Press Release

26 September 2016

REGAL PETROLEUM PLC

2016 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 2016.

Principal Developments

Ukraine Operations

- Despite ongoing geopolitical events in Ukraine, the Group's production operations have continued relatively normally, although such events have resulted in volatility and weakening of the Ukrainian Hryvnia exchange rates and disruption to the gas sales market and gas sales price

- Average production from the MEX-GOL and SV fields over the six month period to 30 June 2016 of 167,541 m^3/d of gas, 42.4 m^3/d of condensate and 19.8 m^3/d of LPG (1,395 boepd in aggregate) (1H 2015: 145,009 m^3/d of gas, 45.0 m^3/d of condensate and 20.4 m^3/d of LPG (1,291 boepd in aggregate))

- During the first half of 2016, the Group purchased 4,627,701 m^3 of "wet" gas and following treatment of this gas, produced 2,824,773 m^3 of gas, 753 m^3 of condensate and 6,007 m^3 of LPG (48,408 boe in aggregate)

- Commenced drilling of MEX-109 well in July 2016

Finance

- Revenue for the six month period to 30 June 2016 of $10.4 million (1H 2015: $10.9 million)

- Loss for the six month period to 30 June 2016 of $0.9 million (1H 2015: $3.3 million)

- Cash generated from operations during the period of $3.3 million (1H 2015: $6.6 million)

- Average realised gas, condensate and LPG prices in Ukraine for the six month period to 30 June 2016 of $209/$Mm^3$ (UAH5,315/Mm^3), $42/bbl and $29/bbl respectively (1H 2015: $277/$Mm^3$ (UAH5,936/Mm^3) gas, $53/bbl condensate and $50/bbl LPG)

- Cash and cash equivalents at 30 June 2016 of $20.8 million (31 December 2015: $19.9 million), with cash and cash equivalents at 23 September 2016 of $19.5 million, held as to $9.1 million equivalent in Ukrainian Hryvnia and the balance of $10.4 million equivalent predominately in US Dollars and Sterling

- Short-term investments at 30 June 2016 of $12.3 million in respect of cash deposits held in Ukrainian Hryvnia with Unex Bank, subsequently utilised after period end to acquire 100% interest in LLC Prom-Enerho Produkt ("PEP") in a related party transaction with the Smart Holding Group

Outlook

- Focus during the second half of 2016 on completing comprehensive review and re-evaluation study of geology, geophysics, petroleum engineering and well performance at MEX-GOL and SV fields
- Continue to drill MEX-109 well
- Development planning for PEP asset to include acquisition of 3D seismic and possible new well in 2017
- Funding of remaining 2016 development programme anticipated to be from existing cash and cash equivalents and operational revenues
- Geopolitical and economic outlook in Ukraine remains uncertain but some improvements in geopolitical and economic stability

This announcement contains inside information.

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Philip Frank, PhD Geology, Chartered Geologist, FGS, PESGB, 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 for Companies.

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Definitions

AAPG	American Association of Petroleum Geologists
bbl	barrel
boe	barrels of oil equivalent
boepd	barrels of oil equivalent per day
LPG	liquefied petroleum gas
m^3	cubic metres
m^3/d	cubic metres per day
Mm^3	thousand cubic metres
MMboe	million barrels of oil equivalent
MMm^3	millions of cubic metres
Mtonne	thousands of tonnes
NPV	net present value of cash flows discounted at 15.38%
%	per cent
tonnes/d	tonnes per day
scf	standard cubic feet measured at 14.7 pounds per square inch and 60 degrees Fahrenheit
SPE	Society of Petroleum Engineers
SPEE	Society of Petroleum Evaluation Engineers
$	United States Dollar
UAH	Ukrainian Hryvnia
WPC	World Petroleum Council

The SPE/WPC/AAPG/SPEE Petroleum Resources Management System document, which includes definitions of Reserves and Contingent Resources categorisations, can be viewed at:-

www.spe.org/spe-app/spe/industry/reserves/prms.htm

Chairman's Review

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

The major events that have taken place in Ukraine since late 2013, including the change of Government, civil unrest and military conflict in the east of the country, have meant that there has been a great deal of uncertainty about the political, fiscal and economic outlook in Ukraine.

Nevertheless, the Group's operational activities have continued to be relatively unaffected by the ongoing events in Ukraine, and the Group has been able to produce relatively normally at its MEX-GOL and SV fields. However, the continuing geopolitical situation has resulted in significant volatility and weakening of the Ukrainian Hryvnia exchange rates, uncertainty in the gas sales price, the temporary imposition of significant increases in subsoil taxes (now reversed) and disruption to the gas supply market over the 2014/2015 winter period. These continuing uncertainties have made it difficult to commit to major capital investment and caused delays to the further development of the MEX-GOL and SV fields.

There has also been a degree of volatility and weakness in the gas price in Ukraine, due not only to the geopolitical situation but also the fall in European gas prices during recent months. The prevailing industrial gas price in Ukraine, which is set in Ukrainian Hryvnia, was broadly related to the US Dollar denominated imported price of gas, but with effect from 1 October 2015, the Ukrainian Government enacted legislation to deregulate the gas supply market. The implementation of this new legislation has resulted in the market gas price now broadly correlating to the imported gas price.

As regards the Group's financial performance in the six months ended 30 June 2016, a loss of $0.9 million (1H 2015: $3.3 million loss) was made, mainly due to lower realised hydrocarbon prices. Cash generated from operations during the period was positive at $3.3 million (1H 2015: $6.6 million).

Since early 2014, the Ukrainian Hryvnia has devalued significantly against the US Dollar, falling from UAH8.3/$1.00 on 1 January 2014 to UAH24.85/$1.00 on 30 June 2016, which resulted in substantial foreign exchange translation losses for the Group over that period, and in turn adversely impacted the carrying value of the MEX-GOL and SV asset due to the translation of two of the Group's subsidiaries from their functional currency of Ukrainian Hryvnia to the Group's presentation currency of US Dollars. However, in the first half of 2016, the exchange rate between the Ukrainian Hryvnia and the US Dollar has been reasonably stable averaging UAH25.47/$1.00 during the period (rate as at 30 June 2015: UAH21.0/$1.00).

As a result of the significant devaluation of the Ukrainian Hryvnia since early 2014, the National Bank of Ukraine has imposed comprehensive restrictions on the purchase of foreign currency and the remittance of funds outside Ukraine. These restrictions, and the many other economic issues in Ukraine, have put great strain on the Ukrainian banking system, with increasing risks to the capital strength, liquidity and creditworthiness of a number of banks.

Due to these banking restrictions, the Group is unable to remit funds outside Ukraine, which has resulted in the Group's cash holdings and short-term investments in Ukrainian Hryvnia remaining at high levels during the period. In light of the stresses in the banking sector in Ukraine, further details of which are set out under the heading Risks relating to the Ukrainian banking sector in the Operational Environment, Principal Risks and Uncertainties section below, the Group has taken steps to diversify its banking arrangements between a number of banks in Ukraine.

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However, during the first half of 2016, the Group held a significant proportion of its Ukrainian Hryvnia cash deposits in PJSC Unex Bank ("Unex Bank"), which is part of the PJSC Smart-Holding Group (the "Smart Holding Group"), which is ultimately controlled by Mr Vadim Novinskiy, who also controls an indirect majority shareholding in the Group. As a result, Unex Bank is a related party to the Group.

