



**ANNOUNCEMENT OF THE
RECOMMENDED PARTIAL
OFFER FOR REGAL
PETROLEUM PLC**

February 2011

AGENDA

- We are delighted to announce today's partial offer for Regal Petroleum plc ("Regal")
- In summary we believe this is an excellent proposal for shareholders offering 38 pence in cash and the opportunity to remain invested in the newly energized company with the backing of a strong local shareholder
- We would like to present our plan to revitalise Regal's performance and how Smart's majority ownership will help to facilitate this
- First we will review Regal's current situation and the challenges that the Company faces and then, importantly, how Smart and Regal jointly propose to address these challenges
- We will outline Smart's revised proposal for the majority acquisition of Regal, and explain the mechanics of the partial offer – both how it can facilitate a potential 100% cash exit but also how you can remain invested in Regal – as it provides the flexibility to remain invested should you wish to
- Finally we will detail how the offer can be accepted with acceptances required by 20 February and cash to be received on or around 8 March (subject to the offer going wholly unconditional on 20 February)



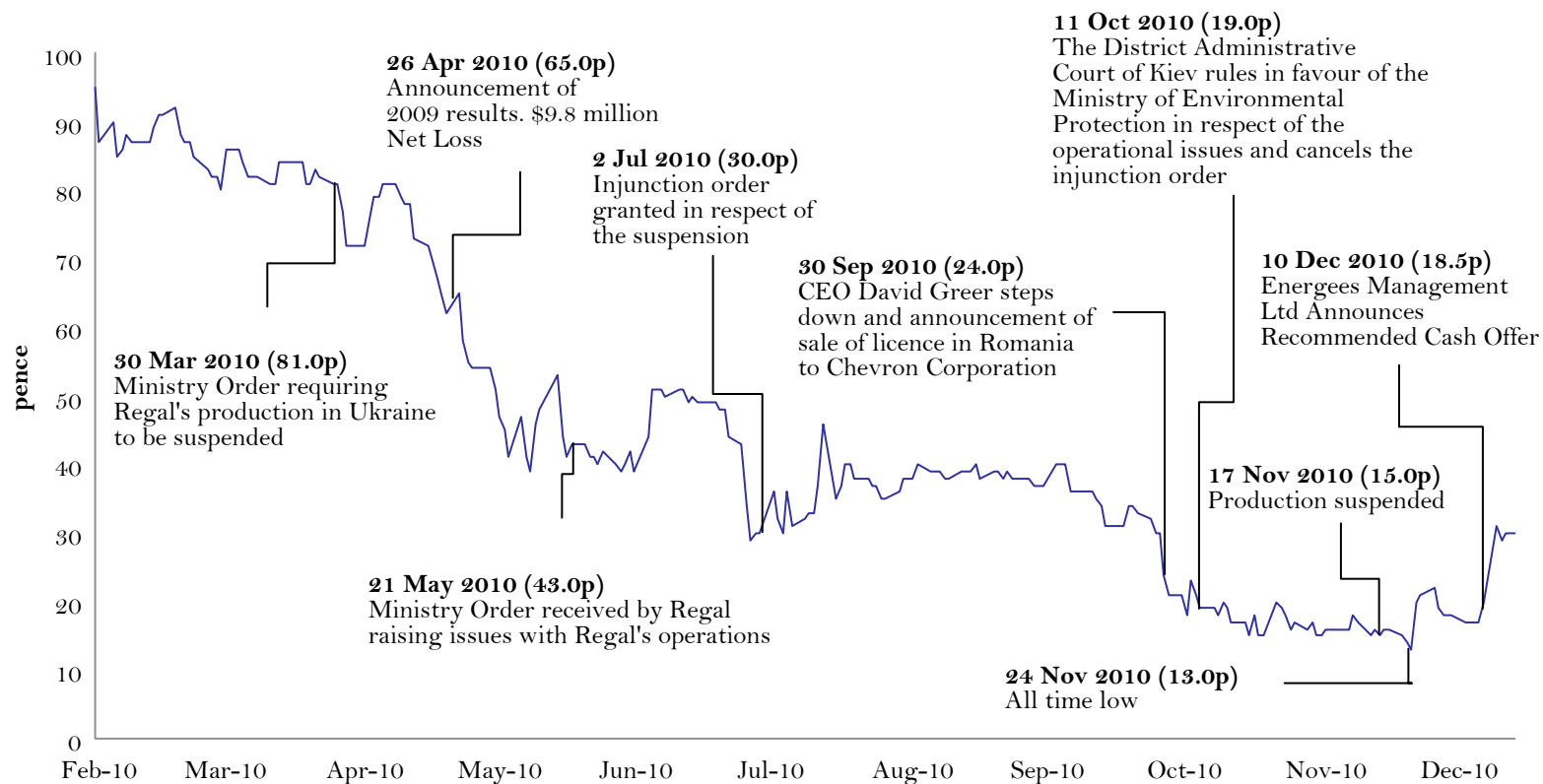
“Our Increased Partial Offer is a carefully considered means of providing all shareholders a complete solution today. Those seeking ongoing equity exposure can select equity and maximise their ongoing stake in Regal, knowing exactly what they are investing in – a re-energized Regal with the committed local country backing of Energiees Management – without taking risk on assets, strategy and management which may be unfamiliar to Regal Shareholders. In addition, with the 147% one month average premium available under the Increased Partial Offer, Energiees Management is providing Regal shareholders the option to enjoy a highly attractive and quickly realisable cash exit (potentially for up to 100% of their shareholding) at highly compelling valuation levels. We are excited about supporting Regal in the next stage of its journey and look forward to working to realise value for all stakeholders, today, tomorrow and in the future.”



