Regal Petroleum
Realising Potential

Interim Report 2010

Regal Petroleum plc

Regal Petroleum plc is an independent United Kingdom based Group, focused on gas field development in Ukraine. In addition, the Group has oil and gas exploration assets under appraisal in Romania and Egypt.

Contents

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Highlights

Financial

- Turnover of $15.9 million, up 84% on equivalent period last year.
- Gas and condensate production volumes rose by 65% and 29% respectively, from the same period last year.
- Operating profit $3.4 million (first half 2009: $6.0 million loss).
- No debt.
- Conditional sale and purchase agreement entered into for sale of Barlad concession in Romania to Chevron for $25 million (excluding VAT).

Operational

- During the period, work continued on three wells that were spudded in 2009 (MEX-106; SV-58 and SV-61) and a further two new wells were spudded (MEX-120 and SV-69).
- Production rose during the period from a daily average of 1,452 boepd in December 2009, to a daily average of 2,377 boepd for June 2010.
- However, with the exception of SV-58, production from new wells and work-overs to date has been substantially below expectations.

Outlook

- The Company's key objectives are:
  — to better understand the reasons for the poor well results in Ukraine.
  — to work on resolving the matters identified by the Ukrainian Ministry of Environmental Protection in May 2010. To date, field operations and production have not been affected.
- Additional production contributions are expected in the fourth quarter from wells SV-61 and SV-69 that will be brought online, and from the installation of two low pressure compressor packages.

Strategic Review

Following the poorer than anticipated production achieved from well MEX-120 and the work-over programme in Ukraine, the Company is undertaking a strategic review of reservoir performance and is actively exploring and pursuing ways to strengthen its cash position by reducing costs and contractual exposures while optimising production.

As a consequence, on 29 September 2010, the Company entered into a conditional sale and purchase agreement with Chevron Romania Exploration and Production BV ("Chevron") for the sale to Chevron (or a special purpose vehicle to be incorporated by Chevron) of Regal's 100% owned Barlad concession in Romania for a cash consideration of $25 million (excluding VAT and before taxes). The Company's view is that the conditions are mostly procedural in nature and are expected to be met before 31 December 2010.

Discussions have been initiated with Saipem related to the future utilisation of the two drilling rigs operating in Ukraine, with over three years contractual term remaining. No plans have yet been made for the use of the proceeds expected to be realised from the Romanian asset disposal pending the outcome of these discussions. One rig is currently stacked, following the completion of MEX-120 and the SV-61 work-over.

Board Changes

The Board of Directors of Regal regrets to announce that David Greer has resigned from his position as Chief Executive Officer with immediate effect. Keith Henry, Chairman, will assume Mr Greer's daily responsibilities and a further announcement will be made in due course.

Operational Review

Ukraine

The majority of the Company's focus for the year to date has continued to be in Ukraine. Here, Regal has continued to make progress, but the Company has experienced a number of difficult challenges and setbacks both in its operations and in the market generally. At the time of this report, discussions with the Ukrainian Government continue in relation to the matters identified by the Ministry of Environmental Protection in an order dated 30 March 2010 which was received by the Company in May 2010.

With regard to operations, the reservoir is clearly much more complex than originally anticipated. Well SV-58, for example, ultimately delivered good production following several weeks of trialled stimulation techniques, whilst the nearby SV-61 has yet to produce despite encouraging well logs and is currently being worked over. Such mixed results highlight the challenges of unlocking the fields' potential reserves.

In light of the well results, a review of the technical issues was conducted in the second quarter and the decision made to limit drilling to the B Sand reservoirs. Given that the 2,000 hp top-drive rigs were primarily brought into the country to appraise the deeper T and D Sands, discussions have been initiated with Saipem regarding future options for utilisation of these rigs.

Status of Discussions with Ministry of Environmental Protection

In Ukraine, Regal Petroleum is the 100% licence holder for the Mekhediviska Golotvshinska (MEX-GOL) and Svyrydivske (SV) gas and condensate fields; valid until 2024.

On 21 May 2010, the Company received an order dated 30 March 2010, signed by the Minister of Environmental Protection identifying certain matters requiring rectification in relation to Regal's compliance with certain legislation in Ukraine relating to its operations at its MEX-GOL and SV gas and condensate fields, and requiring a suspension of operations whilst such matters were rectified.

