

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about what action you should take, it is recommended that you immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 or in the case of recipients outside the United Kingdom your stockbroker, bank manager, solicitor, accountant or other financial adviser.**

If you have sold or transferred all your Ordinary Shares, please forward this document at once, together with the accompanying Form of Proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

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# **DESIRE PETROLEUM PLC**

*(Incorporated and registered in England & Wales with registered No. 3168611)*

## **Proposed Placing of 60,000,000 new Ordinary Shares at 70p per share**

### **Details of proposed Open Offer**

### **Notice of General Meeting**

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Notice of a General Meeting of the Company, to be held at 9.00 a.m. on 9 November 2009 at the offices of Buchanan Communications, 45 Moorfields, London EC2Y 9AE is set out at page 8 of this document. Shareholders will find enclosed a Form of Proxy for use at this meeting. To be valid the Form of Proxy must be completed and returned, in accordance with the instructions printed thereon, to the address provided on the Form of Proxy. Shareholders are to complete and return the Form of Proxy as soon as possible, but in any event not later than 48 hours before the time of the meeting.

The Placing Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under the securities laws of any state of the United States. The Placing Shares may not directly or indirectly, be offered, sold or taken up, delivered or transferred in or into the United States, Canada, Australia, the Republic of Ireland or Japan.

Seymour Pierce, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for Desire and for no one else in connection with the proposals described in this document and will not be responsible to anyone other than Desire for providing the protections afforded to clients of Seymour Pierce nor for giving advice to any other person on the contents of this document or in relation to such proposals generally. No liability is accepted by Seymour Pierce for the accuracy of any information or opinions contained in, or for the omission of any material information from, this document for which the Directors are solely responsible. Seymour Pierce has not authorised the contents, or any part, of this document.

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### EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Last time and date of receipt for Forms of Proxy	9.00 a.m. on 7 November 2009
General Meeting	9.00 a.m. on 9 November 2009
Completion of the Placing and Admission	8.00 a.m. on 10 November 2009
Crediting of CREST accounts with Placing Shares	10 November 2009
Definitive share certificates dispatched in respect of Placing Shares	17 November 2009

## PLACING STATISTICS

Placing Price	70p
Number of existing Ordinary Shares in issue on the date of this document	229,715,445
Number of Placing Shares	60,000,000
Number of Ordinary Shares in issue immediately following the Placing	289,715,445
Percentage of the Enlarged Issued Share Capital subject to the Placing	20.7%
Gross proceeds of the Placing receivable by the Company	£42.0 million
Estimated net proceeds receivable by the Company pursuant to the Placing after expenses (excluding VAT)	£40.2 million

## DEFINITIONS

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

“Act” or “Companies Act”	the Companies Act 2006;
“Admission”	admission of the Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies published by the London Stock Exchange;
“AIM”	the AIM market of the London Stock Exchange;
“Arcadia”	Arcadia Petroleum Ltd;
“Company” or “Desire”	Desire Petroleum plc;
“Directors” or “Board”	the board of directors of the Company;
“Enlarged Issued Share Capital”	the issued Ordinary Share capital of the Company immediately following Admission;
“Form of Proxy”	the form of proxy for use at the General Meeting, which is enclosed with this document;
“General Meeting”	the general meeting of the Company, notice of which is set out at the end of this document;
“London Stock Exchange”	London Stock Exchange plc;
“Open Offer”	the proposed open offer to qualifying Shareholders as described on page 6 of this document;
“Ordinary Shares”	the ordinary shares of 1 penny each in the share capital of the Company;
“Placing”	the proposed placing by Seymour Pierce of the Placing Shares;
“Placing Shares”	the 60,000,000 new Ordinary Shares which are the subject of the Placing;
“Resolutions”	the resolutions set out in the notice of the General Meeting set out at the end of this document;
“Rockhopper”	Rockhopper Exploration Plc;
“Senergy”	Senergy (GB) Limited, a subsidiary of Senergy Oil & Gas Limited;
“Seymour Pierce”	Seymour Pierce Limited;
“Shareholder”	a registered holder of Ordinary Shares; and
“\$”	United States dollars.

