Press Release

18 September 2017

REGAL PETROLEUM PLC

2017 INTERIM RESULTS

Regal Petroleum plc (the “Company”, and with its subsidiaries, the “Group”), the AIM-quoted (RPT) oil and gas exploration and production group, today announces its unaudited results for the six month period ended 30 June 2017.

Principal Developments

Ukraine Operations

- Average production from the MEX-GOL and SV fields over the six month period to 30 June 2017 was 133,951 m^3/d of gas, 35.7 m^3/d of condensate and 18.9 m^3/d of LPG (1,140 boepd in aggregate) (1H 2016: 167,541 m^3/d of gas, 42.4 m^3/d of condensate and 19.8 m^3/d of LPG (1,395 boepd in aggregate))

- Average gas and condensate production from the VAS field for the six month period to 30 June 2017 was 86,770 m^3/d of gas and 6.7 m^3/d of condensate (612 boepd in aggregate)

- MEX-109 well, utilising improved drilling and completion techniques, put on production in June 2017, and the workover of SV-2 well completed and put on production in August 2017, together nearly doubling production volumes from the MEX-GOL and SV fields

Finance

- Revenue for the six month period to 30 June 2017 of $12.4 million (1H 2016: $10.4 million)

- Operating profit for the six month period to 30 June 2017 of $1.0 million (1H 2016: $0.2 million loss)

- Loss for the six month period to 30 June 2017 of $0.3 million (1H 2016: $0.9 million loss)

- Foreign exchange translation gain recorded in equity for the period of $1.6 million (1H 2016: $1.7 million loss) mainly due to appreciation of the Ukrainian Hryvnia against the US Dollar during the period

- Cash generated from operations during the period of $5.5 million (1H 2016: $3.8 million)

- Average realised gas, condensate and LPG prices in Ukraine for the six month period to 30 June 2017 of $226/$Mm^3$ (UAH6,060/Mm^3), $59/bbl and $49/bbl respectively (1H 2016: $209/$Mm^3$ (UAH5,315/Mm^3) gas, $42/bbl condensate and $29/bbl LPG)

- Cash and cash equivalents at 30 June 2017 of $24.5 million (31 December 2016: $20.0 million), with cash and cash equivalents at 15 September 2017 of $27.0 million, held as to $8.6 million equivalent in Ukrainian Hryvnia and the balance of $18.4 million equivalent predominately in US Dollars and Sterling

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Outlook

- Improving geopolitical outlook in Ukraine has led to a gradual increase in developmental planning during 2017

- Focus during the second half of 2017 at MEX-GOL and SV fields on completion of geophysical studies on existing seismic data, finalising workover of GOL-2 well, installation of additional compression equipment, further upgrading of gas processing facilities and pipeline network, and remedial work on existing wells

- Focus during the second half of 2017 at VAS field on re-interpretation of existing seismic data, and planning for acquisition of new 3D seismic and drilling of VAS-10 well

- Funding of remaining 2017 development programme anticipated to be from existing cash and cash equivalents and operational cash flow

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

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Philip Frank, PhD Geology, Chartered Geologist, FGS, PESGB, consultant to the Company, has reviewed and approved the technical information contained within this press release in his capacity as a qualified person, as required under the AIM Rules for Companies.

Definitions

bbl	barrel
boe	barrels of oil equivalent
boepd	barrels of oil equivalent per day
LPG	liquefied petroleum gas
m^3	cubic metres
m^3/d	cubic metres per day
MEX-GOL	Mekhediviska-Golotvshinska
%	per cent
SV	Svyrydivske
$	United States Dollar
UAH	Ukrainian Hryvnia
VAS	Vasyschevskoye

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Chairman's Review

The Group is continuing with the development of its MEX-GOL, SV and VAS gas and condensate fields in north-eastern Ukraine, which are each held under 100% owned and operated production licences.

Production at the fields was reasonably stable during the first half of 2017, averaging 1,752 boepd in aggregate from all fields. In June 2017, the new MEX-109 well, utilising improved drilling and completion techniques developed as a result of the recent studies, was completed successfully and put on production, and in August 2017, following completion of its workover, the SV-2 well in the SV field was also put on production. Together, these successes have nearly doubled output from the MEX-GOL-SV licence areas. With the contribution from these new wells, current aggregate production from all fields is 2,879 boepd, an improvement of approximately 64% on the average production rates in the first half of 2017.

The fiscal and economic situation in Ukraine is improving slowly, with a better economic outlook, GDP growth, slightly lower rates of inflation and improved stability in the Ukrainian Hryvnia exchange rates. The Ukrainian Government has implemented a number of reforms in the oil and gas industry, which include the deregulation of the gas supply market in late 2015. Nevertheless, there continue to be stresses in the economy and weaknesses in the Ukrainian banking sector.

The deregulation of the gas supply market, supported by electronic gas trading platforms and improved pricing transparency, has meant that the market gas prices now broadly correlate to the imported gas prices. During the first half of 2017, gas prices were reasonably stable, allowing for some seasonal variation, and were higher than in the first half of 2016. Furthermore, condensate and LPG prices were also higher by comparison with the same period last year.

As regards the Group's financial performance in the six months ended 30 June 2017, the Group made an operating profit of $1.0 million (1H 2016: $0.2 million loss), and cash generated from operations during the period was positive at $5.5 million (1H 2016: $3.8 million). Overall, the Group made a reduced loss of $0.3 million (1H 2016: $0.9 million loss) during the period, mainly due to improved revenues as a result of higher hydrocarbon prices offset by a higher income tax charge.

Average daily production of gas, condensate and LPG from the MEX-GOL and SV fields for the six months ended 30 June 2017 was 133,951 m^3/d of gas, 35.7 m^3/d of condensate and 18.9 m^3/d of LPG (1,140 boepd in aggregate) (1H 2016: 167,541 m^3/d of gas, 42.4 m^3/d of condensate and 19.8 m^3/d of LPG (1,395 boepd in aggregate)), which was lower compared to the first half of 2016 due to normal field decline.

The average daily production of gas and condensate from the VAS field for the six months ended 30 June 2017 was 86,770 m^3/d of gas and 6.7 m^3/d of condensate (612 boepd in aggregate), adding material volumes to the Group's production output.

The average daily production from the MEX-GOL and SV fields for the period from 1 July 2017 to 14 September 2017 was 238,216 m^3/d of gas, 61.6 m^3/d of condensate and 31.7 m^3/d of LPG, which equates to a combined total oil equivalent of 2,007 boepd. The average daily production from the VAS field for same period was 83,903 m^3/d of gas and 6.3 m^3/d of condensate (591 boepd in aggregate).

The slowly improving geopolitical and economic climate in Ukraine is cause for some optimism and the Group is now stepping up its planning for the further development of the MEX-GOL, SV and VAS fields.

At the MEX-GOL and SV fields, the Group is utilising the results of P.D.F Limited's comprehensive re-evaluation study to plan additional development of the MEX-GOL and SV fields. The study has provided an enhanced understanding of the subsurface at the fields, as well as recommendations for future development work. Further geophysical studies using the latest processing technology to analyse

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existing seismic data are approaching completion. This, together with further analysis and new well data, will enable the Group to refine its strategies for further development of these fields, including the timing and level of future capital investment required to exploit the hydrocarbon resources.

In addition, the Group is finalising the workover of the GOL-2 well, and planning the installation of additional compression equipment, further upgrading of the gas processing facilities and pipeline network, and remedial work on existing wells.

At the VAS field, following the reinterpretation of existing 3D seismic data, the Group plans to commence drilling a new well, VAS-10, and to acquire new 3D seismic over the 2017/18 winter period.

I would like to congratulate Sergei Glazunov on his appointment as Chief Executive Officer and welcome Yevhen (Gene) Palyenka as Chief Financial Officer, with both appointments becoming effective on 1 August 2017.

I would also like to welcome Bruce Burrows to the Board following his appointment as a Non-executive Director on 29 August 2017, and to express my appreciation to Adrian Coates, who stepped down from the Board on the same day, for his valued contribution over the last nine years.

In conclusion, on behalf of the Board, I would like to thank all of our staff for the continued dedication and support they have shown over the period.

