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4 December 2009

**STERLING ENERGY PLC
("Sterling" or the "Company")**

Firm Placing and Open Offer of up to 1,637,296,583 New Ordinary Shares at 1.3 pence per New Ordinary Share, Proposed Consolidation, Approval of the Rule 9 Waiver, Adoption of amended Articles and Approval of New LTIP Schemes

A Prospectus containing details of the Firm Placing and Open Offer, Proposed Consolidation, Approval of the Rule 9 Waiver, Adoption of amended Articles, Approval of New LTIP Schemes and Notice of Extraordinary General Meeting is expected to be posted to Shareholders shortly and will be available on the Company's website, www.sterlingenergyplc.com.

Summary

- Proposed Firm Placing and Open Offer to raise £20.4 million (net of expenses).
- The Issue Price of 1.3 pence per New Ordinary Share represents a 70.6 per cent. discount to the closing middle market price of 4.43 pence per Existing Ordinary Share on 3 December 2009, the last business day before the announcement of the Capital Raising, and a 52.6 per cent. discount to the closing middle market price of 2.74 pence per Existing Ordinary Share on 13 August 2009, being the last practicable date prior to the announcement of the September Placing.
- The Capital Raising is subject to approval by the Company's Shareholders at an Extraordinary General Meeting expected to be held on 22 December 2009.
- Board also proposes to enter into a share consolidation following the completion of the Capital Raising, save for Admission, and prior to Admission on 23 December 2009, under which all of the then issued shares in the capital of the Company will be consolidated into Ordinary Shares on a 1 for 40 basis.
- The proceeds of the Capital Raising, expected to be up to £20.4 million (US\$33.5 million) net of expenses, may be used as follows:
 - US\$28.5 million could be used to fund the Company's share of the testing of the exploration well and further appraisal work on the Sangaw North block in Kurdistan in the event of the proposed exploration well being a success; and
 - US\$3.5 million to be utilised to cover the Company's share of the working capital costs relating to the Sangaw North block; and

- US\$1.5 million to fund further geological and geophysical exploration work on the Company's assets in Madagascar and Cameroon with a view to seeking farm-in partners.

Details of the Firm Placing and Open Offer

Under the Firm Placing and Open Offer, Sterling intends to issue 1,637,296,583 New Shares, comprising:

- 52,224,231 Firm Placed Shares (representing gross proceeds of £0.7 million), pursuant to the Firm Placing with Directors and certain members of staff; and
- 1,585,072,352 Open Offer Shares (representing gross proceeds of £20.6 million) to be made available to Qualifying Shareholders pursuant to the Open Offer.

Qualifying Shareholders are being given the opportunity to subscribe for the Open Offer Shares at a price of 1.3 pence per Open Offer Share, *pro rata* to their holdings of Existing Ordinary Shares on the Record Date of 8 September 2009 on the basis of 2 Open Offer Shares for every 9 Existing Ordinary Shares. The Excess Qualifying Shareholders, who are those Qualifying Shareholders who did not participate as placees in the September Placing, are also being given the opportunity, provided they take up their Open Offer Entitlement in full, to apply for Excess Shares through the Excess Application Facility, up to a maximum number of Excess Shares equal to 0.5 times their respective Open Offer Entitlements as at the Record Date, subject to availability.

Alastair Beardsall, Chairman of Sterling, said:

"We are glad to offer our shareholders the opportunity to participate in this Open Offer at the same price as the September Placing. I would also like to thank Graeme Thomson, our Chief Executive Officer who will be stepping down after the EGM, for his tremendous effort, dedication and leadership over the years and most recently seen during the successful sale of our USA business. I wish him every success in his future endeavours."

Indicative timetable and key dates

Despatch of Prospectus, Proxy Form and Non-CREST Application Form	4 December 2009
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate)	11.00 a.m. on 21 December 2009
Extraordinary General Meeting of Shareholders	11.00 a.m. on 22 December 2009
Expected date of Admission and commencement of dealings in Ordinary Shares on AIM and Ordinary Shares credited to CREST stock accounts (uncertificated holders only)	8.00 a.m. on 23 December 2009

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Evolution, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as nominated adviser and broker exclusively to the Company and for no one else in connection with the Capital Raising and Consolidation and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Capital Raising or any other matters referred to herein.

This announcement has been issued by, and is the sole responsibility of, Sterling. Apart from the responsibilities and liabilities, if any, which may be imposed by the FSMA, Evolution nor any of its affiliates, parent undertakings, subsidiary undertakings or subsidiaries of its parent undertakings or any of its respective directors, officers, employees or advisers or any other person accepts any responsibility whatsoever and makes no representation or warranty, express or implied, for or in respect of the contents of this announcement or as to the accuracy or completeness or fairness of the information or opinions contained in this announcement and, without prejudice to the generality of the foregoing, no responsibility or liability is accepted by any of them for any such information or opinions or for any errors or omissions.

Cautionary note regarding forward looking statements

Some of the information in this announcement includes statements that are, or may be deemed to be, "forward looking statements". These forward looking statements can be identified by the use of forward looking terminology, including the terms "believes", "projects", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" "should" or "continue" or, in each case, their negative or other variations or comparable terminology. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this announcement and include statements regarding the intentions, beliefs or current expectations of the Directors, the Company or the Group concerning, among other things, the results of operations, prospects, growth, strategies and dividend policy of the Group and the industries in which it operates. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Company's ability to control or predict. Forward looking statements are not guarantees of future performance. The forward looking statements contained in this announcement speak only as of the date of this announcement.

Other than in accordance with its legal or regulatory obligations (including under the AIM Rules and/or the Prospectus Rules) and as required by the FSA, the London Stock Exchange or the City Code, the Company does not undertake any obligation to update or revise publicly any forward looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph.

No statement in this announcement is intended to be a profit forecast and no statement in this announcement should be interpreted to mean that earnings per share of Sterling for the current or future financial years would necessarily match or exceed the historical published earnings per share of Sterling.

Important notice

THIS ANNOUNCEMENT IS AN ADVERTISEMENT. IT IS NOT A PROSPECTUS AND INVESTORS SHOULD NOT SUBSCRIBE FOR OR PURCHASE ANY SHARES REFERRED TO IN THIS

ANNOUNCEMENT EXCEPT ON THE BASIS OF INFORMATION CONTAINED IN THE PROSPECTUS WHICH IS TO BE PUBLISHED IN DUE COURSE. THE PROSPECTUS, WHEN PUBLISHED, WILL BE MADE AVAILABLE ON STERLING'S WEBSITE AND WILL BE AVAILABLE FOR INSPECTION AT THE UK LISTING AUTHORITY'S DOCUMENT VIEWING FACILITY.

Neither the content of Sterling's website nor any website accessible by hyperlinks on Sterling's website is incorporated in, or forms part of, this announcement.

This announcement does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire any New Shares to any person in Australia, Canada, Japan or the United States or in any jurisdiction to whom or in which such offer or solicitation is unlawful, nor shall it (or any part of it), or the fact of its distribution, form the basis of, or be relied on in connection with or act as any inducement to enter into, any contract or commitment whatsoever with respect to the proposed Capital Raising or otherwise.

The distribution of this announcement in certain jurisdictions may be restricted by law and such distribution could result in violation of the laws of such jurisdictions. In particular, this announcement is not for distribution in the United States, Australia, Canada or Japan. The securities referred to herein may not be offered or sold in the United States absent registration under the U.S. Securities Act of 1933, as amended (the "Securities Act") or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Subject to certain exceptions, the securities referred to herein may not be offered or sold in Australia, Canada or Japan or to, or for the account or benefit of, any national, resident or citizen of Australia, Canada or Japan. The offer and sale of the securities referred to herein has not been and will not be registered under the Securities Act or under the applicable securities laws of Australia, Canada or Japan. There will be no public offer of the securities in the United States.

