Logbaba Then and Now...

For over 100 years the Logbaba oil and gas field in Douala, Cameroon, has been undeveloped. But in four years Victoria has drilled and completed two wells, installed gas processing plant and laid 22km of pipeline to supply gas to energy hungry customers.

1905: First oil well in Cameroon at Logbaba

2011: First onshore gas production in Cameroon at Logbaba

Cameroon Gas and Power

Producing Gas

Victoria, through its subsidiary RDL, controls a 95% interest and Société Nationale des Hydrocarbures ("SNH") the remaining 5% interest in the Logbaba gas and condensate field and in four years has drilled and completed two successful production wells, secured a market for our gas and built a gas processing plant and pipeline network in Douala, Cameroon.

The initial market for Logbaba natural gas is industrial customers in Douala, where natural gas is replacing heavy fuel oil and waste oil used for raising heat. RDL now has 36 gas sale agreements executed and of these 19 customers are on line and current aggregate production levels are 2.4mmscf/d.

Douala is an energy intensive city with a variety of light and heavy industry. As demand increases from industrial customers, the Company will undertake further step out drilling to increase its proved reserves. At present, Logbaba's gross recoverable proved and probable reserves can satisfy an average consumption of 20mmscf/d until 2043.

Providing Power

In addition to gas for thermal requirements, RDL is signing contracts with industrial customers who want to produce power for their own needs. RDL has secured eight Letters of Intent to replace power sourced from the local grid with gas-fired power generators on customer premises.

These generators will deliver a more reliable power supply than the existing grid network where power demand outstrips supply, causing disruption and cost for the customer. RDL's power contracts will represent a significant saving for the customer, but the principal attraction and focus is the increased reliability and continuity of supply.

Generating Revenue

The production and sale of natural gas from Logbaba commenced in July 2012, one of the most significant achievements in the history of Cameroon's energy sector. RDL has entered into exclusive 'pay-as-you-go' gas sales agreements with customers to sell gas at $16/mmbtu with prices fixed for five years and the contract term lasting 20 years. After the conclusion of the first five year period, prices are indexed to inflation.

Power contracts will be individually tailored to each customer's needs.

Crude condensate from Logbaba is transported to the Sonara refinery in Limbe. Sales are made at a price of Brent Crude minus $1.50/bbl.

Front cover

One of our shareholders has provided a unique postcard from Logbaba dated 9 March 1905. It was sent by Dr. Monke, the geologist in charge, to Mr. Kurt Schmeisser, who was director of the State Geological Institute and Prussian Mining Academy, where they analysed the first oil samples from Logbaba. The caption of the photo reads "Greetings from the first oil-well in Cameroon" and Dr Monke adds, "That will hopefully soon become a gushing one! Logbaba near Douala 9.III.[19]05." In addition the postcard also bears the signature of Dr. Esser, who was founder and director of Kamerun Bergwerks-Aktiengesellschaft, the drilling company.

The photo from 2011 shows our gas plant operations team as first gas was exported from Logbaba.

Victoria Oil & Gas

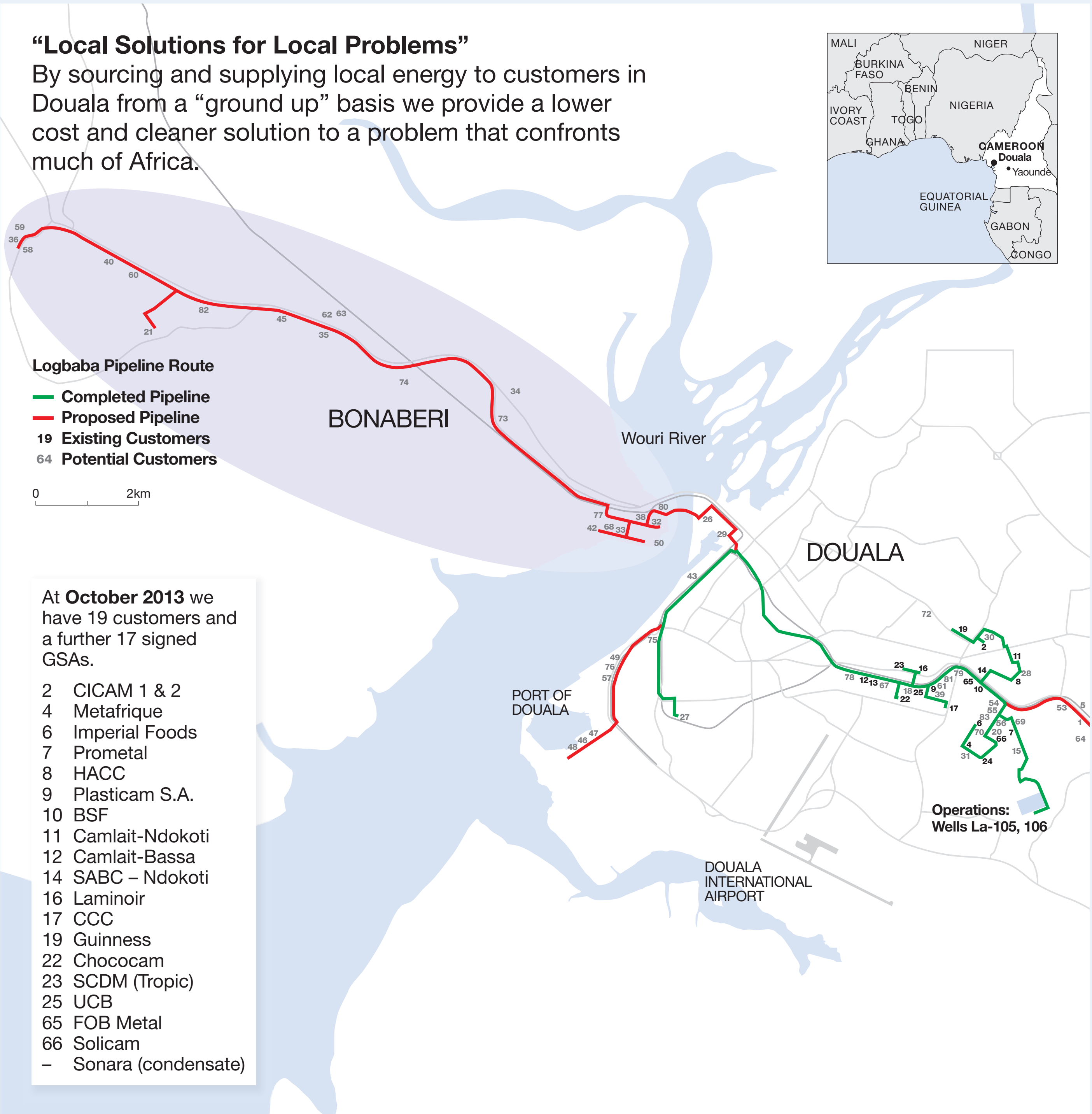
Victoria Oil & Gas is an oil and gas exploration and production company with projects in Africa and the FSU. The Group's assets are 95% of the Logbaba gas and condensate field in Cameroon held via Rodeo Development Ltd and 100% of the West Medvezhye oil and gas project in Siberia. The Company's flagship development asset is Logbaba, which commenced continuous production in July 2012, located in the eastern suburbs of Douala, the economic capital of Cameroon.

Victoria has invested over $111 million into the Logbaba project including two wells, production facilities and a 22km pipeline reaching the main customer hub of Douala.

Contents

To find out more about Victoria Oil & Gas go to:**www.victoriaoilandgas.com**

"Local Solutions for Local Problems"
By sourcing and supplying local energy to customers in Douala from a "ground up" basis we provide a lower cost and cleaner solution to a problem that confronts much of Africa.



At **October 2013** we have 19 customers and a further 17 signed GSAs.

2 CICAM 1 & 2
4 Metafrique
6 Imperial Foods
7 Prometal
8 HACC
9 Plasticam S.A.
10 BSF
11 Camlait-Ndokoti
12 Camlait-Bassa
14 SABC – Ndokoti
16 Laminoir
17 CCC
19 Guinness
22 Chococam
23 SCDM (Tropic)
25 UCB
65 FOB Metal
66 Solicam
– Sonara (condensate)


Pipeline installation supported by local community labour


Condensate lifting

Business Fundamentals of Logbaba

> Only onshore gas producer in Cameroon
> Neither supply nor demand constrained
> Offer customers a cheaper and cleaner alternative to current supply
> Strong Government support of our project
> Opportunity to help resolve in-country power issues
> Revenue generating business for over 12 months
> Our business model can be applied to other African opportunities

Key Statistics

Logbaba Gas Reserves*	Gas Bcf	Condensate mmbbls
Logbaba Proved Reserves (1P)	48.46	0.81
Proved + Probable Reserves (2P)	211.30	3.52
Proved + Probable + Possible Reserves (3P)	349.00	5.83
Entire Logbaba Block		
Prospective Resources	1,350.00	22.50

* *At 30 September 2013*

Logbaba Milestones

2008	2009	2010	2011	2012	2013
Victoria Oil & Gas enters Cameroon in December and becomes operator of Logbaba.	In September, VOG spuds the first well, La-105, the first onshore well in Cameroon since the 1950s.	The two-well drilling programme was completed successfully; well La-105 tested at 55mmscf/d and La-106 tested at rates up to 22mmscf/d.	The President of the Republic of Cameroon, S.E. President Biya, signs the Exploitation Licence on 29 April. First delivery of gas in December.	Commencement of continuous gas and condensate production operations in July.	Continued gas production and pipeline installation. Progression into power generation for industrial customers.

Cameroon Operations

As at	31 May '12	30 Nov '12	31 May '13	Now
Total pipe laid in km	13.20	15.10	17.36	22.00
Customer GSAs signed	13	24	29	36
No. of customers connected	2	4	13	19
Daily sales average (mmscf)	–	0.74	1.60	2.40
Power LOI signed	0	7	7	8


Manual trenching in swamp area

95% of our 128-strong local workforce is Cameroonian

West Medvezhye Highlights

> Yamal Nenetsk Autonomous ("Yamal") region of Russia is seeing increasing interest from the international oil majors for its tight shale potential

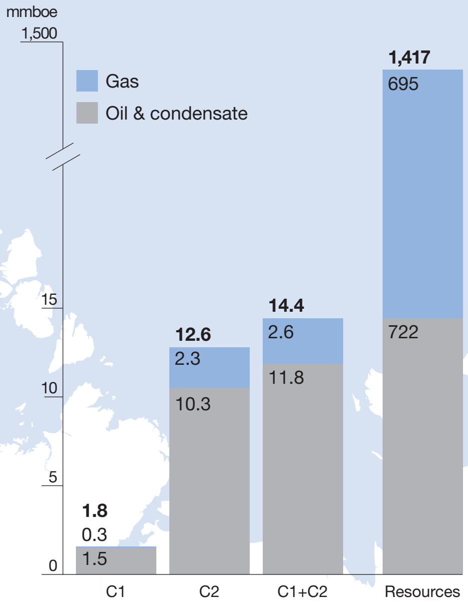
> Recent changes to the Russian oil and gas tax legislation provide substantial benefits to Yamal-based undeveloped assets

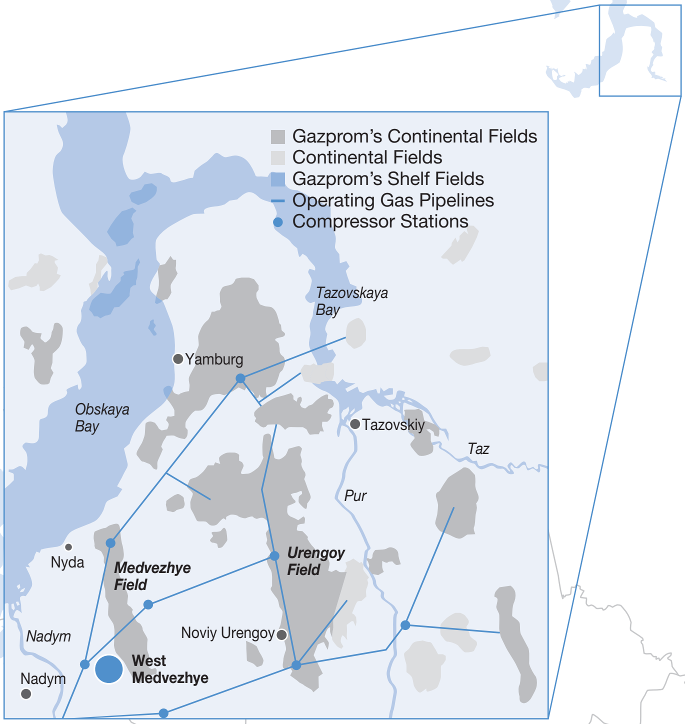
> The block contains C1+C2 reserves of 14.4mmboe and prospective recoverable resources of the block of approx 1.4 billion boe

> West Medvezhye field short-term production potential is associated mainly with oil and liquid hydrocarbons

> Gas resources represent substantial upside potential, which can be monetised in the mid- to long-term through existing local infrastructure

> Limited auction underway



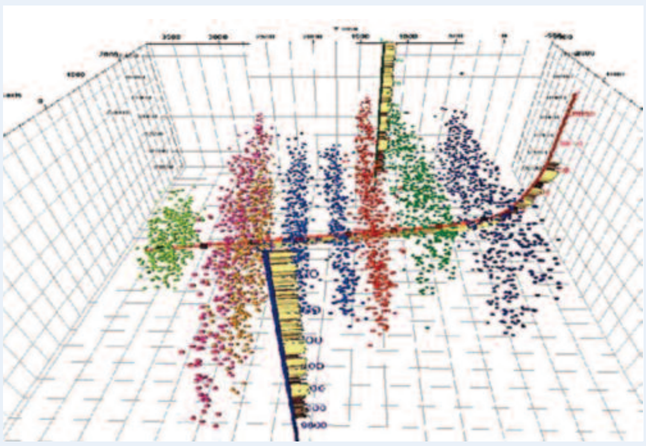


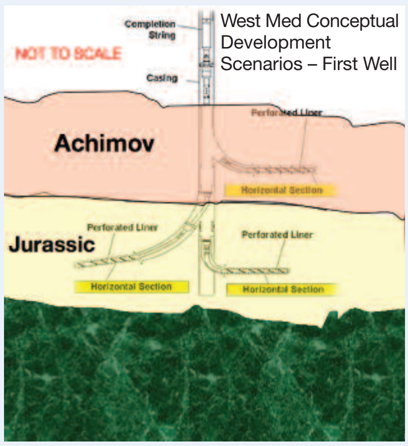
West Med Reserves

Under the Russian classification system, as of 1 January 2009, Sibnats estimated that the Well-103 discovery contained 14.4mmboe of recoverable C1+C2 reserves.

Total prospective recoverable resources of the block as of today have been calculated as approximately 1.4 billion boe, of which 722mmbbls is attributed to oil and 3.9Tcf (695mmboe) is attributed to gas.

Technical advances in drilling and completions have successfully been employed in conventional oil and gas projects. VOG will use the most appropriate technical innovations available to improve well deliverability, increase reserves per well and reduce drilling and completion costs.





West Med Conceptual Development Scenarios – First Well

Our Objective...

...is to build a profitable business from Logbaba to fund further growth in Cameroon and expansion in Africa by:

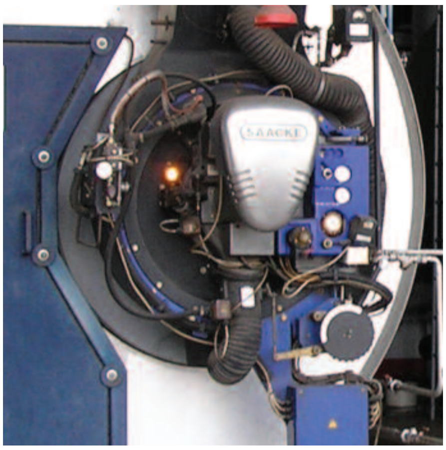
> Delivering a reliable gas energy source to industrial customers in Douala

> Becoming a leading player in new thermal and power projects in Cameroon

> Replicating our gas developments strategy in other areas of Africa

Chairman's Statement & Review of Operations

"We can build Victoria into the Company that it deserves to be and in this respect we shall be thinking bigger and more confidently. We have much to be proud of."



Top: Water borehole inauguration

Middle: Early production facility gas coolers

Bottom: Gas burner for 6 tonne boiler

Dear Shareholders,

I wrote to you on 10 October providing an update on many operational matters and whilst I may be repeating myself here, the update included some key messages that I believe are important enough to state again.

This year has been a challenging one for Victoria Oil & Gas ("Victoria" or "the Company") and its shareholders. Like you, I am concerned about the low share price, which I believe grossly undervalues our business and does not reflect the Company's achievements to date. In less than four years, our Company, backed only by its shareholders, has succeeded in drilling two complex wells, installing gas processing facilities for 20mmscf/d, laying 22km of pipeline and is selling gas and collecting revenue.

Moving Forward

I would like to take this opportunity to remind you again of the fundamentals of the Company and the reasons why I believe that your ongoing support is justified:

- Our objective is to build our business using the cash flow from our flagship Logbaba gas and condensate field in Cameroon to fund further expansion and acquisitions in Africa;
- Our Cameroon subsidiary, Rodeo Development Limited ("RDL"), a producing natural gas and energy company, is generating revenue and is expected to be cash generative at an operating level by November 2013. We are no longer just an exploration company;
- Logbaba is estimated to hold sufficient proven and probable reserves to supply an average 20mmscf/d to industrial customers until 2043;
- We have been supplying gas on a continuous basis since July 2012 without interruption, demonstrating a reliable gas distribution network and we currently have 19 customers on line;
- We are in the position of not being supply constrained, and as RDL is the sole onshore gas producer in Cameroon, we have no competition in country;
- We have the full support of the Government of Cameroon at all levels and are working actively with our partners and our customers to meet the demand from Cameroon industry for additional energy and power. Ninety-five percent of our total workforce of 128 people is Cameroonian; and
- We are at the forefront of an energy revolution, not just in Cameroon, but in the whole Central African region. Customers now have the choice to switch to a lower-cost and cleaner source of fuel for the first time. Being first mover is hard and we still have much to do before the gas market in Cameroon matures, but we are in the unique position of owning and operating not only the supply, but also the transmission network.

We are following some traditional business principles:

1. Quickly convert revenue into profits. We need to convert current revenue streams into substantial profitability. As part of this we will be maximising efficiency and lowering costs by reducing our use of rented equipment, streamlining procurement and reducing administrative personnel.
2. Aggressively build our market. Our internal studies show that the industrial customer base within reach of our planned pipeline could grow rapidly to very large consumption within the next five years. We need to turn this potential into contracted customers.

Chairman's Statement & Review of Operations continued

3. **Our hard earned expertise is invaluable.** No other independent company in the region has brought a gas project through from drill bit to burner tip. This knowledge base can be replicated across the region and provide us with an immediate advantage in undertaking similar projects. In this respect we are in discussions with several large gas generator set suppliers, who share this vision and are willing to form strategic alliances with us in Cameroon and other African countries.
4. **Preserve the highest standards of safety, respect for employees and partners, environmental compliance and corporate governance.** Pursuing economic and operational targets at the cost of lower standards is unsound and wrong. Our internal controls and relevant procedures will be maintained and monitored accordingly.

These pillars will underpin our strategy for the coming year. We will also be improving communications with shareholders to keep you regularly updated with our progress. What we shall not be doing is making production or profit projections too far into the future until our business is steadily making profits.

I believe that by following the four principles shown above we can build Victoria into the company that it deserves to be and in this respect we shall be thinking bigger and more confidently. We have much to be proud of. We are about to become operationally cash positive and when compared to our peers in Cameroon, I believe that we are considerably ahead in actual performance on the ground.

The last four years have been very challenging, but RDL has achieved its goal to become the first onshore gas producing company in Cameroon. We have proved that there is a major gas discovery under the city of Douala and we have commenced delivery of that gas to a market with a rapidly increasing demand for energy.
On a broader scale, one of Africa's most critical problems is provision of reliable energy. We believe that we have established a strategically important solution for the provision of locally sourced energy. We call it "Local Solutions for Local Problems". Furthermore, we believe that this model, and our expertise, can be exported to other countries within Africa, potentially forming a significant part of our future business.

Logbaba Gas Project Cameroon
(95% owned by RDL, a Victoria subsidiary)

During the year, RDL continued to build out its gas distribution system in Douala, Cameroon. This is the first gas network in Cameroon and is a huge step forward for the country in meeting the ever increasing energy demands of its growing industrial market. The Company has also made meaningful progress in the supply of electrical power to industrial customers via gas fired on-site generators.

However, performance over the last 12 months at RDL has been unsatisfactory in terms of rates of customer hook-ups, actual production growth, sales and costs. We have made significant management and structural changes to correct this. I acknowledge and take responsibility for missing a number of published deadlines and targets.

Top: August 2012: installed a tanker loading facility to transport condensate to the Sonara refinery in Limbe

Bottom: International Women's Day celebrations in Douala

> We've experienced a reduction in carbon footprint as a result of using gas. Fuel is more expensive to store than getting gas directly to our boilers. Gas is a stable option, it gives you a stable platform.
>
> David Barton
> Engineering and Utilities Manager
> Guinness

Chairman's Statement & Review of Operations continued

Top: American Auger – Horizontal Directional Drilling machine

Middle: RDL football team

Bottom: March 2013: 100 tonne horizontal directional drilling machine in operation

In seeking improvements for 2014, it is of vital importance that we recognise those factors which we can optimise through operational efficiencies and better management and those which prevail in a new energy market, such as we are creating in Cameroon.

