VICTORIA OIL & GAS PLC

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS TO 30 NOVEMBER 2011

CHAIRMAN'S STATEMENT

Dear Shareholder,

I am pleased to be able to write to you announcing our results for the six months ended 30 November 2011 and updating you on developments since my Chairman's letter in the year end 2011 Annual Accounts.

Logbaba, Cameroon

In the second half of 2011, our focus was on delivering first gas production at Logbaba. This was realised on the 17 December 2011. This was a very significant milestone for the Company because it signalled our move into being a producer. Passing this milestone within three years of first entering Cameroon was an outstanding result and this also demonstrates to the investment community that Cameroon is a country that is open for business. We could not have done this without the active support of the Government of Cameroon and our partner, Societe Nationale des Hydrocarbures, ("SNH").

In H2 2011, VOG achieved the following major operational milestones:

i. flow testing and commissioning of both production wells, La-105 and La-106;
ii. commissioning of the process plant by introducing gas into the plant, testing and fine tuning all equipment and flaring gas;
iii. introducing gas to the distribution pipeline for purging the 4 km initial section and packing the pipeline with gas; and
iv. commissioning the first 4 km of pipeline to the first industrial hub located at the Magzi Industrial Estate ("Magzi") and delivering gas to our first customers.

We have made the first onshore discovery of commercial hydrocarbons in Cameroon and are the only onshore gas and condensate producer in the country. Since the award of our Exploitation Licence in April 2011, we have logged over 23,000 man days with only one minor lost-time incident

Our 2012 work programme involves completing the planned 34 km distribution network. We also plan to secure all major thermal customers in Douala and install the first gas fired power generator during the second half of 2012. This will showcase the economic benefits of this energy solution to all large domestic industrial consumers.

By Q2 2012, we expect to have laid and commissioned all pipeline to central Douala where the majority of our thermal customers are located. Although Magzi represents a large energy demand centre for power, there are currently only two customers connected to the pipeline and they have minor and intermittent thermal requirements. However, in central Douala, we anticipate an increase in production levels from a minimum of 1 mmscf/d rising to 8 mmscf/d across the network by the end of the year. To date, the Company has signed fifteen Gas Sales Agreements, ("GSAs") and anticipates signing in excess of twenty GSAs by the end of 2012.

We have installed approximately 9 km of the total 11.8 km pipeline required to supply gas to and around central Doula. With four pipeline crews in operation, rates of installation and backfill have reached up to 120 m per day. Completion of the distribution network to south east and west Douala is anticipated during Q3 2012.

As previously announced, we are selling gas at US$16 per million British thermal units (ca. US$16 per thousand cubic feet) to customers, which is the oil equivalent of US$96 per barrel. This price is fixed for five years. In addition, the contracts enable the Company to be the sole provider of gas to these industrial clients over a 20-year term. By delivering a reliable energy supply to our customers at these prices, we are providing energy savings of 20-40 per cent. over current costs with liquid fuels while management estimates of operating costs provide attractive netbacks to the Company.

We believe that Logbaba is an exceptional gas project where all aspects of the business combine to provide a very satisfactory situation. The project has substantial reserves located at the industrial heart of an energy hungry region and the Company controls the entire supply chain from the wellheads to the customer. We anticipate generating positive cash flow from our Logbaba operations from June 2012. Once our 8 mmscf/d target production rate is achieved by the end of the year, gross revenues of US$1 million per week can be expected. Looking to 2013, the Company expects greater gas demand and our target production is 20 mmscf/d and combined usage from thermal and power demand is expected to reach 40 mmscf/d by late 2014.

With gross proved and probable (2P) reserves sufficient to supply an average 30 mmscf/d for the next 20 years and prospective resources of over one trillion cubic feet of gas, we believe that Logbaba represents a very sound cash source for the future. We have a captive market that is eager to take our gas as it provides cleaner, more reliable energy and significant savings to alternative fuels.

