
Press Release

26 May 2015

**Regal Petroleum plc
("Regal" or the "Company")**

Banking Arrangements with a Related Party Bank

Regal Petroleum plc (AIM: RPT), the AIM-quoted oil and gas exploration and production group, announces the following information in relation to its banking arrangements in Ukraine.

The major disturbances in Ukraine over the last 18 months have led to a significant deterioration of Ukraine's finances and volatility in financial markets, causing a substantial depreciation of the Ukrainian Hryvnia ("UAH") against major foreign currencies. As a result, significant international financial support is required to maintain the country's economic stability. The National Bank of Ukraine ("National Bank"), amongst other measures, has 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. These measures, combined with the many other economic and social issues in Ukraine, have put further strain on the Ukrainian banking system, with increasing 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.

The new funding package to Ukraine, approved by the International Monetary Fund 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 and involve all banks being inspected. 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 significant remedial measures on certain banks.

Due to the banking restrictions referred to above, the Company and its subsidiaries (the "Group") are unable to remit funds outside Ukraine, which has resulted in the Group's cash holdings of Ukrainian Hryvnia increasing substantially over the past year.

Accordingly, in light of the overall and widespread deterioration in the banking sector in Ukraine, the Group has started to diversify its banking arrangements between a number of banks in Ukraine. Although these steps are designed to spread the risk associated with the Ukrainian banking sector, the sector remains weakly capitalised and the risks associated with the banks in Ukraine remain significant.

The Group operates a number of current and deposit accounts with PJSC Unex Bank ("Unex") in Ukraine as part of its normal banking arrangements and has done so since April 2011. As at 25 May 2015, the aggregate funds deposited by the Group with Unex were approximately US\$14.3 million equivalent, although all such funds are held in Ukrainian Hryvnia.

Unex is a Ukrainian bank operating in 18 regions of Ukraine with approximately 32,000 customers and is part of the PJSC Smart-Holding Group ("Smart"), which is ultimately controlled by Mr Vadim Novinskiy, who also controls an indirect 54% majority shareholding in the Company. As such, both Unex and a number of Smart group companies are considered to be related parties of Regal pursuant to the AIM Rules for Companies ("AIM Rules").

As a result of the Company's relationship with Smart, given events within Ukraine and the impact on the banking system, the Company has been able to obtain additional assurances regarding the security of its cash deposits in Unex, including a representation letter from Unex advising that it continues to fulfil all regulatory requirements of the National Bank. In addition, the Company entered



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into an agreement with Smart on 26 May 2015 for, inter alia, the provision of a guarantee and security over certain assets of Smart in respect of the Group's cash deposits in Unex.

This support from Smart specifically comprises: (i) a guarantee from Pelidona Services Limited ("Pelidona"), a Smart group company which indirectly holds Smart's oil and gas investments, to Regal under which Regal's cash deposits in Unex are guaranteed (the "Guarantee"); and (ii) a share pledge agreement between Energiees Management Limited ("Energiees"), a Smart group company, and Regal under which Energiees pledges its 100% shareholding interest in Prom-Energo Product LLC ("PEP") as security for the Company's cash deposits in Unex (the "Pledge"). PEP is a Ukrainian incorporated company, which holds licences over the Vasyshevskoye and Vvdenska gas and condensate fields located in the Dnieper-Donets basin in the north-east of Ukraine. PEP's audited financial statements for the year ended 31 December 2014 show that PEP's net assets as at 31 December 2014 were UAH78.9 million and net profits after tax for the year ended 31 December 2014 were UAH22.3 million.

In light of the significant pressures on the Ukrainian banking sector and on the Ukrainian economy generally as outlined above, the support and security provided by Smart to the Company in respect of its cash deposits in Unex is welcome.

Given that Unex, and Smart and its group companies, Pelidona and Energiees, are related parties to the Company pursuant to the AIM Rules, the banking arrangements with Unex and the Guarantee and the Pledge are deemed related party transactions pursuant to the AIM Rules. Accordingly, the independent directors of the Company, being Keith Henry, Alastair Graham and Adrian Coates, having consulted with the Company's Nominated Adviser, Strand Hanson Limited, consider that the terms of (i) the current and continued banking arrangements with Unex; and (ii) the provision of the Guarantee and Pledge, are fair and reasonable insofar as shareholders are concerned.

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