VICTORIA OIL & GAS PLC

INTERIM RESULTS FOR THE SIX MONTHS TO 30 NOVEMBER 2006

CHAIRMAN'S STATEMENT

Dear Shareholders

In the few months since I last reported to you, we have seen a number of significant events in your Company. I would like to discuss these with you now and briefly elaborate on our plans for the coming year.

In January, we were delighted to announce Tony Porter's appointment as Chief Executive Officer. His experience covers the whole spectrum of energy production, from upstream oil and gas exploration to downstream refining and power generation. Throughout his career, Tony has demonstrated the ability to establish successful operations that generate near-term cash flows whilst minimising cost and risk. This is exactly the experience that we have sought and whilst the potential of our assets cannot be questioned, we need to realise this value for our shareholders.

Reporting to Tony on our exploration activities will be Gerd Fabel, who has been promoted to lead our technical team in Kazakhstan as Head of Exploration. Gerd has a long and distinguished career in reservoir engineering, specialising in hydrocarbon field development strategies. We respected Bill Kelleher's decision to step down as Managing Director to return home after so long in the FSU and I should like to thank Bill for the outstanding contribution he has made to Victoria in its formative years.

The appointment of a new CEO has given us the opportunity to review our strategy for maximising the value of your Company and this has involved concentration on near term production and cost cutting, including a reduction in staff, in all but the most critical areas.

Further to this the Board has decided that for at least the first half of 2007, we will balance our risk by focusing on attainable production targets at Kemerkol and increasing revenues. West Medvezhye has presented us with an extraordinary opportunity to become an established player in the Russian gas sector, but it has also stretched our limited human and financial resources. I would like to confirm though that we will continue testing of Well 103 at West Medvezhye and prepare for the drilling of Well 105.

We have always believed that there are outstanding acquisitions to be made in the FSU. These can add significant value to the Company and can provide a swift method of increasing our cash flow and reserves and so we shall provide increased support to our acquisitions team, led by Mr Nigel Harper. Our criteria for such deals demand assets that are economically robust in their own right, but we are also open to projects which would complement or enhance any of our existing assets.

We are currently looking at a number of such acquisition opportunities, all in early stages of negotiation, but I would like to alert you to one particular project currently under investigation. This is a potential non-operating investment in the proposed 210MW gas-fired Scherbinka power station in Moscow, with which we have signed a non-binding framework agreement to deliver gas from West Medvezhye.

My fellow Directors and I believe that 2007 will be a very important year for Victoria. I would like to thank everyone for their efforts and our shareholders for their continued support.

Kevin Foo
Chairman

CHIEF EXECUTIVE'S OFFICER'S STATEMENT

It is with great pleasure that I am writing to you as the CEO of Victoria and I would like to discuss further how we aim to maximise your Company's value over the next 12 months.

Production

The focus of our development strategy for 2007 will be on establishing a platform for early production and near-term cash generation. The parameters which we look to adhere to in the execution of this strategy are cost efficiency, best value and achievability.

Kemerkol will provide the back-bone of our activity for 2007. The rationale for dedicating our resources to Kemerkol at this stage is clear: not only does the project have proven reserves, but the necessary infrastructure is already in place to process and market production immediately. Planned increases in our oil output from the current minimal levels of around 50 barrels per day, therefore, can be swiftly monetised without significant capital expenditure further to drilling costs.

Based on the data from our 3D seismic survey, which has defined ten definite exploration prospects and two potential leads, we will be conducting a first-phase drilling programme of six exploration/production wells in the first half of this year. For this we will use a single rig for drilling and a separate work-over rig for completion and testing, which should greatly increase our efficiency in terms of time and expenditure.

Mobilisation has already begun to our first target, Well 73 (up-dip of the currently producing Well 20) and we would anticipate drilling to commence before the end of March. The wells will be drilled sequentially with each taking around eight weeks to complete – two weeks to mobilise, four to drill and two to complete and test. By using the work-over rig we are able to mobilise the drilling rig to a new location while the previous well is being completed.

We have set ourselves a production target of 500 barrels per day of oil from this first phase. This is much less aggressive than our previous development programmes, but we feel that this is a sensible and more importantly achievable short-term target given our current resources. The drilling of up to another 12 wells is being evaluated, but for the moment we are concentrating on this short-term goal before we make any further commitments.

Exploration

Despite focus being on the easily realisable reserves of the Kemerkol field, we will not be neglecting our exploration of West Medvezhye as there is no doubt that this project has the potential to be a company-maker for Victoria.

Our exploration programme for this year will be concentrated solely on the on-going activities at Wells 103 and 105. All further exploration will be assessed on the results from these two wells, but will not be pursued until next year.

After a successful perforation of the J2 horizon between 3,794 – 3,799 metres at Well 103 in early January, we recorded an initial flow rate of around 350 barrels per day of gas condensate. The test will continue into the second quarter of 2007 and the data gathered will be analysed together with DeGolyer & MacNaughton, the independent reserve auditors, with a view to upgrading some of their estimated prospective resource volume of 1.1 billion barrels of oil equivalent for the project into proven reserves.

