



## Press Release

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### REGAL PETROLEUM PLC

(“REGAL”, THE “COMPANY” OR THE “GROUP”)

### 2007 AUDITED FINAL RESULTS

Regal Petroleum plc (RPT), the AIM-listed London based oil and gas exploration and production group, today announces its audited results for the year ended 31 December 2007.

#### HIGHLIGHTS

##### Financial:

- Turnover of \$14.3 million (2006: \$10.8 million) was derived entirely from Ukraine gas and condensate sales and represented a 32% increase over 2006.
- Realised prices for gas in Ukraine increased by over 38% from January 2007 to January 2008.
- Loss for the year of \$22.0 million (2006: \$115.3 million) reflects the development nature of the business.
- Capital expenditure of \$12.8 million; majority invested in Ukraine field development, drilling (development and exploration) and the acquisition of 3D seismic on MEX-GOL field.
- Additional cash of \$165 million (gross) raised post year-end, through a placing to institutional investors in February 2008, largely for the development of the Ukrainian gas assets.
- At the date of this announcement the Group has net cash of \$133.6 million.

##### Operational:

###### Ukraine:

- 100 km<sup>2</sup> of 3D seismic acquired over the MEX-GOL field.
- Well MEX 103 spudded in October 2007 and due to reach target depth in Q3 2008.
- Average 2007 daily production 4.88 MMcf/d of gas and 280 bpd of condensate, totalling 1,157 boepd.

###### Romania:

- RBN-4 gas discovery on Barlad licence (Regal 100%) tested at maximum rate of 3.74 MMcf/d.
- Dornesti Sud-1 gas discovery on Suceava licence (Regal 50% non-operated) tested at average rate of 0.88 MMcf/d

###### Egypt:

- ERB-A-1X oil discovery on East Ras Budran concession (Regal 25% non-operated) tested at 1,901 bopd in September 2007. Tied in as production test well in June 2008 (at date of announcement, the daily production rate has not yet stabilised).
- 3D seismic survey acquired and additional exploration well drilled



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### 2008 Update and Outlook:

- Ukraine: Five year contracts signed with Saipem SpA for provision of two new, top drive, drilling rigs for the development of the Ukrainian gas fields.
- Ukraine: Preparations underway for the spudding of two wells expected to take place late Q4 2008 using the Saipem rigs.
- Ukraine: Work-over of three wells expected to be completed by Q4 2008.
- Ukraine: Procurement of sophisticated high fidelity reservoir model underway.
- Romania: Complete an appraisal campaign of up to three wells on the Barlad licence RBN4 discovery.
- Romania: Review options to tie in Dornesti Sud-1 gas discovery on Suceava licence to Aurelian production facilities.
- Egypt: Further exploration planned.

### David Greer, Chief Executive Officer, said:

"I am pleased with the achievements of 2007, arguably the most significant year in Regal's history so far, and I am confident that in 2008 we will build further on these achievements. While there has been notable interest in partnering with us in the development of our Ukrainian asset, it remains my belief that it is in shareholders' best interests that our significant asset potential is developed by our own team. We have the management and technical expertise in place, significant cash resources and an aggressive development plan. I am focused on implementing that plan, realising Regal's potential in full and delivering value to shareholders."

### Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Citigate Dewe Rogerson, 3 London Wall Buildings, London Wall EC2M 5SY, United Kingdom on Tuesday, 29 July 2008 at 10.00am.

### Annual Report 2007

A full Annual Report and Accounts for 2007 will be posted to shareholders on or before 30<sup>th</sup> June 2008.