Alexey Pertin

Increased Offer Announcement 6th February 2011

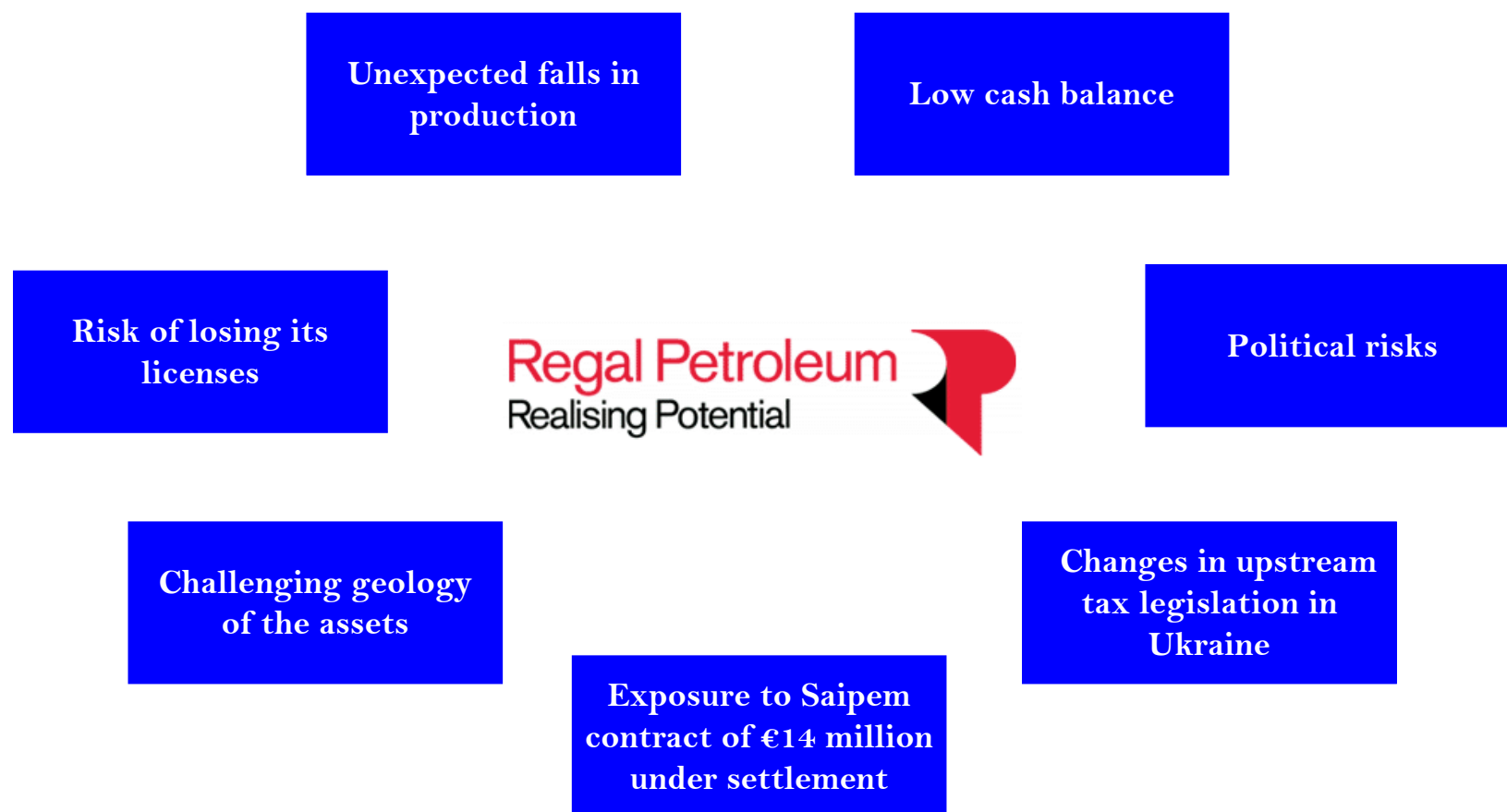
REGAL HAS FACED SOME SERIOUS CHALLENGES



Source: Mid-market prices for the day prior to the date of event sourced from the Daily Official List, Regal Announcements

THE CHALLENGES FACING REGAL TODAY

SIGNIFICANT INVESTMENT AND THE RIGHT OWNERSHIP ARE REQUIRED TO BRING VALUE



THE STORY SO FAR

- The Board of Regal recognized the legal and political risks surrounding Regal's Ukrainian operations
- After the disappointing results of the 2009/2010 drilling campaign at the Mekhediviska-Golotvshinska and Svyrydivske gas fields in Ukraine, Regal announced a strategic review
- As part of Regal's strategic review, they evaluated a number of approaches with respect to a potential offer and engaged in negotiations with several parties regarding potential corporate options
- In Q4 2010, Smart made a formal approach to Regal
- Smart's due diligence was completed in an expedient fashion
- On 10 December 2010 Smart announced a recommended all cash offer
- Shortly after, Heamoor announced its interest in Regal

THE STORY SO FAR CONTINUED

- On 18 January Regal announced details of the potential Heamoor/Geo-Alliance reverse asset contribution deal (underpinned by 25 pence in cash three month option)
- As Heamoor/Geo-Alliance's potential transaction involved a reverse takeover, this announcement resulted in the suspension of trading in Regal shares on AIM
- The Heamoor/Geo-Alliance potential transaction had a number of uncertainties including:
 - a contribution of Geo-Alliance assets as part of the offer with a valuation, which, in our view, is uncertain, as the published valuation data contains a number of assumptions, for instance, the estimates as to oil price and costs, which of themselves could be subject to change
 - strategy, management and governance
 - the overall timetable
 - uncertainty as to whether a recommendable proposal would be forthcoming
 - conditional on anti-trust approval unlike Smart's offer today
- Recognising that some shareholders wanted to remain in a listed Regal, Smart worked to provide a solution that may suit all Regal Shareholders
 - Smart believes that this proposal is that solution