Our pipe laying rate this year has been behind schedule, but it must be remembered that we are operating in an industrial city of 2.5 million people. In the previous financial year we completed 13.2km of 400mm pipe: installed, tested and capable of delivering gas into the primary target market areas of the Magzi estate and Bassa. Activities this year then moved on to the centre of urban Douala and more recently into the port area. An additional 8.8km of pipe has been laid since 31 May 2012 through the most densely populated part of the city, where a complex maze of sub-surface utilities is already in place. Overcoming these conditions is complicated, but to be expected, and our approximate average installation rate of 200m of pipe per week was not adequate.

Our response to this challenge has been to increase our Horizontal Directional Drilling ("HDD") capacity. Initially, this was through the use of our own Ditch Witch, but we have since brought in two other machines of different sizes and so progress has escalated significantly in the last few months. Having three augers provides us with greater flexibility and the capacity to perform longer shot lengths. They have been operating simultaneously and we are now laying an average of 400m of pipe on a weekly basis. This initiative has been reinforced by the purchase of additional welding machines and scanners.

At current productivity levels, an additional 5.6km of pipeline is expected to be laid before the end of 2013. This will bring the RDL gas pipeline network in Cameroon to 27.6km in total. Overseeing this work is Mark Wilson, who has joined the RDL team as Chief Operating Officer and is tasked with ensuring delivery of gas to customers as a priority. Mark is an experienced operations officer with over 35 years' experience in the resources and energy sector and is one of a number of senior management changes within RDL. Steven Haswell has been appointed Chief Financial Officer, Henri Job as Director of Marketing.

Jonathan Scott-Barrett, formerly Country Manager of RDL, has also rejoined the company on a consulting basis to help us with government and customer relations. Eric Friend, an experienced construction and project manager has joined as Project Manager with responsibility for pipeline construction, customer hook-ups and capital projects. Other corporate restructuring within RDL has so far resulted in 15% of cost savings on a year on year basis.

The production and sale of natural gas from Logbaba commenced in July 2012, one of the most significant achievements in the history of Cameroon's energy sector and reached a rate of 0.7mmscf/d this time last year. Since then, despite the addition of many kilometres of additional pipeline, sales have only increased to a current level of 2.4mmscf/d. This fact illustrates an important reality in the development of the Logbaba project over the next few years: the natural gas market in Douala is in its infancy and will take time to mature to the size and scale that we expect. It is frustrating to recognise that our 12.0mmscf/d target will slip into next year, but a principal underlying reason for this is rooted in the slow development of the customer base and the extra work that we have had to undertake to support this nascent market.

Organic growth in the thermal gas market has been protracted, but is showing good signs of progression. In a matter of weeks, a local brewery is due to come online, which will bring deliveries up to 2.9mmscf/d and at this point RDL will be operationally cash positive. Scheduled connections between now and year end are expected to increase deliveries to between 3.6 and 4.8mmscf/d by year end. As RDL production passes through 4.8mmscf/d of gas, revenue will increase to about \$1.8 million per month, net of royalties, and with an average monthly operational "burn rate" of \$1.1 million per month, RDL will be a cash generating business. Looking to 2014, a number of new projects will grow demand further. The completion of the construction and modification of a large foundry and cement plant on the south bank of the Wouri River will add a further 4.7mmscf/d.

This slower than anticipated utilisation of gas for thermal generation has been exacerbated by a significant increase in disruption and power outages during the period. Our customers often experience forced outages as the grid operator attempted to manage demand on a rotating basis. This disruption to power supply meant that customers have reduced production hours, adversely impacting our thermal sales gas volume. This has presented us with a problem, but also an opportunity. A key operational change to our power strategy was agreed during Q2 2013 and we have now deferred the purchase of gas-fired generation units and opted for rental units under a large supply contract.

In July 2013, the Company finalised an agreement with Energyst Rental Solutions SAS ("Energyst") for the provision of 14 x 1.5MW new Caterpillar rental gas-fired generation units ("Gensets") with a phased delivery schedule throughout 2013 and an option for a further 21MW. Energyst is providing a full in-country installation, commissioning, operations and maintenance service for the duration of the contract. Five Gensets have arrived in Douala and will soon clear customs. These units will work seven days a week, each consuming around 0.2mmscf/d of gas and have been allocated to Guinness, Icrafon (part of the Toyota Group) and SCTB (a flour mill). The next batch of four units has also been ordered and is scheduled to be installed by end December 2013 or early 2014.

This allows us to provide customers with gas to generate their own electricity. Customer contracts have a significant take-or-pay component during the interim rental provision period, to provide us with comfort on the level of revenues we can expect.

This option, it must be stressed, is only a short-term part of our power strategy. These units will enable us to monitor customer data and operating behaviour, but rental is expensive and the operating profit per unit of energy will not be comparable to thermal during this introductory period. Only longer-term pricing, which will be engineered for each individual customer's operating regime, can be expected to compare with our thermal gas supply pricing. However, we consider this is a prudent way forward for the Company in order to forge long-term relationships with its customers and to demonstrate to them the true economic value of a consistent supply of power.

Seeking methods of exploitation of our position in Douala to provide for the power market is still a key element of the long-term development programme for Logbaba. A further 4.3mmscf/d could be brought online by supplying a 20MW power station less than 2km from our plant. Discussions with Government Ministries and the operator have been ongoing for the installation of 20MW of temporary power at this substation for 12 months whilst the existing underutilised diesel generating capacity is converted to gas. This will result in cost savings for the operator and provide a quick increase in the country's generating capacity ahead of the dry season ending in May. Given the existing infrastructure it should only take eight weeks to construct and commission, so there remains a chance that this project could be online by late 2013.

As we focus on increasing our gas supply volumes, it should not be forgotten that Logbaba is also a condensate field. Following installation of a tanker-loading facility in August 2012, RDL began transporting condensate to the Sonara refinery in Limbe. Up to the present we have shipped 26 tanker loads totalling 7,784bbls. Sales have been secured at a price of Brent Crude minus $1.50/bbl, achieving an average sales price to date of $104.75 per barrel.

Top: Testing Well LA-105

Bottom: Labor day celebrations

> With the use of gas, we no longer have to handle fuel inventory management and logistics, so it is cost effective and this has also lead to the cleanliness of the site.
> Technical Director
> Prometal

West Medvezhye, Russia

Our 100% owned West Medvezhye ("West Med") field has C1 plus C2 reserves of 14.4 million barrels of oil equivalent ("boe"), under the Russian resource classification system, from its discovery Well-103. In addition, best estimate prospective resources have been calculated of 1.4 billion boe comprising 722mmbbl of oil and condensate and 695mmboe of gas.

The West Med block, which covers 1,224km² lies adjacent to the Yamal Peninsula in North West Siberia. This area is one of the most prolific oil and gas producing regions in the world and our block neighbours the supergiant Medvezhye and Urengoy fields. The main productive horizon in Western Siberia is the vast Bazhenov Shale, shown in recent studies to be geologically very similar to the liquids-rich Bakken Shale in the United States. A recent study estimated the Bazhenov resource at two trillion barrels of oil in place, around five times larger than the Bakken, and recoverable resources are believed to represent around 40% of all U.S. shales combined. During 2013, several major Russian developers began development of tight oil plays in Western Siberia and the government is also considering changes to the tax structure to encourage further investment in shale reservoirs.

In August 2012, the Company received approval from the Russian Ministry of Natural Resources for its development plan for an early production scheme for Well-103 and the surrounding area. Based on our geotechnical work and a seismic attribute analysis from wells in adjacent acreage carried out by Mineral LLC, the Company believes that Well-103 was drilled on the edge of a significant structure. We hope that the next drilling campaign will lead to a significant reserve upgrade in the Upper Jurassic as well as the Lower Cretaceous Achimov layers.

Our updated work programme was presented to the Yamal District regional petroleum authorities in Salekhard on 20 February 2013 and the drilling design project, awarded to CJSC TyumenNIPIneft in 2012 is complete. We anticipate that the next drilling campaign will target the Jurassic discovery horizons successfully encountered by Well-103 and also new potential hydrocarbon horizons in the Achimov layers identified as part of the study carried out by Mineral LLC.

In February 2013, the Company announced the appointment of Renaissance Capital ("Rencap") to assist it in evaluating its various strategic options in relation to its 100% interest in West Med. Having completed this exercise with Rencap, the Company has proceeded to run a "limited auction" process with a selection of pre-screened companies. A number of these companies continue to review and work with the West Med data.

Top: Well-103 engineering and geodetic survey and discovery

Bottom: Drilling preparations – checking access to future well pads with an all-terrain vehicle

tax benefit

Recent changes to the Russian oil and gas legislation in respect to Mineral Extraction Tax ("MET") and export duty has increased the value in the Yamal region and attracted the interest of international oil majors.

Corporate

As our Company grows into a developer, we are undertaking a significant restructuring in London and Douala. With the departure of John Scott I shall be taking over as interim CEO until such time as we have found a suitable replacement. In addition, we are looking to appoint non-executive directors to strengthen the Board. In Cameroon, the changes in senior management are being complemented by a renewed focus on retaining highly-skilled and highly-competent local staff.

The Board has always sought to maximise shareholder returns when considering financial solutions for its ongoing capital requirements. The Company constantly reviews asset and corporate investment opportunities that will increase our value and which may require additional funding in the future. By the end of the period VOG has invested a total of $111.1 million in Logbaba and $59.1 million in West Med.

In February 2013, the Company announced it had raised via an equity placing £23.4 million before expenses. As a fellow shareholder I recognise the dilution created, but this placing allowed us to get on with the job of building out our Cameroon business without chronic cash shortages. Furthermore it was supported by major financial institutions, who appreciate the implicit value in Victoria and remain strong supporters of the Company.

As production and cash flow from Logbaba grows, this will provide a solid platform for growth and the foundations upon which I believe we can progress our Company into a mid-market integrated E&P company. We believe that we can grow organically through cash-flow, rolling out our pipeline network and connecting new customers.

We are in the final stages of credit approval for a new working capital facility. A further funding line using a bank guarantee and an equipment finance house is also in the approval stage.

Concerning the RDL-RSM case, the ICC has advised us that they expect to hand down the Award in the RSM vs. RDL arbitration by 31 October 2013. We remain confident that we will prevail but in the unlikely event that the Tribunal were to find in favour of RSM such that its interest was not forfeited, RSM would then be contractually obliged to:

- pay all outstanding debts and cash calls to RDL, currently this figure stands at approximately $20 million;
- pay all future cash calls for the project or risk forfeiture; and
- permit RDL to recoup approximately $65 million of drilling costs before RSM can claim its share of profits. This is projected to be in late 2016.

I would like to thank all Victoria employees, my fellow Directors and contractors who have participated in our progress this year. We have had some really notable achievements and I look forward to carrying on our work together to continue to build the business. I would also like to thank our shareholders for your continued support of the Company, especially over the last year. I firmly believe Victoria will look a very different company in 12 months with utility-led returns in Cameroon and a successful model that can be replicated in other areas.

Kevin Foo
Chairman & Acting Chief Executive Officer
24 October 2013

Top: First pipeline laid off site in 2011

Bottom: Main valve pit on 400mm pipeline

> Rodeo reassured and fully assisted us during the conversion to gas; as a result of switching to gas, the maintenance cost of our equipment has decreased.
> *Henri-Michel Selle*
> *Director of Operations*
> ***Chococam***

Case Study **Guinness Cameroon**

Guinness, a member of the Diageo Group, is a world leader in the brewery industry with particular strength in emerging markets. About 40% of worldwide Guinness drinks volume is brewed and sold in Africa. Cameroon and Ghana represents 75% of Diageo's 2012 Africa Regional market and delivered approximately 90% of incremental net sales. Guinness is also a company that recognises its social responsibility and strives to achieve it.

"I will highly recommend the use of gas as source of energy to other companies. It is cheaper, easier to manage in terms of logistics and cleaner."
Mr. David Barton, Engineering and Utilities Manager at Guinness, Cameroon

Guinness is a leader in the brewery industry in Cameroon. Its facilities are located in the Bassa Industrial Park of Douala, a densely populated area. Pollution emanating from this industrial complex due to the burning of fuel for thermal energy has a significant negative impact on the environment.

When its management was approached by RDL to have its boilers fueled with gas it embraced the proposition and the two companies joined forces to realise this opportunity. RDL technicians assisted Guinness Cameroon during its conversion to gas, which took approximately six months. Guinness boilers have been fueled by RDL natural gas since February 2013 and its consumption has continued to increase and is set to more than double with the introduction of power generation by the end of 2013. The rewards of natural gas include: stabilisation of energy supply, reduction in fuel cost, reduction of maintenance cost and reduction of the plants carbon footprint. The switch from Heavy Fuel Oil (HFO) to natural gas has also made a positive impact to the environment and within one year the site is expected to reduce its emissions by 30%.

Comparison of Annual Emissions Levels by Guinness in Douala based on Fuel Oil 1500 consumption vs the equivalent amount of energy from Logbaba natural gas in FY12.

Pollutant	Fuel Oil 1500	Logbaba Natural Gas	Difference Tonnes	Difference %
Carbon Dioxide	9,650	6,760	(2,889)	(30)
Nitrogen Oxides	18.06	5.29	(13)	(71)
Sulphur Dioxides	32.53	0.01	(33)	(100)
Particulates	0.45	0.43	0	(5)

Guinness 2 x 30 tonne boilers running on gas since February 2013

"This new gas equipment will secure for our plant a constant and consistent energy supply, enabling us to achieve our business ambitions in a more efficient and sustainable manner."
Baker Magunda, Managing Director of Guinness, Cameroon

Gas line entering Guinness facility

"Gas is energy efficient and much cleaner to burn. We have achieved significant savings because HFO is more expensive to buy and store than gas. Another benefit is that gas causes less pollution."
Mr. David Barton
Guinness, Cameroon

Financial Review

Group Financial Highlights

Revenue of $6.9 million – first year of revenue

Cash at year end $13.1 million, up by $11.2 million on 2012

Cash generated from financing activities $34.6 million, up by 88% on 2012

Net current liabilities decreased by $19.4 million on 2012

Total assets at year end $218.6 million, up by 9% on 2012

Net assets at year end $181.4 million, up by 19% on 2012

Following the commencement of continuous gas production in July 2012, the nature of our business has significantly changed. Historically the performance of Victoria Oil & Gas Plc and its subsidiaries ("the Group") was measured in terms of our ability to develop our assets, control our costs and raise funds to achieve our objectives. Due to the risks associated with schedule and cost, this has typically necessitated funding each stage through equity placings.

As we have successfully transitioned from an Exploration company to a Production company we have developed and adapted our controls and procedures and the Group's financial performance is considered separately for the first time in this first Financial Review.

Revenue

The Group's revenue of $6.9 million is derived from the Logbaba gas and condensate field in Cameroon through the sales of gas for industrial customers thermal energy needs and the sale of condensate.

All gas sales to industrial customers were at a price of $16/mmbtu. The customers have signed long-term, exclusive gas sales agreements with a fixed US Dollar price for five years. The fixed US Dollar price is converted to Central African Francs ("CFA") and is payable in CFA. This helps us to manage our foreign currency exposure as the majority of our development and operating costs are in CFA but influenced by US Dollar prices for goods and services in our industry. Monthly revenues have fluctuated in the year due to the seasonality of our customers' businesses, particularly breweries and related industries. For some of our customers, which do not have adequate standby electricity generation capabilities, power outages have also resulted in reductions in overall gas consumption in some months. The total gas sold during the financial year was 369mmscf.

Condensate production is dependent on the amount of gas produced and averaged approximately 16 barrels per mmscf of gas. 7,784bbls were produced in the year. Under the existing sale agreement, condensate is priced relative to Brent Crude and sold to the Limbe refinery. The average price achieved in the year was $104.75/bbl.

Operating Loss for the Year

The operating loss for the year was $11.6 million and reflects the high fixed cost element of our cost base. Cost of sales (excluding royalties) of $5.5 million includes $2.3 million for depreciation, depletion and amortisation, a non-cash item.

Administration costs have increased significantly in the year, to $11.2 million (2012: $4.5 million). In prior years, expenditure, including support services, incurred in relation to the development of the Logbaba project have been capitalised, whereas with the increased operational focus, a proportion of these costs is now attributed to operations and included in operating costs. We periodically review the operational structure due to the changing nature of our activities and seek to identify where efficiencies can be achieved. We are currently implementing cost-cutting measures through a restructuring of the organisation in Cameroon.

In the coming year, we expect to see continued increases in revenue and decreases in operating costs per unit of production.

Finance Revenue

Finance revenue represents the decrease in the fair value of embedded derivatives associated with convertible loan notes issued by the Group to fund development. The fair value gain increased to $0.4 million from $0.2 million in the prior year.

Finance Cost

Finance costs in the year were $4.7 million and include $3.4 million of interest on various monetary items. Interest on convertible loans is calculated at effective interest rates of between 93.9 – 149.1%. The interest rates payable in the event of non-conversion range between 6.5 – 15%.

The effective interest rates are a function of the valuation of the embedded derivative and the term of the loan, during which the interest on the host note component will compound to equate to the proceeds received from the convertible loan. In view of the volatility rates assumed in the model, this resulted in embedded derivative components which, at initial recognition, represented 91.4% of the Noor Petroleum Convertible Loan and 31.7% of the Convertible Loan Notes 2013. The terms of the loans during which interest was compounded were five years and six months respectively.

Finance costs also include $0.8 million of loan finance fees and a non-cash cost of $0.5 million for unwinding of discounts on provisions.

Capital Investment

During the 2013 financial year, the investment in intangibles and property, plant and equipment was $9.7 million in respect to our Cameroonian and Russian assets. This was significantly down on the prior year ($25.4 million) when the plant was constructed and we laid 13.2km of pipeline.

Potential for increased cost efficiencies has been identified with regard to future pipeline construction, including increasing the proportion of pipe laid by directional drilling, increasing the number of directional drilling units operated, and by reducing the use of rental construction equipment.

The Group also intends to purchase the processing plant at Logbaba, which is currently under a finance lease, and this will result in a significant long-term cost saving.

Working Capital

The net current liabilities of the Group reduced significantly during the year, down by $19.4 million compared to 2012. This was principally due to the raising of $35.9 million (before charges) by way of equity share placings in February and March 2013 for development expenditure and working capital purposes.

With the commencement of production at Logbaba, there was a significant rise in trade and other receivables to $5.8 million at the year-end compared to $1.8 million in 2012. This included $3.1 million from gas sales and $1.5 million of reimbursable customer conversion costs.

The finance provided by the equity placing and the sales of hydrocarbons was partly used to reduce current and non-current liabilities by $10.5 million and also to provide funding during the year of development and operating expenditure of the Group.

The cash balance at 31 May 2013 was $13.1 million, an increase of $11.2 million on the prior year.

Share-Based Payments

Each year, the Directors seek authority from the shareholders to issue shares to employees, advisors, contractors and consultants. The Directors use this authority where they feel that to do so will provide a long-term benefit to the Group. In the 2013 financial year, 93,530,320 shares, equivalent to 3.6% of the shares in issue at the start of the year, were issued under this authority (2012: 126,524,095, equivalent to 5.9%). In addition, the Group issued 5,250,000 warrants to advisors in settlement of placing arrangement fees (2012: 45,103,516).

Share-based payments are further described in Note 30 and included 63,500,000 shares (2012: 63,500,000 shares) issued to the ESOP Trust, as part of long-term incentive plan for Directors, senior management and staff, at a price of 0.5 pence per share. Awards by the Trustees of the ESOP Trust are entirely discretionary and 33,750,000 shares were awarded in the year (2012: 23,300,000).

Certain Directors and senior management also received part of their salary in shares based on entitlements in their service contract. These shares were valued at the market price of the shares at the end of each month of entitlement. A total of 1,941,179 shares were issued in lieu of salary (2012: 3,133,658).

In order to preserve cash for development activities, the Group also issued 28,089,141 shares to contractors and consultants in settlement of amounts due for services and professional fees (2012: 59,890,437). The shares were valued at the market price on the day of issue or the placing price if issued at the same time as an equity placing.

Cash Flow

The net cash used in operations for 2013 amounted to $13.4 million (2012: $4.5 million generated). The change was due primarily to the increased operational costs, as noted in Operating Loss for the Year above.

Net cash used in investing activities amounted to $9.5 million (2012: $29.4 million), of which $7.8 million was invested in property, plant and equipment, primarily the pipeline network in Cameroon.

The Company successfully raised $41.6 million of equity during the year, net of share issue costs, through the issue of new ordinary shares and raised $2.8 million of debt. The Company repaid $7.6 million of debt that matured in the period. After payment of loan interest and finance fees of $2.2 million, net cash generated from financing activities totalled $34.6 million (2012: $18.4 million).

The Group cash balance at year end was significantly higher than in 2012, with $13.1 million cash available compared to $1.9 million in 2012.

Risks and Uncertainties

The Group is subject to a number of potential risks and uncertainties, which could have a material impact on the long-term performance of the Group and could cause actual results to differ materially from expectation.

The management of risk is the collective responsibility of the Board of Directors and the Group has developed a range of internal controls and procedures in order to manage risk. These systems are discussed and reviewed annually by the Audit Committee and their findings reported to the Board.

