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If you have sold or otherwise transferred, all of your Ordinary Shares, please forward this document together with the Form of Proxy which accompanies it as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold only part of your holding of Ordinary Shares, please contact your stockbroker, bank or other agent through who the sale of transfer was effected immediately.

The Directors (whose names appear on page 5 of this document) and the Company (whose registered office appears on page 5 of this document) accept responsibility, both collectively and individually, for the information contained in this document and compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document contains no offer of transferable securities to the public within the meaning of section 102B of FSMA, the 2006 Act or otherwise. Accordingly, this document does not constitute a prospectus within the meaning of section 85 of FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by the UKLA or any other competent authority.

STERLING ENERGY PLC

(Incorporated in England and Wales with company number 01757721)

NOTICE OF ANNUAL GENERAL MEETING

AND

PROPOSED REDUCTION OF CAPITAL

Notice of the Annual General Meeting of Sterling Energy Plc to be held at The Law Society, 113 Chancery Lane, London, WC2A 1PL on 25 April 2017 at 11 a.m. is set out at the end of this document.

Shareholders are requested to complete and return the form of proxy accompanying this document to the Company's registrar, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible but in any event, to be valid, so as to be received by Capita Registrars by no later than 11 a.m. on 23 April 2017. The return of a form of proxy will not preclude a member from attending and voting at the Annual General Meeting in person should he or she subsequently decide to do so.

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EXPECTED TIMETABLE OF EVENTS

Publication and posting to Shareholders of this document and Forms of Proxy	30 March 2017
Latest time for receipt of completed Forms of Proxy	11 a.m. 23 April 2017
Annual General Meeting	11 a.m. 25 April 2017
Initial Directions Hearing	15 May 2017 *
Court Hearing to confirm the Reduction of Capital	14 June 2017 *
Effective date for Reduction of Capital	15 June 2017 *

** These dates may be subject to change. Any change will be notified by the announcement on a Regulatory Information Service.*

Note: in this document, the Company has used a Pounds Sterling to US Dollar exchange rate as at 31 December 2016 of 1.2303 (when required).

DEFINITIONS

The following definitions apply throughout this document and the accompanying Form of Proxy, unless the context otherwise requires:

“2006 Act”	the Companies Act 2006 (to the extent in force at the date of this document);
“Accounts”	the annual accounts of the Company for the financial year ended 31 December 2016, which accompany this document;
“AGM” or “Annual General Meeting”	the annual general meeting of Shareholders to be held on 25 April 2017, notice of which is set out at the end of this document;
“AGM Notice”	the notice convening the AGM which is set out at the end of this document;
“AGM Resolutions”	the resolutions to be proposed at the AGM, as set out in the AGM Notice;
“AIM”	the market of that name operated by the London Stock Exchange;
“Articles”	the articles of association of the Company from time to time;
“Closing Price”	the closing middle market quotations as derived from the AIM Appendix of the Daily Official List on a particular day;
“Companies House”	the United Kingdom's registrar of companies and is an executive agency and trading fund of Her Majesty's Government;
“Company” or “Sterling”	Sterling Energy Plc, a company incorporated in England and Wales with registered number 01757721, whose registered office is at 85 Fleet Street, London EC4Y 1AE;
“Company Secretary”	Anthony James Hawkins, the company secretary of the Company;
“Court”	the Companies Court within the Chancery Division of the High Court of Justice in England and Wales;
“Court Order”	the order of the Court confirming the Reduction of Capital;
“Directors” or “Board”	the board of directors of Sterling as at the date of this document whose names are set out on page 5 of this document;

“Effective Date”	the date the Court Order and statement of capital are registered at Companies House;
“FSMA”	the Financial Services and Markets Act 2000;
“Form of Proxy”	the form of proxy relating to the AGM being sent to Shareholders with this document;
“Group”	Sterling, its subsidiaries and its subsidiary undertakings (as defined by section 1159 of the 2006 Act);
“London Stock Exchange”	London Stock Exchange Plc;
“Ordinary Shares”	ordinary shares of 40p each in the capital of Sterling;
“Registrars”	the registrars of the Company, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3;
“Reduction of Capital”	the Court approved cancellation of the Company’s share premium account and reduction of share capital;
"Regulatory Information Service"	any of the services authorised from time to time by the UK Financial Conduct Authority for the purposes of disseminating regulatory announcements;
"Shareholder(s)" or "Sterling Shareholder(s)"	holder(s) of Ordinary Shares from time to time;
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland; and
“UKLA” or “UK Listing Authority”	the Financial Conduct Authority in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000.

