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# *Regal Petroleum*

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*Realising Potential*



Investor Presentation

June 2009

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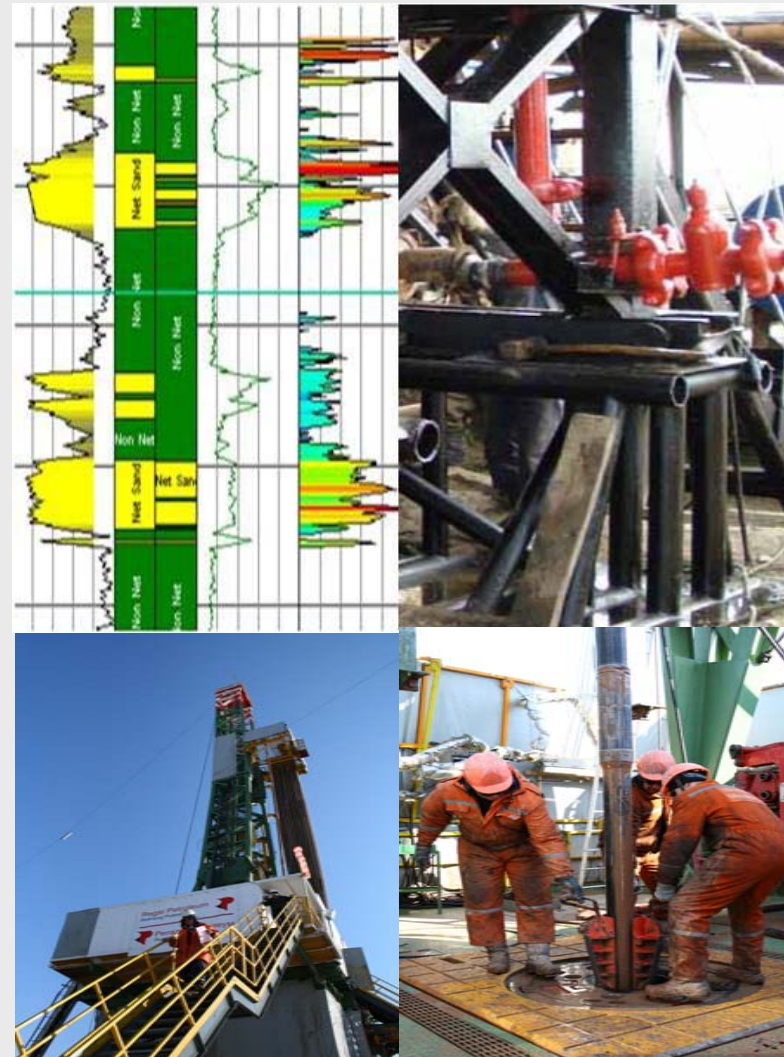
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# Overview

- Introduction
- The Team
- Company Overview
- Strategic Options
  - Planned Development
  - Phased Development



# Realising Potential

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## The Assets

- Attractive asset base with production, development and exploration potential
- Development plan for proven Ukrainian reserves (B-Sands) with potential to access significant incremental upside (T-Sands)
- Strong Ukrainian gas pricing dynamics

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## The Organisation

- Personnel and relationships to execute
- Technology to execute

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## The Development Plan

- Key development milestones reached
- Strategic options
  - Planned Development
  - Phased Development



# Attractive Asset Base

	<u>Licences</u>	<u>2P Reserves</u>	<u>Production</u>	<u>Next Steps / Upside</u>
<b>Ukraine</b>	<ul style="list-style-type: none"><li>○ MEX-GOL (100%)</li><li>○ SV (100%)</li></ul>	<ul style="list-style-type: none"><li>○ 169 MMboe (Ryder Scott audited)</li><li>○ 80% gas</li><li>○ 20% cond.</li></ul>	<ul style="list-style-type: none"><li>○ Gas 150,000 m<sup>3</sup> / d (882 boe/d)</li><li>○ Condensate 43 m<sup>3</sup> / d (270 boe/d)</li></ul>	<ul style="list-style-type: none"><li>○ Up to 95 well drilling programme</li><li>○ 2 rigs currently drilling MEX106 and SV58 wells</li><li>○ Significant upside potential (T-Sands) accessible by extending B-Sands development wells</li><li>○ 4-6 wells needed to appraise T-sands potential</li><li>○ 2 of these wells are currently being drilled at record rates for Ukraine</li></ul>
<b>Romania</b>	<ul style="list-style-type: none"><li>○ Barlad (100%)</li><li>○ Suceava (50%)</li></ul>	-	-	<ul style="list-style-type: none"><li>○ Gas discoveries with ongoing appraisal</li></ul>
<b>Egypt</b>	<ul style="list-style-type: none"><li>○ East Ras Budran (25%)</li></ul>	-	-	<ul style="list-style-type: none"><li>○ Oil discovery with further exploration and appraisal</li></ul>

