
Press Release

29 February 2016

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

Update on Banking Arrangements with Unex Bank

Regal Petroleum plc (AIM: RPT), the AIM-quoted oil and gas exploration and production group, announces an extension to its security arrangements relating to its banking facilities with PJSC Unex Bank ("Unex") in Ukraine.

As announced on 26 May 2015, the Company and its subsidiaries (the "Group") hold a number of current and deposit accounts with Unex, which is a Ukrainian bank and is part of the PJSC Smart-Holding Group ("Smart"), which is ultimately controlled by Mr Vadim Novinskiy, who also controls an indirect 54% majority shareholding in the Company. As such, both Unex and a number of Smart group companies are considered to be related parties of Regal pursuant to the AIM Rules for Companies ("AIM Rules").

Also as announced on 26 May 2015, the Company entered into an agreement with Smart dated 26 May 2015 (the "May Agreement") for, *inter alia*, the provision of a guarantee and security over certain assets of Smart in respect of the Group's cash deposits in Unex. These comprise (i) a guarantee from Pelidona Services Limited ("Pelidona") to Regal under which Regal's cash deposits in Unex are guaranteed (the "Guarantee"); and (ii) a share pledge agreement between Energiees Management Limited ("Energiees") and Regal under which Energiees pledges its 100% shareholding interest in Prom-Energo Product LLC as security for the Company's cash deposits in Unex (the "Pledge").

When the May Agreement was entered into, it was envisaged that as the Company sought to diversify its banking arrangements in Ukraine between a number of banks, there would be a reduction in the funds held with Unex and therefore the security, comprising the Guarantee and Pledge, was set to expire at the end of March 2016. However, this has not occurred and as set out in the Group's Interim Report announced on 28 September 2015, the Group's cash deposits held in Unex were reclassified as short-term investments, rather than cash or cash equivalents, as certain requests to reduce the cash deposits at Unex, in accordance with the May Agreement, had not been acted upon and as at 29 February 2016, the aggregate funds deposited by the Group with Unex were approximately US\$11.4 million equivalent, although all such funds are held in Ukrainian Hryvnia.

Accordingly, the Group is continuing to engage in discussions with Smart and Unex to seek a resolution of this matter leading to a reduction of the cash balance held in Unex, and in order to allow further time for such discussions, an agreement has been reached to extend the May Agreement until 31 May 2016 and the Guarantee and Pledge until 31 August 2016.

Given that Unex, and Smart and its group companies, Pelidona and Energiees, are related parties to the Company pursuant to the AIM Rules, the extension of the May Agreement, Guarantee and Pledge is deemed a related party transaction pursuant to the AIM Rules. Accordingly, the independent directors of the Company, being Keith Henry, Alastair Graham and Adrian Coates, having consulted with the Company's Nominated Adviser, Strand Hanson Limited, consider that the terms of the extension of the May Agreement, Guarantee and Pledge, are fair and reasonable insofar as shareholders are concerned.

For further information, please contact:

Regal Petroleum plc
Keith Henry, Chairman
Sergei Glazunov, Financial Director

Tel: 020 3427 3550



Press Release

Strand Hanson Limited
Rory Murphy / Richard Tulloch

Tel: 020 7409 3494

Citigate Dewe Rogerson
Martin Jackson / Shabnam Bashir

Tel: 020 7638 9571

Definitions

% per cent
US\$ United States Dollar