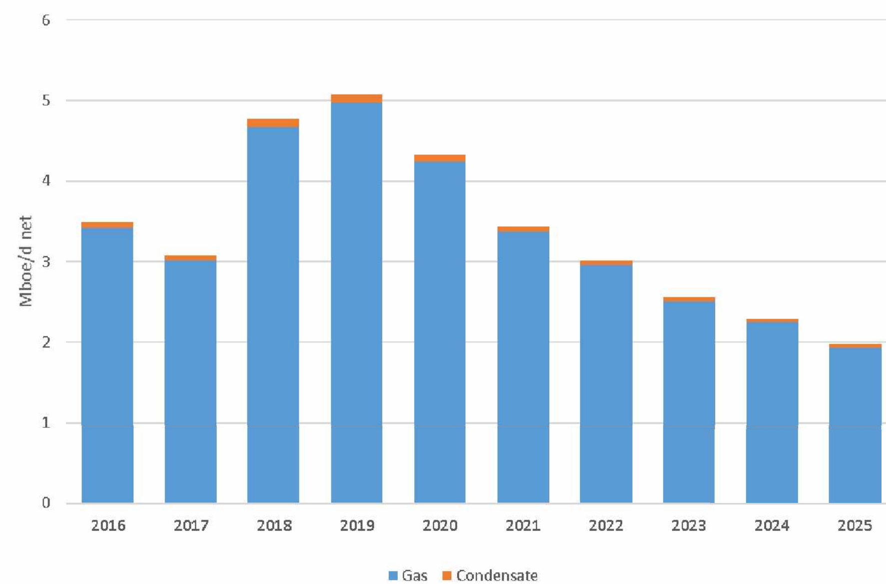
Breagh: field summary

Participants	Sterling (30%), Ineos (70%, Op.)
Field 2P Reserves(1)	452 Bcf sales gas, 1.7 MM bbls condensate
Net 2P Reserves(1)	136 Bcf, 0.5 MM bbls cond. (= 23 MMboe)
Net 2C Resources(2)	24.7 Bcf sales gas, 0.9 MM bbls condensate
Expected 2016 prod(1)	73.8 MMscf/d field, 22.2 MMscf/d net



Material North Sea gas producer

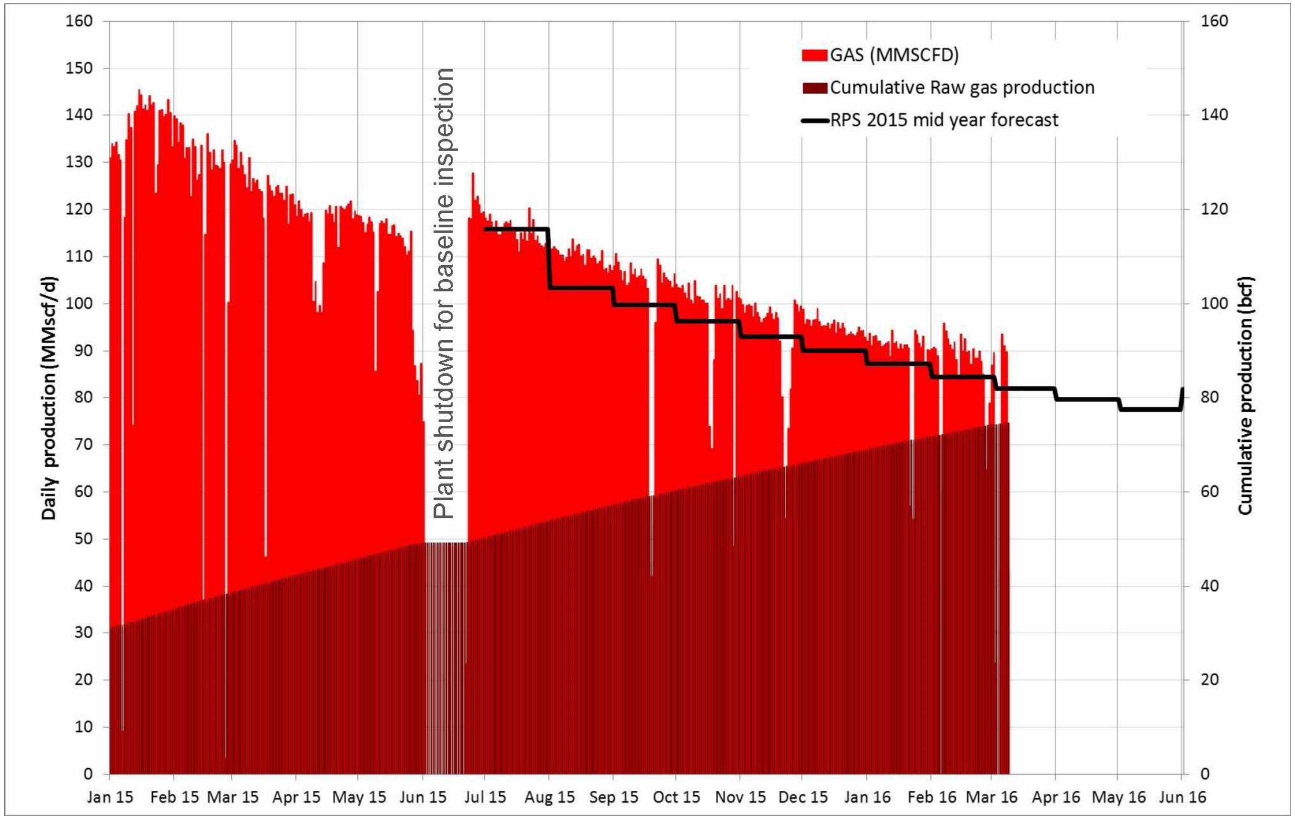
- Scale – 1.1 Tcf full field gas-in-place (P50)(1)
- Well diversity – 8 wells currently in production
- Dedicated infrastructure
- Low opex - $8.8/boe over 2016-2020
- 74.2 Bcf produced to end February 2016