Given the situation in Ukraine and its impact on the banking sector, in May 2015 the Group obtained a guarantee from Pelidona Services Limited (the "Guarantee") and a share pledge over a 100% interest in LLC Prom-Enerho Produkt ("PEP") (the "Pledge"), which were companies within the Smart Holding Group, in support of the Group's cash deposits in Unex Bank. As a result of a reassessment of the risks and limited liquidity associated with these cash deposits, the Group reclassified such cash deposits as short-term investments (with a carrying value equal to the cash deposits) rather than cash or cash equivalents in the Group's financial statements for the year ended 31 December 2015. Such cash deposits amounted to $12.3 million (held in Ukrainian Hryvnia) as at 30 June 2016. At the end of February 2016, the duration of the Guarantee and Pledge was extended until the end of August 2016.

Acquisition of LLC Prom-Enerho Produkt

As announced on 5 July 2016, as a result of ongoing discussions between the Group and the Smart Holding Group regarding the funds deposited with Unex Bank, on 4 July 2016, the Group acquired a 100% shareholding interest in PEP for a cash consideration of UAH305 million (approximately $12.3 million as at that date) to be paid as to (a) UAH165 million (approximately $6.7 million as at that date) by way of initial consideration, and as to (b) UAH140 million (approximately $5.6 million as at that date) by way of deferred consideration to be paid on satisfaction of certain conditions subsequent relating to, *inter alia*, discharge of certain guarantees and sureties given by PEP and discharge of certain debts owing by and/or to PEP, with all such consideration to be paid entirely from the Group's cash balances in Unex Bank. Following the completion of the acquisition of PEP and the satisfaction of such conditions subsequent, the Pledge and Guarantee were discharged. As at the date of this announcement, no material cash balances are held by the Group in Unex Bank.

PEP is a Ukrainian incorporated company, which holds a production licence over the Vasyschevskoye ("VAS") gas and condensate field, which also includes the Vvdenska ("VVD") prospect, located in the Dnieper-Donets basin in the north-east of Ukraine. The production licence was granted in August 2012 with a duration of 20 years, and is in respect of a 100% interest in the licence.

PEP's audited financial statements for the year ended 31 December 2015 show that PEP's net assets as at 31 December 2015 were UAH113.2 million (approximately $4.7 million as at that date) and net profits after tax for the year ended 31 December 2015 were UAH34.6 million (approximately $1.4 million as at that date). As at 30 June 2016, PEP had cash of approximately UAH15.9 million (approximately $0.6 million as at that date) and debt of approximately UAH27.8 million (approximately $1.1 million as at that date) owed to a Smart Holding Group company, which the Group assumed and agreed to pay down by the end of December 2016.

As part of the acquisition process, the Group commissioned an independent assessment of the VAS gas and condensate field and the VVD prospect by Synergy (GB) Limited, which assessed the remaining Reserves and Contingent Resources at the VAS field and the Prospective Resources at the VVD prospect as at 1 January 2016 (the "Report") as set out below. The Report accords with the March 2007 SPE/WPC/AAPG/SPEE Petroleum Resources Management System standard for classification and reporting.

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The Report estimates the remaining Reserves as at 1 January 2016 in the VAS field as follows:-

	Proved (1P)	Proved + Probable (2P)	Proved + Probable + Possible (3P)
Gas	91.5 MMm^3	251.5 MMm^3	448.6 MMm^3
Condensate	6.90 Mtonne	19.0 Mtonne	33.82 Mtonne
Total	**0.66 MMboe**	**1.80 MMboe**	**3.21 MMboe**

The Report estimates the Contingent Resources as at 1 January 2016 in the VAS field as follows:-

	Contingent Resources (1C)	Contingent Resources (2C)	Contingent Resources (3C)
Gas	153.0 MMm^3	280.3 MMm^3	515.4 MMm^3
Condensate	6.3 Mm^3	11.4 Mm^3	20.7 Mm^3
Total	**158.6 MMm^3**	**294.5 MMm^3**	**538.0 MMm^3**

The Report estimates the Prospective Resources as at 1 January 2016 in the VVD field as follows:-

	Low	Best	High	Mean
Gas and Condensate	441.8 MMm^3	1,078.9 MMm^3	2,582.6 MMm^3	1,234.7 MMm^3

The NPV of the 2P Reserves for the VAS field is estimated in the Report at UAH343.9 million. The Report is consistent with the proposed field development plans for the VAS field, which comprise continued production from the existing three wells and the drilling of one additional well to recover the 2P and 3P Reserves. The additional well is estimated to cost US$5.9 million. The estimates of Contingent Resources in the Report are based on the drilling of one further additional well.

Operations and Production

Average daily production from the MEX-GOL and SV fields for the six month period ended 30 June 2016 was 167,541 m^3/d of gas, 42.4 m^3/d of condensate and 19.8 m^3/d of LPG (1,395 boepd in aggregate), which was higher compared to the first half of 2015 predominately due to the commencement of production from the SV-6 well in late November 2015, which boosted gas production levels (1H 2015: 145,009 m^3/d of gas, 45.0 m^3/d of condensate and 20.4 m^3/d of LPG (1,291 boepd in aggregate)).

The average daily production from the MEX-GOL and SV fields for the period from 1 July 2016 to 22 September 2016 was 153,256 m^3/d of gas, 42.8 m^3/d of condensate and 18.5 m^3/d of LPG, which equates

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to a combined total oil equivalent of 1,302 boepd. The average daily production from the VAS field for the period from 4 July 2016 to 22 September 2016 was 77,369 m^3/d of gas and 6.1 m^3/d of condensate (521 boepd in aggregate).

Since early July 2015, the Group has been purchasing "wet" gas from Pryrodni Resursy, the operator of the adjacent Lutsenky field, and treating such "wet" gas through the Group's gas processing facilities to strip out and sell the liquids. This operation produces additional income and improves the utilisation of the Group's gas processing facilities. In the first half of 2016, the Group purchased 4,627,701 m^3 of "wet" gas and following treatment of this gas, produced 2,824,773 m^3 of gas, 753 m^3 of condensate and 6,007 m^3 of LPG (48,408 boe in aggregate).

The MEX-109 well was spudded at the end of July 2016 and is targeting the Visean reservoirs ("B-Sands") in the MEX-GOL field. The well has a target depth of 5,250 metres, with drilling operations scheduled to be completed in March 2017 and, subject to successful testing, production hook-up by the end of the second quarter of 2017. As at 22 September 2016, the well was drilling at a depth of 2,916 metres.

The geopolitical situation, the volatility and weakness in the gas price and the Ukrainian Hryvnia, and the fiscal and economic uncertainty in Ukraine since the end of 2013, have meant that the Group considered it necessary to reduce its capital investment programme at the MEX-GOL and SV fields. The programme during the first half of 2016 was limited to improvements to the Group's gas processing facilities and pipeline network and performing remedial work on existing wells. In addition, the Group engaged P.D.F Limited to undertake a comprehensive review and re-evaluation study of the geology, geophysics, petroleum engineering and well performance at the MEX-GOL and SV fields,

Business Review and Outlook

The instability in Ukraine over recent times has meant that planning for the further development of the MEX-GOL and SV fields has been substantially disrupted, and the various political, economic and fiscal uncertainties have made budgeting and commitment to capital investment problematic. However, the slowly improving geopolitical and economic climate in Ukraine is cause for some optimism and the Group is now stepping up its planning for the further development of the MEX-GOL and SV fields. In addition, the Group is planning its development programme for the PEP asset, which should include the acquisition of new 3D seismic over the 2016/2017 winter period and the possible drilling of a new well in the VAS field later in 2017.

At the MEX-GOL and SV fields during the remainder of 2016, we plan to complete the comprehensive review and re-evaluation study by P.D.F Limited, which we anticipate will greatly assist in the future development of the fields, as well as continuing the drilling of the MEX-109 well, the possible workover of the GOL-2 well, the installation of additional compression equipment, continued investment in the gas processing facilities and pipeline network, and performing remedial work on existing wells.

