

Notice of Annual General Meeting



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action to take, you should consult your stockbroker, solicitor, accountant or other appropriate independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in Sterling Energy PLC ("the Company"), please forward this document and the accompanying form of proxy to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Information relating to the appointment of a proxy may be found in the notes appended to this notice of Annual General Meeting.

Notice is hereby given that the Annual General Meeting of Sterling Energy PLC will be held at Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA on 30 June 2009, at 9.00 am, for the following purposes:

Ordinary business

It is proposed that the following resolutions be considered, and if thought fit passed, as ordinary resolutions:

1. To receive and adopt the Accounts for the financial year ended 31 December 2008, together with the Reports of the Directors and auditors therein. **(Resolution 1)**
2. In accordance with article 106 of the Company's Articles of Association, to re-elect Graeme Thomson as a Director of the Company. **(Resolution 2)**
3. To reappoint Deloitte & Touche LLP as auditors of the Company. **(Resolution 3)**
4. To authorise the Directors to set the remuneration of the auditors. **(Resolution 4)**

Special business

It is proposed that the following resolutions be considered, and if thought fit, passed as ordinary resolutions:

5. That the authorised share capital of the Company be increased from £30,000,000 to £45,000,000 by the creation of 1,500,000,000 ordinary shares of 1 pence each identical and ranking *pari passu* with the existing authorised but unissued shares of 1 pence each in the capital of the Company. **(Resolution 5)**
6. Subject to the passing of Resolution 5, that, in place of previous authorities, the Directors be generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 ("the Act"), to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act):
 - (a) up to an aggregate nominal amount of £7,751,701; and
 - (b) comprising equity securities (as defined in section 94 of the Act) up to an aggregate nominal amount (when added to any allotments made under (a) above) of £15,503,403 in connection with or pursuant to an offer or invitation by way of a rights issue in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities), but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever,

these authorities to expire at the conclusion of the next Annual General Meeting of the Company (or if earlier on 30 June 2010), (save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authorities conferred hereby had not expired). **(Resolution 6)**

It is proposed that the following resolutions be considered, and if thought fit, passed as special resolutions:

7. That subject to the passing of Resolution 6, the Directors be given power pursuant to section 95(1) of the Companies Act 1985 ("the Act"), and in place of all existing powers given to the Directors pursuant to this section, to:
- (a) allot equity securities (as defined in section 94 of the Act) of the Company for cash pursuant to the authority conferred by that Resolution; and
 - (b) sell relevant shares (as defined in section 94(5) of the Act) held by the Company as treasury shares for cash,
- as if section 89(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities for cash and the sale of treasury shares:
- (i) in connection with or pursuant to an offer or invitation (but in the case of the authority granted under Resolution 6(b), by way of a rights issue only) in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal regulatory or practical difficulties which may arise under the laws of or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and
 - (ii) in the case of the authority granted under Resolution 6(a) above, and otherwise than pursuant to paragraph (i) of this resolution, up to an aggregate nominal amount of £1,162,755,

and shall expire at the conclusion of the next Annual General Meeting of the Company (or, if earlier, on 30 June 2010), save that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the Directors may allot equity securities, or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired. **(Resolution 7)**

8. That the Company is generally and unconditionally authorised for the purposes of section 166 of the Companies Act 1985 ("the Act") to make market purchases (within the meaning of section 163(3) of the Act) of any of its ordinary shares of 1 pence each in the capital of the Company on such terms and in such manner as the Directors may from time to time determine, provided that:
- (a) the maximum number of ordinary shares which may be purchased is 232,551,058 (representing approximately ten per cent. of the issued ordinary share capital at the date of this Notice of AGM);
 - (b) the minimum price which may be paid for each ordinary share is 1 pence which amount shall be exclusive of expenses, if any;
 - (c) the maximum price which may be paid for each ordinary share is an amount equal to 105 per cent. of the average of the middle market quotations for the ordinary shares of the Company as derived from the Daily Official List of the London Stock Exchange PLC for the five business days immediately preceding the day on which such share is contracted to be purchased;
 - (d) unless previously renewed, revoked or varied, this authority shall expire at the conclusion of the Annual General Meeting in 2010; and
 - (e) under this authority the Company may make a contract to purchase ordinary shares which would or might be executed wholly or partly after the expiry of this authority, and may make purchases of ordinary shares pursuant to it as if this authority had not expired. **(Resolution 8)**

