



**Reserves and Resources Evaluation of the
Breagh Gas Field
Quad 42 UK North Sea**

as at December 31, 2015

**Executive Summary Report
Prepared for:**

Sterling Resources Ltd.

Prepared by:

RPS Energy

April 12, 2016



Suite 700, 555 –4th Avenue S.W., Calgary, Alberta Canada T2P 3E7
T +1 403 265 7226 F +1 403 269 3175 W rpsgroup.com/canada

Project Ref: CC01228

Sterling Resources Ltd.
1450, 736 6th Avenue S.W.
Calgary, AB, Canada
T2P 3T7

April 12, 2016

Gentlemen,

RE: RESERVES EVALUATION OF THE BREAGH FIELD

In response to your request, RPS Energy (RPS) has completed a year end update of our independent reserves evaluation of the Breagh Gas Field in the UK North Sea ('the Property') in which Sterling Resources (UK) plc., a wholly owned subsidiary of Sterling Resources Ltd. ("Sterling") has an interest. We have estimated 1P, 2P and 3P as at December 31, 2015, based on data supplied by Sterling. At your request RPS has also included a "partial" 2P development case, reflecting the reserves associated with a 10 well development at the P50 probability level. This report does not update the RPS assessment of Contingent Resources in the Breagh licence; those estimates remain unchanged from the RPS year-end 2014 evaluation.

This report is an executive summary report, an abbreviated version of the full report, dated April 7, 2016, which contains full descriptions of the Breagh asset as well as the assumptions and data relevant to each reserve case presented. This evaluation reflects changes to the reserves resulting from analysis of recent field performance data and revised development plans. Technical and operational details of the Breagh asset including the field geological, geophysical and engineering data remain unchanged from the RPS year end 2014 report, and have been incorporated in this report for completeness. The reserves estimates in this executive summary report are consistent with those shown in the full report, and are determined in accordance with Canadian National Instrument 51-101 and the reserve definitions of the Canadian Oil and Gas Evaluation Handbook.

The work was undertaken based on data supplied by Sterling. RPS' approach has been to review the data and interpretations supplied by Sterling for reasonableness and then to independently estimate ranges of hydrocarbon initially in place and recoverable.

The data set provided included geological, geophysical and engineering data, together with reports and presentations by both Sterling and the field operator Ineos Group AG ("Ineos") pertaining to the contractual and fiscal terms applicable to the assets. In carrying out this review RPS has relied solely upon this information. RPS estimates of reserve volumes are based on the data set available to, and provided by Sterling.

We have accepted, without independent verification, the accuracy and completeness of the data supplied. We have also taken the working interest that Sterling has in the Property, as presented by Sterling, and we have not investigated nor do we make any warranty as to Sterling's interest in the Property.

The property in question is a partially developed offshore discovery, and no site inspection of the property has been conducted, as in RPS' view, a site inspection is not necessary in view of the extent and accuracy of the information available on the property.

Resources

Gas-In-Place Volumes attributable to the Sterling Interest in Breagh, as of December 31, 2015 have not changed since our year end 2014 analysis, and are given in Table (i). Recoverable volumes and sales volumes attributable to the Sterling Interest in Breagh, as of December 31, 2015 have been updated since our year end 2014 analysis and are given in Table (ii) and Table (iii).

Zones	Full Field GIIP Volumes (Bscf)			Sterling 30% W.I. GIIP Volumes (Bscf)		
	(P ₉₀)	(P ₅₀)	(P ₁₀)	(P ₉₀)	(P ₅₀)	(P ₁₀)
Zone1B Sheet	151	196	246	45.3	58.8	73.8
Zone 1B Channel	211	303	417	63.3	90.9	125
Zone 1A Upper	102	210	342	30.6	63.0	103
Zone 1A Lower Sheets	189	249	321	56.7	74.7	96.3
Zone 1A Lower Channels	25.0	48.1	77.4	7.5	14.4	23.2
Zone 3	39.2	60.4	88.6	11.8	18.1	26.6
Total⁽¹⁾	958	1,086	1,227	287	326	368
1. Totals derived stochastically, and do not sum arithmetically						

Table (i): Breagh Field Gas Initially-In-Place

Reserve Category:	Full Field Phase 1 Development					Sterling 30% Working Interest				
	PDP: Proved Developed Producing	1P: Proved	2P (Partial) 10 Well P50	2P: Proved + Probable	3P: Proved + Probable + Possible	PDP: Proved Developed Producing	1P: Proved	2P (Partial) 10 Well P50	2P: Proved + Probable	3P: Proved + Probable + Possible
Raw Gas Technical Ultimate Recoverable (Bscf)	270.2	413.8	454.5	519.2	657.9	81.1	124.1	136.4	155.8	197.4
Raw Gas Economically Recoverable (Bscf)	252.6	389.0	430.7	489.0	615.6	75.8	116.7	129.2	146.7	184.7
Sales Gas Ultimate Recoverable (Bscf)	248.9	383.2	424.4	481.7	606.4	74.7	115.0	127.3	144.5	181.9
Cumulative Sales Gas Production (Bscf)	69.0	69.0	69.0	69.0	69.0	20.7	20.7	20.7	20.7	20.7
Sales Gas Reserves (Bscf)	179.9	314.2	355.3	412.7	537.4	54.0	94.3	106.6	123.8	161.2
Condensate Reserves (Mbbbl)	667.0	1,180.3	1,335.0	1,551.3	2,021.6	200.1	354.1	400.5	465.4	606.5
Total Reserves (MMBoe)	30.6	53.5	60.6	70.3	91.6	9.2	16.1	18.2	21.1	27.5

(1) Ultimate recovery values include historical cumulative production to December 31, 2015

Table (ii): Breagh Field Reserves Recoverable Volumes

Economic Evaluation

Reserves volumes, after the application of economic limits are shown in the following table:

	Scenario	Reserve Category	Company Share Gross Reserves					Company Share Net Reserves				
			Oil Mstb	Sales Gas MMscf	NGL Mbbl	C5+ Mbbl	BOE Mbbl	Oil Mstb	Sales Gas MMscf	NGL Mbbl	C5+ Mbbl	BOE Mbbl
Breagh Sterling Share	30%	PDP	-	53,959	-	200	9,193	-	53,959	-	200	9,193
		PDNP	-	-	-	-	-	-	-	-	-	-
		PUD	-	40,298	-	154	6,870	-	40,298	-	154	6,870
		1P	-	94,256	-	354	16,064	-	94,256	-	354	16,064
		2P (Partial)	-	106,596	-	401	18,167	-	106,596	-	401	18,167
		2P	-	123,808	-	465	21,100	-	123,808	-	465	21,100
		3P	-	161,222	-	606	27,477	-	161,222	-	606	27,477

Table (iii): Breagh Field: Sterling Resources Reserves Volumes at December 31, 2015

The net present value, both before tax and after tax, of the net reserve volumes has been estimated using RPS Energy's July 2015 forecast of oil and gas prices and cost escalation assumptions. The results are summarized in the following table:

Breagh Field: Sterling 30.0% Working Interest Reserves Volumes and Values													
	Scenario	Reserve Category	Company Share Net Reserves (Mboe)	Net Present Value Before Tax					Net Present Value After Tax				
				Company Share (Million US\$)					Company Share (Million US\$)				
				0%	5%	10%	15%	20%	0%	5%	10%	15%	20%
Breagh Sterling Share	30%	PDP	9,193	133.6	130.8	118.0	104.5	92.7	133.6	130.8	118.0	104.5	92.7
		PUD	6,870	166.9	116.4	80.7	56.7	40.2	166.9	113.4	78.3	55.0	39.2
		1P	16,064	300.5	247.2	198.7	161.1	133.0	300.5	244.3	196.2	159.5	132.0
		2P (Partial)	18,167	369.3	296.8	235.9	190.3	156.7	352.7	281.7	225.5	183.7	152.5
		2P	21,100	462.5	362.3	283.8	226.1	183.9	415.5	326.3	259.1	209.7	172.9
		3P	27,477	673.7	496.7	373.8	289.6	230.7	540.4	408.3	316.1	251.5	205.0

Table (iv): Breagh Field: Sterling Resources Net Present Value at December 31, 2015

Qualifications

RPS Energy is an independent consultancy specialising in petroleum reservoir evaluation and economic analysis. Except for the provision of professional services on a fee basis, RPS Energy does not have a commercial arrangement with any other person or company involved in the interests that are the subject of this report.