West Medvezhye, Russia

Our 100 per cent. owned West Medvezhye ("West Med") block is located near the Yamal Peninsula, north west Siberia, in one of the most prolific oil and gas producing areas in the world, adjacent to the giant Medvezhye and Urengoy fields. We hold a 20-year exploitation licence for West Medvezhye covering 1,224 km^2, and a discovery well, Well 103, has "C1 plus C2" reserves of 14.4 million boe under the Russian resource classification system.

In September 2011, following a seismic reprocessing and geological modelling study, the Company reported that independent reserve auditors, Mineral LLC, ("Mineral") had confirmed a 300 million boe increase in gross prospective resources to 1.4 billion boe, comprising 670 million barrels of oil and 730 million boe of gas & condensate.

We are pursuing an integrated exploration and appraisal work programme incorporating drilling, seismic, and advanced direct hydrocarbon technologies. This programme was presented to the Yamal District regional petroleum authorities in Salekhard on the 15 February 2012. The programme was approved by the authorities and a two well drilling campaign is provisionally planned to start by the end of 2012. These wells will target the Jurassic discovery horizons successfully encountered by Well 103 and also new hydrocarbon potential horizons in the Achimov layers identified as part of the study carried out by Mineral.

Our Nadym-based team is currently tendering the drilling design contracts for the planned wells. Three companies with a successful track record of working in the region have been shortlisted. Our technical team are in advanced discussions with these companies to determine the scope of work to include detailed well design as well as studies of the terrain, soil mechanics, access and ecological issues.

Conceptual screening and development studies are in progress to monetise West Med's large prospective resources and to exploit the Well 103 discovery to generate cash flow. In February 2012, VOG contracted an experienced local company, LLC Nefteproject, based in Tyumen, to develop a project plan for an early production scheme for the West Med discovery area. Preliminary work on the Well 103 discovery indicates first oil sales could occur in 2015.

The Company is planning to farm-out a portion of its interest in West Medvezhye to help fund the development and drilling programmes.

Corporate

The Company has invested approximately US$85 million of shareholders funds in the Logbaba project and it has secured this funding in very challenging capital markets. During the financial period, the Company raised £10.1m via equity placings. The Board and I are very conscious that the share issues, which have been essential to the progression of our projects, have also been dilutive.

The Directors believe that the Logbaba project has now been substantially de-risked. Consequently, routes to alternative sources of capital, other than conventional equity, have opened up for the Company.

The Company recently concluded a 12 month Loan Note facility for US$8 million for its capital programme at Logbaba. An initial tranche of US$4 million has been drawn and the remaining US$4 million may be drawn subject to mutual consent. The Loan Note bears a 9 per cent. coupon and is expected to be repaid by cash flow from operations at Logbaba. We are also currently in discussions with several parties in relation to a larger debt facility and reserve based lending facility, both with attractive terms. The appointment of Macquarie Capital (Europe) Limited as a joint broker with Fox Davies Capital has also strengthened the Company's advisory team.

I believe that 2012 will be a year of major developments for the Company as we make the transition from explorer to producer and generate positive cash flows. To equip us for the future, we are strengthening our management with experienced oil and gas professionals and senior executives.

Kevin Foo
Chairman

UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 30 NOVEMBER 2011

	Notes	6 months ended 30 November 2011 Unaudited $000	6 months ended 30 November 2010 Unaudited $000	12 months ended 31 May 2011 Audited $000
Continuing operations				
Administrative expenses	4	(2,108)	(2,053)	(5,099)
Other gains	5	418	1,559	765
OPERATING LOSS		(1,690)	(494)	(4,334)
Interest received	4	7	21	52
Finance costs	6	(652)	(360)	(415)
LOSS BEFORE TAXATION		(2,335)	(833)	(4,697)
Income tax expense	7	–	–	–
LOSS AFTER TAXATION FOR THE PERIOD		(2,335)	(833)	(4,697)
		Cents	Cents	Cents
Loss per share – basic	3	(0.10)	(0.06)	(0.26)
Loss per share – diluted	3	(0.10)	(0.06)	(0.26)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 NOVEMBER 2011

