

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the contents of this document or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, or if you are not in the United Kingdom, another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your Ordinary shares, please forward this document and the accompanying Form of Proxy at once to the purchaser or transferee or the agent through whom the sale or transfer was effected, for onward delivery to the purchaser or transferee. If you have sold only part of your holding of Ordinary shares, please contact the bank, stockbroker or other agent through whom the sale or transfer was effected as to the actions you should take.

Cadogan Petroleum plc
(Incorporated and registered in England and Wales
under the Companies Act 1985 with registered number 5718406)

**Proposed cancellation of share premium account
and
Notice of General Meeting**

Your attention is drawn to the Chairman's Letter which is set out in Part 1 of this document which contains a recommendation by the Board of Cadogan to vote in favour of the Resolution to be proposed at the General Meeting referred to below.

Notice of a General Meeting of Cadogan Petroleum plc to be held at The Metropolitan, Old Park Lane, London W1K 1LB on 11 November 2009 is set out at the end of this document. The General Meeting shall commence at 3pm (or as soon thereafter as the Annual General Meeting, convened at the same venue on that day, concludes or is adjourned).

Whether or not you intend to be present at the General Meeting, please complete and return the Form of Proxy accompanying this document to the Registrars as soon as possible and in any event so as to reach Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 3pm on 9 November 2009. Completion and return of the Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting, should they so wish.

This document contains certain forward-looking statements. These statements typically contains words such as "intends", "expects", "anticipates", "targets", "estimates" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, factors identified elsewhere in this document.

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PART 1 CHAIRMAN'S LETTER

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5718406)

Registered Office
5th Floor
4-5 Grosvenor Place
London
SW1X 7HJ

Directors:
Simon Duffy (Non-executive Chairman)
Ian Baron (Chief Executive Officer)
Nicholas Corby (Commercial Director)
Philip Dayer (Senior Independent Non-executive Director)
Alan Cole (Non-executive Director)
James Donaldson (Non-executive Director)
Nicholas Hooke (Non-executive Director)

19 October 2009

To Shareholders and, for information only, to participants in the Cadogan Share Schemes

Dear Shareholder,

1. Introduction

The Board has actively been seeking ways to return value to Shareholders in a tax efficient manner and a number of possibilities have been considered. These methods require the Company to create distributable reserves. As at 30 June 2009, the Company had an accumulated deficit on its profit and loss account of £66,344,487 and there is currently £250,372,570 standing to the credit of the Company's share premium account. As at 30 September 2009, the Company had cash reserves of approximately £36.7 million.

As a first step, therefore, the Company is today seeking the approval of Shareholders to undertake the Reduction of Capital. This requires the approval by special resolution of the Shareholders and subsequent confirmation by the Court. Subject to the Resolution being approved, the Board therefore intends, if such approval is given, to make an application to the Court. Upon the Reduction of Capital becoming effective, the reserve arising as a result of the Reduction of Capital will be utilised to eliminate the accumulated deficit on the Company's profit and loss account and, subject to the protection of creditors, the balance arising will be credited to the Company's profit and loss account. The Court will need to be satisfied that the interests of the Company's creditors are adequately protected. It is anticipated that the Company will provide an undertaking to create a separate blocked trust bank account to hold a sum equal to the Company's non-consenting creditors. However, the precise form of creditor protection is a question for the Court and the Company will give such undertaking as the Court requires and its lawyers advise is appropriate.

The creation of such distributable reserves will enable the Company to return a significant amount of value to Shareholders. It is likely, depending on the circumstances, that the Company will, after the Reduction of Capital, employ one or more means of returning value, potentially including the purchase of existing Ordinary shares pro rata to the holdings of Shareholders by way of a tender offer, which the Board expects would for most Shareholders be the most tax efficient means available of returning cash. The means of returning value will be announced in due course.

The Board may also determine, in addition to any return of cash, to reorganise the structure of the Group in order to give Shareholders the opportunity to participate in any future benefits by holding an interest directly in the core assets of the Group pro rata to their interests in Ordinary shares. Any such proposals will also be announced in due course.