# Proven Ukrainian Assets with Significant Upside



<b>Licences</b>	<ul style="list-style-type: none"><li>○ 2 production licences (MEX-GOL, SV) covering one large gas and condensate accumulation</li></ul>
<b>Significant Reserves (B-Sands)</b>	<ul style="list-style-type: none"><li>○ B-Sands have 2P reserves of 169 MMboe</li><li>○ 23 billion m<sup>3</sup> of gas &amp; 34 MMbbl of condensate<ul style="list-style-type: none"><li>• Audited by Ryder Scott 2005</li><li>• Proven reservoir</li></ul></li></ul>
<b>Upside Potential (T-Sands)</b>	<ul style="list-style-type: none"><li>○ T-Sands provide significant upside potential<ul style="list-style-type: none"><li>• Accessible by extending B-Sands development wells an additional ~800 metres</li><li>• 4-6 wells needed to appraise potential; 2 of which are currently being drilled</li></ul></li></ul>
<b>Development Plan</b>	<ul style="list-style-type: none"><li>○ Up to 95 well drilling programme over the next decade</li><li>○ Target plateau production of ~40,000 boe/d by 2015</li></ul>
<b>Current Production</b>	<ul style="list-style-type: none"><li>○ 4 producing wells: gas -150,000 m<sup>3</sup>/d; condensate – 270 bopd</li><li>○ Gas processing facility: 700,000 m<sup>3</sup>/d capacity</li></ul>



# Developing the Ukrainian Assets



	Depth	Drilling Cost (per well)	Certified 1P/2P Reserves	GIIP
B-Sands	4,700-5,300m	\$16 million	83/169 MMboe	854 MMboe
T-Sands	5,500-6,000m	Extra \$4 million	-	

*B-Sands are a proven reservoir  
T-Sands upside potential accessed by extending B-Sands development wells by ~800 metres*

# Ukraine Macroeconomic Environment



- Ukraine is at the axis of the gas transportation network between the EU and Russia
- 46 million population
- Joined WTO in 2008
- Impacted by global turmoil but has agreed \$16bn package with IMF (\$7bn already provided)
  - Increasing stability in the financial system
- IMF debt agreement requires liberalisation of household gas prices by 2011

