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**30 September 2008**

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

**Proposed placing of 675,000,000 new Ordinary Shares to raise £13.5 million**

Sterling, the AIM listed independent oil and gas exploration and production company with interests in the Gulf of Mexico, Africa and the Middle East, today announces that it has conditionally placed 675,000,000 new ordinary shares ("**Ordinary Shares**") of one pence each (the "**Placing Shares**") at 2 pence per share (the "**Placing Price**") to raise £13.5 million (before expenses) (the "**Placing**").

**Summary of the Placing:**

- Placing of 675,000,000 new Ordinary Shares at a placing price of 2 pence to raise £13.5 million (before expenses).
- Proceeds of the Placing, together with the cash the Company will receive from its operating activities, to be used to fulfil a number of near term work commitments and strengthen the working capital position of the Group.
- Placing Price represents a discount of 33.3 per cent. to the price of the last reported trade on 29 September 2008.

A circular, incorporating the Company's interim results for the six months ending 30 June 2008 (the "**Circular**"), containing a notice of an extraordinary general meeting of the Company convened for 9.00 a.m. on 17 October 2008, will be sent to shareholders of the Company shortly outlining the terms of the Placing and seeking Shareholder approval to, *inter alia*, enable the Directors to allot the Placing Shares in connection with the Placing.

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An investor presentation regarding the Placing will be available on Sterling's website: [www.sterlingenergyplc.com](http://www.sterlingenergyplc.com)

This summary should be read in conjunction with, and is subject to, the full text of the attached announcement.

#### DISCLAIMER

*Evolution Securities Limited is acting as nominated adviser and broker to the Company for the purpose of the AIM Rules. Evolution Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for the Company in relation to the Placing. Evolution Securities Limited is not acting for any other person in connection with the matters referred to in this announcement and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Evolution Securities Limited or for giving advice in relation to the matters referred to in this announcement.*

*This announcement has been issued by the Company and is the sole responsibility of the Company.*

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*In accordance with the guidelines of the AIM Market of the London Stock Exchange, Andrew Grosse, B.Sc (Hons) Geology & Geophysics (1980), Exploration & Technical Director of Sterling Energy Plc, who has been involved in the oil industry for over 27 years, is the qualified person that has reviewed the technical information contained in this announcement.*

## **Proposed Placing of New Ordinary Shares and Notice of Extraordinary General Meeting**

### **1. Introduction and summary**

The Board announces that it proposes to raise £13.5 million (approximately US\$24.4 million) (before expenses) by way of a placing of 675,000,000 New Ordinary Shares at a price of 2 pence per share. The net proceeds of the Placing will strengthen the Company's balance sheet, enabling the Group to complete its current committed business plan and provide general working capital for the Group. The Placing is conditional, *inter alia*, upon the Company obtaining approval from its Shareholders to increase the share capital of the Company and grant the Board authority to allot the Placing Shares and to disapply statutory pre-emption rights which would otherwise apply to, *inter alia*, the allotment of the Placing Shares. The Placing, which has been arranged and fully underwritten by Evolution Securities pursuant to the terms of the Placing Agreement, is also conditional upon Admission.

### **2. Information on Sterling**

Sterling is a UK AIM listed exploration and production company, which is redefining its strategy in order to focus its resources on higher impact opportunities in Africa and the Middle East.

Further information on Sterling Energy can be found in the Company's interim results for the six months ending 30 June 2008, which were also announced earlier today, and on the Company's website ([www.sterlingenergyuk.com](http://www.sterlingenergyuk.com)).

### **3. Background to and reasons for the Placing**

As part of the regular re-determination of the Borrowing Base, effective as of 30 September 2008, the Borrowing Base is being reduced by US\$20.3 million to US\$112.6 million and, accordingly, the Company will need to make a repayment under the Borrowing Base Facility Agreement of US\$20.3 million on 31 October 2008. The revised Borrowing Base has been calculated on the assumption that there will be at least US\$30 million of cash on the Company's balance sheet at 31 October 2008, prior to the making of such US\$20.3 million repayment. The Company has also drawn US\$10 million on its corporate facility.