	6 months ended 30 November 2011 Unaudited $000	6 months ended 30 November 2010 Unaudited $000	12 months ended 31 May 2011 Audited $000
Loss for the financial period	(2,335)	(833)	(4,697)
Exchange differences on translation of foreign operations	(3,402)	(666)	2,404
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(5,737)	(1,499)	(2,293)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 NOVEMBER 2011

	Notes	30 November 2011 Unaudited $000	30 November 2010 Unaudited $000	31 May 2011 Audited $000
ASSETS:				
NON CURRENT ASSETS				
Exploration and evaluation assets	4	59,759	122,543	130,899
Property, plant and equipment	4,8	118,838	351	7,807
Investment in associate	9	6,600	–	–
Trade and other receivables	10	–	20,767	27,640
		185,197	**143,661**	**166,346**
CURRENT ASSETS				
Trade and other receivables	10	788	17,917	3,125
Cash and cash equivalents		8,348	7,225	8,425
		9,136	25,142	11,550
Held for sale assets		–	1,829	1,000
		9,136	26,971	12,550
TOTAL ASSETS		**194,333**	**170,632**	**178,896**
LIABILITIES:				
CURRENT LIABILITIES				
Trade and other payables	11	(19,827)	(13,625)	(14,079)
Borrowings		(1,103)	(462)	(1,101)
		(20,930)	(14,087)	(15,180)
NET CURRENT (LIABILITIES) / ASSETS		**(11,794)**	**12,884**	**(2,630)**
NON-CURRENT LIABILITIES				
Convertible loan – debt portion		(1,160)	(659)	(884)
Derivative financial instruments		(28)	(254)	(28)
Deferred tax liabilities		(6,599)	(6,599)	(6,599)
Provisions		(9,522)	(6,704)	(12,765)
		(17,309)	(14,216)	(20,276)
NET ASSETS		**156,094**	**142,329**	**143,440**
EQUITY:				
Called-up share capital	12	20,541	16,897	17,178
Share premium		198,973	182,240	183,867
ESOP Trust reserve		(921)	(584)	(587)
Translation reserve		(11,702)	(11,370)	(8,300)
Other reserves		4,664	4,408	4,408
Retained earnings – deficit		(55,461)	(49,262)	(53,126)
TOTAL EQUITY		**156,094**	**142,329**	**143,440**

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 NOVEMBER 2011

	Share capital $000	Share premium $000	ESOP Trust reserve $000	Retained earnings / (deficit) $000	Translation reserve $000	Other reserve $000	Total $000
At 31 May 2010	11,648	155,636	(293)	(48,429)	(10,704)	3,828	111,686
Shares issued	5,249	28,028	(370)	–	–	–	32,907
Share issue costs	–	(844)	–	–	–	–	(844)
Recognition of share based payments	–	(580)	–	–	–	580	–
Credit for value of shares vested by ESOP	–	–	79	–	–	–	79
Total comprehensive income/(loss) for the period	–	–	–	(833)	(666)	–	(1,499)
At 30 November 2010	16,897	182,240	(584)	(49,262)	(11,370)	4,408	142,329
Shares issued	281	2,639	–	–	–	–	2,920
Share issue costs	–	(1,012)	–	–	–	–	(1,012)
Adjustment to value of shares vested by ESOP	–	–	(3)	–	–	–	(3)
Total comprehensive income/(loss) for the period	–	–	–	(3,864)	3,070	–	(794)
At 31 May 2011	17,178	183,867	(587)	(53,126)	(8,300)	4,408	143,440
Shares issued	3,363	16,401	(506)	–	–	–	19,258
Share issue costs	–	(1,039)	–	–	–	–	(1,039)
Recognition of share based payments	–	(256)	–	–	–	256	–
Credit for value of shares vested by ESOP	–	–	172	–	–	–	172
Total comprehensive income/(loss) for the period	–	–	–	(2,335)	(3,402)	–	(5,737)
At 30 November 2011	**20,541**	**198,973**	**(921)**	**(55,461)**	**(11,702)**	**4,664**	**156,094**