### For further information, please contact:

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Citigate Dewe Rogerson	Tel: 020 7638 9571 Martin Jackson



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### Definitions

MMcf/d:	million cubic feet per day
Mcf:	thousand cubic feet
Bpd:	Barrels per day
bopd:	barrels oil per day
boepd:	barrels of oil equivalent per day
m <sup>3</sup> /d:	cubic metres per day
Mm <sup>3</sup> :	thousand cubic metres
\$:	United States Dollar

In accordance with the guidelines of the AIM market of the London Stock Exchange, Antonio Mozetic, PhD Geological Sciences, SPE, Director of Regal Petroleum plc, is the qualified person that has reviewed the technical information contained in this press release



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### CHAIRMAN'S STATEMENT

After the events of 2007 I am pleased to report that Regal Petroleum is now well placed – both in terms of management and funds – to develop its largely untapped resources in Ukraine and to build upon recent exploration successes in Egypt and Romania.

In 2007, Ukraine remained the focus of the Company's efforts, operations and production. The improvement in Ukraine's commercial and operating environment continued primarily as a result of the desire of international suppliers to bring the price of gas imported into Ukraine in line with Western Europe in the near term. It is likely, therefore, that the environment for Ukrainian domestic producers will continue improving.

2007 was a year of fundamental change for Regal following a long period in which the Company's Ukrainian assets were effectively under force majeure. This period ended when the issue was resolved in the Supreme Court of Ukraine in December 2006.

Regal began 2007, therefore, with the business foundations set and ready to progress. This enabled the Company to spud its first development well on the Ukrainian licence in October 2007 following a long period of drilling inactivity. At the same time, the Company began a process of determining an appropriate strategy to optimise shareholder value for these assets. Among other options, divestment of these assets was considered, in part or whole. These deliberations culminated in November 2007 with the decision to appoint Mr David Greer as Executive Chairman and Chief Executive Officer to lead the Company and to develop the Ukrainian assets. Since his appointment, Mr Greer has overhauled the board of management, redirecting the Company's focus to monetise fully and develop the Company's most valuable and highest potential assets. During the year, 100 km<sup>2</sup> of 3D seismic and 160 km of 2D seismic were recorded; a total of 6 wells were spudded; in addition, our Liberia and Greece assets were divested.

The financial statements presented herein do not yet reflect this real shift in direction. Modest revenues of \$14.3 million and a loss for the year of \$22.0 million represent a period of consolidation and corporate restructuring, during which time funds were limited and capital expenditure of \$12.8 million was relatively low.

However, the Company did undertake a successful fund-raising exercise, raising \$165 million (gross of costs) of additional capital, on 22<sup>nd</sup> February 2008, via a secondary placement of 56.4 million shares at 150 pence per share. This was executed at a premium to the prevailing share price. This placing was especially pleasing for the Company as it was undertaken not only within a short period of time, but also in depressed market conditions. The funds raised are and will be used primarily to fund the field development of the Ukrainian asset and to explore further, appraise and plan development of the Egyptian and Romanian assets where we had exciting discoveries in 2007.

Following his appointment, Mr Greer set out a plan to overhaul the strategy and direction of the Company. All short term components of this Corporate Transformation Plan have been achieved. Achievements in line with the objectives set include:

- The recruitment of 14 full time technical professionals;
- The procurement of a comprehensive 3D seismic data set in Ukraine over the SV field to complement the previously recorded 3D seismic over the MEX-GOL field;
- The procurement of a sophisticated high fidelity reservoir model;
- The procurement of modern, top drive drilling rigs and a work-over rig;
- The commencement of front end engineering studies to expand our Ukrainian facilities to accommodate the expected production growth;
- The appointment of a new team of highly respected external advisers;
- The appointment of a well respected Finance Director and Group Technical Director both of whom will assist enormously in the improved governance of the Company;



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- The establishment of a co-operation agreement with NAK Nadra to promote technology transfer and in-country relations in Ukraine; and
- The successful placement of an additional \$165 million of equity, at a premium, in challenging market circumstances.

All of this has enabled Regal to draw a line between its history and press ahead positively.

I have great confidence in the strength and credibility of the new Board and management team and in their ability to execute our new strategy. The Company has a significant high quality asset base which is largely untapped. I believe that further scope exists to increase resources in these fields beyond our 2P reserves of 169 MMboe, and anticipate this being reflected in future shareholder value.