Keith Henry
Chairman
15 September 2017

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Finance Review

The Group made an operating profit of $1.0 million (1H 2016: $0.2 million loss) during the period ended 30 June 2017, and overall, a reduced loss of $0.3 million (1H 2016: $0.9 million loss), mainly as a result of improved revenue offset by a higher income tax charge. Revenue in the first half of 2017, derived from the sale of the Group's Ukrainian gas, condensate and LPG production, was higher at $12.4 million (1H 2016: $10.4 million) primarily due to improved realisations as a result of higher hydrocarbon prices and the contribution from the sale of production from the VAS field.

Cash generated from operations during the period was $5.5 million (1H 2016: $3.8 million), which was higher due to higher hydrocarbon prices and the contribution from the sale of production from the VAS field.

For the six month period ended 30 June 2017, the average realised gas, condensate and LPG prices were $226/Mm^3 (UAH6,060/Mm^3), $59/bbl and $49/bbl respectively (1H 2016: $209/Mm^3 (UAH5,315/Mm^3) gas, $42/bbl condensate and $29/bbl LPG).

During the period from 1 July 2017 to 15 September 2017, the average realised gas, condensate and LPG prices were $228/Mm^3 (UAH5,890/Mm^3), $66/bbl and $63/bbl respectively. The current realised gas price is $238/Mm^3 (UAH6,239/Mm^3).

Since the deregulation of the gas supply market in Ukraine in October 2015, the market price for gas has broadly correlated to the price of imported gas, which generally reflects trends in European gas prices. Gas prices are also subject to seasonal variation. During in the first half of 2017, gas prices were reasonably stable, allowing for some seasonal variation, and were higher than in the first half of 2016, as were condensate and LPG prices by comparison with the same period in 2016.

In the first half of 2017, the Group commenced selling all of its gas production to LLC Smart Energy ("Smart Energy"), which is part of the PJSC Smart-Holding Group, which is ultimately controlled by Mr Vadim Novinskiy, who also controls an indirect 54% majority shareholding in the Group. This arrangement came about as a consequence of the introduction of a number of new taxation regulations in Ukraine, which significantly increased the regulatory burden on affected companies. Due to the corporate structure of the Group, a substantial proportion of its gas production is produced by a non-Ukrainian subsidiary of the Group, which operates in Ukraine as a branch, or representative office as it is classified in Ukraine. As a result, the new tax regulations impose additional regulatory obligations on the Group's potential customers, who may be less inclined to purchase the Group's gas and/or may seek discounts on sales prices. In light of this situation, the Group and Smart Energy reached an agreement under which Smart Energy will purchase all of the Group's gas production and assume responsibility for the regulatory obligations under the Ukrainian tax regulations, as well as combining the Group's gas production with Smart Energy's own gas production so as to sell such gas as combined volumes, which should result in higher sales prices due to the larger sales volumes. In order to cover Smart Energy's sales, administration and regulatory compliance costs, the Group sells its gas to Smart Energy at a discount of 0.5% to the gas sales prices achieved by Smart Energy, who sell the combined volumes in line with market prices. The terms of sale for the Group's gas to Smart Energy are (i) payment for one third of the estimated monthly volume of gas by the 20th of the month of delivery, and (ii) payment of the remaining balance by the 10th of the month following the month of delivery. As a consequence of their common ultimate control, the Company and Smart Energy are deemed to be related parties under the AIM Rules for Companies, and more details of this arrangement are set out in the announcement made on 30 June 2017, as well as in Note 3 below.

The subsoil taxes rates applicable to gas and condensate production have been stable during the first half of 2017 at 29% for gas produced from deposits at depths above 5,000 metres and 14% for gas produced from deposits below 5,000 metres, and 45% for condensate produced from deposits above 5,000 metres and 21% for condensate produced from deposits below 5,000 metres.

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With effect from 1 April 2017, a transmission tariff of UAH296.80/Mm^3 (\$11.00/Mm^3) for use of the Ukrainian national pipeline system became applicable to oil and gas producers in Ukraine, including the Group. However, on 13 June 2017, the tariff was suspended following a legal challenge to the imposition of the tariff, and it is currently uncertain if and/or when the tariff will be reinstated.

Cost of sales for the six months ended 30 June 2017 was higher at $9.2 million (1H 2016: $8.2 million), mainly due to the inclusion of the cost of sales of hydrocarbons from the VAS field of $2.8 million (1H 2016: nil).

Administrative expenses for the period were slightly lower at $2.2 million (1H 2016: $2.4 million), primarily as a result of the inclusion of administrative expenses relating to LLC Prom-Enerho Produkt ("PEP"), the owner of the VAS field, of $1.5 million (1H 2016: nil) being offset by the absence of expenditure on consultants in connection with the acquisition of PEP as was the case in 2016.

The tax charge for the six month period ended 30 June 2017 of $2.0 million (1H 2016: $1.2 million charge) comprises a current tax charge of $0.9 million (1H 2016: $0.7 million) and a deferred tax charge of $1.1 million (1H 2016: $0.5 million charge).

The Group has recognised a deferred tax asset of $10.2 million at 30 June 2017 (31 December 2016: $11.1 million). This comprises a deferred tax asset of $2.2 million (31 December 2016: $3.7 million) in relation to UK tax losses carried forward, and $8.0 million (31 December 2016: $7.4 million) relating to the Group's MEX-GOL and SV asset in Ukraine, which is recognised on the tax effect of temporary timing differences between the carrying value of such asset and its tax base, following its impairment in 2013. The reduction in the deferred tax asset in the first half of 2017 is primarily due to a decrease of forecasted taxable income for the following five years caused by impairment and partial settlement of intra-group loans receivable by the Company. The Group has also recognised a deferred tax liability of $1.1 million at 30 June 2017 31 December 2016: 1.2) relating to the Group's VAS asset in Ukraine, which is recognised on the tax effect of temporary timing differences between the carrying value of such asset and its tax base mainly due to revaluation of the VAS asset at the date of acquisition by the Group.

Increased capital investment of $2.1 million reflects investment in the Group's oil and gas development and production assets during the period (1H 2016: $0.4 million), primarily the expenditure associated with the drilling of the MEX-109 well.

Under the agreement between the Group and NJSC Ukrnafta relating to the SV-2 well, which was a suspended well owned by NJSC Ukrnafta located within the Group's SV licence area, the Group agreed to carry out a workover of the well and, if successful, to operate, produce and sell the gas and condensate from the well under an equal net profit sharing arrangement with NJSC Ukrnafta. The workover was successful and production from this well commenced in August 2017.

Cash and cash equivalents held at 30 June 2017 were $24.5 million (31 December 2016: $20.0 million). The Group's cash and cash equivalents balance at 15 September 2017 was $27.0 million, held as to $8.6 million equivalent in Ukrainian Hryvnia and the balance of $18.4 million equivalent predominantly in US Dollars and Pounds Sterling.

Since early 2014, the Ukrainian Hryvnia has devalued significantly against the US Dollar, falling from UAH8.3/$1.00 on 1 January 2014 to UAH26.1/$1.00 on 30 June 2017, which resulted in substantial foreign exchange translation losses for the Group over that period, and in turn adversely impacted the carrying value of the MEX-GOL and SV asset due to the translation of two of the Group's subsidiaries from their functional currency of Ukrainian Hryvnia to the Group's presentation currency of US Dollars. However in the first half of 2017, the exchange rate between the Ukrainian Hryvnia and the US Dollar has been reasonably stable averaging UAH26.8/$1.00 during the period (rate as at 31 December 2016: UAH27.2/$1.00). Nevertheless, further devaluation of the Ukrainian Hryvnia against the US Dollar may affect the carrying value of the Group's assets in the future.

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Cash from operations has funded the capital investment during the period, and the Group's current cash position and positive operating cash flow are the sources from which the Group expects to fund the development programmes for its assets in the remainder of 2017.

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Operational Environment, Principal Risks and Uncertainties

The Group has a risk evaluation methodology in place to assist in the review of the risks across all material aspects of its business. This methodology highlights technical, operational, external and fiduciary risks and assesses the level of risk and potential consequences. It is periodically presented to the Audit Committee and the Board for review, to bring to their attention potential concerns and, where possible, propose mitigating actions. Key risks recognised are detailed below:-

Risks relating to Ukraine
In recent years, the Ukrainian economy has been characterised by high political and economic risks, but more recently there have been gradual improvements in the political and economic environment in Ukraine. Nevertheless, as a developing economy, in addition to the impact of local political and economic issues, Ukraine's economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

Since late 2013, the political and economic situation in Ukraine has experienced significant instability and uncertainty, which has led to a deterioration of Ukrainian State finances, volatility of financial markets, illiquidity on capital markets, high inflation and a substantial depreciation of the Ukrainian Hryvnia against major foreign currencies. This instability and uncertainty continued during 2016 and 2017, but to a lesser extent than during 2014 - 2015. During the first half of 2017, the economic improvement in Ukraine continued with Ukraine's GDP growing at a rate of 2% and annual inflation declining slightly to 12.2% (2016: GDP increased by 1%; annual inflation at 12.4%).