SMART HOLDING GROUP

SMART IS ONE OF THE LARGEST GROUP OF COMPANIES IN UKRAINE

Company Description

- Established in 1995, the Smart Holding Group (Smart) is one of the largest group of companies operating in Ukraine
- The offer for Regal was made by Energiees Management Limited, a wholly-owned subsidiary of Energiees Investments Limited¹, the principal holding company of the Smart Holding Group
- Smart has investments in a wide range of industries, including steel, ferrous raw materials and construction materials
- The Group's largest investment is a 25% stake in Metinvest, a mining and steel group present in Europe and the US
- Metinvest had 2009 revenue of c. US\$ 6.0 billion and EBITDA of c. US\$1.5 billion
- The Group has also just reached an agreement on the acquisition of upstream gas properties in Ukraine
- The Group portfolio companies employ over 100,000 people, the majority of which are with Metinvest

Strategy for the Wider Smart Group

- Become one of the leading diversified natural resources holding companies in Ukraine with specific interest in metals & mining and oil & gas
- Focus on mid- to long-term growth, long-term value creation via management and operational excellence
- Target market-leading performance; aim for investments that deliver a high rate of return and above average market growth
- Assume social responsibility for every investment
- Pursue international corporate governance standards
- Accumulate best industry and management expertise
- Create leading culture to attract and retain talent

Key Portfolio Companies within the wider Smart Group



Note:

- 1.Energiees Investments Limited had consolidated profits for 2009 of US\$115.2 million (2008: US\$481.1 million)
- 2.Acquisition to be finalised
- 3.Acquisition to be finalised

WHO WE ARE

SMART'S BOARD HAS ENERGY & METALS EXPERTISE COMBINED WITH LOCAL KNOWLEDGE AND CONNECTIONS

The Chairman



Vadim Novinsky¹

Chairman of Supervisory Board of JSC Smart Holding UA

- Russian national
- MSc Engineering from the State Academy of Civil Aviation, St. Petersburg, Russia
- Ultimate shareholder and founder of Energees Investments
- Extensively involved in strategic and management decisions
- Strong business network in Ukraine and Russia
- One of the architects of consolidation processes in steel and ferrous mining in Ukraine
- Awarded a medal for great service to Ukraine, 3rd grade
- Founder of the Charity Fund to support the cultural and historical heritage of Ukraine

Note:

- ¹ In addition to My. Novinsky, Mr. Andrey Klyamko is the other leading shareholder of Smart. Both are well known businessmen in Ukraine and have worked together since the early 1990s

Top Management



Alexey Pertin

CEO

- Over 10 years of experience in metallurgy
- Prior to joining Smart, Alexey served as Deputy General Director of Business Development of ZAO Severstal-Group, CEO of Izhora Pipe Plant (in the UK) and other leadership positions
- MA in Financial Management
- MBA from Newcastle Business School
- UK served as a CEO of Izhora plant



Denis Rudev

First Deputy CEO/CFO

- Prior to joining Smart in 2008, Denis worked in the Investment Banking Division of Morgan Stanley (London) primarily focusing on CEE and CIS, serving clients across a full variety of sectors and products, including M&A, Capital Markets and Corporate Restructurings
- Before joining Morgan Stanley Denis worked at McKinsey & Co as consultant and at Severstal Resurs as Head of Strategy
- MA Finance, Plekhanov Academy of Economics (Moscow)



Alexey Tymofeyev

First Deputy CEO for Asset Management and Business Development

- Prior to joining Smart, Alexey had experience in Oil and Gas sector in Ukraine including NJSC "Naftogaz", "Geo-Alliance", "Ukrgezvydobuvannya"
- Experience in M&A, corporate law and court practice

OUR OPERATIONAL STRATEGY FOR REGAL

SMART WILL PROVIDE REGAL WITH STRONG FINANCIAL MANAGEMENT, OPERATIONAL AND LEGAL SUPPORT

Smart's effective management and investments will provide Regal with:

1 Financial support:

Smart intends to invest in:

- Productivity growth of Regal's existing wells
- Acquisitions and or/joint usage of existing State controlled wells (subject to appropriate opportunities arising)
- Exploration and drilling of new wells

2 Management support:

- Established track record in operating in Ukraine's natural resources sector
- Management with oil and gas expertise

3 Operational support:

- Reduced operational expenses
- Review of Regal's practices, with the intention of revenue growth