Cadogan Petroleum plc, 5th Floor 4/5 Grosvenor Place, London SW1X 7HJ
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Registration Number: 5718406
Registered in England and Wales

In formulating these proposals, the Directors will take into account the amount and timing of receipt of funds from surplus inventory sales and the probability and quantum of funds being recovered from the litigation proceedings, as previously announced, and which are outlined further below.

It is anticipated that the Reduction of Capital will become effective before the end of 2009. In those circumstances, it is anticipated that the audited accounts for 31 December 2009 will reflect the creation of distributable reserves, which can then be used to justify the return of value to shareholders. Neither the revised 2008 Accounts nor the Company's previous accounts demonstrate distributable reserves. A general meeting of the Company is likely to be convened to approve the return of value once accounts showing such distributable reserves have been published.

Background

Changes of Management

The non-executive Directors progressively lost confidence in the Cadogan management team during the latter part of 2008 and the beginning of 2009 and assumed operational control of the Company shortly thereafter in March 2009. Following the resignation of the former Chief Executive Officer, the Board appointed Ian Baron as Interim Chief Executive Officer and asked him to undertake both a detailed review of the operations and an evaluation of the potential commercial viability of the Group's assets. A technical review of the Group's oil and gas assets and reserves was also commissioned. Soon afterwards the Company launched an investigation into certain procurement procedures and subsequently commenced the legal proceedings referred to below.

Legal proceedings

In June 2009, the Company and a number of its subsidiaries commenced proceedings in London and elsewhere against the Company's former Chief Executive Officer, former Chief Operating Officer and certain third parties. These proceedings sought the return of funds associated with the procurement of and payment for certain assets and services. Worldwide freezing orders were obtained against the former executives and their associated companies in the United Kingdom, New Zealand, Canada, Cyprus, France and Jersey.

On 15 October 2009 the Company announced a settlement of its dispute with Global Process Systems LLC.

Challenges to exploration licences

During 2008 and 2009 the Group was affected by legal challenges to the Zagoryanska and Pirkovskoe licences and these are ongoing. The Group embarked on a number of court actions to protect its interests. In February 2009 the High Administrative Court of Ukraine ruled in favour of the original indirect challenge to the Pirkovskoe licence but an appeal was made to the Supreme Court of Ukraine in relation to the Pirkovskoe licence and in June 2009 the Supreme Court cancelled the February 2009 ruling of the High Administrative Court and instructed the High Administrative Court to reconsider its earlier ruling without taking any further evidence into consideration. The Supreme Court also referred the earlier ruling in respect of the Zagoryanska licence back to the High Administrative Court. The Group has also not yet been advised of the date for these new hearings.

On 18 September 2009 Cadogan announced that it had been made aware of a resolution by the Ukraine government dated 26 August supporting a proposal by the Ministry for the Protection of the Environment of Ukraine to annul and transfer its licence interests in five licence areas to Naftogas of Ukraine with effect from 23 September 2009. Cadogan believed that there was no legal basis for this action and, as announced on 12 October 2009, a letter has now been received from the Ministry for the Protection of the Environment confirming the Company's rights to the special permits and licence interests with respect to Pirkovskoe, Zagoryanska, Bitlyanska, Monastyrtske and Krasnoyilske. The Ministry confirmed that there are no grounds for invalidation or annulment, or any doubts as to the validity, of the special permits. The Ministry has also confirmed the exclusive rights of Cadogan for exploration, research and commercial development of these fields. In the light of this letter, the Company will seek a swift resolution of the previous indirect legal challenges to the Pirkovskoe and Zagoryanska special permits.