Whilst the Company will shortly benefit from the receipt of the farm-in payments from its new partner in the Sangaw North Block in Kurdistan, Addax Petroleum, and is awaiting the receipt of proceeds from its recent oil lifting in Mauritania, the Company might not have sufficient cash available to it in order to achieve the projected debt service cover ratio assumed in the calculation of the revised Borrowing Base, and accordingly to support a Borrowing Base of US\$112.6 million. In addition, whilst the Company has entered into a conditional sale and purchase agreement to sell its US assets, there can be no certainty that this transaction will ultimately proceed. The Directors have therefore decided that the Proposed Placing is required in order to strengthen the Company's balance sheet and improve its working capital position.

The Company intends to use the proceeds of the Proposed Placing together with the cash it will receive from its operating activities to fulfil a number of near term work commitments relating to the Phase 2B development of the Chinguetti Field in Mauritania and strengthen the working capital position of the Group. The Directors believe that raising new funds by way of the Placing is the most appropriate method of funding the Company at the present time.

The Board considers that a general offer to existing Shareholders by way of a rights or other pre-emption issue is not feasible due to the delays that would be incurred through the production and approval of a prospectus.

The Directors believe that the Company will have sufficient cash at the end of October 2008 (without recourse to the proceeds of the Proposed Placing) in order to make the required repayment of \$20.3m under the Borrowing Base Facility Agreement. However, if there is a shortfall in the Company's cash position as at the end of October 2008 (because, for example, the proceeds from its recent oil lifting in Mauritania are less than expected or there is a delay in the receipt of such proceeds), then the Directors would use part of the proceeds of the Proposed Placing to meet this shortfall.

#### ***Significance of the Placing***

In the event that Shareholders do not approve the Resolution, the Placing will not proceed and the Board will need to consider alternative sources of funding, which may or may not be forthcoming. In particular, the Company may not have sufficient cash on its balance sheet to enable it to achieve the projected debt service cover ratio assumed in the calculation of the revised Borrowing Base of US\$112.6 million, i.e. a lower Borrowing Base would then apply determined by reference to the actual projected debt service cover ratio. The Board would then need to consider alternative courses of action to reduce its outstanding debt under the Borrowing Base Facility Agreement to the further reduced Borrowing Base. Furthermore, the Company could seek to renegotiate the determination of the Borrowing Base and/or to secure appropriate alternative financing. If the Company was not able successfully to complete any of these alternative funding requirements or renegotiate the determination of the Borrowing Base, and was therefore unable to make the required further reduction in outstanding debt at 31 October 2008, the lenders under the financing arrangements could be in a position, as would normally be the case in agreements of this nature, to demand repayment in full of all of the outstanding debt under the Debt Facilities and the Company could potentially face the risk of insolvency.

The completion of the sale of the Company's US assets would transform its financial status and it plans to return the placing proceeds to Shareholders through a share buy-back when the Company is able and it is advisable to do so.

#### **4. The Proposed Placing**

The Company proposes to raise approximately £12.9 million (approximately US\$23.3 million) (net of expenses) through the issue of the Placing Shares at the Placing Price. The Placing Price represents a discount of 33.3 per cent. to the price of the last reported trade, being 3 pence per Ordinary Share, on 29 September 2008, being the last practicable date prior to the publication of this announcement. The Placing Shares will represent approximately 29.0 per cent. of the Company's issued ordinary share capital immediately following Admission.

#### ***The Placing Agreement***

Pursuant to the terms of the Placing Agreement, Evolution Securities has conditionally agreed to use its reasonable endeavours, as agent for the Company, to place the Placing Shares at the Placing Price with certain institutional and other investors. The Placing has been fully underwritten by Evolution Securities. The Placing Agreement is conditional upon, *inter alia*, the Resolution being duly passed at the EGM and Admission becoming effective on or before 8.00 a.m. on 20 October 2008 (or such later time and/or date as the Company and Evolution Securities may agree, but in any event by no later than 8.00 a.m. on 31 October 2008).

