

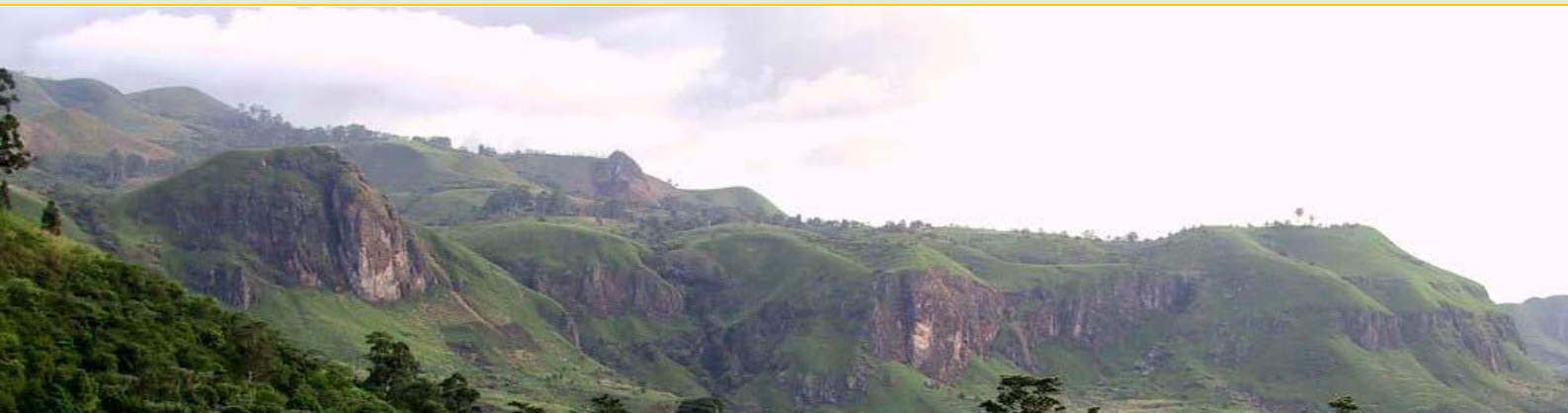


12 August 2009

52-wk Range: 2.5p-12.75p Market Cap (M): £27.9
 12 month target: £0.07 EV (M): £29.2

Oil & Gas

Closer to first gas in Cameroon



Summary

We initiate coverage of Victoria Oil & Gas with a Buy rating and a target price of £0.07, an 87% upside to current share price.

Victoria Oil & Gas is an oil and gas exploration and production company with assets in Africa (Cameroon) and the FSU (Russia, Kazakhstan), acquired since flotation on AIM in 2004. The Company has had mixed fortunes in realising the value of those assets and this is reflected in a volatile share price history. We believe that the current strategy of focusing on its gas field development asset in Cameroon is the right one.

With the first well to commence drilling there at the end of this month and a still depressed stock price that does not reflect our prudent estimate of Net Asset Value, we believe this is the right time to take positions.

Our valuation is based on a risked valuation of the asset portfolio, using FDC oil price assumptions of US\$55/b for 2009 and 2010 and US\$75/b real thereafter, and calibrated by Private Market valuation for similar assets.

There is upside beyond our target price on the basis of the currently estimated upside on resources in both Cameroon and Russia, resulting in a risked-upside share price of £0.14. There is also a large scope to de-risk the venture given the lack of recent data in Cameroon and the early stage of appraisal in Russia.

We believe that a 274% upside to £0.14 is not an opportunity to be missed for proven hydrocarbon-bearing assets close to production.

Key Metrics

Shares Outstanding (M): 744.9
 Current Price (GBp): 3.74p

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Initiating Coverage

Table of Contents

Investment Case	3
Background	4
– Share price performance	
Licence Portfolio	6
– Timeline	
Valuation	7
– Logbaba	
– West Med	
– Kemerkol	
– Valuation summary	
Risks	12
– Logbaba	
– West Med	
– Kemerkol	
Appendix 1: Valuation summary	13
Appendix 2: Description of the Assets	14
– Cameroon	
– Russia	
– Kazakhstan	
Appendix 3: News flow	21
Appendix 4: Key personnel	25
Appendix 5: Corporate Structure	26
Appendix 6: Fundraising history and Major Shareholders	27
Appendix 7: Resources Classification Framework	28

Investment Case

Victoria Oil & Gas is an AIM-traded oil and gas exploration and production company with its main assets in Cameroon, the Logbaba gas field, and Russia, the West Medvezhye gas/condensates discovery. Both assets are at the appraisal stage; however, the Logbaba Field is close to obtaining a full exploitation licence.

Proven+Probable reserves of the Logbaba Field have been independently estimated at 64.5BCF and 2.4MMbbls of liquids, i.e. a combined 14.0MMboe, within a low estimate of 7.9BCF gas + 0.3MMbbls liquids (1.7MMboe) and a high estimate of 123.9BCF gas + 4.5MMbbls liquids (26.6MMboe). The reserves of West Medvezhye have been certified by the Russian Ministry of Natural Resources at 14.4MMboe of C1+C2 reserves, which are close equivalent to 2P reserves but do not take commerciality into account and are more akin to contingent reserves. An upside of up to 170MMboe of possible C3 reserves has recently been certified by the Russian authorities (Appendix 3).

We estimate the risked value of Victoria Oil & Gas assets at £0.07 per share based on a risked estimate of the combined Proven+Probable reserves of the assets. Our valuation also incorporates FDC oil price assumptions of US\$55/b for 2009 and 2010 and US\$75/b real thereafter, and is calibrated by Private Market valuation for similar assets.

We believe the risked potential upside to be up to £0.14 per share when taking into account risked estimates of possible reserves at Logbaba and West Med, i.e. the High estimate for 2P reserves and C3 reserves respectively; while the un-risked valuation upside based on those reserves amounts to £0.30 per share.

The Company has had mixed fortunes in realising the value of those assets and this is reflected in a volatile share price history. We believe that the current strategy of focusing on its gas field development asset in Cameroon is the right one but, for understandable historical reasons, the market remains very cautious.

With the first appraisal well to commence drilling on Logbaba at the end of this month and a still depressed stock price that does not reflect our prudent estimate of Net Asset Value, we believe this is the right time to take positions.

There is a large scope to de-risk the venture given the lack of recent data in Cameroon and the early stage of appraisal in Russia, and consequently to unlock some of the risked and un-risked value mentioned above.

We believe that a 274% upside to £0.14 is not an opportunity to be missed for proven hydrocarbon-bearing assets close to production.

Background

Victoria Oil & Gas Plc ("Victoria Oil & Gas") is an oil and gas exploration and production company with assets in Cameroon, Russia and Kazakhstan. The Company is involved in the appraisal of the existing Logbaba gas field in the outskirts of Douala, Cameroon, and in the appraisal of the West Medvezhye ("West Med") discovery in West Siberia, Russia. In Kazakhstan, the Company was producing oil from its Kemerkol field when a legal dispute over the title rights interrupted the operations; they have not resumed to this day pending resolution.

Victoria Oil & Gas was incorporated in the United Kingdom in May 2004 and began trading on the AIM market in July 2004 after raising US\$18 million via a private placing. The Company was established by a management team of four Western industry veterans with extensive experience in the former Soviet Union. Under the supervision of Chairman Kevin Foo the stated goal of the Company was to identify and acquire a number of projects in the oil and gas sector with particular emphasis on projects in the FSU and Central Asia.

Shortly after being listed in London Victoria Oil & Gas made two acquisitions. Under the first deal it took control of the oil and gas properties of UK-listed Celtic Resources, including its Tamdykol project in western Kazakhstan and some minor royalties in UK onshore and offshore properties. In the second, the Company bought a 75% stake in Severgaz-Invest, a company registered in Russia which held the licence for the West Medvezhye gas and condensate field in West Siberia; the holding was later increased to 100%. The West Med licence borders the Gazprom-controlled Medvezhye gas field and it has estimated prospective resources of 1.1 billion barrels of oil equivalent. However, more exploration drilling is required to move some of these resources into the proven category. A third acquisition came in February 2005 when Victoria Oil & Gas bought the company that owned the licence for the exploitation of the Kemerkol oil field in the Atyrau Oblast of north-west Kazakhstan.

In 2008, the Tamdykol licence was sold for a nominal amount. In the same year, the Company acquired Bramlin Limited, a UK-listed company which had a farm-in agreement for a 60% interest in the Logbaba gas field in Cameroon, West Africa. The field is located near Douala and is targeting the nascent and fast growing local gas market.

Also in 2008, Victoria Oil & Gas signed an option agreement for the acquisition of Falcon Petroleum Limited for a consideration to be determined by an independent consultant, but capped at US\$12.5 million. Falcon is a private company with interests in two Production Sharing Agreements over oil exploration blocks in Africa. In Ethiopia, Falcon has 90% of Blocks Ab1, Ab4 and Ab7 of the Blue Nile (Abay) Basin covering around 26,000km² and in Mali it has 50% of the 20,000km² Block 17 in the Nara Trough. Both of these assets offer low-cost entries into undeveloped regions with large hydrocarbon potential in ideal terrain for the application of GeoDynamics' technology.

The Company has also strengthened its technical group to oversee operations through key industry relationships established with Blackwatch Petroleum Services and Geodynamics Research, the passive seismic contractor.

Share price performance

Since admission to trading on the AIM market, the Victoria Oil & Gas stock (ticker: VOG LN) has been an irregular performer. In the period from end 2005 to mid 2006, the stock rose more than 5 times on the back of the acquisitions of three licences in the FSU, the Kemerkol and Tamdykol oil fields in Kazakhstan and West Med in Russia, with very high prospective resources expectations. The announcement of strong gas shows in two wells drilled on one of the prospects located in the West Med licence sent the stock to all time highs.