Our assets in Ukraine place Regal in an ideal position to benefit from the likely short term convergence of Ukrainian and European gas prices as gas systems become integrated with Western Europe.

### Board Changes

Mr Neil Ritson resigned from his position of Chief Executive Officer in November 2007. At the same time, Mr Francesco Scolaro resigned from his position of non-executive Chairman and continued as non-executive Director until his resignation from the Company in March 2008.

Mr David Greer OBE was appointed as Executive Chairman and Chief Executive Officer in November 2007.

Mr Antonio Mozetic was appointed as non-executive Director in November 2007.

Mr Harry Verkuil joined as Chief Operating Officer and as a Director in January 2008.

Mr Robert Wilde joined as Finance Director in May 2008.

I was appointed to the role of non-executive Chairman in April 2008.

The Audit Committee and Remuneration Committee now comprise all three non-executive directors.

### Outlook

I am delighted to report that the new and highly experienced team that have joined the Company since late 2007 have already made a dramatic improvement to the financial health, team capacity, reputation, image and resourcefulness of Regal Petroleum. I would like to thank all of our management and staff for their commitment and hard work, which has now so well positioned the Company for long term growth.

I am very confident that as a result of these achievements and changes, the external recognition of the value of our assets in Ukraine and our exploration successes in Romania and Egypt, Regal Petroleum is now well placed for significant development and to deliver a much improved operational performance in 2008 and beyond.

**Keith Henry** *FREng*  
Chairman



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### CHIEF EXECUTIVE OFFICER'S STATEMENT

Following negotiations with potential partners for our assets in Ukraine and the associated accreditation of value attributed to our assets by regional and international suitors, a new and exciting strategy was developed in late 2007 to realise the true potential and value of Regal Petroleum.

This strategy resulted in a fresh injection of experienced staff and capital, a focused approach to our rationalised portfolio which would build on our solid Ukrainian asset base and exciting oil and gas discoveries in Egypt and Romania. The Company also put together a major corporate transformation plan aimed at distancing the Company from its chequered past and an aggressive development plan to capitalise on our large untapped Ukrainian gas and condensate resources for the benefit of all stakeholders.

### Introduction

After two years of difficult and challenging experiences in Ukraine and Greece, the Company entered 2007 with the objective of finding a partner to assist with the funding of the development of the Company's Ukrainian assets. To this end, the Company engaged Tristone Capital as advisors and a formal divestment process was initiated with a virtual data room being opened in May 2007. This attracted significant industry interest which led to a memorandum of understanding being signed with the Czech company, MND, to sell a 50% interest in the Company's Ukrainian assets for \$330 million. This offer was subsequently improved upon by Shell in November 2007, who offered \$410 million for a 51% stake in the assets.

However, shortly after Shell had signed its memorandum of understanding, a Board reorganisation took place at the instigation of various shareholders, both private and institutional. This reorganisation resulted in my appointment as Executive Chairman and CEO and the appointment of Harry Verkuil and Tony Mozetic, both former Shell veterans and colleagues, as fellow Directors. Shell announced on 23 November 2007 that, as they had not expected these management changes, they did not wish to proceed with the memorandum of understanding.

These Board changes and the subsequent ending of the Shell memorandum of understanding came about as a result of a growing belief within the Company and certain shareholders that a fresh injection of development experience both to the Company and Board would have the potential to monetise fully the Company's asset base. This belief, coupled with the relatively low value that Shell had, in my opinion, ascribed to the Ukrainian assets, led Regal to pursue a new strategy focused on transforming the Company and to develop its substantial Ukrainian resources.

To this end, a Corporate Transformation Plan was drawn up. The Plan comprised a number of key components of which the four cornerstones were:

- To complement the existing Regal management team and Board with an experienced management team of seasoned international E&P specialists in all key locations.
- To re-brand the Company's name and identity as a respectable growing mid tier E&P player ably assisted with a new cadre of professional advisers and consultants.
- To improve dramatically and accelerate Ukrainian reservoir delineation and production commencing in 2008 via the use of 3D seismic and leading edge well engineering, work-over, stimulation and production practices.
- To refinance the Company to be able to increase Ukrainian field potential to achieve target condensate and gas production levels of up to 50,000 boepd in total.