On 2 July 2010 the Company received an injunction order made by the District Administrative Court of Kiev suspending the Ministry order dated 30 March 2010 pending a further hearing of the action in the District Administrative Court of Kiev. This action was brought by OJSC Ukrzakordongeologia (the Company's sole gas customer under a long term gas offtake agreement) against the Ministry of Environmental Protection challenging the Ministry order on the basis that the Ministry order affected OJSC Ukrzakordongeologia's contractual rights to offtake the Company's gas production at its MEX-GOL and SV gas and condensate fields.

The Company's drilling and production operations continue and there has been no interruption to the Company's gas supply to OJSC Ukrzakordongeologia during the continuance of these events. The Company is engaged in ongoing discussions with the Ukrainian Government and the Ministry of Environmental Protection in order to resolve this issue and will make a further announcement when further information becomes available.

Operations

During the year to date, the Company has delivered or worked over a total of five new wells (MEX-106, SV-58, SV-61, SV-66 and MEX-120) and the sixth new well, SV-69, has reached its planned depth of 5,420 metres. Additionally, MEX-103, being the last well drilled using the old rigs, has also been worked over.

Completion of SV-69 will fully discharge the Company's current drilling obligation with respect to the SV licence, as set out in a revised Field Development Plan for the SV field approved on 1 July 2009, which required a total of four new wells to be drilled before the first quarter of 2013. The drilling programme leaves the Company with a remaining drilling obligation of at least two wells with respect to the MEX-GOL licence, as set out in a revised Field Development Plan approved on 22 April 2009, to be drilled before the end of January 2013.

Two of the new wells (MEX-106 and SV-58) have been drilled into very deep (total depths > 6,000 m) Tournasian (T Sand) and Devonian (D Sand) sequences in order to evaluate the potential resource upside beyond the independently assessed Visean (B Sand) reserves. Drilling of two other wells (SV-61 and SV-66) was curtailed before reaching the planned deep targets. A strategic decision was taken in view of the operational complexity and costs involved in appraising the T and D Sands sequences, to focus on production from the shallower B Sands (depth range 4,800 – 5,300 m) for wells MEX-120 and SV-69.

Despite a work-over intervention, MEX-106 tested no gas from the D Sands although logging has confirmed a gas contribution from the T Sands. A test of these deeper Sands in SV-58 was deferred to avoid the interruption of production from the B Sands.

Production grew during the period from a daily average of 1,452 boepd (189,266 m^3/d gas and 43.1 m^3/d condensate) in December 2009, to a daily average of 2,377 boepd (330,213 m^3/d gas and 50.3 m^3/d condensate) for June 2010.

Reserves

Independent consultants Ryder-Scott prepared a resource update for the B Sands which was published in May 2010 and accords with the 2007 Society of Petroleum Engineers Petroleum Resource Management System (SPE-PRMS) standards. The Report presented a view of the "Remaining Proved + Probable" reserves volume at 151.3 MMboe, with an additional allocation of 102.4 MMboe to a "Remaining Possible" category, and a further 151.9 MMboe described as "P50 Prospective Resources (Unrisked)". As the Report had an effective date of 1 January 2010, only the results from MEX-106 and SV-58 of the new wells were available for inclusion.

The variance in the "Remaining Proved + Probable" category in this new Report, when compared to Ryder-Scott's 2005 assessment, is an approximate reduction of 10.5% (previously 169 MMboe). This is accounted for, in part, by approximately 1.5 MMboe that has been produced during the period between the two assessments, with the remaining reduction due to a more conservative approach to reserves allocation per well being adopted by Ryder-Scott in the new Report.

Egypt

In Egypt (Regal 25%; non-operated), subsurface studies, including a seismic interpretation and fractured Eocene Carbonate study, continued in the East Ras Budran concession resulting in a proposal by Apache, who operate the concession, to drill an appraisal well, towards the end of this year.

Romania

In Romania, the Company completed its exploration work programme in the Barlad Block EV-2 (100% working interest and operator, total area of

Operational Review continued

6,284 km^2 located in north-east Romania). 105.4 km of 2D seismic profiles were acquired. The programme formed the basis for selection of the RBNE-1 location in the vicinity of the 2007 RBN-4 gas discovery. RBNE-1 was drilled in August 2010 to a total depth of 980 metres, and penetrated its two sandstone targets. Despite encouraging gas shows noted during drilling, no gas inflow was established during testing. With the completion of these operations, the Company fully discharged its obligations with respect to the Barlad concession.

