

**REGAL PETROLEUM PLC**

**INTERIM RESULTS FOR THE SIX MONTHS**  
**ENDED 30 JUNE 2006**

Regal Petroleum plc (“Regal”, “the Company” or “the Group”), the oil and gas exploration and production company, today announces its unaudited results for the six months ended 30 June 2006.

Highlights include:

***Ukraine***

- Case relating to the validity of the licences granted to the Company: This case is continuing and has passed through the third level of appeal court with Regal having lost at each level. The case has now been submitted to the Kiev Commercial Court for the consideration of new circumstances.
- Average production for the period was 1,775 thousand cubic feet of gas per day and 178 barrels of condensate (total equivalent of 494 boepd) with 4 wells in production: MEX102, MEX3, GOL1 and GOL2. The wells were shut in for a total of 100 days in the period. Production is currently 3,197 thousand cubic feet of gas per day and 515 barrels per day of condensate (total equivalent of 1,085 boepd).
- Operations remain cashflow positive and profitable during the period.
- Case relating to the dissolution of Ukrainian joint venture: This case was successfully concluded in favour of the Company when it reached the final appeal court in February 2006.
- Matters with Peak Resources Limited over a disputed option were settled in May 2006 with the disputed option being terminated.
- Subscription and services agreement was signed between Alberry Limited, Regal Petroleum Corporation Limited and the Company in August 2006 and resolutions, inter alia, to approve the terms of the agreement were passed at an EGM of the Company on 6 September 2006.

***Romania***

- Suceava Block: In September 2006 the Company successfully concluded negotiations with Aurelian Oil & Gas plc whereby its subsidiary, Falcon Oil & Gas S.R.L., will receive a 50% interest in the block upon acquiring a minimum of 150 line kms of new 2D seismic and drilling one exploration well on the block.
- Barlad Block: 803kms of new 2D seismic was shot over the block during the second and third quarters. This programme was completed in August 2006 and processing of the seismic is now taking place with completion due in early October 2006.

### ***Egypt***

- Planning for an initial exploration well in early 2007 continues and the Company is currently pursuing potential farm-out opportunities.

### ***Greece***

- Kavala Oil S.A. has continued its production operation on the Prinos field.
- The Company has received no operational or financial information relating to the first half of the year from Kavala Oil S.A. No further Regal cash injections to Kavala Oil S.A. are envisaged in the immediate future.

### ***Corporate activity***

- The Directors of Regal Petroleum plc advised on 4 July 2006 that the Company was in very early stage discussions which may or may not lead to an offer being made for the Company. These discussions are ongoing.

### ***Board***

- Mr Francesco Scolaro was appointed as a Non-Executive Director on 15 June 2006.
- Mr Neil Ritson was appointed as a Non-Executive Director on 25 July 2006.
- Resignation of Dr Rex Gaisford CBE as Chief Executive Officer, Richard Hardman as Exploration Director, Sir Peter Heap as Non-Executive Chairman, Paul Morgan as Chairman and Chief Executive Officer and Martin Byrnes as a Non-Executive Director.

### ***Financial highlights***

- Turnover decreased to \$5.0 million (30-Jun-05: \$16.7 million) primarily due to Kavala Oil S.A. being accounted for as an investment.
- Administration expenses have decreased to \$5.2 million (30-Jun-05: \$18.1 million).
- Loss for the period of \$3.7 million (30-Jun-05: loss of \$22.3 million), with loss per share of 2.9 cents (30-Jun-05: loss per share of 19.6 cents). The loss was a result of ongoing operational expenditure outside of Ukraine and lower profitability in Ukraine due to disruption to production.
- Capital cash expenditure of \$7.3 million (30-Jun-05: \$36.4 million)
- Average production of 494 boepd during the period (30-Jun-05: 3,800 boepd). The reduction is due to different reporting of Kavala Oil S.A. production and a temporary shut-in to Ukrainian operations.
- Net cash of \$25.5 million (30-Jun-05: \$54.0 million) at period end and net assets of \$123.8 million (30-Jun-05: \$181.0 m). At the date of this announcement the Company had net cash of approximately \$22.9 million.

## **OPERATIONAL STATEMENT**

### **Ukraine (working interest 100%)**

The Ukraine production operations continue to be profitable and generate positive cashflow for the Group.