The investment story started to unravel in June 2006 when the two wells were declared non-commercial. Subsequently Victoria Oil & Gas drilled two sub-commercial wells at its Kemerkol project in Kazakhstan and soon after the Company was involved in a legal dispute about the validity of its title rights to the Kemerkol licence.

In Feb 2008 the Company completed a £20m fundraising predominantly through the strategic investment from an Abu Dhabi consortium led by Noor Capital PSC. The stock reacted well to the news, doubling in a very short time from 12p to 24p but then resumed its downward drift.

Since then the stock has traded in a tight 3-5p price range and is currently just below 4p.

Exhibit 1: Share Price and AIM Oil & Gas Index



Source: Bloomberg

Licence Portfolio

As a result of a string of corporate acquisitions, Victoria Oil & Gas has majority interests and operatorship in three licences, as listed below.

Table 1: Licence portfolio

Licence	Country	Location	Interest	Operator	Partners	Status	km ²
Logbaba	Cameroon	Onshore	60%	Victoria Oil & Gas	RSM Production Inc.	Appraisal/Development	64.0
West Med	Russia	Onshore	100%	Victoria Oil & Gas	-	Appraisal	1,224.0
Kemerkol	Kazakhstan	Onshore	100%	Victoria Oil & Gas	-	Operations interrupted	65.0

Source: Victoria Oil & Gas, FDC

The licence characteristics as well as the work programme and money commitment for Victoria Oil & Gas share are as follows:

Table 2: Work and Money commitment

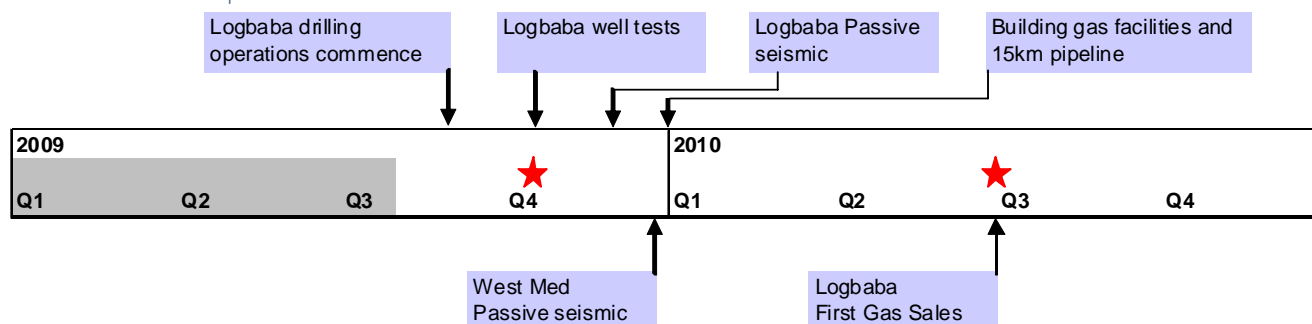
Licence	Contract	Start date	Years	Work commitment	Estimated costs (US\$m)	Spent to date (US\$m)
Logbaba	Exploration/appraisal	Feb 2009	6 months	Spud first appraisal well	14.0	7.0
West Med	Appraisal	Jan 2008	20 (4x5y)	Reprocess 2D, drill 3 appraisal wells	40.0	5.0
Kemerkol	Exploitation	2004	6	Reprocess 2D, acquire 3D, drill 14 wells all for minimum expense of US\$9.2m	14.0	15.0

Source: Victoria Oil & Gas, FDC

Timeline

Finally the work programme for the next 16 months or so is illustrated in Exhibit 2, together with potentially material news flow items highlighted.

Exhibit 2: Timeline of operations



Source: FDC

The main catalysts we have identified are obviously related to Logbaba.

First is the drilling and subsequent testing of the Logbaba well, as it will define the ability of Victoria Oil & Gas to supply gas to its potential customers and establish long-term gas contracts, securing prices for the next 20 years or so. It will also enable the Company to go back to RPS Energy, the independent consultant, for an update to the reserves estimates. We anticipate this would be a strong catalyst for stock price performance.

Planned for mid-2010, the first gas sales from Logbaba will be a major achievement and landmark. It might not be such a catalyst for the share price as the market might have anticipated the event some time in advance.

Valuation

We have used a number of approaches to come up with a valuation for the assets. They are all based on independent assessments of the resources estimates for the various assets, as listed below:

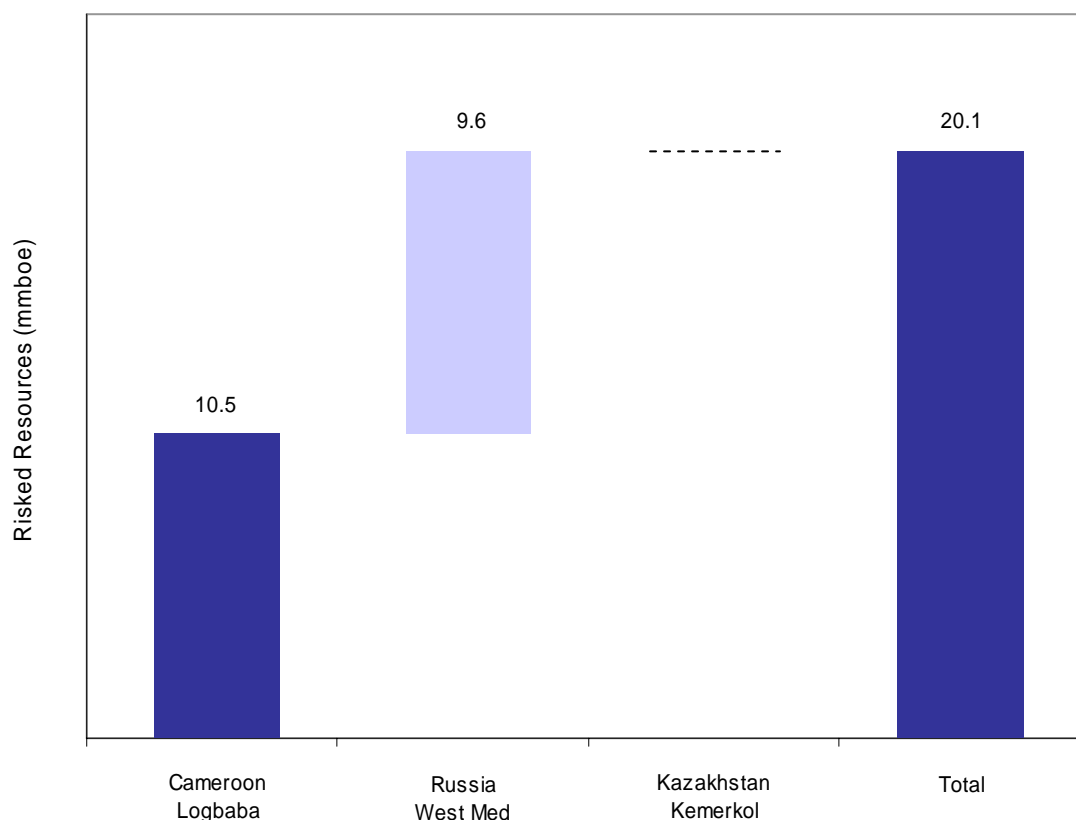
Table 3: Resource estimates

MMboe	Hydrocarbon type	Type	Low Estimate P90	Best Estimate P50	Probability of Success	Riskd Best Estimate	High Estimate P10
Logbaba	Gas/Condensates	Reserves	1.0	14.0	75%	10.5	26.6
West Med	Gas/Condensates	Contingent resources	-	14.4	67%	9.6	184.4
Kemerkol	Oil	Contingent resources	-	35.0	-	-	-
Total						63.4	20.1
Total excl. Kemerkol						28.4	20.1

Source: Victoria Oil & Gas, FDC

The only 2P reserves available are those of the Logbaba gas field in Cameroon; while West Med is only assigned C1+C2 resources under Russian classification which do not take into account commerciality and hence are contingent resources rather than reserves. Recently the Russian Ministry of Natural Resources has issued a new estimate for C3 resources of 170MMboe for West Med, based on the latest 2D data available. These C3 resources are not taken into account in the main valuation but are seen as upside. We have risked the resources estimates using a Probability of Success (PoS) based on the perceived level of commercial, geological, financing and operational risk of the project (Exhibit 3). Also, given the uncertainties related to the outcome of the legal dispute at Kemerkol, we have not included it in our assessment.

Exhibit 3: Risked Resources



Source: FDC

The upside to resources consists of 26.6MMboe for Logbaba and 184.4 MMboe (C1+C2+C3) for West Med.

Logbaba

We have valued the Logbaba gas field using a discounted cash flow (DCF) valuation methodology and calibrated the resulting value subsequently using an EV/2P reserves metric based on Public Market Valuation (PMV) data for similar assets. Our DCF valuation incorporates the following key assumptions:

- o Reserves estimates of 14.0MMboe, including 64.5BCF of gas and 2.35MMbbls of liquids as per RPS Energy independent report (2007);
- o Production period of 20 years;
- o Royalties of 8% for Government and 7% for Cameroon Holdings, the drilling contractor;
- o Fixed and variable production costs of US\$300k and US\$90k per well respectively;
- o Local tax rate of 38.5%
- o Average oil price in 2009 US\$55/bbl, 2010 US\$55/bbl and US\$75/b in real terms thereafter
- o Capital expenditures as per Company's plan
- o Nominal discount rate of 12%.

The DCF comes up with an un-risked value of US\$81.7m to which we assign a 75% probability of success given the nature of the project, resulting in a risked value of US\$61.3m or 5.1p a share and US\$5.8/b (Appendix 1).

We calibrated that valuation using an EV/2P reserves metric based on Private Market Valuation data for assets located across Africa, as shown in Table 4 below. Those comparable companies are valued at US\$5-6/b, whereas the whole of the AIM index trades at US\$4-5/b.