The information in this announcement may not be forwarded or distributed to any other person and may not be reproduced in any manner whatsoever. Any forwarding, distribution, reproduction or disclosure of this information in whole or in part is unauthorised. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

Any person receiving this announcement is advised to exercise caution in relation to the Capital Raising. If in any doubt about any of the contents of this announcement, independent professional advice should be obtained.

This summary should be read in conjunction with the full text of the announcement.

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4 December 2009

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Firm Placing and Open Offer of up to 1,637,296,583 New Ordinary Shares at 1.3 pence per New Ordinary Share, Proposed Consolidation, Approval of the Rule 9 Waiver, Adoption of amended Articles and Approval of New LTIP Schemes

1. Introduction

The Board is pleased to announce that as set out in the September Placing Circular to Shareholders dated 14 August 2009, the Company is proposing to raise up to £20.4 million, net of expenses, by the issue of up to 1,637,296,583 New Ordinary Shares (representing approximately 23.0 per cent. of the existing issued share capital and 18.7 per cent. of the enlarged share capital immediately following completion of the Capital Raising) at a price of 1.3 pence per New Ordinary Share, being the same price per share as in the September Placing. The issue is being made by way of a Firm Placing and an Open Offer to Qualifying Shareholders holding Existing Ordinary Shares at the close of business on 8 September 2009. If you are not a Qualifying Shareholder then you will not have received an Application Form or credit to your CREST account. 52,224,231 New Ordinary Shares will be issued through the Firm Placing and up to 1,585,072,352 New Ordinary Shares will be issued through the Open Offer.

The Issue Price of 1.3 pence per New Ordinary Share represents a 70.6 per cent. discount to the closing middle market price of 4.43 pence per Existing Ordinary Share on 3 December 2009, the last business day before this announcement, and a 52.6 per cent. discount to the closing middle market price of 2.74 pence per Existing Ordinary Share on 13 August 2009, being the last practicable date prior to the announcement of the September Placing.

In addition, your Board also proposes to enter into a share consolidation subsequent to the completion of the Capital Raising, save for Admission, and prior to Admission on 23 December 2009, under which all of the then issued shares in the capital of the Company will be consolidated into Ordinary Shares on a 1 for 40 basis.

2. Operational Update

2.1 Kurdistan, Iraq

The focus for 2009 has been the preparation to drill the first exploration well on the Sangaw North Block (53.33 per cent. WI). Technical analysis and operational activity has continued apace in order to remain on track for a well spud in December 2009; the well is expected to take 180 days to drill and evaluate.

The well location, total drilling depth of 3,660m (with an option to drill to 4,160m) and rig contract have all been approved by both the Kurdistan Regional Government and the joint venture partners.

2.2 Cameroon

Sterling's financial obligations and work programme for the Ntem concession area (100 per cent. WI) are suspended owing to overlapping maritime border claims between Cameroon and Equatorial Guinea and the licence is in *force majeure*. However, whilst both countries are actively working to resolve this issue there can be no assurance that this dispute will be resolved in the foreseeable future if at all. Sterling is updating its evaluation of the area in the light of recent Tertiary discoveries made by Noble Energy to the north of the block and the Company intends to farmout an interest in this licence pending the resolution of the border dispute.

2.3 Madagascar

Sterling's Ambilobe and Ampasindava blocks are located in the deepwater basin offshore north-west Madagascar – one of the as yet undrilled exploration frontiers in Africa.

In the Ampasindava block, the Sifaka prospect is ready to drill and the Company is awaiting confirmation from the operator, Exxon, on timing for the well. The well cost will materially exceed the value of Sterling's remaining carry and the Company will seek to farm down its interest in the PSC to cover these costs. Following the recent political changes it is now unlikely that exploration drilling will commence before 2011. Sterling must decide by the end of December 2009 as to its participating interest in any further exploration work program.

In the Ambilobe block, Sterling's technical evaluation has identified a number of large leads in the Cretaceous and Tertiary plays which the Company is continuing to work up. Sterling has recently completed a major 2D seismic reprocessing project across both blocks of nearly 9,000km of controlled amplitude, controlled phase compliant seismic data, to help identify potential hydrocarbon bearing anomalies in the subsurface. The Company's exploration efforts have been hampered due to political upheaval in Madagascar. Sterling was granted an extension to Phase 2 of the exploration period, which will now expire in November 2010. All work commitments for phase 2 have been completed. The Company is seeking a farm-in partner to share the cost of future 3D seismic acquisition and exploration drilling.

2.4 Mauritania

The Chinguetti field production has stabilised since being returned to production on 1 July 2009 with gross production currently of approximately 9,130 bbl/d, equating to 726 bbl/d net to Sterling.

Sterling estimates that, at the end of June 2009, Chinguetti held a remaining 7.6 mmbbl of gross 2P reserves that could be accessed with the existing wells. Evaluation work continues to be carried out to optimise the reservoir model and investigate the potential for a Phase 3 drilling campaign. However, given the current commodity price environment, the Phase 3 programme may not be economic and the Company

estimates the Chinguetti field may be abandoned earlier than envisaged at the time the field was developed.

2.5 Sale of US assets and repayment of bank debt

As announced on 3 December 2009, the Company has now disposed of its US companies and assets. After adjusting for cash already received from the USA business since the effective date and the various expenses associated with the sale, Sterling's net consideration is \$78.9 million. These funds have been used to repay all of Sterling's outstanding debt of US\$71.6 million leaving the Company debt free. Of the proceeds \$8.3 million is held in escrow pending tax clearances. Sterling expects these proceeds will be obtained in the next few months.

Following the sale of the US assets the Company is now debt free, has net cash of approximately \$73.4 million, including the US\$8.3 million above held in escrow, and can focus its attention on its high impact exploration projects.

3. Reasons for the Firm Placing and Open Offer and Use of Proceeds

As set out in the September Placing Circular, the Board considered that an offer to existing Shareholders by way of a rights or other pre-emptive issue would not have been feasible as a method of executing the recent equity fundraising due to the delays that would be incurred through the production and approval of a prospectus, having regard in particular to the need of the Company to secure an amendment to its financing arrangements in accordance with the timetable prescribed by its banks. As stated in the September Placing Circular, the Board is keen that all Shareholders are offered the opportunity to participate in the issue of new equity and has therefore decided to make the Open Offer to Shareholders at the same price as the September Placing. The Company is undertaking the Open Offer only for this reason.

The Company's current cash resources are sufficient for it to carry out its envisaged firm budgeted work programme for at least the next 12 months following the date of this document and as a result of this the Capital Raising has not been underwritten. It is currently expected that the proceeds of the Capital Raising, expected to be up to £20.4 million (US\$33.5 million) net of expenses, may be used as follows:

- US\$28.5 million could be used to fund the Company's share of the testing of the exploration well and further appraisal work on the Sangaw North block in Kurdistan in the event of the proposed exploration well being a success; and
- US\$3.5 million to be utilised to cover the Company's share of the working capital costs relating to the Sangaw North block; and
- US\$1.5 million to fund further geological and geophysical exploration work on the Company's assets in Madagascar and Cameroon with a view to seeking farm-in partners.

The Company's surplus cash resources in place following the September Placing, the sale of the Company's US assets and repayment of the Company's debt will allow the Company to fund additional elements of its contingent work programmes itself or, if the funds are not required for this purpose, provide funding for the Company to acquire additional assets in line with its stated strategy.