#### *Legal Cases*

The Company holds a 100% interest in two concession areas in Ukraine, Mekhediviska/Golotvschinska (MEX-GOL) and Svyrydivske (SV). These are 20 year production and development licences for the concessions which were awarded to Regal in July 2004. As previously reported, Regal is party to legal proceedings in the Ukraine to protect its rights over these production licences.

In 2005, CNGG issued legal proceedings against its own parent organisation, the Ministry of Environmental Protection (MEP), claiming that the production licences were improperly granted and that the licences should be transferred to them. Regal has joined the legal proceedings as a third party to protect its rights. The action has passed through three court stages and on each occasion the court has ruled that the licences were granted improperly but that the licences should be annulled rather than transferred to CNGG. Following an application by Regal, the Kiev Commercial Court has made an order that this action be submitted to the Kiev Commercial Court for reconsideration of the earlier orders made in this action on the basis of new circumstances. In addition this Court has ordered that the earlier orders made in this action be stayed pending the hearing of the action in the Kiev Commercial Court.

The Directors of the Company believe, on the advice of the Group's Ukrainian lawyers, that Regal's case is meritorious both on the facts and at law and are committed to pursuing Regal's rights in order to establish that the licences were validly granted. The hearing of the action in the Kiev Commercial Court has been listed for 19 September 2006.

The liquidation of the Company's previous joint venture, with its partner ChernigivNaftoGazGeologiya (CNGG) has been successfully determined in favour of the Company by a court process in Ukraine in February 2006.

#### *Production*

Average production in Ukraine for the first six months was 1,775 thousand cubic feet of gas per day and 178 barrels per day of condensate (total equivalent of 494 boepd) from four wells in production: MEX102, MEX3, GOL1 and GOL2. The drop in the production volumes relative to prior periods can be attributed to the wells being shut in for a total of 100 days in the first six months of 2006. The wells were shut in as a result of the adverse court decisions. The current production in Ukraine is 3,197 thousand cubic feet of gas per day and 515 barrels of condensate per day (total equivalent of 1,085 boepd). Regal will endeavour to increase production by exploiting western oil technology and by performing well simulations on the MEX-GOL field. A memorandum of understanding has been entered into with Ukrgeofizika to acquire on the Company's behalf a 3D seismic survey over the production area.

### *Alberry Limited*

The Company announced on 9 August 2006 that the Company had entered into a conditional agreement with Alberry Limited, a company registered in the British Virgin Islands, pursuant to which Alberry has agreed to subscribe for new ordinary shares in the Company's subsidiary, Regal Petroleum Corporation Limited (RPC), representing 15 per cent. of the enlarged share capital of RPC for a cash consideration of £100,000 and has agreed to provide certain services to the Company in relation to the Ukrainian assets. If within 90 days of the first anniversary of completion of the agreement, the licences are demonstrated to be valid through the satisfaction of certain specified conditions, the Company will purchase the shares of RPC for a consideration of \$50,901,300, to be satisfied in cash, by the issue of new ordinary shares in the Company or a mixture of the two. The Board believes that the services of Alberry will assist in enabling Regal to prove the validity and good standing of the GOL-MEX and SV licences. This agreement was approved by the shareholders at an Extraordinary General Meeting held on 6 September 2006.

### *Peak Resources*

The Company announced on 19 May 2006 that the on-going dispute between the Company and Peak Resources Limited of Hong Kong in respect of the validity of an option relating to the Company's assets in Ukraine has been settled with the effect that the disputed option is now terminated.

## **Romania (working interest 100%)**

### *Suceava Block*

Earlier this month, the Company successfully concluded the farm out of a 50% interest in the Suceava Block to Falcon Oil & Gas S.R.L. (a subsidiary of Aurelian Oil & Gas plc), subject to Aurelian acquiring a minimum of 150 line kms of new 2D seismic and drilling one exploration well. Aurelian will be operator of this activity and, subject to completion of the 2D seismic and exploration well and necessary consents, will be the operator of the block for the future. It is planned to undertake the 2D seismic acquisition in the fourth quarter of 2006 with the exploration well planned for 2007.

