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REGAL PETROLEUM PLC
(“Regal” or “the Company”)

Conditional Placing of New Shares

Regal Petroleum plc, the independent oil & gas exploration and production company, today announces that it has conditionally placed (the "Placing") new ordinary shares of 5p each in the capital of the Company (the "Placing Shares") in order to raise approximately £84 million (before expenses). The Company also announces the appointment, with immediate effect, of Strand Partners Limited as its new Nominated Adviser ("Nomad").

Highlights

- Subject to shareholder approval, Regal will issue 56,440,000 Placing Shares at a price of £1.50 (the "Placing Price"), raising (after deduction of expenses) approximately £80 million.
- The Placing Shares represent 39.5% of the existing issued share capital of the Company. On admission of the Placing Shares to trading on AIM, there will be 199,468,824 ordinary shares of 5p each ("Ordinary Shares") in issue, valuing the issued share capital of Regal at £299.2m at the Placing Price.
- The net proceeds of the Placing will be used, primarily, to fund the exploitation and development of the Group's Ukrainian assets and provide additional working capital to the Company.
- The Placing Shares have been conditionally placed with institutional investors. Admission and dealings in the Placing Shares on AIM are expected to commence on 22 February 2008, subject to shareholder approval at a general meeting of the Company to take place on 19 February 2008.
- Regal has been notified by the London Stock Exchange, that following an investigation it intends to refer a case regarding alleged breaches by Regal of the AIM Rules to the AIM Disciplinary Committee. Further details of this matter appear in paragraph 4 of this announcement.
- The Company is pleased to announce the appointment of Strand Partners Limited ("Strand Partners") as its new Nomad. Mirabaud Securities Limited ("Mirabaud") will continue in its capacity as the Company's broker.

- A circular, convening a general meeting for 19 February 2008 to seek shareholder approval for the Placing, will be posted to Shareholders as soon as possible.

David J Greer OBE, Regal's Chairman and Chief Executive Officer, commented:

"I am delighted with the response of investors to our proposed placing. To have received commitments considerably in excess of our requirements in current market conditions is a testament to the quality of our asset base and the strategy in place to exploit it. I look forward to reporting back to shareholders on our progress in the coming months."

"I would like to welcome Strand Partners as our new Nomad and I would like to thank both Strand Partners and Mirabaud for their support during the successful placing."

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Placing of New Shares and Notice of General Meeting

1. Introduction and summary

The Company proposes to raise approximately £84 million (before expenses) by way of a conditional placing (the "Placing") of 56,440,000 ordinary shares of 5p each (the "Placing Shares") at a price of £1.50 per share (the "Placing Price"). The net proceeds of the Placing will be used, primarily, to fund the exploitation and development of the Group's Ukrainian assets and also to provide additional working capital to the Company.

The Placing Shares have been conditionally placed with institutional investors. Subject, *inter alia*, to the passing of the resolutions to be proposed at a general meeting to take place on 19 February 2008 (the "General Meeting"), admission and dealings in the Placing Shares on AIM are expected to commence on 22 February 2008.

The Placing is conditional, *inter alia*, upon shareholders passing the resolutions to be proposed at the General Meeting.

2. Background to and reasons for the Placing

The Group's most significant assets are the gas and condensate fields at Svyrydivske ("SV") and Mekhediviska-Golotvshinska ("MEX-GOL"), Ukraine (the "Fields"). During the course of 2007, the Company has been planning the further development and exploitation of the Fields. In March 2007 the Company appointed Tristone Capital Limited ("Tristone"), a specialist global energy advisory firm, to carry out a review of the strategic options available to Regal in respect of the further development and exploitation of the Fields. Following the conclusion of that study, Tristone was engaged by Regal to advise on the partial divestment of an interest in the Fields, and a competitive bid process began in April 2007.

