
REGAL PETROLEUM PLC

Heads of Agreement Signed to Acquire 60.3 per cent Interest in Kavala Oil S.A.

The directors are pleased to announce that Regal Petroleum plc (“Regal” or “the Company”) has signed a heads of agreement (“Heads of Agreement”) in connection with the proposed acquisition (“Proposed Acquisition”) by Regal of 90 per cent. of the entire issued share capital of Eurotech Services S.A. (“Eurotech”) for a total consideration to be satisfied by the issue of up to 5 million ordinary shares of 5p each in the capital of the Company.

Eurotech is a private company incorporated in Greece, which owns 67 per cent. of the entire issued share capital of Kavala Oil S.A. (“Kavala”). Kavala is a private company incorporated in Greece with assets which comprise a producing oil project in the North Aegean Sea. Following completion of the Proposed Acquisition, Regal will indirectly own 60.3 per cent. of the entire issued share capital of Kavala.

Exclusivity: The Heads of Agreement grants Regal the exclusive right to proceed with the Proposed Acquisition until 30 September 2003.

Conditions Precedent: Completion of the Proposed Acquisition is subject to, inter alia, completion of satisfactory due diligence by Regal and formal legal documentation being entered into by the parties.

Loan Facility: As part of the Proposed Acquisition, Regal will agree to provide Kavala with a US\$30 million loan facility to develop its oil fields and increase production. Regal is currently considering a number of debt and equity funding alternatives to fulfil this obligation.

Project Summary: Kavala has the exclusive right to exploit and develop three oilfields with proven oil reserves known as Prinos, Prinos North and Epsilon and one exploration and development field known as Kallirachi. Kavala has the exclusive right to use and operate a state owned oil facility capable of producing 40,000 barrels of oil per day including all production, processing, loading and transport infrastructure.

Financial Summary: Kavala’s current daily oil production is approximately 5,000 barrels per day with the most recent shipment being sold at a price of US\$29 per barrel with no transportation costs. Kavala also generates revenue from the sale of sulphur and electricity. Revenue from crude oil sales in 2002 was EUR 33.2 million (2001 – EUR 32.1 million).

Reserves Summary: Independent consultants Troy Ikoda Limited have audited the reserves and provided the following independent opinion:

Prinos and Prinos North fields	Original proven and probable oil in place of 310 million barrels. Remaining recoverable 2P reserves of 11.08 million barrels.
Epsilon field	Proven and probable oil in place of 50 million barrels. Remaining recoverable 2P reserves of 12.42 million barrels.
Kallirachi exploration and development field	No proven reserves. Expected to contain in excess of 280 million barrels of oil in place (with a potential upside of 631.85 million barrels in place) and in excess of 96 million barrels of recoverable oil (with a potential upside of 227.39 barrels of recoverable oil).

The Company believes that the Epsilon Field has a possible but as yet unproven extension to the east of the main field. This contingent resource is estimated to be 34.5 million barrels of oil in place in a recent Epsilon Field Development Study (“Epsilon Study”) (resource size not audited by Troy-Ikoda).

Production and Development Plan: Existing production is approximately 5,000 barrels per day. Kavala is proposing to carry out an in-fill drilling programme in Prinos and Prinos North which is forecast to increase production to in excess of 12,000 barrels per day.

Based on the Epsilon Study, Kavala will also consider further development of the Epsilon field, which is expected to provide an additional 5,000 barrels per day.

Once the Kallirachi field has been drilled and proven, the second stage development of Kallirachi is expected to yield a daily production of 30,000 barrels per day.

After implementation of the above production and development plan the Company is estimating a daily production volume in excess of 45,000 barrels per day.

Board of Directors: It is proposed that Mr Guenter Nolte (Chief Executive Officer - Regal) and Mr Glenn Featherby (Finance Director - Regal) will be appointed to the Board of Kavala and that Mr Nikolaos Loutsigkas (President and Managing Director – Kavala) will be appointed to the Board of Regal.

For further information, please contact:

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