As the Open Offer is not a rights issue and is not underwritten, any Open Offer Entitlements not taken up will not be sold in the market for the benefit of either the Qualifying Shareholders who do not apply or apply in full for the Open Offer or for the benefit of the Company. However, the Open Offer is structured as such to include an Excess Application Facility, which will enable Excess Qualifying Shareholders, provided they take up their Open Offer Entitlement in full to apply, provided in accordance with the terms of the Open Offer, for Excess Shares through the Excess Application Facility, up to a maximum number of Excess Shares equal to 0.5 times their respective Open Offer Entitlements as at the Record Date, subject to availability.

Nevertheless, to the extent that the Open Offer Shares are not taken up under the Open Offer (whether by way of Qualifying Shareholders' Open Offer Entitlements or through the Excess Application Facility, if applicable), the Company would receive less than the gross proceeds under the Open Offer, which are estimated to be a maximum of £20.6 million as described in this Prospectus.

As announced in the September Placing Circular dated 14 August 2009, the Company took the opportunity to strengthen the Board with the addition of Alastair Beardsall as Executive Chairman and Keith Henry as a Non-executive Director and more recently Nicholas Clayton has been appointed as a Non-executive Director. As current non-shareholders, Mr. Beardsall, Mr. Henry and Mr. Clayton intend to subscribe for a total of 45,000,000 New Ordinary Shares in the Firm Placing in order to more closely align their interests to those of all Shareholders in the Company. In addition, the Directors wish to offer some staff the opportunity to participate in the Firm Placing in order that their interests are also aligned with those of Shareholders.

Further details of the Firm Placing can be found in paragraph 5 below and the Directors' participation in the Capital Raising can be found in paragraph 8 below.

4. Proposed Consolidation

Following the completion of the Capital Raising, save for Admission, and effective prior to Admission on 23 December 2009, it is proposed that every 40 shares of 1 pence each then in issue in the capital of the Company, including for the avoidance of doubt Existing Ordinary Shares and New Ordinary Shares, will be consolidated into one Ordinary Share of 40 pence each. Fractions of Ordinary Shares created as a result of the Consolidation will be aggregated and sold in the market place for the benefit of the Company.

The necessary approval to effect Consolidation is included in Resolution 2 to be proposed at the EGM.

So as to facilitate the Consolidation, Evolution Securities has agreed to subscribe for the Balancing Shares in order to ensure that the combined number of Existing Ordinary Shares and New Ordinary Shares in issue is exactly divisible by 40. On the assumption that no further Existing Ordinary Shares are issued between the date of this document and the close of business on 22 December 2009 (being the record date for the Consolidation), the number of Balancing Shares required to be issued is expected to be 24. However, in the event that any further Existing Ordinary Shares are issued following the date of this document, this number is subject to change.

Effect of Consolidation on Existing Ordinary Shares

Save in respect of the nominal value per Ordinary Share there will be no material differences between the Existing Ordinary Shares, New Ordinary Shares and the Ordinary Shares following the Consolidation. The Consolidation will not affect the voting rights of holders of Existing Ordinary Shares. The Consolidation will be made by reference to holdings of Existing Ordinary Shares on the register of members of the Company as at the close of business on 22 December 2009 and the subscribers of New Ordinary Shares pursuant to the Capital Raising.

In the absence of any other factors affecting the Company's share price, the Consolidation is expected to result in an increase in the market price per Ordinary Share compared to the Existing Ordinary Shares and the New Ordinary Shares as a consequence of the reduced number of shares in issue.

The Consolidation will give rise to fractional entitlements to Ordinary Shares where Shareholders hold a number of Existing Ordinary Shares and/or New Ordinary Shares which is not exactly divisible by 40. Subject to Resolution 2 being approved by the Shareholders at the EGM, Shareholders with a holding of Existing Ordinary Shares and/or New Ordinary Shares which is not exactly divisible by 40 will, pursuant to the Consolidation, have their holding rounded down to the nearest whole number of Ordinary Shares. As at 3 December 2009, the latest practicable date prior to the date of this document, a shareholding of 40 Existing Ordinary Shares was worth £1.77 and any fractional entitlements arising pursuant to the Consolidation (as if carried out on 3 December 2009) would therefore be worth less than this. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of the Consolidation.

In the view of the Board, aggregating such fractional entitlements, selling them and sending cheques to Shareholders in respect of their *pro rata* proportion of the proceeds is neither practical nor cost-efficient given the relatively small sums of money attributable to each individual Shareholder concerned. In accordance with Resolution 2, any fractional entitlements to issued Ordinary Shares arising on the Consolidation will be sold for the benefit of the Company.

One effect of the Consolidation will be that any Shareholder holding fewer than 40 Existing Ordinary Shares and/or New Ordinary Shares at the close of business on 22 December 2009 (being the record date for the Consolidation) will not hold any Ordinary Shares in the Company following the Consolidation becoming effective. If you currently hold fewer than 40 Existing Ordinary Shares and wish to retain an interest in Ordinary Shares in the Company following the proposed Consolidation you must ensure that at the close of business on 22 December 2009 your holding is at least 40 Existing Ordinary Shares. This could be achieved by buying further Existing Ordinary Shares on the stock market. **You should not, however, regard this letter as an encouragement or recommendation to deal in the Company's Existing Ordinary Shares and you should seek your own advice in this regard from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under FSMA.**

Application has been made for admission of the New Ordinary Shares and Existing Ordinary Shares in issue to AIM as Ordinary Shares following the Consolidation. It is expected that dealings and settlement in the Existing Ordinary Shares will continue until

the close of business on 22 December 2009. Subject to the necessary approvals being obtained at the EGM, Admission is expected to occur at 8.00 a.m. on 23 December 2009.

New share certificates in respect of the Ordinary Shares to which Shareholders will be entitled as a result of the Consolidation will be issued by 4 January 2010 and the Registrars will, following the Consolidation, register transfers of such Ordinary Shares against the Register in respect of the Existing Ordinary Shares and/or New Ordinary Shares, until such new certificates are issued.

Shareholders who hold their Existing Ordinary Shares in uncertificated form will have their CREST accounts credited with the Ordinary Shares in substitution for the number of Existing Ordinary Shares and/or New Ordinary Shares held by them as soon as practicable after Admission.

5. Principal Terms of the Firm Placing and Open Offer

Structure

As stated above, the Board announced its intention in September to ensure that all Shareholders are offered the opportunity to participate in the issue of new equity and has therefore decided to make the Open Offer to Shareholders at the same price as the September Placing.

The Issue Price of 1.3 pence per New Ordinary Share represents a 70.6 per cent. discount to the closing middle market price of 4.33 pence per Existing Ordinary Share on 3 December 2009, the last business day before this announcement, and a 52.6 per cent. discount to the closing middle market price of 2.74 pence per Existing Ordinary Share on 13 August 2009, being the last practicable date prior to the announcement of the September Placing.

The New Ordinary Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares and will rank for all dividends or other distributions declared, made or paid after the date of issue of the New Ordinary Shares. No temporary documents of title will be issued.

Principal terms of the Open Offer

Prior to the proposed Consolidation, and subject to the fulfilment of the conditions set out below, Qualifying Shareholders are being given the opportunity to subscribe for the Open Offer Shares at a price of 1.3 pence per Open Offer Share, *pro rata* to their holdings of Existing Ordinary Shares on the Record Date of 8 September 2009 on the basis of:

2 Open Offer Shares for every 9 Existing Ordinary Shares

Fractions of Open Offer Shares will not be allotted. Each Qualifying Shareholder's entitlement under the Open Offer will therefore be rounded down to the nearest whole number. The fractional entitlements will be aggregated and issued as part of the Firm Placing, with the proceeds being retained for the benefit of the Company.