Following the conclusion of that process KKCG Oil & Gas B.V. ("KKCG") became the preferred bidder and on 14 September 2007 the Company announced that an exclusive memorandum of understanding had been entered into with MND Exploration and Production Limited (the UK subsidiary of KKCG) whereby KKCG would invest US\$310 million in the development of the Fields and pay \$20 million to Regal in return for a 50% interest in Regal Petroleum (Jersey) Limited ("RPJ"). Following the expiration of the exclusivity period, it was announced on 21 November 2007 that the Company had entered into an exclusive memorandum of understanding with Shell Exploration & Production Ukraine Investments (1) BV ("Shell"). The proposed outline terms for that transaction were that Shell would acquire a 51% interest in RPJ in return for investing a total of US\$360 million in the development of the Fields and the payment of \$50 million to Regal. On 26 November 2007, the Company announced that it had received notice of termination of the Memorandum of Understanding between the Company and Shell. The Company now intends to fund the proposed further development and exploitation of the Fields as detailed in this announcement, from the proceeds of the Placing.

The Company intends to increase and accelerate the exploitation and development of the Fields through improved reservoir delineation through the use of new 3D seismic data (including a 3D seismic survey of the SV field which has recently commenced) and the use of modern well engineering, workovers, stimulation and production practices. The Company is developing a full field development plan for the Fields which envisages the drilling of approximately 60 wells (including vertical and multi-lateral wells) and the construction of new gas treatment facilities and flowlines.

In order to implement the development and exploitation of the Fields, the Company has recruited a management team of experienced oil and gas industry professionals with strong technical skills.

3. The Ukrainian Assets

The Group's Ukrainian assets comprise the Fields, which are located in the Dnieper-Donets sedimentary basin. The gas condensate Fields are made up of eleven mapped gas bearing horizons, up to 19 metres thick, from 4,700 to 6,000 metres below surface.

Lower Carboniferous reservoirs form the main gas bearing horizons. The gross interval reaches a thickness of 800 to 1,000 metres within the Fields. Due predominantly to the depth of burial, the reservoirs have moderate porosity and low permeability. Despite this, a number of the exploration wells and appraisal wells which have been drilled have demonstrated encouraging production rates on test.

The published proved and probable reserves of the Fields as at 31 December 2006 were 810,400 MMscf of gas and 25,009 Mbbls of condensate (169,410 Mboe). The most recent reserves audit was conducted by Ryder Scott in 2005 and is the basis for these published proved and probable reserves. A copy of the reserves report prepared by Ryder Scott is published on the Company's website – www.regalpetroleum.co.uk.

The Group owns and operates its own gas and condensate treatment plant, which has a processing capacity of approximately 700,000 cubic metres per day of gas and 200 cubic metres per day of condensate.

The Group also owns a 13.2 kilometre long, 325 mm pipeline connecting the gas and condensate plant to the main Kursk-Kiev export trunk pipeline and bypassing the local gas distribution network by tying into the international Majestral gas trunk line. The pipeline has a capacity of 1,500,000 cubic metres per day.

4. Operational and Trading Update

Ukraine (100% working interest)

The Company's average production for the six month period to 31 December 2007 was 5.32 MMscfd and 275 barrels of condensate per day (equivalent to 1,222 boepd). This was from the five wells in production during that six month period: GOL-1, GOL-2, MEX-3, MEX-102 and SV-10.

Operations have remained cash flow positive and profitable throughout the course of 2007.

In the second half of 2007, gas prices achieved by the Company have been almost constant with an average price of \$4.04 per Mscf, an increase of approximately 32% over the same period in 2006. On 5 December 2007, it was announced by the Ukrainian Government that an agreement had been reached between Russia and Ukraine whereby, commencing during 2008, Ukraine will pay Russia \$5.08 per Mscf compared to the current levels of \$3.68 per Mscf. This is an increase of 38% on the prices for 2007. Historically an increase in importation prices has led to a similar increase in the price caps set by the Ukrainian Government for the sale of gas within Ukraine.