Table 4: Public Market Valuation for African Assets

Company	Country	Exchange	EV (US\$m)	2P reserves (MMboe)	EV/2P (US\$/b)
Centurion Energy (acquired Jan 2007)	Egypt, Morocco, Nigeria	TSX	1015	97	10.5
Melrose Resources	Egypt, Bulgaria, USA	LSE	485	67	7.3
Winstar	Tunisia, Canada, Hungary, Romania	TSX	42	18	2.3
Sterling Energy	Africa, Kurdistan	AIM	58	18	3.2
Median			271	42	5.2
Mean			400	50	5.8

Source: FDC

Applying a US\$4-6/b range to the risked reserves estimates results in a risked value of US\$52.5m in a US\$42-63m range. The comparable DCF value of US\$61.3m is within the calibration range, close to the top end of that range.

Table 5: Logbaba valuation summary

Risked values	DCF (US\$m)	Private Market Valuation (US\$m)
Logbaba gas field	61.3	42-63

Source: FDC

West Med

We valued the West Med licence using a Private Market Valuation methodology similar to that described to calibrate the DCF valuation of the Logbaba gas field. We have listed a subset of comparables companies with assets in the FSU in Table 6 below. Those comparable companies are valued at US\$2-3/b, lower than that observed for the whole of the AIM index which trades at US\$4-5/b.

Table 6: Public Market Valuation for FSU Assets

Company	Country	Exchange	EV (US\$m)	2P reserves (MMboe)	EV/2P (US\$/b)
Sibir Energy	Russia	AIM	1786	491	3.6
Petronaft	Russia (Western Siberia)	AIM	94	70	1.3
Timan	Russia (Timan-Pechora and Caspian Basin)	AIM	81	191	0.4
Urals	Russia	AIM	142	822	0.2
Dragon Oil	Turkmenistan (offshore)	AIM	2249	283	7.9
Alliance Oil	Russia (West Siberia), Kazakhstan	Stockholm SE	2864	487	5.9
BMB Munai	Kazakhstan	AMEX	96	24	4.1
Tethys Petroleum	Kazakhstan, Tajikistan	TSX	52	70	0.7
KazMunaiGaz	Kazakhstan	London Int.	6351	2133	3.0
Zhaikmunai	Kazakhstan	LSE Main	821	535	1.5
Novatek	Russia	Moscow	12513	4963	2.5
Median			821	487	2.5
Mean			2459	915	2.8

Source: FDC

Applying the mean value above of US\$2.84/b to the 14.4MMboe of reserves, results in an un-risked value of US\$40.9m; while using a range of US\$2-4/b results in an un-risked value range of US\$28.8-57.6m. We assign a probability of success of 67% to the project given the mixed results achieved so far, with only one well out of three being successful. The two unsuccessful wells tested a very different play from the Gasprom-operated Medvezhye field, whereas the successful well 103 was testing a similar play and therefore we believe Victoria Oil & Gas should and could achieve better results going forward. The resulting risked valuation is US\$27.3m.

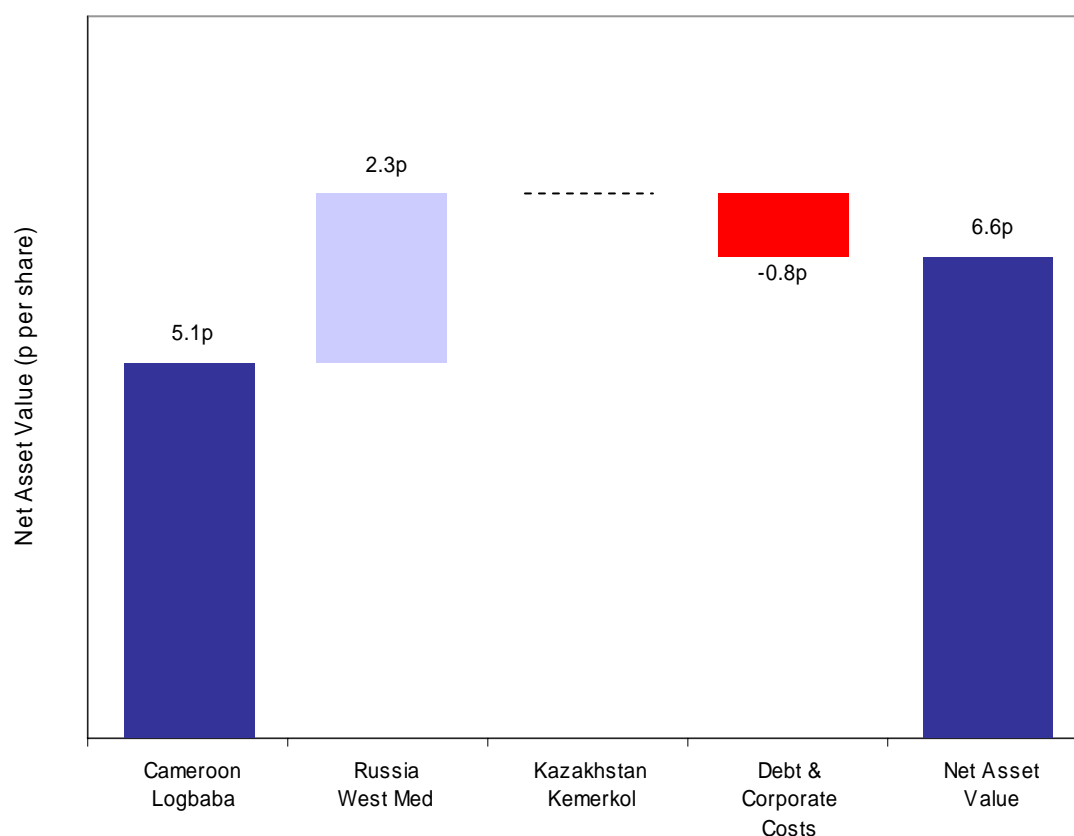
Kemerkol

We did not take into account any value for the Kemerkol licence in our valuation of the Company, given the uncertainties related to the outcome of the legal dispute and despite a potentially sizeable resources base of 35MMboe for the field.

Valuation summary

Combining the valuation of Logbaba and West Med results in a risked Net Asset Value for Victoria Oil & Gas of US\$88.6m, from which need to be deducted corporate costs to arrive at an Enterprise Value for the Company. We estimate capitalised corporate costs at US\$7.5m, based on an estimate for G&A expenses of US\$750k per annum provided by the Company. Hence the Enterprise Value of Victoria Oil & Gas is US\$81.1m, and taking into account a US\$2m loan note outstanding results in an Equity value of US\$79.1m. Exhibit 4 below illustrates the resulting valuation on a per share basis. A valuation summary can also be found in Appendix 1.

Exhibit 4: Net Asset Value



Source: FDC

An upside Net Asset Value can be estimated based on published data. For Logbaba it is provided by the High estimate for 2P reserves of 26.6 MMboe in the CPR from RPS Energy, i.e. an additional 12.6MMboe of possible reserves, while for West Med we used the figure of 170MMboe (C3) recently announced by the Russian Ministry of Natural Resources. We have applied appropriate levels of risk and value per barrel and we estimate a total upside of 7.2p per share. The resulting upside NAV of 13.8p is shown in Table 7 below.

Table 7: Victoria Oil & Gas risked upside

	Resources upside (MMboe)	Value per barrel (US\$)	Probability of Success (p)	Riskd upside Value (p)
Logbaba	12.6	5.8	35	2.2
West Med	170.0	1.0	35	5.0
Total upside	177.3			7.2
Riskd upside NAV				13.8

Source: FDC

The un-risked potential valuation upside, based on those same upside reserves estimates, is shown in Table 8 below.

Table 8: Victoria Oil & Gas un-risked upside

Risked values	Proven+Probable (MMboe)	Un-risked value (p)	Possible reserves (MMboe)	Un-risked upside Value (p)
Logbaba	14.0	6.9	12.6	6.2
West Med	14.4	3.4	170.0	14.3
Debt & Corporate Costs		-0.8		
Total	28.4	9.7	182.6	20.5
Un-risked upside NAV				29.9

Source: FDC

The un-risked value of Proven+Probable reserves is 10.3p (Appendix 1), while the un-risked potential of possible reserves adds another 20.5p, resulting in a total un-risked potential of 29.9p after taking debt and corporate costs into account. This is very much blue sky at this stage and should not be considered in the valuation, whereas the Risked upside NAV of 13.8p is a legitimate aspiration.

Taking all these into account we have set our target price at 7.0p.

Risks

A number of risks have been identified in relation with commercial, geological, financing and operational aspects of the ventures in which the Company is involved.

Logbaba

As soon as gas flow has been established in the forthcoming appraisal well to be spud at the end of August, the Government of Cameroon will issue Victoria Oil & Gas with a full exploitation licence. Hence no risk is anticipated on the title rights and ability to transfer the exploration licence in case of success.

However, the geological risk is real as it relates to the size of the accumulation. Previous wells on the structure have flowed high levels of gas but no extended production tests have been run and therefore the extent of the reservoir, and of the structure for that matter, as well as the reservoir behaviour are unknown.

Also, previous wells have encountered a high pressure zone below the main gas producing zones and due care is required while drilling in such subsurface conditions, although Victoria Oil & Gas intends to stop drilling above the high pressure zone.

There is a certain amount of commercial risk before final gas contracts have been signed. Customer commitments and contract signature should happen as soon as well tests are completed, i.e. early Q4. Given the lack of alternatives and an agreed gas price which is half of current price of supply, we consider the commercial risk to be moderate.

West Med

Licence rights risk is perceived to be low, although the licence was acquired through a corporate acquisition.

The geological risk is also low to moderate, given the presence of the Medvezhye field nearby to the North East. The two wells drilled initially on the Daniella prospects and declared non-commercial, due to low reservoir pressure, were testing a shallower and altogether different reservoir interval than the traditional Medvezhye play and should not negatively impact the forthcoming drilling in the area as far as risk is concerned.