Financial Review continued

The following risk factors, which are not exhaustive, are particularly relevant to the Group's activities:

Risk	Nature of risk and impact	Management of the risk	Potential impact	Probability	Change in the year
Corporate Risks					
Requirement for further funding	The Group may require additional funding to implement its exploration and development plans and to finance its operational and administrative expenses. There is no guarantee that future market conditions will permit the raising of the necessary funds by way of debt financing, issue of new equity or farming out of interests. If unsuccessful, this may significantly affect the Group's ability to execute its long-term growth strategy.	The Board regularly reviews Group cash flow projections and considers different sources of funds, including funds generated from sales, debt financing, convertible loans and raising equity. The Board also manages this risk by regularly meeting with shareholders and the investor community and communicates through its website, investor relations and regulatory reporting. The requirement for further annual investment for development of the Logbaba project in Cameroon, as experienced in the past four years, is declining as it is now in production and successive phases of the pipeline network are complete.	High	High	Unchanged
Political risk	The Group's principal assets are currently located in Cameroon and Russia and therefore the Group is exposed to country-specific risks such as the political, social and economic stability of these countries.	The countries in which the Group operates are encouraging foreign investment and are politically stable. The Group's projects are longstanding and we have established strong relationships with local and national government which enable the Group to monitor the political and regulatory environment.	High	Medium	Unchanged
Title to assets and licence obligations	Title to oil and gas assets, particularly in Russia, can be complex and may be disputed. Operations must be carried out in accordance with the terms of each licence, field development plan, annual work programme and budgets which are agreed with the relevant ministry for natural resources in the host country. Typically, the law provides that fines may be imposed and operations suspended, amended or terminated if an operator fails to comply with its obligations under such agreements or fails to make timely payments of levies and taxes for the sub-soil use or provide the required geological information or meet other reporting requirements. Successful title challenges could result in our activities being suspended or terminated. As disclosed in the Consolidated Financial Statements, there is a current legal challenge by RSM Production Corporation in relation to the forfeiture of its interest in the Logbaba gas and condensate field. The Directors are confident this will not be successful. More details are provided in the Directors' Report, Note 1 and Note 15.	The Directors monitor any threats to the Group's interest in its licences and employ the services of experienced and competent lawyers in relevant jurisdictions to defend those interests. We also manage the risk by each operating company having regular communication and meetings with the relevant government bodies to present and discuss current activities and future work plans in order to receive feedback from those bodies. This is particularly important as the Group has exploitation licences in Cameroon and Russia and there are no explicit work programme requirements. The Country Manager in each jurisdiction is responsible for monitoring compliance with licence obligations and changes to legislation applicable to the company and reports as necessary to the Board.	High	Medium	Unchanged

Risk factors continued

Risk	Nature of risk and impact	Management of the risk	Potential impact	Probability	Change in the year
Operational Risks					
Poor health, environmental and community relations	The Group's operations in Russia are in an environmentally sensitive area and in Douala, Cameroon, with its population of 2.5 million, our wells are located on the outskirts and our pipeline network is being laid throughout the city. The scope and potential impact of the risks is increased by the diversity of our operations. The potential impact of a major event could be significant for our employees, contractors, local communities or the environment and may result in a loss or revenue, production or shareholder value.	The Board is committed to maintaining high environmental and community standards and Board members review procedures and monitor performance. The Group has engaged independent external consultants to periodically audit the social and environmental impact of operations in Cameroon and the management thereof. The Group maintains insurances to manage the Group's financial exposure to an accident or other adverse event. *Increased in the year* The change in risk reflects the increased complexity of activities, including operating and maintaining a gas distribution network within Douala, Cameroon, which is a developing city with a population of 2.5 million and with no past experience of gas networks.	High	Medium	Increased
Operational and project development under-performance	The effective management of the Group's financial resources is dependent on meeting cost and project targets. In Cameroon these include the pipeline development and converting and connecting new customers to gas. Failure to achieve the targets erodes shareholder returns and reduces cashflows and the ability to fund the business.	Each business unit prepares business plans and budgets which are reviewed and approved by the Board. Operational progress is monitored on a weekly basis and financial reporting on a monthly basis. Risks to delivery are identified and responsibility for each risk is delegated to members of the Board and business unit management as appropriate.	High	Medium	Unchanged
Geological and development risks	Exploration activities are speculative and capital intensive and there is no guarantee of identifying commercially recoverable reserves.	The Group's activities in Russia and Cameroon are in proven gas basins. The Group uses a range of geotechnical techniques to minimise risk prior to drilling and utilises independent reserves auditors to assess reserves and commercial viability. The Group is not planning on any significant exploratory activity in the next 12 months.	High	Medium	Unchanged
Commodity price risk	Substantially all of the Group's revenues will come from the sale of oil and gas. The price of oil and gas is volatile and influenced by factors beyond the Group's control. These factors include levels of supply and demand, exchange rates and political events. The price for gas is, in addition, influenced by more regional factors such as proximity to a market and the local cost of alternative fuels. Additionally, licence conditions and local legislation may require production to be sold locally and at a significant discount to world prices.	The Group has one producing asset, the Logbaba project in Cameroon, and has signed five-year, fixed-price gas sales contracts with industrial customers. The price charged represents a substantial saving to the current price for alternative fuels and therefore the risk of needing to reduce prices to remain competitive is low. The price the Group charges for its condensate production is tied to Brent Crude, but this represents less than 10% of revenue. In Russia our project economics are based on conservative base case assumptions and the Russian gas market is highly regulated.	High	Low	Unchanged
Supply chain failure	The supply chain is a key component in ensuring developments are implemented to schedule and budget and for ensuring the group receives value for money from is contractors and suppliers.	The Group has implemented contracting and procurement procedures and performs due diligence on suppliers and contractors prior to contracting During the execution of a contract, the group monitors performance on significant contracts against pre determined KPIs.	Medium	Medium	Unchanged

Financial Review continued

Risk factors continued

Risk	Nature of risk and impact	Management of the risk	Potential impact	Probability	Change in the year
Financial Risks					
Foreign currency risk	The Group's revenues are invoiced in CFA which is tied to the Euro. The Group's expenditures are primarily in CFA to contractors and employees in respect to the operation and development of the Logbaba project. Expenditure in Russia and by Corporate are in Russian Roubles, Sterling and Euros. Adverse movements in exchange rates could negatively impact the Group's profitability by lowering revenues or increasing costs relative to the US Dollar.	The Group's sales to customers in Cameroon are received in CFA which provides a natural hedge to expenditure in those currencies. The price for gas for thermal sales is set based on a fixed US Dollar price, which is converted to CFA at the month-end exchange rate. This provides a partial natural hedge to expenditure in US Dollars. The Group raises money in Sterling and converts it to the currency in which it expects to subsequently spend the money. The Group seeks to minimise its exposure to currency risk by closely monitoring exchange rates and restricting the buying and selling of currencies to predetermined exchange rates within specific bands. The Board may consider other hedging instruments as necessary. *Decreased in the year* The risk has decreased following the commencement of gas sales. Receiving revenue in CFA provides a natural hedge to CFA expenditure and, in view of the fact that the price is a fixed US Dollar amount (converted to CFA at the month end rate), this provides a partial natural hedge to US Dollar-based expenditure.	Medium	Low	Decreased
Tax risk	The Group is subject to local and national taxes, which are subject to frequent change. The legislation often lacks clarity and there is the added risk of receiving substantial fines for non-compliance.	The Group has one producing asset in Cameroon, which will be liable for taxation in the medium term. Notwithstanding that, the fiscal regime in Cameroon has been very stable in recent years and the Company has provision in the Logbaba Concession Contract, granted by the Cameroonian Government, that it will not be adversely effected by changes in tax legislation. Proposed changes in Russia are largely favourable to oil and gas companies, particularly those operating in tight reservoir environments. The Group engages local tax specialists to advise on tax matters in the jurisdictions that we operate.	Medium	Low	Unchanged
Credit risk	Substantially all of the Group's revenues will come from the sale of oil and gas. Inability of the customers to pay for the oil or gas purchased would have a negative effect on the revenue generated by the Group.	The Group manages credit risk by pre-assessing the creditworthiness of counterparties and maintaining credit insurance. *Increased in the year* For the first time trade receivables arose as a result of gas and condensate sales. Additional details of the Group's financial risk management are set out in Note 29 to the Consolidated Financial Statements.	Medium	Low	Increased

Details of the Group's financial risk management policies are set out in Note 29 to the Consolidated Financial Statements.

Key Performance Indicators ("KPI")

KPIs, which cover a range of operational and financial metrics, assist in the monitoring of the performance of the Group. As the Group's business now includes development and production in Cameroon in addition to the exploration activities in both Cameroon and Russia, a broader range of KPIs is applicable.

Over time, the Directors will develop further KPIs, but they consider that the current principal KPIs for the Group should be set to monitor the key risks of health and safety and funding, assisting the Group in its ability to:
- maintain a strong health and safety record;
- grow sales of natural gas and condensate;
- control and manage its operating and capital expenditures; and
- manage its liquidity in order to fund the development of oil and gas deposits in Cameroon and Russia.

Performance Indicator	Assessment of performance	Measure	Performance and outlook
Lost time incidents	Safe working conditions for employees and contractors	Lost time incidents frequency rate ("LTIFR") 2013: 1.88 2012: 5.64	A total of 771,540 man hours were put in to our operations during the financial year by employees and contractors, principally in Cameroon, and we commissioned 4.2km of pipeline and 10 new customer sites. The Group is building a quality, health, security and environment management system on the following pillars: > Anticipation > Prevention > Compliance > Culture > Employee Involvement Our motto is "No Defect, No Injury and No Accident". Consistent with this approach, we achieved a positive drop in our LTIFR rates of approximately 67% over the last year. A compliance audit was conducted by Bureau Veritas for each new customer connection to help assess the customer's ability to operate and maintain the gas transition safely. The findings were shared with the customers and action plans implemented to address any issues.
Production	Business development initiatives and revenue generation	2013: 0.4bcf 2012: –	The Group commenced continuous production in July 2012. The Group is currently using approximately 12% of the capacity of the gas processing plant and expects sales to grow significantly in the near future.
Liquidity > Cash generation from financing activities > Current ratio	Management of liquidity risk	2013: $34.7m 2012: $18.4m 2013: 91.9% 2012: 14.9%	The prime source of cash inflow has been through the issuing of new equity shares and loans from third parties. The Group expects to fund future operations from sales and available debt finance.
Capital expenditure	Ability to grow the business by investment in exploration and production assets	2013: $9.7m 2012: $29.4m	$8.7m of additions to intangible and tangible assets relates to the Logbaba gas development in Cameroon. Capital expenditure was significantly higher in 2012 as the Group completed the construction of the processing facilities and construction of 13.2km of pipeline.

Robert Palmer
Finance Director
24 October 2013

Directors & Other Information

Current Directors
Kevin Foo, Chairman
Grant Manheim, Deputy Chairman
Robert Palmer, Finance Director
Austen Titford, Executive Director

Company Secretary
Leena Nagrecha

Company Number
5139892

Registered Office
Victoria Oil & Gas Plc
1st Floor
Hatfield House
52/54 Stamford Street
London
SE1 9LX

Auditors
Deloitte & Touche
Deloitte & Touche House
Earlsfort Terrace
Dublin 2
Ireland

Bankers
Barclays Bank Plc
Level 27, One Churchill Place
London
E14 5HP

Solicitors
Kerman & Co LLP
200 Strand
London
WC2R 1DJ

Nominated Adviser
Strand Hanson Limited
26 Mount Row
London
W1K 3SQ

Brokers
Fox-Davies Capital Limited
1 Tudor Street
London
EC4Y 0AH

Registrars
Computershare Investor Services Plc
The Pavilions
Bridgwater Road
Bristol
BS99 6ZY

Directors Biographies

Kevin Foo MSc, DIC, Dip Met, MIMMM
Chairman
Kevin Foo has over 40 years' experience in all aspects of mining, including technical, operational and project management and has run several public companies. He has worked on five continents including 20 years in Kazakhstan and Russia and is a specialist in the development of mines in the FSU. He was formerly the Chairman of Bramlin Limited and Eureka Mining Plc, and Managing Director of Celtic Resources Holdings Plc, all AIM-quoted resource companies. He helped build Celtic from a sub-£1 million market capital company in 1999 to the point where it was taken over by a Russian group in 2007 for £170 million cash.

Grant Manheim
Deputy Chairman
Grant Manheim has extensive financial experience in the City of London, gained over 38 years at a top-tier investment bank. In addition to his financial experience, he also has knowledge of the oil and gas sector having been the Chairman of the executive committee of a company whose business was investment in, and development of, oil and gas properties in the United States.

Robert Palmer FCA
Finance Director
Robert Palmer is a Chartered Accountant. He combines his role as Finance Director with his position as a senior partner in a 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.

Austen Titford ACA
Executive Director
Austen Titford is a Chartered Accountant with more than 20 years' financial and commercial experience working for FTSE 100 and AIM-quoted natural resource companies, including: Lonrho Plc, LASMO Plc, BHP Billiton Plc and Celtic Resources Holdings Plc. He has worked on projects in Africa, Iran, Russia and Central Asia and brings a broad mix of financial experience, covering both the project development and operational phases.

The Directors present their report and the audited financial statements for the year ended 31 May 2013.

Principal Activities, Business Review and Future Developments

The principal activities of the Group are oil and gas exploration, development and production in Cameroon. During the year, the Group commenced the sale of gas and condensate to customers in Cameroon. The main activity in the year has been the ongoing development of the Logbaba gas and condensate field, including expansion of the gas pipeline distribution network, supplying gas to industrial customers for their thermal energy needs, and development of the Group's strategy to sell gas and rent equipment to enable industrial customers to generate their own on-site electrical power.

The Group has an exploration project in Russia, where the focus of activities was defining the next drilling location and obtaining regulatory approvals for a two-well drilling programme.

The Group operates through overseas branches and subsidiary undertakings as appropriate to the fiscal environment. Significant subsidiary undertakings of the Group are set out in Note 17. Operations are funded by sales generated locally, with the deficit covered from funds held centrally by the Group which is accessed by cash calls from each operation on a monthly basis.

In the prior year's Annual Report it was noted that RSM Production Corporation ("RSM") was challenging the forfeiture of its interest in the Logbaba gas and condensate field. This arbitration is still in progress, with a decision expected to be handed down by 31 October 2013. The Directors are confident that RSM's challenge will not be successful. More details are provided in Note 1 and Note 15.

A detailed review of the significant developments and operating activities of the Group, as well as the business environment, future prospects and the main trends and factors that are likely to affect the future development, performance and position of the Group's business are contained in the Chairman's Statement and Review of Operations (page 6). A summary of principal risks and how they are managed, together with information on key performance indicators, is included in the Financial Review (page 13).

Results and Dividends

The results for the year, and the Group's financial position at the end of the year, are shown in the attached financial statements. The loss on ordinary activities after taxation of the Group for the year ended 31 May 2013 amounted to $15.9 million (2012: $7.7 million).

The Directors do not propose that a dividend be paid (2012: Nil).

Directors

The following Directors held office during the year:

Executive Directors

Kevin Foo
John Scott (appointed 26 February 2013; resigned 27 September 2013)
Grant Manheim
Robert Palmer
Austen Titford

Non-Executive Directors

Philip Rand (resigned 28 August 2012)

Biographical details of the Directors as of the date of this report are available on page 19.

Directors' Remuneration

An analysis of Directors' remuneration is given in Note 11 of the financial statements.

The Company has a discretionary share incentive scheme whereby fully paid shares can be awarded by the Trustees of the Employee Share Ownership Plan ("ESOP") as a long-term incentive for the Directors, senior managers and staff. Under this scheme, the ESOP subscribes for shares up to a limit agreed annually by the shareholders. The Trustees of the ESOP subscribed for 63,500,000 shares during the year (2012: 63,500,000 shares). Discretionary awards of 33,750,000 shares were made during the year (2012: 23,300,000).

A copy of the service agreement for each Director is available for inspection at the Company's Registered Office.

Corporate Governance

The Company is subject to the continuing requirements of the AIM Rules and is committed to adhering to corporate governance standards appropriate for a company of this size and nature. The Company is not required to comply with the UK Corporate Governance Code published in September 2012 by the Financial Reporting Council ("the Code") nor issue a statement of compliance with it. The Directors support high standards of corporate governance and are committed to managing the Company in an honest and ethical manner. Where practical and appropriate for a company of this size and nature, the Company endeavours to take account of the Code and the recommendations on corporate governance of the Quoted Companies Alliance.

The Board seeks to ensure that the Company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term.

Board

During the year, the Board of Directors was comprised of the Chairman and three Executive Directors for the full period and included the Chief Executive Officer (appointed 26 February 2013; resigned 27 September 2013) and one Non-Executive Director (resigned 28 August 2012) for part of the year. The Chairman, Kevin Foo, is responsible for the leadership of the Board where he is assisted by other Board members in

Directors' Report continued

formulating strategy and, once agreed by the Board, delivering it. The responsibility for delivery of the strategy was taken over by the Chief Executive Officer, John Scott, for the period of his appointment. The structure of the Board ensures that no one individual dominates the decision making process. The Directors have significant and relevant resource exploration and production experience, together with finance and corporate development skills. The Company is actively seeking to appoint a new Chief Executive Officer and two Non-Executive directors to balance and strengthen the Board.

The Board meets at least six times each year, providing effective leadership and overall management of the Group's affairs. The Board approves the Group's strategy and investment plans and regularly reviews operational and financial performance and risk management matters. A schedule of matters reserved for Board decision is maintained. This includes the approval of business plans, the annual budget, major capital expenditure, acquisitions and disposals, risk management policies and the approval of the financial statements.

Formal agendas, papers and reports are sent to the Directors in a timely manner prior to Board meetings. The Board delegates certain of its responsibilities to the Board committees, listed below, which have clearly defined terms of reference.

All Directors have access to the advice and services of the Company's solicitors, and of the Company Secretary, who is responsible for ensuring that all Board procedures are followed. Any Director may take independent professional advice in the furtherance of his duties at the Company's expense.

One-third of the Directors retire at each Annual General Meeting of the Company and each may be re-elected. Furthermore, every Director must stand for re-election once every three years.

At present, the Board does not consider a nominations committee necessary. When appropriate, any decision will be taken on a clearly-defined basis by the Board as a whole.

Audit Committee

The audit committee was chaired by Philip Rand, until his resignation on 28 August 2012, whereupon Grant Manheim was appointed Chairman. Kevin Foo is the second committee member and Robert Palmer attends the committee meetings by invitation.

The committee meets at least twice a year. It is responsible for ensuring that the financial activities of the Group are properly monitored, controlled and reported on. It meets the external auditors and reviews reports from the external auditors. Its full terms of reference are available on request and include: the review of the annual and interim financial statements and of accounting policies; the review with management of the effectiveness of internal controls; and the review with the Group's external auditors of the scope and results of their audit.

Remuneration Committee

Up to 28 August 2012, the remuneration committee consisted of Grant Manheim, Robert Palmer and Philip Rand. With effect from Philip Rand's resignation date of 28 August 2012, Grant Manheim replaced Philip Rand as Chairman of the committee.

The committee sets the scale and structure of the remuneration of the Executive Directors and senior management and the basis of their service agreements, giving due regard to the interests of shareholders. In determining the remuneration of the Executive Directors and senior management, the committee seeks to ensure that the Company will be able to attract and retain executives of the highest calibre. It makes recommendations to the full Board concerning the representations to be made to the ESOP for the allocation of incentive shares to employees. No Director participates in discussions or decisions concerning his own remuneration.

The Chairman of the committee will attend the Annual General Meeting and respond to any shareholder questions on the committee's activities.

Relations with Shareholders

The Directors attach great importance to maintaining good relationships with the shareholders. Extensive information about the Company's activities is included in the Annual Report and Accounts and the Interim Report. The Chairman also issues an update letter to shareholders from time to time. Market sensitive information is regularly released to all shareholders in accordance with Stock Exchange rules for AIM-quoted companies. The Group is active in communicating with both its institutional and private shareholders. The Annual General Meeting provides an opportunity for all shareholders to communicate with and to question the Board on any aspect of the Group's activities. The Company presents at conferences and maintains a corporate website where information on the Company is regularly updated, including Annual and Interim Reports and all announcements.

Corporate Social Responsibility

The Group is subject to best practice standards and extensive regulations, which govern environmental protection. The Group is committed to uphold these standards and regulations as a minimum, and to keep these important matters under continuous review. When appropriate, adequate action and provision is immediately taken to ensure full compliance with the standards expected of an international oil and gas exploration and production company.

The Group's asset in Russia is in an environmentally sensitive area. However, the Group's activities in Russia are focused on geological and geotechnical studies and resource evaluation. The Group's Russian subsidiary, which owns the Russian asset, has been audited by the Ministry of the Environment and received a certificate of environmental compliance.

The Group's project in Cameroon involves two wells, a gas processing facility and a low-pressure gas distribution network. The Group commissioned an independent Social and Environmental Due Diligence study in the context of the Equator Principles, 2006 and the IFC Performance Standards, 2012. The project was identified as being of potential limited adverse social or environmental impact, and any impacts were likely to be few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.

In addition, the Group undertakes Environmental Impact Assessments before each development and uses external consultants to advise on appropriate actions and procedures.

