RNS Number: 8319T
Victoria Oil & Gas PLC (AIM: VOG)
23 July 2015

Victoria Oil & Gas Plc

("VOG" or "the Company")

Q2 2015 Operations Update

Victoria Oil & Gas Plc provides an update on the Company's operations for the 3 month period ended 30 June 2015 (the "period"). The Company intends to provide the market with quarterly operational updates, based on the calendar year and covering all significant activities. The quarterly updates will not affect VOG's responsibility to release any price sensitive news to the market in a timely manner.

Highlights

- Average gas production of 12.6mmscf/d during the period
- Bassa and Logbaba power stations online and new thermal gas customers connected
- Group cash of $14.2m at quarter end, compared to $15.6m at the end of last quarter - capex spend included $2.6m on gas processing plant acquisition from Expro
- Cash received from gas and condensate sales Q2 $9.8 (Cash received Q1 $5.1m)
- 1,524.60mmscf H1 2015 gas sold (1,273.25mmscf 2014 full year gas sold)
- Two well programme under design for planned commencement of drilling H2 2016 aimed at bringing on additional production Q4 2016

Operational Update

	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Average gas production(mmscf/d)*	12.6	4.5	4.1	4.0	2.6
Total gas sold (mmscf)	1,120.09	404.51	374.38	368.19	281.09
Condensate sold (bbls)	13,445.1	6,345.2	2,265.3	5,667.3	4,990.4

*average production numbers are based on a 7 day week and given on a YoY basis for corresponding quarters to account for seasonal impact between dry and wet seasons. Dry season runs from January to June and wet season runs from July to December. The demand for gas to generate electricity changes based on the availabilty of of Cameroon's hydroelectric power stations to produce electricity.

Gas production increased 178% for the period compared to Q1 2015, with an average daily production of 12.6mmscf/d. Production reached a peak of 16.9mmscf/d, with an average 5 day working week output of 13.1mmscf/d. The significant expansion follows the first grid power connections coming on line under the deal with ENEO Cameroon S.A ("ENEO") and new thermal customers being connected, including the Dangote cement plant commissioned in June 2015.
Gas sold for Q2 2015 was almost four times that sold in Q2 2014.

Group cash was $14.2m at quarter end, compared to $15.6m at the end of the first quarter with notable capex spend of $2.6m on the gas plant acquisition from Expro.
In GDC, cash received from gas and condensate sales in Q2 was $9.8m compared to cash received in Q1 of $5.1m.

Operations remain in line with expectations for the next quarter.

Customer Updates
At the beginning of Q2 2015, gas supply to both the Bassa and Logbaba power stations commenced following the agreement signed with ENEO in December 2014. Gaz du Cameroun S.A. ("GDC") is responsible for supplying gas to both the Bassa and Logbaba power stations, where electricity is generated from gas fired electricity generation sets supplied and operated by project partners Altaaqa Global.

The successful running of maximum supply to both power plants met the requirement, set by ENEO, for both stations to be online and delivering 50 MW to trigger the minimum take or pay conditions as set out under the terms of the agreement between GDC and ENEO. The minimum take or pay levels require GDC to provide 10.1mmscf/d of gas to generate 50 MW of power, with ENEO consequently agreeing to a take or pay component of 90% of total usage during the dry season and 30% in the wet season.

The Dangote cement plant, located on the southern shore of the Wouri River, Douala, was the largest of a number of new gas supply connections completed during the period. Dangote is an important indicator of how the city of Douala is developing economically as an important, stable, industrial and commercial hub for the wider Central-West Africa region.

Operations
The Logbaba gas production plant was purchased from Expro using cash generated from GDC's operations and partner RSM's contributions. GDC is evaluating proposals for a long-term contract for the operation and maintenance of the plant with specialist service companies, including Expro. The purchase is part of VOG's strategy to increase production capacity. GDC is currently studying options for the expansion of the gas production plant from its existing 20mmscf/d level to up to 40mmscf/d.

