

**REGAL PETROLEUM PLC**

**INTERIM RESULTS FOR THE SIX MONTHS  
ENDED 30 JUNE 2004 / TRADING STATEMENT**

Regal Petroleum plc (“Regal”, “the Company” or “the Group”), the oil and gas exploration and production company, today announces its results for the six months ended 30 June 2004.

Operational highlights include:

***Greece***

- Independent report on the Greater Kallirachi Area (southern area of the Prinos Group Basin) was completed in September 2004 indicating up to 1 billion barrels of hydrocarbons in place
- The Kallirachi-1 exploration well was completed in January 2004 which proved the presence of sweet (37 degrees API), high quality oil
- Increase in shareholding in August 2004 in Kavala to 81.66% (from 57.69%) through €10m share purchase with the funds being used towards the Greek asset development programme
- Commencement of drilling an appraisal well in the Greater Kallirachi Area and the completion of an infill well on Prinos North expected in Q4 2004
- Full independent reserve audit of the Prinos Group Basin with P1 and P2 classifications will be available by Q2 2005

***Ukraine***

- Cashflow positive and profitable during the period
- Awarded 100% interest in two production licences
- Construction of extra storage plant commenced in Q3 2004 and is due for completion in Q4 2004
- Optimisation of the GOL/MEX processing plant is due to be completed in Q2 2005
- Based on positive results from western technology completions a full independent reserve audit to be carried out by end of 2004

***Romania and Egypt***

- Government ratification of the exploration, development and production licence for Suceava Block in Romania, with seismic acquisition to be completed in October 2004

- First Romanian appraisal well to be drilled and another spudded before end of 2004
- Signed an agreement to acquire LK Exploration N.V.'s exploration and production licence in the East Ras Budran Area, Gulf of Suez, Egypt
- Government approval for the transfer of the Egyptian licence is expected in Q4 with exploration drilling targeted for Q2 2005

#### ***Board and senior management***

- Mr Roger Phillips appointed as Group Finance Director in September 2004
- Dr Luis Quintero promoted to Chief Operating Officer of Regal and Managing Director of Kavala Oil in September 2004
- A further 5 senior technical and operational personnel have recently joined the Group's operations

#### ***Financial highlights***

- Turnover increased to \$13.4m (30-Jun-03: \$1.2m)
- Pre-tax loss of \$2.5m (30-Jun-03: loss of \$1.4m), with loss per share of 2.3 cents (30-Jun-03: loss per share of 2.4 cents)
- Average production of 4,800 boepd during the period, generating average sales price of \$22/boe
- Placing of shares which raised £37.5m net of expenses during the period
- Net cash of \$65.7m (30-Jun-03: \$2.8m) at period end and net assets of \$131.5m (30-Jun-03: \$14.5m)

Commenting on the interim results, Frank Timis, Executive Chairman, said:

*"The six months period in question was one of development and change for Regal. Having addressed significant issues, both technical and operational, and having strengthened our management team, the Company is in a considerably stronger position to deliver returns from its high quality assets in Europe and Egypt."*

#### **For further information, please contact:**

##### **Regal**

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Roger Phillips, Group Finance Director

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## Notes to Editors

Regal is a London based independent oil and gas producer listed on the Alternative Investment Market of the London Stock Exchange with ambitious growth plans. Regal is focused on the exploration, development and production of oil and gas assets in Ukraine, Greece, Romania and Egypt.

Regal's total proven and probable reserves as at 31 December 2003 were over 273 Mmbbls. In terms of its producing assets, Regal owns 100% of its operations in Ukraine, and 81.66% of Kavala Oil SA, Regal's Greek business. Through its 100% owned Romanian subsidiary, Regal has two significant licence blocks in Romania, making Regal the largest foreign concession holder in the country. In August 2004, Regal agreed to acquire LK Exploration N.V.'s interest in certain petroleum exploration and production rights in the East Ras Budran Area, Gulf of Suez, Egypt.