I am pleased to report that all short term components of the transformation plan have been achieved as outlined in the Chairman's report.



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### Health Safety and Environment

Our commitment to high standards of health, safety and environmental matters is considered critical to our business. We report our safety performance in terms of significance of the potential of the incidents and accidents and use the guidelines produced by the Association of Oil and Gas Producers (OGP) as a base.

During the 2007 programme, two incidents were reported. Both of these incidents did not result in harm to people and were limited to minor asset damage only.

### Ukraine

Negotiations that commenced at the end of 2007 and concluded in Spring 2008, resulted in a contract with Region, a Ukrainian contractor, for the provision of a work-over rig and two five year contracts with Saipem SpA for two brand-new, American built, top drive, drilling rigs which should be ready in the Ukraine in the fourth quarter of 2008.

All long lead items for the delivery of the 2008-2009 well intervention work programme (three work-overs) and a further six new wells have also been ordered and additional service contracts are being put in place. A further contract was awarded to the Dutch consultancy group, Horizon B.V., to develop a sophisticated high fidelity reservoir model to integrate historical production data and logs with newly acquired 3D seismic. By so doing, we aim to improve significantly our understanding of our subsurface assets in Ukraine and optimise drilling and production methods, completions and stimulation techniques to optimise production, through the targeting of world-class overall performance.

In addition, we are forming a strategic alliance with NAK Nadra to transfer technology to this former State enterprise and to train local staff in our subsurface practices.

### Romania

Preparations are being made for the drilling of up to three additional wells with the ultimate hope of commercial production. This follows an encouraging discovery in the RBN-4 well, which tested at a rate of 3.74 MMcf/d (105,900m<sup>3</sup>/d) in December 2007, as well as good results from additional infill seismic, in early 2008, over the discovery area.

### Egypt

Two exploration wells were drilled in 2007, one of which, well ERB-A-1X was a discovery and flowed under test at 1,901 bopd in September 2007. This well was tied back in June 2008 to test production capabilities of the reservoir, and flowed at an initial rate of 1,100 bopd. Whilst the other well was not a discovery, it has provided useful technical information.

### Outlook for 2008

In the short term, the Company will focus on the delivery of results in Ukraine from three planned work-overs, the completion of the MEX 103 production well and the completion of our new field reservoir model integrating the recently completed 3D seismic data.

We also look forward to reaping the benefits from the production tie-in of the discovery in Egypt. In Romania, we are looking forward to the completion of seismic processing and interpretation with a view to drilling up to three additional wells and commercialising the gas discovery made towards the end of 2007.

Medium term plans will focus on increasing production in Ukraine and on building the additional infrastructure required to accommodate planned production growth.



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Additionally, efforts will continue to secure the additional funding required to support full field development and to produce an updated reserves report by mid 2009.

### **Conclusion**

I am pleased with the achievements of 2007, arguably the most significant year in the Company's history, and am confident that with the continued support of our staff and shareholders, we will build upon our achievements to date and realise our full potential. This aspiration underpins the thought behind our new logo introduced for the first time on this year's annual report.

I have great confidence in the strength and experience of our new Board and management team, the significant scale and strategic importance of our assets in Ukraine, the robustness of our Ukrainian 2P reserves base of 169 MMboe and the quantum of the anticipated upside that is currently being determined.

While I am convinced that the Company's well-publicised historical problems are behind us, it is only results that will confound the remaining sceptics and resolve the legacy issues surrounding the historical governance of the Company. I am confident that we are on track to continue delivering on our promises and to placing the Company's chequered history firmly behind us.

Finally, I would like to thank all of our shareholders and staff for all of their support and commitment and look forward to realising our potential in an exciting future with the re-branded and revitalised Regal Petroleum.