Production profile estimated by Sterling for technical case described on page 16

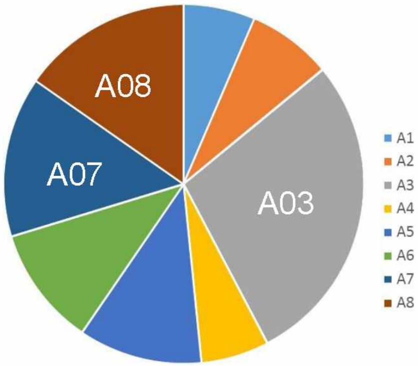
(1) RPS Mid-2015 Breagh Report
(2) Company's 2014 AIF

Breagh: production performance 2015-16



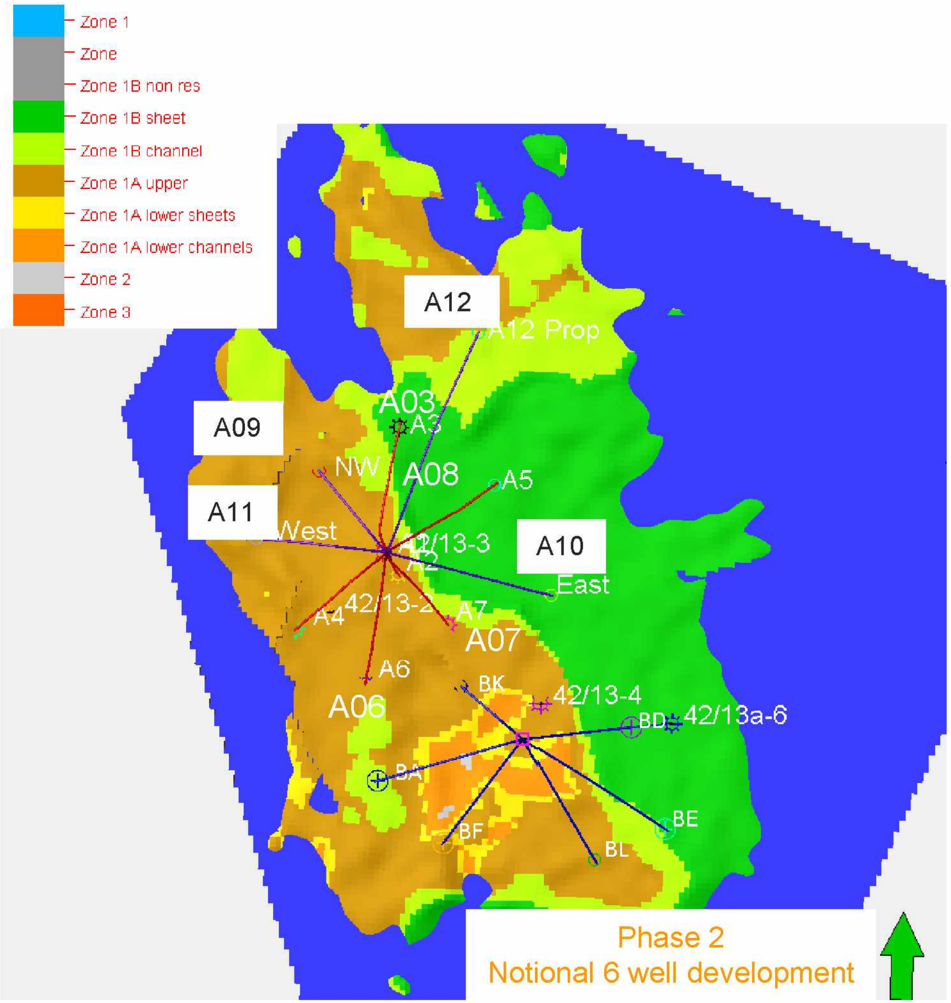
- Steady state operations
  - 2015 average production of 102 MMscf/d sales gas (full field)
  - 2015 uptime > 98% (excluding planned shutdown)
  - 2016 forecast: average 73MMscf/d sales gas (100%)
  - Reliable facilities
  - 2016 annual maintenance shutdown currently scheduled for June, expected duration 2 weeks
- Well productivity
  - Field exceeding RPS mid-year forecast with lower decline rate
  - A01, A02, A05, A06 producing at consistent rates
  - A04 scaling issue – likely rigless intervention 2016
  - A03 and fracked wells (A07 and A08) continue to perform strongly