The Placing Agreement contains warranties from the Company in favour of Evolution Securities in relation to, *inter alia*, the accuracy of the information contained in the Circular and certain other matters relating to the Group and its business. In addition, the Company has agreed to indemnify Evolution Securities in relation to certain liabilities it may incur in respect of the Placing. Evolution Securities has the right to terminate the Placing Agreement in certain circumstances prior to Admission, in particular, for *force majeure* or in the event of a material breach of the warranties set out in the Placing Agreement.

### **Settlement and dealings**

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that such Admission will become effective and that dealings will commence on 20 October 2008.

The Placing Shares will, when issued, rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive dividends and other distributions declared following Admission. It is expected that CREST accounts will be credited on the day of Admission and that share certificates (where applicable) will be dispatched by first class post by 24 October 2008.

### **Directors' participation in the Placing**

The following Directors have agreed to subscribe for Placing Shares at the Placing Price. Immediately after Admission, it is expected that these Directors will have the following shareholdings:

<i>Director</i>	<i>No. of Placing Shares subscribed for in the Placing</i>	<i>Total no. of Ordinary Shares held following the Placing</i>	<i>Percentage of the enlarged issued share capital</i>
Dick Stabbins	750,000	5,222,272	0.22%
Graeme Thomson	1,750,000	17,345,510	0.75%
Andrew Grosse	1,750,000	7,400,473	0.32%
Jon Cooper	500,000	500,000	0.02%
Peter Wilde	250,000	870,000	0.04%

## **5. Current trading and prospects**

Details of the Company's current trading are set out in its interim results for the six months ended 30 June 2008 which were announced earlier today.

## **6. Working capital**

In the opinion of the Directors and assuming the completion of the Placing, the working capital available to the Group is sufficient for the Group's present requirements, that is for at least 12 months following Admission. However, in the event that Shareholders do not approve the Resolution, the Placing will not proceed and the Board will need to consider alternative sources of funding, which may or may not be forthcoming.

Following the recent Borrowing Base review, further debt repayments of US\$7m and US\$6m are scheduled for February 2009 and August 2009 respectively under the Borrowing Base Facility Agreement. In January 2009 and July 2009, the Company's bankers will undertake a further review of the Company's Borrowing Base at which points the Borrowing Base may be increased or, in the event that the Company does not perform in line with expectations, the Company's bankers may seek to further reduce the Borrowing Base requiring additional payments from the Company. Any re-determination of the Borrowing Base will be based on

the Company's bankers' determination of certain economic and technical assumptions. However, in the event that the Company is able to achieve a successful sale of its US assets the Company expects to repay the outstanding debt under its Debt Facilities and the Company expects to have a surplus of cash available to fund its working capital requirements.

**Shareholders should be aware that in the event that the Company's Borrowing Base is further reduced by its bankers or the Board's revenue expectations are not met, the Company may require additional funding sooner than anticipated, which may or may not be forthcoming.**

#### **7. Related Party Transaction**

INVESCO plc ("INVESCO") is classified as a related party of the Company for the purposes of the AIM Rules. Accordingly, the issue of 199,000,000 Placing Shares to INVESCO pursuant to the Placing, representing 29.5 per cent. of the total Placing Shares to be issued and 8.6 per cent. of the enlarged issued share capital of the Company, will be classified as a related party transaction for the purpose of Rule 13 of the AIM Rules. The Directors, having consulted with Evolution Securities, consider that the terms of the subscription by INVESCO for Placing Shares are fair and reasonable insofar as Shareholders are concerned. In providing advice to the Directors, Evolution Securities has taken into account the Directors' commercial assessments.

#### **8. Extraordinary General Meeting**

An EGM is to be held on 17 October 2008 at the offices of Ashurst LLP at Broadwalk House, 5 Appold Street, London EC2A 2HA, at 9.00 a.m., at which the Resolution will be proposed for the purposes of implementing the Proposed Placing.

The Resolution will be proposed as a special resolution to increase the authorised share capital of the Company, to authorise the Directors to allot New Ordinary Shares up to an aggregate nominal amount of £6,750,000 and to disapply Shareholders' statutory pre-emption rights up to the same aggregate nominal amount.

