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Victoria Oil & Gas Plc
("VOG" or "the Company" or "the Group")

Q3 2018 Operations Update and Non-Grid Business Developments

Victoria Oil & Gas Plc, the Cameroon based gas and condensate producer and distributor, provides an update on the Group's operations for the three months ended 30 September 2018 ("Q3 18" or "the Quarter").

Highlights:

- Gross gas sales increased by 11% on Q2 to 356mmscf
- Average gas production increased by 12% on Q2 to 3.72mmscf/d
- 4 additional thermal customers consumed gas during Q3 2018 and an additional customer was connected for industrial power just after quarter end
- GDC signed GSA's with 4 new customers for Industrial Power during the quarter
- W/E 19 October 2018 average gross gas sales of 4.6mmscf/d
- Focus on non-grid customer build out via three new business units

The Board is pleased to provide more details of its "Non-Grid" business which is focused on increasing gas sales and revenue via increased thermal sales, the roll out of its Industrial Power Unit and establishment and growth of the compressed natural gas (CNG) Unit with partners Naturelgaz of Turkey. The Company is also pleased to introduce its "Energy Well" concept which aims to provide power to people in Cameroon that have no access to grid power.

Logbaba - Quarterly Production Update

The Q3 18 gross and net gas and condensate sales for Logbaba and Gaz du Cameroun S a, ("GDC"), are as follows.

Amounts in **bold** are gas and condensate sales attributable to GDC (57%):

	Q3 2018		Q2 2018		Q1 2018		Q4 2017		Q3 2017	
Gas sales (mmscf)										
Thermal	194	341	174	305	179	313	177	312	157	276
Industrial power	9	15	9	15	10	17	10	18	12	20
Grid power	0	0	0	0	0	0	226	396	180	317
Total (mmscf)	203	356	183	320	189	330	413	726	349	613
Average gas production (mmscf/d)	3.72		3.30		3.50		7.94		6.96	
Condensate sold (bbl.)	2,298	4,032	1,657	2,907	1,654	2,900	3,951	6,931	2,538	4,452

Grid Power Update

The Government of Cameroon, ENEO Cameroon SA (“ENEO”), Altaaqa Global (“Altaaqa”), the genset providers to ENEO which consume GDC’s gas, and GDC continue negotiations to end the suspension of sales to the ENEO owned Logbaba and Bassa power stations in Douala. GDC remains confident that a solution with ENEO will be found, but a resolution has been further delayed because of the recent Presidential elections in Cameroon.

The shortfalls in power supply in Cameroon continue, with hydroelectric schemes not meeting the current demand. VOG will make further announcements when appropriate.

Consumption Increased

During the quarter, GDC increased consumption through the commissioning of two new thermal customers, in addition to the resumption of two former thermal customers who had not consumed since August 2017. The Company also connected an existing thermal customer for industrial power during the quarter and post quarter end has commissioned their generator. Peak consumption during the quarter was 4.98mmscf/d and average gas sales through week ending 19 October 2018 were 4.6mmscf/d with a peak of 5.6mmscf/d.

Overall, gross gas sales have increased 11% since Q2 to 356mmscf or an average of 3.72mmscf/d for the quarter and are expected by the Board to grow to 5 mmscf/d by year end.

Non-Grid Business Development

The Board has carefully assessed the future Cameroon business model and it is clear that whilst gas supply for grid power, to ENEO and to others, will always be a key strategy of the Group, the Board believes that it is important to diversify the customer base to reduce dependence on any single customer.

Rebalancing of Group customer consumption with an emphasis on non-grid has been a major driver. As a result of the considerable reserves upgrade announced in June 2018, the Company can seek long term sales contracts, both grid and non-grid. Accordingly, key focuses of management have been to:

- Increase thermal consumption by actively marketing the benefits of natural gas over liquid fuels
- Accelerate the Groups gas to power programme for Industrial Power (formerly called retail) customers
- Leverage VOG’s relationship with Naturel gaz, aimed at bringing first CNG customers online in 2019; and
- Examine potential rural energy needs using CNG as a key fuel that allows integrated and distributed power solutions for communities with no grid power access. The Group’s “Energy Well” solution is set out in more detail below.

Industrial Power Unit

With recurrent power shortages in Douala, over 30 existing and new customers have expressed interest in an industrial power solution; the GDC Industrial Power Unit. As most of these proposed power customers are already connected to GDC’s gas pipeline, adding a gas fired generator would increase gas consumption with minimal downstream costs for GDC.

GDC are aggressively targeting industries within Douala to supply consistent, reliable and clean energy solutions in a turnkey package, with an all-inclusive capital and gas price. Previously, customers found it difficult to switch to their own power generation because of the capital cost required.