Operations

On 18 June 2009 the Company announced the preliminary findings of the Chief Executive's review mentioned above. The principal finding was that Cadogan had not as yet been successful in capitalising on the potential of its asset base in the Pokrovskoe, Pirkovskoe and Zagoryanska licence areas in eastern Ukraine. Well results demonstrated flow rates much lower than anticipated, leaving questions as to the potential of the fields in eastern Ukraine. Due to these results, the Board curtailed the previous strategy of drilling a large number of wells with significant expenditure on each of its licences. The Board initiated a further review to identify the primary reasons for the poor test results, including further analysis of reservoir characteristics for all major fields. It was decided to seek to dispose of or relinquish the minor fields and assets. Significant changes were made to technical and operational practices and organisational structures within Ukraine. A personnel reduction of approximately 25 per cent was achieved in the first six months of 2009. Drilling of the Boryna 3 well on the Bitlayanska licence was terminated at a drilled depth of 5,325m and the well suspended for future evaluation. The well provided valuable data and demonstrated that an active hydrocarbon system is present over an extended interval. There are no current plans for further significant drilling expenditure on this well. However, Cadogan is evaluating whether limited expenditure would be justified during 2010 to acquire 2D seismic data over the Bitlayanska licence. The Group's wells in eastern Ukraine are currently suspended with the exception of Pirkovska 1, which is on extended testing. This well is producing about 70 barrels of oil per day.

The Board will commission a new third party competent person's report to incorporate all the new well data and related information so that it can accurately value the Group's asset base. Until receipt of the new report, the Directors do not believe it is practical or appropriate to assess whether there is a need to provide for any impairment of assets.

Withdrawal and restatement of 2008 Accounts

As a result of the investigation referred to above, the Board identified that certain payments had been inappropriately capitalised in the Company's consolidated financial statements for the years ended 31 December 2006, 2007 and 2008. Given the uncertainty arising from these irregularities, the outcome of the legal proceedings and any potential adjustments to the carrying value of the Group's assets arising from the competent person's report mentioned above, the Board had doubts about the validity and appropriateness of accounting treatments previously applied to certain items of expenditure. The 2008 Accounts were accordingly withdrawn in June 2009 and certain revisions to previously applied accounting treatments were reflected in the Half Yearly Report issued on 28 August 2009, involving a reduction in equity as at 31 December 2008 of £4.9 million. The Half Yearly Report, and the re-issued 2008 Accounts which accompany this document, include a description of these fundamental uncertainties.

There can be no assurance that further irregularities will not be identified that could further impact the accounting treatments and disclosures applied for the six months ended 30 June 2009 and earlier periods.

2. Reduction of Capital

The Company is permitted by the Companies Act 2006 to reduce its capital by cancelling the amount standing to the credit of its share premium account, with the approval of Shareholders and confirmation by the Court.

Prior to confirming the Reduction of Capital, the Court will need to be satisfied that the creditors of Cadogan are not thereby prejudiced. Cadogan will put in place such form of creditor protection as is appropriate to satisfy the Court in this regard, including giving an undertaking to the Court to protect payments to the Company's creditors. As at 30 June 2009 the Company had creditors of £7,961,898.

3. General Meeting

Shareholders will be asked to approve a special resolution at the General Meeting to approve the cancellation of the Company's share premium account.

4. Action to be taken

On 11 November 2009, the General Meeting will be held to seek approval for the Reduction of Capital. Notice of the General Meeting is set out in Part 4 of this document.

Whether or not you propose to attend the meeting you are requested to complete, sign and return the enclosed Form of Proxy (together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority) to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Completed Forms of Proxy should be returned by post (faxes will not be accepted).

5. Additional information

Your attention is drawn to the additional information set out in Part 2 of this document.

6. Recommendation

The Board considers the Reduction of Capital to be in the best interests of the Company and the Shareholders as a whole and, accordingly, your Board unanimously recommends that holders of Ordinary shares vote in favour of the Resolution at the General Meeting.

The members of the Board intend to vote their own shareholdings totalling 512,464 Ordinary shares (representing in aggregate approximately 0.22 per cent of the issued ordinary share capital of Cadogan) in favour of the Resolution.

Yours sincerely

Simon Duffy

Non-executive Chairman

PART 2 ADDITIONAL INFORMATION

1. Details of the Company

- 1.1 Cadogan was incorporated and registered in England and Wales on 22 February 2006 with registered number 05718406 as a public limited company under the Companies Act 1985. On 23 June 2008, the shares of Cadogan were listed on the Official List and admitted to trading on the London Stock Exchange.
- 1.2 Deloitte LLP are the auditors of Cadogan. Deloitte LLP audited the financial statements of Cadogan for the years ended 31 December 2006, 31 December 2007 and 31 December 2008. The reports in respect of the financial statements for each of the years ended 31 December 2006 and 31 December 2007 were unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The audited financial statements for the year ended 31 December 2008 were withdrawn in June 2009 and were re-issued on today's date without the inclusion of an audit opinion.
- 1.3 The Half Yearly Report was issued on 28 August 2009.