Approval was secured from the Government of Romania to extend the concession agreement by 2½ years from 1 September 2010 until 1 March 2013 based on a new $5.1 million minimum work programme including 200 km of 2D seismic data acquisition and a commitment to drill a well to 2,500 m.

On 29 September 2010, the Company entered into a conditional sale and purchase agreement with Chevron Romania Exploration and Production BV ("Chevron") for the sale to Chevron (or a special purpose vehicle to be incorporated by Chevron) of Regal's 100% owned Barlad concession in Romania for a cash consideration of $25 million (excluding VAT and before taxes). The Company's view is that the conditions are mostly procedural in nature and are expected to be met before 31 December 2010.

The Suceava partnership, in which Regal holds a non-operated 50% interest, drilled well Climauti-1 in the Suceava Block in June 2010. The well was a gas discovery in Sarmatian reservoirs at around 460 m, and it is estimated should yield approximately 2 bcf gross of recoverable gas reserves. The well is to be tied into the Bilca gas plant with production expected to commence late in Q4 2010.

Outlook

The Company's key objectives are to better understand the reasons for the poor well results in Ukraine, and to work on resolving the matters identified by the Ukrainian Ministry of Environmental Protection in May 2010. To date, field operations and production have not been affected.

Additional production contributions are expected in the fourth quarter from wells SV-61 and SV-69 which will be brought online, and from installation of two low pressure compressor packages.

Strategic Review

Following the poorer than anticipated production achieved from well MEX-120 and the work-over programme, the Company is undertaking a strategic review of reservoir performance and is actively exploring and pursuing ways to strengthen its cash position by reducing costs and contractual exposures while optimising production.

In addition to the disposal of the Barlad concession to Chevron, the Company has initiated discussions with Saipem related to the future utilisation of the two drilling rigs operating in Ukraine, with over three years contractual term remaining. No plans have yet been made for the use of the proceeds expected to be realised from the Romanian asset disposal pending the outcome of these discussions. One rig is currently stacked, following the completion of MEX-120 and the SV-61 work-over.

Finance Review

Revenue for the period, at $15.9 million, is up 84% on the same period last year, and, for the first time, the Company has achieved an operating profit of $3.4 million as compared to a loss of $6.0 million for the six months ended June 2009. However, although the Group has returned a net profit these results are not as promising as had been anticipated at the start of the year and reflect the lower than expected production.

The revenue gain has been driven principally by production increases, attributable to new wells coming online, of 65% and 29% for gas and condensate respectively. Realised gas prices increased slightly to $249/Mm^3$ for the period compared to $241/Mm^3$ in the same period for 2009 despite Russia and Ukraine reaching agreement on a lower import gas price. From 1 August 2010 the maximum state-regulated selling price for industrial gas increased to $277/Mm^3$. In addition, the Company's realised condensate prices increased 77% from the previous period with an average of $73 per barrel being achieved.

Contributing to the Company's operating profit is a reduction in other administrative expenses from $7.1 million to $5.4 million for the comparable period. This is primarily as a result of cost cutting and austerity measures introduced during 2009 and maintained throughout 2010. The share-based charge of $1.9 million relates to the allocation of fair value over the vesting period for previously issued share options. There were no new share options issued during the period.

The $4.5 million foreign exchange loss (June 2009: $2.0 million gain) is mostly unrealised and arises not only from underlying transactions in different currencies but also due to revaluation of currencies held other than the reporting currency of US Dollars.

An income tax credit of $4.8 million is stated for the period (June 2009: $4.1 million expense) and represents a current corporate tax charge of $1.1 million from Ukraine, offset against a deferred tax credit of $5.9 million recognised to reflect certain temporary differences arising on capital allowances relating to the Ukrainian oil and gas assets. Owing to capital expenditure over recent periods, these allowances have become available to offset against recognised deferred tax liabilities which are applicable on the same asset.

The Company generated operating cash flows of $7.9 million compared to $1.9 million in the same period last year. In addition, $41.2 million was invested in property, plant and equipment representing ongoing field development activity and drilling, principally in Ukraine. A further $6.9 million was used to replace stock requirements for future wells.