## LETTER FROM THE CHAIRMAN

### DESIRE PETROLEUM PLC

*(Incorporated and registered in England & Wales with registered No.3168611)*

*Directors:*

S.L. Phipps, *Chairman*  
Dr. I.G. Duncan, *Chief Executive*  
A.G. Windham, *Non-Executive Director*  
E. Wisniewski, *Non-Executive Director*  
R. Lyons, *Non-Executive Director*  
A. Neve, *Non-Executive Director*

*Registered Office:*

Mathon Court  
Mathon  
Malvern  
Worcestershire  
WR13 5NZ

22 October 2009

Dear Shareholder,

#### **Introduction**

On 10 September 2009, your Board announced that Desire had exchanged a letter of intent with Diamond Offshore Drilling (UK) Ltd for the drilling unit the "Ocean Guardian" to undertake a four well minimum drilling campaign in the North Falkland Basin. Desire also announced that it had secured options to drill up to a further four wells for itself or its partners.

Subsequently, on 2 October 2009, Desire announced that the formal drilling contract for the Ocean Guardian had been signed and disclosed that the contract is for a four well, minimum eighty day campaign, for which the Ocean Guardian could earn maximum total revenue of US\$19.6 million with mobilisation and demobilisation fees estimated to be US\$16 million.

In addition Desire announced that it had increased the number of option wells from four to six.

Desire already has sufficient funds to drill two wells in the planned drilling campaign. This, together with the planned drilling of two further wells by Desire's partners, Arcadia and Rockhopper, and subject to their approval of the drilling budgets, results in the four well commitment being met.

However, as indicated in the announcements referred to above, it is Desire's intention to drill as many different play types as possible with the Ocean Guardian. Fourteen different play types have been identified in the North Falkland Basin of which only three have been drilled to date. Prudent exploration dictates that as many of these play types as possible should be drilled to help unlock the potential of the Basin.

This planned approach to the exploration campaign has, in the Directors' opinion, been endorsed by the analysis of the prospective resources of the Company prepared by Senergy.

Senergy has evaluated Desire's top ten prospects, namely Liz, Ann, Alpha, Dawn, Jacinta, Beth, Ninky, Rachel, Helen and Pam, and the key conclusions are as follows:

- The mean, net to Desire, unrisks, prospective recoverable resources in those ten prospects is over 3 billion barrels.
- The mean, gross, unrisks prospective recoverable resources in those ten prospects is over 4.6 billion barrels.
- The mean, gross, unrisks prospect size ranges from 122 million barrels recoverable (Ninky) to 1,631 million barrels recoverable (Alpha).

The full Senergy report has been published by Desire and can be found on the Desire website: [www.desireplc.co.uk](http://www.desireplc.co.uk).

To enable Desire to achieve its aim of maximising the use of the Ocean Guardian, Desire is pleased to announce today that it has conditionally raised £42 million (approximately US\$68 million) before expenses by the placing by Seymour Pierce of 60,000,000 new Ordinary Shares at 70p per share.

### **Proposed Open Offer**

Shareholders will recall that in Desire's announcement of 10 September 2009, your Board stated that it was Desire's intention that Shareholders should have the opportunity to participate in the raising of further funds by the Company.

In keeping with this intention, Desire is intending to invite qualifying Shareholders to participate in the Open Offer which it is anticipated will raise up to approximately a further £20 million at the same issue price, 70p, as the Placing. The Board is seeking authority to issue the further new Ordinary Shares under the Open Offer at the General Meeting.

The documentation for the Open Offer, which will include an excess application facility, is currently being finalised with Desire's advisers and the Board intends to make the Open Offer as soon as is practicable following completion of the Placing.

### **Reasons for the Placing and Open Offer and use of proceeds**

Under the terms of the contract for the Ocean Guardian, Desire, as operator, is required to exercise any of its options to drill additional wells prior to the spud date of the first well which is expected in February 2010.

In practice, however, since the entire drilling campaign requires detailed planning and commitment to labour, materials and logistics, Desire needs to be in position to exercise its options to drill additional wells prior to the planned mobilisation of the rig. Following a programme of scheduled shipyard work the Ocean Guardian is expected to mobilise from North Sea waters in late November 2009.

In order to exercise an option, Desire needs to have the funds in place to meet the expected drilling and associated costs. Since it is unlikely that Desire could have completed the Open Offer prior to the date of mobilisation, your Board, in conjunction with its advisers, considered that a placing of new Ordinary Shares was the most appropriate method of ensuring that Desire would have the financial resources to exercise some options and thereby maximise the use of the rig.

