Regal Petroleum

Press Release

23 September 2014

REGAL PETROLEUM PLC

2014 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 2014.

Principal Developments

Ukraine Operations

- Despite ongoing geopolitical events in Ukraine, the Group has been able to operate normally, although such events have resulted in volatility in the Ukrainian Hryvnia exchange rates, uncertainty in the gas sales price and the recent imposition of significant temporary increases in subsoil taxes

- Average production over the six month period to 30 June 2014 of 155,520 m^3/d of gas, 54 m^3/d of condensate and 20 m^3/d of LPG (1,397 boepd in aggregate) (1H 2013: 199,984 m^3/d of gas and 44 m^3/d of condensate (1,525 boepd in aggregate) - LPG production commenced at the end of 2013)

- Well SV-59 commenced production testing in January 2014, now on production

Finance

- Revenue for the six month period to 30 June 2014 of $17.5 million (1H 2013: $19.7 million)

- Profit for the six month period to 30 June 2014 of $2.8 million (1H 2013: $2.3 million profit)

- Cash generated from operations during the period of $11.9 million (1H 2013: $14.1 million)

- Average realised gas, condensate and LPG prices in Ukraine for the six month period to 30 June 2014 of $361/$Mm^3$, $94/bbl and $414/$m^3$ respectively (1H 2013: $419/$Mm^3$ gas and $91/bbl condensate - LPG production commenced at the end of 2013)

- Cash and cash equivalents at 30 June 2014 of $30.1 million (31 December 2013: $25.1 million), with cash and cash equivalents at 21 September 2014 of $33.5 million

Outlook

- Focus on continued geophysical and geological studies to improve understanding of the sub-surface at MEX-GOL and SV fields

- Operations planned in second half of 2014 to complete the workover of SV-61 well and undertake hydraulic fracturing of MEX-120 and MEX-105 wells, with plans to drill an additional well in early 2015, subject to the geopolitical status and economic impact of the increased subsoil taxes

- Funding of remaining 2014 development programme anticipated to be from existing cash and cash equivalents and operational revenues

- Geopolitical situation in Ukraine remains uncertain

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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

bbl	barrel
boe	barrels of oil equivalent
boepd	barrels of oil equivalent per day
HSES	health, safety, environment and security
LPG	liquefied petroleum gas
m^3	cubic metre
m^3/d	cubic metres per day
Mm^3	thousand cubic metres
%	per cent
$	United States Dollar
UAH	Ukrainian Hryvnia

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Chairman's Review

The Group is continuing with the development of its 100% owned and operated Mekhediviska-Golotvshinska ("MEX-GOL") and Svyrydivske ("SV") gas and condensate fields in north-eastern Ukraine.

The major events that have taken place in Ukraine during recent months, including the change of Government and civil unrest, have meant that there has been a great deal of uncertainty about the political and economic outlook in Ukraine.

Despite the upheaval, the Group has been able to operate normally at its MEX-GOL and SV fields, although the recent events have resulted in volatility in the Ukrainian Hryvnia exchange rates, uncertainty in our realised gas sales price and, most recently, the imposition of significant increases in subsoil taxes for the remainder of 2014.

During the first half of 2014, the Ukrainian Hryvnia devalued 43% against the US Dollar, resulting in a significant foreign exchange translation loss for the Group, which has adversely impacted the carrying value of the oil and gas development and producing asset due to translation from functional to reporting currency.

The internal gas price in Ukraine, which is set in Ukrainian Hryvnia, is generally related to the imported price of gas from Russia, but in late 2013 the previous Ukrainian Government negotiated a significant discount to the imported gas price. This resulted in a reduction in the internal gas price during the first quarter of 2014, but, following the change of Government in February 2014, the internal gas price increased significantly on 1 April 2014 and has continued to increase in subsequent months. However, whilst the gas price has increased in Ukrainian Hryvnia terms, when translated into US Dollars, there has been a decrease due to the devaluation of the Ukrainian Hryvnia.

At the end of July 2014, the Ukrainian Government approved a number of emergency fiscal measures designed to assist in alleviating the fiscal and economic pressures affecting the Ukrainian economy. One such measure was the imposition of a significant temporary 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 will negatively impact cost of sales and consequently the Group's results during the remainder of the current financial year.

As regards the Group's financial performance in the six months to 30 June 2014, a profit of \$2.8 million (1H: \$2.3 million) was made, although a significant foreign exchange loss was recorded in the foreign exchange reserve. Cash generated from operations during the period was positive at \$11.9 million (1H 2013: \$14.1 million).

Average production over the six months ended 30 June 2014 was 155,520 m^3/d of gas, 54 m^3/d of condensate and 20 m^3/d of LPG (1,397 boepd in aggregate), which was lower compared with the first half of 2013 predominately as a result of normal production decline and a well ceasing to produce (1H 2013: 199,984 m^3/d of gas and 44 m^3/d of condensate (1,525 boepd in aggregate) - LPG production commenced at the end of 2013). Average production for the period from 1 July 2014 to 21 September 2014 was 154,744 m^3/d of gas, 51 m^3/d of condensate and 23 m^3/d of LPG (1,388 boepd in aggregate).

During the first half of 2014, the volatility in the gas price and geopolitical upheaval and uncertainty in Ukraine required the Group to reduce its planned capital investment programme. The revised programme was limited to carrying out well workover operations at the SV-61 well, designed to eliminate water ingress into the well, undertaking hydraulic fracturing operations to stimulate the MEX-120 well, and installing additional compression equipment. However, down-hole equipment failures during the operations at both the SV-61 well and the MEX-120 well resulted in the deferral of these operations until later in the year.