It is hoped that the situation in Ukraine will continue to improve over the coming months, allowing better visibility on the political and economic outlook and in turn assisting with the Group's development planning for its Ukrainian assets.

In conclusion, on behalf of the Board, I would like to thank our staff for the continued dedication and support they have shown over the period.

Keith Henry
Executive Chairman
23 September 2016

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Finance Review

The Group's loss for the period ended 30 June 2016 was $0.9 million (1H 2015: $3.3 million loss). Revenue in the first half of 2016, derived from the sale of the Group's Ukrainian gas, condensate and LPG production, was lower at $10.4 million (1H 2015: $10.9 million) primarily due to lower realised hydrocarbon prices.

Cash generated from operations during the period was $3.3 million (1H 2015: $6.6 million), which was substantially lower due to lower hydrocarbon prices.

For the six month period ended 30 June 2016, the average realised gas, condensate and LPG prices were $209/Mm^3 (UAH5,315/Mm^3), $42/bbl and $29/bbl respectively (1H 2015: $277/Mm^3 (UAH5,936/Mm^3) gas, $53/bbl condensate and $50/bbl LPG).

During the period from 1 July 2016 to 22 September 2016, the average realised gas, condensate and LPG prices were $201/Mm^3 (UAH5,083/Mm^3), $56/bbl and $64/bbl respectively. The current realised gas price is $201/Mm^3 (UAH5,197/Mm^3).

The gas supply market in Ukraine was regulated and gas prices were generally benchmarked against the industrial gas price set by the National Commission for State Energy and Public Utilities Regulation which was broadly related to the price of imported gas. However, with effect from 1 October 2015, the Ukrainian Government introduced legislation to deregulate the gas supply market in Ukraine. Since then the market price for gas has broadly correlated to the price of imported gas, which has trended lower during recent months, reflecting the decrease in European gas prices. In addition, declines in industrial consumption resulting from the economic issues in Ukraine have contributed to weakness in demand and gas price in the gas supply market.

During the period from August 2014 to the end of 2015, the Ukrainian Government introduced emergency fiscal measures which significantly increased the subsoil taxes payable on gas and condensate production in Ukraine. However, with effect from 1 January 2016, the subsoil taxes on gas production reverted to substantially the same levels that were in effect prior to the introduction of the temporary increases. The new subsoil tax rates are 29% for gas produced from deposits at depths above 5,000 metres and 14% for gas produced from deposits below 5,000 metres, and 45% for condensate produced from deposits above 5,000 metres and 21% for condensate produced from deposits below 5,000 metres.

Cost of sales for the six month period ended 30 June 2016 was lower at $8.2 million (1H 2015: $9.4 million), mainly due to exchange rate fluctuations.

Administrative expenses for the period were higher at $2.4 million (1H 2015: $2.0 million), primarily due to expenditure on consultants related to the acquisition of PEP.

The tax charge for the six month period ended 30 June 2016 of $1.2 million (1H 2015: $3.8 million) comprises a current tax charge of $0.7 million (1H 2015: $0.6 million) and a deferred tax charge of $0.5 million (1H 2015: $3.2 million).

The Group has recognised a deferred tax asset of $13.6 million at 30 June 2016 (30 June 2015: $14.1 million). This comprises a deferred tax asset of $3.6 million (30 June 2015: $4.5 million) in relation to UK tax losses carried forward, and $10.0 million (30 June 2015: $9.6 million) relating to the Group's MEX-GOL and SV 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 2016 is primarily due to a decrease of forecasted taxable income for the following 5 years caused by impairment of the loans receivable and weakening of Euro against the US Dollar.

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Capital investment of $0.4 million predominately reflects investment in the Group's oil and gas development and production asset for the year (1H 2015: $1.2 million). Capital investment was lower in the period as a result of the reduction in the field development programme due to the geopolitical and economic uncertainty in Ukraine. However, prepayments of $2.7 million relating to drilling costs of the MEX-109 well and consulting costs of the re-evaluation study of the MEX-GOL and SV fields will significantly increase capital additions in the second half of 2016.

Cash and cash equivalents held at 30 June 2016 were $20.8 million (31 December 2015: $19.9 million). The Group's cash and cash equivalents balance at 23 September 2016 was $19.5 million, held as to $9.1 million equivalent in Ukrainian Hryvnia and the balance of $10.4 million equivalent predominantly in US Dollars and Sterling.

As a result of the significant devaluation of the Ukrainian Hryvnia since early 2014, the National Bank of Ukraine, among other measures, imposed comprehensive restrictions on the purchase of foreign currency and on the remittance of funds outside Ukraine. These restrictions, and the many other economic issues in Ukraine, have put great strain on the Ukrainian banking system, with increasing risks in the capital strength, liquidity and creditworthiness of a large number of local banks, and very high rates in the wholesale and overnight markets. In addition, there have been significant deposit outflows from the banking system and widespread restructuring of bank clients' maturing liabilities. As a result of recommendations from the International Monetary Fund, significant reforms to the Ukrainian banking sector are being implemented, which are intended to strengthen the capitalisation of the Ukrainian banks.

The deterioration in the banking sector in Ukraine has caused the Group to take steps to diversify its banking arrangements between a number of banks in Ukraine. These measures are designed to spread the risks associated with each bank's creditworthiness, but the Ukrainian banking sector remains weakly capitalised and so the risks associated with the banks in Ukraine remain significant, including in relation to the banks with which the Group operates bank accounts. In addition, the severe banking restrictions referred to above, have meant that the Group is unable to remit funds outside Ukraine and as a result, the Group's cash holdings of Ukrainian Hryvnia in Ukraine remained at a high level during the period. Further details are set out in the Operational Environment, Principal Risks and Uncertainties section.

During the period, the Group held bank accounts in Ukraine with Unex Bank which is indirectly controlled by Mr V Novinskiy, who also controls a majority shareholding in the Group. As a result, Unex Bank is a related party to the Group. At 30 June 2016, the Group had cash deposits of $12.3 million (held in Ukrainian Hryvnia) in Unex Bank**.** Such cash deposits were recorded in the financial statements of the Group as short-term investments (with a carrying value equal to the cash deposits), rather than cash or cash equivalents due to the limited liquidity of the asset. On 4 July 2016, in a related party transaction, the Group acquired a 100% interest in PEP from the Smart Holding Group, utilising substantially all of the Group's cash deposits in Unex Bank. As at the date of this announcement, no material cash balances are now held by the Group in Unex Bank.

Cash from operations has funded the capital investment during the year, and the Group's current cash position and positive operating cash flow are the sources from which the Group expects to fund the development programmes for its assets in the remainder of 2016.

The ongoing situation in Ukraine has resulted in a significant devaluation of the Ukrainian Hryvnia against the US Dollar, continued devaluation of which may affect the carrying value of the Group's assets in the future.

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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 political and economic 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.

Since late 2013, the political situation in Ukraine has experienced significant instability with numerous protests and ongoing political uncertainty that has led to a deterioration of the State's finances, volatility of financial markets, illiquidity on capital markets, high inflation and a substantial depreciation of the Ukrainian Hryvnia against major foreign currencies. This caused the ratings of Ukrainian sovereign debt to be downgraded by international rating agencies, but in late 2015, the ratings improved following the restructuring of part of Ukraine's sovereign debt. During 2015, Ukraine's GDP decreased by 10.4% and annual inflation rose to 43.3% (2014: GDP decreased 6.8%; inflation increased by approximately 25%). However, there was an improvement in the official inflation rate during the first half of 2016 to approximately 5%.