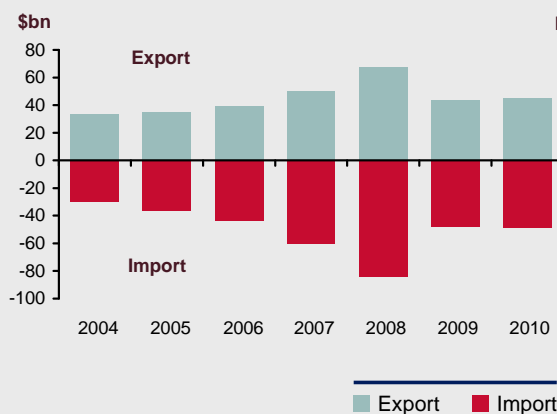
### GDP Growth Forecast



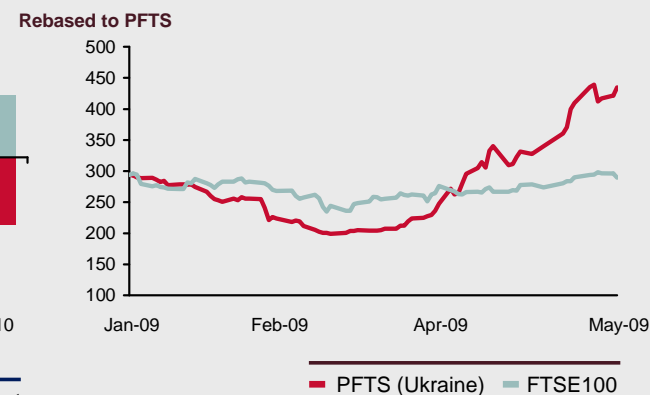
### UAH Exchange Rate



### Trade Account Forecast



### Ukrainian Stock Market Performance YTD



Source: Economist Intelligence Unit, Bloomberg

# Attractive Gas Pricing

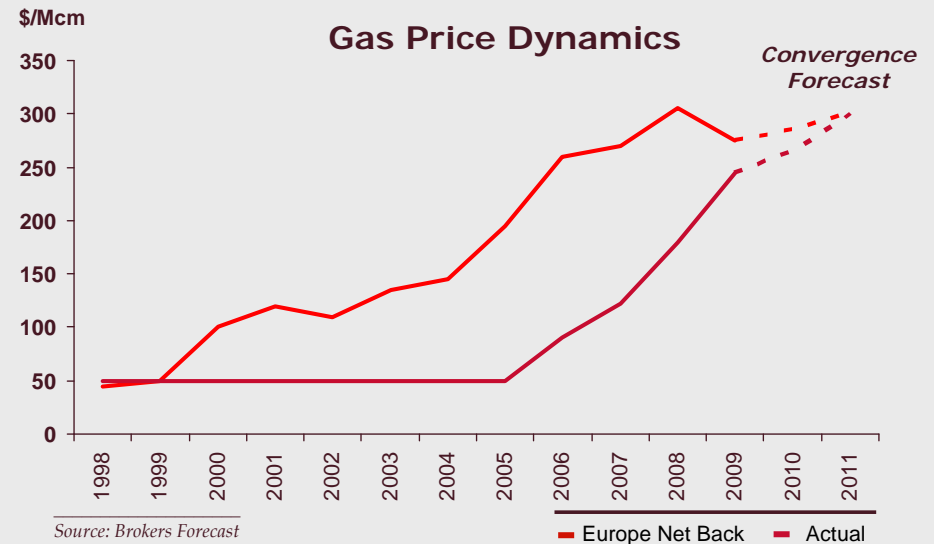
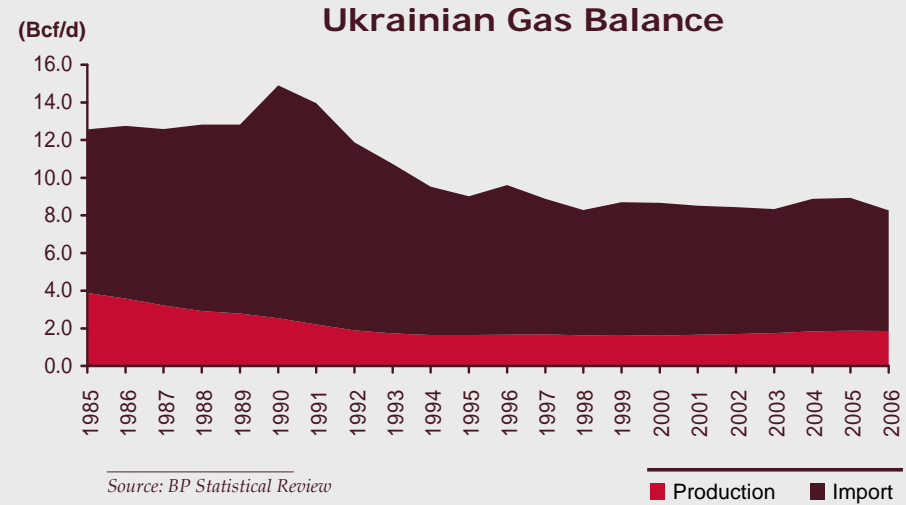


## Pricing Environment

- Ukrainian gas deficit currently bridged by Russian imports
  - Recent Gazprom/Naftogaz agreement moving to contracted rates
- Ukraine has strong interest to support growth of indigenous gas production
  - Historical convergence towards European pricing

## Gas Sales

- Gas production contracted to Ferrexpo Group
- Regal has realised gas at price cap set by the government over the last two years
- No tariffs paid for gas transport



# Personnel and Organisation to Execute



## Key Personnel

### ○ David J Greer OBE, Chief Executive Officer

David graduated from the University of Edinburgh in Civil and Structural Engineering and is a Fellow of the Institution of Mechanical Engineers. At Shell International for 28 years, he held senior engineering, production, commercial and general management positions in the UK, Netherlands, Norway, Canada, Oman, Argentina and the Philippines. He joined Regal from Shell in Russia as Deputy CEO and Project Director of Sakhalin Energy Investment Company. Mr Greer was awarded an OBE by H.M. The Queen in the 2003 New Years Honours List.