Attached	Trading Statement
	Chairman's Statement
	Consolidated Profit and Loss Account
	Consolidated Balance Sheet
	Consolidated Cash flow Statement
	Notes to the Accounts

## **TRADING STATEMENT**

### **Prinos Basin Study: Greater Kallirachi Area**

The Directors are pleased to announce that an independent report has confirmed pre-drill volumetric estimates of the Greater Kallirachi Area (southern area of the Prinos Group Basin) holding up to 1 billion barrels of hydrocarbons in place.

The report on the Greater Kallirachi Area has been produced by GEUS and Odegaard, independent oil and gas consultants. The report includes work on volumetrics, 3D seismic inversion and interpretation, geological modelling and structural mapping.

Work continues on firming up well locations for drilling an appraisal well in the Greater Kallirachi Area in Q4 2004.

### **Greece**

Following the successful drilling of the Kallirachi well in February 2004 and the completion of the independent Greater Kallirachi Area Study, which has confirmed the pre drill volumetric estimate of up to 1 billion barrels in place, Regal is now confirming well locations for appraisal drilling which is expected to commence in Q4 2004.

Regal successfully increased its interest in Kavala Oil to 81.66% on 13 August 2004 for an investment of €10 million cash, with the funds being used towards the Greek asset development programme.

The average production for the six months ended 30 June 2004 was 3,300bopd. Due to equipment mobilisation delays, current production in Greece is approximately 2,000-2,500bopd. Following work-over and infill drilling programmes production is expected to increase to 6,000-7,000 bopd by year-end.

The first infill well is currently being drilled on Prinos North and it is expected to be completed in December 2004 at an initial production rate of 2,000bopd. In addition, well simulations/workovers on Prinos are expected to be completed in Q4 2004 as well as re-entry and/or sidetracks of current shut-in wells to complement existing production.

A number of development studies have been carried out on Epsilon and a reservoir development plan is currently being finalised. It is expected that a well will be drilled in Q1 2005.

Comprehensive reservoir engineering for five fields is underway (Prinos North, Epsilon, Kallirachi, Prinos and South Kavala).

A full independent reserve audit will be undertaken on the Prinos Group Basin with P1 and P2 classifications by Q2 2005.

### **Ukraine**

The Ukraine operations continue to be profitable and generate positive cash-flow for the Group.

On 30 June 2004 Regal was awarded a 100% interest in two production licences: Mekhedivsko-Golotovshenske (MEX/GOL) and Svrydivske (SV). The licences are for 20 years and allow full exploitation and production of hydrocarbons. Gross royalties payable to the state of Ukraine are \$7.62 per 1,000 cubic metres for gas and \$23.41 per metric tonne of condensate.

Current production in Ukraine is 120,000 cubic metres of gas and 470bopd of condensate from four wells on production: MEX102, MEX3, GOL1 and GOL2. Regal will continue to increase production by exploiting western oil technology and by performing well simulations on the MEX/GOL field which are due to be completed in Q4 2004.

The construction of extra storage plant to cope with the unexpectedly high condensate flow from MEX102 commenced in Q3 2004 and is due for completion in Q4 2004. In addition, the optimisation of the GOL/MEX processing plant is due to be completed in Q2 2005.

Regal has commenced comprehensive reservoir engineering on both fields and a review of the geological model and Russian log re-interpretation is underway. Furthermore, Regal has commenced analysis of hydrocarbon quality tendency by layer, cluster analysis and MonteCarlo simulation to determine selection of optimum well locations and timings.

Based on positive results from western technology completions a full independent reserve audit is to be carried out by the end of 2004

### **Romania**

The Suceava Block licence has completed the government ratification process and seismic acquisition and processing has commenced. To date, 458km of 2D data over the two most prospective structures has been acquired with 402km left to acquire over the remaining structures. It is expected that the seismic acquisition programme will be completed in Q4 2004. It is planned to drill one well and spud another on the Suceava Block before the end of 2004.

The Barlad Block licence is moving through the government ratification process and it is expected to be ratified by the end of 2004. It is expected that seismic surveys will be performed on the Barlad Block in 2005.