PART I

LETTER FROM THE NON-EXECUTIVE CHAIRMAN OF THE COMPANY

STERLING ENERGY PLC

(Incorporated in England and Wales with company number 01757721)

Directors

Michael Kroupeev, Non-Executive Chairman
Eskil Jersing, Chief Executive Officer
Leo Koot, Senior Independent Non-Executive Director
Ilya Belyaev, Non-Executive Director

Registered Office

85 Fleet Street
London
EC4Y 1AE

24 March 2017

To Shareholders

Dear Shareholder,

Notice of Annual General Meeting and Proposed Reduction of Capital

1. Introduction

I write in connection with Annual General Meeting of the Company to be held on 25 April 2017 (“AGM”). At the AGM, the Company will, in addition to the ordinary business conducted therein, be seeking shareholder approval to carry out a Reduction of Capital. I want to explain our rationale for this proposal.

The Reduction of Capital is a proposal recommended by the Board to reduce the nominal value of the Ordinary Shares, cancel the balance standing to the credit of the Company’s share premium account and to create distributable reserves of the Company.

The Company is proposing to carry out the Reduction of Capital in order to:

- create distributable reserves, which would allow the Company to eliminate its retained deficit of approximately US\$449.9 million as at 31st December 2016;
- give the Company the flexibility to make returns of capital to the Shareholders, should it be considered desirable to do so in the future; and
- give the Company the flexibility to issue new capital, should it be considered desirable to do so in the future.

It should be noted that the Company has no current intention of making a return of capital or issuing new capital. However, the Board believes it is prudent to plan for the future and the Reduction of Capital would permit a return of capital or an issue of new capital should it be considered desirable to do so.

The background to and reasons for the Reduction of Capital are set out in more detail at paragraph 2 below.

Accordingly, your approval is being sought to carry out a reduction of the Company's capital by way of:

- cancellation of paid-up capital of 30 pence on each issued Ordinary Share of 40 pence; and
- the cancellation of the amount standing to the credit of the Company's share premium account.

Subject to any undertakings which the Company may be required to offer the Court, the Reduction of Capital will create distributable reserves to the value of approximately US\$37.9 million. Following the implementation of the Reduction of Capital, there will be no change to the number of Ordinary Shares in issue.

The Reduction of Capital requires the approval of Shareholders for Resolution 12, which will be sought at the AGM. The AGM Notice is set out on pages 10 to 12 of this document. The Reduction of Capital is also subject to the confirmation of the Court.

The Board will also be seeking your approval at the AGM of resolutions to renew the Directors' authority to allot shares pursuant to section 551 of the Act and to disapply section 561 of the Act, in each case also to take account of the Reduction of Capital. We will further be seeking your approval of the Accounts, which accompany this document, to reappoint BDO LLP as auditors of the Company, to re-elect Eskil Jersing as Director pursuant to the Articles and to appoint Michael Kroupeev, Leo Koot and Ilya Belyaev as directors of the Company who have all been appointed to the Board since the last Annual General Meeting.

2. Background to and Reasons for the Proposed Reduction of Capital

As at 31 December 2016, the Company had a profit and loss account deficit of US\$449.9 million and the balance standing to the credit of the Company's share premium account was US\$378.863 million. The Company has 220,053,520 Ordinary Shares with a nominal value of 40 pence each in issue and the Closing Price as at 23 March 2017 was 15.5 pence per share. The Company is proposing to reduce its share premium account and share capital to reduce the nominal value of its issued share capital to 220,053,520 ordinary shares of 10 pence each.