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The SV-59 well was completed at the end of 2013 and hooked up to the gas processing facility in early 2014. Its performance was monitored during a production testing programme in the first quarter of 2014, and then put on production. The well is currently producing approximately 10,000 m^3/d of gas and 11 m^3/d of condensate (132 boepd in aggregate).

In addition, the Group is continuing to undertake further geophysical studies to improve our understanding of the sub-surface within our licences.

In the remainder of 2014, we expect to complete the workover of the SV-61 well and the hydraulic fracturing of the MEX-120 and MEX-105 wells. Depending on the geopolitical status in Ukraine, and there being no extension of the recent temporary increases in subsoil taxes at the end of 2014, the Group plans to commence drilling an additional well in early 2015.

Successful completion of these activities, together with continuing analysis of our geological and geophysical data to provide a better understanding of the MEX-GOL and SV reservoirs and their performance, is expected to ultimately help enable us to improve our daily production.

It is with great regret I have to report that despite our endeavours to maintain the highest standards of HSES at our operations, one of our Ukrainian staff suffered a fatal accident whilst undertaking electrical maintenance work. An investigation into the accident has been undertaken and the Group is liaising with the Ukrainian health and safety authorities.

In conclusion, on behalf of the Board, I would like to thank our staff for the continued dedication and support they have shown, particularly during the difficult events in Ukraine over recent months.

Keith Henry
Executive Chairman
22 September 2014

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Finance Review

The Group's profit for the six month period ended 30 June 2014 was $2.8 million (1H 2013: $2.3 million). Revenue in the first half of 2014, derived from the sale of the Group's Ukrainian gas, condensate and LPG production, was $17.5 million (1H 2013: $19.7 million) due to a combination of lower production volumes and the devaluation of the Ukrainian Hryvnia against the US Dollar, resulting in lower average gas prices in US Dollar terms.

During the first half of 2014, the Ukrainian Hryvnia has significantly devalued against major world currencies, and at 30 June 2014 was trading at 43% lower against the US Dollar than at 1 January 2014. This has reduced both revenues and costs, as well as reducing the carrying value of the Group's assets due to the translation of two of the Group's subsidiaries from their functional currency of Ukrainian Hryvnia to the reporting currency of US Dollars.

Cash generated from operations during the period was positive at $11.9 million (1H 2013: $14.1 million).

For the six month period ended 30 June 2014, the average realised gas, condensate and LPG prices were $361/Mm^3 (UAH3,725/Mm^3), $94/bbl and $414/m^3 respectively (1H 2013: $419/Mm^3 (UAH3,404/Mm^3) gas and $91/bbl condensate - no comparative is available for LPG since LPG production only commenced at the end of 2013).

The maximum internal gas prices within Ukraine are generally set quarterly by the National Electricity Regulatory Commission ("NERC") and are broadly related to the imported price of gas from Russia. The Group's realised gas price is close to the maximum internal gas price set by NERC. In December 2013, the previous Government of Ukraine negotiated a significant discount to the imported gas price calculated under the longstanding gas supply agreement between Russia and Ukraine. However, following the change of Government in February 2014, the discount of the imported gas price was cancelled, and with effect from 1 April 2014, the imported gas price reverted to the price calculated under the longstanding gas supply agreement between Russia and Ukraine.

During the first quarter of 2014, our average realised gas price was $339/Mm^3 (UAH3,051/Mm^3) resulting from the discount to the imported gas price, increasing to $376/Mm^3 (UAH4,400/Mm^3) during the second quarter following the cancellation of such discount. The current realised gas price is $370/Mm^3 (UAH4,777/Mm^3).

Cost of sales for the six month period ended 30 June 2014 were lower at $10.7 million (1H 2013: $11.4 million), primarily due to lower production volumes and exchange rate fluctuations.

With effect from 1 August 2014, the Ukrainian Government imposed significant temporary increases in the subsoil taxes payable on gas and condensate production, with tax rates on gas production nearly doubling and on condensate production increasing by up to approximately 16%. The legislation imposing these increases applies for the period from 1 August 2014 to 31 December 2014. The increases in subsoil taxes will negatively impact cost of sales and consequently the Group's results during the remainder of the current financial year.

The tax charge for the period of $1.7 million relates to deferred tax (1H 2013: charge of $0.4 million for current tax and $1.9 million for deferred tax).

The Group has recognised a deferred tax asset of $26.1 million at 30 June 2014 (31 December 2013: $36.4 million). This comprises a deferred tax asset of $7.6 million (31 December 2013: $7.8 million) in relation to UK tax losses carried forward, and $18.5 million (31 December 2013: $28.5 million) relating to the Group's oil and gas development and producing 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 2014 is

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primarily due to foreign exchange translation losses caused by the devaluation of the Ukrainian Hryvnia against the US Dollar.

Capital investment of $2.6 million predominately reflects investment in the Group's oil and gas development and production asset for the period (1H 2013: $13.0 million). Capital investment was lower in the period due to a reduction in the field development programme.

Cash and cash equivalents held at 30 June 2014 were $30.1 million (31 December 2013: $25.1 million). The Group's cash and cash equivalents balance at 21 September 2014 was $33.5 million. The movement since 31 December 2013 reflects operational cash generated since that date less capital investment in the Group's oil and gas development and producing asset and foreign exchange loss on the translation of the Ukrainian Hryvnia cash balance.