The conflict in parts of eastern Ukraine, which started in spring 2014, has not been resolved to date. However, there has been no substantial escalation of the conflict since the signing of a ceasefire agreement in February 2015. Russia continues to occupy Crimea and has commenced the construction of a bridge directly between Russia and Crimea.

The Group has no assets in Crimea or the areas of conflict in the east of Ukraine, nor do its operations rely on sales or costs incurred there.

The conflict in the region has put further pressure on relations between Ukraine and Russia, and the political tensions have had an adverse effect on the Ukrainian financial markets, hampering the ability of Ukrainian companies and banks to obtain funding from the international capital and debt markets.

The relationship between Ukraine and Russia has remained strained. On 1 January 2016, the agreement on the free trade area between Ukraine and the European Union came into force. The Russian Government reacted to this event by implementing a trading embargo on many key Ukrainian export products. In response, the Ukrainian Government implemented similar measures against Russian products.

The banking system in Ukraine remains fragile due to its weak level of capital, low asset quality caused by the economic situation, currency depreciation, changing regulations and other economic pressures generally.

The International Monetary Fund has continued to support the Ukrainian Government under the four-year Extended Funding Facility aggregating $17.5 billion approved in March 2015. The terms of this funding package stipulated a number of fiscal and economic reforms, including reforms in the banking and energy sectors. Since then, Ukraine has received four tranches under the funding programme totalling $8.4 billion, with the most recent tranche of $1 billion in April 2017. Further disbursements of International Monetary Fund tranches depend on the implementation of Ukrainian Government reforms, and other economic, legal and political factors.

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Despite some improvements in 2016 and 2017, the final resolution and the ongoing effects of the political and economic situation in Ukraine are difficult to predict but they may have severe effects on the Ukrainian economy and the Group's business.

These events have not materially affected the Group's production operations to date, but the instability has disrupted the Group's development and operational planning for its assets. Furthermore, the political, fiscal and economic instability has impacted the Group's normal business activities, and increased the risks relating to its business operations, financial status, access to secure banking facilities and maintenance of its Ukrainian production licences.

The Ukrainian Government is keen to develop the country's domestic production of hydrocarbons since Ukraine imports a significant proportion of its gas. While this should put the Group in a well-placed position, as experienced previously, there are significant risks to carrying out business in the country. It is considered that the involvement of Energees Management Limited, as a major shareholder with extensive experience in Ukraine, has helped to mitigate such risks.

Going concern risk
The Group is exposed to risks relating to Ukraine as well as production, hydrocarbon price and other risks, as detailed in this Operational Environment, Principal Risks and Uncertainties section. In view of this, the Group prepares monthly cash flow forecasts which take into account the risks facing the business, to assess its ability to meet its obligations as they fall due, taking into account the risks of variances in revenues.

Having reviewed the financial statements, budgets and forward plans (including sensitivity analysis), the latest operational results, the risks outlined herein, and having taken into account the Group's cash holdings, the current practice of contracting for drilling services on a fixed-price basis for each well, the assessment of well results prior to entering into firm commitments for future drilling operations and the lower committed expenditure in Ukraine, the Directors continue to believe that the Group is able to manage its business risks successfully despite the current uncertain political and economic outlook. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future regarded as at least 12 months from the date of signing of the Group's financial statements. Therefore they continue to adopt the going concern basis of accounting in preparing the financial statements.

Production risks
Producing gas and condensate reservoirs are generally characterised by declining production rates which vary depending upon reservoir characteristics and other factors. Future production of the Group's gas and condensate reserves, and therefore the Group's cash flow and income, are highly dependent on the Group's success in operating existing producing wells, drilling new production wells and efficiently developing and exploiting any reserves, and finding or acquiring additional reserves. The Group may not be able to develop, find or acquire reserves at acceptable costs. The experience gained from drilling undertaken to date highlights such risks as the Group targets the appraisal and production of these hydrocarbons. During 2016, the Group engaged external technical consultants to undertake a comprehensive review and re-evaluation study of the MEX-GOL and SV fields in order to gain an improved understanding of the geological aspects of the fields and reservoir engineering, drilling and completion techniques, and the results of this study and further planned technical work will be used by the Group in the future development of these fields.

Risks relating to further development and operation of the Group's gas and condensate fields in Ukraine
The planned development and operation of the Group's gas and condensate fields in Ukraine is susceptible to appraisal, development and operational risk. This could include, but is not restricted to, delays in delivery of equipment in Ukraine, failure of key equipment, lower than expected production from wells that are currently producing, or new wells that are brought on-stream, problematic wells and complex geology which is difficult to drill or interpret. The generation of significant operational cash is dependent on the successful delivery and completion of the development and operation of the fields.

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These risks have been demonstrated by the previous downgrade in the Group's remaining reserves which resulted in the reduction in the value in use, and consequent impairment loss relating to the Group's MEX-GOL and SV asset in Ukraine. Furthermore, the optimisation of the Group's assets is dependent on maintaining constructive relationships between all business stakeholders.

Exposure to credit, liquidity and cash flow risk
The Group does not currently have any loans outstanding. Local customers are managed in Ukraine and their financial position, the Group's past experience and other factors are evaluated. Internal financial projections are regularly made based on the latest estimates available, and various scenarios are run to assess the robustness of the liquidity of the Group. The Group currently holds sufficient cash and cash equivalents for the anticipated short to medium term needs of the business. Whilst much of the future capital requirement is expected to be derived from operational cash generated from production, including from wells yet to be drilled, there is a risk that in the longer term insufficient operational cash is generated, or that additional funding, should the need arise, cannot be secured. As the risk to future capital funding is inherent in the oil and gas exploration and development industry and reliant in part on future development success, it is difficult for the Group to take any particular measures at this time to mitigate this risk, other than tailoring its development activities to its available capital funding from time to time.

Risks relating to the Ukrainian banking sector
The instability in Ukraine in recent years led to a significant deterioration of Ukraine's finances, volatility in financial markets, illiquidity on capital markets and a substantial depreciation of the Ukrainian Hryvnia against major foreign currencies. As a result, significant external financing is required to maintain the country's economic stability. During 2014 - 2015, the National Bank of Ukraine, amongst other measures, imposed comprehensive restrictions on the processing of client payments by banks, on the purchase of foreign currency on the inter-bank market and on the remittance of funds outside Ukraine, with particular restrictions on operations with foreign currency including temporary bans on the payment of dividends in foreign currency and the early repayment of debts to non-residents and the mandatory sale of 75% of revenue in foreign currency. However, during 2017, there was some further easing of these restrictions, with the required share of foreign currency for mandatory sale being reduced to 50%, the settlement period for export-import transactions in foreign currency being increased from 120 to 180 days and Ukrainian companies continuing to be permitted to pay dividends to non-residents up to a limit of $5 million per month.

These banking restrictions and the many other economic issues in Ukraine during the period since 2013 put great strain on the Ukrainian banking system, with increased risks in the capital strength, liquidity and creditworthiness of a number of banks, and very high rates in the wholesale and overnight markets. In addition, there have been significant deposit outflows from the banking system and widespread restructuring of bank clients' maturing liabilities, as well as the failure and/or bail out of a number of Ukrainian banks.

The Extended Funding Facility from the International Monetary Fund approved in March 2015, required significant reforms to the Ukrainian banking sector, which are now being implemented. The reforms are being overseen by the National Bank of Ukraine and involve all banks being inspected and assessed, with particular emphasis on lending to a bank's related parties. The inspections are designed to enable the National Bank to assess the financial strength and liquidity of the banks in Ukraine, and may lead to the National Bank imposing remedial measures, ranging from the imposition of requirements for a bank to bolster its capital strength, requirements for a bank to reduce its exposure to related party lending, the appointment of an administrator to manage the priority of payments by a bank, or in the most extreme cases, the liquidation of a bank.