The Company is therefore seeking the approval of the Shareholders to cancel 30 pence of the nominal value of its Ordinary Shares and its share premium account, which will be sufficient to eliminate its retained deficit of approximately US\$449.9 million as at 31st December 2016 and create realised profits. If approved by Shareholders, the cancellations will require subsequent approval by the Court.

Furthermore, the reduction in the nominal value of the Ordinary Shares to below the Closing Price will mean that the Company is able to issue new Ordinary Shares at a price below 40 pence per Ordinary Share, which will provide the Company with greater flexibility for future share issues and issues pursuant to the Company's LTIP plan, to retain and reward its employees.

Following the Reduction of Capital there will be no change in the issued number of Ordinary Shares and the Ordinary Shares will have the same rights under the Articles.

3. The Reduction of Capital

It is proposed that the Reduction of Capital will involve the cancellation of:

- paid up capital of 30 pence on each issued Ordinary Share of 40 pence each; and
- the amount standing to the credit of the Company's share premium account (such amount being approximately US\$378.863 million as at 31 December 2016).

The Reduction of Capital requires the approval of Shareholders by passing a special resolution that will subsequently need to be confirmed by the Court. The Reduction of Capital will then become effective when the Court Order is registered by the Registrar of Companies.

The Reduction of Capital is conditional on:

- the passing of Resolution 12 to be proposed at the AGM;
- the Reduction of Capital being approved by the Court; and
- the Court Order being registered by the Registrar of Companies.

It is anticipated that the initial directions hearing for the Reduction of Capital will take place on 15 May 2017, with the final hearing taking place on 14 June 2017. The Reduction of Capital is therefore expected to become effective on 15 June 2017, following the necessary registration of the Court Order at Companies House.

Before the Court will confirm the Reduction of Capital, the Company will need to satisfy the Court that the interests of the Company's creditors are adequately protected. In order to do this, the Company will need to demonstrate to the Court that it has put in place such form of creditor protection as the Court may require, if any. This may include seeking the consent of the Company's creditors to the Reduction of Capital or provision by the Company of evidence to the Court that the Company has sufficient liquid assets to cover the total sum due to creditors. As at 31st December 2016 the Company had retained cash reserves of US\$88.1 million.

The Reduction of Capital itself will not involve any distribution or repayment of capital or share premium by the Company and will not reduce the underlying assets of the Company.

Following the Reduction of Capital, there will be no change in the number of Ordinary Shares in issue. The Ordinary Shares will be traded on AIM in the same way as at the date of this document and will remain the same in all respects except the nominal value. Existing share certificates and the ISIN for Ordinary Shares will remain valid following the Reduction of Capital and no new certificates will be issued.

If the Reduction of Capital does not become effective, the Ordinary Shares will retain their current nominal value of 40 pence per share.

4. AGM

The AGM Notice convening the AGM to be held on 25 April 2017 at 11 a.m. is set out at the end of this document. Shareholders will find enclosed with this document a Form of Proxy for use in respect of the AGM.

Whether or not Shareholders intend to attend the AGM in person, it is requested that Shareholders duly complete, execute and return the Form of Proxy, by hand or by post, to the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, in accordance with the instructions printed thereon. Returning a completed Form of Proxy will not prevent a Shareholder from attending the AGM and voting in person should they wish to do so and are entitled.

Resolutions 11 to 12 will be proposed as special resolutions and will require 75% or more of the votes cast in favour (whether by proxy or in person) to be passed. Resolutions 1 to 10 will be proposed as ordinary resolutions and will require more than 50% of the votes cast in favour (whether by proxy or in person) to be passed.

Resolution 1 – Approval of Accounts

Resolution 1 will, if passed, receive and adopt the Accounts for the financial year ended 31 December 2016.

Resolutions 2 and 3 – Approval of Committee Reports

Resolution 2 will, if passed, approve the Audit Committee Report contained in the Accounts for the financial year ended 31 December 2016.

Resolution 3 will, if passed, approve the Remuneration Committee Report contained in the Accounts for the financial year ended 31 December 2016.

Resolutions 4 and 5 – Auditors

Resolution 4 will, if passed, approve the re-appointment of BDO LLP as auditors of the Company.

Resolution 5 will, if passed, authorise the Directors to set the remuneration of the auditors.