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 30 NOVEMBER 2011

	6 months ended 30 November 2011 Unaudited $000	6 months ended 30 November 2010 Unaudited $000	12 months ended 31 May 2011 Audited $000
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the period	(2,335)	(833)	(4,697)
Finance costs recognised in the Income Statement	652	130	415
Investment revenue recognised in profit and loss	(7)	–	(52)
Fair value loss/(gain) on embedded derivatives	–	230	–
Depreciation and amortisation of non current assets	39	218	16
Net foreign exchange (loss)/gain	418	(1,258)	(765)
Value of shares vested by ESOP Trust	172	79	–
	(1,061)	(1,434)	(5,083)
MOVEMENTS IN WORKING CAPITAL			
Decrease/(increase) in trade and other receivables	1,955	(17,071)	(9,368)
Decrease/(increase) in available for sale assets and inventories	–	–	829
Increase/(decrease) in trade and other payables	1,060	(5,140)	2,565
NET CASH USED IN OPERATING ACTIVITIES	**1,954**	**(23,645)**	**(11,057)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for intangible fixed assets	(1,284)	(5,985)	(8,721)
Payments for property, plant and equipment	(11,508)	(145)	(7,602)
Payment for shares in associate	(5,600)	–	–
Interest received	7	–	52
VAT recovered that had previously been capitalised	–	671	–
NET CASH USED IN INVESTING ACTIVITIES	**(18,385)**	**(5,459)**	**(16,271)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of equity shares	17,514	31,516	31,596
Payment of equity share issue costs	(1,039)	(844)	(1,856)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**16,475**	**30,672**	**29,740**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**44**	**1,568**	**2,412**
CASH AND CASH EQUIVALENTS BEGINNING OF THE PERIOD	8,425	6,034	6,034
Effects of exchange rate changes on the balance of cash held in foreign currencies	(121)	(377)	(21)
CASH AND CASH EQUIVALENTS END OF THE PERIOD	**8,348**	**7,225**	**8,425**

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 NOVEMBER 2011

1. PRINCIPAL ACCOUNTING POLICIES

The annual financial statements of Victoria Oil & Gas Plc are prepared in accordance with International Financial Reporting Standards (IFRS) and in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 May 2011.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 May 2011.

Adoption of new and revised Standards:

The following new and revised Standards have been mandatorily adopted by the Group during the period. Their adoption is not expected to have any material impact on the Group.

Improvements to IFRSs (2010) – The improvements in this amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards. The improvements did not have any impact on the current or prior periods financial statements.

At the date of these interim financial statements the following Standards were effective but not relevant to the Group

IAS 24 (Revised 2010) *Related Party Disclosures* (effective for accounting periods beginning on or after 1 January 2011)
IAS 32 (amended) *Classification of Rights Issues* (effective for accounting periods beginning on or after 1 February 2010)

2. SHARE OPTION EXPENSE

The fair value of warrants issued by the Company in respect of fees for share placings has been offset against Share Premium. The amount for the 6 months to 30 November 2011 was $256,000 (6 months to 30 November 2010 and 12 months to 31 May 2011: $580,000).

The warrants have been fair valued using a Black-Scholes option pricing model. The inputs into the Black-Scholes model were as follows:

	30 November 2011	**30 November 2010**	**31 May 2011**
Number of warrants	17,745,668	11,076,445	11,076,445
Weighted average share price – pence sterling	2.73-5.22	2.73-5.22	2.73 to 5.22
Option term – years	3	3	3
Share exercise price – pence Sterling	2.5 to 4.9	2.72 to 5.01	2.5 to 4.9
Risk-free rate	0.25-1.89%	0.25%	0.25%
% Expected volatility	125%	125%	125%
Expected dividend yield	nil	nil	Nil

The expected volatility was determined based on the historical movement in the Company's share price over a period equivalent to the option period.

3. LOSS PER SHARE

Basic earnings or loss per share is computed by dividing the profit or loss after tax for the year available to ordinary shareholders by the weighted average number of ordinary shares in issue and ranking for dividend during the year, excluding those held by the ESOP Trust. Diluted earnings or loss per share is computed by dividing the profit or loss after taxation for the financial year by the weighted average number of ordinary shares in issue, each adjusted for the effect of all dilutive potential ordinary shares that were outstanding during the year.