The creditworthiness and potential risks relating to the banks in Ukraine are regularly reviewed by the Group, but the geopolitical and economic events since 2013 in Ukraine have significantly weakened the Ukrainian banking sector. In light of this, the Group has taken and continues to take steps to diversify its banking arrangements between a number of banks in Ukraine. These measures are designed to spread the risks associated with each bank's creditworthiness, and the Group endeavours to use banks that have

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the best available creditworthiness. Nevertheless, and despite some recent improvements, the Ukrainian banking sector remains weakly capitalised and so the risks associated with the banks in Ukraine remain significant, including in relation to the banks with which the Group operates bank accounts.

Currency risk
The Group's main activities are (i) investment into the development of the Group's Ukrainian gas and condensate assets; (ii) the production and sale of gas, condensate and LPG; and (iii) the continued exploration for further hydrocarbon reserves.

The Group receives sales proceeds in Ukrainian Hryvnia, and the majority of the capital expenditure costs for the 2017 investment programme will be incurred in Ukrainian Hryvnia, thus the currency of revenue and costs are largely matched. As with all currencies, the value of the Ukrainian Hryvnia is subject to foreign exchange fluctuations, but as the Ukrainian Hryvnia does not benefit from the range of currency hedging instruments which are available in more developed economies, the Group has adopted a policy that, where possible, funds not required for use in Ukraine be retained on deposit in the United Kingdom, principally in US Dollars.

Furthermore, since the beginning of 2014, the Ukrainian Hryvnia has significantly devalued against major world currencies, including the US Dollar, where it has fallen from UAH8.3/$1.00 on 1 January 2014 to UAH26.1/$1.00 on 30 June 2017. However, the Ukrainian Hryvnia has appreciated slightly during the first half of 2017, strengthening from UAH27.2/$1.00 on 31 December 2016. As at 15 September 2017, the Ukrainian Hryvnia was trading at UAH26.2/$1.00. The devaluation since 2014 was one of the main reasons for the imposition of the abovementioned banking restrictions by the National Bank of Ukraine. In addition, the events in Ukraine over recent years, as outlined above in *"Risks relating to Ukraine"*, are likely to continue to impact the valuation of the Ukrainian Hryvnia against major world currencies. Further devaluation of the Ukrainian Hryvnia against the US Dollar will affect the carrying value of the Group's assets.

Ukraine Production Licences
The Group operates in a region where the right to production can be challenged by State and non-State parties. During 2010, this manifested itself in the form of a Ministry Order instructing the Group to suspend all operations and production from its MEX-GOL and SV production licences, which was not resolved until mid-2011. In 2013, new rules relating to the updating of production licences led to further challenges being raised by the Ukrainian authorities to the production licences held by independent oil and gas producers in Ukraine, including the Group, which may result in requirements for remediation work, financial penalties and/or the suspension of such licences, which, in turn, may adversely affect the Group's operations and financial position. All such challenges affecting the Group have thus far been successfully defended through the Ukrainian legal system. However, the business environment is such that these types of challenges may arise at any time in relation to the Group's operations, licence history, compliance with licence commitments and/or local regulations. The Group endeavours to ensure compliance with commitments and regulations through Group procedures and controls or, where this is not immediately feasible for practical or logistical considerations, seeks to enter into dialogue with the relevant Government bodies with a view to agreeing a reasonable time frame for achieving compliance or an alternative, mutually agreeable course of action.

The Group's production licences for the MEX-GOL and SV fields currently expire in 2024. However, in the estimation of its reserves, it is assumed that licence extensions will be granted in accordance with current Ukrainian legislation and that consequently the fields' development will continue until the end of the fields' economic life in 2036. Despite such legislation, it is possible that licence extensions will not be granted, which would affect the achievement of full economic field development and consequently the carrying value of the Group's MEX-GOL and SV asset in the future.

Hydrocarbon price risk
The Group derives its revenue principally from the sale of its Ukrainian gas, condensate and LPG production. These revenues are subject to commodity price volatility and political influence. A prolonged

period of low gas, condensate and LPG prices may impact the Group's ability to maintain its long-term investment programme with a consequent effect on growth rate, which in turn may impact the share price or any shareholder returns. Lower gas, condensate and LPG prices may not only decrease the Group's revenues per unit, but may also reduce the amount of gas, condensate and LPG which the Group can produce economically, as would increases in costs associated with hydrocarbon production, such as subsoil taxes and royalties.

The overall economics of the Group’s key assets (being the net present value of the future cash flows from its Ukrainian projects) are far more sensitive to long term gas, condensate and LPG prices than short-term price volatility. However, short-term volatility does affect liquidity risk, as, in the early stage of the projects, income from production revenues is offset by capital investment.

Production based taxes
At the end of July 2014, the Ukrainian Government approved emergency fiscal measures designed to assist in alleviating the fiscal and economic pressures affecting the economy of Ukraine. These imposed significant increases to the subsoil tax rates payable on gas and condensate production, and were imposed for the period from 1 August 2014 to 31 December 2015. With effect from 1 January 2016, the subsoil tax rates relating to gas production reverted to substantially the same levels as prior to the temporary increases, but it is possible that similar significant increases to subsoil tax rates may be implemented in the future.

With effect from 1 April 2017, a transmission tariff for use of the Ukrainian national pipeline system was introduced for oil and gas producers in Ukraine, including the Group. However, on 13 June 2017, the tariff was suspended following a legal challenge to the imposition of the tariff, and it is currently uncertain if and/or when the tariff will be reinstated.

Industry risks
The Group's ability to execute its strategy is subject to risks which are generally associated with the oil and gas industry. For example, the Group’s ability to pursue and develop its projects and development programmes depends on a number of uncertainties, including the availability of capital, seasonal conditions, regulatory approvals, gas, oil, condensate and LPG prices, development costs and drilling success. As a result of these uncertainties, it is unknown whether potential drilling locations identified on proposed projects will ever be drilled or whether these or any other potential drilling locations will be able to produce gas, oil or condensate. In addition, drilling activities are subject to many risks, including the risk that commercially productive reservoirs will not be discovered. Drilling for hydrocarbons can be unprofitable, not only due to dry holes, but also as a result of productive wells that do not produce sufficiently to be economic. In addition, drilling and production operations are highly technical and complex activities and may be curtailed, delayed or cancelled as a result of a variety of factors. Furthermore, whilst the Group is committed to maintaining the highest standards of health, safety, environmental and security in its operational activities, hydrocarbon drilling and production operations carry inherent risks, which in the event of an incident may significantly affect the operational, production, financial and/or business activities of the Group.

Financial Markets and Economic Outlook
The performance of the Group will be influenced by global economic conditions and, in particular, the conditions prevailing in the United Kingdom and Ukraine. The economies in these regions have been subject to volatile pressures during the period, with the global economy having experienced a long period of difficulties, and more particularly the events that have occurred in Ukraine over recent years. If these events recur, the Group may be exposed to increased counterparty risk as a result of business failures in Ukraine or elsewhere and will continue to be exposed if counterparties fail or are unable to meet their obligations to the Group. The precise nature of all the risks and uncertainties the Group faces as a result of these risks cannot be predicted and many of these are outside of the Group's control.

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Risks relating to key personnel

The Group has a relatively small team of executives and senior management. Whilst this is sufficient for a group of this nature, there is a dependency risk relating to the loss of key individuals. However, the Group has developed relationships with a number of technical and other professional experts and advisers, who are used to provided specialist services as required.

Condensed Interim Consolidated Income Statement

	Note	**6 months ended 30 Jun 17 (unaudited) $000**	6 months ended 30 Jun 16 (unaudited) $000	12 months ended 31 Dec 16 (audited) $000
Revenue	3	**12,389**	10,433	25,659
Cost of sales		**(9,197)**	(8,237)	(18,633)
Gross profit		**3,192**	2,196	7,026
Administrative expenses		**(2,236)**	(2,402)	(4,681)
Other operating gains		**69**	37	30
Operating profit / (loss)		**1,025**	(169)	2,375
Finance income		**742**	476	770
Finance costs		**(62)**	(28)	(185)
Other gains and (losses), net		**9**	42	(121)
Profit on ordinary activities before taxation		**1,714**	321	2,839
Income tax charge	4	**(1,992)**	(1,197)	(4,098)
Loss for the period		**(278)**	(876)	(1,259)
Loss per share (cents)				
Basic and diluted	5	**(0.1c)**	(0.3c)	(0.4c)

The Notes set out below are an integral part of these condensed interim consolidated financial statements.