4 Legal support:

- Smart's management team has strong experience and is well placed to resolve Regal's legal issues
- Being one of the largest diversified group of companies in Ukraine, Smart is in a position to effectively address and mitigate any existing and potential legal risks

THE PROPOSED NEW BOARD



Alexey Tymofeyev - CEO

- Experience in Oil and Gas sector in Ukraine including NJSC "Naftogaz", "Geo-Alliance", "Ukrgezvydobuvannya"
- Extensive experience in M&A, corporate law and court practice



Keith Henry - Chairman

- Over 35 years in development, construction and management of projects in the oil & gas and energy industries
- Chief Executive of National Power, Brown & Root and Kvaerner Engineering and Construction
- Deputy Chairman of Petroleum Geo-Services ASA from 2003 and led the demerger as Chairman of Petrojarl ASA in 2006
- Currently Chairman of Helius Energy, and the senior Director of Sterling Energy



Robert Wilde - CFO

- 25 years of extensive experience in the energy industry
- Worked in both upstream oil and gas and in downstream power generation
- Worked for Phillips Petroleum, Ranger Oil, Powergen, RWE and Baltic Oil Terminals



Alexey Pertin - Director

- Over 10 years of experience in metallurgy
- Served as Deputy General Director of Business Development of ZAO Severstal-Group, CEO of Izhora Pipe Plant (in the UK) and other leadership positions
- MA in Financial Management
- MBA from Newcastle Business School
- Served as CEO of Izhora plant in the UK



Harry Verkuil - COO

- 25 year career with Shell International Exploration and Production
- Worked in the Netherlands, Brunei, UK, Pakistan, India and, more recently, Saudi Arabia
- In Saudi Arabia he held the position of acting operations manager with South Rub Al Khali Company Limited



Denis Rudev - Director

- Prior to joining Smart in 2008, Denis worked in the Investment Banking Division of Morgan Stanley (London) primarily focusing on CEE and CIS, serving clients across a full variety of sectors and products, including M&A, Capital Markets and Corporate Restructurings
- Before joining Morgan Stanley Denis worked at McKinsey & Co as consultant and at Severstal Resurs as Head of Strategy
- MA Finance, Plekhanov Academy of Economics (Moscow)



Adrian Coates - Non-executive director

- Joined the Board in July 2008 following retirement from HSBC Bank where, for 10 years, he held the role of Global Sector Head; Resources and Energy Group; Global Banking and Markets Division.
- Wide investment banking experience, having held senior roles in UBS, Warrior International and Credit Suisse First Boston
- Serves as a Non-Executive Director in Kazakhgold Group



Dr. Alastair Graham - Non-executive director

- Over 30 years experience in the oil and gas industry
- Held different senior management roles with BP, including UK Business Development Manager, Upstream Mergers and Acquisitions Manager, V-P of OAO Sidanco in Russia, leader of BP's Southern North Sea gas production business, V-P of BP Exploration Alaska
- Leader of BP's Russia business unit and its shareholder representative for the TNK-BP joint venture

OUR PROPOSAL

THE REVISED OFFER PROVIDES AN INCREASED VALUATION OF 38p A SHARE AS WELL AS PROVIDING THE OPPORTUNITY TO PARTICIPATE IN THE ONGOING PERFORMANCE OF “NEW” REGAL

Key Terms

- 38 pence per share in cash for 70% of Regal
 - 204 per cent. premium to the Closing Price of 12.5 pence per Regal Share on 24 November 2010, being the last business day before the commencement of the Offer Period
 - 147 per cent. premium to the average Closing Price of 15.4 pence per Regal Share for the one month period prior to the commencement of the Offer Period
- Shareholders to have the ability to fully exit the business for cash
 - can elect for 100% exit or otherwise sell via AIM
 - 100% exit depends on relative balance of demand of equity versus cash by Regal shareholders
- Option to remain fully invested in Regal
 - can elect for 100% equity (subject to the offer becoming unconditional and dependent upon relative balance of demand of equity versus cash by Regal shareholders)
 - ultimate holding depends on shareholder demand
- Smart intends to maintain Regal's admission to trading for at least the next 12 months
 - The current Board will remain in place, Keith Henry on a non-executive basis as Chairman, with the intention of appointing an additional 3 Smart representatives: Alexey Tymofeyev (as CEO), Alexey Pertin and Denis Rudev
 - Shareholders will retain existing protections under the AIM Rules for Companies
- Anticipated that further investment to fund the Regal Group's required capital expenditure programme would take the form of shareholder loans