As a result of protests in late 2013 and early 2014, there was a change in the President and Government of Ukraine, which led to a deterioration in relations with Russia. In late February 2014, Russian troops occupied Crimea, and 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. In February 2015, a ceasefire agreement was negotiated, and although there has continued to be sporadic fighting, this ceasefire has largely held.

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.

The conflict in the region has put further pressure on relations between Ukraine and Russia, and the political tensions have had an adverse effect on the Ukrainian financial markets, hampering the ability of Ukrainian companies and banks to obtain funding from the international capital and debt markets.

On 1 January 2016, the agreement on the free trade area between Ukraine and the EU came into force. The Russian Government reacted to this event by implementing a trading embargo on many key Ukrainian export products. In response, the Ukrainian Government implemented similar measures against Russian products.

Since the beginning of 2014, the Ukrainian Hryvnia has devalued significantly against major world currencies, including against the US Dollar, where it has fallen from UAH8.3/$1.00 on 1 January 2014 to UAH24.85/$1.00 on 30 June 2016. However, in the first half of 2016, the exchange rate between the Ukrainian Hryvnia and the US Dollar has been reasonably stable averaging UAH25.47/$1.00 during the period. As a result of such devaluation, significant external financing is required to maintain the country's economic stability. The National Bank of Ukraine, among other measures, has imposed severe restrictions on the processing of client payments by banks, on the purchase of foreign currency on the inter-bank market and on the remittance of funds outside Ukraine. The Ukrainian banking system is fragile due to its weak levels of capital, its weakening asset quality caused by the economic situation, currency depreciation, and the general economic situation in Ukraine.

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The Ukrainian Government has continued to work with the United States, European Union and International Monetary Fund in order to maintain financing and avoid defaulting on its loans. On 11 March 2015, a funding package from the International Monetary Fund amounting to $17.5 billion over a four year period was agreed. The terms of this new funding package stipulated a number of fiscal and economic reforms, including reforms in the banking and energy sectors. During 2015, Ukraine received the first and second tranches under the funding programme of $5 billion and $1.7 billion respectively, and on 16 September 2016 a further tranche of $1.0 billion was released with another tranche of $1.3 billion scheduled for November 2016. In October 2015, Ukraine reached an agreement with the majority of its creditors for the restructuring of part of the national external debt in the amount of $15 billion. The restructuring extends the maturities of the restructured debt to 2019-2027, fixing annual interest rates at 7.75% and includes the exchange of 20% of the debt into GDP warrants at a par value of $2.9 billion. However, there remains a significant portion of outstanding debt for which a restructuring was not agreed. Further disbursements of International Monetary Fund tranches depend on the implementation of Ukrainian Government reforms, and other economic, legal and political factors.

The final resolution and the effects of the political and economic situation in Ukraine are difficult to predict but they are likely to continue to have severe effects on the Ukrainian economy.

These events have not materially affected the Group's production operations to date, but the ongoing instability is disrupting the Group's development and operational planning for its assets. Furthermore, the political, fiscal and economic instability has impacted the Group's normal business activities, and increased the risks relating to its business operations, financial status, access to secure banking facilities 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. While 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 this Operational Environment, Principal Risks and Uncertainties section. 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 financial statements, budgets and forward plans (including sensitivity analysis), the latest operational results, the risks outlined herein, 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 entering into firm commitments for future drilling operations and the lower committed expenditure in Ukraine, the Directors continue to believe that the Group is able 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 regarded as at least 12 months from the date of signing of the Group's financial statements. 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.

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 previous downgrade in the Group's remaining reserves which resulted in the reduction in the value in use, and consequent impairment loss relating to the Group's MEX-GOL and SV asset in Ukraine. Furthermore, the optimisation 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, the Group's 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.

Risks relating to the Ukrainian banking sector
The instability in Ukraine has led to a significant deterioration of Ukraine's finances, volatility in financial markets, illiquidity on capital markets and a substantial depreciation of the Ukrainian Hryvnia against major foreign currencies. As a result, significant external financing is required to maintain the country's economic stability. The National Bank of Ukraine, amongst other measures, has imposed comprehensive restrictions on the processing of client payments by banks, on the purchase of foreign currency on the inter-bank market and on the remittance of funds outside Ukraine, with particular restrictions on operations with foreign currency including temporary bans on the payment of dividends in foreign currency and the early repayment of debts to non-residents and the mandatory sale of 65% (reduced during the period from 75%) of revenue in foreign currency. These measures and the many other economic issues in Ukraine have put great strain on the Ukrainian banking system, with increasing risks in the capital strength, liquidity and creditworthiness of a number of banks, and very high rates in the wholesale and overnight markets. In addition, there have been significant deposit outflows from the banking system and widespread restructuring of bank clients' maturing liabilities.

The new funding package to Ukraine, approved by the International Monetary Fund in March 2015, required significant reforms to the Ukrainian banking sector, which are now being implemented. The reforms are being overseen by the National Bank of Ukraine and involve all banks being inspected and assessed, with particular emphasis on lending to a bank's related parties. The inspections are designed to enable the National Bank to assess the financial strength and liquidity of the banks in Ukraine, and may lead to the National Bank imposing remedial measures, ranging from the imposition of requirements for a bank to bolster its capital strength, requirements for a bank to reduce its exposure to related party lending, the appointment of an administrator to manage the priority of payments by a bank, or in the most extreme cases, the liquidation of a bank.

In light of the deterioration in the banking sector in Ukraine, the Group has taken steps to diversify its banking arrangements between a number of banks in Ukraine. These measures are designed to spread the risks associated with each bank's creditworthiness, but the Ukrainian banking sector remains weakly capitalised and so the risks associated with the banks in Ukraine remain significant.

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In addition, the severe banking restrictions referred to above, have meant that the Group is unable to remit funds outside Ukraine, which has resulted in the Group's cash holdings of Ukrainian Hryvnia in Ukraine remaining at a high level during the period.

The creditworthiness and potential risks relating to the majority of banks in Ukraine are regularly reviewed by the Group, but the ongoing geopolitical and economic events in Ukraine have significantly weakened the Ukrainian banking sector and so the risks associated with the banks in Ukraine remain significant, including in relation to the banks with which the Group operates bank accounts.

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 2016 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, but as the Ukrainian Hryvnia does not benefit from the range of currency hedging instruments which are available in more developed economies, the Group had previously adopted a policy that, where possible, funds not required for use in Ukraine be retained on deposit in the United Kingdom, principally in US Dollars. However, the severe banking restrictions, referred to above, on the purchase of foreign currency and the remittance of funds outside Ukraine have meant that the Group has been unable to follow this policy, and as a result, the Group's cash holdings of Ukrainian Hryvnia in Ukraine have remained at a high level during the period.

Furthermore, since the beginning of 2014, the Ukrainian Hryvnia has significantly devalued against major world currencies, including against the US Dollar, where it has fallen from UAH8.3/$1.00 on 1 January 2014 to UAH24.85/$1.00 on 30 June 2016. As at 23 September 2016, the Ukrainian Hryvnia was trading at UAH25.92/$1.00. In response, the National Bank of Ukraine, among other measures, has imposed severe restrictions on the processing of client payments by banks, on the purchase of foreign currency on the inter-bank market and on the remittance of funds outside Ukraine, with particular restrictions on operations with foreign currency including temporary bans on the payment of dividends in foreign currency and the early repayment of debts to non-residents and the mandatory sale of 65% (reduced during the period from 75%) of revenue in foreign currency. In addition, the events in Ukraine over recent years, as outlined above in *"Risks relating to Ukraine"*, are likely to continue to impact the valuation of the Ukrainian Hryvnia against major world currencies. 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 MEX-GOL and SV production licences, which was not resolved until mid-2011. In 2013, new rules relating to the updating of production licences led to further challenges being raised by the Ukrainian authorities to the production licences held by independent oil and gas producers in Ukraine, including the Group, which may result in requirements for remediation work, financial penalties and/or the suspension of such licences, which, in turn, may adversely affect the Group's operations and financial position. All such challenges affecting the Group have thus far been successfully defended through the Ukrainian legal system. However, the business environment is such that these type of challenges may arise at any time 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 view to agreeing a reasonable time frame for achieving compliance or an alternative, mutually agreeable course of action.