Press Release

Condensed Interim Consolidated Statement of Comprehensive Income

	6 months ended 30 Jun 17 (unaudited) $000	6 months ended 30 Jun 16 (unaudited) $000	12 months ended 31 Dec 16 (audited) $000
Loss for the period	**(278)**	(876)	(1,259)
Other comprehensive income/(expense):			
Items that may be subsequently reclassified to profit or loss:			
Equity – foreign currency translation	**1,554**	(1,741)	(5,900)
Items that will not be subsequently reclassified to profit or loss:			
Re-measurements of post-employment benefit obligations	**-**	-	(104)
Total other comprehensive income/(expense)	**1,554**	(1,741)	(6,004)
Total comprehensive income/(expense) for the period	**1,276**	(2,617)	(7,263)

The Notes set out below are an integral part of these condensed interim consolidated financial statements.

Press Release

Condensed Interim Consolidated Balance Sheet

	Note	**30 Jun 17 (unaudited) $000**	31 Dec 16 (audited) $000
Assets			
Non-current assets			
Property, plant and equipment	6	**20,227**	21,354
Intangible assets	7	**6,460**	6,530
Corporation tax receivable		**38**	54
Deferred tax asset	4	**10,223**	11,121
		36,948	39,059
Current assets			
Inventories	9	**1,666**	1,200
Trade and other receivables	8	**3,322**	4,243
Cash and cash equivalents	11	**24,480**	19,966
		29,468	25,409
Total assets		**66,416**	64,468
Liabilities			
Current liabilities			
Trade and other payables		**(1,789)**	(1,435)
Corporation tax payable		**(450)**	(300)
		(2,239)	(1,735)
Net current assets		**27,229**	23,674
Non-current liabilities			
Provision for decommissioning	10	**(2,151)**	(1,915)
Defined benefit liability		**(314)**	(303)
Deferred tax liability	4	**(1,108)**	(1,187)
		(3,573)	(3,405)
Total liabilities		**(5,812)**	(5,140)
Net assets		**60,604**	59,328
Equity			
Called up share capital		**28,115**	28,115
Share premium account		**555,090**	555,090
Foreign exchange reserve		**(98,130)**	(99,684)
Other reserves		**4,273**	4,273
Accumulated losses		**(428,744)**	(428,466)
Total equity		**60,604**	59,328

The Notes set out below are an integral part of these condensed interim consolidated financial statements.

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Condensed Interim Consolidated Statement of Changes in Equity

	Called up share capital $000	**Share premium account $000**	**Merger reserve $000**	**Capital contributions reserve $000**	**Foreign exchange reserve* $000**	**Accumulated losses $000**	**Total equity $000**
As at 1 January 2017 (audited)	**28,115**	**555,090**	**(3,204)**	**7,477**	**(99,684)**	**(428,466)**	**59,328**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**(278)**	**(278)**
Other comprehensive income							
- exchange differences	**-**	**-**	**-**	**-**	**1,554**	**-**	**1,554**
Total comprehensive income	**-**	**-**	**-**	**-**	**1,554**	**(278)**	**1,276**
As at 30 June 2017 (unaudited)	**28,115**	**555,090**	**(3,204)**	**7,477**	**(98,130)**	**(428,744)**	**60,604**

	Called up share capital $000	Share premium account $000	Merger reserve $000	Capital contributions reserve $000	Foreign exchange reserve* $000	Accumulated losses $000	Total equity $000
As at 1 January 2016 (audited)	28,115	555,090	(3,204)	7,477	(93,784)	(427,103)	66,591
Loss for the period	-	-	-	-	-	(876)	(876)
Other comprehensive expense							
- Exchange differences	-	-	-	-	(1,741)	-	(1,741)
Total comprehensive expense	-	-	-	-	(1,741)	(876)	(2,617)
As at 30 June 2016 (unaudited)	28,115	555,090	(3,204)	7,477	(95,525)	(427,979)	63,974

* Predominantly as result of exchange differences on retranslation, where the subsidiaries functional currency is not US Dollar

The Notes set out below are an integral part of these condensed interim consolidated financial statements.

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Condensed Interim Consolidated Statement of Cash Flows

	Note	**6 months ended 30 Jun 17 (unaudited) $000**	6 months ended 30 Jun 16 (unaudited) $000	12 months ended 31 Dec 16 (audited) $000
Operating activities				
Cash generated from operations	12	**5,451**	3,809	9,971
Taxation paid		**(737)**	(978)	(2,219)
Interest received		**399**	495	809
Net cash inflow from operating activities		**5,113**	3,326	8,561
Investing activities				
Acquisition of subsidiary, net of cash acquired		**-**	-	(11,560)
Purchase of property, plant and equipment		**(1,011)**	(2,494)	(7,242)
Purchase of intangible assets		**(62)**	(23)	(60)
Proceeds from sale of property, plant and equipment		**-**	11	11
Other short-term investments		**-**	241	12,635
Net cash outflow from investing activities		**(1,073)**	(2,265)	(6,216)
Financing activities				
Repayment of non-interest bearing borrowings		**-**	-	(1,095)
Net cash outflow from financing activities		**-**	-	(1,095)
Net increase in cash and cash equivalents		**4,040**	1,061	1,250
Cash and cash equivalents at beginning of the period	11	**19,966**	19,920	19,920
Effect of foreign exchange rate changes		**474**	(218)	(1,204)
Cash and cash equivalents at end of the period	11	**24,480**	20,763	19,966

The Notes set out below are an integral part of these condensed interim consolidated financial statements.

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Notes to the Condensed Interim Consolidated Financial Statements

1. General Information and Operational Environment

Regal Petroleum plc (the "Company") and its subsidiaries (together the "Group") is a gas, condensate and LPG production group.

Regal Petroleum plc is a company quoted on the AIM Market of London Stock Exchange plc and incorporated in England and Wales under the Companies Act 2006. The Company's registered office is at 16 Old Queen Street, London SW1H 9HP, United Kingdom and its registered number is 4462555.

As of 30 June 2017 and 2016, the Company's immediate parent company was Energees Management Limited, which is 100% owned by Pelidona Services Limited, which is 100% owned by Lovitia Investments Ltd, which is 100% owned by Mr V Novinskiy. Accordingly, the Company's ultimate Parent Company was Lovitia Investments Ltd and the Company was ultimately controlled by Mr V Novinskiy.

The Group's gas, condensate and LPG extraction and production facilities are located in Ukraine. The ongoing political and economic instability in Ukraine, which commenced at the end of 2013 and led to a deterioration of Ukrainian State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and depreciation of the national currency against major foreign currencies, has continued in both 2016 and 2017, though to a lesser extent as compared to 2014 and 2015.

The inflation rate in Ukraine has slightly decreased to 12.2% during the first half of 2017 (as compared to 12.4% in 2016), while GDP continued to grow at 2% during the same period (after growth of 1% in 2016).

To date during 2017, the Ukrainian Hryvnia has appreciated slightly against the US Dollar. As at 15 September 2017, the official National Bank of Ukraine exchange rate of the Ukrainian Hryvnia to the US Dollar was UAH26.2/$1.00, compared to UAH26.1/$1.00 as at 30 June 2017 (31 December 2016: UAH27.2/$1.00).

In 2017, there has been a further easing of the currency control restrictions that were introduced by the National Bank of Ukraine during 2014 – 2015. In particular, the required share of foreign currency for mandatory sale was decreased from 65% to 50% from 4 April 2017, and the settlement period for export-import transactions in foreign currency was increased from 120 to 180 days from 26 May 2017. In addition, from 13 June 2016, Ukrainian companies were permitted to pay dividends to non-residents with a limit of $5 million per month.

Further details of risks relating to Ukraine can be found within the Operational Environment, Principal Risks and Uncertainties section earlier in this announcement.

For the reasons outlined in the Operational Environment, Principal Risks and Uncertainties section of this announcement, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future regarded as at least 12 months from the date of this announcement. Accordingly, the going concern basis has been adopted in preparing these condensed interim consolidated financial statements for the period ended 30 June 2017. The use of this basis of accounting takes into consideration the Company's and the Group's current and forecast financing position.

The condensed interim consolidated financial statements for the six month period ended 30 June 2017 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union. The condensed interim consolidated financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, this report should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRSs") as adopted by the European Union.