Cash from operations has funded the capital investment during the first half of 2014, and the Group's current cash position and positive operating cash flow are the sources from which the Group expects to fund the development programme for the remainder of 2014.

With effect from 1 January 2013, the functional currency of two of the Group's subsidiaries has changed from US Dollars to Ukrainian Hryvnia. The change was triggered by the increasing influence of the Ukrainian Hryvnia on the subsidiaries' operations, compared to previous years.

The Interim Report announced on 24 September 2013 used US Dollars as the functional currency of these two subsidiaries. For the purposes of this announcement, the consolidated financial statements for the comparative period ended 30 June 2013 have been restated using Ukrainian Hryvnia as a functional currency of these two subsidiaries (see Note 3 in the Notes to the Condensed Consolidated Financial Statements).

The reporting currency of the Group will remain US Dollars.

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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

The Ukrainian economy is currently characterised by high economic and political risks. As a developing economy, in addition to the impact of local political and economic instability, Ukraine's economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. In 2013 the world demand for Ukraine's main export commodities, steel and iron ore, was weak. That year was marked by record crop harvests in Ukraine, however world prices for wheat, corn and sunflower seed reduced significantly due to peak harvests in other crop producing regions. In 2013, Ukraine's GDP was unchanged year-on-year while industrial output contracted by 4.7%.

Since late 2013, the Ukrainian Government has introduced a number of restrictions in relation to foreign exchange aiming to support the national currency, the Ukrainian Hryvnia. Inflation during 2013 was close to zero as the National Bank of Ukraine reduced the money supply. The national foreign exchange reserves had reduced to the level of three months imports at the year end, due to reduced inflows from the sale of commodities and agricultural produce, debt repayments (primarily with the International Monetary Fund) and settlement of current and past purchases of natural gas.

The anticipated Association and Free Trade Agreement with the European Union was not signed at the end of November 2013. Shortly afterwards, the Ukrainian Government announced a deal with Russia for the purchase of up to $15 billion of Ukrainian Government bonds, of which $3 billion was provided in December 2013. Ukraine experienced political instability, with protests against the Government's actions beginning in late 2013 that turned into street violence in January and February 2014. At the end of January 2014, the President of Ukraine accepted the resignation of Ukraine's Prime Minister. Following this, the Russian Government suspended its financial support and international bond rating agencies downgraded Ukraine's sovereign debt to pre-default level.

An agreement between the President and opposition leaders in late February 2014, in an attempt to resolve the situation, ultimately ended up with the Ukrainian Parliament voting to return to the 2004 Constitution, which provided greater sharing of powers between the Parliament and the President, and the President fleeing the country. On 26 February 2014, the Parliament appointed a new Prime Minister and Government.

In late February 2014, Russian troops occupied Crimea. On 16 March 2014, a referendum was held in Crimea on its secession from Ukraine, and Russia signed a treaty with Crimea to annex the territory to Russia. Only the Russian Federation, Mongolia, Syria and Kazakhstan have recognised the referendum and the annexation. The Ukrainian Parliament declared Crimea as a territory temporarily occupied by Russia.

In April and May 2014, pro-Russian groups in the Donetsk and Lugansk regions demanded autonomy from Ukraine, which led to armed conflict with Ukrainian Government forces. This conflict has become progressively worse since then. The Ukrainian economy has been hard hit as a result, with many small and medium sized businesses closing.

On 5 September 2014, the Ukrainian Government agreed a ceasefire with the pro-Russian groups, although there has been sporadic fighting since the ceasefire was agreed.

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.

During 2014, the Ukrainian Hryvnia has devalued against major world currencies, and is currently trading more than 55% lower against the US Dollar than at 1 January 2014. As a result, significant external financing is required to maintain the country's economic stability. The National Bank of

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Ukraine, among other measures, has imposed temporary restrictions on the processing of client payments by banks and on the purchase of foreign currency on the inter-bank market.

The Ukrainian Government is working with the United States, European Union and International Monetary Fund in order to obtain financing and avoid default on its loans. On 30 April 2014, the Executive Board of the International Monetary Fund approved a two-year Stand-By Arrangement for Ukraine, amounting to $17 billion, to support the Government's economic programme designed to restore macroeconomic stability and enhance the efficiency of mechanisms aimed at sustainable economic growth. On 7 May 2014, Ukraine received the first tranche of $3.2 billion under the Stand-By Arrangement. On 25 May 2014, a new President of Ukraine was elected. On 26 May 2014, the Ukrainian Government signed loan agreements worth a total of $1.48 billion with the World Bank. In June 2014, the economic component of the Association and Free Trade Agreement with the European Union was signed by the Ukrainian Government. On 3 September 2014, Ukraine received the second tranche of $1.4 billion under the Stand-By Arrangement with the International Monetary Fund.

The final resolution and the effects of the political and economic crisis are difficult to predict but they are likely to have further severe effects on the Ukrainian economy.

These events have not materially affected the Group's operations to date, but further escalations of the political crisis may impact the Group's normal business activities, and increase the risks relating to its business operations, financial status and maintenance of its Ukrainian production licences.

The Ukrainian Government is keen to develop the country's domestic production of hydrocarbons since Ukraine imports the majority of its gas needs from Russia. Whilst 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 the paragraphs above. 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 accounts, budgets and forward plans (including sensitivity analysis), the latest operational results, the risks outlined above, and having taken into account the Group's cash holdings, the current and recent practice of contracting for drilling services on a fixed-price basis, the absence of long term contractual arrangements relating to drilling, the assessment of well results prior to the entering into firm commitments for future drilling operations and the lower committed expenditure in Ukraine, the Directors continue to believe that the Group is well placed 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. 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.