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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 MEX-GOL and SV 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 has been a degree of volatility and weakness in gas prices in Ukraine during the first half of 2016, arising from the geo-political situation in Ukraine during the period, as well as reflecting a global decline in oil commodity prices. During 2015, the Ukrainian Government implemented a number of reforms to the internal gas market in Ukraine and with effect from 1 October 2015, the gas supply market was deregulated. Since then, the market price for gas has generally correlated to the price of imported gas, which has decreased in recent months, reflecting the decline in European gas prices.

The overall economics of the Group's key assets (being the net present value of the future cash flows from its Ukrainian projects) 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 projects, 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. These imposed significant increases to the subsoil tax rates payable on gas and condensate production. The measures were imposed for the limited period from 1 August 2014 to 31 December 2014, but due to the continuing fiscal and economic pressures affecting the economy of Ukraine, these measures were extended until the end of 2015. With effect from 1 January 2016, the subsoil tax rates relating to gas production reverted to substantially the same levels as prior to the temporary increases, but it is possible that similar significant increases to subsoil tax rates may be implemented 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 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 Interim Consolidated Income Statement

	Note	**6 months ended 30 Jun 16 (unaudited) $000**	6 months ended 30 Jun 15 (unaudited) $000	12 months ended 31 Dec 15 (audited) $000
Revenue	3	**10,433**	10,933	23,438
Cost of sales		**(8,237)**	(9,412)	(19,779)
Gross profit		**2,196**	1,521	3,659
Administrative expenses		**(2,402)**	(2,016)	(4,006)
Other operating gains and losses (net)	4	**37**	17	66
Operating loss		**(169)**	(478)	(281)
Interest income		**476**	968	1,981
Finance costs		**(28)**	(14)	(26)
Other gains and losses (net)		**42**	5	(73)
Profit on ordinary activities before taxation		**321**	481	1,601
Income tax expense	5	**(1,197)**	(3,777)	(2,581)
Loss for the period		**(876)**	(3,296)	(980)
Loss per ordinary share (cents)				
Basic and diluted	6	**(0.3c)**	(1.0c)	(0.3c)

The Notes set out below are an integral part of these condensed interim consolidated financial statements.

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Condensed Interim Consolidated Statement of Comprehensive Income

	6 months ended 30 Jun 16 (unaudited) $000	6 months ended 30 Jun 15 (unaudited) $000	12 months ended 31 Dec 15 (audited) $000
Loss for the period	**(876)**	(3,296)	(980)
Items that may be subsequently reclassified to profit or loss:			
Equity – foreign currency translation	**(1,741)**	(17,607)	(24,767)
Items that will not be subsequently reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	**-**	-	(71)
Total other comprehensive expense	**(1,741)**	(17,607)	(24,838)
Total comprehensive expense for the period	**(2,617)**	(20,903)	(25,818)

The Notes set out below are an integral part of these condensed interim consolidated financial statements.

Press Release

Condensed Interim Consolidated Balance Sheet

	Note	**30 Jun 16 (unaudited) $000**	31 Dec 15 (audited) $000
Assets			
Non-current assets			
Intangible assets		**73**	63
Property, plant and equipment	7	**14,135**	18,503
Corporation tax receivable		**233**	200
Deferred tax asset	5	**13,618**	14,433
		28,059	33,199
Current assets			
Inventories	9	**1,314**	1,458
Trade and other receivables	8	**4,055**	2,055
Other short-term investments	11	**12,333**	13,067
Cash and cash equivalents	11	**20,763**	19,920
		38,465	36,500
Total assets		**66,524**	69,699
Liabilities			
Current liabilities			
Trade and other payables		**(1,134)**	(1,521)
Corporation tax payable		**(325)**	(592)
		(1,459)	(2,113)
Net current assets		**37,006**	34,387
Non-current liabilities			
Provision for decommissioning	10	**(933)**	(831)
Defined benefit liability		**(158)**	(164)
		(1,091)	(995)
Total liabilities		**(2,550)**	(3,108)
Net assets		**63,974**	66,591
Equity			
Called up share capital		**28,115**	28,115
Share premium account		**555,090**	555,090
Foreign exchange reserve		**(95,525)**	(93,784)
Other reserves		**4,273**	4,273
Accumulated losses		**(427,979)**	(427,103)
Total equity		**63,974**	66,591

The Notes set out below are an integral part of these condensed interim consolidated financial statements.

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Condensed Interim Consolidated Statement of Changes in Equity

	Called up share capital $000	**Share premium account $000**	**Merger reserve $000**	**Capital contributions $000**	**Foreign exchange reserve* $000**	**Accumulated losses $000**	**Total equity $000**
As at 1 January 2016 (audited)	**28,115**	**555,090**	**(3,204)**	**7,477**	**(93,784)**	**(427,103)**	**66,591**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**(876)**	**(876)**
Other comprehensive expense							
- exchange differences	**-**	**-**	**-**	**-**	**(1,741)**	**-**	**(1,741)**
Total comprehensive expense	**-**	**-**	**-**	**-**	**(1,741)**	**(876)**	**(2,617)**
As at 30 June 2016 (unaudited)	**28,115**	**555,090**	**(3,204)**	**7,477**	**(95,525)**	**(427,979)**	**63,974**

	Called up share capital $000	Share premium account $000	Merger reserve $000	Capital contributions $000	Foreign exchange reserve* $000	Accumulated losses $000	Total equity $000
As at 1 January 2015 (audited)	28,115	555,090	(3,204)	7,477	(69,017)	(426,052)	92,409
Loss for the period	-	-	-	-	-	(3,296)	(3,296)
Other comprehensive expense							
- Exchange differences	-	-	-	-	(17,607)	-	(17,607)
Total comprehensive expense	-	-	-	-	(17,607)	(3,296)	(20,903)
As at 30 June 2015 (unaudited)	28,115	555,090	(3,204)	7,477	(86,624)	(429,348)	71,506

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

The Notes set out below are an integral part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Cash Flow Statement

	Note	**6 months ended 30 Jun 16 (unaudited) $000**	6 months ended 30 Jun 15 (unaudited) $000	12 months ended 31 Dec 15 (audited) $000
Operating activities				
Cash generated from operations	12	3,809	5,956	8,795
Taxation paid		(978)	(346)	(679)
Interest received		495	968	1,956
Net cash inflow from operating activities		**3,326**	6,578	10,072
Investing activities				
Purchase of property, plant and equipment		(2,494)	(967)	(2,150)
Purchase of intangible assets		(23)	(4)	(4)
Proceeds from sale of property, plant and equipment		11	13	5
Other short-term investments		241	(14,457)	(13,067)
Net cash outflow from investing activities		**(2,265)**	(15,415)	(15,216)
Net increase/(decrease) in cash and cash equivalents		1,061	(8,837)	(5,144)
Cash and cash equivalents at beginning of period		19,920	31,836	31,836
Effect of foreign exchange rate changes		(218)	(4,054)	(6,772)
Cash and cash equivalents at end of period		**20,763**	18,945	19,920

The Notes set out below are an integral part of these condensed interim consolidated financial statements.