9. That the Company make the following immediate change to its Articles of Association, as shown in the amended Articles of Association initialled by the chairman of the meeting for the purpose of identification:
- (a) the words “or by proxy” be added after “on a show of hands every Member present in person” in Article 73.1.
(Resolution 9)
10. That with effect from 00.01 am on 1 October 2009, as shown in the amended Articles of Association initialled by the chairman of the meeting for the purpose of identification:
- (a) Article 3 be deleted in its entirety;
 - (b) the first sentence of Article 9 be deleted and the heading of Article 9 be amended to “Renunciation of Allotments”;
 - (c) the word “issued” be placed before “share capital” in Article 16;
 - (d) Article 53 be deleted in its entirety;
 - (e) the word “issued” be placed before “share capital” in each of Articles 54.1, 54.2 and 54.3; and
 - (f) the Articles of Association of the Company be amended by deleting all the provisions of the Company’s Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company’s Articles of Association. **(Resolution 10)**

BY ORDER OF THE BOARD

Jonathan Cooper
Company Secretary
5 June 2009

Registered Office:
Sterling Energy PLC
5 Chancery Lane
London
WC2A 1LG

Explanatory Notes

The following explanatory information is provided by way of background to the special business:

Resolution 5

This resolution is to increase the authorised share capital of the Company from £30,000,000 to £45,000,000 by the creation of 1,500,000,000 ordinary shares of 1 pence (representing an increase in the authorised ordinary share capital of approximately 50 per cent.), so that should your Directors decide to take advantage of the authorities to allot under Resolutions 6 and/or 7, they will be in a position to do so.

Resolution 6

Your Directors may allot relevant securities only if authorised to do so by shareholders. Resolution 6 will be proposed as an ordinary resolution to grant new authorities to allot (a) relevant securities up to an aggregate nominal amount of £7,751,701 and (b) equity securities up to an aggregate nominal amount (when added to allotments under part (a) of the resolution) of £15,503,403 where the allotment is in connection with a rights issue.

These amounts represent approximately 33.3 per cent. and approximately 66.7 per cent. respectively of the total issued ordinary share capital of the Company, in accordance with current guidelines of the Association of British Insurers ("the ABI") insofar as they affect the Company. If given, these authorities will expire at the next Annual General Meeting of the Company or on 30 June 2010, whichever is the earlier. Where usage of these authorities exceeds the thresholds suggested by the ABI in their December 2008 guidance, your Directors will stand for re-election at the following Annual General Meeting to the extent required by the ABI.

Your Directors have no present intention of issuing shares pursuant to this authority.

As at the date of this notice the Company holds no treasury shares.

Resolution 7

Your Directors also require additional authority from shareholders to allot equity securities or sell treasury shares where they propose to do so for cash and otherwise than to existing shareholders pro rata to their holdings. Resolution 7 will be proposed as a special resolution to grant such authority. Apart from offers or invitations in proportion to the respective number of shares held, the authority will be limited to the allotment of equity securities and sales of treasury shares for cash up to an aggregate nominal value of £1,162,755 (being five per cent. of the Company's issued ordinary share capital at 4 June 2009). If given, this authority will expire at the next Annual General Meeting of the Company or on 30 June 2010, whichever is the earlier. With the exception of issues of further shares under the Company's employee share schemes, your Directors do not have any present intention of exercising this authority, but consider it desirable to have the flexibility to use it should opportunities arise.