**David J Greer OBE**  
Chief Executive Officer



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### FINANCE REVIEW

#### Results for the Year

2007 marks a real turning point in the evolution of Regal Petroleum; with new management; a significant capital raising shortly after the year end to develop our Ukrainian gas interests and encouraging signs from our exploration plays in Romania and Egypt. The financial statements presented herein do not as yet represent this real shift in direction given that most of 2007 was spent trying to partially divest the Ukrainian asset.

Regal is primarily a development business with a five year programme to monetise the Company's Ukrainian gas interests with the expectation of a significant increase in production volumes and, therefore, revenue, within the first two years of this programme. In addition, the Company is exploring for hydrocarbons in Romania and Egypt. In the latter, our first production well started to flow in June 2008, although this production is modest and the emphasis remains on exploration. The results for the year reflect this status and the Group recorded a loss of \$22.0 million for the year ended 31 December 2007.

Turnover in the year of \$14.3 million was derived entirely from Ukraine gas and condensate sales and represented a 32% increase over 2006. All gas and condensate production in Ukraine was sold locally at an average price of \$142.29 Mm<sup>3</sup> (\$4.03 Mcf) for gas and \$63.78 per barrel for condensate. The cost of sales of \$5.4 million includes royalty payments of \$3.1 million.

The costs charged to the income statement also include charges of \$3.1 million for non-cash and \$4.4 million for cash settled employee share incentive arrangements as well as \$2.3 million for the write-off of exploration costs under our successful efforts accounting policy. In addition, the Company has recognised a deferred tax liability of \$1.2 million due to temporary differences arising from fixed assets in Ukraine.

#### Credit Facilities

On 13 September 2007, the Company entered into a revolving credit arrangement with Bank of Scotland. \$9 million of the agreed facility of \$15 million had been drawn by 31 December 2007. The loan was fully repaid following the capital raising in February 2008. The Company had no other credit commitments outstanding at the balance sheet date.

#### Cash and Capital Raising

Cash held on 31 December 2007 was \$5.6 million. However in February 2008, a further \$157.2 million (£80.6 million), net of costs, was raised through a placing of 56,440,000 shares at 150 pence per share, being at a small premium to the market price. Whilst many existing shareholders participated in the placing, a significant number of new investors became shareholders of Regal. This placing has enabled the Company to repay the revolving credit facility with Bank of Scotland and to press ahead with the first major steps for the development of its Ukrainian gas fields, most notably by the signing of contracts in May 2008 for the leasing of two newly built, top-drive rigs from Saipem SpA for five year terms.

#### Capital Expenditure

Capital expenditure in the year totalled \$12.8 million. Included in this was \$5.5 million incurred in the Ukraine with \$2.6 million being the cost of acquisition of 3D seismic on the MEX-GOL field and \$2.9 million on the field development and work-overs. In Romania \$3.5 million was spent, largely on the drilling of two exploration wells; RBN-3 and RBN-4, in December and November 2007, respectively. RBN-4 is currently suspended, pending reentry.



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In addition, \$3.7 million of capital expenditure has been incurred on our 25% interest in the East Ras Budran concession in Egypt, where two wells were drilled in 2007.

### Disposals

On 21 December 2007 the Company announced that it had completed the sale of its entire shareholding in Eurotech Services SA, through which it held a 95% economic interest in the Greek company Kavala Oil SA, for a cash consideration of \$1.5 million. On the same date, the Company also announced it had disposed of its interests in Blocks 8 and 9 offshore Liberia, held by its wholly owned subsidiary, Regal Liberia Limited, for a nominal consideration.