### *Barlad Block*

The Company has completed two seismic acquisition programmes in the structurally different north and south of the block. To date, 316kms of 2D seismic data has been acquired over prospective structures in the south of the block. In the north of the block, 487kms of 2D regional seismic data has been acquired. The Company has begun a programme to process and interpret the data. Processing should be completed by early October 2006 following which interpretation of the data will begin. Regal intends to drill two exploration wells which are planned for 2007. In due course the Company plans to seek a suitable partner in the Barlad Block in order that this 100% exploration position can be reduced, spreading risk and freeing up funds for other activities.

## **Egypt (working interest 100%)**

In accordance with the Company's asset rationalisation policy, the Company is in negotiations with a number of interested parties with a view to finding a suitable partner in order that the exposure to this 100% exploration interest can be shared.

The Company is nearing completion of the acquisition of materials required to drill two exploration wells. The finalisation of the exploration programme is subject to the outcome of negotiations with parties interested in entering into a farm-in agreement on the block. However, it is planned to drill the two exploration wells in 2007. The dry hole cost of each well is expected to be around \$4 million.

### **Greece (working interest 95%)**

The operational management of Kavala Oil S.A. has continued to be undertaken by Greek local management, with the assistance of the unionised workforce and with the aim of making the operation economic and successful. Regal's participation will continue as the majority shareholder of Kavala Oil S.A..

Regal is not intending to fund any well work-over programme at present. Regal is investigating possible courses of action that will enable the Company to realise the value of the remaining proved and probable reserves for the Prinos basin, particularly Epsilon and Prinos North.

### **Liberia (working interest 25%)**

The two production sharing agreements in respect of Blocks 8 and 9 are still awaiting ratification by the Liberian Government. The Government has sought clarification on various terms of these agreements and independent consultants have been engaged to review the economic terms of these agreements.

## **FINANCIAL STATEMENT**

### **Review of Results**

The financial results for the six months ended 30 June 2006 are lower than management expectations due to the disruption to production that has resulted from the ongoing legal dispute over the validity of the production licences in Ukraine as described in the Operational Statement set out above.

Turnover for the six months was \$5.0 million (30-Jun-05: \$16.7 million) which is attributable to gas and condensate sales in Ukraine. The decrease in turnover is primarily due to the Greek operations being accounted for as an investment and also the disruption to production in Ukraine due to the ongoing legal dispute in relation to the Company's licences in Ukraine. The average sales price in Ukraine for the period was \$41 per barrel for condensate and \$2.69 per thousand cubic feet for gas.

The loss for the period of \$3.7 million (30-Jun-05: loss of \$22.3 million) was a result of ongoing operational expenditure outside of Ukraine and lower profitability in Ukraine due to the disruption to production.

As at 30 June 2006 the Group had no external borrowings. Total interest receivable for the six months was \$0.7 million (30-Jun-05: \$0.5 million) reflecting successful cash management for the period.

The net capital expenditure and financial outflow of \$7.3 million (30-Jun-05: \$36.4 million) represented the continued investment toward development and exploration in Romania, Egypt and Ukraine.

## **CORPORATE ACTIVITY**

### **Bid Approach**

The Directors of Regal Petroleum plc advised on 4 July 2006 that the Company was in very early stage discussions which may or may not lead to an offer being made for the Company. These early stage discussions are still ongoing.

### **Board Appointments**

On 15 June 2006 Mr Francesco Scolaro was appointed to the Regal Board of Directors as a Non-Executive Director. Mr Scolaro was educated as a lawyer and has pursued a career as an active investor in publicly quoted companies in the resource, leisure and property sectors.

On 25 July 2006 Mr Neil Ritson was appointed to the Regal Board of Directors as a Non-Executive Director. Mr Ritson has had a lengthy career as an executive in the oil and gas industry. He trained initially as a geophysicist, obtaining a BSc in Geophysics from Southampton University, and then spent some 22 years with British Petroleum plc moving through technical roles into executive management. During his time with British Petroleum plc he was International Chief Geophysicist and Head of Geoscience Technology, Business Unit Manager for BP Norway and Vice President Exploration for BP Alaska. Between 1999 and 2004, he was with Burlington Resources Inc where he was initially Vice President, London Division and General Manager for North Africa before being appointed Vice President, International Business. Since 2004, Mr Ritson has been engaged as an international business adviser on oil and gas and energy related matters.

### **Outlook**

During the second half of 2006 Regal will concentrate its exploration and development efforts in Romania, Egypt and Ukraine, and will continue to seek to realise the potential of the proved and probable reserves in the Greek licences. Exploration and development in Ukraine will be subject to the successful resolution of the granting of licences court case which the Company is determined to see resolved as rapidly as possible. The drilling of exploratory wells in Egypt and Romania is planned for 2007.