Loss Per Share (continued):

The following table sets forth the computation for basic and diluted loss per share.

	30 November 2011 $000	30 November 2010 $000	31 May 2011 $000
Numerator:			
Numerator for basic EPS – retained loss	(2,335)	(833)	(4,697)
	Number	**Number**	**Number**
Denominator:			
Denominator for basic EPS and diluted EPS	2,248,271,174	1,499,257,499	1,803,827,144
	Cents	**Cents**	**Cents**
Loss per share – basic and diluted	(0.10)	(0.06)	(0.26)

Basic and diluted loss per share are the same, as the effect of the outstanding warrants is anti-dilutive and is therefore excluded.

4. SEGMENTAL ANALYSIS

The Group operates in one class of business being the exploration for, development and production of oil and gas and in three geographical segments, namely the Russian Federation, Republic of Cameroon and the Republic of Kazakhstan.

The analysis by geographical segment is shown below:

Six months to 30 November 2011	**Cameroon $000**	**Russia $000**	**Kazakhstan $000**	**Corporate $000**	**Total $000**
Administrative expenses	(4)	(83)	(157)	(1,864)	(2,108)
Other gains and (losses)	421	(3)	–	–	418
Operating loss	417	(86)	(157)	(1,864)	(1,690)
Interest received	–	–	–	7	7
Finance costs	(357)	(16)	–	(279)	(652)
Profit/(loss) before tax	60	(102)	(157)	(2,136)	(2,335)
Taxation	–	–	–	–	–
Profit/(loss) after tax	60	(102)	(157)	(2,136)	(2,335)
Total Assets	127,789	58,065	120	8,359	194,333
Total Liabilities	(28,794)	(280)	(6)	(9,159)	(38,239)

Six months to 30 November 2010	**Cameroon $000**	**Russia $000**	**Kazakhstan $000**	**Corporate $000**	**Total $000**
Administrative expenses	(253)	(497)	(57)	(1,246)	(2,053)
Other gains and (losses)	1,495	(108)	(30)	202	1,559
Operating loss	1,242	(605)	(87)	(1,044)	(494)
Interest received	–	–	–	21	21
Finance costs	–	–	–	(360)	(360)
Profit/(loss) before tax	1,242	(605)	(87)	(1,383)	(833)
Taxation	–	–	–	–	–
Profit/(loss) after tax	1,242	(605)	(87)	(1,383)	(833)
Total Assets	92,617	56,288	123	21,604	170,632
Total Liabilities	(25,516)	(386)	(5)	(2,396)	(28,303)

Segmental Analysis (continued):

Twelve months to 31 May 2011	Cameroon $000	Russia $000	Kazakhstan $000	Corporate $000	Total $000
Administrative expenses	(404)	(72)	(229)	(4,394)	(5,099)
Other gains and (losses)	(2)	4	-	763	765
Operating loss	(406)	(68)	(229)	(3,631)	(4,334)
Interest received	–	–	–	52	52
Finance costs	(36)	–	–	(379)	(415)
Profit/(loss) before tax	(442)	(68)	(229)	(3,958)	(4,697)
Taxation	–	–	–	–	–
Profit/(loss) after tax	(442)	(68)	(229)	(3,958)	(4,697)
Total Assets	109,574	60,882	108	8,332	178,896
Total Liabilities	(26,054)	(275)	(14)	(9,113)	(35,456)

EXPLORATION AND EVALUATION ASSETS

The movement on exploration and evaluation assets, which relate to oil and gas interests, during the period was:

Six months to 30 November 2011	Cameroon $000	Russia $000	Total $000
Opening balance	69,586	61,313	130,899
Exchange	(973)	(2,316)	(3,289)
Transfer from other receivables	28,021	–	28,021
Additions	674	610	1,284
Disposals	–	(39)	(39)
Transfer to property, plant and equipment	(97,117)	–	(97,117)
Closing balance	191	59,568	59,759

