Regal Petroleum

Press Release

7 January 2015

Regal Petroleum plc
(“Regal” or the “Company”)

Ukraine Update

Regal Petroleum plc (AIM: RPT), the AIM-quoted oil and gas exploration and production group, announces an update of operational activities at its 100% owned and operated Mekhediviska-Golotvshinska (MEX-GOL) and Svyrydivske (SV) gas and condensate fields in Ukraine.

The Company’s operational activities in Ukraine have continued to be relatively unaffected by the geopolitical upheaval that is ongoing in Ukraine, and the Company has been able to continue to produce and operate relatively normally at the MEX-GOL and SV fields. However, the ongoing geopolitical events have resulted in significant volatility in the Ukrainian Hryvnia exchange rates, uncertainty in the gas sales price and unexpected changes to the subsoil tax regime in Ukraine.

Average gas, condensate and LPG production from such Ukrainian fields for the period from 1 October 2014 to 31 December 2014 was 145,666 m^3/d of gas, 48 m^3/d of condensate and 21 m^3/d of LPG (1,304 boepd in aggregate).

The average gas, condensate and LPG production from the fields for the year ending 31 December 2014 was 152,744 m^3/d of gas, 52 m^3/d of condensate and 21 m^3/d of LPG (1,370 boepd in aggregate).

During the fourth quarter of 2014, operational activity was limited due to the continued geopolitical and fiscal uncertainty in Ukraine, with the Company deferring the hydraulic fracturing of the MEX-120 and MEX-105 wells and the completion of the workover of the SV-61 well into 2015. Nevertheless, further geophysical studies, aimed at improving the understanding of the sub-surface within the MEX-GOL and SV licences, have continued, the installation and commissioning of compression equipment was completed, and well stimulation operations were undertaken on the MEX-120 well, with the results of such operations expected in the first quarter of 2015.

As announced on 1 August 2014, the Ukrainian Government imposed a significant increase in the subsoil taxes payable by oil and gas companies operating in Ukraine for the period from 1 August 2014 to 31 December 2014. This increase in subsoil taxes had the effect of nearly doubling the taxes payable on the Company’s gas production and has, therefore, negatively impacted the Company’s results for the 2014 financial year. Although the Ukrainian Government had stated that this increase in subsoil taxes was a temporary emergency fiscal measure, the Ukrainian Government has now extended the increase in subsoil taxes into 2015. It is currently unclear as to the further duration of these subsoil tax increases but it seems likely that the increases will continue for the foreseeable future.

In late November 2014, the Ukrainian Government made an Order that certain specified industrial organisations be required to purchase their gas requirements for the period from 1 December 2014 to 28 February 2015 from Naftogaz, the State owned gas supplier, rather than from other gas producers in Ukraine. This Order has significantly impacted the gas supply market in Ukraine, causing disruption to the market and adversely affecting the market gas prices. The Company’s gas off-taker has been affected by this Order, and consequently the Company has been selling its gas production into the general gas market at the prevailing prices. These prices are expected to be less than those achieved prior to the imposition of the Order.

Accordingly, there is likely to be a negative impact on the Company’s results whilst the subsoil tax increases and/or the Order remain in force.

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In light of the continuing geopolitical uncertainty, the extension of the increase in subsoil taxes and the disruption to the gas market in Ukraine, the Company is continuing to monitor the situation and carefully review its commitments to future capital investment on its fields in Ukraine. Nevertheless, and in order to ensure compliance with licence commitments, preparations are continuing for the commencement of the drilling of the MEX-109 well, as well as further improvements to the Company's gas processing facilities and pipelines and remedial work on existing wells.

In addition, the Company has reached an agreement with NJSC Nadra, the State owned gas producer, for the lease of the SV-6 well, which is a suspended well owned by NJSC Nadra within the Company's SV licence area. It is planned to undertake workover operations on this well, and if successful, to bring the well onto production.

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Joe Staffurth, BSc Geology, PESGB, AAPG, 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.

Definitions

boepd	barrels of oil equivalent per day
LPG	liquefied petroleum gas
m^3	cubic metre
m^3/d	cubic metres per day