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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. These risks have been demonstrated by the downgrade in the Group's remaining reserves which has resulted in the reduction in the value in use, and consequent impairment loss relating to the Group's oil and gas development and producing asset in Ukraine. Furthermore, the optimisation of all 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, 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.

Currency risk
The Group's main activities are (i) investment into the development of the Group's Ukrainian gas and condensate asset; (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 2014 investment programme will be incurred in Ukrainian Hryvnia, thus revenue and costs are largely matched. As with all currencies, the value of the Ukrainian Hryvnia is subject to foreign exchange fluctuations. Currently the Ukrainian Hryvnia does not benefit from the range of currency hedging instruments which are available in more developed economies and, as a result, the Group has adopted a policy that funds not required for use in Ukraine be retained on deposit in the United Kingdom, principally in US Dollars.

During 2014, the Ukrainian Hryvnia has devalued against major world currencies, and is currently trading more than 55% lower against the US Dollar than at 1 January 2014. As a result, significant external financing is required to maintain the country's economic stability. The National Bank of Ukraine, among other measures, has imposed temporary restrictions on the processing of client payments by banks and on the purchase of foreign currency on the inter-bank market. Furthermore, the recent events in Ukraine, as outlined above in *"Risks relating to Ukraine"*, are likely to continue to impact the valuation of the Ukrainian Hryvnia against major world currencies. In addition, 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 Ukrainian production licences. Whilst the Ministry Order has now been resolved, the environment is such that a challenge may arise at any time in the future 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 via 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

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view to agreeing a reasonable timeframe for achieving compliance or an alternative, mutually agreeable course of action.

The Group’s production licences for the MEX-GOL and SV field currently expire in 2024. However, in the estimation of its reserves, it is assumed that the field development will continue until the end of the field’s economic life in 2036, and a consequent assumption is made that licence extensions will be granted in accordance with current Ukrainian legislation. 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 oil and gas development and producing 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.

There continues to be significant uncertainty about the future gas price in Ukraine, which has been exacerbated by the major political events that have taken place in Ukraine during recent months. The internal gas price has been generally related to the imported price of gas from Russia, but in December 2013, the previous Government of Ukraine negotiated a significant discount to the imported gas price calculated under the longstanding gas supply agreement between Russia and Ukraine, which resulted in a reduction in the internal gas price during the first quarter of 2014. However, following the change of Ukrainian Government in February 2014, the discount of the imported gas price was cancelled, and with effect from 1 April 2014, the imported gas price reverted to the price calculated under the longstanding gas supply agreement between Russia and Ukraine. Furthermore, there is a continuing dispute between Russia and Ukraine as to the interpretation of the gas pricing calculation under their longstanding gas supply agreement. As a result of the continuing uncertainty regarding the internal gas price, it should be recognised that the internal gas price may increase or decline significantly.

The overall economics of the Group’s key asset (being the net present value of the future cash flows from the Ukrainian project) 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 project, 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. Although the significant increases to the subsoil tax rates have been imposed for the limited period from 1 August 2014 to 31 December 2014, due to the continuing fiscal and economic pressures affecting the economy of Ukraine, it is not possible to be certain that the subsoil tax rates will revert to the levels prior to the temporary increases and the subsoil tax rates may be set at another level. In the event that the subsoil tax rates continue to be substantially higher than the levels prior to the temporary increases, it is likely that the Group’s results will be negatively impacted in the future.

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

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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 recent events that have occurred in Ukraine. If these events continue, worsen or 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.

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.

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Condensed Consolidated Income Statement

	Note	**6 months ended 30 Jun 14 (unaudited) $000**	6 months ended 30 Jun 13 (unaudited)* $000	12 months ended 31 Dec 13 (audited) $000
Continuing operations				
Revenue	4	**17,543**	19,651	36,737
Cost of sales		**(10,684)**	(11,403)	(33,664)
Gross profit		**6,859**	8,248	3,073
Administrative expenses		**(2,981)**	(3,552)	(7,291)
Other operating expenses: impairment of property plant and equipment		**-**	-	(159,199)
Operating profit / (loss)		**3,878**	4,696	(163,417)
Finance income		**629**	412	861
Finance costs		**(111)**	(498)	(633)
Other gains / (losses)		**136**	21	269
Profit / (loss) on ordinary activities before taxation		**4,532**	4,631	(162,920)
Income tax (charge)/credit	5	**(1,734)**	(2,332)	35,757
Profit / (loss) for the period		**2,798**	2,299	(127,163)
Earnings / (loss) per ordinary share (cents)				
Basic and diluted	6	**0.9c**	0.7c	(39.7)c

*As restated. See Note 3.

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Condensed Consolidated Statement of Comprehensive Income

	6 months ended 30 Jun 14 (unaudited)	6 months ended 30 Jun 13 (unaudited)*	12 months ended 31 Dec 13 (audited)
	$000	$000	$000
Profit / (loss) for the period	**2,798**	2,299	(127,163)
Items that may be subsequently reclassified to profit or loss:			
Equity – foreign currency translation	**(38,330)**	(4,550)	(7,591)
Total other comprehensive loss	**(38,330)**	(4,550)	(7,591)
Total comprehensive loss for the period	**(35,532)**	(2,251)	(134,754)

*As restated. See Note 3.