Over the next few months, the drilling rig and testing package for Well 103 will be deconstructed and transported to the site of Well 105. Once the equipment is on location we will have the flexibility to commence drilling at any time during the year, unhindered by the spring thaw. This flexibility on timing is very important as it will allow us to tailor our costs for Well 105 to our increasing revenues from Kemerkol and so it is likely that drilling at Well 105 will not occur in the second quarter as originally envisaged, but later in the year.

Further exploration and surface facility oil treatment will also form a vital part of our longer term development of Kemerkol. The current stated C1 and C2 category reserves for the field of 35 million barrels are based on old 2D seismic data, which is not comprehensive over the entire licence area. Following our interpretation of a modern 3D seismic survey, we believe that there may be considerable upside to this reserve estimate and also scope to increase the maximum daily production volume as high as 5,000 barrels. New subsurface data will be gathered as we drill and should our hopes be confirmed, we may look to verify this upside potential with an independent reserve auditor.

Also, surface treatment (three-phase separation and chemical injection) of our produced oil to bring it to export quality can significantly enhance our revenue stream. Based on the results from our initial drilling program we will decide the timing of the installation of these minimum cost facilities.

We estimate that the exploration and production programmes that I have outlined will cost around US$16 million. We announced in October 2006 the funding that we had in place for the development programme, including the issue of £11.5 million of convertible bonds with an option to issue a further £8.5 million of convertible bonds. We no longer expect that the option to issue the additional £8.5 million will be exercised and we are evaluating alternatives including the floating rate exchangeable note facility negotiated with ING Bank N.V. which we also announced in October 2006.

With the committed support of our Directors, Chairman and shareholders I look forward to the challenges ahead and maximising the value of Victoria for you all.

Tony Porter
Chief Executive Officer

VICTORIA OIL & GAS PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED 30 NOVEMBER 2006

	Notes	Half Year ended 30 November 2006	Half Year ended 30 November 2005
		$000	$000
Sales		182	-
Cost of sales		(52)	(35)
Gross profit/(loss)		130	(35)
Administrative expenses		(1,906)	(643)
Realised foreign exchange gains/(losses)		739	(387)
Operating loss		**(1,037)**	**(1,065)**
Interest payable		(364)	(1)
Interest receivable		21	148
Loss on ordinary activities before taxation		**(1,380)**	**(918)**
Taxation	2	-	-
Loss on ordinary activities after taxation		**(1,380)**	**(918)**
Minority interests		-	-
Retained loss for the half year		**(1,380)**	**(918)**
		cents	cents
Group loss per share (in cents)	3	(1.19)	(1.12)

Consolidated Statement of Total Recognised Gains and Losses

Retained loss for the half year	(1,380)	(918)
Foreign currency adjustments	-	4
Awards by the ESOP of shares to employees	1,402	-
Total recognised gains/(losses) for the financial half year	22	(914)

Reconciliation of Movements in Shareholders' Funds

Total recognised gains/(losses) for the financial half year	22	(914)
Expenses of loan stock issue	(1,968)	-
Issue of ordinary share capital	299	1,749
	(1,647)	835
Shareholders' funds at 1 June	66,805	33,773
Shareholders' funds at 30 November	**65,158**	**34,608**

VICTORIA OIL & GAS PLC

CONSOLIDATED BALANCE SHEET
AS AT 30 NOVEMBER 2006

	Notes	As at 30 November 2006 $000	As at 30 November 2005 $000
FIXED ASSETS			
Intangible assets	4	81,039	41,799
Tangible assets		613	265
		81,653	42,064
CURRENT ASSETS			
Stock		11	42
Debtors		1,382	1,483
Cash at bank and in hand		6,402	1,505
		7,795	3,030
Creditors: (amounts falling due within one year)	5	(1,668)	(10,477)
Net current assets/(liabilities)		**6,127**	**(7,447)**
Convertible loan stock		(22,622)	-
Net Assets		**65,158**	**34,617**
Financed by:			
CAPITAL AND RESERVES			
Called up share capital - equity		1,045	772
Share premium - equity		66,483	35,996
Profit and loss account – equity		(2,370)	(2,160)
Shareholders' funds		65,158	34,608
Minority interests – equity		-	9
		65,158	**34,617**

VICTORIA OIL & GAS PLC

CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 30 NOVEMBER 2006

	Notes	Half Year ended 30 November 2006 $000	Half Year ended 30 November 2005 $000
Cash flow from operating activities			
Operating loss		(1,037)	(1,060)
Depreciation		75	1
Stocks decrease /(increase)		5	(24)
Debtors increase		(167)	(70)
Creditors decrease		(2,930)	(59)
Exchange movements		54	8
Awards by the ESOP of shares to employees		1,402	-
Minority interest		-	-
		(2,598)	(1,204)
Returns on investments and debt service costs			
Interest received		21	148
Interest paid		(364)	(1)
		(343)	147
Tax paid		-	-
Capital expenditure and financial investment			
Acquisition of intangible fixed assets		(13,646)	(4,936)
Acquisition of tangible fixed assets		(45)	(76)
Cash consideration for acquisition of subsidiary		-	(3,921)
		(13,691)	(8,933)
Net Cash Flow before Financing		**(16,632)**	**(9,990)**
Financing			
Issue of loan stock		22,622	-
Costs of loan stock issue		(1,968)	-
Share issue expenses - VAT recovered		-	11
		20,654	11
Increase/(Decrease) in cash		**4,022**	**(9,979)**
Cash balance 1 June/Cash held by companies acquired		2,380	11,484
Cash balance 30 November		6,402	1,505