Trap size and reservoir quality are two risks that should not be under-estimated. A new passive seismic dataset that will be acquired at the end of the year (Exhibit 2), as well as new drilling eventually, should help to de-risk the venture.

Kemerkol

The title rights risk overrides all other considerations and we have not assigned any resources or value to the licence. The legal dispute is ongoing and the risk of losing the rights to the licence is very high.

Appendix 1: Valuation summary

Current share price (p)	3.7
NAV per share (p)	6.6
= upside/downside	78%

Market Cap	79.1
EV	88.6
Net debt	(2.0)
Corporate costs	(7.5)
Other	0.0

	FDC estimates							FDC estimates		
	risked (m\$)	per share (p)	un-risked (m\$)	per share (p)	Discount rate (%)	PoS %	NAV \$/b	Oil mmboe	Gas (mmbo)	Gas (Bcf)
EV	88.6	7.4	122.6	10.3		72	4.3			
Assets								28.4	16.8	64.5
Logbaba	61.3	5.1	81.7	6.9	12.0	75	5.8	14.0	2.4	64.5
West Med	27.3	2.3	40.9	3.4	12.0	67	2.8	14.4	14.4	
Kemerkol	0.0	0.0	0.0	0.0			2.8			
# shares	744.9									
Forex £/\$	1.60									

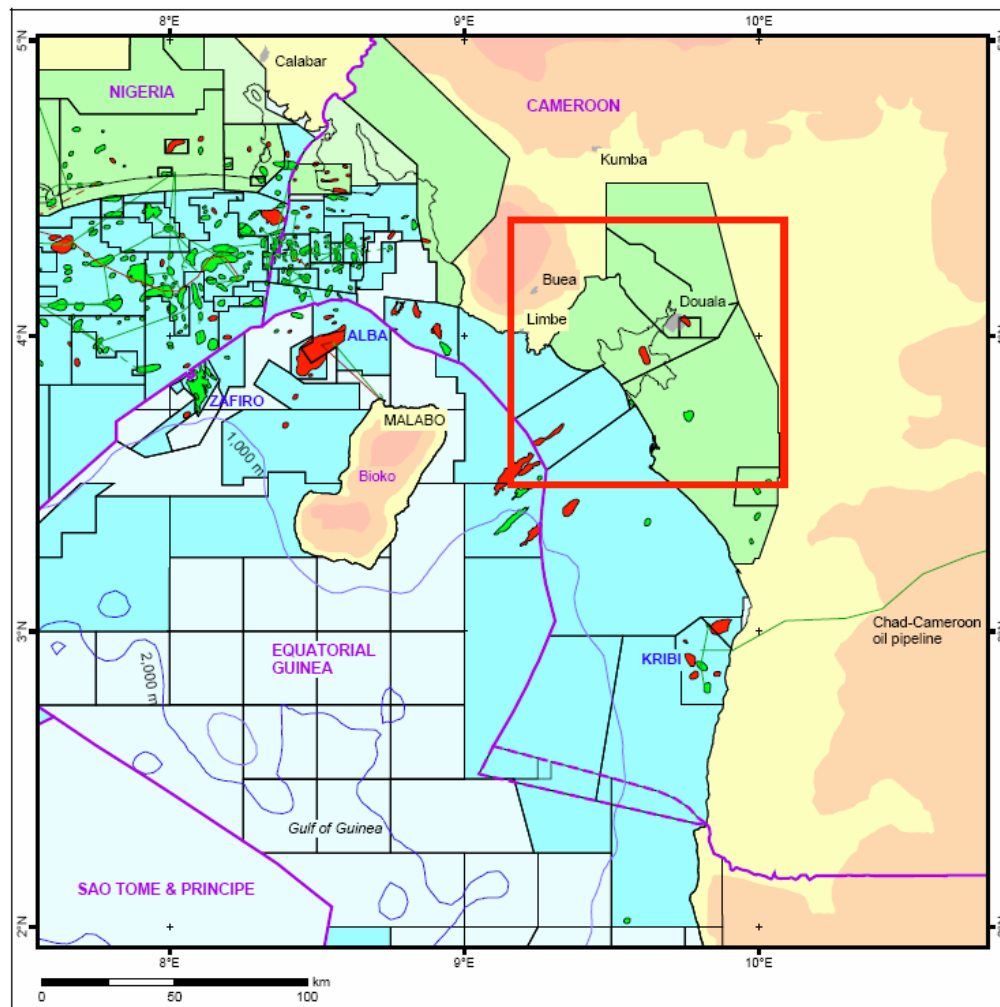
Source: FDC

Appendix 2: Description of the Assets

Cameroon

Victoria Oil & Gas owns an interest of 60% in the Logbaba exploration licence that includes an existing undeveloped gas field. The licence is located onshore in the Douala Basin, in the eastern suburbs of the coastal city of Douala. The Logbaba gas field was initially discovered in 1955 by a subsidiary of Elf Aquitaine, later acquired by Total. The four wells drilled between 1955 and 1957 all encountered gas but were plugged and abandoned at the time due to lack of a gas market. The licence was finally relinquished by Elf in 1999. In 2001 the licence was awarded to RSM, an affiliate of Grynberg Petroleum, a US oil company. In 2005 Rodeo Resources farmed in, becoming the operator and acquiring a 60% interest. At the end of 2007 Bramlin, a London-listed company, acquired the share capital of the operator and took over the operatorship. By mid 2008 Bramlin had finalised several gas contract agreements with industrial partners in the Douala region to warrant launching a gas development project. In the fourth quarter of 2008 Victoria Oil & Gas acquired Bramlin Limited, a UK company, diversifying their FSU exposure with an interest in the nascent but fast growing gas market in Cameroon. RSM remains as partner with a 40% share.

Exhibit 5: Logbaba location map



Source: Victoria Oil & Gas

An independent report by RPS Energy was published in 2007 and provided with reserves estimates for the Logbaba gas field, based on the data available at the time. There has not been any new data acquired since then and therefore those are the up-to-date estimates, as shown on Table 8 below.

Table 9: Logbaba reserves estimates

	Low Estimate P90	Best Estimate P50	High Estimate P10
Gas initially in place (GIIP)	12.6	136.0	260.0
Gas recoverable (100% basis)	10.0	107.5	205.5
Equity Gas recoverable	6.0	64.5	123.3

Source: FDC

Two distinct petroleum provinces are present in this part of Cameroon, the Niger Delta to the west and the Douala basin to the east, separated by a volcanic complex extending to the SW into the Gulf of Guinea, where it is exposed in the Bioko Island. Both basins are pull-apart type formed in the Late Jurassic by the separation of South America from Africa as the Atlantic Ocean started opening. The Niger Delta is one of the most prolific hydrocarbon regions in the world whereas only a small number of oil and mainly gas accumulations have been found to date in the Douala Basin. A source rock of predominantly terrestrial and not marine origin explains the dominance of gas, whereas trapping and hence hydrocarbon accumulation might be restricted by limited evaporites deposition and subsequent deformation. Petroleum systems are present in the Middle Cretaceous and Late Tertiary sequences. In the Logbaba field, the reservoir rock is Upper Cretaceous sandstones encased in shales.

Victoria Oil & Gas intends to carry out a passive seismic survey over the Logbaba field (Exhibit 2) in order to map the extent of the hydrocarbon-bearing sands. We understand this technology has been used with some success where well calibration is available. The Company has also contracted a rig and intends to spud two development wells, the first one being in early August. The two wells will be drilled from the same location, in a very densely populated area, and the site has already been prepared for that.

The intention is to test the four horizons that were proven gas-bearing by Elf previously, flowing close to 50MMscfd, and to investigate other sand horizons within the sequence. The reservoir is located at about 1,600m depth and has good porosity characteristics (18-20%).

The Company believes that the gas and condensate Matanda field, some 25km toward the southwest in the offshore, provides a good analogue for Logbaba. Matanda reserves have been estimated at about 400Bcf recoverable.

Drilling costs are estimated to be US\$10-12m for the first well and US\$8m for the second one, including testing. This should be covered by the financing recently put in place.

Table 10: Logbaba valuation

	Riskd NAV (US\$m)	Per share (p)	Unriskd NAV (US\$m)	Per share (p)	Probability of Success	Reserves (MMboe)	NAV per barrel (US\$/b)
Logbaba gas field	61.3	5.1	81.7	7.0	75%	14.0	5.8

Source: FDC

Victoria Oil & Gas believes that gas production flow rates from those two wells should cover the need of the currently accessible market. A gas development study indicated that the size of the domestic market is about 15MMscfd and the Company has non-binding take-off agreements with major industrials in the outskirts of Douala a few kilometres from the field, for 8MMcfd at a price of US\$16/Mcf, fixed for 5 years.

As soon as the Company shows that they can produce gas at the required, i.e. after the well tests, it will be in a position to negotiate proper long-term gas contracts with those customers. Those contracts typically for a 20 year period and make provisions for a stable pricing that secures the field development. At US\$16/Mcf the gas is about half the price of the equivalent diesel and condensate currently being imported by those potential clients. Given the lack of alternative it is more than likely that this price will prevail beyond the 5 year period currently in place.

Market research results also indicated that domestic market growth could reach some 25MMcfd over time and that power generation could be an additional outlet for the gas. Indeed Douala is prone to black-outs and current generating capacity is not sufficient to cover present and future needs. Preliminary indication is that a twin-turbine 78MW power plant would absorb another 25MMcfd of gas. Mandatory prices of US\$6.4/Mcf would make such a project break-even; however the additional capacity would bring production of condensates to a very profitable level.