### ○ Harry Verkuil, Chief Operating Officer

Harry graduated from the Technical Institute of Amsterdam in Mechanical Engineering and is a Chartered Engineer. He worked for Shell International for 25 years in a wide variety of well engineering functional and management roles in Netherlands, Brunei, UK, Pakistan, India and Saudi Arabia.

### ○ Ronan McElroy, Chief Technologist

Ronan graduated from the University of Edinburgh in Geology, and obtained a PhD in 1990 in sedimentology at the University of Cambridge. His 10 years with Shell International culminated in making the Guda discovery on Rajasthan Block RJ-ON-90/1, the first onshore discovery in India by a foreign company in 50 years. He worked for Saudi Aramco at a strategic corporate level, and was Head of Production Development for Dubai Petroleum Establishment where he was responsible for all subsurface aspects of the Emirate's oil and gas development.

### ○ Robert Wilde, Finance Director

Robert graduated from Imperial College, London in Geology & Geophysics and qualified as a chartered accountant with Ernst & Young. His 24 year career includes upstream experience with Phillips Petroleum and Ranger Oil, downstream roles with Powergen and RWE in senior finance and managerial roles in Hungary, Germany, Italy, Portugal and Russia. As Finance Director, he took Baltic Oil Terminals Plc to IPO on AIM in 2006

## Organisation Prepared for Execution

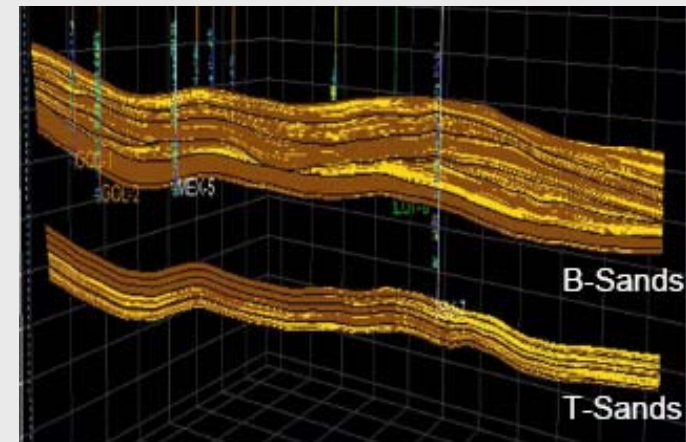
- Staff deployed in UK and Ukraine
- Strong support from Ukraine Government
- Consultants and advisers in place

# Technological Accomplishments



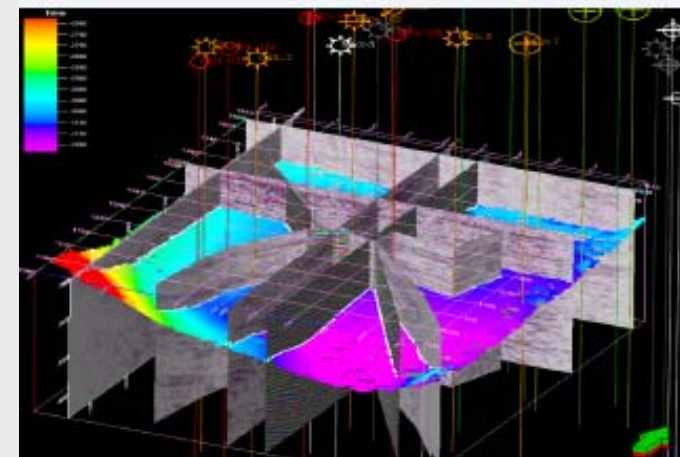
## Reservoir Modelling

- Acquired, processed and interpreted high-specification 3D seismic
- Developed integrated static reservoir model
- Revised internal estimate of Hydrocarbons-In-Place
  - Proven = 31 billion m<sup>3</sup> (181 MMBoe)
  - Proven + Probable = 62 billion m<sup>3</sup> (362 MMBoe)
  - Proven + Probable + Possible = 145 billion m<sup>3</sup> (854 MMBoe)