These condensed interim consolidated financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2016 were approved by the Board of Directors on 27 April 2017 and subsequently filed with the Registrar of Companies. The Auditor's Report on those accounts was not qualified and did not contain any statement under section 498 of the Companies Act 2006.

The Auditor has carried out a review of the condensed interim consolidated financial statements for the six month period ended 30 June 2017 and its report is shown at the end of this announcement.

2. Accounting Policies

The accounting policies and methods of computation and presentation used are consistent with those used in the Group's Annual Report and Financial Statements for the year ended 31 December 2016, with the exception of the following new or revised standards and interpretations:

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

- Amendment to IAS 12, 'Income taxes', regarding recognition of deferred tax assets for unrealised losses
- Amendment to IAS 7, 'Cash flow statements', regarding the Disclosure initiative
- Annual improvements 2014-2016 IFRS 12, 'Disclosure of interests in other entities'

The adoption of these amendments is not likely to affect future periods.

Impact of standards issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The Group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018. The Group continues to assess the impact of the new guidance on the classification and measurement of its financial assets and liabilities.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

- IFRS 16 'Leases' was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $31,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

The Group and the Directors are currently assessing the full impact of the new standards, amendments and interpretations not yet adopted, and their potential impact on the financial statements of the Group.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Exchange differences on intra-group balances with foreign operation

The Group has certain inter-company monetary balances of which the Company is the beneficial owner. These monetary balances are payable by a subsidiary that is a foreign operation and are eliminated on consolidation.

In the consolidated financial statements, exchange differences arising on such payables because the transaction currency differs from the subsidiary's functional currency are recognised initially in other comprehensive income if the settlement of such payables is continuously deferred and is neither planned nor likely to occur in the foreseeable future.

In such cases, the respective receivables of the Company are regarded as an extension of the Company's net investment in that foreign operation, and the cumulative amount of the abovementioned exchange differences recognised in other comprehensive income is carried forward within the foreign exchange reserve in equity and is reclassified to profit or loss only upon disposal of the foreign operation.

When the subsidiary that is a foreign operation settles its quasi-equity liability due to the Company, but the Company continues to possess the same percentage of the subsidiary, i.e. there has been no change in its proportionate ownership interest, such settlement is not regarded as a disposal or a partial disposal, and therefore cumulative exchange differences are not reclassified.

The designation of inter-company monetary balances as part of the net investment in a foreign operation is re-assessed when management's expectations and intentions on settlement change due to a change in circumstances.

Where, because of a change in circumstances, a receivable balance, or part thereof, previously designated as a net investment into a foreign operation is intended to be settled, the receivable is de-designated and is no longer regarded as part of the net investment.

The exchange differences arising on the subsidiary's payable following de-designation are recognised within finance costs / income in profit or loss, similar to foreign exchange differences arising from financing.

During February - June 2017, a Group subsidiary, Regal Petroleum Corporation (Ukraine) Limited, has settled $4,555,000 of intra-group liability of which the Company is the beneficial owner. A further amount of $5,015,000 has been settled since the end of the first half, and the remaining $930,000 is expected to be settled by the end of 2017. As such, a foreign exchange difference of $334,000 accumulated on the intra-group balance of $10,500,000 since the date of de-designation of this balance as the Company's net investment in the foreign operation up to 30 June 2017 was recognised in profit or loss in these condensed interim consolidated financial statements. No reclassification of the foreign exchange difference, accumulated in equity prior to de-designation, was made as there has been no change in the Company's proportionate ownership interest in the foreign operation and therefore no disposal or partial disposal of the foreign operation. There were no changes in management's plans or intentions regarding the payment of intra-group balances unsettled as at 30 June 2017, other than the abovementioned amounts of $5,015,000 and $930,000, and as such, a foreign exchange difference of $4,591,000 related to the balance designated as net investment in a foreign operation was recognised in other comprehensive income for the six month period ended 30 June 2017.

Estimates

The preparation of the condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

3. Segmental Information

In line with the Group's internal reporting framework and management structure, the key strategic and operating decisions are made by the Board of Directors, who review internal monthly management reports, budgets and forecast information as part of this process. Accordingly, the Board of Directors is deemed to be the Chief Operating Decision Maker within the Group.

The Group's only class of business activity is oil and gas exploration, development and production. The Group's operations are located in Ukraine, with its head office in the United Kingdom. These geographical regions are the basis on which the Group reports its segment information. The segment results as presented represent operating profit / (loss) before depreciation and amortisation.

6 months ended 30 June 17 (unaudited)

	Ukraine $000	United Kingdom $000	Total $000
Revenue			
Gas sales	**8,983**	**-**	**8,983**
Condensate sales	**2,685**	**-**	**2,685**
Liquefied Petroleum Gas sales	**721**	**-**	**721**
Total revenue	**12,389**	**-**	**12,389**
Segment result	**6,174**	**(664)**	**5,510**
Depreciation and amortisation			**(4,485)**
Operating profit			**1,025**
Segment assets	**50,237**	**16,179**	**66.416**
Capital additions*	**2,130**	**-**	**2,130**

There are no inter-segment sales within the Group and all products are sold in the geographical region in which they are produced. The Group is not significantly impacted by seasonality.

During the first half of 2017, the Group commenced selling all of its gas production to its related party, LLC Smart Energy ("Smart Energy"). Smart Energy has oil and gas operations in Ukraine and is part of the PJSC Smart-Holding Group, which is ultimately controlled by Mr Vadim Novinskiy, who also controls an indirect 54% majority shareholding in the Group.

This arrangement came about as a consequence of the Ukrainian Government introducing a number of new provisions into the Ukrainian Tax Code over the last two years, including transfer pricing regulations for companies operating in Ukraine. The introduction of the new regulations has meant that there is an increased regulatory burden on affected companies in Ukraine who must prepare and submit reporting information to the Ukrainian Tax Authorities. Due to the corporate structure of the Group, a substantial proportion of its gas production is produced by a non-Ukrainian subsidiary of the Group, which operates in Ukraine as a branch, or representative office as it is classified in Ukraine. Under the new tax regulations, this places additional regulatory obligations on each of the Group's potential customers who may be less inclined to purchase the Group's gas and/or may seek discounts on sales prices. As a result of discussions between the Company and Smart Energy, Smart Energy agreed to purchase all of the Group's gas production and to assume responsibility for the regulatory obligations under the Ukrainian tax regulations. Furthermore, Smart Energy has agreed to combine the Group's gas production with its own gas production, and to sell such gas as combined volumes, which should result in higher sales prices due to the larger sales volumes. In order to cover Smart

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Energy's sales, administration and regulatory compliance costs, the Group has agreed to sell its gas to Smart Energy at a discount of 0.5% to the gas sales prices achieved by Smart Energy, who sell the combined volumes in line with market prices. The terms of sale for the Group's gas to Smart Energy are (i) payment for one third of the estimated monthly volume of gas by the 20th of the month of delivery, and (ii) payment of the remaining balance by the 10th of the month following the month of delivery.

6 months ended 30 June 16 (unaudited)

	Ukraine $000	United Kingdom $000	Total $000
Revenue			
Gas sales	6,971	-	6,971
Condensate sales	2,211	-	2,211
Liquefied Petroleum Gas sales	1,251	-	1,251
Total revenue	10,433	-	10,433
Segment result	5,225	(1,296)	3,929
Depreciation and amortisation			(4,098)
Operating loss			(169)
Segment assets	47,893	18,631	66,524
Capital additions*	393	-	393

12 months ended 31 December 16 (audited)

	Ukraine 2016 $000	United Kingdom 2016 $000	Total 2016 $000
Revenue			
Gas sales	16,529	-	16,529
Condensate sales	5,696	-	5,696
Liquefied Petroleum Gas sales	3,434	-	3,434
Total revenue	25,659	-	25,659
Segment result	13,773	(2,257)	11,516
Depreciation and amortisation			(9,141)
Operating profit			2,375
Segment assets	50,960	13,508	64,468
Capital additions*	21,453	-	21,453

*Comprises additions to property, plant and equipment and intangible assets (Notes 6 and 7).

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4. Taxation

The income tax charge of $1,992,000 for the six month period ended 30 June 2017 relates to a current tax charge of $906,000 and a deferred tax charge of $1,086,000 (six month period ended 30 June 2016: current tax charge of $717,000 and deferred tax charge of $480,000).