Basis of Opinion

The evaluation presented in this executive summary report reflects our informed judgement based on accepted standards of professional investigation, but is subject to generally

recognized uncertainties associated with the interpretation of geological, geophysical and engineering data. The evaluation has been conducted within our understanding of petroleum legislation, taxation and other regulations that currently apply to these interests. However, RPS Energy is not in a position to attest to the property title, financial interest relationships or encumbrances related to the property. It should be understood that any evaluation, particularly one involving exploration and future petroleum developments may be subject to significant variations over short periods of time as new information becomes available.

Yours faithfully,
RPS Energy Canada Ltd.

Original signed by Brian D. Weatherill

Brian D. Weatherill, P. Eng.

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1.0 RESERVES CLASSIFICATION AND PRODUCTION FORECASTS

1.1 Reserves and Resources Classification and Volumes

The resources in Zone 1&3 of the Breagh field are classed as Reserves and Contingent Resources based upon:

- a) Commercial Risk: No commercial risk: Phase 1 of the field development is on production.
- b) Commercial Status:
 - a. The field development project Phase 1 has been sanctioned, constructed and commissioned, and the field production has commenced, as of October 2013. Gas sales are occurring as per gas sales contracts in place. All recoverable volumes associated with this development have been classified as Reserves
 - b. The second phase of field development is currently being actively evaluated to optimize the economic development options. All recoverable volumes associated with this second phase of development have been classified as Contingent Resources, and as such are not included in this report. The contingency is the finalization of an economically viable development plan based on revised technical recovery assessments, capital costs of development and the granting / approval of Brown Field Allowance tax incentives.

1.2 Reserves Cases Production Forecasts

The reserves cases production forecasts have been generated analytically to achieve the estimated recoverable volumes for each reserve case for use in economic valuation, and are summarized in Table 1.1 (100% field) and Table 1.2 (Sterling 30% WI) and shown on Figure 1.1. These forecasts are whole “technical recovery” forecasts: the portion highlighted in grey is the portion of the forecast beyond the predicted field economic limit for each reserve case.

Breagh Field Production Forecasts (100% Field)															
Cumulative Prod.	PDP Reserves			1P Reserves			2P (Partial) Reserves			2P Reserves			3P Reserves		
	Raw Gas (MMscf)	Sales Gas (MMscf)	C _s ⁺ (Mbbbl)	Raw Gas (MMscf)	Sales Gas (MMscf)	C _s ⁺ (Mbbbl)	Raw Gas (MMscf)	Sales Gas (MMscf)	C _s ⁺ (Mbbbl)	Raw Gas (MMscf)	Sales Gas (MMscf)	C _s ⁺ (Mbbbl)	Raw Gas (MMscf)	Sales Gas (MMscf)	C _s ⁺ (Mbbbl)
2016	28,259	27,840	103	28,636	28,210	105	29,618	29,178	108	29,618	29,178	108	29,489	29,051	108
2017	20,668	20,361	76	23,605	23,254	86	26,344	25,952	96	26,344	25,952	96	26,322	25,931	96
2018	16,297	16,055	60	33,239	32,601	121	37,002	36,291	135	42,317	41,483	155	44,873	43,983	164
2019	14,116	13,906	52	33,792	32,732	123	38,444	37,239	140	55,715	53,969	204	63,751	61,753	233
2020	12,481	12,296	46	26,626	25,791	97	30,390	29,438	111	40,761	39,483	149	49,316	47,770	180
2021	11,137	10,972	41	22,152	21,458	81	24,776	24,000	91	31,801	30,804	116	40,480	39,211	148
2022	10,015	9,867	37	18,931	18,338	69	21,008	20,350	77	26,221	25,399	96	33,931	32,867	124
2023	8,994	8,861	33	16,496	15,979	60	18,270	17,697	67	22,082	21,390	81	29,351	28,431	107
2024	7,846	7,729	29	14,344	13,894	52	15,854	15,357	58	18,839	18,248	69	25,486	24,687	93
2025	7,186	7,079	26	12,679	12,282	46	14,048	13,608	51	16,357	15,844	60	22,716	22,004	83
2026	6,252	6,159	23	11,227	10,875	41	12,492	12,101	46	14,292	13,844	52	20,130	19,499	74
2027	5,661	5,577	21	10,008	9,694	37	11,116	10,767	41	12,851	12,448	47	18,199	17,628	66
2028	5,251	5,173	19	9,189	8,901	34	10,202	9,882	37	11,656	11,290	43	16,673	16,151	61
2029	4,886	4,814	18	8,487	8,221	31	9,419	9,124	34	10,648	10,315	39	15,369	14,888	56
2030	4,561	4,493	17	7,878	7,631	29	8,742	8,468	32	9,790	9,483	36	14,243	13,796	52
2031	4,270	4,206	16	7,346	7,116	27	8,151	7,895	30	9,049	8,766	33	13,261	12,845	48
2032	4,008	3,948	15	6,877	6,661	25	7,630	7,391	28	8,405	8,142	31	12,397	12,009	45
2033	3,770	3,714	14	6,460	6,257	24	7,168	6,944	26	7,840	7,594	29	11,633	11,268	43
2034	3,555	3,503	13	6,088	5,897	22	6,756	6,545	25	7,341	7,111	27	10,952	10,608	40
2035	3,359	3,310	12	5,753	5,573	21	6,386	6,186	23	6,897	6,681	25	10,341	10,017	38
2036	3,180	3,133	12	4,790	4,640	18	6,053	5,863	22	5,981	5,794	22	9,791	9,484	36
2037	3,016	2,972	11	4,326	4,190	16	5,750	5,570	21	5,281	5,115	19	9,293	9,002	34
2038	2,180	2,148	8	4,121	3,992	15	5,277	5,111	19	4,504	4,363	16	8,841	8,563	32
2039	1,871	1,843	7	3,933	3,810	14	4,506	4,365	16	4,275	4,141	16	8,427	8,163	31
2040	1,785	1,758	7	3,343	3,238	12	4,018	3,892	15	4,067	3,939	15	8,049	7,797	29
2041	1,705	1,679	6	3,122	3,024	11	3,477	3,368	13	3,876	3,755	14	7,701	7,460	28
2042	1,630	1,606	6	2,998	2,904	11	3,337	3,232	12	3,701	3,585	14	7,380	7,149	27
2043	1,200	1,182	4	2,882	2,792	11	3,206	3,106	12	3,363	3,257	12	7,084	6,862	26
2044	970	955	4	2,774	2,687	10	3,086	2,989	11	3,223	3,122	12	6,809	6,595	25
2045	1,041	1,026	4	2,674	2,590	10	2,973	2,880	11	3,094	2,997	11	6,553	6,348	24
2046	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2047	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2048	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total EUR	270,182	266,170	983	413,806	403,239	1,508	454,531	442,793	1,657	519,220	505,497	1,893	657,871	639,824	2,400
Total Forecast	201,152	198,164	735	344,776	335,233	1,260	385,501	374,788	1,408	450,189	437,492	1,645	588,840	571,818	2,151
Total Reserves		179,862	667		314,188	1,180		355,321	1,335		412,694	1,551		537,405	2,022

Table 1.1: Production Forecasts (100% Field)