Considerations

- ✓ Highly attractive valuation
- ✓ Ability to remain invested in Regal or potential to fully exit
- ✓ No unknown assets, which may in our view be difficult to ascribe value to, are included or being injected
- ✓ Clear strategy
- ✓ Transaction structure approved by the Takeover Panel
- ✓ No anti-trust approval required¹
- ✓ Speed and certainty of execution¹
- ✓ Consideration to be promptly despatched on or around 8 March 2011²
- ✓ Existing corporate governance and minority protections retained

Note: 1. Ukrainian anti-trust clearance was received by Energiees Management on 20 January 2011
2. Assuming offer is wholly unconditional on 20 February 2011

IN CONCLUSION

WE BELIEVE OUR PROPOSAL MEETS THE NEEDS OF ALL STAKEHOLDERS – WITH YOUR SUPPORT WE LOOK FORWARD TO HELPING REGAL MAKE THE NEXT STEP IN ITS DEVELOPMENT

- 1 We have listened to shareholders and sought to address their concerns
- 2 We believe that Regal requires locally based shareholders to support management in order to address the current environment
- 3 The Increased Partial Offer provides a highly attractive 38 pence per share in cash as well as a means of staying in the business
- 4 We believe that our effective management will provide Regal with the financial support, knowledge of Ukrainian geology, Legal and Operational support required to progress the company to the next phase of development
- 5 We have irrevocable support from shareholders and directors of Regal of 13.35% (which shall remain in place even if a competing offer is made)

**We recommend to all shareholders to accept the offer from Smart
(acceptance deadline: 20 February 2011)**

PROCESS FOR ACCEPTANCE/APPROVAL AND SCALING OF TENDERED SHARES

- Process for approval/acceptance:
 - all Regal Shareholders (whether certificated or CREST and whether or not accepting the Increased Partial Offer) asked to complete and return a Form of Approval approving the Increased Partial Offer
 - accepting certificated Regal Shareholders to complete and return a New Form of Acceptance accepting the offer
 - accepting CREST Regal Shareholders to submit an Electronic Acceptance through CREST - 20 February 2011 is a Sunday so must settle in CREST on Friday 18 February
- Scaling back following Increased Partial Offer becoming wholly unconditional:
 - shareholders who have accepted in respect of 70% or less of their holding¹ receive cash for all shares tendered
 - shareholders who have accepted in respect of more than 70% of their holding¹ will be guaranteed to receive cash for 70% of their holding¹ but acceptances in excess of this amount will only be met to the extent that other Regal Shareholders do not accept or accept in respect of less than 70% of their holding¹ (i.e. applications in excess of 70% of a shareholder's holding¹ will be subject to scale back)

Note: 1. Reference to a shareholder's holding are to its registered holding at close of business on the business day preceding the unconditional offer

APPENDIX

ADDITIONAL INFORMATION ON THE PARTIAL OFFER

- Partial offer for up to 224,446,485 Regal Shares (representing 70% of fully diluted share capital)

- Approval required from shareholders representing more than 50% of Regal under Rule 36.5 of the Code
 - condition not capable of waiver and is a separate condition to the acceptance condition
 - both have to be satisfied or Increased Partial Offer will lapse

- Acceptance condition must be satisfied by 20 February 2011

Note:

1. The partial offer is conditional on acceptances being received for up to 224,446,485 Regal Shares (representing 70% of Regal's fully diluted share capital). This condition is capable of being waived down to not less than 50.1% of Regal's fully diluted share capital.

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