The movement in the period was as follows:

	6 months ended 30 Jun 17 (unaudited) $000	6 months ended 30 Jun 16 (unaudited) $000	12 months ended 31 Dec 16 (audited) $000
Deferred tax asset recognised on tax losses – Company and Group			
At beginning of the period	**3,717**	4,470	4,470
Charged to Income Statement - current year	**(1,495)**	(818)	(753)
At end of the period	**2,222**	3,652	3,717
Deferred tax asset recognised relating to development and production asset – Group			
At beginning of the period	**7,404**	9,963	9,963
Credited to Income Statement - current period	**283**	338	250
Charged to Income Statement – prior period	**-**	-	(1,847)
Effect of exchange difference	**314**	(335)	(962)
At end of the period	**8,001**	9,966	7,404
Deferred tax liability recognised relating to development and production asset – Group			
At beginning of the period	**(1,187)**	-	-
Acquisition of subsidiary	**-**	-	(1,499)
Credited to Income Statement - current period	**126**	-	191
Effect of exchange difference	**(47)**	-	121
At end of the period	**(1,108)**	-	(1,187)

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

At 30 June 2017, the Group recognised a deferred tax asset of $2,222,000 in relation to UK tax losses carried forward (31 December 2016: $3,717,000). There was a further $90 million (31 December 2016: $85 million) of unrecognised UK tax losses carried forward for which no deferred tax asset has been recognised. These losses can be carried forward indefinitely, subject to certain rules regarding capital transactions and changes in the trade of the Company. The Directors consider it appropriate to recognise deferred tax assets resulting from accumulated tax losses at 30 June 2017 to the extent that it is probable that there will be sufficient future taxable profits.

The deferred tax asset relating to the Group's development and production assets at 30 June 2017 of $8,001,000 (31 December 2016: $7,404,000) was recognised on the tax effect of the temporary differences between the carrying value of the Group's development and production asset at the MEX-GOL and SV gas and condensate fields, and its tax base. This is deemed recoverable on the projected future profits generated by the Group's operations in Ukraine.

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The deferred tax liability relating to the Group's development and production assets at 30 June 2017 of $1,108,000 (31 December 2016: $1,187,000) was recognised on the tax effect of the temporary differences between the carrying value of the Group's development and production asset at the VAS gas and condensate fields, and its tax base.

UK Corporation tax change

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main tax rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 were substantively enacted on 26 October 2015. Changes to reduce the UK corporation tax rate to 17% from 1 April 2020 were substantially enacted on 6 September 2016 and the effect of these changes are included in these condensed interim consolidated financial statements.

5. Loss per Share

The calculation of basic and diluted earnings per ordinary share has been based on the loss for the six month period ended 30 June 2017 and 320,637,836 ordinary shares (six month period ended 30 June 2016: 320,637,836), being the average number of shares in issue for the period. There are no dilutive instruments.

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6. Property, Plant and Equipment

Group	6 months ended 30 Jun 17 (unaudited) Development and Production assets Ukraine $000	Other fixed assets $000	Total $000	12 months ended 31 Dec 16 (audited) Development and Production assets Ukraine $000	Other fixed assets $000	Total $000
Cost						
At beginning of the period	**100,490**	**902**	**101,392**	99,254	719	99,973
Additions	**1,979**	**39**	**2,018**	5,973	229	6,202
Additions due to acquisition of subsidiary	**-**	**-**	**-**	7,610	87	7,697
Change in decommissioning provision	**92**	**-**	**92**	359	-	359
Disposals	**(17)**	**(5)**	**(22)**	(153)	(17)	(170)
Exchange differences	**4,290**	**38**	**4,328**	(12,553)	(116)	(12,669)
At end of the period	**106,834**	**974**	**107,808**	100,490	902	101,392
Accumulated depreciation and impairment						
At beginning of the period	**79,649**	**389**	**80,038**	81,114	356	81,470
Charge for the period	**4,027**	**57**	**4,084**	8,620	68	8,688
Disposals	**(9)**	**(5)**	**(14)**	(1)	(11)	(12)
Exchange differences	**3,456**	**17**	**3,473**	(10,084)	(24)	(10,108)
At end of the period	**87,123**	**458**	**87,581**	79,649	389	80,038
Net book value at the beginning of the period	**20,841**	**513**	**21,354**	18,140	363	18,503
Net book value at end of the period	**19,711**	**516**	**20,227**	20,841	513	21,354

At 30 June 2017, the Group performed an assessment of external and internal indicators to ascertain whether there was any indication of potential impairment. As part of this assessment, the assumptions used in the impairment testing undertaken as at 31 December 2016, which was completed for the Group’s financial statements in April 2017, were reviewed and it was noted that no significant changes had occurred to the assumptions to which the value of the Group’s development and production assets are most sensitive. Based on the analysis performed, the Group concluded that no external or internal impairment indicators existed as at 30 June 2017, and accordingly no impairment testing was required as at that date.

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7. Intangible assets

Group	**6 months ended 30 Jun 17 (unaudited)** Mineral reserve rights $000	Other intangible assets $000	Total $000	12 months ended 31 Dec 16 (audited) Mineral reserve rights $000	Other intangible assets $000	Total $000
Cost						
At beginning of the period	**6,832**	**144**	**6,976**	-	94	94
Additions	**-**	**112**	**112**	-	71	71
Additions due to acquisition of subsidiary	**-**	**-**	**-**	7,479	4	7,483
Disposals	**-**	**-**	**-**	-	(9)	(9)
Exchange differences	**286**	**9**	**295**	(647)	(16)	(663)
At end of the period	**7,118**	**265**	**7,383**	6,832	144	6,976
Accumulated amortisation and impairment						
At beginning of year	**393**	**53**	**446**	-	31	31
Charge for year	**408**	**37**	**445**	417	36	453
Disposals	**-**	**-**	**-**	-	(9)	(9)
Exchange differences	**28**	**4**	**32**	(24)	(5)	(29)
At end of year	**829**	**94**	**923**	393	53	446
Net book value at beginning of the period	**6,439**	**91**	**6,530**	-	63	63
Net book value at end of the period	**6,289**	**171**	**6,460**	6,439	91	6,530

Intangible assets consist mainly of the hydrocarbon production licence relating to the VAS gas and condensate field which is held by LLC Prom-Enerho Produkt. The Group amortises this intangible asset using the straight-line method over the term of the licence until 2024.

At 30 June 2017, the Group performed an assessment of external and internal indicators to ascertain whether there was any indication of potential impairment. As part of this assessment, the assumptions used in the impairment testing undertaken as at 31 December 2016, which was completed for the Group’s financial statements in April 2017, were reviewed and it was noted that no significant changes had occurred to the assumptions to which the value of the Group’s intangible assets are most sensitive. Based on the analysis performed, the Group concluded that no external or internal impairment indicators existed as at 30 June 2017, and accordingly no impairment testing was required as at that date.

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8. Trade and Other Receivables

	30 Jun 17 (unaudited) $000	31 Dec 16 (audited) $000
Trade receivables	**1,988**	2,203
Prepayments and accrued income	**780**	1,300
VAT receivable	**304**	543
Other receivables	**250**	197
	3,322	4,243

Due to the short-term nature of the current trade and other receivables, their carrying amount is assumed to be the same as their fair value. All trade and other receivables, except those provided for, are considered to be of high credit quality.

All of the trade receivables are from a related party company, Smart Energy, that purchases all of the Group's gas production (see Note 3). The applicable payment terms are payment for one third of the estimated monthly volume of gas by the 20th of the month of delivery, and payment of the remaining balance by the 10th of the month following the month of delivery. The trade receivables were paid in full after the end of the period.

An impairment provision of $31,000 was charged against trade and other receivables during the six month period ended 30 June 2017 (31 December 2016: $64,000).

Current VAT receivable in respect of the Group includes $304,000 (31 December 2016: $543,000) relating to capital expenditure in Ukraine which is expected to be recovered via an offset against VAT payable on future sales in that country. The Group expects to offset the total amount of VAT receivable at 30 June 2017 during the 2017 year, and therefore no VAT receivable was included within non-current trade and other receivables.

9. Inventories

	30 Jun 17 (unaudited) $000	31 Dec 16 (audited) $000
Materials	**1,407**	1,150
Finished goods	**179**	50
Goods for resale	**80**	-
	1,666	1,200

Inventories consist of materials, finished goods and goods for resale. Materials are represented by spare parts that were not assigned to any new wells as at 30 June 2017, production raw materials and fuel at the storage facility. Finished goods consist of produced gas held in underground gas storage facilities and condensate and LPG held at the processing facility prior to sale. Goods for resale are represented by tubing which the Group did not plan to use in the future, which was sold after the period end.