The Group aims to minimise the use of natural resources, such as energy and water and is committed to full reinstatement as part of its environmental obligations.

The Group also works towards positive and constructive relationships with government, neighbours and the public, ensuring fair treatment of those affected by the Group's operations.

In particular, the Group aims to provide employees with a healthy and safe working environment whilst remunerating them at a level that enables them to maintain a reasonable lifestyle for themselves and their families.

The international nature of our business is reflected in our workforce. The majority of our employees originate from local communities and countries where we operate. We are committed to being an employer of choice in the areas we operate, as we recognise that our people are integral to our success. To this end, we offer excellent career opportunities regardless of ethnicity, gender, age, religion or disability.

As part of our work programme, the Group is keen to establish community development projects, including provision of local employment and skills training opportunities.

Charitable Donations

As part of the Group's community and social responsibility, the following charitable donations were made during the year:

Construction of water borehole for local community	$25,044
Donation to Logbaba District Hospital	$7,143

Political Donations

The Group made no political contributions during the year (2012: Nil).

Going Concern

The Directors have given careful consideration to the appropriateness of the going concern basis in the preparation of the financial statements. The validity of the going concern concept is dependent on finance being available for the working capital requirements of the Group in order to finance the continuing development of its existing projects. At 24 October 2013, the Group had cash of $3.0 million and undrawn facilities of £8.0 million ($12.1 million) in respect of the SEDA. The Group is also at the approval stage for an equipment financing facility and a working capital facility. If the build-up of sales is delayed compared to forecasts level, the Directors have the ability to defer development expenditure in order to manage the Group's liquidity. According, the Directors have concluded that there are adequate resources available to enable the Company to continue in operational existence for the foreseeable future and to continue to meet their obligations as they fall due. Further information in respect of going concern considerations is set out in Note 3.

Property, Plant and Equipment

In the opinion of the Directors, the Group's property, plant and equipment have a value in excess of the Balance Sheet figure. Details of movements in such assets are shown in Note 15 to the financial statements.

Creditor Payment Policy and Practice

It is the Group's normal policy to agree the terms of payment at the start of business with each supplier, ensure that suppliers are aware of the terms of the payment, and pay in accordance with contractual obligations and normal business practice.

Trade creditor days of the Group for the year ended 31 May 2013 were 97 days.

Directors' Indemnities

The Company maintained directors' and officers' liability insurance during the year and it remains in force at the date of this report.

Subsequent Events

Subsequent events which have occurred since 31 May 2013 are included in Note 35 to the attached financial statements.

Auditors

Each of the persons who is a Director at the date of approval of this annual report confirms that:

> So far as the Director is aware, there is no information of which the Company's auditors are unaware; and
> The Director has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to re-appoint the auditors, Deloitte & Touche, will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will be held in London on 27 November 2013. A Notice of the Meeting is set out on pages 63 to 64. The Notice contains special business relating to the renewal of authority for the Board to allot shares and the dis-application of statutory pre-emption rights on equity issues for cash. Shareholders should complete the Proxy Form received by post and also available on the Company's website (www.victoriaoilandgas.com) in accordance with the Notes contained in the Notice of Annual General Meeting.

By Order of the Board,

Leena Nagrecha
Company Secretary
24 October 2013

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and have also chosen to prepare the Company financial statements under IFRSs as adopted by the EU. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period.

In preparing the financial statements, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Kevin A. Foo
Chairman
24 October 2013

Robert Palmer
Finance Director
24 October 2013

Independent Auditors' Report
to the members of Victoria Oil & Gas Plc

We have audited the financial statements of Victoria Oil & Gas Plc for the year ended 31 May 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements and the related Notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union and as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion:

> the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2013 and of the Group's loss for the year then ended;

> the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;

> the Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to Notes 3, 14, 15, 16, 17 and 19 of the financial statements concerning going concern, the valuation of intangible assets, the valuation of property, plant and equipment, the valuation of investments, the recoverability of other receivables and of amounts due from subsidiaries. The realisation of intangible assets of $60.0 million, property, plant and equipment of $133.0 million, and unlisted investments of $6.6 million included in the consolidated Balance Sheet and investments in subsidiaries and advances of $71.7 million, unlisted investments of $6.6 million, and amounts due from subsidiaries of $121.0 million included in the company Balance Sheet is dependent on continued revenue growth from the Logbaba gas project in Cameroon and the successful discovery and development of economic reserves in respect of the West Medvezhye project in Russia as outlined in Note 14, including the ability of the Group to raise sufficient finance to develop current projects. The financial statements do not include any adjustments relating to these uncertainties and the ultimate outcome cannot, at present, be determined.

Separate Opinion in Relation to IFRS as Issued by the IASB

As explained in Note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRS as adopted by the European Union, has also applied IFRS as issued by the International Accounting Standards Board ("IASB").

In our opinion the Group financial statements comply with IFRS as issued by the IASB.

Opinion on Other Matter Prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on Which We Are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

> adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

> the Parent Company financial statements are not in agreement with the accounting records and returns; or

> certain disclosures of Directors' remuneration specified by law are not made; or

> we have not received all the information and explanations we require for our audit.

Ciarán O'Brien
(Senior Statutory Auditor) for and on behalf of Deloitte & Touche
Chartered Accountants and Statutory Auditor
Deloitte & Touche House, Dublin, Ireland

24 October 2013

Consolidated Income Statement
for the year ended 31 May 2013

	Notes	2013 $000	2012 $000
Continuing operations			
Revenue		**6,934**	–
Cost of sales			
Production royalties		**(1,100)**	–
Other cost of sales		**(5,519)**	–
		(6,619)	–
Gross profit		**315**	–
Other income		**51**	–
Sales and marketing expenses		**(437)**	–
Administrative expenses	8	**(11,201)**	(4,526)
Other losses	5	**(286)**	(62)
Operating loss		**(11,558)**	(4,588)
Finance revenue	6	**367**	200
Finance costs	7	**(4,744)**	(3,337)
Loss before taxation	4, 8	**(15,935)**	(7,725)
Income tax expense	9	**–**	–
Loss after taxation for the financial year		**(15,935)**	(7,725)

		Cents	Cents
Loss per share – basic	13	**(0.52)**	(0.33)
Loss per share – diluted	13	**(0.52)**	(0.33)

Consolidated Statement of Comprehensive Income
for the year ended 31 May 2013

	2013 $000	2012 $000
Loss for the financial year	**(15,935)**	(7,725)
Exchange differences on translation of foreign operations	**1,000**	(4,111)
Total comprehensive income/(loss) for the year	**(14,935)**	(11,836)

Consolidated Balance Sheet
as at 31 May 2013

	Notes	2013 $000	2012 $000
Assets:			
Non-current assets			
Intangible assets	14	**59,970**	58,212
Property, plant and equipment	15	**133,038**	131,318
Unlisted investments	16	**6,600**	6,600
		199,608	196,130
Current assets			
Inventories	18	**56**	–
Trade and other receivables	19	**5,793**	1,805
Cash and cash equivalents	20	**13,107**	1,887
		18,956	3,692
Total assets		**218,564**	199,822
Liabilities:			
Current liabilities			
Trade and other payables	21	**(11,007)**	(14,260)
Borrowings	22	**(8,011)**	(7,440)
Convertible loan – debt portion	23	**(1,482)**	(3,066)
Derivative financial instrument	23	**(131)**	–
		(20,631)	(24,766)
Net current liabilities		**(1,675)**	(21,074)
Non-current liabilities			
Borrowings	22	**(267)**	(3,178)
Deferred tax liabilities	9	**(6,599)**	(6,599)
Provisions	24	**(9,664)**	(13,099)
		(16,530)	(22,876)
Net assets		**181,403**	152,180
Equity:			
Called-up share capital	26	**34,240**	20,803
Share premium		**229,556**	200,059
ESOP Trust reserve	27	**(1,061)**	(860)
Translation reserve		**(11,411)**	(12,411)
Other reserve	28	**4,583**	5,440
Retained earnings – deficit		**(74,504)**	(60,851)
Total equity		**181,403**	152,180

The financial statements of Victoria Oil & Gas Plc, registered number 5139892, were approved by the Board of Directors on 24 October 2013.

Kevin A. Foo
Chairman

Robert Palmer
Finance Director

Company Balance Sheet
as at 31 May 2013

	Notes	2013 $000	2012 $000
Assets:			
Non-current assets			
Property, plant and equipment	15	**12**	18
Unlisted investments	16	**6,600**	6,600
Investments in subsidiaries and advances	17	**71,718**	70,881
		78,330	77,499
Current assets			
Trade and other receivables	19	**121,531**	99,329
Cash and cash equivalents	20	**12,625**	1,236
		134,156	100,565
Total assets		**212,486**	178,064
Liabilities:			
Current liabilities			
Trade and other payables	21	**(1,889)**	(1,471)
Borrowings	22	**(4,137)**	(5,041)
Convertible loan – debt portion	23	**(1,482)**	(3,066)
Derivative financial instrument	23	**(131)**	–
		(7,639)	(9,578)
Net current assets		**126,517**	90,987
Net assets		**204,847**	168,486
Equity:			
Called-up share capital	26	**34,240**	20,803
Share premium		**229,556**	200,059
Other reserve	28	**4,583**	5,440
Retained earnings – deficit		**(63,532)**	(57,816)
Total equity		**204,847**	168,486

The financial statements of Victoria Oil & Gas Plc, registered number 5139892, were approved by the Board of Directors on 24 October 2013.

Kevin A. Foo
Chairman

Robert Palmer
Finance Director

Consolidated Statement of Changes in Equity
for the year ended 31 May 2013

	Share capital $000	Share premium $000	ESOP Trust reserve $000	Translation reserve $000	Other reserves $000	Retained earnings/ (accumulated deficit) $000	Total $000
At 31 May 2011	17,178	183,867	(587)	(8,300)	4,408	(53,126)	143,440
Shares issued	3,625	18,263	–	–	–	–	21,888
Share issue costs	–	(2,071)	–	–	–	–	(2,071)
Shares purchased by ESOP Trust	–	–	(505)	–	–	–	(505)
Shares granted to ESOP members	–	–	188	–	–	–	188
Exchange adjustments	–	–	44	–	–	–	44
Warrants issued	–	–	–	–	1,032	–	1,032
Total comprehensive income/(loss) for the year	–	–	–	(4,111)	–	(7,725)	(11,836)
At 31 May 2012	20,803	200,059	(860)	(12,411)	5,440	(60,851)	152,180
Shares issued	13,437	32,519	(3)	–	–	–	45,953
Share issue costs	–	(3,022)	–	–	–	–	(3,022)
Shares purchased by ESOP Trust	–	–	(509)	–	–	–	(509)
Shares granted to ESOP members	–	–	266	–	–	1,270	1,536
Exchange adjustments	–	–	45	–	–	–	45
Transfer expired warrants to retained earnings	–	–	–	–	(1,012)	1,012	–
Warrants issued	–	–	–	–	155	–	155
Total comprehensive income/(loss) for the year	–	–	–	1,000	–	(15,935)	(14,935)
At 31 May 2013	**34,240**	**229,556**	**(1,061)**	**(11,411)**	**4,583**	**(74,504)**	**181,403**

Share premium reserve
The share premium reserve is comprised of the excess of monies received in respect of share capital over the nominal value of shares issued, less direct and incremental share issue costs.

ESOP Trust reserve
The ESOP Trust reserve is comprised of shares in the Company held by Victoria Oil & Gas ESOP Trust.

Translation reserve
The translation reserve represents the foreign exchange gain/loss on translation of financial statements of foreign subsidiaries.

Other reserve
The other reserve includes the share-based payment reserve and an amount of $2.9 million which was the difference between the fair value on redemption and the redemption value of a convertible loan note settled in 2008.

Accumulated deficit
Accumulated deficit comprises accumulated losses in the current and prior years.

Company Statement of Changes in Equity
for the year ended 31 May 2013

	Share capital $000	Share premium $000	Other reserves $000	Retained earnings/ (accumulated deficit) $000	Total $000
At 31 May 2011	17,178	183,867	4,408	(54,631)	150,822
Shares issued	3,625	18,263	–	–	21,888
Share issue costs	–	(2,071)	–	–	(2,071)
Warrants issued	–	–	1,032	–	1,032
Total comprehensive income/(loss) for the period	–	–	–	(3,185)	(3,185)
At 31 May 2012	20,803	200,059	5,440	(57,816)	168,486
Shares issued	13,437	32,519	–	–	45,956
Share issue costs	–	(3,022)	–	–	(3,022)
Shares granted to ESOP members	–	–	–	1,270	1,270
Transfer expired warrants to retained earnings	–	–	(1,012)	1,012	–
Warrants issued	–	–	155	–	155
Total comprehensive income/(loss) for the period	–	–	–	(7,998)	(7,998)
At 31 May 2013	**34,240**	**229,556**	**4,583**	**(63,532)**	**204,847**

Share premium reserve
The share premium reserve is comprised of the excess of monies received in respect of share capital over the nominal value of shares issued, less direct and incremental share issue costs.

Other reserve
The other reserve includes the share-based payment reserve and an amount of $2.9 million which was the difference between the fair value on redemption and the redemption value of a convertible loan note settled in 2008.

Accumulated deficit
Accumulated deficit comprises accumulated losses in the current and prior years.

Consolidated Cash Flow Statement
for the year ended 31 May 2013

	Notes	2013 $000	2012 $000
Cash flows from operating activities			
Loss for the year		**(15,935)**	(7,725)
Finance revenue recognised in the Income Statement		**(367)**	(200)
Finance costs recognised in the Income Statement		**4,744**	3,337
Depreciation and amortisation of non-current assets		**2,955**	485
Other losses recognised in the Income Statement		**286**	106
Shares vested by ESOP Trust recognised in Income Statement		**609**	188
		(7,708)	(3,809)
Movements in working capital			
Increase in trade and other receivables		**(3,984)**	(943)
Increase in inventories		**(56)**	–
(Decrease)/increase in trade and other payables		**(1,696)**	9,293
Net cash (used in)/generated from operating activities		**(13,444)**	4,541
Cash flows from investing activities			
Payments for intangible assets		**(1,765)**	(358)
Payments for property, plant and equipment		**(7,763)**	(23,445)
Payment for investments		**–**	(5,600)
Interest received		**17**	12
Net cash used in investing activities		**(9,511)**	(29,391)
Cash flows from financing activities			
Proceeds from issue of equity shares		**44,516**	14,666
Payment of equity share issue costs		**(2,867)**	(1,039)
Proceeds from borrowings		**2,783**	5,500
Repayment of borrowings		**(7,630)**	(200)
Finance costs		**(2,186)**	(497)
Net cash generated from financing activities		**34,616**	18,430
Net increase/(decrease) in cash and cash equivalents		**11,661**	(6,420)
Cash and cash equivalents – beginning of year		**1,887**	8,425
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(441)**	(118)
Cash and cash equivalents – end of year	20	**13,107**	1,887

Company Cash Flow Statement
for the year ended 31 May 2013

	Notes	2013 $000	2012 $000
Cash flows from operating activities			
Loss for the year		**(7,998)**	(3,185)
Finance revenue recognised in the Income Statement		**(367)**	(200)
Finance costs recognised in the Income Statement		**2,446**	1,886
Depreciation and amortisation of non-current assets		**7**	6
Other losses recognised in the Income Statement		**211**	113
Value of shares vested by ESOP Trust		**345**	–
		(5,356)	(1,380)
Movements in working capital			
Increase in trade and other receivables		**(20,803)**	(24,727)
Increase in trade and other payables		**1,453**	7,046
Net cash used in operating activities		**(24,706)**	(19,061)
Cash flows from investing activities			
Payments for property, plant and equipment		**(1)**	(8)
Payments for investments in subsidiaries and advances		**(812)**	(5,600)
Interest received		**17**	12
Net cash used in investing activities		**(796)**	(5,596)
Cash flows from financing activities			
Proceeds from issue of equity shares		**44,516**	14,666
Payment of equity share issue costs		**(2,867)**	(1,039)
Proceeds from borrowings		**2,364**	5,200
Repayment of borrowings		**(5,775)**	(200)
Finance costs		**(973)**	(497)
Net cash generated from financing activities		**37,265**	18,130
Net increase/(decrease) in cash and cash equivalents		**11,763**	(6,527)
Cash and cash equivalents – beginning of year		**1,236**	7,876
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(374)**	(113)
Cash and cash equivalents – end of year	20	**12,625**	1,236

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted by the Group and Company are summarised below.

(i) Statement of Compliance

These financial statements, of Victoria Oil & Gas Plc and its subsidiaries ("the Group"), for the year ended 31 May 2013, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have also been prepared in accordance with the International Financial Reporting Standards adopted for use by the European Union. They have also been prepared in accordance with the Companies Act 2006.

(ii) Basis of Preparation

The financial statements are prepared under the historical cost convention except for the revaluation of derivative financial instruments which have been measured at fair value. The financial statements are presented in US Dollars, rounded to the nearest thousand ($000) except where otherwise indicated.

(iii) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 May each year. All Group transactions, balances, income and expenses are eliminated on consolidation.

Subsidiaries

Subsidiaries are entities over which the Company has the power to govern the financial and operating policies in order to obtain benefits from their activities. Control is presumed to exist where the Company owns more than one half of the voting rights (which does not always equate to percentage ownership) unless it can be demonstrated that ownership does not constitute control. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The consolidated financial statements included all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating intercompany balances, transactions and unrealised gains.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree, and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in the Income Statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

> deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

> liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-Based Payment at the acquisition date; and

> assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceed the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously-held interest in the acquiree (if any), the excess is recognised immediately in the Income Statement as a bargain purchase gain.

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 up 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.

(iv) Revenue

Sales revenue

Sales revenue comprises the fair value of consideration received or receivable for the sale of gas and condensate in the ordinary course of the Group's activities. Revenue is stated at the invoice value net of VAT.

Revenue from the sale of gas and condensate is recognised when the significant risks and rewards of ownership have been transferred to a third-party purchaser. Transfer of ownership occurs once the gas and condensate has been delivered as per the terms of the sales contract.

Interest income

Interest income is accounted for on an accruals basis by reference to the principal amount and the effective interest rate applicable.

(v) Production Royalties

The Group has certain royalty obligations in respect to its share of revenues from hydrocarbon sales relating to the Logbaba gas and condensate project. The royalties are as follows:

> 8% to the State of Cameroon as provided by the Petroleum Code.

> Royalties averaging 8.3% over the project life which were assumed on acquisition of Bramlin Limited or arose under commercial contracts for the provision of drilling and other services.

Notes to the Consolidated Financial Statements continued
for the year ended 31 May 2013

1. PRINCIPAL ACCOUNTING POLICIES continued

Royalty expenses are recognised at the time of sale of hydrocarbons.

(vi) Inventory

Inventories consist of gas and condensate stocks. Inventories are stated at the lower of cost and net realisable value.

(vii) Foreign Currencies

The presentation currency of the Group financial statements is US Dollars and the functional currency and the presentation currency of the parent company is US Dollars. The individual financial statements of each Group company are maintained in the currency of the primary economic environment in which it operates (its functional currency). The Group's expenses, which are primarily for development and operation of the Logbaba gas and condensate field, are incurred principally in Central African Francs and US Dollars but also Sterling, Euros, Russian Roubles and Kazakhstan Tenge. For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in US Dollars, the presentation currency.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) 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 translated at the rates prevailing on the Balance Sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was re-determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the Income Statement for the year, other than when a monetary item forms part of a net investment in a foreign operation, then exchange differences on that item are recognised in equity. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the Income Statement for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity.

The assets and liabilities of foreign operations are translated into US Dollars at the rate of exchange ruling at the Balance Sheet date and their income statements are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year in which case the exchange rates at the date of transaction are used. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Income Statement.

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.

(viii) Intangible Assets

Exploration and evaluation assets

Expenditure incurred in respect of research of potential hydrocarbon exploration, prior to the Group acquiring an exploration licence, is expensed in the Income Statement.

Exploration expenditure relates to the initial search for deposits with economic potential. Evaluation expenditure arises from a detailed assessment of deposits that have been identified as having economic potential.

The costs of exploration assets include the cost of acquiring rights to explore. Rights and costs incurred in relation to evaluating the technical feasibility and commercial viability of extracting a hydrocarbon resource are capitalised as part of exploration and evaluation assets.

Exploration costs include an allocation of administration and salary costs, including share-based payments, as determined by management.

Exploration costs are capitalised until technical feasibility and commercial viability of extraction of reserves are demonstrable. At that point, all costs which have been capitalised to date and included in exploration and evaluation assets are assessed for impairment. All impairment losses are recognised immediately in the Income Statement. If they are not impaired, then they are reclassified as either tangible assets or intangible assets. Costs which are deemed to be intangible assets are written-off over the life of the proved developed reserves on a unit-of-production basis (accounted for under IAS 38 Intangible Assets). Costs which are tangible are accounted for under IAS 16 Property, Plant and Equipment.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. The Company reviews and tests for impairment on an ongoing basis and specifically if the following occurs:

> the period for which the Group has a right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
> substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
> exploration for and evaluation of hydrocarbon resources in the specific area have not led to the discovery of commercially viable quantities of hydrocarbon resources and the entity has decided to discontinue such activities in the specific area; and
> sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Software

Software is stated at cost less accumulated amortisation and any impairment losses. Amortisation is charged so as to write off the cost of software over its useful life using the straight line method, at a rate of 25%.