### **Egypt**

In August 2004 Regal signed an agreement to acquire LK Exploration N.V.'s exploration and production licence in the East Ras Budran Area, Gulf of Suez, Egypt. Government approval of the transfer is expected to be obtained in October 2004. Four prospects have been identified, all data is being re-digitised and interpreted and exploration drilling is expected to commence in Q2 2005.

### **Outlook**

The Directors of Regal Petroleum plc advise that, due to lower than expected production of oil from their Greek operations, results for the second half of 2004 will be similar to the first half results.

The lower than expected production in Greece has been caused by delays in the mobilisation of drilling rigs and other equipment necessary to work-over existing wells and to drill new production wells. The Directors believe that this will cause a six month delay to previous production forecasts.

## **CHAIRMAN'S STATEMENT**

### **Dear Shareholder**

During the first half of 2004 we have continued our strategy of focusing on building shareholder value through the acquisition and development of highly prospective exploration and production licences which are close to established hydrocarbon markets and infrastructure.

In addition, we have continued our production strategy of exploiting existing assets to drive cash flow in order to fund our aggressive development and exploration activities.

### **Considerable Growth**

The first half of 2004 has seen considerable growth in potential reserves through the discovery of up to 1 billion barrels of hydrocarbons in place in the Greater Kallirachi Area. Furthermore, we have achieved profitable operations in Ukraine that are now generating significant cashflow for the Group.

### **Review of Results**

The financial results for the six months ended 30 June 2004 are in line with expectations and reflect the successful integration of Kavala Oil S.A. business into the Group together with substantial capital expenditure in line with our development and exploration strategy.

In March 2004 Regal successfully placed 13.3 million new ordinary shares and raised £37.5 million to develop assets in Greece and Romania.

Turnover for the six months was \$13,432,616 (30-Jun-03: \$1,228,000) which is mainly attributable to oil sales in Greece and gas and condensate sales in Ukraine. During the first six months of 2004 the Group achieved an average daily production of 4,800boepd at an average sales price of \$22/boe.

The operating loss after minority interests for the six months was \$2,497,659 (30-Jun-03: \$1,382,000).

As at 30 June 2004 the Group had no long term external borrowings. Total interest receivable for the six months was \$839,972 (30-Jun-03: \$71,000) reflecting successful cash management for the period.

The net capital expenditure and financial investment outflow of \$22,825,000 (30-Jun-03: \$4,035,000) represented the aggressive investment toward development and exploration, particularly in Greece.

### **Board and Senior Management**

On 1 September 2004 Roger Phillips was appointed to the Regal Board of Directors as Group Finance Director. Mr Phillips is a Chartered Accountant with over 25 years experience in the oil and gas industry including 19 years at Amerada Hess Corporation where he was the Vice President and Director of Amerada Hess in London.

The integration of Kavala Oil into Regal and the aggressive development and exploration plans that are underway in Greece necessitated a change to the senior management team. In September 2004 it was decided to promote Dr Luis Quintero from Managing Director of Ukraine Operations to Chief Operating Officer of Regal and Managing Director of Kavala Oil.

In addition, a further five senior technical and operational personnel have recently joined the Group's operations.

During the second half of 2004 Regal will concentrate its exploration and development efforts in Greece and Romania in order to add additional reserves to the existing reserves portfolio and to increase Group production by exploiting western oil technology in Ukraine and Greece.

V. Frank Timis  
Chairman

**Regal Petroleum plc**  
**Consolidated profit and loss account for the six months ended 30 June 2004**

	Note	Six months ended 30-Jun-04 (unaudited) \$000	Six months ended 30-Jun-03 (unaudited) \$000	Year ended 31-Dec-03 (audited) \$000
<b>Turnover</b>	2	<b>13,433</b>	1,228	10,194
Cost of sales		<b>(7,518)</b>	(317)	(8,973)
<b>Gross profit</b>		<b>5,915</b>	911	1,221
Other income		<b>41</b>	-	2,966
Administrative expenses		<b>(9,378)</b>	(2,364)	(8,528)
<b>Operating Loss</b>		<b>(3,422)</b>	(1,453)	(4,341)
Interest receivable		<b>840</b>	71	254
Interest payable and similar charges		<b>(33)</b>	-	(129)
<b>Loss on ordinary activities before and after taxation</b>		<b>(2,615)</b>	(1,382)	(4,217)
Minority interest		<b>117</b>	-	1,309
<b>Loss for the financial period</b>	3	<b>(2,498)</b>	(1,382)	(2,908)
<b>Loss per ordinary share (cents)</b>				
Basic	4	<b>2.3¢</b>	2.4¢	4.5¢
Diluted	4	<b>2.3¢</b>	2.4¢	4.5¢