The average condensate sales price achieved by the Company for the six month period to 31 December 2007 was approximately \$74 per barrel compared to \$55 per barrel in the first half of 2007. The average realised price achieved by the Company in December 2007 was approximately \$87 per barrel.

The Company signed a contract with Chernihivnaftagasgeologia ("CNGG") for the drilling of the MEX-103 production well in late July 2007 with drilling commencing in early October 2007. The well had reached 3,700 metres on 31 December 2007 and drilling continues as planned. The well is due to be completed in October 2008.

Six other production wells are in the process of being permitted and preliminary discussions have been initiated with a number of drilling companies able to provide equipment and services. The drilling of further wells is planned to commence in mid 2008. Additionally, Regal is considering methods to prolong production from its existing production wells and has recently completed a production logging programme with a view to working over some of these wells.

A 3D seismic survey covering approximately 100 square kilometres of the MEX-GOL licence area was completed in late May 2007 and the processing of this data is due to be completed by February 2008. This information will assist with an improved understanding of sub-surface geology leading to more informed placement of new wells and a better understanding of reserve estimates.

In addition, the Company has engaged Ukrgeophysica to undertake a 100 square kilometre 3D seismic survey of the SV field. The seismic acquisition for this survey has recently commenced and is expected to take approximately 4 to 5 months to complete. This will conclude the complete 3D coverage of the MEX-GOL and SV licences.

Romania:

Barlad Block (100% working interest)

On 13 December 2007, the Company announced that the initial flow testing of Regal's first exploration well, RBN-4, on the Barlad Concession in Romania, had resulted in a maximum flow rate of dry gas at a rate of 3.74 MMscfd on a 12mm choke with a flowing tubing head pressure of 49 bar over a 24 hour flow period. A 4.6 metre interval, between 756.7 metres and 761.3 metres, was perforated and tested and there was minimal water production in the test. A second interval of 12.7 metres, between 543.3 metres and 556.0 metres was flow tested but hydrocarbons were not present. This well was completed to a total depth of 973 metres TVD into the Sarmatian formation.

The RBN-4 well has now been suspended to allow re-entry to the lower producing interval and the Company is currently evaluating the results of the well.

In addition, the Company drilled a second planned exploration well, RBN-3, on the Barlad Concession. This well was drilled to a total depth of 1,116 metres but, after logging, it was considered that no commercial hydrocarbons were present and the well was plugged and abandoned. This well was located approximately 17 kilometres to the northwest of the RBN-4 well and was intended to evaluate primary targets in the Sarmatian formation and a secondary target in the Eocene formation.

Suceava Block (50% working interest)

During 2007, the Company's farm-in partner, Aurelian Oil and Gas Plc ("Aurelian"), acquired 160 kilometres of 2D seismic data in the block and drilled an exploration well, Dornesti Sud-1, which was intended to target reservoirs in the Sarmatian formation. This well encountered a gas bearing zone in the Sarmatian formation and flow testing of a 12.5 metre interval, from 531.8 metres to 544.3 metres, produced gas at an average rate of 24,840 Sm³d (876 Mscfd) with a flowing wellhead pressure of 32 bar (464 psi) on a 12mm choke over an 8 hour main flow period.

The Dornesti Sud-1 well was drilled to a total depth of 910 metres and encountered gas in the interval 528 metres to 545 metres. This section, which consists of sandstones interbedded with siltstones and claystones, was interpreted to be gas bearing on evaluation with electrical logs. The well has been completed as a production well and it is now planned to tie it in during 2008 to the Bilca Gas Plant, operated by Aurelian on its adjacent Brodina Block EIII-1 concession.

A second exploration well may be drilled in the first half of 2008, once the results of the first well have been evaluated. If such a well is approved by each of Aurelian and Regal, the Company will be required to fund its own share (50%) of the well costs.

Egypt (25% working interest)

The Company holds a 25% interest in the East Ras Budran Concession in the Gulf of Suez with its partner, Apache Khalda Corporation LDC ("Apache"), which holds the remaining 75% interest.