The Company looks forward to the planned exploration and development programmes which it is putting in place on its existing assets.

### **Responsibility**

The Directors accept responsibility, collectively and individually, 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.

### **Definitions:**

bopd            Barrels of oil per day

boepd            Barrels of oil equivalent per day  
kms              Kilometres

**For further information, please contact:**

**Regal**

Roger Phillips, Group Finance Director  
Francesco Scolaro, Non-Executive Director

**Tel: 020 7408 9500**

Attached        Consolidated Profit and Loss Account  
                    Consolidated Balance Sheet  
                    Consolidated Cash Flow Statement  
                    Notes to the Accounts

## Regal Petroleum plc

### Consolidated profit and loss account for the six months ended 30 June 2006

	Note	Six months ended 30-Jun-06 (unaudited) \$000	Six months ended 30-Jun-05 (unaudited) as restated \$000	Year ended 31-Dec-05 (audited) as restated \$000
<b>Turnover</b>	<b>2</b>	<b>4,967</b>	16,743	37,255
Cost of sales		(4,175)	(21,044)	(38,505)
<b>Gross profit / (loss)</b>		<b>792</b>	(4,301)	(1,250)
Other income		-	995	1,083
Administrative expenses		(5,191)	(18,117)	(28,564)
Share option credit / (charge)		91	(614)	(1,644)
<b>Operating loss</b>		<b>(4,308)</b>	(22,037)	(30,395)
<b>Loss on deconsolidation of excluded subsidiary</b>		-	-	(53,477)
		<b>(4,308)</b>	(22,037)	(83,872)
Interest receivable		679	517	1,115
Loss on sale of fixed assets		(2)	(106)	(113)
Interest payable and similar charges		(1)	(144)	(145)
<b>Loss on ordinary activities before taxation</b>		<b>(3,632)</b>	(21,770)	(83,015)
Tax on profit on ordinary activities		(33)	(567)	(1,213)
<b>Loss for the financial period</b>		<b>(3,665)</b>	(22,337)	(84,228)
Loss per share:basic	<b>3</b>	<b>(2.9¢)</b>	(19.6¢)	(68.9¢)

All amounts for the six months ended 30 June 2006 and 2005 relate to continuing activities.  
The notes on pages 12 to 14 form part of these interim accounts.

**Regal Petroleum plc**

**Consolidated balance sheet at 30 June 2006**

	<b>30-Jun-06 (unaudited) \$000</b>	<b>30-Jun-05 (unaudited) as restated \$000</b>	<b>31-Dec-05 (audited) as restated \$000</b>
<b>Fixed assets</b>			
Intangible assets	20,735	11,178	14,731
Tangible assets	33,548	108,877	29,356
Investments	43,700	431	43,700
	<u>97,983</u>	<u>120,486</u>	<u>87,787</u>
<b>Current assets</b>			
Stocks	40	20,669	38
Debtors	3,515	17,895	4,995
Investments	117	359	136
Cash at bank and in hand	25,478	54,016	34,796
	<u>29,150</u>	<u>92,939</u>	<u>39,965</u>
<b>Creditors:</b> amounts falling due within one year	<u>(3,086)</u>	<u>(29,605)</u>	<u>(2,267)</u>
<b>Net current assets</b>	<u>26,064</u>	<u>63,334</u>	<u>37,698</u>
<b>Total assets less current liabilities</b>	<b>124,047</b>	<b>183,820</b>	<b>125,485</b>
<b>Creditors:</b> amounts falling due after more than one year	-	(605)	-
<b>Provisions for liabilities and charges</b>	<b>(207)</b>	<b>(2,170)</b>	<b>(196)</b>
<b>Net assets</b>	<u><b>123,840</b></u>	<u><b>181,045</b></u>	<u><b>125,289</b></u>
<b>Capital and reserves</b>			
Called up share capital	10,934	10,827	10,934
Share premium	217,640	216,125	217,640
Other reserves	8,289	1,371	6,073
Profit and loss account deficit	(113,023)	(47,278)	(109,358)
<b>Shareholders' funds – equity</b>	<u><b>123,840</b></u>	<u><b>181,045</b></u>	<u><b>125,289</b></u>