Qualifying non-CREST Shareholders will have received an Application Form with this document which sets out their maximum entitlement to Open Offer Shares as shown by the number of Open Offer Entitlements allocated to them. Qualifying CREST Shareholders (none of whom will receive an Application Form) will receive a credit to their appropriate stock accounts in CREST in respect of their Open Offer Entitlements on 7 December 2009.

Qualifying Shareholders may apply for any number of Open Offer Shares up to their maximum entitlement which, in the case of Qualifying non-CREST Shareholders, is equal to the number of Open Offer Entitlements as shown in Box 7 on their Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Open Offer Entitlements standing to the credit of their stock account in CREST. Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating their entitlements under the Open Offer.

Excess Application Facility

Excess Qualifying Shareholders are those Qualifying Shareholders who did not participate as placees in the September Placing.

The Excess Qualifying Shareholders are also entitled, pursuant to the terms of the Open Offer and provided they take up their Open Offer Entitlement in full, to apply for Excess Shares through the Excess Application Facility, up to a maximum number of Excess Shares equal to 0.5 times their respective Open Offer Entitlements as at the Record Date, subject to availability.

Qualifying Non-CREST Shareholders who are Excess Qualifying Shareholders and who wish to apply to acquire more than their Open Offer Entitlement should complete the relevant sections on the Application Form. Qualifying CREST Shareholders, will have Excess CREST Open Offer Entitlements credited to their stock account in CREST, for which Excess Qualifying Shareholders only may apply. Qualifying Shareholders who are Excess Qualifying Shareholders should refer to the Prospectus for information on how to apply for Excess Shares pursuant to the Excess Application Facility. The Company may, in its absolute discretion, treat as invalid any applications for Excess Shares not made in accordance with the terms and conditions of the Open Offer. Applications for Excess

Shares which are not validly made will be disregarded. If valid applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Excess Qualifying Shareholders under the Excess Application Facility.

Subject to the passing of appropriate Resolutions, the Open Offer Entitlements and any Excess Shares issued shall be consolidated on a 1 for 40 basis, as further detailed in paragraph 4.

Principal terms of the Firm Placing

Prior to the proposed Consolidation, Sterling is proposing to issue 52,224,231 New Ordinary Shares pursuant to the Firm Placing. The Firm Placing Shares are not subject to clawback from Shareholders and do not form part of the Open Offer.

Of the 52,224,231 Firm Placing Shares, a combined total of 45,769,231 Firm Placing Shares shall be subscribed for by Alastair Beardsall, Keith Henry, Nicholas Clayton and Jonathan Cooper, all Directors of the Company. The remaining 6,455,000 Firm Placing Shares shall be subscribed for by various employees of the Company. Further details of the Directors' participation in the Capital Raising can be found in paragraph 8.

Subject to the passing of the appropriate Resolutions, the Firm Placing Shares shall be consolidated on a 1 for 40 basis.

Effect of the Capital Raising

Upon completion of the Capital Raising, the New Ordinary Shares will represent approximately 23.0 per cent. of the Company's existing ordinary share capital and approximately 18.7 per cent. of the Company's Enlarged Share Capital. New Ordinary Shares issued through the Open Offer and New Ordinary Shares issued through the Firm Placing will account for approximately 96.8 per cent. and 3.2 per cent. respectively of the total New Ordinary Shares to be issued. Resolution 2 set out in the notice attached to this Prospectus must be passed at the Extraordinary General Meeting in order for the Capital Raising to proceed.

Following the issue of the New Ordinary Shares to be allotted pursuant to the Capital Raising, Qualifying Shareholders who take up their full entitlements, excluding any Excess Shares, in respect of the Open Offer will suffer a dilution of up to 0.6 per cent. to their interests in the Company because of the Firm Placing. Qualifying Shareholders who do not take up any of their entitlements in respect of the Open Offer will suffer a more substantial dilution of approximately 18.7 per cent. to their interests in the Company because of the Firm Placing and Open Offer.

Application for Admission to CREST

Application has been made for the Open Offer Entitlements (in respect of Qualifying CREST Shareholders) and Excess CREST Open Offer Entitlements to be admitted to CREST. It is expected that Open Offer Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST on at 8.00 a.m. on 7 December 2009. The Open Offer Entitlements and Excess CREST Open Offer Entitlements will also be enabled for settlement in CREST at 8.00 a.m. on 7 December 2009. Applications through the means of the CREST system may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim arising out of a sale or transfer of Existing Ordinary Shares prior to the date on which the Existing Ordinary Shares were marked "ex" the entitlement by the London Stock Exchange.

If the Open Offer Entitlements are for any reason not enabled by 3.00 p.m. or such later time as the Company may decide on 7 December 2009, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements provisionally credited to its stock account in CREST. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer.

Shareholders should note that the Open Offer is not a rights issue. Qualifying CREST Shareholders should note that although the Open Offer Entitlements and Excess CREST Open Offer Entitlements, if appropriate, will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear UK & Ireland's Claims Processing Unit. Qualifying non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer, but will be made available under the Excess Application Facility.

For Qualifying non-CREST Shareholders, completed Application Forms, accompanied by full payment, should be returned by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive as soon as possible and in any event so as to be received no later than 11.00 a.m. on 21 December 2009. For Qualifying CREST Shareholders the relevant CREST instructions must have settled by no later than 11.00 a.m. on 21 December 2009.

Conditionality

The Firm Placing and Open Offer is conditional upon:

- (i) the passing of Resolution 2; and
- (ii) Admission becoming effective by not later than 8.00 a.m. on 23 December 2009 (or such later time and/or date as Evolution Securities and the Company may agree, not being later than 5.00 p.m. on 31 January 2010).

Accordingly, if any of such conditions are not satisfied, or, if applicable, waived, the Firm Placing and Open Offer will not proceed and any Open Offer Entitlements and/or any CREST Open Offer Entitlements admitted to CREST will thereafter be disabled.

Should the appropriate Resolution be passed at the EGM, the Enlarged Share Capital of the Company (and for the avoidance of doubt, the New Ordinary Shares) shall be consolidated prior to Admission on a 1 for 40 basis, as further detailed in paragraph 4.

Application shall be made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM, a market operated by the London Stock Exchange. It is expected that Admission will become effective on 23 December 2009 and that dealings for normal settlement in the Ordinary Shares will commence at 8.00 a.m. on 23 December 2009.

Further information on the Open Offer and the terms and conditions on which it is made, including the procedure for application and payment, are set out in the Prospectus and in the Application Form.

6. Board Changes

Following the successful completion of the sale of the Company's US assets, Mr Graeme Thomson, Chief Executive Officer of the Company, has decided to step down from the Board following the completion of the EGM on 22 December 2009. Graeme is a founding director of the Company, initially joining the Board as Finance Director before becoming Chief Executive Officer in February 2008. I would like to thank Graeme on behalf of the Board for his tireless efforts working for the Company, in particular managing the successful negotiations with the Company's banks to enable the September Placing to proceed and the sale of the Company's US assets. The Board wishes Graeme every success in his future endeavours.

7. Incentive Plans

The Company has reviewed the existing share based incentive schemes currently in place to motivate and incentivise its employees, and also taken independent advice. Based on this review the Company proposes a new long term incentive plan as being the most effective way to deliver the incentives that we believe will continue to align the interests of the employees and Shareholders.

The employee incentive will be in the form of awards to be granted under the proposed All Staff Long Term Incentive Plan ("All Staff LTIP"). As the name suggests, all executive directors, management and employees would be eligible to participate in the single scheme. The award will be in the form of options to acquire shares in the Company at

the shares' nominal value. Although it is not a requirement for an AIM listed company the Company intends to seek shareholder approval for the proposed All Staff LTIP at the forthcoming EGM, and assuming it is approved, envisages implementing the plan and making the initial awards shortly afterwards. If the All Staff LTIP is approved and implemented as proposed, no further awards or grants under any other existing Company share performance scheme will be made, subsisting awards and grants will remain in place and the schemes will be allowed to time lapse.