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Condensed Consolidated Balance Sheet

	Note	**30 Jun 14 (unaudited) $000**	31 Dec 13 (audited) $000
Assets			
Non-current assets			
Intangible assets		**74**	144
Property, plant and equipment	7	**50,387**	73,405
Trade and other receivables	8	**1,149**	5,953
Inventories	9	**-**	1,115
Deferred tax	5	**26,082**	36,353
		77,692	116,970
Current assets			
Inventories	9	**2,444**	3,872
Trade and other receivables	8	**8,357**	9,553
Cash and cash equivalents	11	**30,111**	25,084
		40,912	38,509
Total assets		**118,604**	155,479
Liabilities			
Current liabilities			
Trade and other payables		**(2,346)**	(3,222)
Provisions		**(257)**	(262)
		(2,603)	(3,484)
Net current assets		**38,309**	35,025
Non-current liabilities			
Provisions	10	**(1,169)**	(1,631)
		(1,169)	(1,631)
Total liabilities		**(3,772)**	(5,115)
Net assets		**114,832**	150,364
Equity			
Called up share capital		**28,115**	28,115
Share premium account		**555,090**	555,090
Foreign exchange reserve		**(44,502)**	(6,172)
Other reserves		**4,273**	4,273
Retained deficit		**(428,144)**	(430,942)
Total equity		**114,832**	150,364

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Condensed Consolidated Statement of Changes in Equity

	Called up share capital $000	**Share premium account $000**	**Foreign exchange reserve* $000**	**Other reserves $000**	**Retained deficit $000**	**Total $000**
As at 1 January 2014 (audited)	**28,115**	**555,090**	**(6,172)**	**4,273**	**(430,942)**	**150,364**
Profit for the period	**-**	**-**	**-**	**-**	**2,798**	**2,798**
Other comprehensive income						
- Exchange differences	**-**	**-**	**(38,330)**	**-**	**-**	**(38,330)**
Total comprehensive income	**-**	**-**	**(38,330)**	**-**	**2,798**	**(35,532)**
As at 30 June 2014 (unaudited)	**28,115**	**555,090**	**(44,502)**	**4,273**	**(428,144)**	**114,832**

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

	Called up share capital $000	Share premium account $000	Foreign exchange reserve $000	Other reserves $000	Retained deficit $000	Total $000
As at 1 January 2013 (audited)	28,115	555,090	1,419	4,273	(303,779)	285,118
Profit for the period	-	-	-	-	2,052	2,052
Other comprehensive income						
- Exchange differences	-	-	48	-	-	48
Total comprehensive income	-	-	48	-	2,052	2,100
As at 30 June 2013 (unaudited as reported)	28,115	555,090	1,467	4,273	(301,727)	287,218
Effect of restatement (Note 3)	-	-	(4,598)	-	247	(4,351)
As at 30 June 2013 (unaudited as restated)	28,115	555,090	(3,131)	4,273	(301,480)	282,867

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Condensed Consolidated Cash Flow Statement

	Note	**6 months ended 30 Jun 14 (unaudited) $000**	6 months ended 30 Jun 13 (unaudited)* $000	12 months ended 31 Dec 13 (audited)* $000
Operating activities				
Cash from operations	12	**11,910**	14,130	21,725
Interest paid		**-**	(3)	-
Taxation paid		**(580)**	(1,046)	(1,921)
Interest received		**629**	412	861
Net cash from operating activities		**11,959**	13,493	20,665
Investing activities				
Purchase of property, plant and equipment		**(3,813)**	(11,331)	(18,999)
Purchase of materials inventory		**-**	(3,942)	(103)
Proceeds from sale of materials inventory		**-**	366	(5,701)
Purchase of intangible assets		**(2)**	(42)	706
Equipment rental income		**45**	58	209
Proceeds from sale of property, plant and equipment		**-**	23	185
Net cash used in investing activities		**(3,770)**	(14,868)	(23,703)
Net increase / (decrease) in cash and cash equivalents		**8,189**	(1,375)	(3,038)
Cash and cash equivalents at beginning of period		**25,084**	28,453	28,453
Effect of foreign exchange rate changes		**(3,162)**	(251)	(331)
Cash and cash equivalents at end of period		**30,111**	26,827	25,084

* As restated. See Note 3.

Notes to the condensed consolidated financial statements

1. Operating environment

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

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

The Group's gas and condensate extraction facilities are located in Ukraine. The major events that have taken place in Ukraine during recent months, including the change of the Government and civil unrest, have meant that there has been, and continues to be, a great deal of uncertainty about the political and economic outlook in Ukraine. Further details of these risks relating to Ukraine, can be found within the "Operational Environment, Principal Risks and Uncertainties" section earlier in this announcement.

The interim condensed consolidated financial statements for the six month period ended 30 June 2014 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union.

For the reasons outlined in the "Exposure to credit, liquidity and cash flow risk" set out in the Operational Environment, Principal Risks and Uncertainties section, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the interim condensed consolidated financial statements for the six month period ended 30 June 2014.

The interim condensed consolidated financial statements for the six month periods ended 30 June 2014 and 30 June 2013 respectively are unaudited and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The Auditor has carried out a review of the interim condensed consolidated financial statements for the six month period ended 30 June 2014 and its report is shown at the end of this announcement.

The information for the year ended 31 December 2013 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006, but has been derived from the statutory accounts for that period. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The Auditor's Report on those accounts was not qualified, did not contain a misstatement under section 498 (2) or (3) of the Companies Act 2006, but did contain an emphasis of matter in respect to the continuing economic crisis and political instability in Ukraine.