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Notes to the condensed consolidated financial statements

1. Operating Environment

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

Regal Petroleum plc is a company quoted on the AIM Market of London Stock Exchange plc and incorporated in England and Wales under the Companies Act 2006. The Company’s registered office is at 16 Old Queen Street, London SW1H 9HP, United Kingdom and its registered number is 4462555.

As of 30 June 2016 and 2015, the Company’s immediate parent company was Energees Management Limited, which is 100% owned by Pelidona Services Limited, which is 100% owned by Lovitia Investments Ltd, which is 100% owned by Mr V Novinskiy. Accordingly, the Company was ultimately controlled by Mr V Novinskiy.

The Group’s gas, condensate and LPG extraction and production facilities are located in Ukraine. The ongoing political and economic instability in Ukraine, which commenced in late 2013, has led to a deterioration of Ukrainian State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and a depreciation of the national currency against major foreign currencies and has continued in the first half of 2016.

In March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation. Further, in 2014 armed separatist forces obtained control over parts of the Donetsk and Lugansk regions in eastern Ukraine. The relationships between Ukraine and the Russian Federation worsened and remained strained. On 1 January 2016, the agreement on the free trade area between Ukraine and the EU came into force. The Russian government reacted to this event by implementing a trading embargo on many key Ukrainian export products. In response, the Ukrainian government implemented similar measures against Russian products.

As at 23 September 2016, the official National Bank of Ukraine exchange rate of the Ukrainian Hryvnia to the US Dollar was UAH25.92/$1.00, compared to UAH24.85/$1.00 as at 30 June 2016 (31 December 2015: UAH24.00/$1.00).

To constrain devaluation of the Ukrainian Hryvnia in recent years, the National Bank of Ukraine has imposed a number of restrictions on operations with foreign currency including: a temporary restriction on payment of dividends in foreign currency; a temporary ban on early repayment of debts to non-residents; mandatory sale of 65% (reduced during the period from 75%) of revenue in foreign currency and other restrictions on cash and non-cash operations. The National Bank of Ukraine prolonged these restrictions several times during 2015 and the restrictions are continuing at the date of this announcement.

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 condensed interim consolidated financial statements for the six month period ended 30 June 2016 have been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’ as adopted by the European Union. The condensed interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards (hereinafter “IFRSs”) as adopted by the European Union.

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For the reasons outlined in the Operational Environment, Principal Risks and Uncertainties section of this announcement, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future regarded as at least 12 months from the date of this announcement. Accordingly, the going concern basis has been adopted in preparing these condensed interim consolidated financial statements for the period ended 30 June 2016. The use of this basis of accounting takes into consideration the Company's and the Group's current and forecast financing position, and included an assessment of the impact of the reclassification of the cash held in Unex Bank and further related party acquisition (Note 15) which is historically profitable.

These condensed interim consolidated financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2015 were approved by the Board of Directors on 31 May 2016 and subsequently filed with the Registrar of Companies. The Auditor's Report on those accounts was not qualified, did not contain any statement under section 498 of the Companies Act 2006, but did contain an emphasis of matter in respect to the continuing political and economic uncertainties in Ukraine.

The Auditor has carried out a review of the interim condensed consolidated financial statements for the six month period ended 30 June 2016 and its report is shown at the end of this announcement.

2. Accounting Policies

The accounting policies and methods of computation and presentation used are consistent with those used in the Group's Annual Report and Financial Statements for the year ended 31 December 2015 with the exception of the following new or revised standards and interpretations:

- IAS 1, 'Presentation of financial statements', amended to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
- Annual improvements to IFRSs 2012-2014 Cycle, improves and amends existing standards, basis of conclusions and guidance, and includes changes to:

  - IFRS 7,'Financial instruments: Disclosures', amended to (i) add guidance on whether an arrangement to service a financial asset which has been transferred constitutes continuing involvement, and (ii) clarify that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities', is not specifically required for interim periods, unless required by IAS 34.
  - IAS 19,'Employee benefits', amended to clarify guidance on discount rates for post-employment benefit obligations.
  - IAS 34,'Interim financial reporting', amended to (i) clarify what is meant by "information disclosed elsewhere in the interim financial report" and (ii) require a cross reference to the location of that information.

These amendments to IFRSs are effective for the year beginning on/after 1 January 2016. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Estimates

The preparation of the condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

Other Short-term Investments

Other short-term investments include current accounts and deposits held at banks, which do not meet cash and cash equivalents definition. Other short-term investments are measured initially at fair value and subsequently carried at amortised cost using the effective interest method.

Reclassification of expenses

For the six month period ended 30 June 2015 and for the year ended 31 December 2015, the Group reclassified expenses related to changes in the VAT provision and other operating costs, such as recovery of assets and rental income, from other gains and losses (net) to other operating gains and losses (net). The Group believes that the change provides reliable and more relevant information. In accordance with IAS 8, the change has been made retrospectively.

3. Segmental Information

In line with the Group's internal reporting framework and management structure, the key strategic and operating decisions are made by the Board of Directors, who review internal monthly management reports, budgets and forecast information as part of this process. Accordingly, the Board of Directors is deemed to be the Chief Operating Decision Maker within the Group.

The Group's only class of business activity is oil and gas exploration, development and production. The Group's operations are located in Ukraine, with its head office in the United Kingdom. These geographical regions are the basis on which the Group reports its segment information. The segment results as presented represent operating (loss) / profit before depreciation and amortisation.

6 months ended 30 June 16 (unaudited)

	Ukraine $000	United Kingdom $000	Total $000
Revenue			
Gas sales	6,971	-	6,971
Condensate sales	2,211	-	2,211
Liquefied Petroleum Gas sales	1,251	-	1,251
Total revenue	10,433	-	10,433
Segment result	5,225	(1,296)	3,929
Depreciation and amortisation			(4,098)
Operating loss			**(169)**
Segment assets	**47,893**	**18,631**	**66,524**
Capital additions*	**393**	**-**	**393**

There are no inter-segment sales within the Group and all products are sold in the geographical region in which they are produced. The Group is not significantly impacted by seasonality.

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6 months ended 30 June 15

	Ukraine $000	United Kingdom $000	Total $000
Revenue			
Gas sales	7,396	-	7,396
Condensate sales	2,695	-	2,695
Liquefied Petroleum Gas sales	842	-	842
Total revenue	10,933	-	10,933
Segment result	4,266	(911)	3,355
Depreciation and amortisation			(3,833)
Operating loss			(478)
Segment assets	56,068	18,355	74,423
Capital additions*	1,186	-	1,186

12 months ended 31 December 15 (audited)

	Ukraine 2015 $000	United Kingdom 2015 $000	Total 2015 $000
Revenue			
Gas sales	14,784	-	14,784
Condensate sales	5,622	-	5,622
Liquefied Petroleum Gas sales	3,032	-	3,032
Total revenue	23,438	-	23,438
Segment result	9,247	(1,858)	7,389
Depreciation and amortisation			(7,670)
Operating loss			(281)
Segment assets	52,340	17,359	69,699
Capital additions*	2,279	-	2,279

*Comprises additions to property, plant and equipment (Note 7).

4. Other Operating Gains and Losses (net)

	6 months ended 30 Jun 16 (unaudited) $000	6 months ended 30 Jun 15 (unaudited) $000	12 months ended 31 Dec 15 (audited) $000
Reversal of impairment of VAT receivables and related balances	**-**	335	225
Gain on sales of current assets	**-**	-	165
Rental income	**20**	6	15
(Loss)/income from write off/recovery of non-current assets	**-**	(333)	(333)
Other operating (expense)/income (net)	**17**	9	(6)
	37	17	66

Other operating gains and losses (net) for the six month ended 30 June 2015 and year ended 31 December 2015 include income from the reversal of the provision on VAT receivables of $335,000 related to Regal Petroleum Corporation Limited. Since the VAT receivable mostly relates to capital expenditures, in prior periods it was uncertain whether the amount provided for would be offset against VAT payable on future sales. In 2015, the provision for VAT receivable was reversed as the Group was able to offset its VAT receivable balance against VAT payable.