Six months to 30 November 2010	Cameroon $000	Russia $000	Total $000
Opening balance	58,305	57,612	115,917
Exchange	1,820	(884)	936
Additions	6,588	361	6,949
Disposals	–	(1,089)	(1,089)
Depreciation	–	(170)	(170)
Closing balance	66,713	55,830	122,543

Twelve months to 31 May 2011	Cameroon $000	Russia $000	Total $000
Opening balance	58,305	57,612	115,917
Exchange	–	2,390	2,390
Additions	11,941	1,311	13,252
Reclassify to receivables	(660)	–	(660)
Closing balance	69,586	61,313	130,899

Oil and gas interests at 30 November 2011 represent exploration and related expenditure on the Group's licences & permits in the geographical areas noted above. The realisation of these intangible assets by the Group is dependent on the discovery and successful development of economic reserves and the ability of the Group to raise sufficient funds to develop these interests. Should the development of economic reserves prove unsuccessful, the carrying value in the statement of financial position will be written-off.

The Directors have considered whether facts or circumstances exist that indicate that exploration and evaluation assets are impaired and considered that no impairment loss is required to be recognised as at 30 November 2011. Exploration and evaluation assets have been assessed for impairment having regard to the likelihood of further expenditures and ongoing appraisal for each geographical area.

During the period, amounts previously included in other receivables were transferred to exploration and evaluation assets following the withdrawal of RSM Production Corporation from the Logbaba gas development. (See Note 10)

Segmental Analysis (continued):

Subsequently exploration and evaluation assets of $97.1m associated with the Logbaba gas and condensate project in Cameroon were transferred to property, plant and equipment as in the opinion of the Directors the project has now achieved technical feasibility and commercial viability following commencement of commissioning of the production facilities and the gas pipeline network .

PROPERTY, PLANT AND EQUIPMENT

The movement on property, plant and equipment, which principally relates to oil and gas interests, during the period was:

Six months to 30 November 2011	**Cameroon**	**Russia**	**Corporate**	**Total**
Cost	**$000**	**$000**	**$000**	**$000**
Opening balance	7,916	2,351	41	10,308
Transfer from exploration & evaluation assets	97,117	–	–	97,117
Additions	13,914	–	–	13,914
Disposals	–	–	(20)	(20)
Closing balance	118,947	2,351	21	121,319
Depreciation	**$000**	**$000**	**$000**	**$000**
Opening balance	177	2,299	25	2,501
Disposals	–	–	(20)	(20)
Closing balance	177	2,299	5	2,481
Carrying amount 30 November 2011	118,770	52	16	118,838

Six months to 30 November 2010	**Cameroon**	**Russia**	**Corporate**	**Total**
Cost	**$000**	**$000**	**$000**	**$000**
Opening balance	354	2,029	15	2,398
Additions	1	291	–	292
Closing balance	355	2,320	15	2,690
Depreciation	**$000**	**$000**	**$000**	**$000**
Opening balance	83	2,029	9	2,121
Charge for financial period	77	135	6	218
Closing balance	160	2,164	15	2,339
Carrying amount 30 November 2010	195	156	–	351

Twelve months to 31 May 2011	**Cameroon**	**Russia**	**Corporate**	**Total**
Cost	**$000**	**$000**	**$000**	**$000**
Opening balance	354	2,029	15	2,398
Additions	7,562	322	26	7,910
Closing balance	7,916	2,351	41	10,308
Depreciation	**$000**	**$000**	**$000**	**$000**
Opening balance	83	2,029	9	2,121
Charge for financial period	94	270	16	380
Closing balance	177	2,299	25	2,501
Carrying amount 31 May 2011	7,739	52	16	7,807

5. OTHER GAINS

	30 November 2011 Unaudited $000	30 November 2010 Unaudited $000	31 May 2011 Audited $000
Foreign exchange gains	418	1,559	765

6. FINANCE COSTS

	30 November 2011 Unaudited $000	30 November 2010 Unaudited $000	31 May 2011 Audited $000
Convertible loan interest	(278)	(130)	(354)
Loan interest	(2)	–	(20)
Fair value loss on embedded derivatives	–	(230)	(5)
Unwinding of discount on reserve bonus provision	(302)	–	–
Unwinding of discount on decommissioning costs	(70)	–	(36)
	(652)	(360)	(415)

Interest payable relating to the convertible loans includes both the stated and effective interest charge.