2. Accounting policies

The accounting policies and methods of computation used are consistent with those used in the Group's Annual Report and Accounts for the year ended 31 December 2013 with the exception of the following new or revised standards and interpretations:

- IFRS 10, Consolidated Financial Statements. Under IFRS 10, subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group has power over that entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

- IFRS 11, Joint Arrangements. Under IFRS 11, investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement.

- IFRS 12, Disclosure of Interests in Other Entities, which requires new disclosures by entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

- IAS 27, Separate Financial Statements, was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements.

- IAS 28, Investments in Associates and Joint Ventures, the amendment of IAS 28 resulted from the International Accounting Standards Board's ("IASB") project on joint ventures. When discussing that project, the IASB decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates.

- IAS 32, Offsetting Financial Assets and Financial Liabilities, the amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

- IAS 36, Recoverable amount disclosures for non-financial assets, the amendments remove the requirement to disclose the recoverable amount when a cost generating unit contains goodwill or indefinite life intangible assets but there has been no impairment.

- IAS 39, Novation of Derivatives and Continuation of Hedge Accounting, the amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

- IFRIC 21, Levies, addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37, Provisions. The interpretation addresses what the obligating event is that gives rise to payment of a levy, and when a liability should be recognised.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group.

3. Restatement of comparatives figures

With effect from 1 January 2013, the functional currency of two of the Group's subsidiaries changed from US Dollars to Ukrainian Hryvnia. The change was triggered by the increasing influence of the Ukrainian Hryvnia on the subsidiaries' operations, compared to previous years.

The condensed consolidated financial statements for the six month period ended 30 June 2013 were prepared using a US Dollar functional currency for these two subsidiaries, since the decision to change the functional currency was made after the issue of such financial statements. In this respect, the comparative figures for the six month period ended 30 June 2013 have been restated for the purpose of this announcement.

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The effect of this restatement on the condensed consolidated income statement and the statement of comprehensive income is presented in the following table:

	6 months ended 30 Jun 2013 (as reported) $000	Adjustment $000	6 months ended 30 Jun 2013 (as restated) $000
Other gains and losses	(226)	247	21
Profit for the period	**2,052**	**247**	**2,299**
Equity – foreign currency translation	48	(4,598)	(4,550)
Total comprehensive income/(loss) for the period	**2,100**	**(4,351)**	**(2,251)**

The effect of the restatement on the condensed consolidated balance sheet is presented in the following table:

	30 Jun 2013 (as reported) $000	Adjustment $000	30 Jun 2013 (as restated) $000
Non-current assets			
Property, plant and equipment	240,861	(4,162)	236,699
Inventories	5,691	(77)	5,614
Current assets			
Inventories	8,254	(112)	8,142
Total assets	**303,334**	**(4,351)**	**298,983**
Net assets	**287,218**	**(4,351)**	**282,867**
Equity			
Other reserves	5,740	(4,598)	1,142
Retained deficit	(301,727)	247	(301,480)
Total equity	**287,218**	**(4,351)**	**282,867**

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The effect of the restatement on the condensed consolidated statement of changes in equity is presented in the following table:

	Called up share capital $000	Share premium account $000	Restated Foreign exchange reserve $000	Other reserves $000	Restated Retained deficit $000	Total $000
As at 1 January 2013 (audited)	28,115	555,090	1,419	4,273	(303,779)	285,118
Profit for the period	-	-	-	-	2,052	2,052
Other comprehensive income						
- Exchange differences	-	-	48	-	-	48
Total comprehensive income	-	-	48	-	2,052	-
As at 30 June 2013 (unaudited as reported)	**28,115**	**555,090**	**1,467**	**4,273**	**(301,727)**	**287,218**
- Effect of restatement	-	-	(4,598)		247	(4,351)
As at 30 June 2013 (unaudited as restated)	**28,115**	**555,090**	**(3,131)**	**4,273**	**(301,480)**	**282,867**

In 2014, the Group reclassified purchase tax paid relating to the purchase of property, plant and equipment in the consolidated cash flow statement so as to present such purchase tax paid within cash from operations, rather than within investing activities. The comparative figures for the six month period ended 30 June 2013 and the year ended 31 December 2013 have been restated to reflect this reclassification. The restatement has resulted in a decrease in net cash used in investing activities, and consequently a decrease in net cash from operating activities of $2,458,000 and $4,765,000 for the six month ended 30 June 2013 and the year ended 31 December 2013 respectively.

4. Segment information

The Group's only class of business activity is oil and gas exploration, development and production. The Group's primary operations are located in Ukraine, with its head office in the United Kingdom. The geographical segments are the basis on which the Group reports its segment information to management. The segment result as presented represents operating profit before depreciation and amortisation.

6 months ended 30 June 14 (unaudited)

	Ukraine $000	United Kingdom $000	Total $000
Gas sales	**10,170**	**-**	**10,170**
Condensate sales	**5,811**	**-**	**5,811**
LPG sales	**1,562**	**-**	**1,562**
Total sales	**17,543**	**-**	**17,543**
Segment result	**9,748**	**(1,622)**	**8,126**
Depreciation and amortisation	**-**	**-**	**(4,248)**
Operating profit			**3,878**
Segment assets	**95,461**	**23,143**	**118,604**
Capital additions	**2,626**	**-**	**2,626**

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6 months ended 30 June 13 (unaudited as restated)

	Ukraine $000	United Kingdom $000	Total $000
Gas sales	15,161	-	15,161
Condensate sales	4,490	-	4,490
Total sales	19,651	-	19,651
Segment result	11,536	(1,258)	10,278
Depreciation and amortisation	-	-	(5,582)
Operating profit			4,696
Segment assets	279,402	19,581	298,983
Capital additions*	12,964	4	12,968