The All Staff LTIP is designed as a three year plan and the Company intends to grant annual awards in October each year based on the recommendations of the Remuneration Committee. It is proposed that the awards will only be earned subject to achieving performance conditions measured over the twelve month period following the grant. Awards earned will not normally vest and be exercisable for a further 2 years and vesting will be conditional upon the recipient of the award remaining an employee of the Company.

Although it is proposed that awards under the All Staff LTIP would normally be granted in October of each year, for 2009 the awards will be made immediately after the EGM and be based upon the criteria that would have been used had the awards been made in October. Performance for these initial awards will be assessed in October 2010, with those earned awards being held by the Company until October 2012, after which they are then exercisable by the employee.

The All Staff LTIP will be used to make awards to employees of the Company and its subsidiaries. It is also proposed that awards will be made on similar terms to Non-executive Directors of the Company, under a separate plan (the "NED LTIP"). Awards under the NED LTIP shall be made by the Board and will not be subject to performance conditions for independence reasons. The Company is also seeking Shareholder approval for the proposed NED LTIP, and the allotment and issue of shares pursuant to the exercise or vesting of awards to be granted thereunder, at the forthcoming EGM. Assuming that such approval is given, the Company envisages implementing the plan and making the initial awards shortly afterwards.

Proposed LTIP awards for 2009

		<i>Existing Ordinary Shares under option</i>
Alastair Beardsall	Executive Chairman	45 million (see note below)
Andrew Grosse	Exploration Director	19 million
Jonathan Cooper	Finance Director	16 million
Keith Henry	Non-executive Director	5 million
Richard Stabbins	Non-executive Director	5 million
Nicholas Clayton	Non-executive Director	5 million
Staff, based on current staffing		up to 100 million

Note: in recognition of Alastair Beardsall's efforts in the fund raising and the September Placing, and as a means of retention, it is proposed that 50 per cent. of the options awarded to him will vest without performance criteria in October 2012, always provided he remains employed by the Company at that time.

The total of the above awards is approximately 195 million options. In the event the performance conditions are met 100 per cent. these awards will represent approximately 2 per cent. of the issued share capital of the Company assuming the proposed Firm Placing and Open Offer are completed as anticipated. For future awards over the following four year period, and assuming certain annual salary increases and share price growth, it is expected that the aggregate of all awards under the All Staff LTIP and NED LTIP over the next 5 years will represent some 4 per cent. of the issued share capital, assuming the proposed Firm Placing and Open Offer are completed as anticipated. In formulating the proposed awards under the All Staff LTIP and the NED LTIP the Company has consulted with several of its Shareholders.

Performance measures

The choice of a share price based performance measure reflects the Company's recognition that the key focus at this stage of its development is to achieve a sustainable growth in shareholder value. Therefore the primary measure will be share price appreciation over the twelve month performance period relative to a FTSE index to be selected by the Remuneration Committee.

The Remuneration Committee would establish appropriate performance conditions each year prior to the annual grant. As an example some 25 per cent. of the award may be earned if Sterling's share price performance is in line with the chosen index over the twelve month period, and if the share price performance is materially better than the index performance then up to 100 per cent. of the awards could be earned. Any part of the annual award that was not earned under the performance criteria would lapse.

Performance period

It is proposed the awards will be granted each year in October, following the publishing of the Company's interim results. Performance will be assessed at the end of each subsequent twelve month period and the participant will be notified as to the number of options they have earned for that period. However, in order to deliver on a longer term philosophy for the plan, the earned options will be held by the Company and will not become exercisable unless the participant remains in employment with the group for a further two year period.

Joint Share Sub-Plan

The Company is also considering the introduction of a Joint Share Plan ("JSP") as a sub-plan of the All Staff LTIP and NED LTIP, under which all participants will be offered the opportunity to take part of their award under the JSP.

The basic principle of a JSP is that the employee and an Employee Benefit Trust ("EBT") split the benefit of ownership of a single share between them. The trustee of the EBT acquires the shares and is the legal owner of them but the employee and trustee are joint beneficial owners. A co-ownership agreement records the basis of this joint beneficial ownership and will specify that if the shares are sold, the employee will receive a proportion of the sale proceeds above a pre-set hurdle and the trustee will receive the balance.

Participants may elect to receive an award under the JSP because it could potentially achieve a better overall personal tax result. However, participants in the JSP are required to pay an initial income tax and NIC charge arising at the time of the award under the JSP and some employees may prefer to receive a conventional nominal cost option award.

Shareholder approval

Shareholders are being given the opportunity to approve the All Staff LTIP and the NED LTIP, which are conditional upon the passing of Resolutions 4 and 5 respectively at the EGM.

8. Placing with Directors and Employees

Of the 52,224,231 Firm Placing Shares, a combined total of 45,769,231 Firm Placing Shares shall be subscribed for by Alastair Beardsall, Keith Henry, Nicholas Clayton and Jonathan Cooper, all Directors of the Company. The remaining 6,455,000 Firm Placing Shares shall be subscribed for by various employees of the Company who were unable to participate fully in the issue of new equity in the September Placing.

Immediately after Admission, it is expected that the Directors will have the following shareholdings:

<i>Director</i>	<i>No. of Existing Ordinary Shares prior to the Capital Raising and Consolidation</i>	<i>No. of New Ordinary Shares subscribed for in the Firm Placing</i>	<i>No. of New Ordinary Shares subscribed for in the Open Offer</i>	<i>Total no. of Existing and New Ordinary Shares held following the Capital Raising (prior to the Consolidation)</i>	<i>Total no. of Ordinary Shares held following the Consolidation</i>	<i>Percentage of the enlarged issued share capital (assuming full take up under the Open Offer)</i>
Alastair Beardsall	–	20,000,000	–	20,000,000	500,000	0.23%
Graeme Thomson	39,041,462	–	8,675,880	47,717,342	1,192,933	0.54%
Jonathan Cooper	1,269,230	769,231	282,050	2,320,510	58,012	0.03%
Andrew Grosse	22,785,088	–	5,063,352	27,848,440	696,211	0.32%
Richard Stabbins	9,474,272	–	2,105,392	11,579,664	289,491	0.13%
Keith Henry	–	20,000,000	–	20,000,000	500,000	0.23%
Nicholas Clayton	–	5,000,000	–	5,000,000	125,000	0.06%

9. Background to and Reasons for the Concert Party

In accordance with Rule 9 and, except with the consent of the Panel, when:

- any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company; or

- any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested

that person or persons acting in concert will be required to normally make an offer to the holders of any class of equity share capital to purchase those shares, unless this requirement is waived by the Panel and the waiver is approved by the Independent Shareholders of the relevant company at a general meeting. An offer under Rule 9 must be made in cash (or be accompanied by a full cash alternative) and at not less than the highest price paid by that person or persons acting in concert with them during the twelve months prior to the announcement of the offer.

As part of the September Placing, Waterford subscribed for Existing Ordinary Shares representing 29.99 per cent. of the Company's then issued share capital. At the time of the September Placing, the Panel deemed that Alastair Beardsall was acting in concert with Waterford. In particular, Alastair Beardsall, who has previously worked as a consultant for Waterford, (this involvement was terminated in 2003) and was a director of two companies in which Waterford had substantial shareholdings, being Emerald Energy plc and First Calgary Petroleums Limited, played a key role in effecting the rescue fundraising of the Company, including the introduction of Waterford as a 29.99 per cent. shareholder.