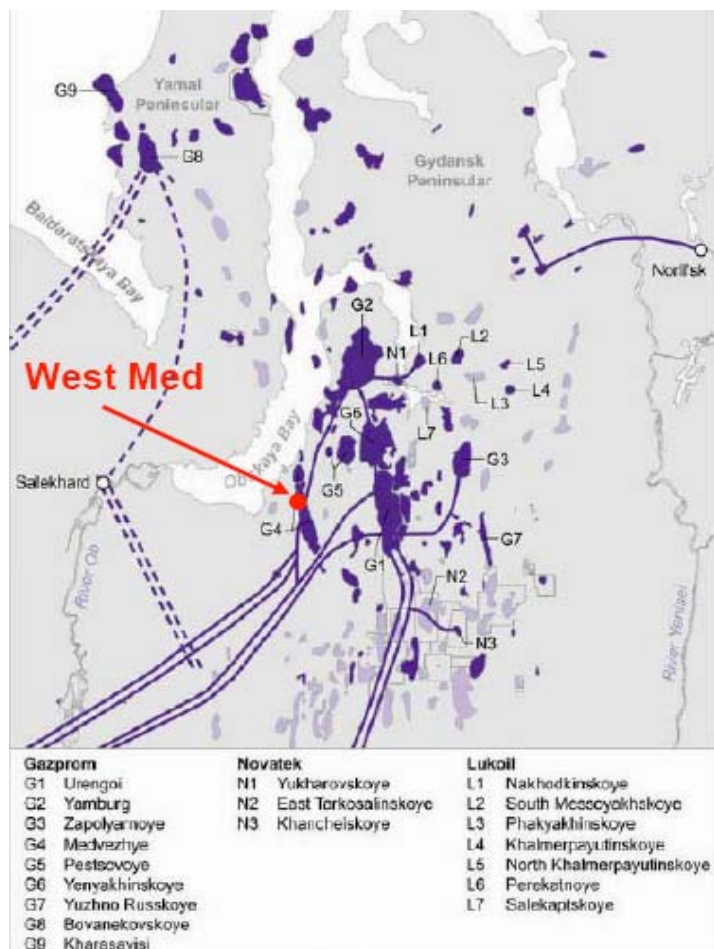
However reality is catching up fast with those preliminary projections. At the end of July, South Korea's Hyundai Engineering & Construction announced it will invest US\$162m in building a 232 MW gas-fired power plant in Cameroon. The plant, which will be installed at Logbaba by September 2010, aims to increase power supply to southern Cameroon, particularly the economic capital of Douala, which is battling chronic power shortages. Cameroon's Electricity Development Corporation (EDC) is planning plan to send the power produced from this plant to the southern interconnected network (RIS). The RIS currently produces only 630MW but demand is around 1,000MW and would rise by 20% by 2012. Investors have long complained that Cameroon's economic potential is not being fulfilled due to chronic power problems. Capacity at the Logbaba plant is expected to increase to 355 MW by 2012.

Those are big numbers and rely on Logbaba becoming a major gas producer in the near future in order to satisfy market demand. Indeed, a 232MW plant would require a close to 75MMcfd gas supply. Hopefully Victoria Oil & Gas will be in a position to deliver that gas.

Russia

The West Medvezhye ("West Med") gas and gas condensate licence near Nadym in Western Siberia, Russia, lies in one of the most prolific gas producing regions in the world (Exhibit 6). In 2004 the Company acquired 74.8% interest in Russian company ZAO SeverGas-Invest (SGI), which holds the licence for the West Med field and in 2005 Victoria acquired the remaining 25.2% bringing its total shareholding to 100%.

Exhibit 6: West Medvezhye location map



Source: Victoria Oil & Gas

West Med lies near to the super-giant Medvezhye field and about 120km from Urengoy, the largest gas and condensate field in the world. The productive interval in the Medvezhye field itself is made of thick sandstones and siltstones sealed by some 600m of thick marine clays. The vast majority of the reserves occur in the upper Late Cretaceous.

Independent reserve auditors DeGolyer and MacNaughton have given best estimates for the total prospective recoverable resource volumes for the 1,224 km² West Med licence of 1.1 billion barrels of oil equivalent consisting of 5.1Tcf of gas, 247MMbbls of condensate and 25MMbbls of oil.

Well-103 was drilled to a total depth of around 3,900m and intersected two hydrocarbon-bearing intervals in the Jurassic at depths of between 3,718 and 3,741m. Following extensive testing during 2007, a discovery was approved by the Russian Ministry of Natural Resources and C1 + C2 proven reserves of 14.4 MMboe were calculated for the Well 103 location during 2008. As a result, West Med entered the first five-year period of its 18 year production licence. The priority of the Company for this first period was to gather as much data as possible, with which to focus the following upcoming exploration and appraisal programme.

The acquisition of new data commenced in early 2008 when a geochemical survey was conducted centred on the Well 103 discovery. The geochemical survey highlighted a significant potential structure, possibly two miles in radius, updip from the 103 location. Further analysis and interpretation of the 2D seismic data for West Med using the drilling results of Well 103 was performed by the local subsoil institute, SibNats. This work showed the presence of a structure conforming to that found by the geochemical survey data. To enhance this new interpretation of the West Med target zones, Victoria commissioned a GeoDynamics passive seismic survey to be conducted over the winter. Victoria has completed a passive seismic survey over an area surrounding discovery Well 103. The results of the survey will be correlated to the existing subsurface interpretation to confirm the location of the next well 105 to be drilled in 2010/11 (Exhibit 2), before the end of the current five-year period in 2012.

Drilling costs are very high in the region due to the very restrictive environmental conditions, with an estimated of US\$15m per well. The Company anticipates being able to fund their share with cash flows from production at the Logbaba field, for the main part.

Table 11: West Med valuation

	Risked NAV (US\$m)	Per share (p)	Unrisked NAV (US\$m)	Per share (p)	Probability of Success	Reserves (MMboe)	NAV per barrel (US\$/b)
West Med licence	27.3	2.3	40.9	3.5	67%	14.4	2.8

Source: FDC

Kazakhstan

In 2005 Victoria Oil & Gas acquired 100% of the Kemerkol exploration and production licence, located in the Atyrau Oblast of Western Kazakhstan close to a number of existing oil and gas fields (Exhibit xx). Kemerkol is a 65 km² oil field with 8.7MMbbls of proven C1 reserves and 26.3MMbbls of C2, with a further C3 resource of 25.1MMbbls. The Company intended to exploit existing reserves but also had high expectations about the exploration potential in greenfield locations in the east of the licence area.

Exhibit 7: Kemerkol location map



Source: Victoria Oil & Gas

Development was initiated with a six-well drill campaign, which began in April 2006 with the success of Well 73. This well was drilled into the proven structure in the south-western section of the licence area and flowed at a rate of 450 b/d of oil. Thorough testing was carried out to determine the exact reservoir characteristic for efficiency of future extraction and production. Approximately 115m from 73 and targeting the same structure, work-over operations were completed at our first producing Well 20.

Pending the installation of a basic processing and certification facility, all production from these two wells was being piped to a gathering facility, where water and salt is separated and oil was sold to a local trader. The Company received approval by the Ministry of Energy and Mineral Resources to extend the permitted production period for these wells to three years and expected to increase production sufficiently to secure a 25 year

production lease for all wells. After completion of Well 66 the Company decided to take a pause in the drilling campaign in order to reinterpret thoroughly the existing 2D and 3D data in light of new well data, focusing on migration, seal and trapping. The review was expected to analyse potential leads and select the best structures or further drilling.

However all operations at the field had to be interrupted in June 2008 as a result of the legal dispute over the Company's title to the licence. The Company believes that this challenge is totally without legal merit and has been seeking with mixed success to establish its good title to the asset in the Kazakh Courts, whilst considering damage claims in the UK Courts.

Victoria Oil & Gas has invested some US\$25m to date in the licence and stand to lose all ownership rights. It highlights the risk of investing in this region of the world and the higher discount rate that should be attached to the valuation of such assets. In consideration of the risks above we are not including any value for Kemerkol in our valuation of the Company.

Table 12: Kemerkol valuation

	Riskd NAV (US\$m)	Per share (p)	Unriskd NAV (US\$m)	Per share (p)	Probability of Success	Reserves (MMboe)	NAV per barrel (US\$/b)
Kemerkol licence	0.0	0.0	0.0	0.0	0.0	35.0	2.8

Source: FDC

Appendix 3: News flow

28 Jul 2009 - Victoria Oil & Gas Plc announces that the MNR has approved independently calculated Russian category C3 resources for three structures within its West Med project. The resources were calculated by independent local geological institute SibNats as part of the exploration assessment of West Med based on existing 2D seismic and drilling data. This assessment and its conclusions on prospectivity, prepared as part of VOG's exploration programme for the project, were then reviewed and accepted by the MNR. In March 2008, the MNR approved recoverable C1+C2 reserves of 14.4MMboe based on the results from the first discovery well, Well 103. After further analysis of existing 2D seismic data, the MNR concurs with the identification of over 30 potential structures in the 1,224 square kilometre licence block. Of these, C3 resources have been calculated for three structures (East Nadymskaya, Pogodnaya and Yarusnaya).

20 Jul 2009 - Victoria Oil & Gas Plc is pleased to announce that the drilling rig contracted for its Logbaba gas project in Cameroon arrived in Douala as scheduled on 19 July 2009.

9 Jul 2009 - Victoria Oil & Gas has signed agreements with a contractor covering the provision of drilling and advisory services as well as funding for its Logbaba gas project in Cameroon. The deals were signed with private company Cameroon Holdings, which includes HJ Resources, a company owned by a discretionary trust connected to Kevin Foo, Chairman of Victoria Oil & Gas. Cameroon Holdings will provide US\$4-10 million in cash, a drilling rig and drilling crew at a discounted operating rate and will also drill the first two development wells at Logbaba. It will also provide in-country advisory services and assistance for the first 300 days of operations. In return, Cameroon Holdings will receive an average royalty payment of about 7% from Victoria Oil & Gas's share of gross revenue over Logbaba's life. The transaction also gives the private company rights over Logbaba if Victoria Oil & Gas defaults on its obligations. The contractor could also provide funds to Victoria Oil & Gas in order to complete the initial development of Logbaba. The field is due on-stream in the first half of next year.