## Drilling Technology

- Delivered 2 modern top drive drilling rigs
  - Option on additional rig
- Improved drilling methods:
  - Pressure managed mud systems
  - Advanced bit and motor technologies
- New smart well designs: zonal isolation; multilateral drainage, slanted wells, production clustering
- State-of-the-art down-hole rock and fluid evaluation technology (1st ever Formation Micro Imager in Ukraine (FMI) – provides downhole imagery; 1st ever Combinable Magnetic Resonance in Ukraine (CMR) – investigates rock character and fluid type & mobility)





# New Drilling Rigs

## Past:

- Soviet era rigs took 12 months to drill a well and encountered technical limits before fully penetrating T-Sands

## Present:

- Two new Saipem rigs delivered
  - 5-6 months drilling time
  - Greater reliability
  - Ability to reach depths for T-Sands development



2007

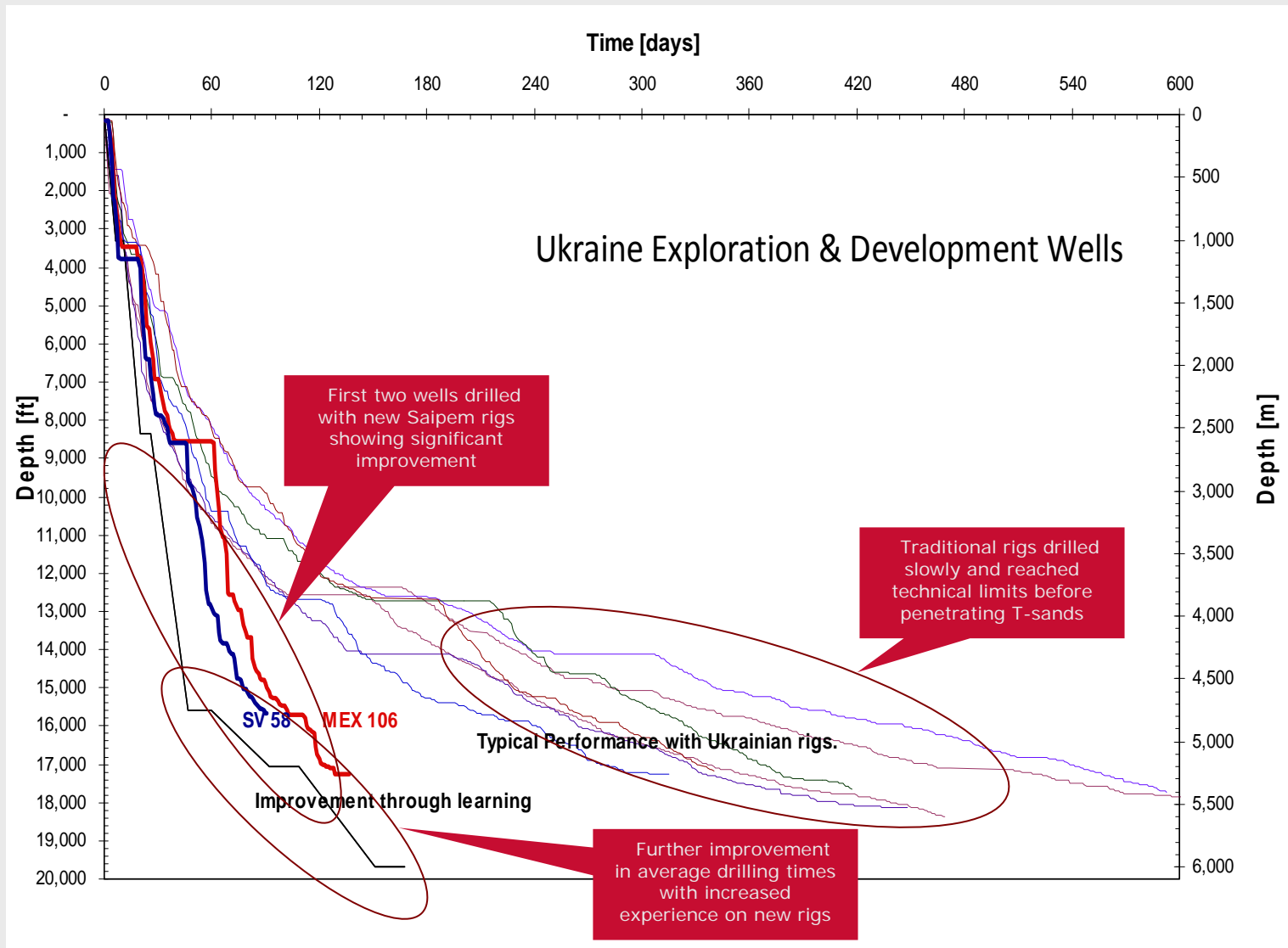


Now

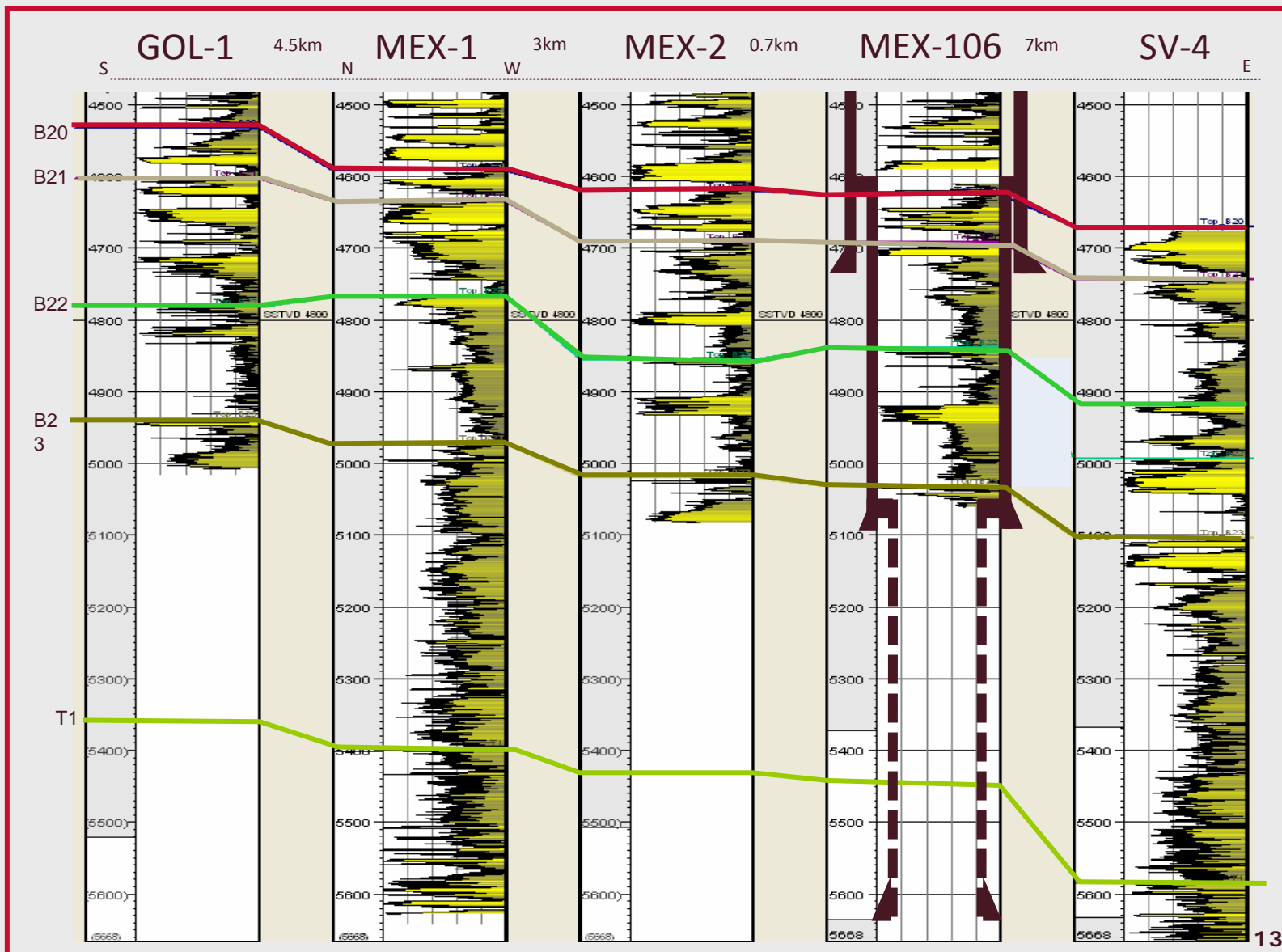
*With two rigs currently drilling, learning curve benefits are already being realised*