12 months ended 31 December 13 (audited)

	Ukraine $000	United Kingdom $000	Total $000
Gas sales	28,034	-	28,034
Condensate sales	8,664	-	8,664
LPG sales	39		39
Total sales	36,737	-	36,737
Segment result	14,559	(1,232)	13,327
Depreciation and amortisation	-	-	(17,545)
Impairment loss	-	-	(159,199)
Operating profit			(163,417)
Segment assets	129,863	25,616	155,479
Capital additions*	24,000	4	24,004

* comprises additions to intangible assets and property, plant and equipment

5. Taxation

The income tax charge of $1,734,000 for the six month period ended 30 June 2014 relates to deferred tax (six month period ended 30 June 2013: charge of $468,000 for current tax and $1,864,000 for deferred tax).

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The movement in the period was as follows:

	6 months ended 30 Jun 14 (unaudited) $000	6 months ended 30 Jun 13 (unaudited) $000	12 months ended 31 Dec 13 (audited) $000
Deferred tax recognised on tax losses			
At beginning of period	**7,807**	3,169	3,169
(Charged)/credited to income statement - current period	**(213)**	(58)	4,638
At end of period	**7,594**	3,111	7,807
Deferred tax recognised relating operations in Ukraine			
At beginning of period	**28,546**	(4,055)	(4,055)
(Charged)/credited to income statement - current period	**(1,521)**	(1,783)	32,327
(Charged)/credited to income statement - prior period	**-**	(23)	274
Exchange differences	**(8,537)**	-	-
At end of period	**18,488**	(5,861)	28,546

The current income tax expense together with the deferred tax charge creates an effective tax rate for the period of 38% (six month period ended 30 June 2013: 53%).

As at 30 June 2014, the Group had unrecognised deferred tax assets in relation to UK tax losses carried forward of $55 million (31 December 2013: $57 million). 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 UK accumulated tax losses at 30 June 2014, to the extent that it is probable that there will be sufficient future taxable profits.

The deferred tax asset relating to the Group's operations in Ukraine at 30 June 2014, predominantly relates to the Group's oil and gas development and producing asset. This is recognised on the tax effect of the temporary differences between the carrying value of the Group's oil and gas development and producing asset in Ukraine, and its tax base. This is deemed recoverable on the projected future profits generated by the Group's operations in Ukraine, which are based on the current field development plan.

6. Profit per ordinary share

The calculation of basic profit per ordinary share has been based on the profit for the period and 320,637,836 ordinary shares (six month period ended 30 June 2013: 320,637,836), being the average number of shares in issue for the period to 30 June 2014.

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7. Property, plant and equipment

Group	6 months ended 30 Jun 14 Development and Production assets Ukraine $000	Other fixed assets* $000	Total $000	12 months ended 31 Dec 13 Development and Production assets Ukraine $000	Other fixed assets* $000	Total $000
Cost						
At beginning of the period	**276,181**	**1,272**	**277,453**	261,173	1,133	262,306
Additions	**2,349**	**327**	**2,676**	23,451	452	23,903
Transfer from inventories (Note 9)	**1,029**	**-**	**1,029**	-	-	-
Disposals	**(791)**	**(161)**	**(952)**	(505)	(285)	(790)
Exchange differences	**(82,851)**	**(422)**	**(83,273)**	(7,938)	(28)	(7,966)
At end of the period	**195,917**	**1,016**	**196,933**	276,181	1,272	277,453
Depreciation and impairment						
At beginning of the period	**203,245**	**803**	**204,048**	27,949	849	28,798
Charge for the period	**4,068**	**85**	**4,153**	17,312	214	17,526
Impairment loss	**-**	**-**	**-**	159,199	-	159,199
Disposals	**(36)**	**(159)**	**(195)**	(126)	(242)	(368)
Exchange differences	**(61,322)**	**(138)**	**(61,460)**	(1,089)	(18)	(1,107)
At end of the period	**145,955**	**591**	**146,546**	203,245	803	204,048
Net book value at the beginning of the period	**72,936**	**469**	**73,405**	233,224	284	233,508
Net book value at end of the period	**49,962**	**425**	**50,387**	72,936	469	73,405

* Other fixed assets include fixtures, fittings and equipment, motor vehicles and plant and machinery.

The Group's oil and gas development and producing assets in Ukraine are tested for an impairment loss at each balance sheet date if indicators of impairment are identified. As at 30 June 2014, no impairment of the oil and gas development and producing asset was identified.

8. Trade and other receivables

	30 Jun 14 (unaudited) $000	31 Dec 13 (audited) $000
Non-current		
Purchase tax receivable	**1,149**	5,953
	1,149	5,953
Current		
Purchase tax receivable	**5,962**	8,090
Prepayments and accrued income	**1,275**	610
Corporation tax receivable	**1,026**	768
Other receivables	**94**	84
Trade receivables	**-**	1
	8,357	9,553

None of the Group's trade receivables are past due or impaired. All trade receivables are considered to be of high credit quality.

Current purchase tax receivable by the Group includes $5,962,000 (2013: $8,090,000) relating to capital expenditure in Ukraine which is expected to be recovered via an offset against purchase tax payable on future sales in that country. There is an additional $1,149,000 (2013: $5,953,000) which is included within non-current trade and other receivables as, based on the Group's future sales projections, it is not expected to be recoverable within one year. The Directors are satisfied that all such amounts are fully recoverable. The balance is shown at net present value, using a discount rate based on an appropriate long term Ukraine Government bond.