1. PRINCIPAL ACCOUNTING POLICIES continued

(ix) Property, Plant and Equipment

Components

Where an asset has a significant component or components, on initial recognition, the cost is allocated between the significant components, and each significant component is depreciated separately, based on its expected useful life. Components that are not individually significant are grouped together and are depreciated as a group based on its expected life.

Plant and equipment

Plant and equipment is stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset begins when it is available for use, that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Depreciation is charged so as to write-off the cost of plant and equipment over its useful life using the straight line method.

Oil and gas interests

Costs less assessed impairment losses are transferred to property, plant and equipment assets when technical feasibility and commercial viability of extraction of reserves are demonstrated.

Depreciation and depletion of costs is provided under the unit-of-production method based on proved developed reserves.

In the current year, the unit-of-production depreciation rate equated to 1.68%.

Changes in estimates affecting unit-of-production calculations for depreciation and decommissioning provisions are accounted for prospectively.

Expected decommissioning costs of a property are provided on the basis of net present value of the liability. An equivalent amount is added to the oil and gas asset and charged to the Income Statement on a unit-of-production basis.

Assets under construction

Assets under construction are stated at cost less impairment losses. They are not depreciated until construction is complete and the assets are ready for use.

(x) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in the Income Statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see Note 1(xi) below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(xi) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

(xii) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount, taking into account the risks and uncertainties surrounding the obligation.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the Balance Sheet date and are discounted to present value where the effect is material. The amortisation or "unwinding" of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period. The amortisation of the discount is shown as a finance cost, rather than as an operating cost.

Decommissioning provision

Decommissioning costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas.

The amount recognised as a decommissioning provision is the best estimate of the consideration required to settle the present

Notes to the Consolidated Financial Statements continued

for the year ended 31 May 2013

1. PRINCIPAL ACCOUNTING POLICIES continued

obligation at the Balance Sheet date. Decommissioning costs are a normal consequence of exploration, development and production activities and the majority of such expenditure is incurred at the end of the life of the field. Although the ultimate cost to be incurred is uncertain, the provision has been estimated in accordance with management's expectation of the decommissioning costs and of the period when those costs are to be incurred.

The initial decommissioning provision, together with other movements in the provision, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates is included within exploration and evaluation assets or property, plant and equipment as appropriate. These costs are then depreciated over the lives of the assets to which they relate. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each Balance Sheet date and the cost is charged to the Income Statement.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(xiii) Financial Instruments

Financial instruments are recognised in the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurements, loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the Income Statement when the loans and receivables are de-recognised or impaired, as well as through the amortisation process.

The Group assesses, at each Balance Sheet date, whether a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the assets is reduced through use of an impairment account. The amount of the loss is recognised in the Income Statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the Income Statement.

Unlisted investments

Unlisted investments are stated at cost, less any accumulated impairments.

Investment in subsidiaries

Investments in subsidiaries are stated in the Company Balance Sheet at cost, less any accumulated impairments.

Advances to subsidiaries

Advances to subsidiaries represents funding by the Company of development expenditure incurred by subsidiaries for which repayment is neither planned nor likely to occur in the foreseeable future. These are treated as part of the Company's net investment in the subsidiary.

Trade receivables

Trade receivables are measured at initial recognition at fair value, which is usually invoice value, and are subsequently measured at amortised cost using the effective interest rate method. In relation to trade receivables, an allowance for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an impairment account. Impaired debts are de-recognised when they are assessed as uncollectible.

VAT recoverable

VAT incurred is recognised to the extent permitted under current legislation. An allowance is included to the extent that recovery is not foreseeable within the next three years.

Cash and cash equivalents

Cash and cash equivalents is comprised of short-term, highly-liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities depending on the substance of the contractual arrangements entered into.

1. PRINCIPAL ACCOUNTING POLICIES continued

Financial liabilities at fair value through profit or loss

The Group does not have any financial liabilities at fair value through the profit or loss other than the embedded derivatives included in the convertible bond – hybrid financial instruments, which are discussed below.

Trade payables

Trade payables classified as financial liabilities are initially measured at fair value, which is usually invoice value, and are subsequently measured at amortised cost using the effective rate method.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group de-recognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

Convertible bond – hybrid financial instruments

Where a convertible loan meets the definition of a compound financial instrument, the component parts are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements. However, where, at inception, the conversion option is such that the option will not be settled by the Company exchanging a fixed number of its own equity instruments for a fixed amount of cash, the convertible loan does not meet the definition of a compound financial instrument. In such cases, the convertible loan (the host contract) is a hybrid financial instrument and the option to convert is an embedded derivative. Attached options (options entered into in consideration for entering into the host contract) on similar terms are also embedded derivatives.

The embedded derivatives are separated from the host contract as their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value. At each reporting date, the embedded derivatives are measured at fair value with the changes in fair value recognised in the Income Statement as they arise. The host contract carrying value on initial recognition is based on the net proceeds of issuance of the convertible loan reduced by the fair value of the embedded derivatives and is subsequently carried at each reporting date at amortised cost. The embedded derivatives and host contract are presented under separate headings in the Balance Sheet.

The fair values of the embedded derivatives are calculated using appropriate valuation models depending on the characteristics of the derivatives.

Interest expense is calculated using the effective interest rate method.

On conversion or redemption, the embedded derivative is reflected at fair value immediately prior to redemption or conversion and the resulting change is recognised in the Income Statement. Any difference between the fair value of the host contract and the redemption or conversion value is recognised in the Income Statement.

Equity instruments

Equity instruments issued by the Company are recorded at the value of proceeds received.

(xiv) Taxation

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

The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is recognised on temporary 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.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Unrecognised deferred tax assets are reassessed at each Balance Sheet date and are recognised to the extent that it has

Notes to the Consolidated Financial Statements continued
for the year ended 31 May 2013

1. PRINCIPAL ACCOUNTING POLICIES continued

become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Balance Sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(xv) Share-Based Payments

The Group has applied the requirements of IFRS 2 Share-Based Payment.

When the Group issues equity-settled share-based payments to suppliers or employees, they are measured at the fair value at the date of grant. Depending on the nature of the cost, the fair value at the grant date is expensed or capitalised on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Where the value of the goods and services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of an appropriate valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

(xvi) Employee Share Ownership Plan ("ESOP")

The Victoria Oil & Gas ESOP Trust was established on 22 February 2006 to hold ordinary shares purchased to satisfy share scheme awards made to the employees of the Group. Shares are transferred to the members of the scheme on grant date which is also the relevant vesting date.

The Trust is consolidated in the financial statements in accordance with SIC 12 Special Purpose Entities. When the Trust purchases shares from the Company, the Company recognises an increase in Share Capital. From the perspective of the consolidated financial statements, the shares of the Company held by the Trust are treasury shares and are deducted from equity in accordance with IAS 32 Financial Instruments: Presentation, until the shares are transferred by the Trust to members.

If the transfer to members is a cost of the Company, the Company recognises an expense in its accounts. If the cost relates to a subsidiary, upon transfer of the shares to members, the Company recognises an increase in intercompany receivables and the subsidiary recognises the expense, or, if capital, the subsidiary recognises the increase in its assets. The corresponding credits are to the Share-Based Payment Reserve in the Company, and, as the grant date is also the relevant vesting date, the credits are immediately transferred to Retained Earnings/Accumulated Deficit.

(xvii) Warrants

The Company settles certain transaction costs of equity transactions by the issue of warrants. Each warrant entitles the holder to purchase an ordinary share in the Company at a specific price and within a certain time frame. The warrants are fair valued using an appropriate pricing model. The fair value of the warrants is credited to Share-Based Reserve with a corresponding debit to Share Premium. For information on warrants outstanding and pricing assumptions, see Note 30.

(xviii) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Impairment of intangible assets

The intangible assets of the Group are included in the Consolidated Balance Sheet at 31 May 2013 at $60.0 million (2012: $58.2 million). The assessment of intangible assets for any indications of impairment involves judgement. If an indication of impairment exists, a formal estimate of the recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount is determined as the higher of fair value less costs to sell and value in use. This assessment requires judgement as to: the amount of potential reserves; likely future commerciality of the asset; when such commerciality should be determined; future revenues; capital and operating costs; the discount rate to be applied to such revenues and costs; and the ability to raise sufficient finance to develop the Group's projects. There have been no significant changes to the assumptions during the year.

The West Medvezhye project in Siberia is an exploration and evaluation asset and is included in the Consolidated Balance Sheet at 31 May 2013 at $59.4 million (2012: $57.7 million). In the view of management, none of the impairment indicators listed in IFRS 6 Exploration for and Evaluation of Mineral Resources are present. In forming this view, the management compared the carrying value at the reporting date with the expected discounted cash flows from the project. To do this, management used production profiles based on its estimates of proven and probable reserves and a range of assumptions including internal estimates of oil, gas and condensate prices, development expenditure requirements and a pre-tax discount rate of 8.5%.

Going concern

The assessment of the Group's ability to execute its strategy by funding future working capital requirements involves judgement.

The Directors monitor future cash requirements and are confident that the Group is able to continue as a going concern and no

1. PRINCIPAL ACCOUNTING POLICIES continued

adjustment is required to the financial statements. Further information regarding going concern is outlined in Note 3.

As part of the assessment, management reviewed budgets and cash flow forecasts and compared the requirements to available resources, existing funding facilities and potential sources of additional funds.

Exploration and evaluation

The assessment of the classification of costs between intangible assets and tangible assets and whether general administration costs and salary costs are capitalised or expensed involves judgement. Management consider the nature of each cost incurred and whether it is deemed appropriate to capitalise it and the appropriate classification. Costs which can be demonstrated as project-related and not corporate costs are included in the cost of exploration and evaluation assets or the cost of property, plant and equipment, depending on the stage of the project. The amount of exploration and evaluation assets is shown in Note 14 as $59.9 million (2012: $58.2 million). The sensitivity of the carrying amounts to different methods or assumptions is also provided in Note 14.

Unit-of-production depreciation method

The Group's policy is to use the unit-of-production method of depreciation based on proved developed reserves for depreciation and amortisation of its oil and gas assets. These calculations require the use of estimates and assumptions and significant judgement is required in assessing the amount of estimated reserves. Estimates of oil and gas reserves are inherently imprecise, require the application of judgement, and are subject to future revision. Changes in proved developed reserves will prospectively affect the unit-of-production depreciation charges to the Income Statement. Proved developed reserves used in the calculation of unit-of-production depreciation were 24.6bcf in the Logbaba field. The unit-of-production depreciation charged to the Income Statement for the year ended 31 May 2013 which was calculated based on these reserves was $1.2 million (2012: Nil). If the reserves were to vary by plus or minus 10%, the unit-of-production depreciation for the year would have varied by $0.1 million.

Deferred tax assets

The assessment of availability of future taxable profits involves judgement. A deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. In the event that all tax losses could be utilised, a deferred tax asset of $14.3 million (2012: $11.2 million) would be recognised in the financial statements. No deferred tax asset has been recognised in the year due to the unpredictability of future profit streams in the companies that have accrued tax losses.

Arbitration

The Group increased its interest in the Logbaba gas and condensate field to 95% in July 2011 following the default of RSM Production Corporation ("RSM") in meeting its obligations under the Operating Agreement. RSM is challenging the default through arbitration. However, having taken legal advice, the Directors are confident that the claim raised by RSM will not be successful. In the event that the arbitration result is in RSM's favour, an amount of $45.3 million would be transferred from property, plant and equipment to receivables, of which $19.5 million would immediately fall due for payment. The remainder of the receivable would be recoverable from RSM's share of net cash flows. The ICC expects to hand down its decision by 31 October 2013. Refer to Note 15 for further details.

Key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Operating in Russia, Cameroon and Kazakhstan

The Group's activities are conducted through its investments and subsidiaries operating in the oil and gas industry. These operations are subject to political, economic and regulatory uncertainties prevailing in these countries.

The legislation regarding taxation and foreign exchange transactions is constantly evolving and many new laws and regulations are not always clearly written and their interpretation is subject to the opinions of local inspectors.

It is not possible to quantify the potential impact of changes in the above on these financial statements as there are too many possible variables and outcomes, but the Directors believe that the Group has adequately recorded its assets and liabilities in the context of these uncertainties.

Decommissioning provision

The amount of provisions in respect of decommissioning costs of $2.5 million (2012: $2.4 million) is based on legal requirements currently enacted or substantially enacted, assumptions regarding the life of certain exploration, development and production assets, expected site restoration costs, current prices for similar activities and the discount rate.

The laws and regulations concerning environmental assessments and site rehabilitation continue to evolve and, accordingly, the Group may be liable to substantial costs in the future relating to past and current operations.

Refer to Note 24 for further details on the decommissioning provisions recognised in the current year.

The Directors do not expect the key sources of estimation uncertainty to be resolved in the next 12 months.

Notes to the Consolidated Financial Statements continued
for the year ended 31 May 2013

2. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The Group did not adopt any new International Financial Reporting Standards ("IFRS") or Interpretations in the year that had a material impact on the Group's financial statements.

The following Standards and Interpretations became effective since the last Annual Report but had no material impact on the financial statements.

Name of new Standards/Amendments	Effective from
IFRS 7 (Amendment October 2010) – Disclosures – Transfers of Financial Assets	1 July 2011

The adoption of these Standards and interpretations has not led to any changes in the Group's accounting policies.

Standards and Interpretations in issue but not yet adopted

At the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet adopted:

Name of new Standards/Amendments	Effective from
IAS 39 (Amendment June 2013) – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IAS 36 (Amendment May 2013) – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IFRS 10, IFRS 12, and IAS 27 (Amendment October 2012) – Investment Entities	1 January 2014
IFRS 1 (Amendment March 2012) – Government Loans	1 January 2013
IAS 32 (Amendment December 2011) – Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 7 (Amendment December 2011) – Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 9 – Financial Instruments	1 January 2015
IAS 1 (Amendment June 2011) – Presentation of Items of Other Comprehensive Income	1 July 2012
IAS 19 (revised June 2011) – Employee Benefits	1 January 2013
IFRS 13 – Fair Value Measurement	1 January 2013
IAS 12 (Amendment December 2010) – Deferred Tax: Recovery of Underlying Assets	1 January 2013
IFRS 1 (Amendment December 2010) – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2013
IFRS 11 – Joint Arrangements	1 January 2014
IFRS 12 – Disclosure of Interests in Other Entities	1 January 2014
IFRS 10 – Consolidated Financial Statements	1 January 2014
IAS 28 (revised May 2011) – Investments in Associates and Joint Ventures	1 January 2014
IAS 27 (revised May 2011) – Separate Financial Statements	1 January 2014
IFRIC 21 – Levies	1 January 2014
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

The Directors are currently assessing the impact in relation to the adoption of these Standards and Interpretations for future periods of the Group. None are expected to have a material impact.

3. GOING CONCERN

The Directors have given careful consideration to the appropriateness of the going concern basis in the preparation of the financial statements, particularly as the Income Statement reports that the Group incurred a loss of $15.9 million for the year ended 31 May 2013 (2012: $7.7 million) and the Consolidated Balance Sheet shows that the Group had net current liabilities of $1.7 million at the year-end date (2012: $21.1 million).

At 31 May 2013, the Group had $13.1 million of cash (2012: $1.9 million). At 24 October 2013, the Group had cash of $3.0 million and undrawn facilities of £8.0 million ($12.1 million) in respect of the SEDA. Based on their forecasts, the Directors expect that the Group will need to spend approximately $4.0 million to maintain its base operations (excluding its exploration and development programme) for the 12 month period from the date of approval of these financial statements.

The Directors have also reviewed forecasts in respect of the operating activities and planned work programme of the Group's Cameroonian and Russian assets. The funds and facilities available, after allowing for funds required for administration and development costs, are expected to cover the cost of these activities. In the event of a delay in build-up of gas sales, the Group will reschedule the development expenditure. In addition, the Group is in the final stages of credit approval for a new working capital facility, and a funding solution using a bank guarantee and equipment finance also in the approval stage.

On this basis, the Directors have concluded that the Group and Company currently have adequate resources available to maintain the Group and Company's base operation and to continue in operational existence for the foreseeable future.

Given the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis. Accordingly, these financial statements do not include any adjustments to the carrying amount and classification of assets and liabilities that may arise if the Group was unable to continue as a going concern.

4. SEGMENTAL ANALYSIS

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about the Group that are regularly reviewed by the chief operating decision maker. The Board is deemed the chief operating decision maker within the Group. The Group has one class of business, oil and gas exploration, development and production and the sale of hydrocarbons and related activities. This is analysed on a location basis. Only the Cameroon segment is generating revenue, which is from the sale of hydrocarbons. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 1.

The following tables present revenue, loss and certain asset and liability information regarding the Group's business segments for the year ended 31 May 2013 and comparative information for the year ended 31 May 2012:

Twelve months to 31 May 2013	Cameroon $000	Russia $000	Kazakhstan $000	Corporate $000	Total $000
Revenue	6,934	–	–	–	6,934
Cost of sales					
Production royalties	(1,100)	–	–	–	(1,100)
Other cost of sales	(5,519)	–	–	–	(5,519)
	(6,619)	–	–	–	(6,619)
Gross profit	315	–	–	–	315
Other income	51	–	–	–	51
Sales and marketing expenses	(437)	–	–	–	(437)
Administrative expenses	(5,027)	(572)	(307)	(5,295)	(11,201)
Other losses	(58)	(17)	–	(211)	(286)
Operating loss	(5,156)	(589)	(307)	(5,506)	(11,558)
Finance revenue	–	–	–	367	367
Finance costs	(2,271)	(28)	–	(2,445)	(4,744)
Loss before taxation	(7,427)	(617)	(307)	(7,584)	(15,935)
Income tax expense	–	–	–	–	–
Loss after taxation for the financial year	(7,427)	(617)	(307)	(7,584)	(15,935)
Total assets	145,748	59,515	120	13,181	218,564
Total liabilities	(29,137)	(369)	(9)	(7,646)	(37,161)

Twelve months to 31 May 2012	Cameroon $000	Russia $000	Kazakhstan $000	Corporate $000	Total $000
Administrative expenses	(3,008)	(211)	(333)	(974)	(4,526)
Other gains and (losses)	84	–	–	(146)	(62)
Operating loss	(2,924)	(211)	(333)	(1,120)	(4,588)
Finance revenue	–	–	–	200	200
Finance costs	(1,410)	(34)	–	(1,893)	(3,337)
Loss before taxation	(4,334)	(245)	(333)	(2,813)	(7,725)
Income tax expense	–	–	–	–	–
Loss after taxation for the financial year	(4,334)	(245)	(333)	(2,813)	(7,725)
Total assets	139,032	58,137	126	2,527	199,822
Total liabilities	(37,419)	(336)	(15)	(9,872)	(47,642)

Information about major customers

Included in revenues from sale of hydrocarbons of $6.9 million (2012: Nil) are revenues of $2.0 million and $1.7 million respectively which arose from sales to the Group's two largest customers. No other single customer contributed 10% or more to the Group's revenue for 2013.

Notes to the Consolidated Financial Statements continued

for the year ended 31 May 2013

5. OTHER LOSSES

	2013 $000	2012 $000
Foreign exchange losses	**(256)**	(62)
Loss on disposal of non-current assets	**(30)**	–
	(286)	(62)

6. FINANCE REVENUE

	2013 $000	2012 $000
Interest income	**17**	12
Fair value gain on embedded derivatives	**350**	188
	367	200

The fair value gain represents a decrease in the fair value of the embedded derivatives in the convertible loan notes described more fully in Note 23. At each year end, and immediately prior to redemption or conversion, the embedded derivatives are revalued to fair value as explained in Note 1(xiii) Financial Instruments: Convertible bond – hybrid financial instruments.

7. FINANCE COSTS

	2013 $000	2012 $000
Convertible loan interest	**(1,150)**	(1,289)
Loan interest	**(597)**	(107)
Loan finance fees	**(797)**	(497)
Interest on late payment of creditors	**(545)**	–
Interest on obligations under finance leases	**(1,099)**	(730)
Unwinding of discount on reserve bonus provision	**(468)**	(642)
Unwinding of discount on decommissioning costs	**(88)**	(72)
	(4,744)	(3,337)

Accrued interest on the convertible loans is calculated at the effective interest rate.

8. LOSS BEFORE TAXATION

The loss before taxation is stated after crediting/(charging):	2013 $000	2012 $000
Directors' remuneration (Note 11)	**(1,351)**	(1,300)
Depreciation and amortisation	**(2,955)**	(485)

The analysis of auditors' remuneration is as follows:	2013 $000	2012 $000
Fees payable to the Group auditors for the audit of the Group's annual accounts	**(309)**	(240)
Fees paid to the Group auditors for other services	**(70)**	–
	(379)	(240)

$150,000 of the above annual audit fees relate to the Company (2012: $150,000).