Breagh Field Production Forecasts (Sterling 30% Working Interest)															
Cumulative Prod.	PDP Reserves			1P Reserves			2P (Partial)Reserves			2P Reserves			3P Reserves		
	Raw Gas	Sales Gas	C ₅ ⁺	Raw Gas	Sales Gas	C ₅ ⁺	Raw Gas	Sales Gas	C ₅ ⁺	Raw Gas	Sales Gas	C ₅ ⁺	Raw Gas	Sales Gas	C ₅ ⁺
	(MMscf)	(MMscf)	(Mbbbl)	(MMscf)	(MMscf)	(Mbbbl)	(MMscf)	(MMscf)	(Mbbbl)	(MMscf)	(MMscf)	(Mbbbl)	(MMscf)	(MMscf)	(Mbbbl)
	20,709	20,402	75	20,709	20,402	75	20,709	20,402	75	20,709	20,402	75	20,709	20,402	75
2016	8,478	8,352	31	8,591	8,463	31	8,885	8,753	32	8,885	8,753	32	8,847	8,715	32
2017	6,200	6,108	23	7,081	6,976	26	7,903	7,786	29	7,903	7,786	29	7,896	7,779	29
2018	4,889	4,817	18	9,972	9,780	36	11,101	10,887	41	12,695	12,445	46	13,462	13,195	49
2019	4,235	4,172	15	10,138	9,820	37	11,533	11,172	42	16,715	16,191	61	19,125	18,526	70
2020	3,744	3,689	14	7,988	7,737	29	9,117	8,831	33	12,228	11,845	45	14,795	14,331	54
2021	3,341	3,291	12	6,646	6,437	24	7,433	7,200	27	9,540	9,241	35	12,144	11,763	44
2022	3,005	2,960	11	5,679	5,501	21	6,303	6,105	23	7,866	7,620	29	10,179	9,860	37
2023	2,698	2,658	10	4,949	4,794	18	5,481	5,309	20	6,625	6,417	24	8,805	8,529	32
2024	2,354	2,319	9	4,303	4,168	16	4,756	4,607	17	5,652	5,474	21	7,646	7,406	28
2025	2,156	2,124	8	3,804	3,685	14	4,215	4,082	15	4,907	4,753	18	6,815	6,601	25
2026	1,876	1,848	7	3,368	3,263	12	3,748	3,630	14	4,288	4,153	16	6,039	5,850	22
2027	1,698	1,673	6	3,002	2,908	11	3,335	3,230	12	3,855	3,735	14	5,460	5,288	20
2028	1,575	1,552	6	2,757	2,670	10	3,061	2,965	11	3,497	3,387	13	5,002	4,845	18
2029	1,466	1,444	5	2,546	2,466	9	2,826	2,737	10	3,195	3,094	12	4,611	4,466	17
2030	1,368	1,348	5	2,363	2,289	9	2,623	2,540	10	2,937	2,845	11	4,273	4,139	16
2031	1,281	1,262	5	2,204	2,135	8	2,445	2,369	9	2,715	2,630	10	3,978	3,853	15
2032	1,202	1,184	4	2,063	1,998	8	2,289	2,217	8	2,522	2,443	9	3,719	3,603	14
2033	1,131	1,114	4	1,938	1,877	7	2,151	2,083	8	2,352	2,278	8	3,490	3,380	13
2034	1,067	1,051	4	1,826	1,769	7	2,027	1,963	7	2,202	2,133	8	3,285	3,182	12
2035	1,008	993	4	1,726	1,672	6	1,916	1,856	7	2,069	2,004	8	3,102	3,005	11
2036	954	940	3	1,437	1,392	5	1,816	1,759	7	1,794	1,738	7	2,937	2,845	11
2037	905	892	3	1,298	1,257	5	1,725	1,671	6	1,584	1,536	6	2,788	2,701	10
2038	654	644	2	1,236	1,197	5	1,583	1,533	6	1,351	1,309	5	2,652	2,569	10
2039	561	553	2	1,180	1,143	4	1,352	1,309	5	1,283	1,242	5	2,528	2,449	9
2040	535	527	2	1,003	971	4	1,205	1,168	4	1,220	1,182	4	2,415	2,339	9
2041	511	504	2	937	907	3	1,043	1,010	4	1,163	1,126	4	2,310	2,238	8
2042	489	482	2	899	871	3	1,001	970	4	1,110	1,076	4	2,214	2,145	8
2043	360	355	1	865	838	3	962	932	4	1,009	977	4	2,125	2,059	8
2044	291	287	1	832	806	3	926	897	3	967	937	4	2,043	1,979	7
2045	312	308	1	802	777	3	892	864	3	928	899	3	1,966	1,904	7
2046	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2047	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2048	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total EUR	81,055	79,851	295	124,142	120,972	452	136,359	132,838	497	155,766	151,649	568	197,361	191,947	720
Total Forecast	60,345	59,449	220	103,433	100,570	378	115,650	112,436	423	135,057	131,248	493	176,652	171,546	645
Total Reserves		53,959	200		94,256	354		106,596	401		123,808	465		161,222	606

Table 1.2: Production Forecasts (Sterling 30% Working Interest)

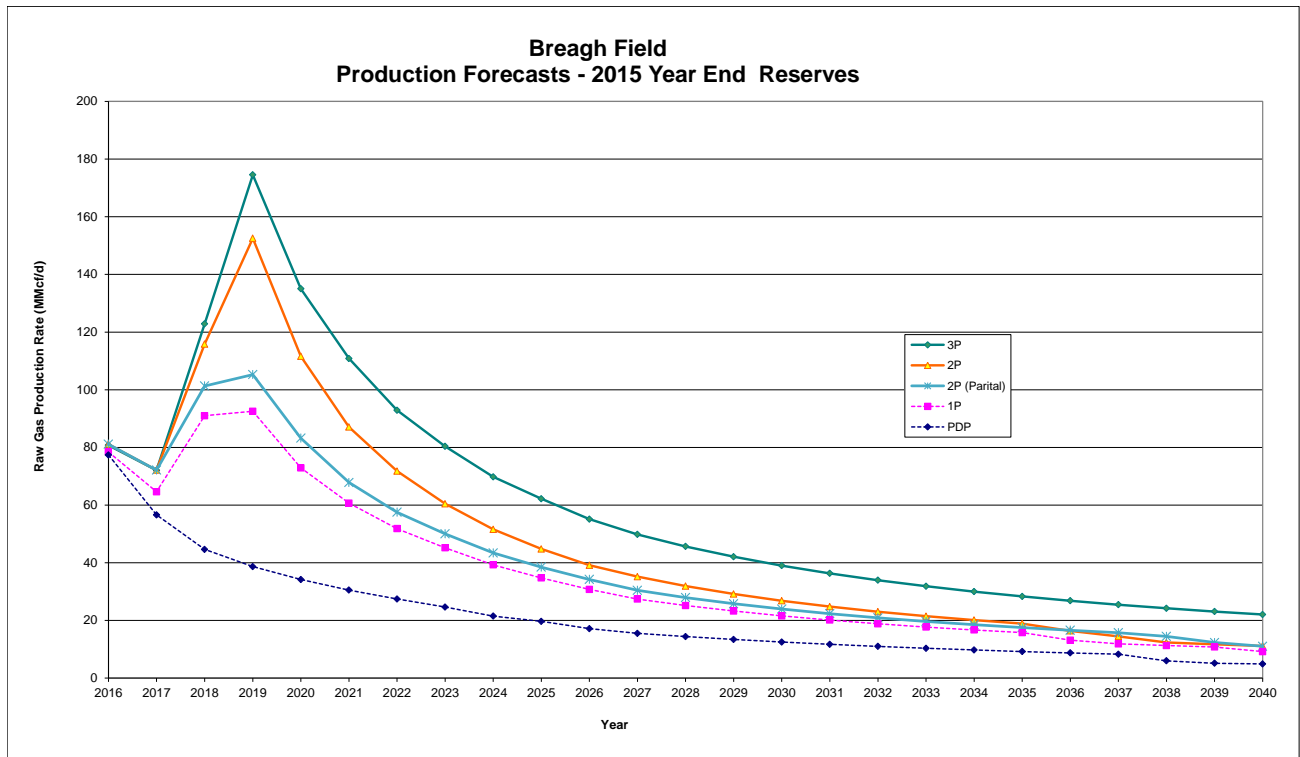



Figure 1.2: Breagh Field – Production Forecasts

2.0 ECONOMIC EVALUATION

2.1 Price and Exchange Rate Assumptions

In accordance with NI 51-101 RPS has evaluated the Breagh field reserves using Forecasts Prices. Gas sales agreements are in place, with the gas sales at fair market value based on the UK National Balancing Point (“NBP”) price, and as such, RPS has assumed that the price will be indexed to the UK gas spot market pricing in the long term. RPS forecasts that Breagh gas to trade at the NBP index gas price, without discount, and condensate will be marketed at the Brent Crude oil price.

An annual inflation of 2% has been built into the valuation, this inflation rate has been applied to all prices and cost estimates to adjust from 2016 real terms to Money of the Day (MOD).