## PLACING STATISTICS

Placing Price	2p
Number of Ordinary Shares in issue as at the date of this announcement	1,650,510,585
Number of Placing Shares being placed on behalf of the Company	675,000,000
Estimated proceeds receivable by the Company, net of expenses	£12.9 million
Number of Ordinary Shares in issue following Admission	2,325,510,585
Number of Placing Shares as a percentage of the enlarged issued ordinary share capital of the Company following the Placing	29.0 per cent.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Forms of Proxy	9.00 a.m. on 15 October 2008
Extraordinary General Meeting	9.00 a.m. on 17 October 2008
Admission and dealings in the Placing Shares expected to commence on AIM	8.00 a.m. on 20 October 2008
Expected date for CREST stock accounts to be credited for Placing Shares in uncertificated form	20 October 2008
Expected date for posting of share certificates for Placing Shares	by 24 October 2008

## DEFINITIONS AND GLOSSARY

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

“Admission”	admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with rule 6 of the AIM Rules
“AIM”	a market operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for companies as published by the London Stock Exchange from time to time
“bpd”	barrels of oil per day
“Borrowing Base”	the amount calculated by reference to the net present value of future cash flows from included field interests used to determine availability (subject to commitments and subject to compliance with a projected debt service cover ratio) under the Borrowing Base Facility Agreement.
“Borrowing Base Facility Agreement”	the US\$250 million borrowing base facility agreement dated 26 September 2007 (as amended) and made between the Company and Sterling Energy USA Inc and others and guaranteed by, <i>inter alios</i> , Sterling Energy, Inc
“Chinguetti Field”	the oil field located in the area governed by PSCB, offshore Mauritania as set out in the Chinguetti development and production programme dated 20 May 2004
“Company” or “Sterling”	Sterling Energy PLC
“Corporate Facility Agreement”	the US\$15 million corporate facility agreement dated 26 September 2007 (as amended) of the Company and others;
“Debt Facilities”	together, the facilities made available under the Borrowing Base Facility Agreement and the Corporate Facility Agreement;
“Directors” or “Board”	the directors of the Company or any duly authorised committee thereof
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at 9.00 a.m. on 17 October 2008
“EGM Notice”	the notice convening the EGM which is set out at the end of the Circular
“Evolution Securities”	Evolution Securities Limited, the Company's nominated adviser
“Form of Proxy”	the form of proxy for use in connection with the EGM
“Group”	the Company, its subsidiaries and its subsidiary undertakings

“London Stock Exchange”	London Stock Exchange plc
“Mauritania”	the Islamic Republic of Mauritania
“mcf”	thousand cubic feet of gas
“mcfged”	thousand cubic feet of gas equivalent per day
“mmcfd”	Million cubic feet of gas per day
“mmcfdged”	Million cubic feet of gas equivalent per day
“New Ordinary Shares” or “Placing Shares”	the 675,000,000 new Ordinary Shares to be issued in connection with the Proposed Placing
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Placing Agreement”	the agreement dated 30 September 2008 between the Company and Evolution Securities relating to the Placing, details of which are set out in this announcement
“Placing Price”	2 pence per New Ordinary Share
“Proposed Placing” or “Placing”	the proposed placing the New Ordinary Shares at the Placing Price pursuant to the terms of the Placing Agreement
“prospects”	undrilled geologic formations (whether structural or stratigraphic) that on the basis of geoscientific evidence and/or modelling are believed to have the potential to contain commercially viable quantities of hydrocarbon
“PSCB”	the production sharing contract between the Islamic Republic of Mauritania and certain oil companies including Woodside dated 9 July 1998
“Resolution”	the resolution set out in the EGM Notice
“RISC”	Resource Investment Strategy Consultants Pty Ltd, independent consultants
“Shareholders”	holders of Ordinary Shares
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“\$” or “US dollar”	the lawful currency for the time being of the United States. For the purpose of currency calculations included in this announcement the Directors have used a rate of (£1 : \$1.8094), as derived from the Financial Times on 30 September 2008, being the latest practicable date prior to the release of this announcement