The total estimated net proceeds of the Placing and the Open Offer will enable Desire to drill at least two further wells in the planned drilling campaign and/or to have the flexibility to test any successful wells. Desire has signed heads of agreement, with Rockhopper for the take up of two of the six options available for additional drilling.

### **Reasons for calling the General Meeting**

Section 551 of the Companies Act prohibits the Directors from allotting any shares in the Company without prior authority from Shareholders. Section 561 of the Companies Act gives holders of equity securities certain rights of pre-emption on the issue for cash of new equity securities. The rights of pre-emption can be disapplied by a special resolution passed pursuant to section 570 of the Act.

The authority granted to the Directors by Shareholders at the annual general meeting of the Company held on 1 June 2009 permits the Directors to allot equity securities in the Company up to an aggregate nominal amount of £228,520, being 22,852,000 new Ordinary Shares. However, the Directors can only issue equity securities for cash without applying pre-emption rights up to an aggregate nominal amount of £114,260 (being 11,426,000 new Ordinary Shares).

These existing authorities are insufficient to allow the Directors to complete the Placing and the Open Offer. Accordingly, the Directors are seeking a new section 551 authority under the Act and a disapplication of pre-emption rights pursuant to section 570 of the Act to allow both the Placing and the Open Offer to proceed. These authorities will expire at the end of the Company's annual general meeting to be held in 2010.

## **General Meeting**

Set out at the end of this document is a notice convening the General Meeting to be held at the offices of Buchanan Communications, 45 Moorfields, London EC2Y 9AE at 9.00 a.m. on 9 November 2009 at which the following Resolutions will be proposed:

- (a) an ordinary resolution to authorise the Directors to allot the Placing Shares and the new Ordinary Shares to be issued pursuant to the Open Offer and further Ordinary Shares equal to approximately 26 per cent. of the enlarged issued share capital following completion of the Placing and Open Offer (assuming full subscription of the Open Offer) pursuant to section 551 of the Act; and
- (b) a special resolution to disapply the pre-emption provisions contained in section 561(1) of the Act in respect of the allotment and issue of the Placing Shares and the new Ordinary Shares to be issued pursuant to the Open Offer, the allotment and issue of equity securities in connection with offers to existing Shareholders where such offer is made in proportion to existing holdings and otherwise up to an aggregate nominal amount of £318,690, which equates to approximately 10 per cent. of the enlarged issued share capital following completion of the Placing and Open Offer (assuming full subscription of the Open Offer).

## **Action to be taken**

Shareholders will find enclosed a Form of Proxy for use at the General Meeting. Whether or not Shareholders propose to attend the meeting, they are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon as soon as possible and, in any event, so as to be received by not later than 48 hours before the meeting. The completion and return of the Form of Proxy will not prevent Shareholders from attending and voting in person at the General Meeting should they so wish.

## **Admission, settlement and CREST**

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Placing Shares will commence on 10 November 2009.

The articles of association of the Company permit the Company to issue shares in uncertificated form. CREST is a computerised paperless share transfer and settlement system which allows shares and other securities, including depository interests, to be held in electronic rather than paper form. The Ordinary Shares are already admitted to CREST.

CREST is a voluntary system and Shareholders who wish to retain certificates will be able to do so.

The Placing Shares due to uncertificated holders will be delivered in CREST on 10 November 2009. Certificates in respect of Placing Shares are expected to be dispatched by the Company's Registrars no later than 17 November 2009.

## **Recommendation and voting intentions**

**The Directors consider that the Placing and the Open Offer are in the best interests of the Company and its Shareholders as a whole and accordingly the Directors unanimously recommend all Shareholders to vote in favour of the Resolutions as they intend to do in respect of their own beneficial holdings in the Company's share capital amounting in aggregate to 34,243,679 Ordinary Shares representing 14.9 per cent. of the current issued share capital.**

**Shareholders should be aware that if the Resolutions are not passed, neither the Placing nor the Open Offer will be able to proceed and the Company will not be in a position to exercise options to drill two additional wells in the forthcoming drilling campaign.**