 RPS HISTORICAL & FORECAST CRUDE OIL AND GAS PRICES Effective Date: 2016-01-01													
Year	OIL				GAS				ECONOMIC FACTORS				
	US	UK	US	UK	US	UK	US	UK	US Inflation	Inflation Index (base year 2016)	Exchange rate*		
	WTI	Brent	WTI	Brent	Henry Hub	UK NBP	Henry Hub	UK NBP			US\$/£	US\$/Cdn\$	Cdn\$/£
	NOMINAL US\$BBL		REAL US\$BBL (2016)		NOMINAL US\$MMBtu		REAL US\$/MMBtu (2016)						
2016 Full Yr	43.0	44.0	43.0	44.0	2.6	5.5	2.6	5.5	2.0%	1,000	1.50	0.76	1.97
2017	49.0	50.0	48.0	49.0	2.8	6.2	2.8	6.0	2.0%	1,020	1.50	0.76	1.97
2018	57.0	58.0	54.8	55.7	3.2	6.6	3.1	6.3	2.0%	1,040	1.50	0.76	1.97
2019	65.0	65.0	61.3	61.3	3.5	7.2	3.3	6.8	2.0%	1,061	1.50	0.76	1.97
2020	73.0	73.0	67.4	67.4	3.7	7.8	3.4	7.2	2.0%	1,082	1.50	0.76	1.97
2021	78.0	78.0	70.6	70.6	3.8	7.9	3.5	7.2	2.0%	1,104	1.50	0.76	1.97
2022	83.0	83.0	73.7	73.7	4.1	8.1	3.6	7.2	2.0%	1,126	1.50	0.76	1.97
2023	88.0	88.0	76.6	76.6	4.4	8.3	3.8	7.2	2.0%	1,149	1.50	0.76	1.97
2024	93.0	93.0	79.4	79.4	4.4	8.4	3.8	7.2	2.0%	1,172	1.50	0.76	1.97
2025	95.6	95.6	80.0	80.0	4.5	8.6	3.8	7.2	2.0%	1,195	1.50	0.76	1.97
2026	97.5	97.5	80.0	80.0	4.6	8.8	3.8	7.2	2.0%	1,219	1.50	0.76	1.97
2027	99.5	99.5	80.0	80.0	4.7	9.0	3.8	7.2	2.0%	1,243	1.50	0.76	1.97
2028	101.5	101.5	80.0	80.0	4.8	9.1	3.8	7.2	2.0%	1,268	1.50	0.76	1.97
2029	103.5	103.5	80.0	80.0	4.9	9.3	3.8	7.2	2.0%	1,294	1.50	0.76	1.97
2030	105.6	105.6	80.0	80.0	4.9	9.5	3.8	7.2	2.0%	1,319	1.50	0.76	1.97
2031	107.7	107.7	80.0	80.0	5.0	9.7	3.8	7.2	2.0%	1,346	1.50	0.76	1.97
2032	109.8	109.8	80.0	80.0	5.1	9.9	3.8	7.2	2.0%	1,373	1.50	0.76	1.97
2033	112.0	112.0	80.0	80.0	5.3	10.1	3.8	7.2	2.0%	1,400	1.50	0.76	1.97
2034	114.3	114.3	80.0	80.0	5.4	10.3	3.8	7.2	2.0%	1,428	1.50	0.76	1.97
2035*	116.5	116.5	80.0	80.0	5.5	10.5	3.8	7.2	2.0%	1,457	1.50	0.76	1.97

*Oil Prices Escalate at 2% thereafter

*Historical rates based on average bid-ask inter bank rates

Table 2.1: RPS Gas and Oil Price Forecasts and Exchange Rates

2.2 Fiscal Terms

The UK fiscal terms applied for this evaluation are summarized below. The Petroleum Revenue Tax (PRT) does not apply to this field since the field development was approved after March of 1993.

Fiscal Regime Type	Royalty / Tax
Governing Legislation	Petroleum Act 1988 and Corporation Tax Act 2010.
State Participation	None
Signature Bonus	None
Royalty	Abolished from January 1 st 2003
Petroleum Revenue Tax	Not applied to fields given development approval after March 1993
Income Tax	Corporation Tax ("CT") = 30%
	Supplementary Charge Corporation Tax ("SCT") = 10%
	Total CT+SCT = 40%
Depreciation	Eligible capital expenditures are 100% allowable in the first year
Allowances	<p>Ring Fence Expenditure Supplement ("RFES"): this is available at corporate level for CT and SCT purposes to increase the value of tax losses due to qualifying expenditures for up to ten years at a compound rate of 10% per annum, but claims for years 7 to 10 are only available in respect of relevant losses arising after December 5, 2013. The RFES compounding rate was set at 6% per annum up to 2012.</p> <p>Investment Allowance: this ultimately exempts an amount of profits liable to SCT equal to 62.5% of a company's qualifying investment expenditure incurred from April 2015 onwards. Finance costs are deductible against profits chargeable to CT but not SCT</p> <p>Abandonment and reclamation (decommissioning) relief equal to 30% of costs against RFCT liability, up to total amount of cumulative ring fenced CT paid and 20% of costs against SCT liability, up to total amount of cumulative ring fenced SCT paid</p>

Table 2.2: UK Fiscal Terms

2.3 Cost Assumptions

2.3.1 Capital Costs

Cost estimates for Breagh development activities have been derived based on capital estimates provided by Ineos for the Breagh field development. The Ineos cost estimates for future capex are, for the most part based on actual expenditures on the Phase 1 development. These have been used by RPS to derive capital cost estimates for the reserves cases presented herein. For these

reserve cases, where RPS has assumed more wells than in the Ineos base development plan, RPS extended and adjusted the estimates to match the development. RPS has added contingency amounts to the cost estimates to account for unforeseen cost items. A contingency of 15% has been added to the drilling and facilities capital cost estimates.

For the three reserves cases, RPS has assumed a single platform development, with a total of ten wells for the 1P case and twelve wells, including hydraulic fracture stimulation of the remaining four wells, plus re-entry and hydraulic fracturing of two existing wells for the 2P and 3P cases. In addition, an onshore compression facility is assumed, with major expenditures in 2017 and 2018, with start-up in Q3 2018. A 2P sensitivity case is also presented where only two further wells are drilled, for a total of ten wells. RPS has utilized the operator (Ineos) cost estimates, with a facilities contingency of 15% added.

The total field Capital Costs for the reserve cases are summarized in Table 2.3 below. Note that the Capital Costs included are those to be expended from July 1, 2015 forward.

Breagh Field Development Full Field Future Capital Cost Estimates 2016 £ Real					
	PDP	1P	2P (10 Well)	2P (12 Well)	3P
Drilling	0.3	62.6	62.6	121.9	121.9
Facilities	4.2	66.7	66.7	69.9	69.9
Pipeline	0.0	0.0	0.0	0.0	0.0
G&A + Other	0.2	0.7	0.7	0.7	0.7
Total	4.7	130.0	130.0	192.5	192.5

Table 2.3: Capital Cost Estimates

2.3.2 Operating Costs

RPS has developed schedules of fixed and variable operating costs for each of the four reserve cases based on information supplied by Sterling and Ineos (through Sterling) together with RPS knowledge of typical operating costs for North Sea offshore production systems and North Sea operating cost data information available from the IHS database through the Que\$tor software package.

Fixed operating costs include costs for offshore and onshore facilities operations, licence fees and pipeline services costs. Fixed costs (in 2016 real £) are estimated at £7.25 million per full year.

Licence fees are included at £1.85 million per year, as advised by Sterling. NTS entry fees are assumed as per the Ineos schedule. These fees average about £1.30 million per year until year 2020, after which they switch to a variable rate.

Variable operating costs are assumed as follows:

- 1 NTS entry fee (post 2020): £0.0245 per mcf
- 2 NTS commodity charge of £0.182 per mcf
- 3 Condensate storage and offloading costs: £7.94 per bbl

- 4 Condensate pipeline trucking transport: £1.76 per bbl
- 5 TGPP gas reception and processing tariff: £0.260 per mcf, switching to an operating cost sharing formula post 2020
- 6 Well operating cost: £1250 per well month

Compression fuel costs are now assumed to be zero, as the design basis for compressors has switched to gas fired turbines. Therefore, compressor fuel is now assumed to be derived from field gas, and the fuel gas volumes incorporated into the sales residue/raw gas volume ratio.