The notes on pages 12 to 14 form part of these interim accounts

**Regal Petroleum plc**

**Consolidated cash flow statement for the six months ended 30 June 2006**

	Note	Six months ended 30-Jun-06 (unaudited) \$000	Six months ended 30-Jun-05 (unaudited) \$000	Year ended 31-Dec-05 (audited) \$000
<b>Net cash outflow from operating activities</b>	4	(2,872)	(15,482)	(30,470)
<b>Returns on investments and servicing of finance</b>				
Interest received		678	510	1,115
Interest paid		(1)	(50)	(145)
<b>Net cash inflow from returns on investments and servicing of finance</b>		677	460	970
<b>Taxation</b>		(34)	(567)	(1,227)
<b>Capital expenditure and financial investment</b>				
Purchase of tangible and intangible fixed assets		(7,294)	(36,440)	(41,681)
<b>Net cash outflow from expenditure and financial investment</b>		(7,294)	(36,440)	(41,681)
<b>Acquisition and disposals</b>		-	(1,186)	(1,854)
<b>Cash outflow before use of liquid resources and financing</b>		(9,523)	(53,215)	(74,262)
<b>Management of liquid resources and financing</b>				
Decrease/(increase) in monies on deposit		19	(179)	113
Disposal of current non-listed investments		-	3,000	3,000
		19	2,821	3,113
<b>Financing</b>				
Decrease in short term borrowing		(16)	(1,080)	(1,064)
Issues of ordinary share capital		-	83,020	84,642
		(16)	81,940	83,578
<b>(Decrease)/increase in cash</b>		(9,520)	31,546	12,429

## Regal Petroleum plc

### Consolidated statement of total recognised gains and losses for the six months ended 30 June 2006

	Six months ended 30-Jun-06 (unaudited) \$000	Six months ended 30-Jun-05 (unaudited) as restated \$000	Year ended 31-Dec-05 (audited) as restated \$000
<b>Loss for the financial period</b>	<b>(3,665)</b>	(22,337)	(84,228)
Gross exchange differences on the retranslation of net investments	2,307	(5,069)	(1,606)
<b>Total recognised losses relating to the financial period</b>	<b>(1,358)</b>	(27,406)	(85,834)
Prior period adjustment (note 1)	(1,791)		
<b>Total recognised losses recognised since last annual report</b>	<b>(3,149)</b>		

### Reconciliation of movements in shareholders' funds for the six months ended 30 June 2006

	Six months ended 30-Jun-06 (unaudited) \$000	Six months ended 30-Jun-05 (unaudited) as restated \$000	Year ended 31-Dec-05 (audited) as restated \$000
<b>Retained loss for the financial period</b>	<b>(3,665)</b>	(22,337)	(84,228)
(Debit) / Credit in respect of share option scheme	(91)	614	1,664
Other recognised gains and losses relating to the period	2,307	(5,069)	(1,606)
New share capital subscribed (net of issue costs)	-	83,020	84,642
<b>Net (decrease) / addition to shareholders' funds</b>	<b>(1,449)</b>	56,228	472
Opening shareholders' funds	125,289	124,817	124,817
<b>Closing shareholders' funds</b>	<b>123,840</b>	181,045	125,289

## 1 Basis of preparation

The interim financial information set out on pages 8 to 14 have been prepared on the same basis and using the same accounting policies as were applied in preparing the Group's statutory financial statements for the year ended 31 December 2005, with the exception of share-based payments to employees which are now accounted for under FRS 20 (IFRS 2). Applying a Binomial valuation and a Monte-Carlo simulation valuation model to the Group's share option plans provides a fair value charge which in accordance with FRS 20 has been added to expenses in each accounting period as highlighted on the profit and loss account. There is no effect on the equity shareholders' funds at any balance sheet date.

The financial information for the six months ended 30 June 2006 and 30 June 2005 is unaudited. In the opinion of the directors the financial information for these periods present fairly the financial position, results of operations and cash flows for the periods in conformity with generally accepted accounting principles consistently applied.

These interim financial statements do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The comparative for the financial year ended 31 December 2005 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The comparative figures for the year ended 31 December 2005 have been extracted from the audited financial statement for that year, adjusted for the adoption of FRS 20, as discussed above.

The accounting policies are set out in the Annual Report and Accounts for the year ended 31 December 2005, a copy of which has been filed with the Registrar of Companies at Companies House in the United Kingdom.