Administrative expenses comprise:	2013 $000	2012 $000
Wages and salaries	**(4,543)**	(1,688)
Professional fees	**(2,735)**	(1,492)
Office and other administrative expenditure	**(2,444)**	(433)
Travel	**(321)**	(221)
Rent	**(415)**	(207)
Depreciation and amortisation	**(743)**	(485)
	(11,201)	(4,526)

9. INCOME TAX EXPENSE

	2013 $000	2012 $000
Income tax expense	–	–

Factors affecting the tax expense:	2013 $000	2012 $000
Loss on ordinary activities before tax	(15,935)	(7,725)
Tax calculated at 29% (2012: 24%)	(4,630)	(1,854)
Effects of:		
Effect of expenses not deductible for tax	1,164	134
Effect of finance costs not deductible for tax	445	335
Fair value adjustment on derivatives not taxable	(81)	(45)
Increase in tax losses not utilised	3,102	1,430
Income tax expense	–	–
Deferred tax liability		
Arising on Bramlin acquisition	(6,599)	(6,599)

The main rate of UK corporation tax reduced from 24% to 23% effective from 1 April 2013 (substantively enacted on 26 March 2012). The corporation tax rates in the other countries in which the Group operates did not change during the year. The increase in the effective tax rate for 2013 was due to the proportionate increase in tax losses attributable to Cameroon where the corporate tax rate, including local surcharge, is 38.5%.

The deferred tax liability arose on the acquisition of Rodeo Development Limited by Bramlin Limited prior to Bramlin Limited becoming part of the Group, and relates to property, plant and equipment.

At the Balance Sheet date, the Group has unused tax losses of $57.3 million (31 May 2012: $46.6 million) 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 $14.3 million (31 May 2012: $11.2 million) have not been recognised.

Factors that may affect future tax charges

The Group's operations in Cameroon are likely to result in taxable profits in Cameroon where the applicable tax rate is 38.5% (2012: 38.5%).

10. EMPLOYEE INFORMATION

The average number of persons employed by the Group during the year was:	2013 Number	2012 Number
Directors	5	5
Technical	63	28
Management and administration	81	42
	149	75

Staff costs for the above persons were:	2013 $000	2012 $000
Wages and salaries	(6,348)	(2,884)
Social security costs	(519)	(303)
	(6,867)	(3,187)

Included in the above is $1,992,000 (2012: $1,499,000) of staff costs which were capitalised within exploration and evaluation assets and property, plant and equipment.

Notes to the Consolidated Financial Statements continued

for the year ended 31 May 2013

11. DIRECTORS' REMUNERATION

	Payable in cash $000	Shares in lieu $000	Awarded by ESOP $000	Consultancy fees $000	**Total 2013 $000**	Total 2012 $000
Kevin Foo*	(234)	(76)	–	–	**(310)**	(320)
John Scott	(101)	–	–	–	**(101)**	–
Grant Manheim	(173)	–	–	–	**(173)**	(394)
Robert Palmer†	(113)	(73)	–	(4)	**(190)**	(191)
Austen Titford	(313)	–	–	–	**(313)**	(240)
Philip Rand	(6)	–	(246)	(12)	**(264)**	(155)
	(940)	(149)	(246)	(16)	**(1,351)**	(1,300)

* Part paid to HJ Resources Limited

† Part paid to The Gallagher Partnership LLP

Directors remunerated for less than one year were John Scott (appointed 26 February 2013) and Philip Rand (resigned 28 August 2012).

All Directors' remuneration was settled by the Company, except for $76,000 (2012: $108,000) of shares in lieu remuneration relating to Kevin Foo which was settled by Victoria Oil and Gas International Limited.

The Executive Director was the highest paid Director and received $313,000. In 2012, the Deputy Chairman was the highest paid Director and received $394,000.

The number of Directors to whom retirement benefits are accruing is nil and all remunerations were short-term employee benefits.

During the year, no short-term employee benefits or share-based payments relating to the remuneration of Directors were capitalised within exploration and evaluation expenditure (2012: Nil).

12. KEY MANAGEMENT COMPENSATION

The compensation paid to key management personnel is set out as follows:	**2013 $000**	2012 $000
Short-term employee benefits	**(2,063)**	(1,249)
Payment in shares	**(1,384)**	(435)
Professional fees	**(844)**	(1,195)
	(4,291)	(2,879)

Key management comprises the Directors of the Company and its subsidiaries, the Chief Operating Officer and the General Managers of each operation. The Company does not provide a pension scheme or other post-employment benefits to any employees, including Directors.

13. 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.

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

	2013 $000	2012 $000
Numerator:		
Numerator for basic and diluted loss per share – loss for the financial year	**(15,935)**	(7,725)
	Number	Number
Denominator:		
Denominator for basic and diluted loss per share	**3,048,827,596**	2,339,317,651
	Cents	Cents
Loss per share – basic and diluted	**(0.52)**	(0.33)

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

Refer to Note 23, Note 26, Note 30 and Note 34 for details of transactions which could have a dilutive effect on loss per share.

14. INTANGIBLE ASSETS

Group **Twelve months to 31 May 2013**	**Exploration and evaluation assets $000**	**Software $000**	**Total $000**
Cost			
Opening balance	**92,186**	**23**	**92,209**
Exchange adjustments	**782**	**–**	**782**
Additions	**965**	**81**	**1,046**
Disposals	**(95)**	**–**	**(95)**
Closing balance	**93,838**	**104**	**93,942**
Accumulated amortisation and impairment			
Opening balance	**33,997**	**–**	**33,997**
Exchange adjustments	**29**	**–**	**29**
Disposals	**(78)**	**–**	**(78)**
Charge for the year	**–**	**24**	**24**
Closing balance	**33,948**	**24**	**33,972**
Carrying amount 31 May 2013	**59,890**	**80**	**59,970**

Group **Twelve months to 31 May 2012**	Exploration and evaluation assets $000	Software $000	Total $000
Cost			
Opening balance	164,753	–	164,753
Exchange adjustments	(4,101)	–	(4,101)
Additions	335	23	358
Transfer from other receivables	30,137	–	30,137
Transfer to property, plant and equipment	(98,938)	–	(98,938)
Closing balance	92,186	23	92,209
Accumulated amortisation and impairment			
Opening balance	33,854	–	33,854
Exchange adjustments	143	–	143
Closing balance	33,997	–	33,997
Carrying amount 31 May 2012	58,189	23	58,212

Segmental Analysis

Twelve months to 31 May 2013	**Cameroon $000**	**Russia $000**	**Total $000**
Opening balance	**501**	**57,711**	**58,212**
Exchange	**–**	**753**	**753**
Additions	**81**	**965**	**1,046**
Disposals	**–**	**(17)**	**(17)**
Charge for the year	**(24)**	**–**	**(24)**
Closing balance	**558**	**59,412**	**59,970**

Twelve months to 31 May 2012	Cameroon $000	Russia $000	Total $000
Opening balance	69,586	61,313	130,899
Exchange	(327)	(3,917)	(4,244)
Transfer from other receivables	30,137	–	30,137
Additions	43	315	358
Transfer to property, plant and equipment	(98,938)	–	(98,938)
Closing balance	501	57,711	58,212

Notes to the Consolidated Financial Statements continued

for the year ended 31 May 2013

14. INTANGIBLE ASSETS continued

Exploration and evaluation assets at 31 May 2013 represent exploration and related expenditure on the Group's licences and permits in the geographical areas. 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 Balance Sheet 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 31 May 2013 because no impairment indicators exist.

The Directors are aware that by its nature there is an inherent uncertainty in exploration and evaluation, and therefore inherent uncertainty in relation to the carrying value of capitalised exploration and evaluation assets.

The realisation of this intangible asset is dependent on the discovery and successful development of economic reserves and is subject to a number of significant potential risks including:

- funding requirements (see Note 3);
- political risk;
- title to assets and licence obligations;
- geological and development risks;
- commodity price risk; and
- tax risk.

A more detailed explanation of these and risks associated with the production phase is provided in the Financial Review on page 13.

Should the discovery and successful development of economic reserves prove unsuccessful, the value included in the Balance Sheet would be written-off to the Income Statement.

The West Medvezhye licence in Russia represents a large exploration prospect which includes an oil discovery made in 2006 for which a 20 year exploitation licence has been granted. Because of constraints on the availability of both human and financial resources to the Group, management has focused its efforts and available resources primarily on the development of the Logbaba project in Cameroon. However, the Group has also completed geochemical, passive seismic surveys and reprocessed seismic data on its asset in Russia as part of integrated geological studies. The purpose of this programme is to identify the location and size of prospects, the hydrocarbon potential and ultimately to decide on the next drilling locations. The Board continues to appraise all strategic options for maximising the Group's return on investment including a variety of development scenarios, funding strategies and sale of the asset. In completing their assessment of the recoverable amount of the Group's investment to date in the project, the Directors have taken into account the various options outlined above and the risks associated with each option. The Directors are unable to test their view of the recoverable amount of the assets against current market data for similar assets as there is insufficient data available.

Having reviewed the exploration and evaluation expenditure, the Directors are confident that the capitalised value of the asset is recoverable and are satisfied that the value of the asset is not less than its carrying value at 31 May 2013.

15. PROPERTY, PLANT AND EQUIPMENT

Group

Twelve months to 31 May 2013	Plant and equipment $000	Oil and gas interest $000	Assets under construction at cost $000	Total $000
Cost				
Opening balance	**2,869**	**104,839**	**26,572**	**134,280**
Additions	**2,506**	**1,947**	**4,211**	**8,664**
Transfer from assets under construction	**27,690**	**–**	**(27,690)**	**–**
Reclassification of development funding obligation	**–**	**(4,000)**	**–**	**(4,000)**
Disposals	**(40)**	**–**	**–**	**(40)**
Closing balance	**33,025**	**102,786**	**3,093**	**138,904**
Depreciation				
Opening balance	**696**	**2,266**	**–**	**2,962**
Disposals	**(27)**	**–**	**–**	**(27)**
Charge for the year	**714**	**2,217**	**–**	**2,931**
Closing balance	**1,383**	**4,483**	**–**	**5,866**
Carrying amount				
31 May 2013	**31,642**	**98,303**	**3,093**	**133,038**

Group

Twelve months to 31 May 2012	Plant and equipment $000	Oil and gas interest $000	Assets under construction at cost $000	Total $000
Cost				
Opening balance	1,366	2,090	6,852	10,308
Additions	1,526	3,815	19,720	25,061
Transfer from exploration and evaluation assets	–	98,938	–	98,938
Disposals	(23)	(4)	–	(27)
Closing balance	2,869	104,839	26,572	134,280
Depreciation				
Opening balance	459	2,042	–	2,501
Disposals	(20)	(4)	–	(24)
Charge for the year	257	228	–	485
Closing balance	696	2,266	–	2,962
Carrying amount				
31 May 2012	2,173	102,573	26,572	131,318

Notes to the Consolidated Financial Statements continued

for the year ended 31 May 2013

15. PROPERTY, PLANT AND EQUIPMENT continued

Segmental Analysis

Twelve months to 31 May 2013	Cameroon $000	Russia $000	Corporate $000	Total $000
Cost				
Opening balance	**131,907**	**2,351**	**22**	**134,280**
Additions	**8,663**	**–**	**1**	**8,664**
Disposals	**(40)**	**–**	**–**	**(40)**
Reclassification of development funding obligation	**(4,000)**	**–**	**–**	**(4,000)**
Closing balance	**136,530**	**2,351**	**23**	**138,904**
Depreciation				
Opening balance	**659**	**2,299**	**4**	**2,962**
Disposals	**(27)**	**–**	**–**	**(27)**
Charge for the year	**2,924**	**–**	**7**	**2,931**
Closing balance	**3,556**	**2,299**	**11**	**5,866**
Carrying amount				
31 May 2013	**132,974**	**52**	**12**	**133,038**

Twelve months to 31 May 2012	Cameroon $000	Russia $000	Corporate $000	Total $000
Cost				
Opening balance	7,916	2,351	41	10,308
Additions	25,053	–	8	25,061
Transfer from exploration and evaluation assets	98,938	–	–	98,938
Disposals	–	–	(27)	(27)
Closing balance	131,907	2,351	22	134,280
Depreciation				
Opening balance	177	2,299	25	2,501
Disposals	–	–	(24)	(24)
Charge for the year	482	–	3	485
Closing balance	659	2,299	4	2,962
Carrying amount				
31 May 2012	131,248	52	18	131,318

Oil and gas assets are depreciated on a unit-of-production basis as per Note 1(ix).

Assets under construction comprise of expenditure on the uncompleted sections of the pipeline network and surface infrastructure on the Logbaba gas and condensate project in Cameroon.

Property, plant and equipment of $133.0 million in Cameroon includes the interest previously held by RSM and relinquished by them on default of their obligations under the Operating Agreement as noted in Note 1(xviii) Arbitration. The Group fully expects the Arbitration to be resolved in its favour, but if the Group fails to successfully defend the claim an amount of $45.3 million would be transferred to receivables, of which $19.5 million would immediately fall due for payment. The remainder of the receivable would be recoverable from RSM's share of net cash flows. A decision with respect to the arbitration is expected to be handed down by 31 October 2013.

As part of the 2009 drilling contract for the two development wells at the Logbaba field, the Group received an amount of $4.0 million, together with the provision of drilling services for the Logbaba project at a discounted day rate, from Cameroon Holdings Limited ("CHL"). In return, the Group provided CHL with the right to a future royalty stream based on future revenue from the Logbaba field. This right was previously accounted for as a provision. However, in the current year it has been reclassified to oil and gas assets and treated as partial disposal of the Group's interest in future revenues from the project. The prior year has not been restated on the basis that, in the opinion of the Directors, the amount is not material. Further details are provided in Note 24 and Note 34.

15. PROPERTY, PLANT AND EQUIPMENT continued

Company	Plant and equipment 2013 $000	Plant and equipment 2012 $000
Cost		
Opening balance	**26**	41
Additions	**1**	8
Disposals	**–**	(23)
Closing balance	**27**	26
Depreciation		
Opening balance	**8**	25
Disposals	**–**	(23)
Charge for the year	**7**	6
Closing balance	**15**	8
Carrying amount		
Closing balance	**12**	18

16. UNLISTED INVESTMENTS

	Group and Company 2013 $000	2012 $000
Unlisted investments	**6,600**	6,600

In the 2011 financial year, the Company acquired a 35% interest in Cameroon Holdings Limited ("CHL") for a total cost of $6.6 million. CHL is controlled by Logbaba Projects Limited, a company in which HJ Resources Limited (see Note 34) has a significant interest. Details of the investment are as follows:

Company	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%

The shares of CHL are not actively traded and their fair value cannot be reliably measured. CHL's income stream is dependent on a number of variables, including:

> the ability to access funding;
> the level of proven and probable reserves;
> the size of the market for gas and speed of development; and
> medium to long term selling price for gas.

As a result of the above, there is a broad range of values which could be ascribed to the investment. The Directors believe that any fair value calculated is not less than the carrying amount. As such, the Company continues to carry the investment at cost at initial recognition of the asset.

Despite the interest in CHL being above 20%, the Directors of the Company do not consider that the Company has significant influence over CHL, and therefore CHL has not been classified as an associate. The Company acquired the investment in CHL as a mechanism to buy back part of the royalty payable on the Logbaba revenue stream rather than to be an active participant in CHL. The key factors in determining that the Company does not have significant influence are:

> the Company does not have a CHL board representative;
> the Company is not involved in the policy-making or other managerial decisions of CHL;
> there is no interchange of managerial personnel; and
> CHL and the Company do not provide essential technical information to one another.

Furthermore, CHL is controlled by another shareholder which owns 65% of CHL. Please refer to Note 34 for more information.

Notes to the Consolidated Financial Statements continued

for the year ended 31 May 2013

17. INVESTMENTS IN SUBSIDIARIES AND ADVANCES

	Company 2013 $000	Company 2012 $000
Investments in subsidiaries	**29,789**	29,789
Advances to subsidiary	**41,929**	41,092
	71,718	70,881

Segmental Analysis of Investments in and Advances to Subsidiaries

	Company 2013 $000	Company 2012 $000
Russian Federation	**59,318**	58,481
Republic of Cameroon	**12,400**	12,400
Investments in and advances to subsidiaries	**71,718**	70,881

Investments in Subsidiaries

Investments	Company 2013 $000	Company 2012 $000
Cost:		
Cost of investments at beginning of the year	**49,764**	49,764
Cost of investments at end of the year	**49,764**	49,764
Impairment:		
Opening balance	**(19,975)**	(19,975)
Closing balance	**(19,975)**	(19,975)
Carrying amount:		
Closing balance	**29,789**	29,789

The investments in the Company's Balance Sheet were $17.4 million in respect of West Medvezhye (2012: $17.4 million) and $12.4 million in the Logbaba project (2012: $12.4 million).

Advances to Subsidiary

	Company 2013 $000	Company 2012 $000
Opening balance	**41,092**	40,051
Advanced during year	**837**	1,041
Closing balance	**41,929**	41,092

Advances to subsidiary include an amount of $41.9 million (2012: $41.1 million) due from the Company's Russian subsidiary, ZAO SeverGas-Invest. The Directors are of the view that these advances are in substance part of the Company's net investment in the Russian operations, as settlement is neither planned nor likely to occur in the foreseeable future. The project is explorative in nature and there exists uncertainty regarding successful development of reserves and timing thereof. The loan is unsecured and the Company has not accrued interest on these intercompany advances on the basis that settlement is not likely to occur in the foreseeable future.

Additional advances by the Company to subsidiaries are included in Note 19.

17. INVESTMENTS IN SUBSIDIARIES AND ADVANCES continued

Holdings

The principal holdings of the Group are:

Company	Country of incorporation	Class of shares	Percentage of capital	Nature of business
Victoria Petroleum Limited	England & Wales	Ordinary	100%	Holding company
Victoria Oil & Gas International Limited	British Virgin Islands	Ordinary	100%	Investment in exploration and development
ZAO SeverGas-Invest	Russia	Ordinary	100%	Exploration
Bramlin Limited	Guernsey	Ordinary	100%	Holding company
Rodeo Development Limited	British Virgin Islands	Ordinary	100%	Exploration and production
Victoria Oil & Gas Central Asia Limited	England & Wales	Ordinary	100%	Representative office
Feax Investments Company Limited	Cyprus	Ordinary	100%	Holding company
Victoria Energy Central Asia UK Limited	England & Wales	Ordinary	100%	Holding company
Victoria Energy Central Asia LLP	Kazakhstan	Ordinary	100%	Representative office

The principal activity of these undertakings for the relevant financial period was exploration for, and development of, oil and gas assets. The investments of the Group at 31 May 2013 principally represent investments in the Logbaba gas and condensate project in Cameroon, which was acquired as part of the Bramlin acquisition, and the West Medvezhye project in Russia. Following a review by the Company of the carrying amounts of its subsidiary undertakings for impairment, the investment in Kemerkol held by Victoria Energy Central Asia LLP was fully impaired in 2009.

As outlined in Note 14, the value of the investments is dependent on the successful discovery and development of economic reserves. Also refer to the Financial Review on page 13 for a detailed review of the risks involved.

18. INVENTORIES

	Group 2013 $000	Group 2012 $000	Company 2013 $000	Company 2012 $000
Condensate and gas inventory	**56**	–	**–**	–

19. TRADE AND OTHER RECEIVABLES

	Group 2013 $000	Group 2012 $000	Company 2013 $000	Company 2012 $000
Amounts due within one year:				
Trade receivables	**3,075**	–	**–**	–
VAT recoverable	**91**	156	**90**	154
Prepayments	**735**	523	**63**	148
Amounts due from subsidiaries	**–**	–	**120,992**	98,114
Other receivables	**1,892**	1,126	**386**	913
	5,793	1,805	**121,531**	99,329

In determining the recoverability of a receivable, the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period.

Trade receivables

The credit period on sales of gas and condensate is typically 30 days. No interest is charged on trade receivables for the credit period. Thereafter, management may impose an interest charge at the rate stipulated in the sales agreement of 6% per annum.

The Directors review all receivables that are past their agreed terms and assess whether any amounts are irrecoverable, which is determined with reference to information from an external credit rating agency on the current financial conditions of the customer and their past payment record.

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Notes to the Consolidated Financial Statements continued

for the year ended 31 May 2013

19. TRADE AND OTHER RECEIVABLES continued

Age of trade receivables that are past due but not impaired	Group 2013 $000	Group 2012 $000
30-60 days	**683**	–
60-90 days	**201**	–
91-120 days	**3**	–
Total	**887**	–
Average age (days)	**62**	–

Amounts Due from Subsidiaries

The value of the amounts due from subsidiaries is dependent on the successful discovery and development of economic reserves. Note 14 highlights a number of significant potential risks concerning this. Refer also to the Financial Review on page 13 for a detailed analysis of the risks involved. Amounts due from subsidiaries are neither past due nor impaired.

Other Receivables

Other receivables are neither past due nor impaired.

Movement in the allowance for unpaid receivables	Group and Company 2013 $000	Group and Company 2012 $000
At 1 June	**–**	625
Impairment losses reversed	**–**	(625)
	–	–

In the prior year, the impairment loss in respect to Falcon Petroleum was reversed following agreement of a repayment schedule, which was satisfied during the current year.

20. CASH AND CASH EQUIVALENTS

	Group 2013 $000	Group 2012 $000	Company 2013 $000	Company 2012 $000
Cash	**13,107**	1,887	**12,625**	1,236

Funds are held in US Dollars, Sterling, Central African Francs, Russian Roubles, Kazakh Tenge and Euros in order to enable the Group to trade and settle its debts in the currency in which they occur and in order to mitigate the Group's exposure to short-term foreign exchange fluctuations. Cash is also held in floating rate accounts or deposits maturing in three months or less.