General and Administration Costs to handle the operator's management of the field is assumed at £2.31 (real 2016 £) million per year for the life of the field.

The FlowStream entitlement payments have been calculated according to the terms of the original Gemini (FlowStream) agreement and are included as a separate line item in the cash flow summaries.

2.3.3 Abandonment Costs

Abandonment costs are estimated based on an abandonment cost report conducted by a third party for DEA (the operator before divestment to Ineos) in mid-2015. The costs are estimated at £44.1 million for the platform and pipeline infrastructure, plus £5.4 million per well, resulting in total abandonment and reclamation costs (full field basis, 2016 real £) of £109 million (2P case). Abandonment and reclamation costs are applied in the year following the last year of positive cash flow in the economic runs.

2.4 Taxation

We are informed by Sterling that the cumulative total of brought forward eligible expenditures, less revenue net of opex and supplemented by the associated ring fence expenditure supplement ("RFES"), is now estimated at £224.0 million in relation to the Breagh licences (Sterling's 30% W.I. share) at year end 2015. This amount can be offset against future CT and SCT profits.

2.5 Results

The results of our evaluation are tabulated in summary form in the following two tables. Full cash-flow summaries are shown in Appendix A.

	Scenario	Reserve Category	Company Share Gross Reserves					Company Share Net Reserves				
			Oil Mstb	Sales Gas MMscf	NGL Mbbbl	C5+ Mbbbl	BOE Mbbbl	Oil Mstb	Sales Gas MMscf	NGL Mbbbl	C5+ Mbbbl	BOE Mbbbl
Breagh Sterling Share 30%		PDP	-	53,959	-	200	9,193	-	53,959	-	200	9,193
		PDNP	-	-	-	-	-	-	-	-	-	-
		PUD	-	40,298	-	154	6,870	-	40,298	-	154	6,870
		1P	-	94,256	-	354	16,064	-	94,256	-	354	16,064
		2P (Partial)	-	106,596	-	401	18,167	-	106,596	-	401	18,167
		2P	-	123,808	-	465	21,100	-	123,808	-	465	21,100
		3P	-	161,222	-	606	27,477	-	161,222	-	606	27,477

Table 2.4: Reserves Volumes at December 31, 2015 (Sterling's 30% W.I.)

Breagh Field: Sterling 30.0% Working Interest Reserves Volumes and Values													
	Scenario	Reserve Category	Company Share Net Reserves (Mboe)	Net Present Value Before Tax					Net Present Value After Tax				
				Company Share (Million US\$)					Company Share (Million US\$)				
				0%	5%	10%	15%	20%	0%	5%	10%	15%	20%
Breagh Sterling Share 30%		PDP	9,193	133.6	130.8	118.0	104.5	92.7	133.6	130.8	118.0	104.5	92.7
		PUD	6,870	166.9	116.4	80.7	56.7	40.2	166.9	113.4	78.3	55.0	39.2
		1P	16,064	300.5	247.2	198.7	161.1	133.0	300.5	244.3	196.2	159.5	132.0
		2P (Partial)	18,167	369.3	296.8	235.9	190.3	156.7	352.7	281.7	225.5	183.7	152.5
		2P	21,100	462.5	362.3	283.8	226.1	183.9	415.5	326.3	259.1	209.7	172.9
		3P	27,477	673.7	496.7	373.8	289.6	230.7	540.4	408.3	316.1	251.5	205.0


Table 2.5: Net Present Value at December 31, 2015 (Sterling's 30% W.I.)

Reconciliation of Sterling's WI gross reserves evaluation to the year end 2014 results is shown in the following table:

Reserves Reconciliation Year End 2015 Field: Breagh Gross Reserves - Gas (Bcf)								
Breagh	Proved Developed Producing (Bcf)	Proved Non-Developed Producing	Proved Undeveloped (Bcf)	Proved (Bcf)	Probable (Bcf)	Proved+Prob (Bcf)	Possible (Bcf)	Proved+Prob+Poss (Bcf)
Opening Balance (Dec. 31, 2014)	49,913	-	55,545	105,458	27,818	133,276	43,970	177,246
Extension & Improved Recovery								
Technical Revisions	15,274	-	-15,247	27	1,734	1,760	-6,557	-4,797
Discoveries								
Acquisitions								
Dispositions								
Economic Factors								
Production	-11,228	-	-	-11,228	-	-11,228	-	-11,228
Closing Balance (Dec. 31, 2015)	53,959	-	40,298	94,256	29,552	123,808	37,413	161,222

Table 2.6: Reserves Reconciliation – W.I. Gross Reserves

APPENDIX A: DETAILED CASH FLOW SUMMARIES

SUMMARY OF OIL AND GAS FIELD RESERVES, PRODUCTION AND CASHFLOW				US\$ SUMMARY										Breagh	
COMPANY: Sterling Resources (UK) Limited				Reserves Level: PDP : Prov.Dev.Producing (Single Platform)										PDP : Prov.Dev.Producing (Single Platform)	
OPERATOR: Ineos Breagh				Price Forecast Case: Current \$										1 Platform 8 Well	
FIELD: Breagh				Average Annual Cost Inflation: 2.00%										Current \$	
COMPANY SHARE: 30.0%				Effective Date: 2016-01-01											

RESERVES		Total Gross	Field Net	Company Share		PRESENT VALUE - COMPANY SHARE (Million US\$)					ABANDONMENT AND RECLAMATION COSTS Company Share, Net of Salvage Value		
				Gross	Net	Discount Rate:	0%	5%	10%	15%	20%	Cost (Million US\$):	Year:
Crude Oil	(MSTB)	0	0	0	0	Gross Revenue	421.0	303.0	234.5	191.4	162.3	54.22	2035
Sales Gas	(MMCF)	179,862	179,862	53,959	53,959	Net Revenue	421.0	303.0	234.5	191.4	162.3		
NGL	(MBBL)	0	0	0	0	Prior Cost Recovery	0.0	0.0	0.0	0.0	0.0		
Condensate	(MBBL)	667	667	200	200	Operating Costs + G&A	271.6	159.2	105.4	77.0	60.6		
Total BOE *	(MSTB)	30,644	30,644	9,193	9,193	Gemini Loan Revenue Burden	13.7	10.9	9.1	7.9	7.0	NPV(10%) Million US\$)	8.45
						Capital Costs	2.1	2.1	2.0	2.0	2.0		
						Cash Flow Before Tax	133.6	130.8	118.0	104.5	92.7		
						Cash Flow After Tax (CFAT)	133.6	130.8	118.0	104.5	92.7		

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034+
PRODUCT PRICES (US\$)																			
Crude Oil (US\$/BBL)	\$44.00	\$50.00	\$58.00	\$65.00	\$73.00	\$78.00	\$83.00	\$88.00	\$93.00	\$95.61	\$97.52	\$99.47	\$101.46	\$103.49	\$105.56	\$107.67	\$109.82	\$112.02	\$114.78
Sales Gas (US\$/MCF)	\$5.46	\$6.06	\$6.46	\$7.06	\$7.68	\$7.83	\$7.99	\$8.15	\$8.31	\$8.48	\$8.65	\$8.82	\$9.00	\$9.18	\$9.36	\$9.55	\$9.74	\$9.93	\$12.57
NGL (US\$/BBL)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Condensate (US\$/BBL)	\$44.00	\$50.00	\$58.00	\$65.00	\$73.00	\$78.00	\$83.00	\$88.00	\$93.00	\$95.61	\$97.52	\$99.47	\$101.46	\$103.49	\$105.56	\$107.67	\$109.82	\$112.02	\$114.78
COST INFLATION (%/annum)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
US\$/GBP	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50

COMPANY SHARE GROSS PRODUCTION																				
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034+	Total
Production Wellcount (#)	7	7	7	7	7	7	7	7	6	6	6	5	5	5	5	5	5	5	0	
Annual Gross Production																				
Crude Oil (MSTB)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales Gas (MMCF)	8,352	6,108	4,817	4,172	3,689	3,291	2,960	2,658	2,319	2,124	1,848	1,673	1,552	1,444	1,348	1,262	1,184	1,114	2,044	53,959
NGL (MBBL)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Condensate (MBBL)	31.0	22.7	17.9	15.5	13.7	12.2	11.0	9.9	8.6	7.9	6.9	6.2	5.8	5.4	5.0	4.7	4.4	4.1	7.6	200.1