Resolution 6 – Re-election of Director

Resolution 6 will, if passed, approve the re-election of Eskil Jersing, who retires by rotation pursuant to article 106 of the Articles, as Director.

Resolutions 7, 8 and 9 – Appointment of Directors appointed since last AGM

As each of Michael Kroupeev, Leo Koot and Ilya Belyaev have been appointed to the Board since the last AGM, these resolutions will, if passed, approve their election to the Board as required by Article 110 of the Articles of Association. Biographies of each of the Directors are contained in the Accounts.

Resolutions 10 and 11 – Authority to allot unissued shares

Resolutions 10 and 11 will, if passed, replace the existing authorities relating to the allotment of Ordinary Shares passed on 25 April 2016. The Resolutions, if passed, will grant the authority with flexibility to apply whether the Reduction of Capital occurs or not.

Resolution 10 will give the Directors authority to allot Ordinary Shares up to an aggregate nominal amount of £29,340,120 which will be deemed to decrease to £7,335,030 on the Reduction of Capital becoming effective, so as to reflect the reduction in the nominal value of the Ordinary Shares.

Resolution 11, which is conditional upon Resolution 10 being passed and becoming effective, will give the Directors authority to allot Ordinary Shares for cash, free from the statutory pre-emption rights. The authority proposed by these resolutions is limited to (i) allotments for cash representing up to an aggregate nominal amount of £4,401,070 which will be deemed to decrease to £1,100,267 on the Reduction of Capital becoming effective, so as to reflect the reduction in the nominal value of the Ordinary Shares; (ii) allotments in connection with an offer or fully pre-emptive rights issue.

Resolution 12 – The Reduction of Capital

Resolution 12 sets out the formal mechanics for the implementation of the Reduction of Capital, reducing the share capital of the Company by the cancellation of (i) paid-up capital of 30 pence on each issued Ordinary Share of 40 pence each; and (ii) the share premium account.

5. Action to be taken

A Form of Proxy for use in connection with the AGM is enclosed. Whether or not Shareholders intend to attend the AGM in person, it is important that you duly complete, execute and return the Form of Proxy, by hand or by post, to the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, in accordance with the instructions printed thereon.

To be valid, the completed Form of Proxy must be returned as soon as possible and, in any event, so as to be received by the Company's registrars not later than 11 a.m. on 23 April 2017. Completion and return of a Form of Proxy will not prevent Shareholders from attending and voting at the AGM in person should they wish to do so.

6. Recommendation

The Board believes that the Reduction of Capital is in the best interests of the Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions, as the Directors intend to do in respect of their own beneficial holdings, amounting in aggregate to 64,815,517 Ordinary Shares, representing 29.5% of the current issued share capital of Sterling.

Yours faithfully

Michael Kroupeev
Non-Executive Chairman

PART II

NOTICE OF AGM

STERLING ENERGY PLC

(Incorporated and in England and Wales with company number 01757721)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Sterling Energy Plc will be held at The Law Society, 113 Chancery Lane, London, WC2A 1PL on 25 April 2017 at 11 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 10 will be proposed as ordinary resolutions and resolutions 11 to 12 will be proposed as special resolutions. Expressions used in this Notice of Annual General Meeting have the meanings given to them in the circular to shareholders of the Company dated 24 March 2017 (the “**Circular**”) of which this Notice of AGM forms part (unless the context otherwise requires).

ORDINARY RESOLUTIONS

1. To receive and adopt the annual accounts for the financial year ended 31st December 2016 (“**the Accounts**”) together with the reports of the Directors and the report of the Audit Committee and the Independent Auditors’ Report thereon.
2. To approve the Audit Committee Report contained in the Accounts for the financial year ended 31 December 2016.
3. To approve the Remuneration Committee Report contained in the Accounts for the financial year ended 31 December 2016.
4. To re-appoint BDO LLP as auditors of the Company.
5. To authorise the Directors to set the remuneration of the Auditors.
6. THAT, in accordance with article 106 of the Company’s Articles, Eskil Jersing, who retires by rotation, be re-elected as a Director.
7. THAT, in accordance with article 110 of the Company’s Articles, Michael Kroupeev be elected as a Director of the Company.
8. THAT, in accordance with article 110 of the Company’s Articles, Leo Koot be elected as a Director of the Company.
9. THAT, in accordance with article 110 of the Company’s Articles, Ilya Belyaev be elected as a Director of the Company.
10. THAT, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date of the passing of this Resolution, the Directors be and are hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the “**Act**”) to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £29,340,120 (which shall be deemed to decrease to £7,335,030 on the Effective Date, if the Reduction of Capital becomes