### Operating Environment, Principal Risks and Uncertainties

Following the change in management and the raising of significant capital, primarily for the development of the Ukrainian gas assets, the Company intends to review the risks across all material aspects of the business during the course of the next year. Such risks, when identified, will be reported to the Audit Committee, together with a strategy for mitigation, where possible. Key risks already recognised are as follows:

#### *Risks relating to Ukraine, Romania and Egypt*

Emerging markets such as Ukraine and Romania are subject to greater risks than more developed markets including, in some cases, significant legal, economic and political risks. Such economies may also be subject to rapid change and the Group needs to adapt and alter itself, as needed, relatively quickly. Although both of these economies endured difficult times during the 1990s – largely because of the transition to a market economy and the close, former ties to the Russian economy – many recent changes have been encouragingly positive. Both countries appear to be attempting to align their respective interests with NATO and gain closer ties to Western Europe.

The Ukrainian Government is keen to develop the country's domestic production of hydrocarbons since Ukraine imports the majority of its gas needs from Russia and Turkmenistan. Russian suppliers have stated their intention to bring gas prices for supplies to all foreign customers in line with western European countries. Whilst this should put Regal in a well-placed position, there is also the risk of the Ukrainian Government seeking to address this in its fiscal structure.

Romania is already a member of the European Union and has moved a long way down the path of changes to the political and economic framework required of such a member State. The operations in Romania are managed by a local national with extensive experience of working in the oil and gas sector.

The Group's management has considerable experience of operating in countries which were once part of the Soviet Union, which share similar customs and practices. The operations in the Ukraine are also managed by a local national. Additionally, the Company has entered into a Working Group Agreement with local state owned companies, under which terms for co-operation in relation to the development of the Ukrainian fields have been outlined.

Egypt has a long and established track record of foreign investment into the country's oil sector. Whilst the current Government remains in power, the political risks posed in this country are not currently considered to be significant.

#### *Currency risk*

The Company's main activities are: i) the significant investment into the development of our Ukrainian gas assets; ii) the production and sale of gas, oil and condensate; and iii) the continued exploration for further hydrocarbon reserves.



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The majority of our costs and revenues are US Dollar or Euro related, but with significant elements of such being exposed to local currencies. Where possible, risks relating to local currencies are mitigated contractually by tying into the US Dollar and Euro. The Ukrainian Hryvnia is currently pegged to the US Dollar. The placing of new shares in February 2008 raised new funds in Sterling for the Company giving US Dollar and Euro exposure. Where practical, a proportion of funds are converted into relevant currencies, when known, to effectively hedge against this exposure.

### *Oil price risk*

The Company currently derives its revenue from the sale of Ukrainian gas and condensate and, from June 2008, Egyptian oil. Whilst all of these revenues are relatively modest, because of Regal's ongoing development, these revenues are still subject to oil price volatility.

Ukrainian gas prices are largely dictated by Russian import prices because of the dependency on imported gas. Following the announcement by Gazprom of its intention to converge the lower Ukrainian prices with those of Western Europe (which are themselves intrinsically linked to oil price), it is considered likely that such prices will continue to rise in the medium term.

Sales of the Company's Ukrainian condensate and Egyptian oil are directly tied to the oil price. These commodities have in recent years witnessed a surge in price and there is a risk that world demand for oil subsidies, bringing with it a corresponding slide in price.

### *Exposure to credit, liquidity and cash flow risk*

The Group has not raised third party debt for the development of its business, nor does it have significant creditors or debtors. Internal financial projections are regularly made based on the latest estimates available and various scenarios to assess the robustness of the liquidity of the Group are run. Following the capital raising in February 2008, the Group currently holds sufficient cash for the medium term needs of the business. It should be noted that the funds required for capital expenditure to fully develop the Company's Ukrainian gas assets are expected to be derived not only from cash currently held on deposit, but also from future operational cash generated from gas and condensate production from the wells to be drilled. It is also anticipated that, in order to develop the field on the planned timeline, there is a likely need to source additional financing. There is a risk that insufficient operational cash is generated, or that additional funding cannot be secured, although this is currently not considered high and the regular cash forecasting should highlight any shortfall in sufficient time to take remedial action.