Well total production (%)



Production rate chart shows field total (100%) wet gas volumes; sales gas = 98.5% of wet gas

Breagh: future plans



- Application of 3D seismic interpretation
  - New 3D acquired in 2014. Initial PSDM volumes received October 2015
  - Re-mapping in progress (completion expected mid 2016)
  - Key to finalizing locations (A09 and A10), additional well targets (A11 and A12) and unlocking Phase 2 decision
- Remaining Phase 1 development
  - Drilling program expected to recommence early Q2 2017
  - A09, A10 and frac of one existing well in current thinking
  - A11, A12 and frac of another existing well likely but highly dependent on results from evaluation of new seismic in Q2 2016
  - All new wells will be fracked following drilling
  - Onshore compression project deferred with beneficial operation now forecast as Q4 2018
- Potential Phase 2 development
  - Recommence development planning Q3 2016
  - Results of stimulated wells and 3D seismic interpretation key for optimizing Phase 2 scope

Breagh: current technical case and capex

- Sterling has updated its 2P production and capital expenditure (capex) profile since the RPS Mid-2015 Breagh Report, to reflect cash timing of expenditures, revised well and compression costs, and revised well and compression timings

- Key assumptions:
  - RPS Mid-2015 assumed 12 wells plus 2 hydraulic stimulations of existing wells; batch drilling programme starting in December 2015, onshore compression online October 2017
  - Sterling's current technical case now assumes 10 wells plus 1 hydraulic stimulation of an existing well; sequential drilling programme starting in April 2017, all new wells fracked following drilling, onshore compression online October 2018
  - Net pre-sanction costs for Phase 2 through to the first quarter of 2017 are expected by Sterling to amount to US$3.1 million.
  - The following table shows Sterling's expectation of Breagh capex on a cash basis, all net to Sterling's 30 percent interest. Cumulative remaining net capex from the start of 2016 through to the first quarter of 2019 is US$51.5 million. Production profile shown on page 13.

	Phase 1 net capex, $m	
Year	RPS(1)	Sterling
2016	45	5
2017	27	14
2018		30
2019		3
Total	**72**	**52**

(1) RPS Mid-2015 estimated capex spend in H2 2015 is $21 million

Breagh: decommissioning costs and provisioning

- Sterling's current estimate of decommissioning costs for the Breagh Phase 1 facilities (assuming wells A9 and A10 drilled) is $38 million (Sterling 30% share) in 2015 real terms, based on a third party report assuming 10 wells
- This represents a 18% percent decrease in the previous estimate prepared in late 2014 which is largely due to lower marine support costs
- Breagh decommissioning provision amount and timing is driven by terms of the Decommissioning Security Agreement (DSA):
  - A provision is required when NPV of future field cash flows (excluding the decommissioning cost) falls to below 1.5x NPV of decommissioning cost (this date is the Trigger Date), using a designated third party's pricing assumptions
  - The discount rate is 3-month GBP LIBOR (currently ca. 0.7%)
  - If the Trigger Date is determined to be in the following year, a pre-tax cash provision is required to be made in February of the following year equal to (X*Y) - Z – F, where:

    X = NPV of net decommissioning cost;

    Y = a risk factor of 1.4 (initial run-down period ratio) or 1.1 (later run-down period ratio);

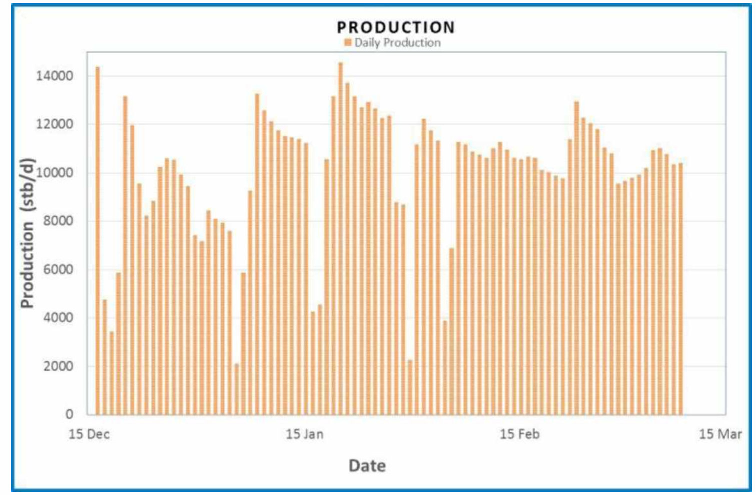
    Z = NPV of future net field cash flows (excluding decommissioning cost); and

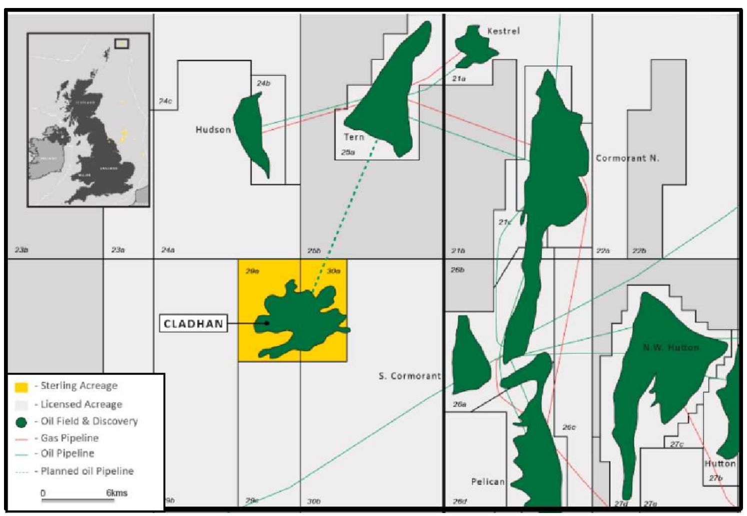
    F = any existing provision
  - The cash provision is to be placed into trust with an agreed professional trust corporation (certain alternatives apply including a suitable Letter of Credit)
- Sterling estimates that the Trigger Date is expected to occur in approximately 2022

Cladhan: Field summary

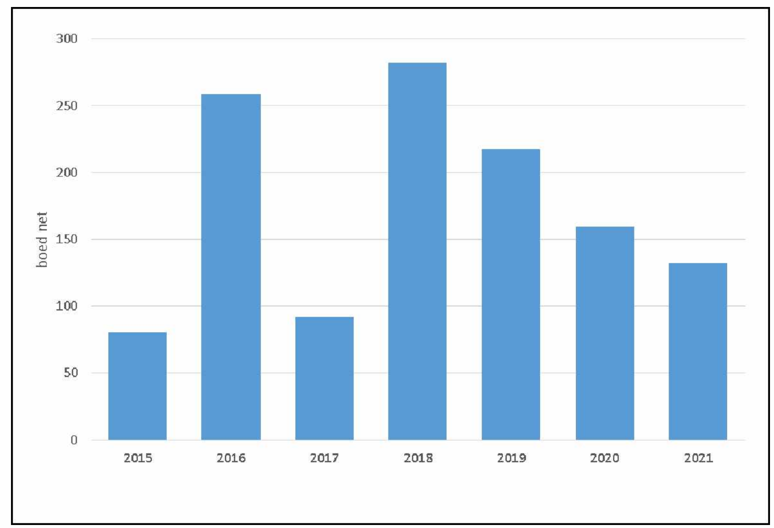
Participants	Sterling 2%, TAQA (64.5%, op.), MOL (33.5%)
2P Reserves[(1)]	14.9 MMbbls field, 0.447 MMbbls net (post carry)
First Production	December 2015