effective) provided that this authority shall, unless renewed, varied or revoked by the Company, expire 15 months from the date of passing of this resolution or, if earlier, the date of the next Annual General Meeting of the Company, save that the Company may before such expiry make an offer or enter into an agreement which would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Board may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

SPECIAL RESOLUTIONS

11. THAT, subject to the passing of Resolution 10 and in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the Directors be and are hereby generally empowered pursuant to sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) (including the grant of rights to subscribe for, or to convert any securities into equity securities) for cash either pursuant to the authority conferred on it by Resolution 10 or by way of a sale of treasury shares (within the meaning of section 560(3) of the Act) as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

- a. the allotment of equity securities for cash in connection with a rights issue, open offer or other pre-emptive offer in favour of the holders of Ordinary Shares on the register of members on a date fixed by the Board where the equity securities respectively attributable to the interests of all such holders of Ordinary Shares are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them on that date (subject to such exclusions or other arrangements in connection with the rights issue, open offer or other pre-emptive offer as the Directors deem necessary or expedient to deal with shares held in treasury, fractional entitlements to equity securities and to deal with any legal or practical problems or issues arising in any overseas territory or under the requirements of any regulatory body or stock exchange); and
- b. the allotment (otherwise than pursuant to sub-paragraph (a) of this resolution) of equity securities up to an aggregate nominal amount of £4,401,070 (which shall be deemed to decrease to £1,100,267 on the Effective Date, if the Reduction of Capital becomes effective);

provided that this authority shall, unless renewed, varied or revoked by the Company, expire 15 months from the date of passing of this resolution or, if earlier, the date of the next Annual General Meeting of the Company, save that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

12. THAT (i) the issued share capital of the Company be reduced by cancelling and extinguishing 30 pence of the paid nominal value on each issued ordinary share of 40 pence and thereby reducing the nominal value of each issued ordinary share to 10 pence and (ii) the balance standing to the credit of the share premium account of the Company be cancelled and extinguished.

Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those Shareholders registered on the Company's register of members at close of business on 23 April 2017 shall be entitled to attend and vote at the Annual General Meeting.
2. If you are a Shareholder of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend and vote at the Annual General Meeting and you should have received a Form of Proxy with this notice. You can only appoint a proxy using the procedures set out in these notes and the notes to the Form of Proxy.
3. A proxy does not need to be a member of the Company but must attend the Annual General Meeting to represent you. Details of how to appoint the Chairman of the Annual General Meeting or another person as your proxy using the Form of Proxy are set out in the notes to the Form of Proxy.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's registrars at the address set out in note 5.
5. The notes to the Form of Proxy explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the Form of Proxy, the form must be:

- (a) completed and signed;
- (b) sent or delivered to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU; and
- (c) received by Capita Registrars no later than 48 hours before the commencement of the Annual General Meeting.

In the case of a Shareholder which is a company, the Form of Proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the Form of Proxy.

Alternatively, you can register your proxy vote electronically by means of a website provided by the Company's registrar (www.capitashareportal.com), where full instructions are provided. In order to register your vote online you will need to enter the Investor Code which is given in the enclosed Form of Proxy. This website can only be used for the purpose stated above, not for sending any other document or information.

To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number RA10) not later than 48 hours) before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
7. As at 11 a.m. on the day immediately prior to the date of posting of this AGM Notice, the Company's issued ordinary share capital comprised 220,053,520 ordinary shares of 40p each. Each Ordinary Share carries the right to one vote at an annual general meeting of the Company and, therefore, the total number of voting rights in the Company as at 11 a.m. on the day immediately prior to the date of posting of this AGM Notice is 220,053,520.