

Immediate Release

9 August 2006

REGAL PETROLEUM PLC

("Regal" or the "Company")

**Subscription and Services Agreement between Alberry Limited, Regal
Petroleum Corporation Limited and the Company**

The Company is pleased to announce that it has entered into a conditional agreement (the "**Subscription and Services Agreement**") with Alberry Limited ("**Alberry**"), a company registered in the British Virgin Islands, pursuant to which Alberry has agreed to subscribe for new ordinary shares in 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 its Ukrainian assets. RPC is a wholly owned indirect subsidiary of the Company incorporated in Jersey and is the holding company for Regal's Ukrainian operations. Following this proposed transaction, the Company would retain an 85% interest in RPC.

Further to the announcement made to shareholders on 4 July 2006, the Board is still in early stage discussions which may or may not lead to an offer being made for the Company. Consequently, under the requirements of the City Code on Takeovers and Mergers, completion of the Subscription and Services Agreement and implementation of the transaction, is subject, inter alia, to shareholder approval and the Company will shortly be posting a circular and notice of Extraordinary General Meeting ("**EGM**") to shareholders. A detailed summary of the terms of the Subscription and Services Agreement will appear in the circular, copies of which shall be obtainable from the Company's website: www.regalpetroleum.com.

The terms of the Subscription and Services Agreement, inter alia, provide that:

1. Alberry shall use its best endeavours to procure that the Company has and shall continue to have the benefit of the production licences in relation to the GOL/MEX and SV fields (the "**Licences**"), that the Licences are and remain recognised as valid by all relevant authorities in the Ukraine and that the Company is able and continues to be able to exploit the Licences without interference.
2. Alberry will be responsible for liaising with all relevant Ukrainian authorities on behalf of the Company in order to establish the validity of the Licences.
3. On or within 90 days of the first anniversary of completion of the Subscription and Services Agreement, Alberry is required to demonstrate that the Licences are and shall remain valid by delivering evidence that a valid, effective and final judgement has been entered in favour of the Company by the Ukrainian courts confirming that the Licences are valid and a legal opinion from the Company's Ukrainian lawyers confirming, inter alia, that the Licences are valid and that the judgement referred to above is valid, effective and final.
4. If, on or within 90 days of the first anniversary of completion of the Subscription and Services Agreement, the Licences are demonstrated to be valid, then the Company shall purchase the ordinary shares in RPC allotted to Alberry under the Subscription and Services Agreement for a consideration of \$50,901,300 which may be satisfied in

cash, by the issue of new ordinary shares in the Company or a mixture of the two, at the absolute discretion of the Company.

5. Notwithstanding the foregoing in no event shall the number of new ordinary shares in the Company to be allotted and issued to Alberry pursuant to the Subscription and Services Agreement exceed a number that would result in Alberry and any person acting in concert with Alberry (as defined in the City Code on Takeovers and Mergers) being interested in, in excess of 29.99 per cent. of the issued ordinary share capital of the Company immediately following such allotment and issue.
6. If however, Alberry fails to demonstrate that the Licences are valid, the Company shall purchase the ordinary shares in RPC allotted to Alberry for a consideration of £50,000, payable in cash.

Ukrainian update

The Company re-commenced production from its operations on the GOL/MEX and SV fields in Ukraine on 1 August 2006. The Company is continuing its legal action to establish the legality of its licences to operate the fields.

General

The Group through its operating subsidiaries is engaged in the development and exploitation of the GOL/MEX and SV fields and the extraction of natural gas and condensate. As published in the Audited Annual Report and Accounts 2005 of Regal Petroleum plc, the profits attributable to the Group's Ukraine operations in the financial year ended 31 December 2005 were \$2,036,000 and the net asset value of the Group's Ukrainian operations as at 31 December 2005 was \$30,979,000.

None of the Company, its directors, officers and employees has or has had any interest in the shares in the capital of Alberry.

Responsibility

The Directors of the Company accept responsibility for the information contained in this statement. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this statement is in accordance with the facts and does not omit anything likely to affect the import of such information.

For further information, please contact:

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