All amounts for the six months ended 30 June 2004 and 2003 relate to continuing activities.

**Regal Petroleum plc**  
**Consolidated balance sheet at 30 June 2004**

	Note	30-Jun-04 (unaudited) \$000	30-Jun-03 (unaudited) \$000	31-Dec-03 (audited) \$000
<b>Fixed assets</b>				
Intangible assets		2,754	-	2,350
Tangible assets		56,081	9,882	36,188
Investments		576	54	203
		<u>59,411</u>	<u>9,936</u>	<u>38,741</u>
<b>Current assets</b>				
Stocks		14,241	-	3,626
Debtors		10,171	3,220	10,169
Investments		3,000	-	3,770
Cash at bank and in hand		65,739	2,775	28,539
		<u>93,151</u>	<u>5,995</u>	<u>46,104</u>
<b>Creditors: amounts falling due within one year</b>				
		<u>(15,912)</u>	<u>(1,299)</u>	<u>(15,441)</u>
<b>Net current assets</b>				
		<u>77,239</u>	<u>4,696</u>	<u>30,663</u>
<b>Total assets less current liabilities</b>				
		<b>136,650</b>	14,632	69,404
<b>Provisions for liabilities and charges</b>				
		<b>(1,302)</b>	(100)	(1,253)
<b>Minority interest</b>				
		<b>(3,831)</b>	-	(3,948)
<b>Net assets</b>				
		<u><b>131,517</b></u>	<u>14,532</u>	<u>64,203</u>
<b>Capital and reserves</b>				
Called up share capital	5	<b>9,568</b>	4,737	8,212
Share premium		<b>131,417</b>	15,273	62,369
Merger reserve		<b>(3,204)</b>	(3,204)	(3,204)
Capital contributions		<b>7,477</b>	7,477	7,477
Profit and loss account deficit		<b>(13,741)</b>	(9,751)	(10,651)
<b>Shareholders' funds – equity</b>				
		<u><b>131,517</b></u>	<u>14,532</u>	<u>64,203</u>

**Regal Petroleum plc**  
**Consolidated cash flow statement for the six months ended 30 June 2004**

	Note	Six months ended 30-Jun-04 (unaudited) \$000	Six months ended 30-Jun-03 (unaudited) \$000	Year ended 31-Dec-03 (audited) \$000
<b>Net cash outflow from operating activities</b>		(10,325)	(1,821)	(1,060)
<b>Returns on investments and servicing of finance</b>				
Interest received		840	70	280
Interest paid		(100)	-	(130)
		<hr/>	<hr/>	<hr/>
<b>Net cash inflow from returns on investments and servicing of finance</b>		740	70	150
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets		(22,827)	(4,049)	(16,766)
Sales of tangible fixed assets		2	14	-
		<hr/>	<hr/>	<hr/>
		(22,825)	(4,035)	(16,766)
<b>Acquisition and disposals</b>		(58)	-	(1,547)
<b>Cash outflow before use of liquid resources and financing</b>		(32,468)	(5,786)	(19,223)
<b>Management of liquid resources and financing</b>				
Purchase of current asset investments		-	-	(3,168)
<b>Financing</b>				
Proceeds from borrowings		21	-	-
Repayment of borrowings		(724)	(413)	(185)
Issues of ordinary share capital		74,719	-	44,626
Payment of expenses and commissions on issue of ordinary shares		(4,315)	-	(2,601)
		<hr/>	<hr/>	<hr/>
		69,701	(413)	41,840
<b>Increase/(decrease) in cash</b>		<hr/>	<hr/>	<hr/>
		37,233	(6,199)	19,449

**Regal Petroleum plc**  
**Notes forming part of the financial statements for the six months ended 30 June 2004**

**1 Accounting policies and presentation of financial information**

The interim accounts are unaudited and do not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

There have been no changes to the Group's accounting policies during the period. The accounting policies are set out in the Annual Report and Accounts for the year ended 31 December 2003, a copy of which has been filed with the Registrar of Companies at Companies House in the United Kingdom.