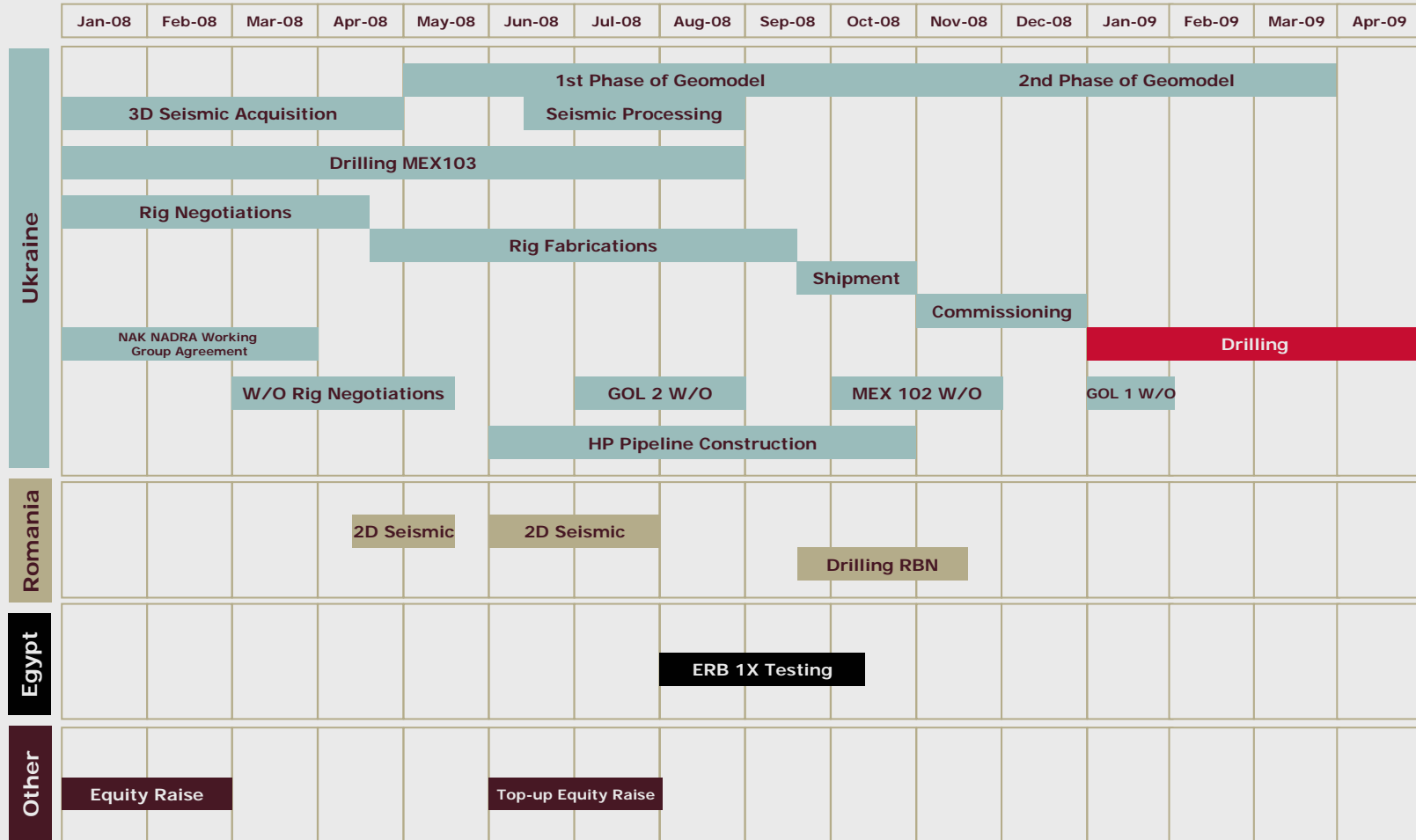
# Increased Drilling Speed



# Mex-106 Regional Correlation



# Track Record of Delivery



# Investment Made With Capital Raised



	Sources 2008		Uses 2008
Beginning Cash	\$6m	Ukraine Field Development	\$28m
Net Capital Raised	\$204m	Inventory Purchased	\$19m
Interest Received	\$5m	Operating Cash Outflow	\$14m
<b>Total Sources</b>	<b>\$215m</b>	Debt Discharged	\$10m
		Investment In Romania & Egypt	\$8m
		<b>Total Uses</b>	<b>\$78m</b>
		Unrealised Forex*	\$25m
		Realised Forex	\$6m
		<b>Ending Cash</b>	<b>\$106m</b>
		Saipem Cash Backed LOC	\$30m
		<b>Available Cash at 31/12/2008</b>	<b>\$75m</b>