As Executive Chairman of the Company and a key member of the management team, the Independent Directors consider that Alastair Beardsall should now be able to more closely align his interests with that of all Shareholders by participating in the Capital Raising and being awarded Options under the Company's All Staff LTIP.

The terms of the Options are as follows:

<i>Name</i>	<i>Number of Existing Ordinary Shares under option</i>	<i>Price</i>	<i>Exercise Period (subject to certain conditions)</i>
Alastair Beardsall	45,000,000	1 pence	3 years

Pursuant to the terms of its investment Waterford has agreed not to increase its shareholding in the Company to, or in excess of, 30 per cent. of the share capital of the Company until 31 December 2009. However, as a result of Alastair Beardsall's participation in the Firm Placing and/or in the event that the proposed Options are exercised in full and the Ordinary Shares are retained, the Concert Party's interest will increase from 29.99 per cent. to a maximum of 30.40 per cent.

Assuming the exercise in full of the Options, the maximum shareholding of the Concert Party would be as follows:

	Existing Ordinary shares held at the date of this	New Ordinary Shares to be acquired	Firm Placing Shares to be	All Staff LTIP Awards	Maximum possible shareholding immediately	Maximum possible shareholding post	Maximum possible shareholding as a

	announcement	in the Open Offer ¹	acquired in the Firm Placing		prior to Consolidation	Consolidation	percentage of the enlarged issued share capital ²
Waterford	2,139,847,102	475,521,578	-	-	2,615,368,680	65,384,217	29.66
Alastair Beardsall	-	-	20,000,000	45,000,000	65,000,000	1,625,000	0.74
Total	2,139,847,102	475,521,578	20,000,000	45,000,000	2,680,368,680	67,009,217	30.40

¹Assumes acquisition of full entitlement

²Assumes that only Mr Beardsall exercises his awards under the All Staff LTIP

10. Information on the Concert Party

Waterford is a privately owned investment vehicle registered in Guernsey.

Alastair Beardsall and Waterford are deemed to be acting in concert for the purposes of the Code and persons acting in concert with either of them are acting in concert for the purposes of Rule 9.

11. Intentions of the Concert Party

The members of the Concert Party have confirmed that it is their intention that the business of the Company would be continued in substantially the same manner as at present, with no major changes. With this in mind, there will be no repercussions on employment or the location of the Company's places of business and no redeployment of the Company's fixed assets. The Concert Party is also not intending to prejudice the existing employment rights, including pension rights, of any of the employees or management of the Group nor to procure any material change in the conditions of employment of any such employees or management. As previously described to Shareholders, the Company remains keen to ensure that it maintains appropriate corporate governance for a company of its size and stage of development. The Company will therefore ensure it maintains at least three non-executive directors on the Board at any one time.

12. Waiver of the obligation to make a general offer under Rule 9 of the Code

The proposed award of Options under the All Staff LTIP to Alastair Beardsall, together with his participation in the Firm Placing gives rise to certain considerations under the City Code. Brief details of the City Code and the protection this affords Shareholders are described below.

The City Code is issued and administered by the Panel. The City Code and the Panel operate to ensure fair and equal treatment of shareholders in relation to takeovers, and also provides an orderly framework within which takeovers are conducted. The City Code applies to all takeovers and merger transactions, where the offeree company is, among others, a listed or unlisted public company with its registered office and place of central management control in the United Kingdom, the Channel Islands or the Isle of Man or falls within certain categories of private limited companies. Sterling is such a public company and accordingly its Shareholders are entitled to the protection afforded by the City Code.

Under Rule 9 of the City Code, where any person acquires, whether by a series of transactions over a period of time or by one specific transaction, an interest (as defined in the City Code) in shares which (taken together with shares in which he is already interested and in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company that is subject to the City Code, that person is normally required by the Panel to make a general offer to all remaining shareholders of that company to acquire their shares.

Similarly, where any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company, but does not hold shares carrying more than 50 per cent. of the voting rights of that company, a general offer will normally be required if any further interest in shares is acquired by any such person.

An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during 12 months prior to the announcement of the offer.

The proposed award of options under the All Staff LTIP to Alastair Beardsall, together with his participation in the Firm Placing would, absent the Rule 9 Waiver, give rise to an obligation on the Concert Party or its members to make a general offer for the entire issued share capital of the Company.

The Directors believe that it is appropriate for the Company to effect the Firm Placing, and to issue New Ordinary Shares to Alastair Beardsall. However, the Board would not be prepared to recommend voting in favour of the Resolutions in circumstances which would lead any member of the Concert Party to become obliged to make a general offer to acquire all of the shares in the Company. Accordingly the Board has consulted with the Panel which has agreed, subject to a poll vote of the Independent Shareholders, that it will waive any obligation on the Concert Party (or any of its members) to make a general offer under Rule 9.

In these circumstances, the Panel has agreed, however, to waive the obligation that would arise under Rule 9 to make a general offer as a result of participation in the Capital Raising by, and exercise of the Options to be granted to, Alastair Beardsall under the All Staff LTIP, subject to the approval of Independent Shareholders. Accordingly, Resolution 1 is being proposed at the Extraordinary General Meeting and will be taken on a poll. No member of the Concert Party, will be entitled to vote on Resolution 1.

Alastair Beardsall and Waterford are deemed to be acting in concert for the purposes of the Code. Following completion of the Firm Placing and Open Offer and the exercise of Alastair Beardsall's Options, the members of the Concert Party will between them be interested in shares carrying 30 per cent. or more of the Company's voting rights but will not hold shares carrying more than 50 per cent. of such voting rights and (for so long as they continue to be treated as acting in concert) any further increase in their aggregate interest in the shares will be subject to the provisions of Rule 9.

13. Notice of Extraordinary General Meeting

A notice convening the Extraordinary General Meeting to be held at 11.00 a.m. on 22 December 2009, for the purpose of considering and, if thought fit, passing the Resolutions, is set out at the end of the Prospectus.

Resolution 1

Resolution 1 will be proposed as an ordinary resolution seeking approval from Independent Shareholders voting on a poll for the Rule 9 Waiver. The rationale for Resolution 1 is set out at paragraph 12 above.

Resolution 2

Resolution 2 will be proposed as a special resolution to:

- (i) authorise the Directors under section 551 of the 2006 Act to allot relevant securities up to an aggregate nominal amount of £16,372,965.83 for the purposes of the Capital Raising. If passed, these authorities will expire on 31 January 2010;
- (ii) disapply the pre-emption rights provisions of sections 570 and 573 of the 2006 Act in respect of the allotment of equity securities pursuant to the Capital Raising. If given, this authority will expire at the same time as the authorities referred to in paragraph (i) expire; and
- (iii) approve the consolidation of every 40 issued ordinary shares of one pence each in the capital of the Company into one Ordinary Share of 40 pence.

Resolution 3

Resolution 3 will be proposed as a special resolution to amend the Articles in order to update the Articles in line with the coming into force of the final provisions of the 2006 Act.

Resolution 4

Resolution 4 will be proposed as an ordinary resolution to approve the implementation of the All Staff LTIP as summarised in the Prospectus.

Resolution 5

Resolution 5 will be proposed as a special resolution to

- (i) approve the implementation of the NED LTIP as summarised in the Prospectus.
- (ii) authorise the Directors under section 551 of the 2006 Act to allot shares pursuant to the exercise or vesting of awards granted under the NED LTIP; and
- (iii) disapply the pre-emption rights provisions of sections 570 and 573 of the 2006 Act in respect of the allotment of shares pursuant to the exercise or vesting of awards granted under the NED LTIP.

14. Recommendation

The Independent Directors, who have been so advised by Evolution Securities, consider that the Firm Placing, the Open Offer and the Resolutions are fair and reasonable, and in the best interests of the Company and its Independent Shareholders as a whole. In providing its advice to the Directors, Evolution Securities has taken into account the Directors' commercial assessments.