In addition, other operating gains and losses (net) for the six month ended 30 June 2015 and the year ended 31 December 2015 include expenses of $333,000 relating to the write-off of preparatory works in respect of wells SV-67 and MEX-122 located on the SV and MEX-GOL gas and condensate fields. The decision to abort these drilling projects was made in 2015 following reconsideration of the chances of success of these wells, and the associated costs were written off in the 2015 year.

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5. Taxation

The income tax charge of $1,197,000 for the six month period ended 30 June 2016 relates to a current tax charge of $717,000 and a deferred tax charge of $480,000 (six month period ended 30 June 2015: current tax charge of $613,000 and deferred tax charge of $3,164,000).

The movement in the period was as follows:

	6 months ended 30 Jun 16 (unaudited) $000	6 months ended 30 Jun 15 (unaudited) $000	12 months ended 31 Dec 15 (audited) $000
Deferred tax recognised on tax losses			
At beginning of period	**4,470**	7,861	7,861
Charged to Income Statement - current period	**(818)**	(3,381)	(3,391)
At end of period	**3,652**	4,480	4,470
Deferred tax recognised relating to development and production asset			
At beginning of period	**9,963**	12,552	12,552
Credited to Income Statement - current period	**338**	217	(267)
Credited to Income Statement - prior period	**-**	-	2,371
Effect of exchange difference	**(335)**	(3,131)	(4,693)
At end of period	**9,966**	9,638	9,963

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

At 30 June 2016, the Group recognised a deferred tax asset of $3,652,000 in relation to UK tax losses carried forward (31 December 2015: $4,470,000). There was a further $90 million (31 December 2015: $73 million) of unrecognised UK tax losses carried forward for which no deferred tax asset has been recognised. 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 accumulated tax losses at 30 June 2016 to the extent that it is probable that there will be sufficient future taxable profits.

The deferred tax asset relating to the Group’s MEX-GOL and SV asset at 30 June 2016 of $9,966,000 (31 December 2015: $9,963,000) was recognised on the tax effect of the temporary differences between the carrying value of the Group’s MEX-GOL and SV 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.

UK Corporation tax change

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main tax rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 were substantively enacted on 26 October 2015. Changes to reduce the UK corporation tax rate to 17% from 1 April 2020 were substantially enacted on 6 September 2016. However, as the change to 17% had not been substantially enacted at the balance sheet date, its effects are not included in these condensed financial statements. The overall effect of that change, if it had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional $598,000 and increase the tax expense for the period by $598,000.

6. (Loss)/Earnings per Share

The calculation of basic and diluted loss per ordinary share has been based on the loss for the six month period ended 30 June 2016 and 320,637,836 ordinary shares (six month period ended 30 June 2015: 320,637,836), being the average number of shares in issue for the period. There are no dilutive instruments.

7. Property, Plant and Equipment

	6 months ended 30 Jun 16 (unaudited)			12 months ended 31 Dec 15 (audited)		
Group	**Development and Production assets Ukraine $000**	**Other fixed assets $000**	**Total $000**	Development and Production assets Ukraine $000	Other fixed assets $000	Total $000
Cost						
At beginning of the period	**99,254**	**719**	**99,973**	148,254	984	149,238
Additions	**299**	**94**	**393**	2,199	80	2,279
Change in decommissioning provision	**101**	**-**	**101**	640	-	640
Disposals	**(34)**	**(14)**	**(48)**	(857)	(21)	(878)
Exchange differences	**(3,410)**	**(32)**	**(3,442)**	(50,982)	(324)	(51,306)
At end of the period	**96,210**	**767**	**96,977**	99,254	719	99,973
Accumulated depreciation and impairment						
At beginning of the period	**81,114**	**356**	**81,470**	113,514	457	113,971
Charge for the period	**4,058**	**29**	**4,087**	7,599	59	7,658
Disposals	**-**	**(5)**	**(5)**	(430)	(15)	(445)
Exchange differences	**(2,704)**	**(6)**	**(2,710)**	(39,569)	(145)	(39,714)
At end of the period	**82,468**	**374**	**82,842**	81,114	356	81,470
Net book value at the beginning of the period	**18,140**	**363**	**18,503**	34,740	527	35,267
Net book value at end of the period	**13,742**	**393**	**14,135**	18,140	363	18,503

At 30 June 2016, the Group performed an assessment of external and internal indicators to ascertain whether there was any indication of potential impairment. As part of this assessment, the assumptions used in the impairment testing undertaken as at 31 December 2015, which was completed for the Group's financial statements in May 2016, were reviewed and it was noted that no significant changes had occurred to the assumptions to which the value of the Group's development and production assets are most sensitive. Based on the analysis performed, the Group concluded that no external or internal impairment indicators existed as at 30 June 2016, and accordingly no impairment testing was required as at that date.

Press Release

8. Trade and Other Receivables

	30 Jun 16 (unaudited) $000	31 Dec 15 (audited) $000
Prepayments and accrued income	**2,790**	193
VAT receivable	**872**	616
Trade receivables	**203**	1,005
Other receivables	**190**	241
	4,055	2,055

Due to the short-term nature of the current trade and other receivables, their carrying amount is assumed to be the same as their fair value. None of the Group's trade receivables are past due or impaired. All trade receivables are considered to be of high credit quality.

No impairment provision was charged against trade and other receivables during the six month period ended 30 June 2016.

As at 30 June 2016, prepayments and accrued income included prepayments for fixed and intangible assets in the amount of $2,176,000 related to the drilling of the MEX-109 well and $491,000 related to the re-evaluation study of the MEX-GOV and SV fields being performed by P.D.F. Limited.

The current VAT receivable in respect of the Group includes $787,000 (31 December 2015: $616,000) relating to capital expenditure in Ukraine which is expected to be recovered via an offset against VAT payable on future sales in that country. The Group expects to offset the total amount of VAT receivable at 30 June 2016 during the 2016 year, and therefore no VAT receivable was included within non-current trade and other receivables. The Group is satisfied that all such amounts are fully recoverable.

9. Inventories

	30 Jun 16 (unaudited) $000	31 Dec 15 (audited) $000
Materials	**1,212**	1,337
Condensate stock	**102**	121
	1,314	1,458

Inventories consist of spare parts that were not assigned to any new wells as at 30 June 2016 or are available for sale, together with production raw materials and 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. There was no write down of materials inventory as at 30 June 2016.

10. Provision for Decommissioning

The non-current provision of $933,000 (31 December 2015: $831,000) represents a provision for the decommissioning of the Group's MEX-GOL and SV production facilities, including site restoration. It is based on the net present value of the Group's estimated liability, and these costs are expected to be incurred by 2036 (31 December 2015: by 2036). The Group's MEX-GOL and SV 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 2016 would be $1,997,000 (31 December 2015: $1,908,000). None of the provision was utilised during the reporting period (2015: none).

11. Financial Instruments

The Group held the following financial instruments at 30 June 2016. The fair value of the financial instruments is not materially different to the book value.

	30 Jun 16 (unaudited) $000	31 Dec 15 (audited) $000
Financial assets		
Cash and cash equivalents	**20,763**	19,920
Other short-term investments	**12,333**	13,067
Trade and other receivables	**246**	1,074
	33,342	34,061
Financial Liabilities		
Trade and other payables	**10**	2
Accruals	**346**	242
	356	244

All assets and liabilities of the Group where fair value is disclosed are of level 2 value hierarchy and valued using current cost accounting techniques.