COMPANY SHARE CASHFLOW (Million US\$/year)																				
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034+	Total
Gross Production Revenue	47.0	38.1	32.1	30.4	29.3	26.7	24.6	22.5	20.1	18.8	16.6	15.4	14.5	13.8	13.1	12.6	12.0	11.5	21.8	421.0
Effective Royalty	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Production Revenue	47.0	38.1	32.1	30.4	29.3	26.7	24.6	22.5	20.1	18.8	16.6	15.4	14.5	13.8	13.1	12.6	12.0	11.5	21.8	421.0
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prior Cost Recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Flowstream Loan Revenue Burden	2.9	2.3	1.2	0.8	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.2	-	-	13.7
Operating Costs	12.4	10.8	10.0	9.5	9.3	8.9	8.7	7.6	7.7	8.0	8.3	8.8	9.2	9.5	9.8	10.1	10.3	10.7	76.6	246.1
G&A	1.0	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.5	3.0	25.5
Op. Cash Inc. Before Tax	30.7	23.9	19.9	18.9	18.1	16.0	13.9	13.1	10.6	9.0	6.6	4.8	3.6	2.6	1.6	0.7	0.0	(0.6)	(57.8)	135.7
Capital	2.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.1
Cash Flow Before Tax	28.5	23.9	19.9	18.9	18.1	16.0	13.9	13.1	10.6	9.0	6.6	4.8	3.6	2.6	1.6	0.7	0.0	(0.6)	(57.8)	133.6
Income Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Flow After Tax	28.5	23.9	19.9	18.9	18.1	16.0	13.9	13.1	10.6	9.0	6.6	4.8	3.6	2.6	1.6	0.7	0.0	(0.6)	(57.8)	133.6



SUMMARY OF OIL AND GAS FIELD RESERVES, PRODUCTION AND CASHFLOW

US\$ SUMMARY

Breagh
1P : Prov. (Single Platform)
1 Platform 10 Well
Current \$

COMPANY: Sterling Resources (UK) Limited
OPERATOR: Ineos Breagh
FIELD: Breagh
COMPANY SHARE: 30.0%

Reserves Level: 1P : Prov. (Single Platform)
Price Forecast Case: Current \$
Average Annual Cost Inflation: 2.00%
Effective Date: 2016-01-01

		Total		Company Share	
		Gross	Field Net	Gross	Net
Crude Oil (MSTB)		0	0	0	0
Sales Gas (MMCF)		314,188	314,188	94,256	94,256
NGL (MBBL)		0	0	0	0
Condensate (MBBL)		1,180	1,180	354	354
Total BOE *	(MSTB)	53,545	53,545	16,064	16,064

	Discount Rate:				
	0%	5%	10%	15%	20%
Gross Revenue	764.8	527.0	394.5	313.0	258.7
Net Revenue	764.8	527.0	394.5	313.0	258.7
Prior Cost Recovery	0.0	0.0	0.0	0.0	0.0
Operating Costs + G&A	382.7	208.1	131.6	93.6	72.5
Gemini Loan Revenue Burden	20.9	16.2	13.2	11.1	9.7
Capital Costs	60.7	55.5	51.0	47.1	43.6
Cash Flow Before Tax	300.5	247.2	198.7	161.1	133.0
Cash Flow After Tax (CFAT)	300.5	244.3	196.2	159.5	132.0

ABANDONMENT AND RECLAMATION COSTS	
Company Share, Net of Salvage Value	
Cost (Million US\$):	68.92
Year:	2038
NPV(10%) Million US\$)	8.07

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034+
PRODUCT PRICES (US\$)																			
Crude Oil (US\$/BBL)	\$44.00	\$50.00	\$58.00	\$65.00	\$73.00	\$78.00	\$83.00	\$88.00	\$93.00	\$95.61	\$97.52	\$99.47	\$101.46	\$103.49	\$105.56	\$107.67	\$109.82	\$112.02	\$141.78
Sales Gas (US\$/MCF)	\$5.46	\$6.06	\$6.46	\$7.06	\$7.68	\$7.83	\$7.99	\$8.15	\$8.31	\$8.48	\$8.65	\$8.82	\$9.00	\$9.18	\$9.36	\$9.55	\$9.74	\$9.93	\$12.57
NGL (US\$/BBL)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Condensate (US\$/BBL)	\$44.00	\$50.00	\$58.00	\$65.00	\$73.00	\$78.00	\$83.00	\$88.00	\$93.00	\$95.61	\$97.52	\$99.47	\$101.46	\$103.49	\$105.56	\$107.67	\$109.82	\$112.02	\$141.78
COST INFLATION (%/annum)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
US\$/GBP	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034+	Total
COMPANY SHARE GROSS PRODUCTION																				
Production Wellcount (#)	8	9	10	10	9	9	9	9	9	8	8	7	7	7	7	7	7	7	0	
Annual Gross Production																				
Crude Oil (MSTB)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales Gas (MMCF)	8,463	6,976	9,780	9,820	7,737	6,437	5,501	4,794	4,168	3,685	3,263	2,908	2,670	2,466	2,289	2,135	1,998	1,877	7,287	94,256
NGL (MBBL)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Condensate (MBBL)	31.4	25.9	36.4	37.0	29.2	24.3	20.8	18.1	15.7	13.9	12.3	11.0	10.1	9.3	8.6	8.1	7.5	7.1	27.5	354.1

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034+	Total
COMPANY SHARE CASHFLOW (Million US\$/year)																				
Gross Production Revenue	47.6	43.6	65.3	71.7	61.5	52.3	45.7	40.6	36.1	32.6	29.4	26.7	25.0	23.6	22.3	21.2	20.3	19.4	79.8	764.8
Effective Royalty	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Production Revenue	47.6	43.6	65.3	71.7	61.5	52.3	45.7	40.6	36.1	32.6	29.4	26.7	25.0	23.6	22.3	21.2	20.3	19.4	79.8	764.8
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prior Cost Recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Flowstream Loan Revenue Burden	2.9	2.7	1.9	2.0	1.7	1.4	1.3	1.1	1.0	0.9	0.8	0.7	0.7	0.7	0.6	0.5	-	-	-	20.9
Operating Costs	12.5	11.5	13.7	13.9	12.4	11.5	10.9	9.5	9.5	9.9	10.4	11.1	11.7	12.0	12.4	12.8	13.1	13.6	140.0	352.5
G&A	1.0	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.5	7.8	30.2
Op. Cash Inc. Before Tax	31.2	28.4	48.6	54.7	46.3	38.2	32.3	28.8	24.4	20.5	17.0	13.6	11.3	9.6	7.9	6.5	5.7	4.4	(68.0)	361.2
Capital	2.1	35.9	22.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60.7
Cash Flow Before Tax	29.0	(7.5)	25.9	54.7	46.3	38.2	32.3	28.8	24.4	20.5	17.0	13.6	11.3	9.6	7.9	6.5	5.7	4.4	(68.0)	300.5
Income Tax	-	-	-	-	-	-	-	-	-	-	-	1.1	3.0	3.2	2.7	2.5	2.3	1.9	(16.7)	-
Cash Flow After Tax	29.0	(7.5)	25.9	54.7	46.3	38.2	32.3	28.8	24.4	20.5	17.0	12.4	8.4	6.3	5.2	4.1	3.4	2.5	(51.2)	300.5



SUMMARY OF OIL AND GAS FIELD RESERVES, PRODUCTION AND CASHFLOW

US\$ SUMMARY

Breagh
2P : Prov. + Prob. (Single Platform)
1 Platform 10 Well
Current \$

COMPANY: Sterling Resources (UK) Limited
OPERATOR: Ineos Breagh
FIELD: Breagh
COMPANY SHARE: 30.0%

Reserves Level: 2P : Prov. + Prob. (Single Platform)
Price Forecast Case: Current \$
Average Annual Cost Inflation: 2.00%
Effective Date: 2016-01-01

		Total		Company Share	
		Gross	Net	Gross	Net
Crude Oil	(MSTB)	0	0	0	0
Sales Gas	(MMCF)	355,321	355,321	106,596	106,596
NGL	(MBBL)	0	0	0	0
Condensate	(MBBL)	1,335	1,335	401	401
Total BOE *	(MSTB)	60,555	60,555	18,167	18,167