Accordingly, the Independent Directors unanimously recommend that Independent Shareholders vote in favour of Resolution 1 relating to the Rule 9 Waiver as they intend to do in respect of their own beneficial holdings, where relevant, amounting to an aggregate of 72,570,052 Existing Ordinary Shares, representing approximately 1.0 per cent. of the Company's current issued share capital.

The Directors consider that the Capital Raising, the Consolidation and Resolutions 2, 3, 4 and 5 are in the best interests of the Company and its Shareholders as a whole. Accordingly, all of the Directors unanimously recommend that Shareholders vote in favour of Resolutions 2, 3, 4 and 5, as they intend to do in respect of their own beneficial holdings, where relevant, amounting to an aggregate of 72,570,052 Existing Ordinary Shares, representing approximately 1.0 per cent. of the Company's current share capital.

APPENDIX I - EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<i>2009</i>
Record Date for the Open Offer	close of business on 8 September
Announcement of Firm Placing and Open Offer	4 December
Posting of Prospectus, Form of Proxy and, to Qualifying Non- CREST Shareholders only, the Application Forms	4 December
Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to stock accounts in CREST of Qualifying CREST Shareholders	7 December
Latest recommended time and date for requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST	4.30 p.m. on 15 December
Latest time for depositing Open Offer Entitlements and Excess CREST Open Offer Entitlements into CREST	3.00 p.m. on 16 December
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims)	3.00 p.m. on 17 December
Latest time and date for receipt of Forms of Proxy and receipt of electronic proxy appointments via the CREST system	11.00 a.m. on 20 December
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instruction (as appropriate)	11.00 a.m. on 21 December
Expected time and date of announcement of results of the Capital Raising	7.00 a.m. on 22 December
Extraordinary General Meeting	11.00 a.m. on 22 December
Expected time of announcement of results of the Extraordinary General Meeting	by 4.30 p.m. on 22 December
Record date for the Consolidation (to include shares taken up under the Open Offer)	close of business on 22 December
Dealings in the Ordinary Shares commence	8.00 a.m. on 23 December
Expected date for crediting of Ordinary Shares to CREST stock accounts in uncertificated form	23 December
	<i>2010</i>
Expected date of despatch of share certificates in respect of Ordinary Shares in certificated form	4 January

Notes:

- (1) If you have any questions on the procedure for acceptance and payment, you should contact Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, telephone: Capita Registrars on 0871 664 0321 or, if telephoning from outside the UK, on +44 20 8639 3399 between 9.00 a.m. and 5.00 p.m. Calls to the Capita Registrars 0871 664 0321 number are charged at 10 pence per minute (including VAT) plus any of your service provider's network extras. Calls to the Capita Registration +44 20 8639 3399 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Capita Registrars cannot provide advice on the merits of the Capital Raising nor give any financial, legal or tax advice.
- (2) The dates set out in the Expected Timetable of Principal Events above and mentioned throughout this document may be adjusted by Sterling in which event details of the new dates will be notified to the UKLA, AIM and, where appropriate, to Shareholders.

(3) All references to time in this document are to time in London.

APPENDIX II - STATISTICS RELATING TO THE CAPITAL RAISING

Issue Price for each Open Offer Share and each Firm Placing Share	1.3 pence
Basis of Open Offer	2 New Ordinary Shares for every 9 Existing Ordinary Shares
Number of Existing Ordinary Shares in issue as at the date of the Prospectus	7,134,706,793
Number of New Ordinary Shares to be issued pursuant to the Firm Placing prior to the Consolidation	52,224,231
Firm Placing Shares as a percentage of the Enlarged Share Capital	0.6%
Number of New Ordinary Shares to be issued pursuant to the Open Offer prior to the Consolidation	Up to 1,585,072,352
Open Offer Shares as a percentage of the Enlarged Share Capital	Up to 18.1 per cent.
New Ordinary Shares as a percentage of the Enlarged Share Capital	Up to 18.7 per cent.
Estimated net proceeds of the Capital Raising	Up to £20.4 million
Consolidation Ratio	1 Ordinary Share for every 40 Existing Ordinary Shares and/or New Ordinary Shares
Number of Ordinary Shares in issue immediately following the Capital Raising, the Consolidation and Admission	Up to 219,300,085

APPENDIX III - DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

The following definitions apply throughout this announcement, unless the context requires otherwise:

“\$”	US Dollars
“1985 Act”	the Companies Act 1985, as amended
“2006 Act”	the Companies Act 2006, as amended
“2007 LTIP”	the 2007 Long Term Incentive Plan details of which are set out in paragraph 6.2 of Part XI of the Prospectus
“2D”	two dimensional
“2P”	proven and probable
“3D”	three dimensional
“Acts”	the 1985 Act and the 2006 Act
“Admission”	the admission of Ordinary Shares to trading on AIM
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules for Companies”	the rules for AIM companies published by the London Stock Exchange
“AIM Rules for Nominated Advisers”	the rules for nominated advisers to AIM companies published by the London Stock Exchange
“All Staff LTIP”	the All Staff Long Term Incentive Plan details of which are set out in paragraph 6.1 of Part XI of the Prospectus and including the JSP
“Applicant”	a Qualifying Shareholder or a person entitled by virtue of a <i>bona fide</i> market claim who lodges an Application Form under the Open Offer
“Application Form”	the application form which accompanies the Prospectus for Qualifying non-CREST Shareholders for use in connection with the Open Offer
“Articles”	the articles of association of the Company
“Balancing Share”	the Existing Ordinary Shares to be issued (at a price of 1.3 pence per share) between the date of the Prospectus and the record date for the Consolidation, on the basis set out in paragraph 4 of Part I of the Prospectus
“Bank Facilities”	the Borrowing Base Facility and Corporate Facility
“bbl”	barrel (s) of oil
“bcf”	billion cubic feet of gas
“bcfge”	billions of cubic feet gas equivalent
“bo/d”	barrels of oil per day
“Board”	the Board of Directors of the Company

“boe”	barrels of oil equivalent
“boe/d” or “bbl/d”	barrels of oil equivalent per day
“Broker”	Evolution Securities Limited
“Business Days”	any day (excluding Saturdays and Sundays) on which banks are open in London for normal banking business and the London Stock Exchange is open for trading
“Capita Registrars”	Capita Registrars Limited
“Capital Raising”	the Firm Placing and the Open Offer
“certificated” or “certificated form”	not in uncertificated form
“Code” or “City Code”	the City Code on Takeovers and Mergers
“Company” or “Sterling”	” Sterling Energy PLC
“Concert Party”	together Waterford and Alastair Beardsall
“Consolidation”	the proposed consolidation set out in Resolution 2 of every 40 issued shares in the share capital of the Company as at the close of business of 22 December 2009
“CREST”	the relevant system for the paperless settlement of trades and the holding of uncertificated securities operated by Euroclear UK & Ireland in accordance with the CREST Regulations
“Directors”	the directors of the Company at the date of the Prospectus whose names are set out in paragraph 1 of Part X of the Prospectus
“Disclosure Rules and Transparency Rules”	the rules made by the FSA under part VI of FSMA relating to the disclosure of information (as amended from time to time)
“Enlarged Share Capital”	the share capital of the Company following the completion of the Firm Placing and Open Offer
“enabled for settlement”	in relation to Open Offer Entitlements, enabled for the limited purpose of settlement of claim transactions and unmatched stock event transactions (each as described in the CREST Manual issued by Euroclear UK & Ireland)
“Euroclear UK & Ireland”	Euroclear UK & Ireland Limited, the operator of CREST
“Evolution” or “Evolution Securities”	Evolution Securities Limited, the Company’s nominated adviser
“Existing Ordinary Shares”	the ordinary shares of 1 pence each in the capital of the Company
“Excess Application Facility”	the arrangement pursuant to which Excess Qualifying Shareholders may apply for Open Offer Shares in excess of their Open Offer Entitlements
“Excess CREST Open Offer Entitlement”	in respect of each Qualifying CREST