Sub –Surface Development Work
Driven by the large current and projected demand for gas in Douala, initial planning, well design and engineering for drilling the next two wells, LA 107 and LA 108 has been accelerated. The current schedule estimates spudding of the next two wells in H2 2016 and completion in late 2016. At least one of these wells will be a twin of four wells drilled by the French in the 1950's, all of which produced gas.

The Company is also analysing techniques for conducting 2D and 3D seismic programmes in urban environments and for re-processing and extrapolating key historic seismic data to assist in sub surface interpretations. The Company is positioned to significantly advance gas supply into a series of existing and new markets and consequently is focusing on increasing reserves and production capacity. Further updates will be made to the market when appropriate.

CNG Update
At present, GDC is in discussion with several groups for the provision of a CNG solution, whereby a technical partner will undertake all gas compression capital expenditure and logistical operations. This model will preserve GDC's strategy of concentrating on gas sales rather than downstream development. In the coming months, it is anticipated that a preferred partner will be selected to assist GDC in this project. The potential benefits of CNG are:

- Minimal GDC capital requirement
- Enables customers up to 250km from Douala to be provided with our gas
- High margin business for 'gas only' supply model
- No capacity pressure on pipeline
- CNG production can also occur during off-peak periods to help maintain balanced gas production

VOG Chairman Kevin Foo said: "VOG continues to make excellent operational and financial progress. Q2 was outstanding with a 178% increase in production to a seven day week monthly average of 12.6mmscf/d. We almost doubled cash received from sales in Q2 to $9.8m. We now have the financial strength to pursue the next phase of our growth which is to bring more gas online to meet the massive customer demands. We plan to fund this development programme from existing and projected cash flows and local lines of credit. The quarterly reporting format we are committing to demonstrates the progress we have made operationally and in generating significant cash flow from gas and condensate sales. This report provides shareholders with a reliable format to demonstrate our performance in a consistent and clear manner."

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Notes to Editors

About Victoria Oil & Gas Plc
Victoria Oil & Gas (VOG.L) is a gas utility company with operations in the industrial port city of Douala in Cameroon, which is the business hub to Central Africa.

The Company's subsidiary, Gaz du Cameroun S.A. ("GDC"), supplies cost effective, clean and reliable gas to industries in the Douala region from its onshore Logbaba Gas Project. Industrial customers are primarily supplied with gas through a 31.3km pipeline network built by GDC in Douala.

Through thermal gas supply and provision of energy to the Douala grid, under the ENEO terms of agreement, GDC is helping to ensure that the Cameroon economy is underpinned with stable power. By developing a full integrated gas supply network, connected to wells located within the city itself, GDC has established a new range of energy product types within Douala that are cost effective, reliable, safe and cleaner than liquid fuel alternatives.

The Company generates cash flow from the Logbaba Project which is 60% owned and managed by GDC, with RSM Production Corporation, an affiliate of Grynberg Petroleum Company of Denver, Colorado holding a 40% participating interest.

VOG also holds 100% of the West Medvezhye oil and gas exploration project near Nadym, Russia. The field has C1 plus C2 reserves of 14.4mmboe (under the Russian resource classification system, analogous to proven and probable reserves under Western conventions) in addition to best estimate prospective resources of 1.4bboe.

Cameroon Energy Market
Cameroon is a stable African country that is host to a developing economy serving most of Central Africa with goods and services. A power deficit remains a major hindrance to Cameroon's economic expansion. The power grid is reliant on hydroelectric dams to supply 75% of power and the shortfall is made up from heavy fuel oil and gas. Hydroelectric dams are highly seasonal, with stream rates significantly varying from 6,000m^3 per second in the wet season to 50m^3 per second in the dry season. As with many hydro electrical systems transmission loss is also a constant issue when balancing power loads across distances to different consuming regions. The port-city of Douala is the major industrial zone within Cameroon and it requires high levels of consistently delivered grid power all year round. Currently Cameroon's energy demand is growing at 7% annually and gas is seen as a key element to Cameroons national energy strategy.