



Victoria Oil & Gas Plc

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Dear Shareholder,

I am pleased to present my second quarterly update on Victoria Oil and Gas (VOG). Whilst the economic climate remains bleak, I continue to be very bullish on resources and in particular energy resources. This is because world populations and therefore economies will continue to grow and, despite the current downturn, inevitable growth in Africa and Asia, particularly China and India, will demand more energy. A prime example of this is Cameroon, which is a country containing huge natural resources, but with a critical need for power and cheaper energy. Currently in Cameroon a litre of petrol costs more than £1 and a 5kg bottle of propane gas costs £4. These are similar prices to the UK. We can see opportunities here for VOG to play a pivotal role in providing cheaper and accessible energy to Cameroon and in supporting the country's ambition in power generation.

Company Financing

Many resource companies have very attractive assets, but remain vulnerable as long as they do not have material cash flow. VOG is a very resource rich company, with the large West Medvezhye Gas Project in Russia and its Logbaba Gas Project in Cameroon and we expect to be in positive cash flow within 12 months. Our task has been to raise sufficient money to put the Company closer to achieving that objective.

Through two fundraisings, one in April and a second in June, we have succeeded in raising approximately US\$25 million, just under £16 million, in conjunction with Fox Davies Capital. This has been an outstanding effort, especially when traditional financing sources are still closed for business and equity investors are especially selective and demanding on terms. The quality and potential of our Company has been recognised by these new investors and they have stepped up to support us. We have also cut overheads significantly, by some US\$2 million.

Logbaba, Cameroon

Logbaba is a proven discovery, with total independently assessed 2P reserves of 104 billion cubic feet of natural gas, located beneath the country's largest city, Douala. VOG has already signed gas off-take agreements for up to eight million cubic feet per day with some of the city's major industrial consumers and we believe that the first two wells will yield more than sufficient gas to service this initial market. We expect to be able to supply gas and liquid fuels to our customers at a very significant discount to the price they are paying for energy now, but at the same time a very attractive price compared to world market prices. Everybody wins.

In my last letter to you, I said that we had conditionally contracted a 2,000 horse-power rig in Algeria. Since then, markets have become even more competitive and we have now secured a 1,000 horse-power rig, which is sufficient for at least the first two wells, from PR Marriott, a well respected drilling company from the UK. Furthermore, Marriott, a local Cameroon business group and a company connected to my family have agreed to a drilling and financing package that provides further financial flexibility for VOG and mitigation of risk. This transaction, through a company called Cameroon Holdings, will provide the rig, drilling services, political and financial advisory services and a minimum of US\$4 million cash for equipment.

I am also very pleased to confirm that the drilling rig is expected to arrive in port at Douala on 19th of July.. Our project team, which will have overall responsibility for the drilling operations, is led by COO Radwan Hadi. The team has been enhanced by the appointment of several drill-bit hardened industry professionals with a wealth of African drilling experience. Between our contractors and our own people, led by Cameroon Manager Bobby Hull, we have assembled an outstanding team. These gentlemen have already made a huge difference and I can now say that VOG is at last beginning to look like a real operating company in Cameroon.

Given the short distance of 13 km from dock to the drill site, the contractors anticipate that the rig can be ready for drilling within six weeks. Following a thorough review of the original drilling programme, the first production well, named VOG-105, will be a twin to La-103 to target the multiple productive sands of the Logbaba Formation down to total depth of 10,000 feet. The well will be deviated from our site at the location of La-104 where we have around 16 hectares of land cleared for the rig and our production facilities. The original La-103 well encountered around 185 feet of gross sandstone pay with porosity of between 12 – 17 per cent and no gas / water contact. The well tested gas at rates of around 40 million cubic feet of gas per day.

You may remember that our current exploration licence term runs until 18 August 2009 so I would like to clarify that, once the first well is mobilised for drilling, the exploration licence is automatically extended until the well is completed. We are in constant communication with the State oil company SNH and the Ministry of Mines and they are fully aware of our timetable and very pleased with our progress.

However, drilling the well is only half of the project. We must source and construct a plant to separate and store liquids, store gas and build our pipeline to the customers. The responsibility for this downstream work is with Jim Ford and Ernie Miller, supported by our team on the ground of Georges Szytk, Clovis Kape and Marie-Therese Koupelle.

We will give regular updates on drilling progress, good or bad, so that all shareholders are informed and can share the excitement - and the anxiety - with us!

West Medvezhye, Russia

In May, we announced the results of the passive seismic survey over our proven discovery at Well 103 undertaken by GeoDynamics Research. The survey, which took only 15 days over an area of around 30 square kilometres, indicated two significant hydrocarbon accumulations. One of the accumulations lies mostly to the southeast of

Well 103, which penetrated the flank of the anomaly and a second to the northeast. Both of these, which lie within approximately a three kilometre radius of Well 103, are of greater magnitude than the existing discovery.

These very significant results are now being integrated with our existing 2D seismic data and a previous geochemical survey over the same area. This collated information will then provide the clearest picture yet of the potential around the 103 discovery and allow us to select our next drilling target.

Given the success of the passive seismic technology at West Med, we will also look to utilise it further during the coming winter in a primary assessment of a larger section of the licence block where it meets Gazprom's main Medvezhye field. As passive seismic is much more cost effective than conventional 2 or 3D seismic, we should be able to explore a much greater area to get an idea of the principal zones for further investigation. We also intend to use this technology at Logbaba.

Kemerkol, Kazakhstan

Despite our best efforts, little progress has been made in combating the attack against our Kemerkol licence. Following the rejection of our claim by the Supervisory Panel of the Atyrau Oblast Court, we have the support of the office of the General Prosecutor and are pressing for further action with the Kazakhstan Supreme Court. Whilst there are still avenues open to us, we will continue to fight this illegal claim against our rightful property.

Outlook

The next six months will possibly be the most important in VOG's history and I can assure shareholders that the management and Board are fully focussed on our tasks and our challenges, as successful execution of these plans will transform the Company.

Kevin Foo
Chairman