	<p>Shareholder, the entitlement to apply for Open Offer Shares in addition to his Open Offer Entitlement credited to his stock account in CREST, pursuant to the Excess Application Facility, which is conditional, <i>inter alia</i>, on him being an Excess Qualifying Shareholder and taking up his Open Offer Entitlement in full and which may be subject to scaling back in accordance with the provisions of the Prospectus</p>
“Excess Open Offer Entitlement”	<p>in respect of each Qualifying non CREST Shareholder, the entitlement to apply for Open Offer Shares in addition to his Open Offer Entitlement pursuant to the Excess Application Facility, which is conditional, <i>inter alia</i>, on him being an Excess Qualifying Shareholder and taking up his Open Offer Entitlement in full and which may be subject to scaling back in accordance with the provisions of the Prospectus</p>
“Excess Qualifying Shareholders”	<p>Qualifying Shareholders who did not participate in the September Placing</p>
“Excess Shares”	<p>the Open Offer Shares for which Excess Qualifying Shareholders may apply in excess of their Open Offer Entitlement through the Excess Application Facility</p>
“Excluded Territories”	<p>the United States, Australia, Canada, Japan and any other jurisdiction where the extension or availability of the Open Offer would breach any applicable law</p>
“Extraordinary General Meeting” or “EGM”	<p>the extraordinary general meeting of the Company convened for 22 December 2009 (or any adjournment of it), notice of which is set out at the end of the Prospectus</p>
“Firm Placees”	<p>subscribers of the Firm Placing Shares pursuant to the Firm Placing</p>
“Firm Placing”	<p>the placing of the Firm Placing Shares as described in Part I of the Prospectus</p>
“Firm Placing Shares”	<p>the 52,220,231 New Ordinary Shares being placed firm conditionally and which are not being offered pursuant to the Open Offer</p>
“Form of Proxy”	<p>the form of proxy relating to the EGM being sent to Shareholders with the Prospectus</p>
“FSA”	<p>the Financial Services Authority of the United Kingdom</p>
“FSMA”	<p>the Financial Services and Markets Act 2000 (as amended from time to time)</p>

“Group”	the Company and its subsidiary undertakings
“Independent Shareholders”	the Shareholders other than members of the Concert Party
“Independent Directors”	the Directors of the Company, other than Alastair Beardsall
“Issue Price”	1.3 pence per New Ordinary Share
“JSP”	the Joint Share Sub-Plan details of which are set out in the Prospectus
“km”	kilometre(s)
“KRG”	Kurdistan Regional Government of Iraq
“London Stock Exchange” or the “LSE”	London Stock Exchange plc
“m”	metre(s)
“mbo/d”	thousand barrels of oil per day
“mcf”	thousand cubic feet of gas
“mcfge”	thousand cubic feet of gas equivalent
“mcfge/d”	thousand cubic feet of gas equivalent per day
“mmbbl” or “mmstb”	millions of barrels
“mmboe”	millions of barrels of oil equivalent
“mmcf”	millions cubic feet of gas
“mmcfd/d”	million cubic feet of gas per day
“mmcfdge/d”	millions of cubic feet of gas equivalent per day
“mmscf”	millions of standard cubic feet
“NED LTIP”	the NED Long Term Incentive Plan details of which are set out in paragraph 6.1 of Part XI of the Prospectus and including the JSP
“New LTIP Schemes”	together the All Staff LTIP and the NED LTIP
“New Ordinary Shares”	1,637,296,583 New Ordinary Shares to be issued pursuant to the Firm Placing and Open Offer, being the Firm Placing Shares and the Open Offer Shares
“Nominated Adviser” or “Nomad”	Evolution Securities
“Open Offer”	the invitation to Qualifying Shareholders to subscribe for Open Offer Shares at the Issue Price on the terms and subject to the conditions set out or referred to in Part IV of the Prospectus and, <i>where relevant</i> , in the Application Form
“Open Offer Entitlement”	an entitlement to apply to subscribe for two Open Offer Shares for every nine Existing Ordinary Shares held on the Record Date pursuant to the Open Offer
“Open Offer Shares”	up to 1,585,072,352 New Ordinary Shares for which Qualifying Shareholders are being invited to apply under the terms of the Open Offer
“Options”	the share options to be awarded to Alastair

“Ordinary Shares”	Beardsall under the All Staff LTIP ordinary shares of 40 pence each in the capital of the Company to be created pursuant to the Consolidation to be proposed at the EGM
“Panel” or “Takeover Panel” “Proposed Articles”	the Panel on Takeovers and Mergers the proposed new articles of association to be adopted by the Company pursuant to Resolution 3
“Prospectus”	The prospectus, dated 4 December 2009, issued by the Company in connection with, <i>inter alia</i> , the Capital Raising
“Prospectus Rules”	the rules made by the FSA under part VI of FSMA in relation to offers of transferable securities to the public and admission of transferable securities to trading on a regulated market
“PSC” “Qualifying CREST Shareholders”	production sharing contract Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company at the close of business on the Record Date are in uncertificated form
“Qualifying non-CREST Shareholders”	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company at the close of business on the Record Date are in certificated form
“Qualifying Shareholders”	holders of Existing Ordinary Shares on the Company’s register of members at the Record Date (other than certain Overseas Shareholders)
“Receiving Agent”	Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
“Record Date” “Registrar”	close of business on 8 September 2009 Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire, HD8 0GA
“Regulatory Information Service”	a regulatory information service that is approved by the FSA and that is on the list of regulatory information service providers maintained by the FSA
“Resolutions”	the resolutions set out in the notice of Extraordinary General Meeting at the end of the Prospectus
“RI” “RISC”	royalty interest RISC (UK) Ltd, of Golden Cross House, 8 Duncannon Street, London WC2N 4JF
“Rule 9” “Rule 9 Waiver”	Rule 9 of the Code the waiver granted by the Panel of the

	obligation which would otherwise arise under Rule 9 requiring the Concert Party and person acting in concert with it to make a general offer to Shareholders for all of the issued share capital of the Company by reason of Alastair Beardsall's participation in the Firm Placing and the award of the Options
"September Placing"	the placing by Evolution Securities on behalf of the Company of 4,807,315,000 new ordinary shares at a price of 1.3 pence per share which was announced on 14 August 2009 and completed on 8 September 2009 raising gross proceeds of £62.5 million
"September Placing Circular"	the circular sent to Shareholders dated 14 August 2009 in connection with the September Placing
"Share Option Schemes"	the All Staff LTIP, the NED LTIP, the 2007 LTIP and the 2001 Share Option Scheme
"Shareholders"	holders of Existing Ordinary Shares
"sq km"	square kilometre
"sq mi"	square mile
"stock account"	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited
"subsidiary"	a "subsidiary undertaking" as that term is defined in the 2006 Act
"tcf"	trillion cubic feet of gas
"uncertificated" or "uncertificated form"	recorded on the relevant register or other record of the share or other security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"US Persons"	persons who are resident in the US
"United States" or "US"	the United States of America, its territories and possessions and any state of the United States of America and the District of Columbia
"US Securities Act"	the United States Securities Act of 1933, as amended
"Waterford"	Waterford Finance & Investment Limited
"Waterford Group"	Waterford, its parent undertakings, subsidiaries and subsidiary undertakings
"WEC"	Whittier Energy Corporation
"WI"	working interest