17 June 2009 - Victoria Oil & Gas has boosted its cash supply by over £10 million (US\$16.3 million) through a two-tranche equity placement and by increasing an existing loan agreement. The Company raised £5.1 million through the placement and increased its Standby Equity Distribution Agreement from £5 million to £10 million. This funding package, which marks the completion of the funding exercise begun earlier in April, will be used to drill the first well and generate first production at the Logbaba project in Cameroon. The drilling rig for Logbaba is secured and scheduled to be on the water to Cameroon before the end of this month and drilling is scheduled to commence 60 days from then.

24 Apr 2009 - Victoria Oil & Gas has suffered a further blow in its legal battle over ownership of the Kemerkol oilfield in Kazakhstan. The Company said that a Kazakh lower court supervisory panel had decided not to refer a claim made against the Company's Kazakh unit back to the court to be reconsidered. The claim disputes the transfer of the Kemerkol licence to Victoria's subsidiary in 2005. The supervisory panel made the decision despite a letter of protest last month from the Kazakh General Prosecutor supporting Victoria's appeal. Victoria had acquired the Kemerkol exploration and production licence in 2005; however since 2008 production from the field has been suspended due to the legal challenge.

16 Mar 2009 - Victoria Oil & Gas expects to have its ownership of disputed Kemerkol oilfield in Kazakhstan restored following support from the country's general prosecutor. The Company said that after assessing the claim and Victoria's subsequent appeals, the general prosecutor has issued a formal letter of protest to the Supervisory Panel of the Economic Court of Atyrau Oblast, demanding cancellation of the court decision. This will mean that, Victoria Oil & Gas' ownership of Kemerkol will be restored and the case will be sent back to the Economic Court for reconsideration. Since 2008 production from the field had been suspended due to the legal challenge. Some vendors had brought a civil claim against the Company's Kazakh unit Victoria Energy Central Asia in 2005, concerning a transfer of the Kemerkol subsoil licence, prior to Victoria's ownership. The court upheld the claim in 2008. The Company had appealed against the decision saying that the transfer was undertaken legally.

(continued overleaf)

10 Feb 2009 - Victoria Oil & Gas has requested a six month extension to its exploration licence at Logbaba, Cameroon, which is due to expire on 19 February. The Company expects mobilisation of a drill rig from Algeria within three months and drilling to start late in the first half. Victoria has appointed Radwan Hadi, an engineer with over 25 years experience in the oil and gas industry, as chief operating officer of the Company and project manager of Logbaba.

28 Oct 2008 - Victoria Oil & Gas has signed a 12 month option to acquire the entire share capital of Falcon Petroleum, a Cyprus-based company with exploration prospects in Ethiopia and Mali. Falcon has a production sharing agreement for 90% of Blocks Ab1, Ab4 and Ab7 of the Blue Nile (Abay) basin in Ethiopia, covering around 26,000km². Falcon also has a PSA for 50% of the 20,000km² Block 17 in the Nara Trough in Mali. Victoria has paid an option fee of around \$400,000 in cash, which will be treated as a loan if the option is not exercised within 12 months. The option exercise price will be determined by an independent technical expert's report, commissioned by Victoria and cannot exceed US\$12.5 million. It will be payable through a combination of cash and new VOG shares. Rashed al Suwaidi, a director of VOG, has a 25% indirect interest in Falcon. For a payment of \$400,000, Victoria has a 12-month period during which it can acquire the entire share capital of Falcon

1 Oct 2008 - Victoria Oil & Gas has won court decisions in the UK and Canada relating to a rival claim to its Kemerkol licence in Kazakhstan. The rulings follow a claim bought against its regional subsidiary by the previous Kemerkol licensee and information received by the Company that an application had been made to the Kazakh Ministry of Energy & Mineral Resources for permission to sell the licence. Victoria said the claim has no merit, and said it expects damages of at least £8.5 million for breach of warranties under the sale and purchase agreement it signed with the previous licensee.

7 Jan 2008 - Abu Dhabi-based investment house Noor Capital said it had joined a consortium of Gulf Arab investors which plans to buy 29% of Victoria Oil & Gas. The consortium led by Falcon Petroleum will invest US\$36 million in Victoria. The consortium would have the option to bid for the whole Company in the future.

6 Aug 2007 - Victoria Oil & Gas said today that drilling at Well 72 at its Kemerkol project in Kazakhstan would not lead to commercial production. Victoria, which earlier this year shifted its strategy to Kazakhstan from Russia in a bid to drill lower risk wells, has now failed to extract oil from two wells in succession after a failure at Well 62 last month.

18 April 2007 - Russia's environmental watchdog Rosprirodnadzor is set to investigate Imperial Energy's environmental licences and oil reserves audit, saying it has already uncovered "preliminary violations" and adding the Company's sole oil production licence should be revoked. Mitvol also said in a statement he had questioned the way Imperial and other producers had booked reserves at its meeting with representatives of DeGolyer & MacNaughton. He said other companies in question were Victoria Oil & Gas and Novatek.

8 Feb 2007 - Victoria Oil & Gas is to shift its drilling focus from Siberia to Kazakhstan in a radical shake-up of the Company by new chief executive Tony Porter. Porter said he was carrying out a full review of where the Company is going, and had already concluded that drilling low-risk wells in Kazakhstan was more important than the existing priority of high-risk drilling in Siberia. The CEO proposed to drill six wells in Kazakhstan first - to get production up and generate a reasonable amount of cash-flow; wells 103 and 105 in Siberia were just slowed down. The Company was planning that drilling on the 105 well would start in the second quarter of 2007, but the CEO pushed it back towards the end of the year.

12 Oct 2006 - Victoria Oil & Gas encountered hydrocarbons at a well on the West Medvezhye gas field in the Yamal-Nenets region, Russia. Well 103 hit three hydrocarbon-bearing intervals with over 55 feet of net pay in or around the Bazhenov shale. The well had been drilled to a total depth of 3900 metres. Victoria plans to put the well on test for between 90 and 120 days to determine its accumulation characteristics and size. Subsurface data from the well will also be used to refine its interpretation of existing seismic data. These same intervals produce from adjacent wells in nearby licence areas and the subsurface data we have obtained will greatly enhance our analysis of the new exploration targets to be drilled this winter. The well was successfully perforated in the Jurassic at intervals between 3794-3799 m and tested at an average rate of 350 b/d of condensate along with associated gas.

(continued overleaf)

13 Sep 2006 - Victoria Oil & Gas has sealed a framework agreement to supply gas to a new Moscow power station, driving its shares up 15%. Victoria said it would supply the 210 MW power station with about 15BCF of gas per year for at least two years, and at a market price, when its West Medvezhye field begins commercial production. It said Russian company EnergoPromInvest (EPI) planned to build and operate the power station, which will negotiate the transmission of gas through the pipeline network of state gas monopoly Gazprom. The power station was expected to launch next year and to reach full capacity by the third quarter of 2009. Victoria's shares tripled in value last November after it said it had found 500 BCF of gas at West Medvezhye.

24 July 2006 - Victoria Oil & Gas reported encouraging drilling progress at a gas well in Western Siberia. The Company said it had discovered gas shows in well 103 of the West Medvezhye area, suggesting the presence of gas and gas condensate at the target depth of 3,885m. The Company indicated gross prospective resource of 144MMboe, although these are not proven reserves. These estimates are supported by a statement by independent reserve auditors DeGolyer & MacNaughton (D&M). The well 103 is located in the central part of the licence area and is targeting six potential gas and gas condensate bearing intervals which are located between depths of 3,200 and 3,880m. The Company is expecting to reach the target depth by the third quarter of this year and will carry out well testing for about three months.

6 July 2006 - Victoria Oil & Gas suffered a setback in Russia after tests on wells drilled on the shallow Daniella prospect on the West Medvezhye gas field in the Yamal-Nenets region revealed non-commercial gas reserves. Following the disappointing tests on wells 104, 104-Bis and 106, the Company will now have to re-focus on deeper prospects lying at about 1500 metres. These prospects are more analogous with the productive horizons on the nearby Medvezhye field, which is being developed by Russian gas monopoly Gazprom. Well 103 will soon test a structure at this depth, and well 105 is planned for later this year at similar depths in the northwest corner of West Medvezhye. Victoria added that an updated report by international reserve auditors DeGolyer&MacNaughton confirmed about 1 billion barrels of oil equivalent of gross resources for West Medvezhye. Earlier, auditors said 26 identified structures in the West Medvezhye acreage could harbour prospective resources of 5.3TCF (about 880MMboe) of gas and 164MMbbls. The Daniella structure was estimated to hold 54MMboe of reserves.

29 June 2006 - Victoria Oil & Gas has suspended two wells drilled in Russia as non-commercial, resulting in a cut of nearly one-tenth in its estimated reserves. The Company said it was putting off any further exploration and shallow well drilling at the Daniella prospect, located within the Company's West Medvezhye gas field, after two wells drilled yielded little of commercial value. An earlier independent appraisal of the prospect showed it contained 500BCF of recoverable gas. Victoria said its independent auditor DeGolyer & MacNaughton had now revised its estimate of the Company's gross reserves to 1 billion barrels of oil equivalent from 1.1Bboe previously. The Company is now pursuing exploration at the deeper targets in Wells-103 and 105.

8 Mar 2006 - Victoria Oil & Gas has seen first oil from its wholly-owned Kemerkol oil project in Kazakhstan following the successful re-entry of well 20. The Company said the well is currently producing 202 b/d of oil with no water and only trace gas. Cumulative production is about 545 bpd and the well will be closely monitored over the next few weeks to ensure production rate stabilisation. Further re-entry and re-completion operations on further shut-in wells are also on schedule and at an advanced stage. Production from these wells will be supplemented during the year with the drilling of new wells and production levels targeting 1800 bpd by the end of the year, rising to 4400 bpd within three years.