In early 2007 Apache, as Concession operator, acquired a 3D seismic survey over the central portion of the Concession. The resulting 3D seismic data has been processed and interpreted. The first of two exploration wells, ERB-A-1X, was spudded in June 2007 and this well reached its target depth 13,615 feet MD (11,921 feet TVD), including a 1,000 foot near horizontal section, and was subsequently flow tested. The well was opened for a 12 hour period and produced at an average rate of 1,901 bopd from the target Darat Limestone. This well was suspended as a future production well and an appraisal well ("ERB-A-2X"), is under consideration for mid 2008. Apache and the Company have applied to the Egyptian authorities for a development lease in respect of the "A" structure.

In the third quarter of 2007, a second exploration well, ERB-B-1X, was drilled to a total depth of 5,146 feet. This well encountered oil shows and the well was subsequently tested without a productive flow of oil being achieved. The well has now been plugged and abandoned.

A third exploration well, ERB-B-2X, is under preparation for spudding in February 2008 which is intended to further explore the "B" structure.

Greece

As announced on 21 December 2007, the Company has disposed of its entire shareholding in Eurotech Services SA, through which the Company had held its 95% economic interest in Kavala Oil SA. Under the terms of sale, the Company sold the entire issued share capital of Eurotech Services SA to Aegean Energy SA for a consideration of US\$1.5 million in cash. The Company fully impaired its investment in Eurotech Services SA in its accounts for the year ended 31 December 2006 and no profits were attributable to its investment in Eurotech Services SA in such period.

Liberia

As announced on 21 December 2007, the Company has disposed of its entire shareholding in Regal Liberia Limited, through which the Company had held its 25% interest in Blocks 8 & 9 offshore Liberia. The Production Sharing Contracts in respect of these Blocks remained unratified by the Liberian Government and the Company took the view that this project did not constitute part of its future area of core interest.

Financial Position

The unaudited gross profits increased from \$2.7 million to \$7.0 million when comparing the nine month periods ending September 2006 and September 2007 respectively.

The unaudited turnover for the 11 month period to 30 November 2007 increased to \$13.9 million (30-Nov-06: \$10.4 million). This increase is primarily attributable to an uninterrupted nine months of continued production in 2007 in Ukraine, together with new production following the hook-up of the SV-10 well in May 2007, whereas the same period in 2006 was marred by intermittent disruption to production due to court enforced shut-ins.

The Group had net cash of \$7.0 million (30-Jun-07: \$9.4 million) at 30 September 2007 and net assets of \$59.2 million (30-Jun-07: \$62.8 million). As at 31 December 2007, the Group had cash in hand of approximately \$5.6 million and had drawn down \$9 million from its \$15 million Revolving Credit Facility with Bank of Scotland. As at 31 December 2007, the Group had net assets of approximately \$55 million.

Board Changes

On 22 November 2007, the Company announced the appointment of Mr David John Greer OBE as Chairman and Chief Executive Officer and Mr Antonio Mozetic as a Non-Executive Director of the Company, each with immediate effect. In addition, Mr Hendrikus (Harry) Alardus Verkuil was appointed as an Executive Director and Chief Operating Officer on 15 January 2008.

It was also announced on 22 November 2007 that Mr Francesco Scolaro had stepped down as Non-Executive Chairman of the Company due to other business commitments but would continue as a Non-Executive Director and that Mr Neil Ritson had resigned from his position as Chief Executive Officer and Director with immediate effect.

Regulatory Matters

Regal has been notified by the London Stock Exchange, that following an investigation it intends to refer a case regarding alleged breaches by Regal of the AIM Rules to the AIM Disciplinary Committee ("ADC").

Regal understands that the case against it relates to alleged breaches of what were, at the relevant time, AIM Rules 9 and 10 (equivalent to Rules 10 and 11 of the current AIM Rules) in connection with notifications made by Regal during the period from June 2003 to June 2005, regarding the drilling of two exploration wells known as Kallirachi 1 and Kallirachi 2, in its Kallirachi Prospect in the North Aegean Sea, over which Regal's former indirect subsidiary, Kavala Oil S.A. held rights. This referral follows an extensive investigation by the London Stock Exchange.