The sale and purchase agreement entered into with Chevron, post balance sheet, regarding the Barlad concession in Romania is expected to provide a cash injection in the fourth quarter in excess of $20 million after taking account of Romanian corporate income tax arising on the disposal.

Principal Risks and Uncertainties

For the remainder of the year and beyond, Regal faces a number of risks and uncertainties. Specific challenges comprise:

Finance Review continued

Risks relating to Ukraine, Romania and Egypt

Emerging markets such as these are subject to greater risks than more developed markets including, in some cases, significant legal, economic and political risks. Such economies may also be subject to rapid change and the Group endeavours to adapt and change accordingly. This has been evidenced recently by the issuance of the order from the Ukrainian Ministry of Environmental Protection referred to above.

Risks relating to further development and operation of the gas fields in Ukraine

The planned development of the Ukrainian fields is susceptible to appraisal and development risk. This could include, but is not restricted to, delays in delivery of equipment into Ukraine; failure of key equipment; lower than expected production from the wells as they are brought on-stream; problematic wells; or complex geology that is difficult to drill or interpret. The generation of significant operational cash envisaged in the coming years from this development is dependent on the successful delivery and completion of the development of the fields. Operational results in these early wells have highlighted a number of challenges relating to this risk. Furthermore, the optimisation of all of the Company's assets is dependent on maintaining constructive relationships between all of our business stakeholders.

Technical and Geological

Constant work and analysis of the subsurface is ongoing to minimise drilling risk. However, the drilling of exploration, appraisal and development wells contains the inherent risk that commercially productive hydrocarbon reservoirs may not be encountered, or that mechanical or reservoir control issues may prevent the successful delivery of results. Furthermore, producing gas and condensate reservoirs are generally characterised by declining production rates that vary depending upon reservoir and other characteristics. Any future gas and condensate production and, therefore, the Group's cash flow are highly dependent on the Group's success in efficiently developing and exploiting any reserves and finding or acquiring additional reserves. The Group's ability to continue growing the business will be a function of these cash flows in addition to funds raised through the equity raisings or debt.

Liquidity, Cash Flow and Going Concern Risk

Internal financial projections are regularly made based on the latest estimate available and various scenarios to assess the robustness of the liquidity of the Group are run. While the Group currently holds sufficient cash for the medium term needs of the business, recent operational results have put pressure on the Company's financial ability to progress, in the short term, at the desired pace with the field development plan. However, management is of the opinion that it has the ability to implement measures to enable the Company to remain solvent for the foreseeable future. This includes, but is not restricted to, the anticipated receipt of funds arising from the disposal of the Barlad concession in Romania and the pending outcome of discussions with Saipem regarding the future utilisation of the two drilling rigs operating in Ukraine.

Condensed Consolidated Income Statement

	Notes	**6 months 30 Jun 10 (unaudited) $'000**	6 months 30 Jun 09 (unaudited) $'000	12 months 31 Dec 09 (audited) $'000
Revenue	2	**15,942**	8,682	19,872
Cost of sales		**(5,247)**	(3,041)	(6,230)
Gross profit		**10,695**	5,641	13,642
Other administrative expenses		**(5,422)**	(7,095)	(15,068)
Share-based charge		**(1,868)**	(4,558)	(7,618)
Total administrative expenses		**(7,290)**	(11,653)	(22,686)
Other operating expenses: exploration costs written off		**—**	—	(95)
Operating profit/(loss)		**3,405**	(6,012)	(9,139)
Investment revenue		**268**	569	939
Finance costs		**(99)**	(75)	(144)
Other gains and losses: foreign exchange		**(4,512)**	2,022	1,514
Loss on ordinary activities before taxation		**(938)**	(3,496)	(6,830)
Income tax credit/(expense)	3	**4,782**	(4,075)	(2,989)
Profit/(loss) for the financial period		**3,844**	(7,571)	(9,819)
Profit/(loss) per ordinary share (cents)				
Basic and diluted	4	**1.2**	(3.6)	(3.7)

The Income Statement has been prepared on the basis that all operations are continuing operations.