At 30 June 2014, the Group was in dispute with the Ukrainian tax authorities in respect of purchase tax receivable on imported leased equipment, with a possible liability of up to $710,000 inclusive of penalties and other associated costs. There is a level of ambiguity in the 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. Management believes that adequate defences exist to the claim and do not expect the challenge by the Ukrainian tax authorities to be successful. Accordingly, no liability has been recognised in these condensed interim consolidated financial statements.

9. Inventories

During the period, the part of inventory which is to be utilised in the drilling of the next development well amounting to $1,029,000 was reclassified to the oil and gas development and production asset within property, plant and equipment.

The remaining inventory consists of spare parts that were not assigned to any new wells as at the date of this Report or is available for sale, together with production raw materials, produced condensate and LPG held at the processing facility prior to sale.

All inventories are measured at the lower of cost or net realisable value.

10. Provisions

The non-current provision of $1,169,000 (31 December 2013: $1,631,000) represents a provision for the decommissioning of the Group's Ukraine production facilities, including site restoration. It is based

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on the net present value of the Group's estimated liability, and these costs are expected to be incurred by 2036 (31 December 2013: by 2036). The Group's licences currently expire in 2024, but are assumed to be extended until 2036 to reflect the economic life of the field. However, if the costs were to be incurred at the licences' current expiry date in 2024, the provision for decommissioning at 30 June 2014 would be $2,044,000 (31 December 2013: $2,789,000).

11. Financial instruments

The Group held the following financial instruments at 30 June 2014. The fair value of the financial instruments is not materially different to the book value.

	30 Jun 14 (unaudited) $000	31 Dec 13 (unaudited) $000
Financial assets		
Cash and cash equivalents	**30,111**	25,084
Trade and other receivables	**94**	85
	30,205	25,169

At 30 June 2013, the Group held cash and cash equivalents in the following currencies:

	30 Jun 14 (unaudited) $000	31 Dec 13 (audited) $000
Currency		
US Dollars	13,951	14,933
Ukrainian Hryvnia	15,697	7,888
British Pounds	206	477
Euros	254	1,783
Canadian Dollars	3	3
	30,111	25,084

The Group held $14,288,000 in UK banks and $15,823,000 in Ukrainian banks.

12. Reconciliation of operating profit to operating cash flow

	6 months ended 30 Jun 14 (unaudited) $000	6 months ended 30 Jun 13 (unaudited) $000	12 months ended 31 Dec 13 (audited) $000
Operating profit / (loss)	**3,878**	4,696	(163,417)
Depreciation, amortisation and impairment charges	**4,248**	5,582	176,744*
Write down of inventory	**-**	-	3,045
Reversal of write down of inventory	**-**	-	(313)
Movement in provisions	**107**	(482)	(499)
(Increase) / decrease in operating stock	**(1)**	(371)	164
Decrease in debtors	**3,054**	4,325	5,696
Increase in creditors	**624**	380	305
Net cash generated from operations	**11,910**	14,130	21,725

* Includes an impairment loss of $159,199,000 (see Note 7).

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13. Capital commitments

Amounts contracted in relation to the Group's investment programme at the Mekhediviska-Golotvshinska and Svyrydivske gas and condensate fields in Ukraine, but not provided for in the financial statements at 30 June 2014 were $725,000, the majority of which were denominated in Ukrainian Hryvnia (31 December 2013: $2,153,000).

14. Related party transactions

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 2014 was $400,000 (6 month period ended 30 June 2013: $447,000).

During the period, Group companies entered into the following transactions with related parties which are not members of the Group. All such related party transactions were with entities controlled by Mr V Novynskyi, who also controls the Company's majority shareholder.

	6 months ended 30 Jun 14 (unaudited) $000	6 months ended 30 Jun 13 (unaudited) $000	12 months ended 31 Dec 13 (audited) $000
Sale of goods / services	**41**	174	1,976
Purchase of goods / services	**77**	695	885
Amounts owed by related partied	**9**	76	19
Amounts owed to related parties	**13**	137	4

The amounts outstanding were unsecured and will be settled in cash.

During the period, the Group also held cash deposits with related party banks.

	6 months ended 30 Jun 14 (unaudited) $000	6 months ended 30 Jun 13 (unaudited) $000	12 months ended 31 Dec 13 (audited) $000
Interest received	**610**	380	812
Bank charges	**6**	8	17
Closing cash balance	**15,823**	7,901	7,915

15. Subsequent events

With effect from 1 August 2014, the Ukrainian Government imposed significant temporary increases in the subsoil taxes payable on gas and condensate production, with tax rates on gas production nearly doubling and on condensate production increasing by up to approximately 16%. The legislation imposing these increases applies for the period from 1 August 2014 to 31 December 2014. The increases in subsoil taxes will negatively impact the Group's results during the remainder of the current financial year.

Independent review report to Regal Petroleum plc

Introduction

We have been engaged by the Company to review the interim condensed consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2014, which comprise the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report 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.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The interim condensed consolidated financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the interim condensed consolidated financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, 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.

Scope of review

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 Ireland) 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2014 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules for Companies.

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Emphasis of matter

We draw your attention to Note 1 of the interim condensed consolidated financial statements for the six months period ended 30 June 2014 stating that the operations of the Group, and those of other entities in Ukraine, have been affected and may continue to be affected for the foreseeable future by the continuing political and economic uncertainties in Ukraine. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers LLP
Chartered Accountants
22 September 2014

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