**2 Turnover**

	<b>Six months ended 30-Jun-04 (unaudited) \$000</b>	<b>Six months ended 30-Jun-03 (unaudited) \$000</b>	<b>Year ended 31-Dec-03 (audited) \$000</b>
<b>Analysis of turnover by activity:</b>			
Oil sales	9,527	-	7,121
Gas sales	1,616	1,088	2,545
Condensate sales	1,596	71	299
Other	694	69	229
	<u>13,433</u>	<u>1,228</u>	<u>10,194</u>
<b>Analysis of turnover by geographical origin:</b>			
Greece	10,221	-	7,350
Ukraine	3,212	1,228	2,844
	<u>13,433</u>	<u>1,228</u>	<u>10,194</u>

**3 Consolidated statement of total recognised gains and losses**

	<b>Six months ended 30-Jun-04 (unaudited) \$000</b>	<b>Six months ended 30-Jun-03 (unaudited) \$000</b>	<b>Year ended 31-Dec-03 (audited) \$000</b>
Loss for the period	(2,498)	(1,382)	(2,908)
Exchange differences	(592)	(138)	488
Total recognised gains and losses for the period	<u>(3,090)</u>	<u>(1,520)</u>	<u>(2,420)</u>

**Regal Petroleum plc**  
**Notes forming part of the financial statements for the six months ended 30 June 2004**

**4 Loss per ordinary share**

The calculation of basic and diluted loss per ordinary share has been based on the loss for the period and 108,536,040 ordinary shares, being the average number of shares in issue for the period to 30 June 2004.

**5 Share capital**

	<b>Authorised</b>			
	<b>30-Jun-04</b>	<b>31-Dec-03</b>	<b>30-Jun-04</b>	<b>31-Dec-03</b>
	<b>(unaudited)</b>	<b>(audited)</b>	<b>(unaudited)</b>	<b>(audited)</b>
	<b>Number</b>	<b>Number</b>	<b>\$000</b>	<b>\$000</b>
Ordinary shares of 5p each (Approximately 9¢ each)	<u><b>200,000,000</b></u>	<u>200,000,000</u>	<u><b>18,137</b></u>	<u>17,905</u>
	<b>Allotted, called up and fully paid</b>			
	<b>30-Jun-04</b>	<b>31-Dec-03</b>	<b>30-Jun-04</b>	<b>31-Dec-03</b>
	<b>(unaudited)</b>	<b>(audited)</b>	<b>(unaudited)</b>	<b>(audited)</b>
	<b>Number</b>	<b>Number</b>	<b>\$000</b>	<b>\$000</b>
Ordinary shares of 5p each (Approximately 9¢ each)	<u><b>115,439,868</b></u>	<u>100,541,534</u>	<u><b>9,568</b></u>	<u>8,212</u>

On 23 March 2004 the Company issued 13,333,334 new ordinary shares at a price of £3.00 per share as part of an institutional placement. The net proceeds of the placing totalled £37.5 million. These funds were raised to develop the Group's assets in Greece and Romania.

During the half year ended 30 June 2004 the Company issued 1,565,000 new ordinary shares to various directors and employees of the Company in accordance with the Company's option scheme. The total consideration received by the Company was £1,079,225.

**6 Fair Value Review**

During the second half of 2004 the Company will perform a final fair value review on the acquisition of Eurotech Services S.A. (including Kavala Oil S.A.), with any required adjustments being made in the 2004 annual accounts.

**7 Approval of Accounts**

These interim accounts were approved by the Board of Directors on 24 September 2004.