## 2 Turnover

	Six months ended 30-Jun-06 (unaudited) \$000	Six months ended 30-Jun-05 (unaudited) \$000	Year ended 31-Dec-05 (audited) \$000
<b>Analysis of turnover by activity:</b>			
Oil sales	-	9,342	22,762
Gas sales	2,744	3,721	7,688
Condensate sales	1,988	3,215	6,202
Other	235	465	603
	<u>4,967</u>	<u>16,743</u>	<u>37,255</u>
<b>Analysis of turnover by geographical origin:</b>			
Greece	-	9,807	23,365
Ukraine	4,967	6,936	13,890
	<u>4,967</u>	<u>16,743</u>	<u>37,255</u>

## Regal Petroleum plc

### Notes forming part of the financial statements for the six months ended 30 June 2006

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#### 3 Loss per ordinary share

The calculation of basic loss per ordinary share has been based on the loss for the period and 128,508,201 ordinary shares, being the average number of shares in issue for the period to 30 June 2006.

#### 4 Reconciliation of operating loss to operating cash flow

	Six months ended 30-Jun-06 (unaudited) \$000	Six months ended 30-Jun-05 (unaudited) as restated \$000	Year ended 31-Dec-05 (audited) as restated \$000
Operating loss	(4,308)	(22,037)	(30,395)
Share option (credit) / charge	(91)	614	1,664
Depreciation, amortisation and impairment charges	437	5,343	14,840
Exchange differences	(253)	6,641	771
Movement in provisions	11	316	276
(Increase) in stocks	(2)	(10,503)	(4,522)
Decrease/(increase) in debtors	1,669	(2,976)	(887)
(Decrease) in creditors	(335)	(93)	(12,310)
Impairment of fixed assets	-	7,213	-
Current asset investment	-	-	93
Net cash outflow from operating activities	<u>(2,872)</u>	<u>(15,482)</u>	<u>(30,470)</u>

**Regal Petroleum plc**

**Notes forming part of the financial statements for the six months ended 30 June 2006**

**5 Reconciliation of net cash flow to movement in net funds**

	<b>Six months ended 30-Jun-06 (unaudited) \$000</b>	<b>Six months ended 30-Jun-05 (unaudited) \$000</b>	<b>Year ended 31-Dec-05 (audited) \$000</b>
<b>(Decrease)/increase in cash in the period</b>	<b>(9,520)</b>	31,546	12,429
Cash inflow from increase in funds and lease financing	16	1,080	1,064
Cash outflow from increase in liquid resources	<b>(19)</b>	(2,821)	(3,113)
Change in net funds resulting from cash flows	<b>(9,523)</b>	29,805	10,380
Translation differences	<b>202</b>	(3,173)	(3,276)
Other non-cash movements	-	(85)	589
<b>Movements in net funds in the period</b>	<b>(9,321)</b>	26,547	7,693
<b>Net funds at the start of the period</b>	<b>34,916</b>	27,223	27,223
<b>Net funds at the end of the period</b>	<b>25,595</b>	53,770	34,916

**6 Analysis of net funds**

	<b>At 1-Jan-2006 \$000</b>	<b>Cash flow \$000</b>	<b>Exchange movements \$000</b>	<b>At 30-Jun- 2006 \$000</b>
Cash in hand and at bank	34,796	(9,520)	202	25,478
Overdrafts	(16)	16	-	-
Current asset investments	136	(19)	-	117
<b>Total</b>	<b>34,916</b>	<b>(9,523)</b>	<b>202</b>	<b>25,595</b>

## **Independent review report by the Auditors to Regal Petroleum plc.**

### **Introduction**

We have been instructed by the Company to review the financial information for the six months ended 30 June 2006 set out on pages 8 to 14, which comprises a profit and loss account, a statement of total recognised gains and losses, balance sheet information as at 30 June 2006, a cash flow statement, comparative figures and associated notes.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatement or material inconsistencies with the financial information.

### **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the AIM rules which require that the half-yearly report must be presented and prepared in a form consistent with that which will be adopted in the AIM Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

### **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

### **Review conclusion**

On the basis of our review we are not aware of any material modification that should be made to the financial information as presented for the six months ended 30 June 2006.

**UHY Hacker Young**  
**London**  
**18<sup>th</sup> September 2006**