2. Responsibility statement

The Directors, whose names are set out below at paragraph 3, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (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.

3. Directors of Cadogan

The Directors of Cadogan and their respective positions are as follows:

Name	Position
Simon Duffy	Non-executive Chairman
Ian Baron	Chief Executive Officer
Nicholas Corby	Commercial Director
Philip Dayer	Senior Independent Non-executive Director
Alan Cole	Non-executive Director
James Donaldson	Non-executive Director
Nicholas Hooke	Non-executive Director

The business address of each of the Directors of Cadogan is 5th Floor, 4-5 Grosvenor Place, London SW1X 7HJ.

4. Directors' interests

- 4.1 As at 15 October 2009 (being the latest practicable date prior to the publication of this document), the interests of the Directors and persons connected with them (within the meaning of section 252 of the Companies Act 2006), all of which are beneficial, in the issued share capital of Cadogan were as follows:

Directors	Number of existing Ordinary shares
SP Duffy	32,609
NC Corby	423,333
AC Cole	17,391
PJ Dayer	21,739
NJ Hooke	17,392

- 4.2 Save as disclosed in paragraph 4.1, none of the Directors or their immediate families, nor any person connected with any Director (within the meaning of section 252 of the Companies Act 2006) has any interest, whether beneficial or non beneficial, in any share or loan capital of Cadogan or any of its subsidiaries.
- 4.3 No directors hold any award or option under the Cadogan Share Schemes.

5. Major Shareholders

In so far as is known to Cadogan, the following are the only persons interested directly or indirectly in 3 per cent or more of Cadogan's existing issued ordinary share capital as at 15 October 2009, being the latest practicable date prior to the publication of this document:

Shareholder	Number of Ordinary shares	Percentage of issued share capital
QVT Financial LP	32,493,843	14.06%
Weiss Capital LLC	22,450,652	9.72%
Altima Partners	19,171,278	8.3%
HBK Capital Management	16,525,999	7.15%
Lloyds TSB Group	14,817,301	6.41%
Deutsche Bank AG	15,834,584	5.99%
European Bank for Reconstruction and Development	11,632,866	5.03%
JP Morgan	11,625,000	5.03%

6. Documents on display

Copies of the following documents may be inspected at the offices of Denton Wilde Sapte LLP at One Fleet Place, London EC4M 7WS during normal business hours on each Business Day from the date of this document up to and including the date of the General Meeting:

- 6.1 the memorandum and articles of association of Cadogan;
- 6.2 this document; and
- 6.3 the audited consolidated accounts of Cadogan for the financial years ended 31 December 2006 and 2007 and the unaudited consolidated accounts of Cadogan for the financial year ended 31 December 2008.

19 October 2009

PART 3 DEFINITIONS

The following definitions apply throughout this document (the Notice of the General Meeting which contains separate definitions) unless the context requires otherwise.