Yours faithfully,

**Stephen Phipps**  
*Chairman*

# DESIRE PETROLEUM PLC

*(Incorporated and registered in England & Wales with registered No.3168611)*

## NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Desire Petroleum plc (the "Company") will be held at the offices of Buchanan Communications, 45 Moorfields, London EC2Y 9AE at 9.00 a.m. on 9 November 2009 to consider and, if thought fit, pass the following resolutions of which resolution 1 will be proposed as an ordinary resolution and resolution 2 will be proposed as a special resolution:

### ORDINARY RESOLUTION

1. THAT, in substitution for all previous authorities conferred on the Board in accordance with section 80 of the Companies Act 1985 or section 551 of the Companies Act 2006 (the "Act") and in accordance with section 551 of the Act, the Board be and is generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to a maximum aggregate nominal amount of £1,702,846, provided that this authority shall (unless previously revoked, varied or renewed by the Company) expire on the conclusion of the Company's annual general meeting to be held in 2010, save that the Company may make prior to such expiry any offer or agreement which would or might require such shares or rights to be allotted or granted after the expiry of the said period and the Board may allot such shares or grant such rights in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution.

### SPECIAL RESOLUTION

2. THAT, subject to the passing of resolution 1 above, in substitution for all previous powers granted to the Board to allot equity securities as if either section 89(1) of the Companies Act 1985 or section 561(1) of the Act did not apply, the Board be and is generally empowered in accordance with section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash, pursuant to the authority conferred on it by resolution 1 above, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall (unless previously revoked, varied or renewed by the Company) expire on the conclusion of the annual general meeting to be held in 2010, save that the Company may make prior to such expiry an offer or agreement which would or might require equity securities to be allotted after expiry of the said period and the Board may allot equity securities in pursuance of such an offer or agreement notwithstanding the expiry of the authority given by this resolution and provided further that this power is limited to:
  - (a) the allotment of equity securities in connection with the Placing and Open Offer (as such terms are defined in the circular to shareholders of the Company dated 22 October 2009);
  - (b) the allotment of equity securities in connection with an offer (whether by way of a rights issue, open offer or otherwise) to the holders of ordinary shares in the capital of the Company in proportion (as nearly as may be) to their existing holdings of ordinary shares as at the record date of such allotment but subject only to such exclusions or other arrangements as the Board deems necessary or expedient in relation to fractional entitlements or any legal or practical problems arising under the laws of any territory or the requirements of any recognised regulatory body or stock exchange; and

- (c) the allotment (otherwise than pursuant to paragraphs (a) and (b) above) of equity securities up to an aggregate nominal amount of £318,690.

Dated: 22 October 2009

*By order of the Board*

*Registered Office:*

Mathon Court  
Mathon  
Malvern  
Worcestershire  
WR13 5NZ

**Anna Neve**  
*(Company Secretary)*

## NOTES TO THE NOTICE OF GENERAL MEETING

### Entitlement to attend and vote

1. Only those members registered on the Company's register of members at:
  - 6.00 p.m. on 7 November 2009; or
  - if this Meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting,shall be entitled to attend and vote at the Meeting.

### Appointment of proxies

2. If you are a member 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, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
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 Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

### Appointment of proxy using hard copy proxy form

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to Capita Registrars at Proxies, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU; and
- received by Capita Registrars no later than 9.00 a.m. on 7 November 2009.

In the case of a member which is a company, the proxy form 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 proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

### Appointment of proxies through CREST

7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from <https://www.euroclear.com/site/public/EUI>). 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 made by means of CREST to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (**EUI**) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 9.00 a.m. on 7 November 2009. 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.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI 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 providers 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.

#### **Appointment of proxy by joint members**

8. 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).

#### **Changing proxy instructions**

9. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open from 8.30 a.m.-5.30 p.m., Monday to Friday).

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

#### **Termination of proxy appointments**

10. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars at the address given above. In the case of a member which is a company, the revocation notice 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 revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Capita Registrars no later than 9.00 a.m. on 7 November 2009.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

#### **Corporate representatives**

11. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

#### **Issued shares and total voting rights**

12. As at 6.00 p.m. on 21 October 2009, the Company's issued share capital comprised 229,715,445 ordinary shares of 1p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00 p.m. on 21 October 2009 is 229,715,445.