Subsequent to the commencement of the London Stock Exchange's investigation, Regal received notification that the Financial Services Authority ("FSA") had also decided to investigate the same matters and the London Stock Exchange's investigation was therefore suspended pending the outcome of the FSA's investigation. The FSA and the London Stock Exchange have now agreed, and have advised Regal, that the FSA has discontinued its own investigation in light of the London Stock Exchange's proposed referral of this matter to the ADC.

In view of the referral of the case to the ADC, it is likely that the outcome of this matter will not be known for a further six months at least.

Relationship Agreement

The Company has entered into a relationship agreement (the "**Relationship Agreement**") with CA Fiduciary Services Ltd as trustee for the Timis Trust (the "**Trustee**"), Frank Timis ("**Mr. Timis**") and Strand Partners under the terms of which the Trustee and Mr. Timis (in respect of himself and his associates (as defined therein)) have undertaken to exercise or procure the exercise of their voting rights in the share capital of the Company so as to procure that, *inter alia* and subject to certain exceptions: (i) the Company is capable at all times of carrying on its business independently of Mr. Timis and his associates; (ii) no variations are made to the Company's articles of association which would be contrary to the maintenance of the Company's ability to carry on its business in such a way; (iii) the Board's independence is maintained in relation to the enforcement of the Relationship Agreement; and (iv) any transactions, agreements or arrangements entered into by the Company with such persons (or their enforcement, implementation or amendment) will be made on an arm's length basis and on normal commercial terms. The Relationship Agreement contains provisions under which it will terminate: (i) on its second anniversary (unless extended by agreement); (ii) upon the Trustee, Mr. Timis and his associates ceasing, in aggregate, to hold 10 per cent or more of the rights to vote at general meetings of the Company, provided that, such persons will continue to be bound by the Relationship Agreement should they subsequently hold such rights; or (iii) if the Company decides to abandon completely the development of the Ukrainian operations and Mr. Timis and the Trustee serve written notice of termination upon the other parties.

Change of Nomad

The Company has appointed Strand Partners Limited as its new Nomad. Mirabaud will continue in its capacity as the Company's broker.

5. Details of the Placing

The Company proposes to raise approximately £84 million (before expenses) through the Placing. The Placing Price represents a premium of approximately 1.7 per cent. to the closing mid-market price of 147.5 pence per Ordinary Share on 22 January 2008, being the last dealing day prior to this announcement. The Placing Shares will represent approximately 28.3 per cent. of the Company's issued share capital as expected to be enlarged by the Placing.

Pursuant to the terms of the placing agreement between Mirabaud and the Company (the "Placing Agreement"), Mirabaud, as agent for the Company, has agreed to use reasonable endeavours to procure subscribers for the Placing Shares at the Placing price. The Placing Agreement is conditional upon, *inter alia*, the resolutions being duly passed at the General Meeting and admission of the Placing Shares to trading on AIM becoming effective on or before 22 February 2008 (or such later date as the Company and Mirabaud may agree, but in any event no later than 5 March 2008). The Placing Agreement contains provisions entitling Mirabaud to terminate the Placing Agreement at any time prior to admission in certain circumstances. If this right is exercised, the Placing will not proceed. The Placing has not been underwritten by Mirabaud.

Application will be made to London Stock Exchange plc for the Placing Shares to be admitted to trading on AIM. It is expected that admission will become effective and that dealings in the Placing Shares on AIM will commence on 22 February 2008.

The Placing Shares will rank *pari passu* in all respects with the existing ordinary shares in issue, including the right to receive all dividends and other distributions declared following admission. It is expected that CREST accounts will be credited on the day of admission and that share certificates (where applicable) will be despatched shortly thereafter.

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