2008 Accounts and 2009 Accounts	the Company's annual financial report and consolidated accounts for the years ended 31 December 2008 and 31 December 2009
Annual General Meeting	the annual general meeting of Cadogan convened (having been deferred from an earlier date) for 2pm on 11 November 2009
Board	the Board of Directors of Cadogan, whose names are set out in Part 2 of this document
Business Day	a day (excluding Saturday or Sunday or a public holiday) on which banks generally are open for business in the City of London for the transaction of normal banking business
Cadogan or the Company	Cadogan Petroleum plc, a public limited company incorporated in England and Wales with registered number 5718406
Cadogan Share Schemes	2006 Share Scheme, 2008 Performance Share Plan and 2008 Option Plan
Companies Act 1985	the Companies Act 1985, including any statutory modification or re-enactment thereof for the time being in force but excluding the Companies Act 2006
Companies Act 2006	the Companies Act 2006, including any statutory modification or re-enactment thereof for the time being in force
Companies Acts	the Companies Act 1985 and the Companies Act 2006
Court	the High Court of Justice of England and Wales
Directors	the directors of Cadogan, whose names are set out in Part 2 of this document
Form of Proxy	the Form of Proxy accompanying this document relating to the Resolution to be proposed at the General Meeting
General Meeting	the general meeting of Cadogan convened for 3pm on 11 November 2009, notice of which is set out in Part 4 of this document, to consider and, if thought fit, approve, the Resolution, and any adjournment thereof
Group	the Company and its subsidiaries
Half Yearly Report	the unaudited and unreviewed Half Yearly Report for the six months ended 30 June 2008
London Stock Exchange	London Stock Exchange plc
Notice of Meeting	the notice of general meeting of the Company set out in Part 4 of this document
Ordinary shares	Ordinary shares of £0.03 each in the capital of Cadogan
£ or p	the lawful currency of the United Kingdom
Reduction of Capital	the proposed cancellation of the entire share premium account of Cadogan under section 641 of the Companies Act 2006 described in Part 1 of this document
Registrars	Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Resolution	the special resolution contained in the Notice of Meeting
Shareholder	a registered holder of Ordinary shares
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UK time	local time in the United Kingdom

PART 4

NOTICE OF GENERAL MEETING

Cadogan Petroleum plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5718406)

Notice is hereby given that a General Meeting of Cadogan Petroleum plc (the "Company") will be held at The Metropolitan, Old Park Lane, London W1K 1LB at 3pm on 11 November 2009 (or, if later, immediately following the conclusion or adjournment of the Annual General Meeting convened for 2pm on the same day, and at the same place) to consider and, if thought fit, to pass the following resolution as a special resolution:

SPECIAL RESOLUTION

That the amount standing to the credit of the Company's share premium account be cancelled and extinguished.

By order of the Board

Stefan Bort

Company Secretary

Notes:

1. Members entitled to attend and vote at the General Meeting may appoint one or more proxies (provided that each proxy is appointed to exercise rights attached to different shares) to attend and to speak and to vote instead of them. A member may not appoint more than one proxy to exercise rights attached to any one share. A proxy need not be a member of the Company. Appointing a proxy will not preclude members from attending and voting at the General Meeting if they later decide to do so.
2. A Form of Proxy is enclosed which, to be valid, should be completed, signed and lodged (together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority) with the Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by post (faxes will not be accepted), not less than 48 hours before the time of the General Meeting, any adjourned meeting or the taking of a poll at which the person named in the Form of Proxy proposes to vote.
3. Where the appointer is a corporation, the enclosed Form of Proxy, to be valid, must be executed either under its common seal or under the hand of an officer or attorney duly authorised in writing.
4. In the case of joint registered holders, the signature of one holder will be accepted and the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand on the register of members in respect of the relevant joint holding.
5. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 to 4 above and paragraph 8 overleaf does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
6. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those Shareholders registered in the register of members of the Company as at 6.00pm on 9 November 2009 or, in the event that the General Meeting is adjourned, registered in the register of members as at 6.00pm two days before the adjourned meeting(s), shall be entitled to attend or vote at the General Meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 6.00pm on 9 November 2009, or in the event that the General Meeting is adjourned, after 6.00pm two days before the time of any adjourned meeting(s), shall be disregarded in determining the rights of any person to attend or vote at the General Meeting.
7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service to attend the General Meeting and any adjournment(s) thereof may do so by using the procedures described in the CREST Manual. 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 the latest time(s) for receipt of proxy appointments specified in the notice of 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 the CREST system in the manner prescribed. After this time any change of instructions to proxies appointed through the CREST system 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 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.

8. Except as provided above, members who wish to communicate with the Company in relation to the General Meeting should do so using the following means: (1) by writing to the Company Secretary at the registered office address; or (2) by writing to the Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. No other methods of communication will be accepted. In particular you may not use any electronic address provided either in this notice or in any related documents (including the circular of which the notice forms part and the proxy form).