The carrying amount of these assets approximates to their fair value.

Denomination	Group 2013 $000	Group 2012 $000	Company 2013 $000	Company 2012 $000
Sterling	**10,642**	267	**10,639**	211
US Dollar	**1,671**	1,328	**1,671**	1,022
Euro	**315**	3	**315**	3
Central African Franc	**355**	113	**–**	–
Russian Rouble	**4**	56	**–**	–
Kazakh Tenge	**120**	120	**–**	–
	13,107	1,887	**12,625**	1,236

21. TRADE AND OTHER PAYABLES

	Group 2013 $000	Group 2012 $000	Company 2013 $000	Company 2012 $000
Amounts due within one year:				
Trade payables	**(8,955)**	(9,613)	**(1,264)**	(1,137)
Taxes and social security costs	**(305)**	(395)	**(125)**	(74)
Accruals	**(1,747)**	(4,252)	**(500)**	(260)
	(11,007)	(14,260)	**(1,889)**	(1,471)

It is the Group's normal practice to agree terms of transactions with suppliers, including payment terms which are typically 30 days from receipt of invoice. The Group accrues interest at 5% on $3.7 million (2012: $4.2 million) due to drilling services companies which is overdue and expected to be repaid from Group cash flows in the next 12 months.

The carrying value of these liabilities approximates to their fair value.

22. BORROWINGS

	Group 2013 $000	Group 2012 $000	Company 2013 $000	Company 2012 $000
Amounts due within one year:				
Loans from other entities	**(4,137)**	(5,448)	**(4,137)**	(5,041)
Finance lease liabilities	**(3,874)**	(1,992)	**–**	–
	(8,011)	(7,440)	**(4,137)**	(5,041)

	Group 2013 $000	Group 2012 $000	Company 2013 $000	Company 2012 $000
Amounts due in more than one year but less than five years:				
Finance lease liabilities	**(267)**	(3,178)	**–**	–

Noor Petroleum

In December 2007, the Company created a $10.0 million unsecured convertible loan note facility with United Arab Emirates based Noor Petroleum Limited, a company of which former Company Director, Rashed Al Suwaidi, is a director. $2.0 million was drawn down on 29 January 2008 and $1.0 million on 6 January 2009.

The notes were due for repayment on 31 December 2012, and bore interest at the rate of 2.5% per annum, payable biannually, and convertible into ordinary shares of the Company at a conversion price of 16.5 pence per ordinary share.

The notes were not repaid on 31 December 2012. The loans are no longer convertible but payable on demand and accrue interest, as per the original terms of the agreement, at 6.5% per annum. The balance owing on the loans as at 31 May 2013 is $4.1 million, which the Directors do not consider to be materially different from fair value. Refer also to Note 23.

YA Global Master SPV Ltd

On 21 February 2012, the Company entered into a loan agreement with YA Global Master SPV Ltd which allowed for an aggregate maximum loan sum of $8.0 million, subject to the terms and conditions included within the agreement. Interest on the loan was payable at the rate of 9% per annum (calculated on a daily basis) and accrued from the date of the advance of the loan until the date of full repayment. In the 2012 financial year, the Company drew down $5.2 million from the facility. The Company repaid the loan in full by instalments in the 2013 financial year. Of the amount repaid, $2.9 million was repaid using the SEDA facility (refer to Note 26).

HJ Resources

As at 31 May 2012, the Group owed $407,000 to HJ Resources Limited. During the 2013 financial year, HJ Resources loaned an additional $450,000 and £250,000 to Victoria Oil & Gas International Limited. Interest accrued on the loans at 0.5% per month. All loans were repaid in full as at 31 May 2013. HJ Resources is a related party of the Company. Please refer to Note 34 for more details.

Finance Lease Liabilities

Finance lease liabilities are carried at amortised cost. These borrowings are secured by the assets leased. More details are provided in Note 25.

23. CONVERTIBLE LOAN NOTES

	Group and Company 2013 $000	Group and Company 2012 $000
Amounts due within one year:		
Debt		
Convertible loan notes 2013	**(1,482)**	–
Noor Petroleum convertible loan	**–**	(3,066)
	(1,482)	(3,066)
Derivative financial instruments		
Convertible loan notes 2013	**(131)**	–

Notes to the Consolidated Financial Statements continued

for the year ended 31 May 2013

23. CONVERTIBLE LOAN NOTES continued

Convertible Loan Notes 2013

On 6 January 2013, the Company entered into two convertible loan agreements for £500,000 each with two private investors. The loans had a six months term and bore interest at the rate of 15% per annum, payable in arrears on the repayment date. The lenders had the option to convert the principal and interest into ordinary shares in the Company at a price of the lowest of:

> 2 pence per ordinary share;
> The lowest five day volume weighted average price that applied to trading on AIM of the Company's ordinary shares during the period from the date of the agreement until and including the date immediately before the date of delivery of a conversion notice by the lender on the terms of the agreement; and
> New offer price, being the price offered in any other share issues or offers during the term of the loan.

The loans were not converted to shares at the end of the six month term.

The fair value of the derivative financial instrument was calculated using a Monte Carlo simulation model for the conversion option.

The inputs used were as follows:	On issue	2013
Remaining option term – years	0.50	0.10
Conversion price – pence Sterling	2.23	1.50
Risk-free rate	0.32%	0.32%
Expected volatility	41.48%	29.12%
Dividend yield	Nil	Nil

Expected volatility is a measure of the amount by which a share price is expected to fluctuate during a period. The measure of volatility used is the annualised standard deviation of the continuously compounded rate of return on the share over a period of time. In valuing the convertible loan, volatility has been calculated for a period preceding each valuation date equal to the expected life of the conversion option based on the historical volatility of the Company's share price. As the term loan reduces, the period considered in calculating share price volatility reduces.

The Directors consider that the expected volatility assumption is the most important driver of the fair value of the embedded derivative within the hybrid financial instruments. The following table provides an analysis of the impact on the fair value of the embedded derivative based on an expected volatility figure 25 percentage points lower and 25 percentage points higher.

Expected volatility	Embedded derivative $000	Gain/(loss) $000
2013		
Fair value at 31 May 2013	(131)	–
25 percentage points higher	(222)	(91)
25 percentage points lower	(70)	61

Noor Petroleum Convertible Loan

The Noor Petroleum convertible loan expired at 31 December 2012. The amount due to Noor Petroleum is now recognised in borrowings. Refer Note 22 for more details.

Prior to expiration, this loan was accounted for as hybrid financial instrument. Refer to Note 1(xviii) for the definition and basis for valuation of the host note and determination of the applicable interest rate.

In 2012, the fair value of the derivative financial instrument was calculated using a Binomial Lattice model for the conversion option.

The inputs used were as follows:	2012
Option term – years	0.6
Conversion price – pence Sterling	16.5
Risk-free rate	0.44%
Expected volatility	39.43%
Dividend yield	Nil

Please refer to the above details on the determination of expected volatility. Given the difference between the conversion price and the share price at 31 May 2012 it was determined that their would be no impact on the Income Statement of a volatility figure 25 percentage points lower and 25 percentage points higher.

24. PROVISIONS

	Group 2013 $000	2012 $000
Decommissioning provision	**(2,501)**	(2,404)
Reserve Bonus provision	**(7,163)**	(6,695)
Development funding obligation	**–**	(4,000)
	(9,664)	(13,099)

Provision for Decommissioning Costs

The decommissioning provision represents an internal estimate of the present value of decommissioning costs relating to the Logbaba gas and condensate project and the West Medvezhye project based on an estimate of the decommissioning costs and the year when those costs are likely to be incurred. The provision in respect to the well locations on the West Medvezhye field is expected to be incurred by the end of 2017 and in respect to the wells and plant for the Logbaba gas and condensate project over the next 20 years.

Assumptions have been made based on the current economic environment. The Directors believe these assumptions are a reasonable basis upon which to estimate the future liability. These estimates are reviewed at least bi-annually to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices of the necessary decommissioning works at the relevant time.

Decommissioning costs	Group 2013 $000	2012 $000
At 1 June	**(2,404)**	(719)
Additional provision in year	**(9)**	(1,612)
Unwinding of discount charged to the Income Statement	**(88)**	(73)
	(2,501)	(2,404)

Reserve Bonus Provision

Bramlin is liable to pay a bonus determined four years after commencement of hydrocarbon production by reference to the reserves of the field, as assessed at that time, with a maximum amount of $10.0 million payable over a period of not less than four years from the date of calculation of the reserves. The Directors have provided for the full amount of the bonus being payable based on the expected reserves four years from first production. The provision represents the present value, as at the Balance Sheet date, of the amounts payable each year discounted at 7.0% per annum.

Reserve bonus	Group 2013 $000	2012 $000
At 1 June	**(6,695)**	(6,053)
Unwinding of discount charged to the Income Statement	**(468)**	(642)
	(7,163)	(6,695)

Development Funding Obligation

Further details are provided in Note 15 and Note 34.

25. OBLIGATIONS UNDER FINANCE LEASES

Processing Facility for Logbaba Gas and Condensate Project

The Group entered into a contract for the construction of the processing facility for Logbaba gas and condensate project and the first two years of operation and maintenance which gives rise to an annual expense of $4.0 million from the date of processing first hydrocarbons. The annual expense of $4.0 million comprises both an annual operation and maintenance cost and a finance lease cost for the processing facility and associated equipment. At the end of the two year period, the Group has the option to acquire the processing facility or continue to lease it. The Directors intend to purchase the processing facility at the end of the two year period to minimise the ongoing costs associated with the facility. The Group's obligations under the finance lease are secured by the lessor's title to the leased assets.

The implied interest rate underlying the Group's obligations under the finance lease is a fixed rate of 20%.

Notes to the Consolidated Financial Statements continued
for the year ended 31 May 2013

25. OBLIGATIONS UNDER FINANCE LEASES continued
Motor Vehicles

During the year ended 31 May 2013, the Group entered into contracts to finance the purchase of motor vehicles to support the Logbaba gas and condensate project. The finance leases for all vehicles are for a term of 36 months with repayment by equal monthly instalments. The implied interest rate underlying the Group's obligations under the finance lease is a fixed rate of 10.6%.

The Group's obligations under the finance leases for the processing facility and vehicles are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2013 $000	2012 $000	**2013 $000**	2012 $000
Not later than one year	**(4,127)**	(2,490)	**(3,874)**	(1,992)
Later than one year and not later than five years	**(310)**	(3,941)	**(267)**	(3,178)
	(4,437)	(6,431)	**(4,141)**	(5,170)
Less: future finance charges	**296**	1,261	**–**	–
Present value of minimum lease payments	**(4,141)**	(5,170)	**(4,141)**	(5,170)

Included in the consolidated financial statements as:	Group **2013 $000**	2012 $000
Current borrowings (Note 22)	**(3,874)**	(1,992)
Non-current borrowings (Note 22)	**(267)**	(3,178)
	(4,141)	(5,170)

26. CALLED-UP SHARE CAPITAL

Allotted, Called-Up and Fully Paid:	Group and Company **2013 $000**	2012 $000
Ordinary shares of 0.5p each:		
Opening balance: 2,601,717,264 shares (2012: 2,138,840,271)	**20,803**	17,178
Issued during the year: 1,746,835,065 shares (2012: 462,876,993)	**13,437**	3,625
Closing balance: 4,348,552,329 shares (2012: 2,601,717,264)	**34,240**	20,803

Shares issued are translated at the exchange rate prevailing at the date of issue.

The Directors of the Company continue to be limited as to the number of shares they can allot at any time and remain subject to the allotment authority granted by the shareholders pursuant to section 551 of the Companies Act 2006.

Share Issues

The Company issued the following shares during the period:	Number	Date	Issue price (pence)
Placing for working capital	105,000,000	11 June 2012	3.0
Settlement of amounts due for professional fees and contractor services	6,256,608	9 November 2012	2.3
Subscription by ESOP Trust	63,500,000	9 November 2012	0.5
Shares in lieu of salary to Directors	1,428,764	9 November 2012	3.4
Shares in lieu of salary to employees	512,415	9 November 2012	3.4
Standby Equity Distribution Agreement placing	82,975,725	9 November 2012	2.4
Settlement of amounts due for professional fees and contractor services	21,832,533	21 December 2012	2.2
Placing for working capital	510,000,000	11 February 2013	1.6
Placing for working capital	955,329,020	4 March 2013	1.6
	1,746,835,065		

26. CALLED-UP SHARE CAPITAL continued

Standby Equity Distribution Agreement ("SEDA")

On 1 April 2009, the Company entered into a £5.0 million SEDA with YA Global Master SPV Limited ("the Investor") which was extended to £10.0 million on 17 June 2009. The SEDA was renewed on 16 May 2012 for £10.0 million for a period of 36 months.

The SEDA enables the Company, at its discretion, to draw down funds in exchange for ordinary shares in the Company in tranches subject to the terms of the agreement. The primary terms of the agreement are:

- The Company may draw down an amount up to £200,000 per tranche. Higher amounts may be drawn down if agreed with the Investor in advance of the drawdown.
- The purchase price of the ordinary shares shall be 95% of the lowest daily Volume Weighted Average Price of the ordinary shares in the five trading days following the notification of a draw down.
- The Investor is also entitled to a placing fee of 3% of each draw down.

£2.0 million was drawn down on the SEDA in the year ended 31 May 2013 in part-settlement of the loan owing to YA Global Master SPV Limited. Refer Note 22 for more details.

At 31 May 2013, £8.0 million of the facility remained undrawn (2012: £10.0 million).

27. ESOP TRUST RESERVE

The Victoria Oil & Gas ESOP Trust is consolidated in these accounts as if it were a subsidiary undertaking in accordance with SIC 12. The ESOP Trust Reserve eliminates the cost of the shares in the Company held by the ESOP Trust, by treating these as treasury shares.

The balance of the reserve is analysed separately in the Consolidated Statement of Changes in Equity, shown on page 28, and reflects the subscription for new shares by the ESOP Trust.

28. OTHER RESERVE

	Group and Company	
	2013 **$000**	2012 $000
At 1 June	**5,440**	4,408
Warrants issued	**155**	1,032
Transfer of expired warrants to retained earnings	**(1,012)**	–
At 31 May	**4,583**	5,440

Other reserve includes an amount of $2.9 million in respect of settlement of an embedded derivative following the early redemption of an associated convertible loan note and a reserve for share-based payments. The amount of the reserve brought forward and attributable to warrants that expired in the period was transferred to retained earnings during the year. Further details of share-based payments in the year are given in Note 30.

29. FINANCIAL RISK MANAGEMENT

The Group's financial instruments comprise cash balances and various items such as trade receivables and trade payables which arise directly from trading operations.

Except for embedded derivatives contained in hybrid financial instruments, the Group does not enter into any derivative transactions and it is the Group's policy that no trading in derivatives shall be undertaken. The issue of hybrid financial instruments forms an important part of the Group's funding of working capital and the associated risks are considered by the Board at that time.

The main financial risks arising from the Group's financial instruments are as follows:

Credit Risk

Credit risk is the risk that the Group's counterparties will cause the Group financial loss by failing to honour their obligations. The Group's receivables relate primarily to cash and cash equivalents, trade receivables, prepayments, and reimbursable customer conversion costs. The Group manages credit risk by pre-assessing the creditworthiness of counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Directors from time to time.

The Group credit risk on liquid funds is limited because the Group only holds funds with banks with investment grade credit ratings. Low-credit-quality receivables are managed such that, in the opinion of the Directors, the Group's credit risk is at acceptable levels.

Notes to the Consolidated Financial Statements continued
for the year ended 31 May 2013

29. FINANCIAL RISK MANAGEMENT continued

Trade receivables consist of eighteen customers for gas from the Logbaba project in Douala, Cameroon with operations in various industries including food processors, breweries, foundries and chemical companies, and the refinery in Limbe, to which the Group sells the condensate produced from the project.

Trade receivables neither past due nor impaired are comprised of:

> 41% amounts due from subsidiaries of multinational companies
> 32% amounts due from Cameroonian companies with State participation
> 27% amounts due from other Cameroonian companies

The Group rates the credit quality of the first two groups as high (making up 73% of trade receivables). The credit quality of other local Cameroonian companies is lower, but the Group mitigates this risk by implementing the safeguards outlined above, in Note 19, and in the Financial Review on page 13.

The Group has policies in place to ensure that sales are made to customers with adequate creditworthiness and where appropriate credit insurance cover is purchased. After the initial evaluation and acceptance, the Group subsequently monitors customer credit quality and imposes credit limits to limit its exposure on all accounts receivable.

The credit risk of the Company relates to cash and cash equivalents, and to amounts due from subsidiaries in respect to exploration, evaluation and development expenditure (described further in Note 14 and Note 15).

The credit risk on liquid funds is limited because the Company only holds funds with banks with investment grade credit ratings.

The credit risk on receivables from subsidiaries is significant and relates to the discovery and successful development of economic reserves by the subsidiary undertakings. Given the nature of exploration and development and the need to fund operations through to commercialisation of the field, the Directors manage the risk by reviewing business plans and budgets of the subsidiary undertakings with a view to ensure expenditure is value-enhancing and therefore that the amounts receivable will be recoverable subject to successful implementation of those plans.

There is no difference between the carrying amount of trade and other receivables and the maximum credit risk exposure.

Liquidity Risk

The Group's liquidity exposure is confined to meeting obligations under short-term trade payables agreements and under longer term borrowing arrangements. The needs are monitored by regular forecasting of operational cash flows and financial commitments. The exposure is considered significant. The risk is managed by managing the level of commitments at any point in time and agreeing extended payment terms with suppliers. When negotiating longer term borrowings, the Group endeavours to secure terms that allow conversion to new shares.

The Group's commitments have been fully met from cash flows generated from sales revenue from the Logbaba gas and condensate project, issue of new ordinary shares and issue of convertible loan notes. The Directors are confident of financing future exploration and development operations from internally generated funds, existing facilities and access to debt and equity. Controls over expenditure are carefully managed.

The Company's and the Group's contractual maturity for its non-derivative long-term financial liabilities is more than one but not more than five years.

At 31 May 2013 and 31 May 2012, the Group's and Company's other non-derivative financial liabilities were payable on demand.

Foreign Currency Risk

Although the Group is based in the UK, it has significant investments in overseas subsidiaries which operate in Cameroon and Russia. These overseas operations are funded primarily in US Dollars (and occasionally in Euros and Sterling) which is largely converted to local currency to fund operations, as it is a legal requirement to make all in-country payments in local currency. The Group holds surplus cash in US Dollars, Sterling and Euros, and buys Roubles, Central African Francs and Kazakh Tenge as required, at the most advantageous rates available, to meet short-term creditor obligations and fund other expenditure.

The Group is exposed at any point in time to exchange rate fluctuations.

The Group seeks to minimise its exposure to currency risk by closely monitoring exchange rates and restricting the buying and selling of currencies to predetermined exchange rates within specified bands.

29. FINANCIAL RISK MANAGEMENT continued

The functional currency of the majority of the Group's operations is US Dollars, and the reporting currency is US Dollars. The carrying amounts of the Group's significant foreign currency denominated monetary assets and liabilities at the reporting dates are as follows:

Group	Monetary Assets 2013 $000	Monetary Assets 2012 $000	Monetary Liabilities 2013 $000	Monetary Liabilities 2012 $000
Sterling	**11,116**	1,484	**(4,434)**	(5,859)
Russian Rouble	**32**	74	**(368)**	(336)
Kazakh Tenge	**120**	111	**(9)**	(15)
Central African Franc	**5,556**	671	**(3,513)**	(7,897)
Euro	**315**	3	**(222)**	–
	17,139	2,343	**(8,546)**	(14,107)
US Dollar	**1,761**	1,349	**(22,016)**	(26,936)
	18,900	3,692	**(30,562)**	(41,043)

Company	Monetary Assets 2013 $000	Monetary Assets 2012 $000	Monetary Liabilities 2013 $000	Monetary Liabilities 2012 $000
Sterling	**12,223**	1,426	**(2,783)**	(1,784)
Euro	**315**	3	**(185)**	–
	12,538	1,429	**(2,968)**	(1,784)
US Dollar	**121,618**	99,136	**(4,671)**	(7,794)
	134,156	100,565	**(7,639)**	(9,578)

The Group does not utilise swaps or forward contracts to manage its currency exposures.

Foreign Currency Sensitivity Analysis

If the US Dollar had gained/lost 5% against all currencies significant to the Group at 31 May 2013, the loss would have been $0.4 million lower/higher (2012: $0.6 million) and the net equity would have been $1.5 million higher/lower (2012: $0.8 million). Accordingly, the impact on the Company's Income Statement and net equity would not be material.

Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market. This risk principally relates to sale of gas and condensate and is included in the analysis of financial risk factors in the Financial Review on page 13. For sales of gas, the risk is substantially reduced by entering into five-year, fixed price gas contracts. All current year gas sales relate to gas for thermal use, which is charged to customers at a fixed price of $16/mmbtu. The contracted condensate sales price in the year was a discount of $1.50 to Brent Crude. For the year ended 31 May 2013, it is estimated that a general weakening of one percentage point in Brent would decrease the Group's profit before tax by less than $0.1 million (2012: Nil).