At 30 June 2016, the Group held cash and cash equivalents in the following currencies:

	30 Jun 16 (unaudited) $000	31 Dec 15 (audited) $000
US Dollars	**10,617**	11,619
Ukrainian Hryvnia	**9,852**	7,612
British Pounds	**273**	596
Euros	**19**	91
Canadian Dollars	**2**	2
	20,763	19,920

12. Reconciliation of Operating Loss to Operating Cash Flow

	6 months ended 30 Jun 16 (unaudited) $000	6 months ended 30 Jun 15 (unaudited) $000	12 months ended 31 Dec 15 (audited) $000
Operating loss	**(169)**	(478)	(281)
Depreciation, amortisation and impairment charges	**4,098**	3,833	7,670
Gain on sales of current assets, net	**-**	-	(165)
(Gain)/loss from write off of non-current assets	**(4)**	333	333
Movement in provisions	**(1)**	2	(50)
Reversal of impairment of VAT receivables and related balances	**-**	(335)	(225)
Decrease/(increase) in inventory	**90**	(192)	45
Decrease in receivables	**89**	2,087	1,260
(Increase)/decrease in payables	**(294)**	706	208
Cash generated from operations	**3,809**	5,956	8,795

13. Capital Commitments

Amounts contracted in relation to the Group's 2016 investment programme at the MEX-GOL and SV gas and condensate fields in Ukraine, but not provided for in the condensed interim consolidated financial statements at 30 June 2016, were $5,735,000, the majority of which were denominated in Ukrainian Hryvnia (31 December 2015: $319,000).

14. Related Party Disclosures

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 2016 was $361,000 (six month period ended 30 June 2015: $392,000).

During the period, Group companies entered into the following transactions with related parties which are not members of the Group:

	6 months ended 30 Jun 16 (unaudited) $000	6 months ended 30 Jun 15 (unaudited) $000	12 months ended 31 Dec 15 (audited) $000
Sale of goods/services	**59**	38	469
Purchase of goods/services	**49**	44	120
Amounts owed by related partied	**47**	8	57
Amounts owed to related parties	**10**	9	9

All related party transactions were with subsidiaries of the ultimate Parent Company, and primarily relate to the rental of office facilities and a vehicle and the sale of equipment. The amounts outstanding were unsecured and will be settled in cash.

As of 30 June 2016 and 2015, the Company's immediate parent company was Energees Management Limited, which is 100% owned by Pelidona Services Limited, which is 100% owned by Lovitia Investments Ltd, which is 100% owned by Mr V Novinskiy. Accordingly, the Company was ultimately controlled by Mr V Novinskiy.

The Group operates bank accounts in Ukraine with a related party bank, Unex Bank, which is ultimately controlled by Mr V Novinskiy. There were the following transactions and balances with Unex Bank during the period:

	6 months ended 30 Jun 16 (unaudited) $000	6 months ended 30 Jun 15 (unaudited) $000	12 months ended 31 Dec 15 (audited) $000
Interest income	**309**	905	1,829
Bank charges	**4**	4	3
Other short-term investments	**12,333**	14,457	13,067

At the date of this report, none of the Company's controlling parties prepares consolidated financial statements available for public use.

15. Post Balance Sheet Events

Acquisition of LLC Prom-Enerho Produkt

On 4 July 2016, the Group acquired a 100% shareholding interest in PEP from the Smart Holding Group for a cash consideration of UAH305 million (approximately $12.3 million as at that date) to be paid as to (a) UAH165 million (approximately $6.7 million as at that date) by way of initial consideration and as to (b) UAH140 million (approximately $5.6 million as at that date) by way of deferred consideration to be paid on satisfaction of certain conditions subsequent relating to, *inter alia*, discharge of certain guarantees and sureties given by PEP and discharge of certain debts owing by and/or to PEP, with all such consideration to be paid entirely from the Group's cash deposits in Unex Bank. Following the completion of the acquisition of PEP and the satisfaction of such conditions subsequent, the Pledge and Guarantee were discharged. As the vendor was the Smart Holding Group, this acquisition was classed as a related party transaction under the AIM Rules for Companies.

PEP is a Ukrainian incorporated company, which holds a production licence over the Vasyschevskoye gas and condensate field, which also includes the Vvdenska prospect, located in the Dnieper-Donets basin in the north-east of Ukraine. The production licence was granted in August 2012 with a duration of 20 years, and is in respect of a 100% interest in the licence.

PEP's audited financial statements for the year ended 31 December 2015 show that PEP's net assets as at 31 December 2015 were UAH113.2 million (approximately $4.7 million as at that date) and net profits after tax for the year ended 31 December 2015 were UAH34.6 million (approximately $1.4 million as at that date). As at 30 June 2016, PEP had cash of approximately UAH15.9 million (approximately $0.6 million as at that date) and debt of approximately UAH27.8 million (approximately $1.1 million as at that date) owed to a Smart Holding Group company, which the Group assumed and agreed to pay down by the end of December 2016.

Further details of the acquisition of PEP can be found earlier in this announcement and in the Company's announcement dated 5 July 2016.

Press Release

For the six month period ended 30 June 2016, administrative expenses of the Group include consulting, valuation and legal fees in amount of $472,000 relating to the acquisition of PEP.

The determination of the appropriate accounting treatment for the acquisition of PEP has not been completed as at the date of this announcement, and it is intended to finalise such treatment for the financial statements for the year ended 31 December 2016.

Drilling of MEX-109 well

On 28 July 2016, the Company announced the spudding of the MEX-109 well at its MEX-GOL and SV fields. The well has a target depth of 5,250 metres, with drilling operations scheduled to be completed in March 2017 and subject to successful testing, production hook-up by the end of the second quarter of 2017. The well is targeting the Visean reservoirs (“B-Sands").

Tax Litigation

During 2010 – 2016, the Group has been in dispute with the Ukrainian tax authorities in respect of VAT receivable on imported leased equipment, with a disputed liability of up to UAH8,487,219 ($327,000) 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. As at 30 June 2016, the Group had been successful in three court cases in respect of this dispute in courts of different levels. Accordingly, no liability has been recognised in these interim condensed consolidated financial statements for the six months ended 30 June 2016 (31 December 2015: nil).

On 20 September 2016, a hearing was held in the Supreme Court of Ukraine of an appeal of the Ukrainian tax authorities against the decision of the Higher Administrative Court of Ukraine, in which the appeal of the Ukrainian tax authorities was upheld. As a result of this appeal decision, all decisions of the lower courts were cancelled, and the case was remitted to the first instance court for a new trial. The Company is currently assessing the possible outcome of these legal proceedings and the level of risk based on the decision the Supreme Court of Ukraine.

Press Release

Independent review report to Regal Petroleum plc

Report on the condensed set of the interim consolidated financial statements

Our conclusion

We have reviewed Regal Petroleum plc's condensed set of the interim consolidated financial statements (the "interim financial statements") in the half-yearly financial report of Regal Petroleum plc for the 6 month period ended 30 June 2016. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

What we have reviewed

The interim financial statements comprise:

- the Condensed Interim Consolidated Balance Sheet as at 30 June 2016;
- the Condensed Interim Consolidated Income Statement and Condensed Interim Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Interim Consolidated Statement of Cash Flows for the period then ended;
- the Condensed Interim Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half-yearly financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The half-yearly financial report, including the interim financial statements, 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.

Our responsibility is to express a conclusion on the interim 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 complying with the AIM Rules for Companies and for no other purpose. We do not, in giving this conclusion, 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.

Press Release

What a review of interim financial statements involves

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.

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 interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
23 September 2016