- **Cash balance of \$78.5 million as at 30/04/2009**

\* Cash is held in a variety of currencies to match future expected expenditure.

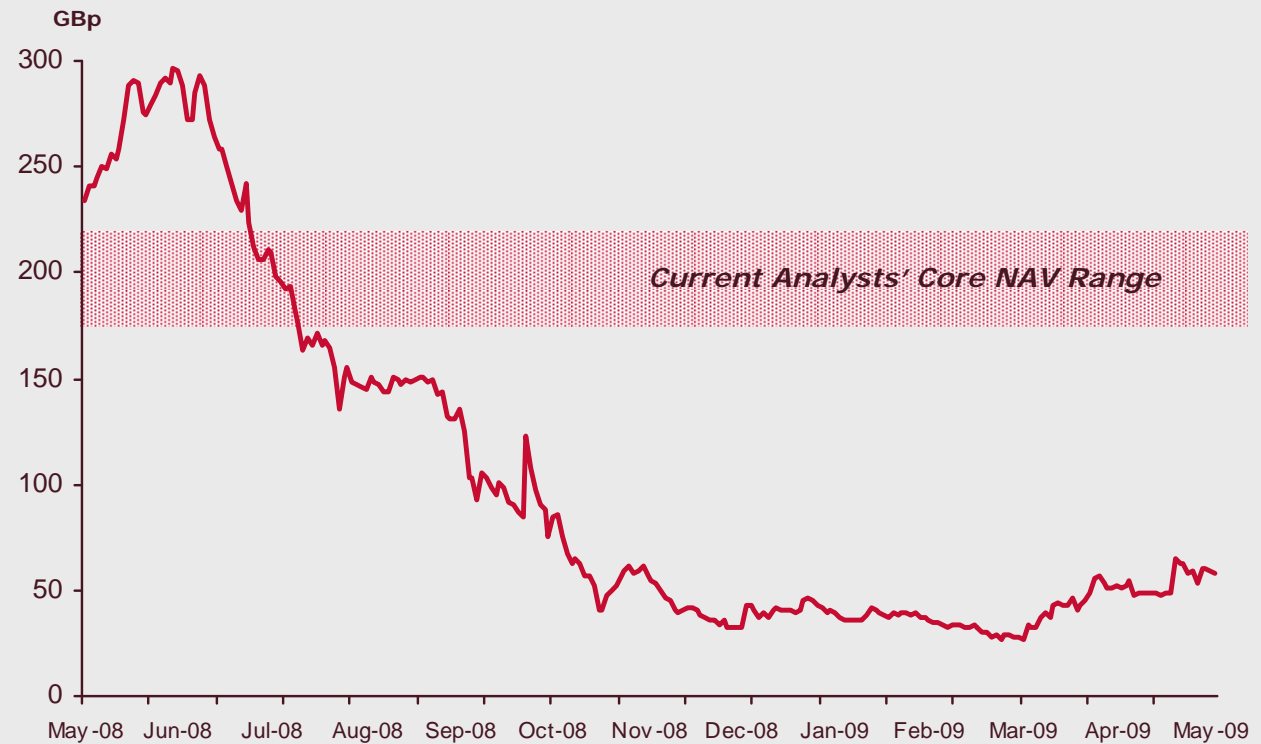
At 31.12.08 this comprised €65m, \$8m and £32m together with local Ukrainian and Romanian currencies.

Certain figures have been subject to rounding adjustments; accordingly totals in certain tables may not be an arithmetic aggregation of the figures that precede them

# Funding Concerns Affecting Stock Price



- Market views on fundamental value remain strong
- Short-term concerns over access to financing weighing on share price





# Strategic Options