29 Dec 2005 - Victoria Oil & Gas has raised £13.1 million in a share placing that was two-and-a-half times oversubscribed. The Company has placed 16.85 million shares at 78p each with institutional and other investors. Victoria's chairman Kevin Foo said the placing would allow the Company to maintain momentum on key projects.

(continued overleaf)

17 Oct 2005 - Victoria Oil & Gas has clinched an agreement to develop the Kemerkol field in Kazakhstan. The Company said it has secured the rights to 35MMbbls of C1 and C2 category oil reserves. Development of the project will now begin and first production from Kemerkol is targeted for the beginning of 2006. Total reserves for Kemerkol are estimated at 60.1MMbbls of oil, compared with 16.4 MMbbls as reported in February for the original licence area. Victoria said it had successfully negotiated a 450% enlargement in the licence area, from 12 to 65km², with the Kazakh Ministry of Energy & Mineral Resources.

21 Sep 2005 - Victoria Oil & Gas has spudded the first of four wells on its Tamdykol field in the Aktyubinsk region in Kazakhstan. Well 1E, which is being drilled by local company NEK Service, has a planned total depth of 1,000m and targets the Tatar horizon in the Upper Permian with secondary targets in both the Triassic and Jurassic post-salt sediments. NEK is financing and performing the US\$1.25 million work programme over the next two years in the block. This includes the processing and reinterpretation of seismic and other geological data, drilling of four exploration wells and the building of key facilities to support development.

5 Aug 2005 - Victoria Oil & Gas has delayed its attempt to buy an additional 12.5% stake in Severgaz-Invest due to a legal problem. The Company discovered during the course of its legal due diligence that there was a problem with the sellers' title to the remaining shares in Severgaz-Invest and decided to put a halt to the transaction until it is resolved. Victoria chairman Kevin Foo said: "We will be working to find a swift resolution to this issue and I can assure shareholders that this in no way affects our existing ownership or management of the West Medvezhye project." The Company already owns a 74.8% interest in Severgaz-Invest, which holds the development licence for the West Medvezhye gas field in the Yamal-Nenets region in West Siberia. Under Russian classification, West Medvezhye contains an estimated 135 billion cubic metres of gas and 201 million barrels of condensate. The field is a west-south-western extension of the main Medvezhye field, which Gazprom has operated since the 1970s.

5 Aug 2005 - Victoria Oil & Gas has been granted a two-year extension for its Tamdykol exploration licence in the Aktyubinsk Oblast area of north-west Kazakhstan. The extension to May 2007 enables Victoria and Kazakhstan's NEK Services to begin preparations for drilling operations in the Tamdykol oil project in accordance with the farm-out agreement signed in May 2005. NEK will finance and perform the \$1.25 million minimum work programme over the next two years, including the processing and reinterpretation of seismic and other geological data, drilling of four exploratory wells to a target depth of 500m and construction of key facilities to support development. Drilling of the first test well at Tamdykol is expected to begin in late August, following the necessary permits. Drilling of a second well and the geological data collection is expected in late September. Tamdykol was acquired by Victoria from Celtic Resources Holdings in August 2004.

2 Jun 2005 - British outfit Olager Oil, 90% owned by Victoria Oil & Gas, has signed a farm-out agreement with Kazakhstan's NEK Services for the development of the Tamdykol licence. Tamdykol, in north-west Kazakhstan, has potential reserves of 34MMbbls of oil. Under the terms of the agreement, NEL will fund and carry out the \$1.25 million minimum work programme for Tamdykol. The programme includes the processing and reinterpretation of seismic and other geological data, drilling four exploratory wells to target depth of 500m and building key facilities. Should a commercial discovery be made, NEK would be entitled to 70% of the profit from production at the four wells, terminating on the repayment of their total investment and a single bonus payment of \$625,000 payable in cash or oil production. Olager will retain full rights for any further development beyond the work programme.

21 Feb 2005 - Victoria Oil & Gas is set to acquire Saga Creek Gold's exploration and production licence for the Kemerkol oil project (Blocks I and II) in north-west Kazakhstan for US\$8.5 million. Victoria said the acquisition price consists of US\$6 million in cash and US\$2.5 million in new Victoria ordinary shares. The purchase price will be paid in three monthly tranches of cash and shares following an initial payment of \$500,000 in cash upon completion. Kemerkol's total recoverable oil reserves under Russian C1 and C2 standards are calculated at 16.4MMbbls, with C1 reserves of 8.7MMbbls. Kemerkol has three productive wells at depths of 1100-1400m, which tested combined production of up to 200 b/d of oil, although this production is currently shut in. Through re-entering these existing wells and through further drilling Victoria believes it can achieve the project's target production of 4,400 bpd within three years. First production is targeted within 90 days and Victoria is aiming for output of 1,000 bpd this year. The licence's minimum work programme requires further 2D seismic data and drilling of 14 new wells over a six year period.

Appendix 4: Key personnel

Kevin Foo, Chairman

Kevin has over a 30 year career in all aspects of mining, including technical, operational, project management and running public companies. He has worked on five continents including 19 years in Kazakhstan and Russia and is a specialist in the development of mines in the FSU. Kevin was the former managing director of Celtic Resources Plc.

Rashed Al-Suwaidi, Non-Executive Director

Rashed is a petroleum engineer, the former Exploration and Production Director for the Abu Dhabi National Oil Company (ADNOC). After leaving ADNOC, Rashed acquired Dalma Energy, a drilling company with operations in Oman, Qatar, Saudi Arabia and India and clients include Qatar Petroleum, Saudi Aramco and Cairn Energy. Dalma Energy was sold to Aabar Petroleum Investments Company in 2005, of which he was appointed a director and vice-chairman. Rashed also holds directorships in some of the largest investment companies in the UAE including the Abu Dhabi National Investment Company, Noor Capital and is Chairman of Oman-based Al Maha Petroleum, the largest petrol station owner in the country.

Grant Manheim, Deputy Chairman

Grant has extensive financial experience in the City of London gained over 37 years at N.M. Rothschild and Sons Limited with 25 years as a main Board Director. In addition to his financial experience, he also has knowledge of the oil and gas sector having been the Deputy Chairman of the Executive Committee of New Court Natural Resources Plc, a company whose business was the investment in and development of oil and gas properties in the United States.

Robert Palmer, Finance Director

Robert is a Chartered Accountant. He combines his role as Finance Director with his position as a senior partner in The Gallagher Partnership LLP, a business consultancy-based accountancy practice where he specialises in providing financial advice to small and medium sized enterprises. He holds a number of Directorships in private companies.

George Donne, Executive Director

George was previously the General Manager of Victoria with responsibility for the administration of the Company's head office in London. George is a former investment banker with JP Morgan in both London and Johannesburg, specialising in natural resources advisory.

Philip Rand, Non-Executive Director

Philip has over 30 years of financial experience of which 17 have been in the upstream energy sector. He is currently the chief executive and chief financial officer of AIM-quoted oil and gas exploration company Equator Exploration Limited. He has been chief financial officer of Burren Energy, group treasurer of Monument Oil & Gas and held senior financial roles at Deminex and Louisiana Land & Exploration. Philip is a Fellow of the Association of Corporate Treasurers. Philip is Chairman of the Remuneration and Audit Committees.

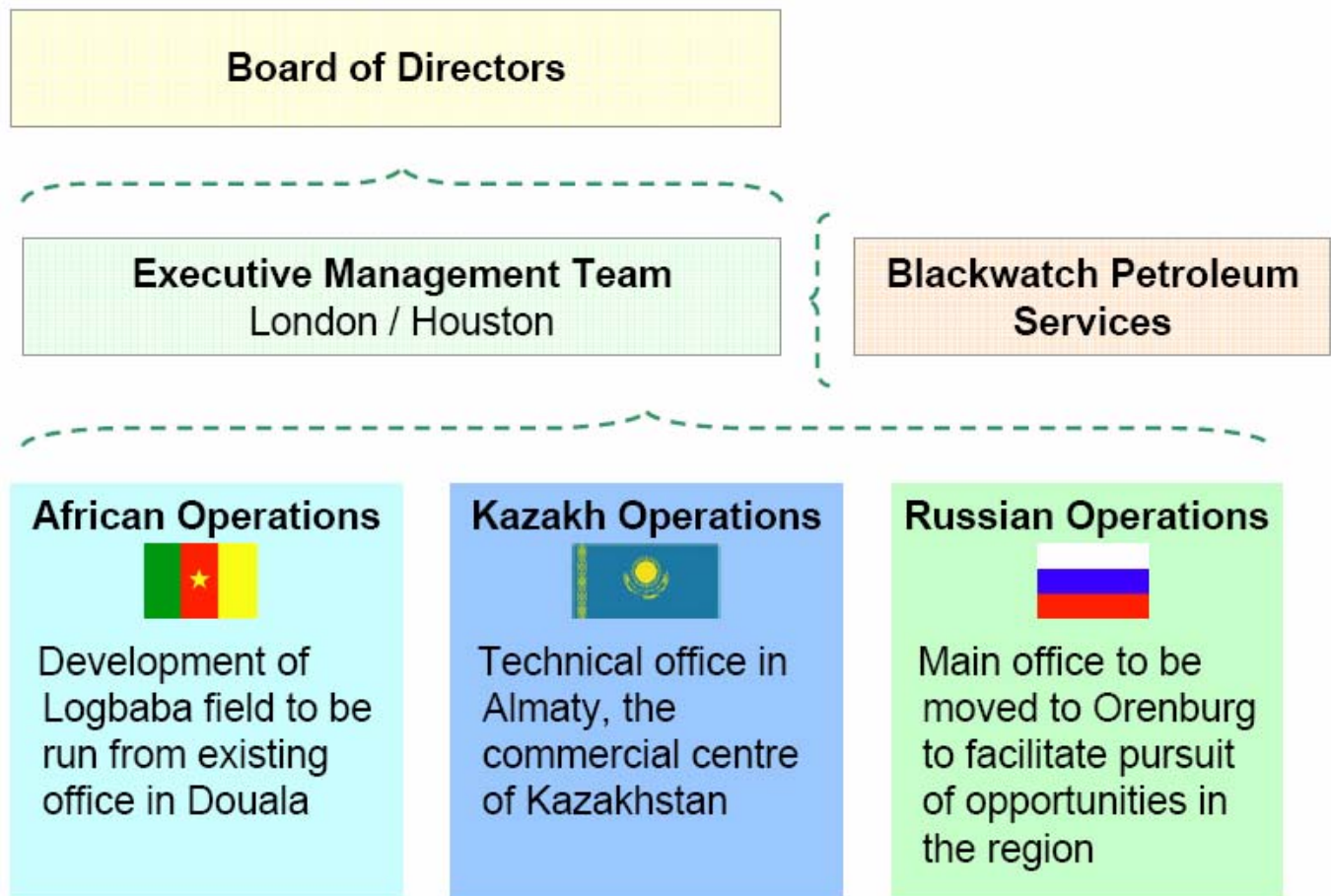
Mukhtar Tuyakbayev, Non-Executive Director