Interest Rate Risk

The Company manages its interest rate exposure principally by borrowing at fixed rates of interest. At year end, the Group had outstanding borrowings of $4.1 million from Noor Petroleum and associated loans with interest payable at the fixed rate of 6.5% per annum. The Group also had finance lease liabilities of $3.8 million with an implied interest rate underlying the Group's obligations of 20% and $0.3 million with an implied interest rate of 10.6%. In addition, the Group received $1.6 million in respect of the Convertible Loan Notes 2013 which, in the event that they did not convert, would accrue interest at a fixed rate of 15% per annum. Refer to Note 22, Note 23 and Note 25 for more information regarding these loans. As these are fixed rate loans there would be no impact from a change in base rates.

Capital Management

The objective of managing capital is to maximise shareholder value. The capital structure of the Group and Company consists of equity attributable to equity holders of the Parent Company, comprising issued capital, reserves and retained earnings and convertible loans (see Note 23).

The Group meets its capital management objectives by reviewing the capital structure from time to time during the year in relation to its future capital expenditure requirements based on forecasts prepared by management. When required, the Board decides on the mix and level of capital to raise in order to enable it to achieve the Group strategy. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

Notes to the Consolidated Financial Statements continued

for the year ended 31 May 2013

29. FINANCIAL RISK MANAGEMENT continued

New projects and acquisitions are financed by a combination of existing cash surpluses, cash generated through operations and through funds raised from equity share issues and other financial instruments. The Group may use project finance in the future to finance exploration and development costs on existing licences.

Gearing Ratio

The Board considers the level of debt taking in to consideration the status of projects in the development cycle and their ability to service any debt. It monitors capital on the basis of the net debt ratio, that is, the ratio of net debt to equity. The gearing ratio at the end of the reporting period was as follows:

	Group		Company	
	2013 $000	2012 $000	**2013 $000**	2012 $000
Debt	**(9,891)**	(13,684)	**(5,750)**	(8,107)
Cash and cash equivalents	**13,107**	1,887	**12,625**	1,236
Net funds/(net debt)	**3,216**	(11,797)	**6,875**	(6,871)
Equity	**181,403**	152,180	**204,847**	168,486
Gearing ratio	**1.77%**	(7.75%)	**3.36%**	(4.08%)

In relation to the above, debt is defined as long- and short-term borrowings as described in Note 22, Note 23 and Note 25, and equity includes all capital and reserves.

Categories of Financial Instruments

	Group		Company	
	2013 $000	2012 $000	**2013 $000**	2012 $000
Financial assets				
Unlisted investments	**6,600**	6,600	**6,600**	6,600
Investments in subsidiaries and advances	**–**	–	**71,718**	70,881
Cash and cash equivalents	**13,107**	1,887	**12,625**	1,236
Loans and receivables	**5,793**	1,805	**121,531**	99,329
Financial liabilities				
Loans and payables	**(20,898)**	(27,944)	**(7,639)**	(9,578)

The Directors consider that the fair value of the Group's financial assets and liabilities are not materially different from their carrying values. All of the above financial assets are unimpaired.

Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each material class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Certain financial assets and financial liabilities are valued at amortised cost less any credit risk provision against the cost of assets. Due to the short-term nature of these assets and liabilities, the Directors are of the opinion that such values approximate to their fair values at 31 May 2013 and 31 May 2012.

Valuation Techniques and Assumptions Applied for the Purposes of Measuring Fair Value

The fair values of financial assets and financial liabilities are determined as follows:

> The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
> The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.
> The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Specifically, significant assumptions used in determining the fair value of the following financial assets and liabilities are set out below.

Convertible loan notes

The fair value of the liability component of convertible loan notes is determined assuming redemption on 8 July 2013 and using 149.1% effective interest rate for the £1.0 million of convertible loans. The loans were not converted to shares at 8 July 2013. Refer to Note 23 for more details.

29. FINANCIAL RISK MANAGEMENT continued

Fair value measurements recognised in the Consolidated Balance Sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

> Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
> Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
> Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2013	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial liabilities				
Derivative financial instrument	**–**	**(131)**	**–**	**(131)**

There were no financial instruments carried at fair value in 2012.

30. SHARE-BASED PAYMENTS

Other than as disclosed below, no grants of warrants or options were made in the current or prior year.

Warrants to Subscribe for Ordinary Shares

Details of warrants outstanding during the year are as follows (monetary amounts are denominated in pence Sterling, this being the currency in which the shares are quoted):

	2013		2012	
	Number of warrants 000s	Weighted average exercise price Pence	Number of warrants 000s	Weighted average exercise price Pence
1 June	**63,246**	**5.0**	18,142	4.5
Granted during the year	**5,250**	**3.0**	45,104	5.0
Expired	**(22,863)**	**5.7**	–	–
	45,633	**4.4**	63,246	5.0

During the year, the Company issued 5,250,000 warrants to Fox-Davies Capital Limited in settlement of placing agreement fees (2012: 45,103,516 warrants to various suppliers in settlement of placing arrangement fees). Each warrant entitles the holder to purchase an ordinary share in the Company. The warrants have been fair valued using a Black-Scholes option pricing model. The inputs into the Black-Scholes model were as follows:

	2013	2012
Number of warrants	**5,250,000**	45,103,516
Weighted average share price – pence Sterling	**3.0**	3.0 to 8.0
Option term – years	**3.0**	1.1 to 3.0
Share exercise price – pence Sterling	**3.0**	3.0 to 8.0
Risk-free rate	**0.44%**	0.44% to 0.89%
% expected volatility	**103%**	72% to 125%
Expected dividend yield	**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. The total fair value of the warrants of $155,000 (2012: $1,032,000) was charged to the Share Premium Account with a corresponding credit charged to the Share-Based Payment Reserve. During the year no warrants were exercised (2012: Nil).

The total number of warrants exercisable at the year end is 45,632,692 (2012: 63,246,314). The aggregate of the estimated weighted average fair values of these options is $1.7 million (2012: $2.1 million).

Shares Granted Through ESOP Trust

During the year, the ESOP Trust, which is consolidated as part of the Group, transferred 33,750,000 shares (2012: 23,300,000 shares), vesting at the date of grant, to employees and Directors. The fair values of the awards were calculated by reference to market value at date of grant. An expense equal to the fair value of equity instruments granted to employees who are not directly involved in the development of the Logbaba or Medvezhye projects of $0.6 million (2012: $0.4 million) was charged to the Income Statement during the year. Of the $0.6 million charged to the Income Statement in the current year, $0.2 million related to 2012. The fair value of equity instruments granted to employees directly involved in the development of Logbaba or Medvezhye projects of $0.9 million (2012: $nil) was capitalised. Of the $0.9 million capitalised in the current year, $0.8 million related to 2012. The corresponding credits were to the Share-Based Payment Reserve, and were transferred to Accumulated Deficit when the shares were issued to the employees. The weighted average price of shares issued was 1.8 pence (2012: 3.7 pence).

Notes to the Consolidated Financial Statements continued

for the year ended 31 May 2013

30. SHARE-BASED PAYMENTS continued

Shares Issued in Lieu of Salary

A total of 1,428,764 shares (2012: 2,315,398 shares) were issued in lieu of salary to Directors and a total of 512,415 shares (2012: 818,260 shares) in lieu of salary were issued to employees. The fair value of the equity instruments granted was measured by reference to the average market value during the period the salary accrued as per the terms of the employment contracts. An expense equal to the fair value of equity instruments granted of $0.1 million (2012: $0.2 million) was charged to the Income Statement with a corresponding increase in Equity. The weighted average price of shares issued was 3.4 pence (2012: 4.2 pence).

Shares Issued in Settlement of Professional Fees and Contractor Services

As described in Note 26, a total of 28,089,141 (2012: 59,890,437) shares were issued in lieu of cash to suppliers. The fair value of the equity instruments granted was measured by reference to market value on the date of grant. An amount equal to the fair value of equity instruments granted of $1.0 million (2012: $3.4 million) was capitalised to property, plant and equipment with a corresponding increase in Equity. The weighted average price of shares issued was 2.3 pence (2012: 3.6 pence).

31. NON-CASH TRANSACTIONS

During the 2013 financial year, the Group entered into the following non-cash investing and financing activities which are not reflected in the statement of cash flows:

- Shares transferred to employees and Directors from the ESOP Trust of $1.5 million (2012: $0.4 million). Of the $1.5 million recognised in 2013, $0.9 million related to 2012.
- Shares issued in settlement of professional fees and contractor services of $1.0 million (2012: $3.4 million).
- Shares issued in lieu of salary of $0.1 million (2012: $0.2 million).
- Warrants issued in settlement of share issue costs of $0.2 million (2012: $1.0 million).

The comparative numbers for 2012 financial year include the following non-cash investing activities which are not reflected in the statement of cash flows:

- Shares issued as deferred consideration for the acquisition of Bramlin Limited of $1.7 million.
- Held for sale assets of $1.0 million exchanged as part consideration for the interest acquired in CHL.

32. FINANCIAL COMMITMENTS

Royalty Obligations

The Group has certain royalty obligations in respect to its share of revenues from hydrocarbon sales relating to the Logbaba gas and condensate project. The royalties are as follows:

- 8% to the State of Cameroon as provided by the Petroleum Code.
- Royalties averaging 8.3% over the project life which were assumed on acquisition of Bramlin Limited or arose under commercial contracts for the provision of drilling and other services (refer Note 34).

Operating Leases

The Group has certain operating lease obligations in respect to offices and expatriate staff accommodation with terms of between one and two years. The Group does not have an option to purchase the leased properties at the expiry of the lease periods.

	2013 $000	2012 $000
Minimum lease payments under operating leases recognised as expenses in the year	**440**	341
Non-cancellable operating lease commitments due within one year	**218**	78

Operating lease commitments include contracts with minimum notice periods. The above are the minimum notice period commitments.

Capital Commitments

Contracted capital commitments as at 31 May 2013 are $0.7 million (2012: $0.5 million).

33. PARENT COMPANY INCOME STATEMENT

As permitted by section 408 of the Companies Act 2006, the Parent Company's Income Statement has not been presented in this document. The loss after taxation of the Parent Company for the year is $8.0 million (2012 loss: $3.2 million).

34. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed in Note 17. The Company is the ultimate parent entity of the Group.

Related parties include key management personnel. Payments (including share-based payments) to Directors and other key management are set out in Notes 11 and 12.

34. RELATED PARTY TRANSACTIONS continued

The following table provides details of transactions entered into by the Company with other related parties:

	2013			2012		
	Subsidiaries	**Directors**	**Key management personnel**	Subsidiaries	Directors	Key management personnel
Investments in subsidiaries	**29,879**	**–**	**–**	29,879	–	–
Advances to subsidiaries	**41,929**	**–**	**–**	41,092	–	–
Purchases from/(recharges to) related parties during the year	**(510)**	**–**	**844**	(1,420)	–	1,064
Loans repaid to related parties during the year	**–**	**407**	**–**	–	–	–
Cash advances to related parties during the year	**22,848**	**–**	**–**	21,809	–	–
Amounts due from/(to) related parties at the year end	**120,992**	**–**	**(432)**	98,144	(407)	(239)

Amounts due from subsidiaries are non-interest bearing loans repayable on demand. Of the $121.0 million, $1.1 million is Sterling-denominated, with the remaining $119.9 million US Dollar-denominated.

The balance at 31 May 2013 is stated net of an allowance against the amount due from Victoria Energy Central Asia LLP of $17.6 million (2012: $17.2 million) and from Victoria Oil and Gas Central Asia Limited of $5.1 million (2012: $5.1 million). There were also movements during the year as a result of changes in foreign exchange rates.

There was no intergroup trading or transactions between Group subsidiaries.

Robert Palmer is a Director of the Company and a member of The Gallagher Partnership LLP, an accountancy practice. These accounts include $4,000 (2012: $3,000) in relation to general accountancy services provided by The Gallagher Partnership LLP to the Company.

Radwan Hadi is included in key management personnel due to his position as Chief Operating Officer of the Company, and he is also a Director of Blackwatch Petroleum Services Limited, a firm of upstream oil and gas consultants. These accounts include professional fees of $0.8 million (2012: $1.1 million) in relation to oil and gas technical services provided by Blackwatch Petroleum Services Limited to the Company.

HJ Resources Limited

As at 31 May 2012, the company owed $407,000 to HJ Resources Limited, a company owned by a discretionary trust of which Kevin Foo and certain members of his family are potential beneficiaries. During the financial year, HJ Resources Limited loaned an additional $450,000 and £250,000 to Victoria Oil & Gas International Limited. Interest accrued on the loans at 0.5% per month. All loans were repaid in full by 31 May 2013.

Cameroon Holdings Limited (“CHL”)

On 9 July 2009, through its subsidiary Rodeo Development Limited (“RDL”), the Group signed agreements with a private company, CHL, for the provision of drilling services for the Logbaba project at a discounted day rate and to receive from CHL $4.0 million of funding for operational expenses in exchange for a sliding scale production royalty from RDL averaging 4.5% of RDL revenue over the life of the Logbaba project. As per Note 16, the Company acquired a 35% interest in CHL from an unrelated party during the 2011 financial year. Additionally, HJ Resources Limited is indirectly a significant shareholder in CHL. However, Kevin Foo is excluded from the Board discussions and decisions in respect of the Company’s investment in CHL. He does not discuss CHL decisions with the Board and does not seek the Board’s view on CHL-related issues.

All drilling services were completed before 31 May 2010. $471,000 was paid to CHL during the year by RDL, and $164,000 was payable at 31 May 2013. Prior to the production royalty transactions, the only transactions between CHL and the Group took place prior to the Company acquiring its interest in CHL. Further details of the development funding are provided in Note 15 and Note 24.

Employee Share Ownership Plan (“ESOP”)

The Victoria Oil & Gas ESOP Trust purchases and holds ordinary shares in the Company to satisfy scheme awards made to the employees of the Group. During the year, the Trust purchased 63,500,000 shares at a nominal value of 0.5 pence each for a total of $509,000 (2012: 63,500,000 shares for a total of $505,000) and transferred 33,750,000 shares to employees (2012: 23,300,000 shares). Note 30 provides details of the value of shares transferred from the ESOP Trust.

At the year-end, the Trust owed the Company $1.1 million (2012: $0.8 million) for shares subscribed for but not yet paid.

35. SUBSEQUENT EVENTS

John Scott resigned as a Director and as Chief Executive Officer effective 27 September 2013.

Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Victoria Oil & Gas Plc ("the Company") will be held on Wednesday 27 November 2013, at 11.00am in the Gascoigne Room at Union Jack Club, Sandell Street, London SE1 8UJ to consider and if thought fit to pass the following Resolutions of which 1 to 4 will be proposed as Ordinary Resolutions and Resolution 5 will be proposed as a Special Resolution:

Ordinary Business:

As Ordinary Resolutions:

1. To consider the financial statements and reports of the Auditors and the Directors for the year ended 31 May 2013.
2. To re-elect Robert Palmer as a Director of the Company.
3. To re-appoint Deloitte & Touche as Auditors of the Company and to authorise the Directors to fix their remuneration.

Special Business:

As Ordinary Resolution:

4. That the Directors be and they are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 560(1)) up to an aggregate nominal amount of £6,522,828 provided that such authority shall expire at the commencement of the Annual General Meeting next held after the passing of this resolution save that the Company may pursuant to the authority make offers or agreements before the expiry of the authority which would or might require relevant securities to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of such offers or agreements as if the power conferred thereby had not expired.

As Special Resolution:

5. That (subject to the passing of Resolution 4 as an Ordinary Resolution) the Directors be and are hereby empowered pursuant to Section 570 and 573 of the Act to allot equity securities (within the meaning of Section 561(1) of the Act) wholly for cash pursuant to the authority conferred by Resolution 4 above as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall not exceed the aggregate nominal amount of £6,522,828 and this power shall be limited to the allotment of equity securities:
   (a) in connection with an offer of such securities by way of rights (including without limitation, under a rights issue, open offer or similar arrangement) to holders of equity securities in proportion (as nearly as may be practicable) to their respective holdings of such securities, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, record dates or any other legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange;
   (b) otherwise than pursuant to the resolution referred to in above 5(a) above and 5(c) and (d) below of up to an aggregate nominal amount equal to five per cent of the issued share capital of the Company in any calendar year for applications in connection with the discretionary employee share incentive scheme operated by the Company;
   (c) otherwise than pursuant to the resolutions referred to in 5(a) and (b) above and 5(d) below of up to an aggregate nominal amount equal to ten per cent of the issued ordinary share capital of the Company from time to time; and
   (d) otherwise than pursuant to the resolutions referred to in above 5(a), (b) and (c) of up to an aggregate nominal amount equal to three per cent of the issued ordinary share capital of the Company in any calendar year in connection with applications received from staff, consultants, and advisers representing their remuneration and/or fees from time to time; provided that (unless renewed):
      (i) the authority contained in this resolution shall expire at the commencement of the Annual General Meeting held next after the passing of this resolution, and
      (ii) the Company may before such expiry make such offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired.

By Order of the Board

Leena Nagrecha
Company Secretary

24 October 2013

Victoria Oil & Gas Plc
Hatfield House
52/54 Stamford Street
London
SE1 9LX

Notice of the Annual General Meeting continued

Notes to the Notice of Annual General Meeting:

Appointment of proxies

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

2. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you must appoint your own choice of proxy (not the Chairman) and give your instructions directly to the relevant person.

3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you must complete a separate proxy form for each proxy and specify against the proxy's name the number of shares over which the proxy has rights. If you are in any doubt as to the procedure to be followed for the purpose of appointing more than one proxy you must speak with the Company Secretary. If you fail to specify the number of shares to which each proxy relates, or specify a number of shares greater than that held by you on the record date, proxy appointments will be invalid.

4. If you do not indicate to your proxy how to vote on any resolution, your proxy will vote or abstain from voting at his discretion. Your proxy will vote (or abstain from voting) as they think fit in relation to any other matter which is put before the meeting.

Proxy voting using hard copy proxy form.

5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold his vote.

6. To appoint a proxy using the proxy form, it must be:
   6.1 completed and signed;
   6.2 sent or delivered to Registrar of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY; and
   6.3 received by the Registrar no later than 11.00am on 25 November 2013.

7. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

8. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Electronic proxy voting through the internet

9. You are able to appoint a proxy online by visiting www.eproxyappointment.com. You will be required to enter your control number, shareholder reference number and PIN which can be found either on your proxy form or within the email notifying you of the Annual General Meeting. The proxy appointment and instructions must be received by the Registrar of the Company no later than 11.00am on 25 November 2013.

Electronic proxy voting through CREST

10. CREST members will be able to cast their vote using CREST electronic proxy voting using the procedures described in the CREST Manual (available via www.euroclear.com/CREST). CREST personal members other CREST sponsored members, and those who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on the member's behalf. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the Registrar of the Company (ID number 3RA50) not later than 11.00am on 25 November 2013.

Appointment of proxy by joint members

11. In the case of joint holders of shares, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder (being the first named holder in respect of the shares in the Company's register of members) will be accepted.

Changing proxy instructions.

12. To change your proxy instructions simply submit a new proxy appointment using the method set out in paragraphs 5 to 9 above. Note that the cut off time for receipt of proxy appointments specified in those paragraphs also applies in relation to amended instructions. Any amended proxy appointment received after the specified cut off time will be disregarded.

13. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

14. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Registrar of the Company, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

15. The revocation notice must be received by the Registrar of the Company no later than 11.00am on 25 November 2013.

16. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, your proxy appointment will remain valid.

17. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

Definitions, Abbreviations & Glossary

"bbl(s)"	Barrel(s), or 42 US gallons.
"bcf"	Billion cubic feet.
"boe"	Barrels of oil equivalent.
"mmbbls"	Million barrels.
"mmboe"	Million barrels of oil equivalent.
"mmbtu"	Million British thermal units.
"mmscf/d"	Million standard cubic feet per day.
"Proven", "Proved" or "1P"	The amount of petroleum which geophysical, geological and engineering data indicate to be in place or recoverable (as the case may be) to a high degree of certainty. For the purposes of this definition, there is a 90 per cent. chance that the actual quantity will be more than the amount estimated as Proven and a 10 per cent. chance that it will be less.
"Probable" or "2P"	As for Proven but with a greater element of risk. For the purposes of this definition, there is a 50 per cent. chance that the actual quantity will be more than the amount estimated as Proven + Probable and a 50 per cent. chance that it will be less.
"Possible" or "3P"	As above but entailing a substantial element of attached risk. For the purposes of this definition, there is a 10 per cent. chance that the actual quantity will be more than the amount estimated as Proven + Probable + Possible and a 90 per cent. chance that it will be less.
"Prospect"	A potential accumulation that is sufficiently well defined to represent a viable drilling target.
"Tcf"	Trillion cubic feet.

Designed by Benjamin Rowntree Design Consultants
www.benrown.co.uk

Printed by Park Communications Ltd on FSC® certified paper.

Park is EMAS certified; its Environmental Management System is certified to ISO 14001 and it is a CarbonNeutral® company.

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled.

This document is printed on Satimat Green, a paper containing 75% post consumer recycled fibre and 25% virgin fibre sourced from well managed, responsible, FSC® certified forests.

FSC www.fsc.org MIX Paper from responsible sources FSC® C001785

www.victoriaoilandgas.com

Victoria Oil & Gas Plc
Hatfield House
52/54 Stamford Street
London
SE1 9LX

Tel: +44 20 7921 8820
Fax: +44 20 7921 8821
Email: info@victoriaoilandgas.com

Company Registration No. 5139892
(England and Wales)