Condensed Consolidated Statement of Comprehensive Income

	6 months 30 Jun 10 (unaudited) $'000	6 months 30 Jun 09 (unaudited) $'000	12 months 31 Dec 09 (audited) $'000
Equity — foreign currency translation	**(3,992)**	(1,123)	(627)
Net expense recognised directly in equity	**(3,992)**	(1,123)	(627)
Profit/(loss) for the financial period	**3,844**	(7,571)	(9,819)
Total comprehensive income for the period	**(148)**	(8,694)	(10,446)

Condensed Consolidated Balance Sheet

	Notes	**30 Jun 10 (unaudited) $'000**	30 Jun 09 (unaudited) $'000	31 Dec 09 (audited) $'000
Assets				
Non-current assets				
Intangible assets		**24,411**	25,622	27,067
Property, plant and equipment		**199,468**	107,568	151,492
Trade and other receivables	5	**7,805**	1,830	3,593
		231,684	135,020	182,152
Current assets				
Inventories		**12,727**	22,070	20,066
Trade and other receivables	5	**17,743**	10,574	16,752
Cash and cash equivalents		**64,296**	60,021	118,592
		94,766	92,665	155,410
Total assets		**326,450**	227,685	337,562
Liabilities				
Current liabilities				
Current tax liabilities		**(585)**	—	—
Trade and other payables		**(14,702)**	(15,258)	(23,489)
		(15,287)	(15,258)	(23,489)
Net current assets		**79,479**	77,407	131,921
Non-current liabilities				
Trade and other payables		**(32)**	(76)	(41)
Provisions		**(4,927)**	(3,802)	(3,878)
Deferred tax	3	**—**	(7,052)	(5,892)
		(4,959)	(10,930)	(9,811)
Total liabilities		**(20,246)**	(26,188)	(33,300)
Net assets		**306,204**	201,497	304,262
Equity				
Called up share capital		**27,932**	19,094	27,710
Share premium account		**555,090**	462,249	555,090
Other reserves		**13,923**	20,818	23,772
Profit and loss account		**(290,741)**	(300,664)	(302,310)
Total equity		**306,204**	201,497	304,262

Condensed Consolidated Statement of Changes in Equity

	Called up share capital	Share premium account	Share option reserve	Foreign exchange reserve	Other reserves	Profit and loss account	Total
As at 1 January 2009 (audited)	19,094	462,249	10,575	2,535	4,273	(293,093)	205,633
Changes in equity	—	—	4,558	(1,123)	—	(7,571)	(4,136)
As at 1 July 2009 (unaudited)	19,094	462,249	15,133	1,412	4,273	(300,664)	201,497
Changes in equity	8,616	92,841	2,458	496	—	(1,646)	102,765
As at 1 January 2010 (audited)	**27,710**	**555,090**	**17,591**	**1,908**	**4,273**	**(302,310)**	**304,262**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**3,844**	**3,844**
Current period IFRS 2 charge	**—**	**—**	**1,868**	**—**	**—**	**—**	**1,868**
Share options exercised	**222**	**—**	**(7,725)**	**—**	**—**	**7,725**	**222**
Exchange differences	**—**	**—**	**—**	**(3,992)**	**—**	**—**	**(3,992)**
As at 30 June 2010 (unaudited)	**27,932**	**555,090**	**11,734**	**(2,084)**	**4,273**	**(290,741)**	**306,204**

Condensed Consolidated Cash Flow Statement

	Notes	**6 months 30 Jun 10 (unaudited) $'000**	6 months 30 Jun 09 (unaudited) $'000	12 months 31 Dec 09 (audited) $'000
Operating activities				
Cash from operations	6	**7,912**	1,903	7,151
Interest paid		**(99)**	(25)	(144)
Taxation paid		**(503)**	(343)	(391)
Net cash from operating activities		**7,310**	1,535	6,616
Investing activities				
Purchase of property, plant and equipment		**(41,189)**	(38,656)	(67,356)
Increase in related purchase tax receivable		**(8,313)**	(7,571)	(15,040)
Purchase of intangible assets		**(1,404)**	(378)	(838)
Purchase of materials inventory		**(6,889)**	(3,082)	(16,107)
Proceeds from sale of property, plant and equipment		**—**	—	63
Net cash used in investing activities		**(57,795)**	(49,687)	(99,278)
Financing activities				
Funds received in connection with share options		**222**	—	—
Proceeds from issue of equity		**—**	—	105,110
Payment for share issue costs		**—**	—	(3,653)
Interest received on surplus funds from share issue		**250**	696	1,063
Net cash from financing activities		**472**	696	102,520
Net (decrease)/increase in cash and cash equivalents		**(50,013)**	(47,456)	9,858
Cash and cash equivalents at beginning of period		**118,592**	106,078	106,078
Effect of foreign exchange rate changes		**(4,283)**	1,399	2,656
Cash and cash equivalents at end of period		**64,296**	60,021	118,592