NOTES TO THE CONSOLIDATED FINANCANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 NOVEMBER 2006

1. Accounting policies

Accounting Convention

The Financial Statements have been prepared on the historical cost basis.

Basis of Accounting

The consolidated financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards.

The consolidated financial statements are stated in thousands of US Dollars, which is the reporting currency of the Group.

Basis of Group consolidation

The consolidated financial statements include the financial statements of the Company and entities controlled by it made up to 30 November 2006. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to benefit from its activities.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill and any deficiency credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or to the effective date of disposal.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Intangible assets – deferred development expenditure

Exploration costs, which are based on geographical areas, are capitalized until the results of the projects are known in accordance with the UK Statement of Recommended Practice on Accounting for Oil and Gas Exploration and Development, Production and Decommissioning Activities. Exploration costs include an allocation of administrative and salary costs as determined by management. When a project proves successful the costs are then transferred to depreciable cost pools within tangible assets. An annual assessment is made of whether the economic value of the interest is in excess of costs capitalized as deferred development expenditure. Any impairment is transferred to depreciable regional cost pools within tangible fixed assets and depreciated. Where a project is terminated, which is ascertained on a country basis, the related exploration costs are written off immediately.

Impairment of tangible and intangible assets including goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the geographical cost pool to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or geographical cost pool) is estimated to be less than its carrying amount, the carrying amount of the asset (or geographical cost pool) is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or geographical cost pool) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or geographical cost pool) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Tangible fixed assets

Tangible fixed assets are recorded at cost net of accumulated depreciation and any provision for impairment.

Depreciation is charged on the following basis:

Plant and equipment	- 10% straight line
Fixtures and fittings	- 15% straight line

Foreign currencies

Transactions in currencies other than US Dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Profit and Loss items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised as income or as expenses in the year.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Capitalisation of interest
Finance costs are charged to the profit and loss account, except in the case of development financings where interest and related financing costs are capitalised as part of the cost of development.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Employee Share Ownership Plan
In accordance with UITF abstract 38, subscriptions for shares by the ESOP are accounted for as the shares are allotted. Distributions by the ESOP are recognised as expenses or capitalised, if appropriate, in the period in which the distribution is made at the market value of the shares at the date of distribution

Stocks
Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average

method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Trade payables
Trade payables are not interest bearing and are stated at their nominal value.

2. Taxation

No provision is required for tax because no member of the Group reported a taxable profit.

3. Loss per share

The loss per share is based on the Group loss for the financial period and on 115,502,233 (30 November 2005 – 82,078,735) Ordinary Shares being the average number of shares in issue during the period. Diluted earnings per share are not computed because the effect would be antidilutive.

4. Intangible fixed assets
Deferred exploration costs

The Group's activities include exploration for and development of oil and gas assets in Russia, Kazakhstan and other Central Asian countries and are subject to a number of significant potential risks including:

- Price fluctuations
- Uncertainties over development and operational costs
- Operational and environmental risks
- Political and legal risks, including arrangements with the governments for licences, profit sharing and taxation
- Funding developments.

The value of the Group's investments in these assets is dependent on the development of mineral reserves, which is affected by these and other risks. Should this prove unsuccessful, the value included in the balance sheet would be written down.

5. Creditors

	30 November 2006 $000	**30 November 2005 $000**
Trade creditors	525	
Other creditors	97	292

Taxes and social security costs	512	15
Deferred consideration for purchase of a subsidiary	-	9,500
Accruals and deferred income	534	670
	1,668	10,477

6. Share capital

Options to subscribe for Ordinary Shares

The Company has granted options to subscribe for 1,250,000 Ordinary Shares of 0.5p each at 20p per share which are exercisable at any time prior to 27 July 2007.

7. Related party transactions

Robert Palmer is a Director of the Company and a member of The Gallagher Partnership LLP, an accountancy practice. These accounts include $8,775 for services provided to the Company in addition to the fees paid as part of Director's remuneration.

Kevin Foo is a Director of the Company and of Celtic Resources Holdings plc ("Celtic"). During the period, the Company borrowed $6 million from Celtic. The loan was repaid in October 2006 together with interest of $360,000.

8. Capital Commitments

The Company has Minimum Work Program commitments for the Kemerkol oil field of at least a further $7.6 million over the next five years. The Minimum Work Program for the West Medvezhye gas project requires the drilling of one further exploration well to penetrate the Jurassic horizon before the end of 2007