### *Risks relating to key personnel*

Regal has a relatively small team of executives and senior management. Whilst this is sufficient for a company of this nature there is a dependency risk relating to the loss of key individuals.

### *Risks relating to further development and operation of the gas field in Ukraine*

The planned development of the Ukrainian gas field is susceptible to development and exploration risk. This could include, but is not restricted to, delays in delivery of the new rigs into Ukraine; lower than expected production from the wells as they come on-stream; or complex geology that is difficult to drill or interpret. The generation of significant operational cash envisaged in the coming years from this development is dependent on the successful delivery and completion of this development. Furthermore, the optimisation of all of the Company's assets is dependent on maintaining constructive relationships between all of our business stakeholders.

### *Capital risk management*

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other



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stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets. As at 31 December 2007 the Group had borrowings of \$9.0 million.

### Key Performance Indicators

Despite having some operational activities from gas and condensate production in Ukraine, the resultant revenues and costs are relatively modest, when compared to anticipated future levels. Consequently, the current business is fundamentally in a development stage and, as such, the key performance indicators are focused on the successful delivery of investment to enable the Company to progress to this larger, operational business.

In order to achieve this objective, drilling rigs must be sourced, subsequently brought into Ukraine and wells drilled in line with a critical path that will enable gas and condensate production to increase, beginning in 2008. The Company has devised a strategy to monetise the Ukrainian gas assets by means of a detailed work plan and implementation programme. Consistent with the Corporate Transformation Plan, described in detail under the Chief Executive Officer's Review, the Board and management are incentivised to deliver shareholder value in line with this strategy. Options have been granted to key directors and staff which become exercisable only when, or if, key milestones are accomplished. Exact details of these performance conditions have already been made public to the market and are based around the following activities:

- Securing drilling locations and permits;
- Establishing a drilling base in-country;
- Increasing existing production volumes and proving-up additional reserves;
- Securing interest amongst financial stakeholders to enable a source of funding for the continued programme of development.

In this manner, the effort of the Company's personnel is aligned to the stakeholders interests.

### Outlook

Having secured resources and the team to expedite the implementation plan, Regal's financial future is very promising. With the prospect of generating significantly increased operational cashflow in the foreseeable future, the real monetisation of our assets and delivery of their potential can commence in earnest.

**Robert Wilde**  
Finance Director



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### Regal Petroleum plc Consolidated Income Statement for the year ended 31 December 2007

	2007	2006
	\$000	*as restated \$000
Revenue	14,264	10,811
Cost of sales	(5,372)	(8,285)
<b>Gross profit</b>	<b>8,892</b>	2,526
Other administrative expenses	(21,051)	(20,467)
Exploration costs written off	(2,266)	-
Ukraine settlement costs	-	(54,801)
Share based charge	(7,489)	(387)
Total administrative expenses	(30,806)	(75,655)
Other operating income	830	858
<b>Operating loss</b>	<b>(21,084)</b>	(72,271)
Sale of investment	1,475	-
Impairment of financial asset	-	(43,700)
Finance revenue	424	1,182
Finance costs	(427)	(2)
<b>Loss on ordinary activities before taxation</b>	<b>(19,612)</b>	(114,791)
Income tax expense	(2,423)	(489)
<b>Loss on ordinary activities after taxation</b>	<b>(22,035)</b>	(115,280)
<b>Loss per ordinary share (cents)</b>		
Basic and diluted	<b>(16.2c)</b>	(89.8c)

\* Restated for the effect of adopting IFRS

The income statement has been prepared on the basis that all operations are continuing operations.