- Subsea development via Tern platform (operated by TAQA, 17km to NE) with first oil December 2015
- Development with two producers (P1, P2z) and one water injector (W1) – all wells drilled and completed
- Cladhan development carry pay-out timing is oil price-sensitive. Current expectation is that Company working interest will remain at 2%
- Average Opex $22.6/bbl over 2016-2020





(1) *RPS End-2014 Cladhan Report*

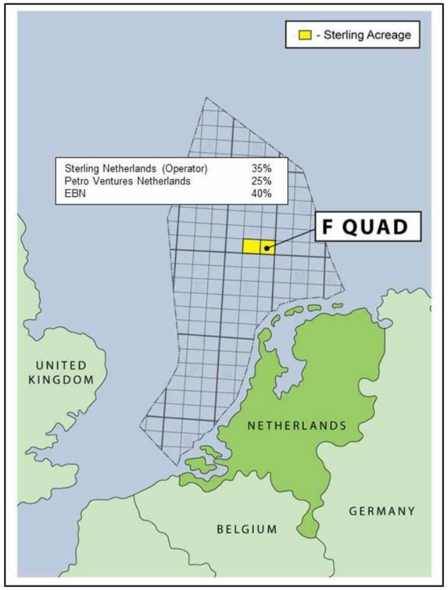


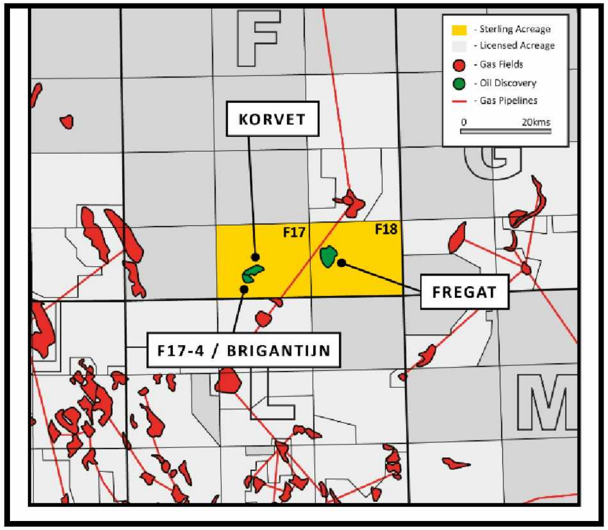
2P production profile from RPS End-2014 Cladhan Report run at RPS' price assumptions at that time; reflects reversion of 11.8% interest in 2018

Netherlands: probable oil development

STERLING RESOURCES

- Sterling is operator of Jurassic and Early Cretaceous horizons in licences F17a, F18 (Sterling 35%)
- Net 2C Resources in F17a/18 of 12 MMbbls[1], in three oil discoveries
- Appraisal activity by Wintershall pushing forward possible oil development hub
  - Drilled successful appraisal wells F17-11 and F17-12 in H2 2014, and F17-13/13z in Q2 2015 in Late Cretaceous chalk
  - Announced application for production licence of Rembrandt field - ~30 million barrels of oil equivalent [2]
  - "Wintershall is pushing ahead with conceptual engineering on its large Rembrandt oil development. ... investment decision on Rembrandt in 2017, with tentative plans for first oil in 2020" [3]. Current depressed oil price forecasts, however, is expected to delay Investment decisions.
- Sterling acquired 3D seismic in Q2 2014 to improve reservoir understanding and support evaluation of development options, cost shared with Wintershall. Seismic evaluation ongoing.





(1) Sterling 2014 AIF
(2) Wintershall news release 15 April 2015
(3) 22 May 2015 Infield NPV Analyst Report

