



## Victoria Oil & Gas Plc

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Dear Shareholder,

In these turbulent times, I believe that it is more important than ever for companies to communicate regularly and directly with their shareholders. We want to ensure that shareholders are fully aware of the challenges facing their company and the opportunities that often arise.

Therefore, I am writing to you today in the first of my quarterly updates on progress at VOG. Our goal is to keep you informed of VOG's activities on a more frequent basis than just through our statutory announcements. We have updated our web page and will keep it updated and I urge you to check in regularly.

### **Logbaba, Cameroon**

Our attention this year will be focused firmly on the development of the Logbaba gas and condensate field in Cameroon and working this asset to positive cash flow in the shortest possible time. As you will probably know, Logbaba is a proven discovery located underneath the major city, Douala. Despite a strong industrial base where well known international brewing companies, food processors and heavy industrial companies have been present for years, they are totally dependent on very expensive imported liquid fuels for their energy requirements. VOG has already signed agreements for the off-take of up to eight million cubic feet of natural gas per day from some of these industrial consumers at prices considerably above world benchmark market prices. Our current schedule indicates receipt of first revenues in the second quarter of 2010.

During this first quarter of 2009, we have been working diligently on preparing for the spudding of the first well, a twin well to La-104, which was drilled by Elf Serepca in 1957. We have signed a conditional contract for a 2,000 horse-power rig capable of drilling to our initial well's target depth of 10,000 feet and beyond should we wish to later appraise the deeper sands. It is planned for the rig to be mobilised from its current location in Algeria to Douala by ship and on arrival will be the only land rig in the Cameroon. It is expected that the rig can be assembled ready for spudding within 40 days of arrival.

Meanwhile, drilling materials such as casing and tubing are being sourced for delivery to the well site. The first well will be drilled on an area of around 16 hectares of cleared land around La-104 and this site will also host the gas processing facilities and offices and accommodation for staff and contractors. The second well, currently planned to be a deviated well to twin La-102, will also be drilled from this location.

In February, VOG applied to the Cameroon Government for a further six month extension to the exploration period for Logbaba and the extension application was formally granted in March. The exploration period has now been extended until 18 August 2009, which will give us time to spud the first well. Upon spudding in mid year, the exploration period should be automatically extended until the completion of the well.

### **West Medvezhye, Russia**

The passive seismic survey over the structure close to discovery Well 103 has been completed and is being analysed by GeoDynamics Research. This was a considerable achievement as such a survey has never been conducted in the permafrost before and so our congratulations go to both GeoDynamics and our own team in Nadym. Obtaining good quality readings through the permafrost has confirmed the potential of passive seismic as a valuable tool in the search for hydrocarbons.

Once the results have been interpreted, they will be integrated with our analysis of the existing 2D seismic performed by SibNats and the data from a geochemical survey over the same area. We hope that this work will confirm the presence of hydrocarbon-bearing sands in a larger and shallower structure to the south east of Well 103 and will provide a more exact location for our next exploration well, Well 105.

During 2009, our staff in Nadym will be working hard to secure the necessary administrative approvals for the construction of the next well site for Well 105 and winter roads in preparation for the mobilisation of a drilling rig. With all regulatory approvals in place, we plan to spud Well 105 in 2010.

One key to unlocking further value from West Med will be another GeoDynamics survey over a larger part of the eastern section of the licence block, where the subsurface structures rise to Gazprom's Medvezhye field. It is possible that there could be significant stratigraphic traps extending into our licence on the flanks of Medvezhye, which will provide the next target locations after Well 105.

### **Kemerkol, Kazakhstan**

Our year-long fight against the unsubstantiated legal claim against our ownership of the Kemerkol licence took a positive turn in March, when the General Prosecutor for the Republic of Kazakhstan supported our appeal and issued a formal letter of protest to the Supervisory Panel of the Atyrau Oblast Court. The letter of protest demanded that the decision against VOG be cancelled and the case sent back to the Economic Court of Atyrau for reconsideration.

This step is both a clear validation of the Company's legitimate ownership of Kemerkol and a damning indictment of the illegal actions taken against us.

As soon as the Atyrau court decides in our favour, we will reactivate Kemerkol. Limited remedial work over operations will be required on the existing wells to bring them back into production and we also plan to re-start the passive seismic survey.

## **Financing**

Last week we announced that the Company had raised a total of £5.94 million by way of a Standby Equity Purchase Agreement (SEPA) facility, through Yorkville Advisors LLC and equity placings for cash.

The £5,000,000 SEPA enables the Company, at its discretion during the next 2 years, to draw down funds in tranches as and when it deems appropriate and in accordance with the terms of the Agreement.

In addition, the Company has placed 31,468,115 ordinary shares at a price of 3 pence each, a total of £944,043, through a combination of a cash placing and the settlement of advisors fees by the issue of shares. Further details on the placing can be found on the Company's announcement of 2 April 2009.

The shares issued in the placing represent about 7.0% per cent of the existing issued share capital of the Company. Following the admission of these shares to trading on AIM, we will have 479,096,232 ordinary shares in issue.

I must say that raising almost £6 million in these difficult markets is an endorsement of the potential of the Company and its projects. These funds, along with the support of our largest shareholders, Noor Petroleum, will allow us to accelerate development of Logbaba.

Kevin Foo  
Chairman