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

The interim financial report has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. The accounting policies and methods of computation used in the interim report are consistent with those used in the Group 2009 annual report and accounts for the year ended 31 December 2009. The following standards, amendments and IFRIC interpretations were also effective for the current period, but the adoption of these did not have a material impact on these condensed consolidated interim financial statements:

- IFRS 2 (amended) Share-based Payments — Amendments relating to group cash-settled share-based payment transactions.
- IFRS 3 (revised 2008) Business Combinations — Comprehensive revision on applying the acquisition method.
- IAS 27 (revised 2008) Consolidated and Separate Financial Statements — Consequential amendments arising from amendments to IFRS 3.
- IAS 28 (revised 2008) Investment in Associates — Consequential amendments arising from amendments to IFRS 3.
- IFRIC 17 Distributions of Non-cash Assets to Owners.
- IFRIC 18 Transfers of Assets from Customers.
- Additional exemptions for first-time adopters (Amendment to IFRS 1).
- Improvements to International Financial Reporting Standards 2009.

As explained in the Finance Review on pages 7 and 8, 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 report.

The interim financial information for the six months ended 30 June 2010 and 30 June 2009 is unaudited and does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The Auditors have carried out a review of the interim financial information for the period ended 30 June 2010 and their report is shown on pages 19 and 20.

1. Basis of preparation continued

The information for the year ended 31 December 2009 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The Auditors' report on those accounts was not qualified, did not include any emphasis of matter and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2. 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, Romania and Egypt, with its head office in the United Kingdom. These geographical segments are the basis on which the Group reports its segment information. There are no inter-segment sales within the Group and all products are sold in the geographical region within which they are produced.

6 months to 30 June 10 (unaudited)

	Ukraine $'000	United Kingdom $'000	Romania $'000	Egypt $'000	Total $'000
Gas sales	11,446	—	—	—	11,446
Condensate sales	4,496	—	—	—	4,496
Total sales (incl. sales to third parties)	15,942	—	—	—	15,942
Segment result	10,929	(2,836)	(116)	(48)	7,929
Depreciation and amortisation					(2,656)
Share-based charge					(1,868)
Operating profit					3,405
Segment assets	237,794	63,902	19,319	5,435	326,450
Capital additions	50,499	117	1,113	35	51,764

Notes to the Condensed Consolidated Financial Statements continued

2. Segment information continued

6 months to 30 June 09 (unaudited)

	Ukraine $'000	United Kingdom $'000	Romania $'000	Egypt $'000	Total $'000
Gas sales	6,706	—	—	—	6,706
Condensate sales	1,976	—	—	—	1,976
Total sales (incl. sales to third parties)	8,682	—	—	—	8,682
Segment result	5,103	(4,802)	(41)	(233)	27
Depreciation and amortisation					(1,481)
Share-based charge					(4,558)
Operating loss					(6,012)
Segment assets	141,538	60,014	21,024	5,109	227,685
Capital additions	47,558	47	72	399	48,076

12 months to 31 December 09 (audited)

	Ukraine $'000	United Kingdom $'000	Romania $'000	Egypt $'000	Total $'000
Gas sales	14,589	—	—	—	14,589
Condensate sales	5,283	—	—	—	5,283
Total sales (incl. sales to third parties)	19,872	—	—	—	19,872
Segment result	12,612	(10,534)	(160)	(351)	1,567
Depreciation and amortisation					(3,088)
Share-based charge					(7,618)
Operating loss					(9,139)
Segment assets	191,236	118,109	22,815	5,402	337,562
Capital additions	93,048	78	1,028	696	94,850

3. Taxation

The Income Statement credit for taxation of $4,782,000 (31 December 2009: charge of $2,989,000) comprises a deferred taxation credit of $5,892,000 (31 December 2009: charge of $2,799,000) and current income tax of $1,110,000 (31 December 2009: $190,000).