Mukhtar qualified at Moscow State Technical University in electronics engineering. He has had a successful business experience in different fields including more than 10 years in mining and exploration industries. He was an Executive Director of Celtic Resources Holdings Plc with responsibility for finding and acquisition of new projects, attracting local banks to project financing and relations with FSU state institutions.

Radwan Hadi, Chief Operating Officer

Senior petroleum engineer with Blackwatch with over 25 yrs experience in oil and gas including in Nigeria, Ghana and Equatorial Guinea.

Appendix 5: Corporate Structure



Gas

Source: Victoria Oil &

Appendix 6: Fundraising history and Major Shareholders

Fundraising history

- o July 2004 Admission on AIM raising US\$18 million via a private placing;
- o Issued a private placement of £20m of secured guaranteed convertible bond. Placed £11.5m in Oct 2006 and balance of £8.5m in April 07;
- o An new equity placing in December 2005 and a convertible bond issue October 2006 raised a total of US\$60m;
- o In January 2008 placed £15.25m and issued US\$2m unsecured convertible loan agreed in 2007. Proceeds were used to fully retire an outstanding £18.75m secured guaranteed convertible bond through cash £8m and new equity.

Table 13: Major Shareholders

Shareholder	Number of shares	% interest in Victoria Oil & Gas
Management	81,573,016	11.13%
Noor Petroleum Limited	80,000,000	10.91%
Hydrocarbons Technologies	43,568,099	5.94%
Compass Asset Management	28,093,278	3.83%
RSM Production	27,700,350	3.78%
GLG Partners LP	22,120,306	3.02%
Free float	450,153,705	61.4%
Shares in non-public hands	205,141,115	27.98%

Source: Victoria Oil & Gas

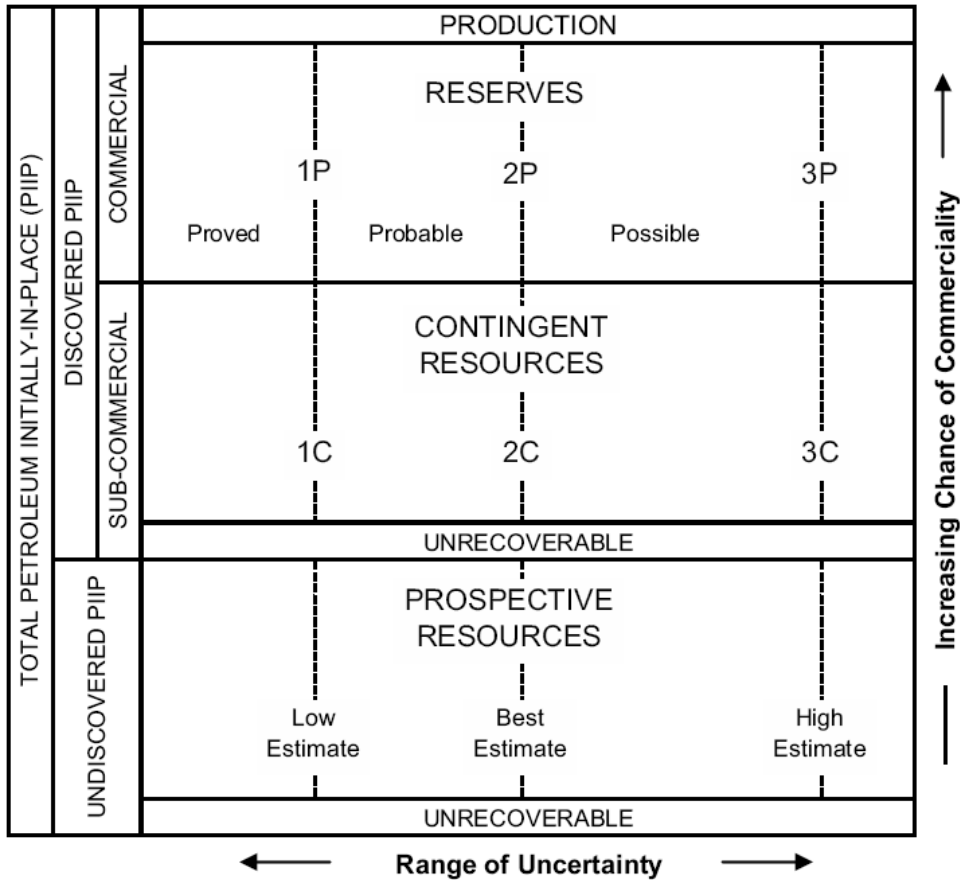
Table 14: Share Capital

Share Capital	Number of shares
Issued Ordinary Shares of 0.5 pence each as at 31 May 2009	496,915,888
Ordinary Shares of 0.5 pence each Issued Since 31 May 2009	247,943,844
Total Ordinary Shares of 0.5 pence each Shares issued at 11 August 2009	744,859,732

Source: Victoria Oil & Gas

Appendix 7: Resources Classification Framework

Exhibit 8: Resource Classification



Source: Society of Petroleum Engineers

Exhibit 9: Russian Resource Classification

Category	Explanation	Approx Western Category
A	<ul style="list-style-type: none"> Geologically and geophysically examined Delineated by exploration and production Data shows recoverability Represents reserves in current production 	Proven
B	<ul style="list-style-type: none"> Geologically and geophysically examined Evaluated by adequate drilling Data shows recoverability Represents unused producing capacity 	
C1	<ul style="list-style-type: none"> Reserves adjacent to A and B categories Geologically and geophysically evaluated Verified by minimal drilling Data shows partial recoverability 	
C2	<ul style="list-style-type: none"> Presumed to exist based on favourable geological and geophysical data analogous to that of verified reserves 	Probable
C3/D1	<ul style="list-style-type: none"> Speculative resources presumed to exist based on favourable geological analogy to reference areas 	Possible

Source: IEA and Russian Ministry of Natural Resources

Research Disclosures

Lionel Therond

Lionel has worked at Fox-Davies since April 2009. Prior to this, he had 13 years experience as an investor at JPMorgan Asset Management and had previously spent 10 years in the Oil & Gas industry at Shell. Lionel graduated in Geology and Geophysics (MSc) before gaining an MBA at Insead; he is also a CFA charterholder.
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Research Disclaimers

Research disclosure as of 12 August 2009

Company Name	Disclosure
Victoria Oil & Gas (VOG)	7, 8

Investment Research Disclosure Legend:

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Hold	Recommendation implies that expected total return of between 15% and zero is expected over 12 months between current and analysts' target price.
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Fox-Davies Capital Coverage

Fox-Davies corporate client & coverage universe as of 12 August 2009:

Company	Ticker	Recommendation	Date	Target Price	Last Price
Oil & Gas					
Afren	AFR LN Equity	HOLD	18.02.09	£0.30	£0.57
Ascent Resources	AST LN Equity	BUY	06.03.09	£0.15	£0.05
Aurelian Oil and Gas	AUL LN Equity	BUY	10.11.08	£0.75	£0.14
BPC Ltd	BPC LN Equity	BUY	18.05.09	£0.13	£0.03
Cadogan Petroleum	CAD LN Equity	HOLD	27.02.09	£0.05	£0.16
Circle Oil	COP LN Equity	BUY	10.07.09	£0.72	£0.31
Dragon Oil	DGO LN Equity	BUY	18.02.09	£2.90	£3.40
Gulfsands	GPX LN Equity	BUY	10.01.09	£3.10	£2.05
JKX	JKX LN Equity	BUY	18.02.09	£4.20	£2.33
Po Valley	PVE AU Equity	BUY	02.03.09	A\$2.70	A\$1.39
Range Resources	RRL LN Equity	SELL	18.02.09	£0.06	£0.02
Regal Petroleum	RPT LN Equity	BUY	27.02.09	£2.70	£0.72
San Leon Energy	SLE LN Equity	BUY	10.08.09	£0.60	£0.21
Sibir Energy	SBE LN Equity	HOLD	18.02.09	£2.50	NA
Tower Resources	TRP LN Equity	HOLD	17.06.09	£0.03	£0.02
Victoria Oil & Gas	VOG LN Equity	BUY	12.08.09	£0.07	£0.04
Zhaikmunai	ZKM LI Equity	BUY	09.12.08	\$13.10	\$5.50

Date	Recommendation Summary	
	Recommendation	Target Price (p)
12.08.09	<u>Initiation of coverage</u> Set target price (BUY)	7

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