7. INCOME TAX EXPENSE

	30 November 2011 Unaudited $000	30 November 2010 Unaudited $000	31 May 2011 Audited $000
Income tax expense	–	–	–

At the balance sheet date, the Group has unused tax losses of $43.1m (30 November 2010: $38.0m; 31 May 2011: $40.8m) available for offset against future profit. No deferred tax asset has been recognised in either year due to the unpredictability of future profit streams in the companies that have accrued tax losses. Accordingly, at the year end, deferred tax assets amounting to $11.5m (30 November 2010: $10.7m; 31 May 2010: $10.6m) have not been recognised.

8. PROPERTY PLANT AND EQUIPMENT

Six months to 30 November 2011

Cost	Plant and equipment $000	Oil and gas interest $000	Assets under construction at cost $000	Total $000
Opening balance	1,366	2,090	6,852	10,308
Additions	2,731	–	11,183	13,914
Transfer from exploration & evaluation assets	–	97,117	–	97,117
Disposals	(20)	–	–	(20)
Closing balance	4,077	99,207	18,035	121,319
Depreciation	**$000**	**$000**	**$000**	**$000**
Opening balance	459	2,042	–	2,501
Disposals	(20)	–	–	(20)
Closing balance	439	2,042	–	2,481
Carrying amount 30 November 2011	3,638	97,165	18,035	118,838

Property, plant and equipment (continued):

Six months to 30 November 2010

Cost	**Plant and equipment $000**	**Oil and gas interest $000**	**Assets under construction at cost $000**	**Total $000**
Opening balance	308	2,090	–	2,398
Additions	292	–	–	292
Closing balance	600	2,090	–	2,690

Depreciation	**$000**	**$000**	**$000**	**$000**
Opening balance	135	2,042	–	2,177
Charge for financial period	162	–	–	162
Closing balance	297	2,042	–	2,339
Carrying amount 30 November 2010	303	48	–	351

Twelve months to 31 May 2011

Cost	**Plant and equipment $000**	**Oil and gas interest $000**	**Assets under construction at cost $000**	**Total $000**
Opening balance	308	2,090	–	2,398
Additions	1,058	–	6,852	7,910
Closing balance	1,366	2,090	6,852	10,308

Depreciation	**$000**	**$000**	**$000**	**$000**
Opening balance	135	2,042	–	2,177
Charge for financial period	324	–	–	324
Closing balance	459	2,042	–	2,501
Carrying amount 31 May 2011	907	48	6,852	7,807

9. INVESTMENT IN ASSOCIATES

During the period the Company acquired a 35% interest in Cameroon Holdings Limited for a total cost of $6.6m. Details of the investment are as follows.

Name of associate	**Principal activity**	**Place of incorporation and operation**	**Proportion ownership interest and voting power held by the Group**
Cameroon Holdings Limited	Oil and gas services	Guernsey	35%

Summarised financial information in respect of the Group's associate is set out below.

	30 November 2011 Unaudited $000
Total assets	3,509
Total liabilities	(3,526)
Net liabilities	(17)
Group's share of net liabilities of associates	(6)

	30 November 2011 Unaudited $000
Total loss for the year	(16)
Group's share of loss of associates	(6)
Group's share of other comprehensive income	(6)

10. RECEIVABLES

	30 November 2011 Unaudited $000	**30 November 2010 Unaudited $000**	**31 May 2011 Audited $000**
Amounts due within one year:			
VAT recoverable	340	113	193
Prepayments	235	91	88
Other receivables	213	17,713	2,844
	788	17,917	3,125

	30 November 2011 Unaudited $000	**30 November 2010 Unaudited $000**	**31 May 2011 Audited $000**
Amounts due in more than one year:			
Other receivables	–	20,767	27,640

Other receivables due in the prior periods included amounts relating to RSM Production Corporation's (RSM) 40% carried interest in the Logbaba gas development. RSM have failed to make payment of cash calls in accordance with the Operating Procedure, and following notice of default, failed to make payment within the period provided for remediation of the default. Accordingly, following legal advice, the Group exercised its right under the Operating Agreement to require RSM to withdraw from the Operating Agreement and the Concession contract on 18 July 2011. Accordingly the Group transferred the receivable which was expected to be recovered from RSM to exploration and evaluation assets.