### Regal Petroleum plc Consolidated Statement of Recognised Income and Expense for the year ended 31 December 2007

	2007	2006
	\$000	*as restated \$000
Equity – foreign currency translation	(269)	(4,331)
Net expense recognised directly in equity	(269)	(4,331)
Loss for the year	(22,035)	(115,280)
<b>Total recognised income and expense for the year</b>	<b>(22,304)</b>	(119,611)

\* Restated for the effect of adopting IFRS



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### Regal Petroleum plc Consolidated Balance Sheet at 31 December 2007

	2007	2006
	\$000	*as restated \$000
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	25,992	20,672
Property, plant and equipment	33,561	29,620
	<b>59,553</b>	50,292
<b>Current assets</b>		
Inventories	297	37
Trade and other receivables	2,159	3,368
Cash and cash equivalents	5,565	13,048
	<b>8,021</b>	16,453
<b>Total assets</b>	<b>67,574</b>	<b>66,745</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	(10,737)	(2,171)
Borrowings	(8,625)	-
	<b>(19,362)</b>	(2,171)
<b>Net current (liabilities)/assets</b>	<b>(11,341)</b>	14,282
<b>Non-current liabilities</b>		
Trade and other payables	(41)	-
Provisions	(1,283)	(950)
Deferred tax	(1,233)	-
	<b>(2,557)</b>	(950)
<b>Total liabilities</b>	<b>(21,919)</b>	<b>(3,121)</b>
<b>Net assets</b>	<b>45,655</b>	63,624
<b>Equity</b>		
Called up share capital	12,378	10,934
Share premium account	265,899	217,640
Other reserves	12,681	10,598
Equity reserve	-	49,049
Profit and loss account	(245,303)	(224,597)
<b>Total equity</b>	<b>45,655</b>	63,624

\* Restated for the effect of adopting IFRS



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### Regal Petroleum plc Consolidated Cash Flow Statement for the year ended 31 December 2007

		2007	2006
	Note	\$000	*as restated \$000
<b>Operating activities</b>			
Cash generated from operations	2	(7,389)	(18,024)
Interest received		366	1,183
Interest paid		(59)	(2)
Taxation paid		(962)	(491)
<b>Net cash from operating activities</b>		<b>(8,044)</b>	<b>(17,334)</b>
<b>Investing activities</b>			
Proceeds from sale of investment		1,475	-
Proceeds from sale of intangible fixed assets		40	4,245
Proceeds from sale of property, plant and equipment		2	-
Purchase of intangible assets		(4,535)	(7,966)
Purchase of property, plant and equipment		(5,709)	(1,926)
<b>Net cash from investing activities</b>		<b>(8,727)</b>	<b>(5,647)</b>
<b>Financing activities</b>			
Proceeds from borrowings		9,000	-
Funds received in connection with share options		655	80
Payment for debt issue costs		(671)	-
<b>Net cash from financing activities</b>		<b>8,984</b>	<b>80</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(7,787)</b>	<b>(22,901)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>13,048</b>	<b>34,916</b>
Effect of foreign exchange rates		304	1,149
Other non-cash movements		-	(116)
<b>Cash and cash equivalents at end of year</b>		<b>5,565</b>	<b>13,048</b>

\* Restated for the effect of adopting IFRS



## Press Release

**Regal Petroleum plc**  
**Notes forming part of the financial statements**  
**for the year ended 31 December 2007**

### 1 Statutory Accounts

While the financial information included in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS.

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2007 or 2006, but is derived from those accounts. The statutory accounts for 2007 will be delivered to the Registrar of Companies following the Company's annual general meeting.

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

	<b>2007</b>	2006
	<b>\$000</b>	\$000
Operating loss	<b>(21,084)</b>	(72,271)
Depreciation, amortisation and impairment charges	<b>1,162</b>	2,977
Exchange differences	<b>189</b>	(343)
IFRS adjustments included in restated operating loss	-	(79)
Movement in provisions	<b>333</b>	754
(Increase)/decrease in inventories	<b>(260)</b>	1
Decrease in trade and other receivables	<b>1,189</b>	1,580
Increase/(decrease) in trade and other payables	<b>5,673</b>	(195)
Current asset investment	-	116
Share option charge	<b>3,143</b>	387
Exploration costs written off	<b>2,266</b>	-
Exceptional share based payment charge	-	49,049
<b>Net cash outflow from operating activities</b>	<b>(7,389)</b>	(18,024)