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Dear Shareholder,

As another year begins, it is again my pleasure to update you on the progress of Victoria Oil and Gas (VOG). I believe that this year will be a special one for the natural resources industry as a whole and for our company in particular. However, with uncertainty still stalking the market, success will be awarded only on progress.

Logbaba, Cameroon

We had a very good start to the New Year with news that our first well at the exciting Logbaba project in Cameroon has been logged and completed. In a little over 12 months, VOG has completed the first ever production well in the onshore Douala Basin and in doing so now leads the field in the onshore development of Cameroon's huge hydrocarbon potential.

As we reported on 6 January, total depth of 8,920 feet was reached at Well La-105 on New Year's Day and the well encountered multiple gas-bearing sands with an aggregate pay of approximately 300 feet in the Upper Cretaceous between 6,000 and 8,330 feet. The well was logged and confirmed the presence of at least 65 feet of very good quality gas-bearing sandstone reservoir plus at least an additional 260 feet of gas-bearing sands that may prove to be productive when tested. La-105 has now been completed as a production well and we will test the gas-bearing horizons while drilling the next well, La-106.

Well La-106 was spudded on 6 February as a twin to La-101, the first well to be drilled in Logbaba by Elf back in 1955. At the time Elf were investigating the numerous oil-seeps around the Douala area and drilled their first well on a natural anticline on the eastern outskirts of the city. Unprepared for the high pressure gas zones that it was to encounter, La-101 blew out and ran uncontrolled for 38 days at a rate estimated to being close to 24 million cubic feet of gas per day. When finally brought under control, the well was completed and tested at depths of approximately 5,780 – 5,800 feet at a rate of 15 million cubic feet and 258 barrels of condensate per day.

I am pleased to report that drilling progress at La-106 has been excellent and we have today reached a depth of 976 metres (3,200 feet measured depth) and are setting the 13-3/8 inch casing. We have learned some lessons of our first well and, with a more experienced drilling team in place, progress has so far been trouble free.

Following the exciting results of the passive seismic spectroscopy survey announced on 4 February 2010, La-106 will be deviated to a bottom-hole location around 390

metres north-west of La-101 to access one of the most prospective areas of the existing discovery. The proposed total depth is approximately 8,700 feet (measured depth) and drilling is anticipated to take around 60 days.

Both La-105 and La-106 are targeting existing discoveries and as such, the vast majority of the block remains unexplored. How to assess Logbaba's true potential has been a point of much internal discussion in VOG since we acquired the field over a year ago and the first step on this path is close to completion. GeoDynamics Research's IPDS passive seismic spectroscopy survey was finished in December and took 74 measurements in total and their report is now available on our website. The data suggests that not only do the best areas in the existing discovery still await penetration, but that a significantly larger exploration prospect lies about three kilometres from our current location and entirely within our licence block. This is the first time this prospect has been identified, and is not included in the volumetric estimates from RPS. If this analysis proves to be correct, this will considerably change the size and future of your Company.

Once data from testing is available, we will be able to complete the engineering design of the gas processing facilities and pipeline to take our production to the market. Our primary goal is to bring in revenues as soon as possible and so we are looking to design an integrated programme, which will be flexible enough to adapt to the changing nature of the field as it is exploited. Likewise, we are working closely with the local consumers to tailor the pipeline construction process to the demands of the market and the needs of our shareholders.

It is worth noting that, although the gas pipeline will be a modest undertaking in terms of size and scale, it will be one of the only such pipelines in all of sub-Saharan Africa. This gives some sense of what an achievement this will be for VOG, Cameroon and the potential of natural gas as an energy source in Africa. It is also important to stress that our plan is to fund this leg of Logbaba's development with debt or trade financing and not to tax further our shareholders. We have already had interest from a number of local and international banks in this regard and will be able to crystallise these as solid data from the wells becomes available.

West Medvezhye, Russia

With all the disruption caused by the exceptionally cold weather in the UK recently, it is worth keeping in mind the conditions that our team in Nadym normally has to cope with. Between the start of the winter in December to the thaw in late April temperatures below -40 degrees are not uncommon and yet this is actually the time when much of our operations need to take place.

Advanced preparations for an IPDS passive seismic spectroscopy survey on the north-eastern section of the block are already underway, even though it is likely that conditions will not allow the survey itself to take place until March at the earliest. In the meantime, we will focus on necessary permitting, import of equipment and construction of the ice roads to the exploration area.

We are also considering a further low-cost exploration tool: surface geochemical analysis and gas tomography. Like passive seismic spectroscopy, this is a

hydrocarbon indicator and has been extensively used in the Siberian tundra as a method of de-risking large areas of unexplored acreage prior to a conventional seismic survey or drilling. Once the data from these surveys has been analysed, we will be able to pick our targets for the next wells.

Outlook

As we are drilling our second well and soon begin to test our first, we are laying the cornerstones of our integrated strategy for marketing and monetisation of the resource. We still have a great deal of work to do before we see first revenues but there will be no let-up in our dedication to the project. Delineation of the resources from the passive seismic spectroscopy is obviously excellent news and highlights that the true potential of Logbaba is still to be discovered.

Kevin Foo
Chairman