11. TRADE AND OTHER PAYABLES

	30 November 2011 Unaudited $000	30 November 2010 Unaudited $000	31 May 2011 Audited $000
Amounts due within one year:			
Trade payables	8,453	12,403	7,296
Taxes and social security costs	1,570	1,083	1,227
Accruals and deferred income	9,804	139	5,556
Other creditors	–	–	–
	19,827	13,625	14,079

The increase in accruals and deferred income as at 30 November 2011 reflects the reclassification of $4m of the development funding obligation from Provisions to Accruals and deferred income. This reclassification reflects the Directors' opinion that Logbaba gas and condensate project has now achieved technical feasibility and commercial viability following commencement of commissioning of the production facilities and gas pipeline network.

12. SHARE CAPITAL

Share capital as at 30 November 2011 amounted to $20.5 million. During the six months to 30 November 2011, the Group issued 430,175,966 shares for cash or in settlement of amounts due to creditors, increasing the number of shares in issue from 2,138,840,271 to 2,569,016,237.

13. RELATED PARTY TRANSACTIONS

Payments to Directors and other key management personnel are set out below.

	30 November 2011 Unaudited $000	30 November 2010 Unaudited $000	31 May 2011 Audited $000
Directors' remuneration	715	387	974
Other key management – short term benefits	258	316	1,431
Other key management – termination benefits	–	–	482

The following table provides the total amount of transactions entered into by the Group with other related parties:

	Purchases from related parties $000	Loans repaid to related parties $000	Cash advances to related parties $000	Amounts due from / (to) related parties $000
6 months to 30 November 2011				
Subsidiaries	–	–	11,428	87,733
Directors' other interests	–	–	–	(103)
Professional fees	729	–	–	–
6 months to 30 November 2010				
Subsidiaries	–	–	6,773	56,458
Directors' other interests	–	(788)	–	(97)
Professional fees	483	–	–	–
12 Months to 31 May 2011				
Subsidiaries	–	–	26,620	76,305
Directors' other interests	–	(794)	–	(101)
Professional fees	1,624	–	–	–

There was no intragroup trading or transactions between Group subsidiaries.

Radwan Hadi is Chief Operating Officer of the Company and a manager of Blackwatch Petroleum Services Limited, a firm of upstream oil and gas consultants. These accounts include $729,000 for the 6 months to 30 November 2011, (6 months to 30 November 2010: $483,000; 12 months to 31 May 2011: $1,624,000;) in relation to oil and gas technical services provided by Blackwatch Petroleum Services Limited to the Company.

Related Party Transactions (continued):

In December 2008, HJ Resources Limited, a company owned by a discretionary trust of which Kevin Foo and certain members of his family are potential beneficiaries, provided unsecured loans to Victoria Oil & Gas International Limited. Interest accrues at 0.5% per month. The balance outstanding at 30 November 2011 was $103,000.

14. FINANCIAL COMMITMENTS

The Group has entered in to a contract for the construction, operation and maintenance of the processing facility for Logbaba gas and condensate project for the next 2 years, which will give rise to an annual expense of $4m from the date of processing first hydrocarbons. At the end of the 2 year period the Group has the option to acquire the processing facility or continue to lease it.

15. POST BALANCE SHEET EVENTS

On 17 December 2011 the Company made its first delivery of gas to customers of the Logbaba gas and condensate project in Douala, Cameroon following the successful installation and commissioning of the production facilities and the gas pipeline network.

16. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved by the Board of Directors on 27 February 2012.

Copies of the Interim report are available by download from the Company's website at: www.victoriaoilandgas.com