PRESENT VALUE - COMPANY SHARE (Million US\$)					
Discount Rate:	0%	5%	10%	15%	20%
Gross Revenue	872.9	592.8	440.2	347.7	286.6
Net Revenue	872.9	592.8	440.2	347.7	286.6
Prior Cost Recovery	0.0	0.0	0.0	0.0	0.0
Operating Costs + G&A	421.3	223.5	139.3	98.4	75.9
Gemini Loan Revenue Burden	21.7	17.1	14.1	11.9	10.4
Capital Costs	60.7	55.5	51.0	47.1	43.6
Cash Flow Before Tax	369.3	296.8	235.9	190.3	156.7
Cash Flow After Tax (CFAT)	352.7	281.7	225.5	183.7	152.5

ABANDONMENT AND RECLAMATION COSTS	
Company Share, Net of Salvage Value	
Cost (Million US\$):	70.30
Year:	2039
NPV(10%) Million US\$)	7.49

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034+
PRODUCT PRICES (US\$)																			
Crude Oil (US\$/BBL)	\$44.00	\$50.00	\$58.00	\$65.00	\$73.00	\$78.00	\$83.00	\$88.00	\$93.00	\$95.61	\$97.52	\$99.47	\$101.46	\$103.49	\$105.56	\$107.67	\$109.82	\$112.02	\$114.78
Sales Gas (US\$/MCF)	\$5.46	\$6.06	\$6.46	\$7.06	\$7.68	\$7.83	\$7.99	\$8.15	\$8.31	\$8.48	\$8.65	\$8.82	\$9.00	\$9.18	\$9.36	\$9.55	\$9.74	\$9.93	\$12.57
NGL (US\$/BBL)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Condensate (US\$/BBL)	\$44.00	\$50.00	\$58.00	\$65.00	\$73.00	\$78.00	\$83.00	\$88.00	\$93.00	\$95.61	\$97.52	\$99.47	\$101.46	\$103.49	\$105.56	\$107.67	\$109.82	\$112.02	\$114.78
COST INFLATION (%/annum)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
US\$/GBP	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50

COMPANY SHARE GROSS PRODUCTION																				
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034+	Total
Production Wellcount (#)	8	9	10	10	10	10	9	9	9	8	8	7	7	7	7	7	7	7	0	
Annual Gross Production																				
Crude Oil (MSTB)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales Gas (MMCF)	8,753.41	7,785.73	#####	#####	8,831.25	7,199.86	6,104.95	5,309.13	4,607.04	4,082.40	3,630.20	3,230.17	2,964.62	2,737.23	2,540.45	2,368.59	2,217.28	2,083.10	#####	106,596.30
NGL (MBBL)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Condensate (MBBL)	32.46	28.87	40.56	42.14	33.31	27.16	23.03	20.03	17.38	15.40	13.69	12.18	11.18	10.32	9.58	8.93	8.36	7.86	38.07	400.51

COMPANY SHARE CASHFLOW (Million US\$/year)																				
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034+	Total
Gross Production Revenue	49.22	48.61	72.65	81.58	70.24	58.50	50.68	45.02	39.90	36.08	32.72	29.70	27.80	26.18	24.79	23.57	22.51	21.57	111.58	872.92
Effective Royalty	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Production Revenue	49.22	48.61	72.65	81.58	70.24	58.50	50.68	45.02	39.90	36.08	32.72	29.70	27.80	26.18	24.79	23.57	22.51	21.57	111.58	872.92
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prior Cost Recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gemini Loan Revenue Burden	3.00	2.84	2.01	2.26	1.94	1.62	1.40	1.25	1.10	1.00	0.91	0.82	0.77	0.72	0.09	-	-	-	-	21.73
Operating Costs	12.68	12.08	14.55	14.93	13.30	12.15	11.46	9.99	9.93	10.38	10.90	11.74	12.34	12.68	13.08	13.50	13.89	14.36	165.43	389.38
G&A	1.05	1.07	1.09	1.11	1.13	1.16	1.18	1.20	1.23	1.25	1.28	1.30	1.33	1.36	1.38	1.41	1.44	1.47	9.44	31.88
Op. Cash Inc. Before Tax	32.49	32.63	55.01	63.28	53.86	43.57	36.64	32.58	27.64	23.45	19.64	15.83	13.36	11.42	10.24	8.66	7.18	5.75	(63.29)	429.93
Capital	2.11	35.87	22.69	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60.68
Cash Flow Before Tax	30.37	(3.24)	32.31	63.28	53.86	43.57	36.64	32.58	27.64	23.45	19.64	15.83	13.36	11.42	10.24	8.66	7.18	5.75	(63.29)	369.25
Income Tax	-	-	-	-	-	-	-	-	-	4.59	6.59	6.59	5.99	5.12	4.37	3.69	3.07	2.49	(25.99)	16.51
Cash Flow After Tax	30.37	(3.24)	32.31	63.28	53.86	43.57	36.64	32.58	27.64	18.86	13.05	9.24	7.37	6.30	5.86	4.98	4.11	3.26	(37.30)	352.74

SUMMARY OF OIL AND GAS FIELD RESERVES, PRODUCTION AND CASHFLOW

US\$ SUMMARY

Breagh
2P : Prov. + Prob. (Single Platform)
1 Platform 12 Well
Current \$COMPANY: Sterling Resources (UK) Limited
OPERATOR: DEA UK SNS Limited
FIELD: Breagh
COMPANY SHARE: 30.0%Reserves Level: 2P : Prov. + Prob. (Single Platform)
Price Forecast Case: Current \$
Average Annual Cost Inflation: 2.00%
Effective Date: 2016-01-01

		Total	Field	Company Share	
		Gross	Net	Gross	Net
Crude Oil	(MSTB)	0	0	0	0
Sales Gas	(MMCF)	412,694	412,694	123,808	123,808
NGL	(MBBL)	0	0	0	0
Condensate	(MBBL)	1,551	1,551	465	465
Total BOE *	(MSTB)	70,334	70,334	21,100	21,100

	Discount Rate:	0%	5%	10%	15%	20%
		Gross Revenue	1,006.3	698.2	523.2	414.0
Net Revenue	1,006.3	698.2	523.2	414.0	340.4	
Prior Cost Recovery	0.0	0.0	0.0	0.0	0.0	
Operating Costs + G&A	428.8	234.5	148.9	106.1	82.0	
Gemini Loan Revenue Burden	24.8	19.7	16.1	13.6	11.8	
Capital Costs	90.2	81.7	74.5	68.2	62.7	
Cash Flow Before Tax	462.5	362.3	283.8	226.1	183.9	
Cash Flow After Tax (CFAT)	415.5	326.3	259.1	209.7	172.9	

ABANDONMENT AND RECLAMATION COSTS		Company Share, Net of Salvage Value	
Cost (Million US\$):	Year:	76.50	2038
NPV(10%) Million US\$)		8.96	

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034+
PRODUCT PRICES (US\$)																			
Crude Oil (US\$/BBL)	\$44.00	\$50.00	\$58.00	\$65.00	\$73.00	\$78.00	\$83.00	\$88.00	\$93.00	\$95.61	\$97.52	\$99.47	\$101.46	\$103.49	\$105.56	\$107.67	\$109.82	\$112.02	\$141.78
Sales Gas (US\$/MCF)	\$5.46	\$6.06	\$6.46	\$7.06	\$7.68	\$7.83	\$7.99	\$8.15	\$8.31	\$8.48	\$8.65	\$8.82	\$9.00	\$9.18	\$9.36	\$9.55	\$9.74	\$9.93	\$12.57
NGL (US\$/BBL)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Condensate (US\$/BBL)	\$44.00	\$50.00	\$58.00	\$65.00	\$73.00	\$78.00	\$83.00	\$88.00	\$93.00	\$95.61	\$97.52	\$99.47	\$101.46	\$103.49	\$105.56	\$107.67	\$109.82	\$112.02	\$141.78
COST INFLATION (%/annum)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
US\$/GBP	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034+	Total
COMPANY SHARE GROSS PRODUCTION																				
Production Wellcount (#)	8	9	11	12	12	11	11	11	10	10	9	9	9	9	9	9	9	9	0	
Annual Gross Production																				
Crude Oil (MSTB)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales Gas (MMCF)	8,753	7,786	12,445	16,191	11,845	9,241	7,620	6,417	5,474	4,753	4,153	3,735	3,387	3,094	2,845	2,630	2,443	2,278	8,719	123,808
NGL (MBBL)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Condensate (MBBL)	32.5	28.9	46.4	61.1	44.7	34.9	28.7	24.2	20.6	17.9	15.7	14.1	12.8	11.7	10.7	9.9	9.2	8.6	32.9	465.4