Important notes

Production, Reserves and Resources

- Current production rates disclosed herein may not be indicative of long term performance or ultimate recovery. Such rates are not determinative of the future production rates of the relevant fields and do not reflect how the production from such fields will decline thereafter.
- Estimates of Reserves and Future Net Revenue have been made assuming the development of each property in respect of which the estimate is made will occur, without regard to the likely availability to the Company of funding required for that development.
- Possible Reserves are those additional reserves that are less certain to be recovered than Probable Reserves.
- Company Reserves totals are arithmetic aggregations of multiple estimates, which statistical principles indicate may be misleading as to volumes that may actually be recovered.
- Readers should give particular attention to the estimates of individual classes of Reserves and appreciate the differing probabilities of recovery associated with each class under a specific set of economic conditions:
  - A 90 percent probability that the quantities actually recovered will equal or exceed the estimated Proved Reserves (1P);
  - A 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated Proved plus Probable Reserves (2P); and
  - A 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated Proved plus Probable plus Possible Reserves (3P).
- The estimates of Reserves and Future Net Revenue for individual properties may not reflect the same confidence level as estimates of Reserves and Future Net Revenue for all properties, due to the effects of aggregation.
- Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. There is no certainty that it will be commercially viable to produce any portion of the resources.
- The P(50) or 2C Contingent Resources quantity is considered to be the best estimate of the quantity that will actually be recovered. If probabilistic methods are used there should be at least a 50 percent probability P(50) that the quantities actually recovered will equal or exceed the estimate.
- Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.
- In relation to the relative uncertainty of recoverability of resources, a Best Estimate resources quantity is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. There should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the best estimate.
- MMboe numbers may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf : 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the volume ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Important Notes (continued)

Production, Reserves and Resources (continued)

- Certain information in this presentation may constitute "analogous information" as defined in National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities (“NI 51-101”), including, but not limited to, discoveries in the same block in which the Company has an interest in the Netherlands. Such information has been obtained from government sources, regulatory agencies or other industry participants. The Company’s management believes the information is relevant as it helps to define the reservoir characteristics and the reserves and production potential in which the Company holds an interest. Such information has not been prepared in accordance with NI 51-101. The Company is also unable to confirm that the analogous information was prepared by a qualified reserves evaluator or auditor. Such information is not an estimate of the resources attributable to the acreage held or to be held by the Company and there is no certainty that the reservoir data, resource estimates, production and decline rates and economics information for the acreage held by the Company will be similar to the information presented herein. The reader is cautioned that the data relied upon by the Company may be in error and/or may prove not be analogous to the acreage be held by the Company.

Information Sources

Information on reserves and resources in this presentation are drawn from (i) the Company’s most recent Statement of Reserves Data and Other Oil and Gas Information on Form 51-101 F1 for the year ended December 31, 2014 (“End-2014 NI 51-101 F1”), (ii) the Company’s AIF; (iii) the RPS Energy report “Executive Summary Report Reserves Evaluation for the Breagh Gas Field Quad 42 UK North Sea as at June 30, 2014”; and (iv) the RPS Energy report “Executive Summary Reserves and Resources Evaluation for the Cladhan Oil Field Quad 210 License Blocks UK North Sea as at December 31, 2014”; available on SEDAR at www.sedar.com. Items (ii) and (iv) are referred to as “RPS Mid2014 Breagh Report” and “RPS End-2014 Cladhan Report” respectively in this presentation. Numbers may not correspond precisely with those set forth in the Company's annual disclosure in Form 51-101F1 due to the effects of rounding.

Economic Assumptions

(1) Forward UK NBP NTS gas price as of 29 February , 2016: 31.6p/th for 2016,36.7p/th for 2017, 39.2p/th for 2018, 40.9p/th for 2019, escalated 2% thereafter.

(2) ICE Brent crude futures as of 29 February, 2016 oil price: 37.2$/bbl for 2016, 43.2$/bbl for 2017, 46.1$/bbl for 2018, 48.1$/bbl for 2019, escalated 2% thereafter. Cladhan crude is assumed to realise a premium to Brent of $0.9/bbl in 2016, $0.9/bbl in 2017, $0.9/bbl in 2018, $1.0/bbl in 2019, $1.0/bbl in 2020 and $1.1 /bbl in 2021.

(3) Flat exchange rate GBP 1 = USD 1.45 throughout field life.

Abbreviations

All dollars in this presentation are US dollars unless otherwise stated. $m = million dollars.

2P = proved + probable. boe = barrel of oil equivalent. Capex = capital expenditures. DECC = UK Department of Energy and Climate Change. E&A = exploration & appraisal costs. G&A = general & administrative costs. Mcf = thousand cubic feet. MMscf/d = million cubic feet of gas per day. MMb =millions of barrels. NBP = National Balancing Point (for UK gas prices). Opex = operating expenditures. RFCT = Ring Fence Corporation Tax. SCT = Supplementary Charge Corporation Tax. SRL = Sterling Resources Ltd. SRUK = Sterling Resources (UK) Ltd.