The deferred tax credits for the current and prior periods relate to temporary differences arising on the Group's Ukrainian fixed assets. The movement in the period is as follows:

	6 months 30 Jun 10 (unaudited) $'000	6 months 30 Jun 09 (unaudited) $'000	12 months 31 Dec 09 (audited) $'000
At beginning of period	**5,892**	3,093	3,093
Charged to income statement	**—**	3,959	2,799
Recognition of deferred tax asset from disclaimed capital allowances			
— Current period	**(2,615)**	—	—
— Prior year	**(3,277)**	—	—
At end of period	**—**	7,052	5,892

The Directors do not consider it appropriate to recognise deferred tax assets, resulting from accumulated tax losses, to reflect the potential benefit from temporary differences as at 30 June 2010 as there is insufficient evidence of future taxable profits. At 30 June 2010, and in gross terms, there were unrecognised deferred tax assets in respect of estimated UK tax losses carried forward of up to $171 million (31 December 2009: $154 million).

4. Profit per ordinary share

The calculation of basic profit per ordinary share has been based on the profit for the period and 318,046,295 (2009: 211,645,664) ordinary shares, being the average number of shares in issue for the periods to 30 June 2010 and 30 June 2009 respectively.

5. Trade and other receivables

Included within trade and other receivables is VAT receivable on capital expenditure of $20,724,000 (2009: $10,971,000). VAT expected to be recoverable within one year has been classified as current, and amounts to $13,970,000 (2009: $9,141,000).

Notes to the Condensed Consolidated Financial Statements continued

6. Reconciliation of operating loss to operating cash flow

	6 months 30 Jun 10 (unaudited) $'000	6 months 30 Jun 09 (unaudited) $'000	12 months 31 Dec 09 (audited) $'000
Operating profit/(loss)	**3,405**	(6,012)	(9,139)
Depreciation, amortisation and impairment charges	**2,656**	1,665	3,088
Movement in provisions	**1**	41	61
Share option charge	**1,868**	4,558	7,618
Exploration costs written off	**—**	—	95
Decrease/(increase) in stock	**22**	(2)	(100)
Decrease/(increase) in debtors	**206**	(3,137)	3,802
(Decrease)/increase in creditors	**(246)**	4,790	1,726
Net cash generated from operations	**7,912**	1,903	7,151

7. Capital commitments

Amounts contracted in relation to the Ukraine field development but not provided for in the financial statements at 30 June 2010 were $2,817,000 (31 December 2009: $699,000). In addition, the Company has entered into five year contracts, of which there are over three years remaining, with Saipem S.p.A. for the provision of two drilling rigs. The contracts for these rigs have a break clause after two years which, if exercised, result in a total minimum commitment of $40,486,000 (31 December 2009: $59,220,000). However, the Company has the legal right to subcontract these rigs which may partially or wholly mitigate any exposure.

8. Subsequent events

On 29 September 2010, the Company entered into a conditional sale and purchase agreement with Chevron Romania Exploration and Production BV ("Chevron") for the sale to Chevron (or a special purpose vehicle to be incorporated by Chevron) of Regal's 100% owned Barlad concession in Romania for a cash consideration of $25 million (excluding VAT). The asset is currently classified within intangible fixed assets on the balance sheet. The net book value of the capitalised costs held on the balance sheet as at 30 June 2010 and directly attributable to the Barlad concession is $7.6 million. The disposal will result in a taxable gain chargeable to Romanian corporate income tax. However, net proceeds are expected to exceed $20 million.

Independent Review Report to Regal Petroleum plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated statement of comprehensive income, the condensed consolidated cash flow statement and related notes 1 to 8. 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 set of financial statements.

This report is made solely to the Group 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. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have formed.

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 of the London Stock Exchange.

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 condensed set of financial statements included in this half-yearly financial report has 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 condensed set of financial statements in the half-yearly financial report based on our review.

Independent Review Report to Regal Petroleum plc continued

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 condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

Deloitte LLP
Chartered Accountants
London, United Kingdom
29 September 2010

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Glossary

km
kilometres
km^2
square kilometres
m^3/d
cubic metres per day
Mm^3
thousand cubic metres
Mm^3/d
thousand cubic metres per day
MMcf/d
million cubic feet per day
bbls
barrels
boepd
barrels of oil equivalent per day
MMboe
million barrels of oil equivalent
$
United States Dollar
hp
horsepower
bcf
billion cubic feet
m
metres
m^3
cubic metres
TD
Total Depth

Conversion Factors (SPE):

100,000m^3 gas	= 624 boe
1m^3 liquid	= 6.29 bbls liquid

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Realising Potential

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