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034+	Total
COMPANY SHARE CASHFLOW (Million US\$/year)																				
Gross Production Revenue	49.2	48.6	83.0	118.2	94.2	75.1	63.3	54.4	47.4	42.0	37.4	34.3	31.8	29.6	27.8	26.2	24.8	23.6	95.4	1,006.3
Effective Royalty	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Production Revenue	49.2	48.6	83.0	118.2	94.2	75.1	63.3	54.4	47.4	42.0	37.4	34.3	31.8	29.6	27.8	26.2	24.8	23.6	95.4	1,006.3
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prior Cost Recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Flowstream Loan Revenue Burden	3.0	2.8	2.3	3.3	2.6	2.1	1.7	1.5	1.3	1.2	1.0	0.9	0.9	0.1	-	-	-	-	-	24.8
Operating Costs	12.7	12.1	15.7	18.8	15.7	13.9	12.8	11.0	10.8	11.2	11.7	12.7	13.3	13.6	13.9	14.3	14.7	15.1	154.8	398.6
G&A	1.0	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.5	7.8	30.2
Op. Cash Inc. Before Tax	32.5	32.6	63.9	95.0	74.8	58.0	47.6	40.7	34.1	28.4	23.5	19.4	16.3	14.5	12.4	10.4	8.7	7.0	(67.2)	552.7
Capital	2.1	39.0	49.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90.2
Cash Flow Before Tax	30.4	(6.3)	14.8	95.0	74.8	58.0	47.6	40.7	34.1	28.4	23.5	19.4	16.3	14.5	12.4	10.4	8.7	7.0	(67.2)	462.5
Income Tax	-	-	-	-	-	-	-	7.7	11.9	11.9	10.5	8.7	7.3	6.2	5.3	4.4	3.7	3.0	(33.6)	47.0
Cash Flow After Tax	30.4	(6.3)	14.8	95.0	74.8	58.0	47.6	33.0	22.2	16.5	13.0	10.7	9.0	8.3	7.2	6.0	5.0	4.0	(33.6)	415.5

SUMMARY OF OIL AND GAS FIELD RESERVES, PRODUCTION AND CASHFLOW

US\$ SUMMARY

Breagh
3P : Prov.+Prob.+Poss. (Single Platform)
1 Platform 12 Well
Current \$



COMPANY: Sterling Resources (UK) Limited
OPERATOR: Ineos Breagh
FIELD: Breagh
COMPANY SHARE: 30.0%

Reserves Level: 3P : Prov.+Prob.+Poss. (Single Platform)
Price Forecast Case: Current \$
Average Annual Cost Inflation: 2.00%
Effective Date: 2016-01-01

		Total	Field	Company Share	
		Gross	Net	Gross	Net
Crude Oil	(MSTB)	0	0	0	0
Sales Gas	(MMCF)	537,405	537,405	161,222	161,222
NGL	(MBBL)	0	0	0	0
Condensate	(MBBL)	2,022	2,022	606	606
Total BOE *	(MSTB)	91,589	91,589	27,477	27,477

	Discount Rate:	0%	5%	10%	15%	20%
		Gross Revenue	1,360.2	889.2	640.1	492.4
Net Revenue	1,360.2	889.2	640.1	492.4	396.7	
Prior Cost Recovery	0.0	0.0	0.0	0.0	0.0	
Operating Costs + G&A	566.2	287.5	173.1	119.2	90.1	
Gemini Loan Revenue Burden	30.1	23.3	18.7	15.5	13.2	
Capital Costs	90.2	81.7	74.5	68.2	62.7	
Cash Flow Before Tax	673.7	496.7	373.8	289.6	230.7	
Cash Flow After Tax (CFAT)	540.4	408.3	316.1	251.5	205.0	

ABANDONMENT AND RECLAMATION COSTS		Company Share, Net of Salvage Value	
Cost (Million US\$):	Year:	79.60	2040
NPV(10%) Million US\$)		7.70	

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034+
PRODUCT PRICES (US\$)																			
Crude Oil (US\$/BBL)	\$44.00	\$50.00	\$58.00	\$65.00	\$73.00	\$78.00	\$83.00	\$88.00	\$93.00	\$95.61	\$97.52	\$99.47	\$101.46	\$103.49	\$105.56	\$107.67	\$109.82	\$112.02	\$141.78
Sales Gas (US\$/MCF)	\$5.46	\$6.06	\$6.46	\$7.06	\$7.68	\$7.83	\$7.99	\$8.15	\$8.31	\$8.48	\$8.65	\$8.82	\$9.00	\$9.18	\$9.36	\$9.55	\$9.74	\$9.93	\$12.57
NGL (US\$/BBL)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Condensate (US\$/BBL)	\$44.00	\$50.00	\$58.00	\$65.00	\$73.00	\$78.00	\$83.00	\$88.00	\$93.00	\$95.61	\$97.52	\$99.47	\$101.46	\$103.49	\$105.56	\$107.67	\$109.82	\$112.02	\$141.78
COST INFLATION (%/annum)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
US\$/GBP	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034+	Total
COMPANY SHARE GROSS PRODUCTION																				
Production Wellcount (#)	8	9	11	12	12	12	12	11	11	10	10	9	9	9	9	9	9	9	0	
Annual Gross Production																				
Crude Oil (MSTB)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales Gas (MMCF)	8,715	7,779	13,195	18,526	14,331	11,763	9,860	8,529	7,406	6,601	5,850	5,288	4,845	4,466	4,139	3,853	3,603	3,380	19,090	161,222
NGL (MBBL)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Condensate (MBBL)	32.3	28.9	49.2	69.9	54.1	44.4	37.2	32.2	27.9	24.9	22.1	19.9	18.3	16.8	15.6	14.5	13.6	12.8	72.0	606.5

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034+	Total
COMPANY SHARE CASHFLOW (Million US\$/year)																				
Gross Production Revenue	49.0	48.6	88.1	135.3	114.0	95.6	81.8	72.3	64.1	58.3	52.7	48.6	45.4	42.7	40.4	38.4	36.6	35.0	213.3	1,360.2
Effective Royalty	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Production Revenue	49.0	48.6	88.1	135.3	114.0	95.6	81.8	72.3	64.1	58.3	52.7	48.6	45.4	42.7	40.4	38.4	36.6	35.0	213.3	1,360.2
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prior Cost Recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Flowstream Loan Revenue Burden	3.0	2.8	2.4	3.7	3.2	2.6	2.3	2.0	1.8	1.6	1.5	1.3	1.3	0.6	-	-	-	-	-	30.1
Operating Costs	12.7	12.1	16.3	20.6	17.6	16.0	14.7	12.9	12.7	13.4	14.1	15.6	16.5	17.0	17.5	18.1	18.6	19.3	247.0	532.6
G&A	1.0	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.5	11.1	33.6
Op. Cash Inc. Before Tax	32.3	32.6	68.2	109.8	92.1	75.8	63.7	56.3	48.4	42.1	35.9	30.4	26.4	23.8	21.5	18.8	16.5	14.2	(44.9)	763.9
Capital	2.1	39.0	49.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90.2
Cash Flow Before Tax	30.2	(6.4)	19.2	109.8	92.1	75.8	63.7	56.3	48.4	42.1	35.9	30.4	26.4	23.8	21.5	18.8	16.5	14.2	(44.9)	673.7
Income Tax	-	-	-	-	-	0.5	14.1	22.5	21.2	18.3	15.8	13.4	11.6	10.2	9.0	7.9	6.9	6.0	(24.0)	133.3
Cash Flow After Tax	30.2	(6.4)	19.2	109.8	92.1	75.3	49.6	33.8	27.3	23.7	20.1	16.9	14.8	13.6	12.5	10.9	9.6	8.2	(20.9)	540.4

APPENDIX B: BREAGH FIELD PRODUCTION HISTORY CHART

Breagh Field Production History

Breagh Total Field Gas Production History

