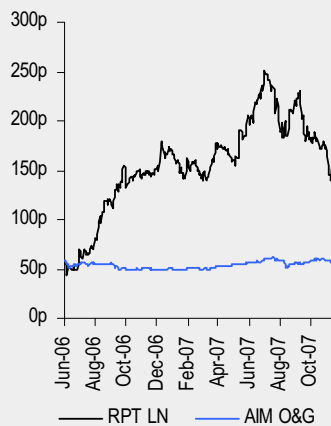


### BUY

Bloomberg	RPT LN
Price	176
Target Price	275p
12mth high/low	257p/136
Shares out (mill)	143
Fully diluted (mill)	149
Mkt Cap (US\$m)	536
Enterprise Value (US\$m)	511



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## Shell Smoked Out

### Event: new Shell MoU tabled; exclusive discussions with MND E&P close

- This morning Regal announced an update on its divestment programme for the GOL-MEX & SV fields in Ukraine.
- The period of exclusive negotiations with MND E&P, entered into in September 2007, has come to an end with out concluding an agreement.
- A new MoU has been entered into with Shell E&P Ukraine. Shell is proposing to acquire 51% of the GOL-MEX & SV fields for a total consideration of US\$410m, consisting of US\$50m up front in cash and an agreement to fund the first US\$360m of expenditure.
- The terms of the Shell MoU allow Shell to conduct due diligence and negotiate transaction documentation during an 8 week period of exclusivity, however the agreement is non-binding and there is no guarantee that a transaction will take place.

### Comments: Maintaining BUY recommendation and 275p price target

The terms of the Shell MoU are significantly better than the MND proposal. The headline figure of US\$410m compares to US\$330m for MND, and includes an explicit upfront cash component of US\$50m. In our view, Shell's MoU is designed as a knock out punch and we do not expect MND to return to the negotiating table with a better offer.

Shell has made a push into Ukraine's upstream sector over the past few years and would be a world class industry partner for Regal. If a transaction is successfully concluded, we expect Shell's technical and commercial expertise to have a material impact on the timely execution of the GOL-MEX and SV development. Furthermore, the expression of interest by Big Oil underpins our confidence in the quality and materiality of Regal's Ukrainian asset base.

The successful completion of the Shell MoU would increase our core valuation to around 300p (from 280p). The key factor is the up front US\$50m cash component, which would be payable upon completion of a transaction. Under Shell's stewardship, there may also be scope for a more aggressive development programme, however, it is too early to factor this into our valuation.

We are maintaining our BUY recommendation and 275p target price.

Market index	FTSE AIM O&G				
Date	Market Index level	Stock Price (p)	Target Price (p)	Opinion	
15 <sup>th</sup> May, 2007	5162.49	162p	275p	BUY	
25 <sup>th</sup> June, 2007	5470.78	225p	275p	BUY	
14 <sup>th</sup> Sept, 2007	5323.25	214p	275p	BUY	
26 <sup>th</sup> Sept, 2007	5390.49	180p	275p	BUY	
21 <sup>st</sup> Nov, 2007	5239.88	176p	275p	BUY	

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- BUY:** The stock is expected to generate absolute positive price performance of over 20% during the next 12 months.
- ACCUMULATE:** The stock is expected to generate absolute positive price performance of 10-20% during the next 12 months
- NEUTRAL:** The stock is expected to generate absolute price performance of between 10% positive and 10% negative during the next 12 months.
- REDUCE:** The stock is expected to generate absolute negative price performance of 10-20% during the next 12 months
- SELL:** The stock is expected to generate absolute negative price performance of over 20% during the next 12 months.
- RISK Qualifier:** Speculative

Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

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