Working with international and local banks, GDC has developed a bespoke solution to finance the gas fired generators and have them installed at client premises with limited upfront cost to the customer. In return for a 10-year commitment, and minimum guaranteed volumes customers will pay an all-inclusive gas price which captures:

- Financing of the generators
- Installation and commissioning costs
- The gas consumed, and
- Operation and maintenance costs of the generator

This will ensure 24/7 availability for the generator and provide power utilisation times that match customer requirements and removes grid reliance. The customer will receive a single integrated monthly gas invoice.

Industrial Power is expected to yield substantial revenues over the next 10 years for GDC. GDC has completed negotiations with and issued GSA's to 11 customers and signed GSA's with 4 customers. We expect a further 7 customers to sign in the near term. GDC is working with Altaaqa and other equipment suppliers to fast track 6 generators for customers who wish to have power online this year and the Board believes that these customers will initially consume over 1mmscf/d of gas at a price of \$13 per MMBtu.

As customer roll out continues, the target is to have over 18 gas to power customers online by end of 2019, consuming over 4.5mmscf/d of gas with no seasonality, in addition to the thermal demand.

CNG Development

On 26 June 2018 the Company announced an agreement to partner with Naturelgaz Sanayi ve Ticaret A.S. ("Naturelgaz") on CNG projects. Naturelgaz is Europe's largest CNG supplier and distributor and brings valuable expertise within this field to support GDC. The project will allow GDC to reach to reach larger customers beyond the pipeline infrastructure and aims to replace diesel and heavy fuel oils in a variety of applications. In 2017, Naturelgaz produced and sold over 5.2bcf of CNG in Turkey.

GDC and Naturelgaz have completed positive feasibility and marketing studies on the CNG project in Cameroon. CNG, which is a cleaner fuel at a competitive price competes with liquid fuels such as fuel oil, LPG or diesel. Marketing studies by GDC/Naturelgaz have concluded that five types of customers would use CNG in Cameroon; thermal, off-grid power generation, commercial trucking, public transportation, and domestic transportation. The studies indicate the near-term potential of the CNG market, within a 60 km radius of the Logbaba facilities, is 2mmscf/d thermal and 2mmscf/d industrial power. The pricing of CNG will be benchmarked against competing liquid fuels. To date, 20 customers have expressed interest in CNG within a 60 km radius of Douala.

The partnership will provide CNG infrastructure for customers in and around Douala, with the intention of rolling the concept out further in the longer term. GDC will supply natural gas, land space and support services to the CNG production facilities, whilst Naturelgaz will design, build and operate the CNG production, distribution and

offloading facilities. Negotiations on the commercial structure of this initiative are ongoing and expected to be concluded during Q4 2018.

A new business concept: The Energy Well

The term Energy Well is derived from the timeless tradition of villagers drawing from local water wells. VOG has taken this tradition and adapted it for the purposes of energy supply.

Seventy four percent of the Cameroon population has access to the National Grid and 86% of the population lives within 15km of the power network. However, household electrification stands at only 23%. There are approximately 8 million rural Cameroonians who have no access to grid electricity. This situation is replicated in many African nations where less than 10% of the rural population has access to reliable grid electricity.

The average rural household in Cameroon requires about 1kWh of energy per day.

VOG believes CNG is the bridge between renewable energy and traditional hydrocarbons and that its Energy Well system can provide a seamless, clean and reliable energy solution to regions that are currently poorly served.

CNG produced by GDC would be trucked to cell towers, or other locations where electricity is generated, to power the cell tower and create energy to store in large onsite batteries or for distribution to local mini or micro grids. Villagers can collect or have delivered smaller rechargeable batteries to use them in their homes as standalone energy banks or to augment solar or wind power if available, to meet their domestic power consumption needs. Consumers would pay upon receipt for battery rental or CNG bottles via mobile phone Apps.

Underpinning the Energy Well concept is VOG's ability to monitor, manage and immediately monetise energy, be it in the form of compressed natural gas in transit or the electricity stored in batteries throughout the supply chain. GDC has teamed up with leading edge US company Blocksyste Inc on development of the Blockchain elements of Energy Wells. The Company is working with Blocksyste, Altaaqa and others to start limited field tests this year on the key components of the business.

Upstream Resource Development

VOG is working on several activities to enhance the asset value of the Company. In Cameroon these are focused on securing the resources necessary to grow production and gas sales in the medium to long term.

Logbaba

The Logbaba exploitation license covers 20 km² from the original 64 km² exploration license. Negotiations have commenced to secure the remaining 44 km² of the license of the Logbaba area.

Matanda

The PSC amendments necessary to complete the assignment of the Matanda PSC to VOG have been agreed with National Hydrocarbons Corporation, Cameroon (SNH). We have been informed that application has been made for the Presidential Decree and should be issued shortly.

West Medvezhye

Discussions are continuing with several interested parties in respect of the developing the West Medvezhye oil discovery in Russia. The Company's preferred option remains an outright sale.

This announcement contains inside information.

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