Resolution 8

This resolution will give the Company authority to purchase its own shares in the markets up to a limit of 10 per cent. of its issued ordinary share capital. The maximum and minimum prices are stated in the resolution. Your Directors believe that it is advantageous for the Company to have this flexibility to make market purchases of its own shares. Your Directors will exercise this authority only if they are satisfied that a purchase would result in an increase in expected earnings per share and would be in the interests of shareholders generally. In the event that shares are purchased, they would either be cancelled (and the number of shares in issue would be reduced accordingly) or, subject to the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 ("the Regulations") which came into force on 1 December 2003, be retained as treasury shares. The Regulations enable companies to hold shares repurchased as treasury shares with a view to possible re-sale at a future date rather than having to cancel them. The Company will consider holding repurchased shares pursuant to the authority conferred by this resolution as treasury shares. This would give the Company the ability to re-issue treasury shares quickly and cost effectively and would provide the Company with additional flexibility in the management of its capital base. Any issues of treasury shares for the purposes of the Company's employee share schemes will be made within the ten per cent. anti-dilution limit set by the Association of British Insurers. As at 31 December 2008, the total number of options over shares that were outstanding under all of the Company's share option plans was 135,646,000 (being 56,165,000 ordinary share options and 79,481,000 options granted under the Long Term Incentive Plan policy) which if exercised would represent 5.8 per cent. of the Company's issued share capital at that date.

Resolution 9

It is proposed in Resolution 9 to amend the Company's Articles of Association ("the Amended Articles") in order to update the Company's current Articles of Association ("the Current Articles") to extend the rights of proxies to vote, not only on a poll, but also on a show of hands, in line with the Companies Act 2006.

Resolution 10

Further changes to the Current Articles are proposed to take effect from 1 October 2009, being the date of entry into force of the remaining provisions of the Companies Act 2006.

Resolutions 10(a) to (e) inclusive remove reference to authorised share capital from the Current Articles. With effect from 1 October 2009, the concept of authorised share capital will be repealed under the Companies Act 2006, accordingly, the proposed amendments reflect that change.

Resolution 10(f), concerns the Memorandum of Association of the Company. By virtue of section 28 of the Companies Act 2006, with effect from 1 October 2009, certain provisions of the Company's Memorandum of Association will cease to be permitted to be included in the memorandum and, unless deleted, will be automatically treated as provisions of the Company's Articles of Association. To avoid limiting the Company by any restrictions in the objects clause and to discard the concept of "authorised share capital", Resolution 10(f) deletes those provisions which would otherwise transfer into the Company's Amended Articles pursuant to section 28.

Notes

1. Appointment of a proxy

A member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend to speak and to vote at the meeting. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. A proxy need not be a member of the Company. A form of proxy for the Annual General Meeting is enclosed and should be completed and returned so as to reach the Company's registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by hand, post or courier, not later than 48 hours before the time of the Annual General Meeting. Completion of a form of proxy will not preclude a member attending and voting in person at the meeting.

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 on-line 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.

2. CREST electronic proxies

Alternatively, if you are a member of CREST, you may register the appointment of a proxy by using the CREST electronic proxy appointment service.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual subject to the provisions of the Company's Articles of Association. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by no later than 48 hours before the start of the Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

3. Documents on display

There will be available for inspection at the registered office of the Company during normal business hours from the date of this notice until the time of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting:

- (a) copies of service agreements under which Directors of the Company are employed, and copies of the terms and conditions of appointment of Non-executive Directors; and
- (b) the Company's Memorandum of Association, Current Articles and Amended Articles.

4. Right to attend and vote

Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 (SI 2001 No 3755), the Company specifies that in order to have the right to attend and vote at the Annual General Meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), only those persons who have their name entered in the register of members' of the Company by 6pm on the day being 48 hours before the time of the meeting will be entitled to attend and vote. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

5. Corporate members

In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – <http://www.icsa.org.uk> – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.



UK
Sterling Energy PLC
5 Chancery Lane
London
WC2A 1LG
Tel: +44 (0)20 7405 4133
Fax: +44 (0)20 7440 9059
info@sterlingenergyuk.com
www.sterlingenergyplc.com