All inventories are measured at the lower of cost or net realisable value. There was no write down of materials inventory as at 30 June 2017.

10. Provision for Decommissioning

	30 Jun 17 (unaudited) $000	31 Dec 16 (audited) $000
Group		
At beginning of the period	**1,915**	831
Amounts provided	**-**	49
Amounts provided due to acquisition of subsidiary	**-**	816
Unwinding of discount	**62**	82
Change in estimate	**92**	310
Exchange differences	**82**	(173)
At end of the period	**2,151**	1,915

The provision for decommissioning is based on the net present value of the Group's estimated liability for the removal of the Ukraine production facilities and well site restoration at the end of production life.

The non-current provision of $2,151,000 (31 December 2016: $1,915,000) represents a provision for the decommissioning of the Group's MEX-GOL, SV and VAS production facilities, including site restoration. It is based on the net present value of the Group's estimated liability, and these costs are expected to be incurred by 2036 on the MEX-GOL and SV gas and condensate fields and by 2024 on the VAS gas and condensate field (31 December 2016: by 2036 and 2024 respectively), although if the costs on the MEX-GOL and SV gas and condensate fields were to be incurred at the current expiry of the production licences in 2024, the provision for decommissioning at 30 June 2017 would be $3,373,000 (31 December 2016: $2,943,000). None of the provision was utilised during the reporting period (2016: none).

11. Financial Instruments

The Group's financial instruments comprise cash and cash equivalents and various items such as debtors and creditors that arise directly from its operations. The Group has bank accounts denominated in British Pounds, US Dollars, Euros, Canadian Dollars and Ukrainian Hryvnia. The Group does not have any borrowings. The main future risks arising from the Group's financial instruments are currently currency risk, interest rate risk, liquidity risk and credit risk.

The Group's financial assets and financial liabilities, measured at amortised cost, which approximates their fair value comprise the following:

	30 Jun 17 (unaudited) $000	31 Dec 16 (audited) $000
Financial assets		
Cash and cash equivalents	**24,480**	19,966
Trade and other receivables	**2,084**	2,224
	26,564	22,190
Financial Liabilities		
Trade and other payables	**210**	-
Accruals	**245**	345
	455	345

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All assets and liabilities of the Group where fair value is disclosed are of level 2 value hierarchy and valued using current cost accounting techniques.

At 30 June 2017, the Group held cash and cash equivalents in the following currencies:

	30 Jun 17 (unaudited) $000	31 Dec 16 (audited) $000
US Dollars	**13,540**	9,497
Ukrainian Hryvnia	**10,594**	9,992
British Pounds	**342**	471
Euros	**2**	4
Canadian Dollars	**2**	2
	24,480	19,966

All of the cash and cash equivalents held in Ukrainian Hryvnia is held in banks within Ukraine, and all other cash and cash equivalents are held in banks within the United Kingdom.

12. Reconciliation of Operating Profit / (Loss) to Operating Cash Flow

	6 months ended 30 Jun 17 (unaudited) $000	6 months ended 30 Jun 16 (unaudited) $000	12 months ended 31 Dec 16 (audited) $000
Operating profit / (loss)	**1,025**	(169)	2,375
Depreciation, amortisation and impairment charges	**4,485**	4,098	9,141
Gain on sales of current assets, net	**(94)**	-	(91)
Loss from provision for doubtful debts	**31**		64
Gain from write off of non-current assets	**-**	(4)	(14)
Movement in provisions	**(6)**	(1)	(20)
(Increase) / decrease in inventory	**(344)**	90	90
Decrease / (Increase) in receivables	**230**	89	(1,730)
Increase / (decrease) in payables	**124**	(294)	156
Cash generated from operations	**5,451**	3,809	9,971

13. Contingencies and Commitments

Amounts contracted in relation to the Group's 2017 investment programme at the MEX-GOL and SV gas and condensate fields in Ukraine, but not recorded in the condensed interim consolidated financial statements at 30 June 2017, were $498,000, the majority of which were denominated in Ukrainian Hryvnia (31 December 2016: $1,212,000).

At 30 June 2017, the Group had purchase commitments of $225,000 which related to well insurance and field development supervision (31 December 2016: nil).

During 2010 – 2017, the Group has been in dispute with the Ukrainian tax authorities in respect of VAT receivables on imported leased equipment, with a disputed liability of up to UAH8,487,219 ($325,000) inclusive of penalties and other associated costs. There is a level of ambiguity in the

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interpretation of the relevant tax legislation, and the position adopted by the Group has been challenged by the Ukrainian tax authorities, which has led to legal proceedings to resolve the issue.

The Group had been successful in three court cases in respect of this dispute in courts of different levels.

On 20 September 2016, a hearing was held in the Supreme Court of Ukraine of an appeal of the Ukrainian tax authorities against the decision of the Higher Administrative Court of Ukraine, in which the appeal of the Ukrainian tax authorities was upheld. As a result of this appeal decision, all decisions of the lower courts were cancelled, and the case was remitted to the first instance court for a new trial. On 1 December 2016 and 7 March 2017, the Group received positive decisions in the first and second instance court, but further legal proceedings may arise.

Since as at the end of the period, the Group had been successful in previous court cases in respect of this dispute in courts of different levels, the date of the next legal proceedings has not been set and as management believes that adequate defences exist to the claim, no liability has been recognised in these condensed interim consolidated financial statements for the six months ended 30 June 2017 (31 December 2017: nil).

14. Related Party Disclosures

Key management personnel of the Group are considered to comprise only the Directors. Remuneration of the Directors for the six month period ended 30 June 2017 was $327,000 (six month period ended 30 June 2016: $361,000).

During the period, Group companies entered into the following transactions with related parties which are not members of the Group:

	6 months ended 30 Jun 17 (unaudited) $000	6 months ended 30 Jun 16 (unaudited) $000	12 months ended 31 Dec 16 (audited) $000
Sale of goods / services	**8,983**	59	65
Purchase of goods / services	**130**	49	230
Amounts owed by related partied	**1,988**	47	-
Amounts owed to related parties	**15**	10	20

All related party transactions were with subsidiaries of the ultimate Parent Company, and primarily relate to the sale of gas, the rental of office facilities and a vehicle and the sale of equipment. The amounts outstanding were unsecured and have been or will be settled in cash.

As of 30 June 2017 and 2016, the Company’s immediate parent company was Energees Management Limited, which is 100% owned by Pelidona Services Limited, which is 100% owned by Lovitia Investments Ltd, which is 100% owned by Mr V Novinskiy. Accordingly, the Company’s ultimate Parent Company was Lovitia Investments Ltd and the Company was ultimately controlled by Mr V Novinskiy.

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The Group operates bank accounts in Ukraine with a related party bank, Unex Bank, which is ultimately controlled by Mr V Novinskiy. There were the following transactions and balances with Unex Bank during the period:

	6 months ended 30 Jun 17 (unaudited) $000	6 months ended 30 Jun 16 (unaudited) $000	12 months ended 31 Dec 16 (audited) $000
Interest income	**-**	309	365
Bank charges	**3**	4	1
Other short-term investments	**-**	12,333	-
Closing cash balance	**89**	-	-

At the date of this announcement, none of the Company's controlling parties prepares consolidated financial statements available for public use.

15. Post Balance Sheet Events

There are no post balance sheet events, other than as referred to earlier in this announcement.

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Independent review report to Regal Petroleum plc

Report on the condensed interim consolidated financial statements

Our conclusion

We have reviewed Regal Petroleum plc's condensed interim consolidated financial statements (the "interim financial statements") in the interim results of Regal Petroleum plc for the 6 month period ended 30 June 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

What we have reviewed

The interim financial statements comprise:

- the condensed interim consolidated balance sheet as at 30 June 2017;
- the condensed interim consolidated income statement and condensed interim consolidated statement of comprehensive income for the period then ended;
- the condensed interim consolidated statement of cash flows for the period then ended;
- the condensed interim consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

As disclosed in Note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results, including the interim financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim results in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the Company's annual financial statements.

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the AIM Rules for Companies and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
15 September 2017

a) The maintenance and integrity of the Regal Petroleum plc website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.