



22 November 2010

VICTORIA PETROLEUM ANNOUNCES \$26 MILLION PLACEMENT, AGGRESSIVE DEVELOPMENT PROGRAMS AND RESERVE TARGETS

Victoria Petroleum today announced a major capital raising that will underpin rapid growth through exploration and development across the Company's valuable oil and gas assets in the Cooper and Surat Basins.

KEY POINTS

- The Company's cash position improved by \$26 million to approximately \$59 million.
- Oil reserves are set to increase significantly and net production from the Company's Cooper Basin operations is expected to reach 1,500 barrels of oil per day by mid 2011.
- Victoria Petroleum and joint venture partner QGC have agreed to a \$71 million appraisal program in key Queensland coal seam gas (CSG) tenements in 2011.
- Victoria Petroleum will become the Operator of the Don Juan CSG project in the Surat Basin and expand the proposed exploration and appraisal program.

CAPITAL RAISING INJECTS \$26 MILLION

Victoria Petroleum has completed a placement of 70,271,000 fully paid ordinary shares at a price of 37 cents per share, to raise \$26 million before costs.

Funds raised by the placement increased the Company's current cash position to approximately \$59 million, ensuring it is well placed to embark on a bold growth strategy across its valuable oil and CSG portfolio in 2011. The funds will be used to accelerate exploration and development of the Company's Cooper Basin oil assets and to fund aggressive reserves development programs across its CSG assets in Queensland's Surat Basin.

Managing Director Ian Davies said the capital raising initiatives would underpin the Company's rapid growth plans in 2011 and demonstrated strong support from the investment community.

"This placement will allow Victoria Petroleum to achieve its growth ambitions for 2011 and lay a solid foundation for the future. It also demonstrates a vote of confidence in the Company's new management team from both existing and new shareholders, including new institutional investors.

"We are pleased that the placement was supported by a group of prominent Australian institutions and fund managers. In addition, Victoria Petroleum's largest existing investor, The Sentient Group, has supported the placement to increase its stake to approximately 13.8%," Mr Davies said.

The placement was made to institutional and sophisticated investor clients of RBS Morgans. Further to the placement, the Company is currently considering a Share Purchase Plan.

AMBITIOUS COOPER BASIN OIL EXPLORATION AND DEVELOPMENT PROGRAM AND RESERVE TARGETS APPROVED

The Board of Victoria Petroleum has approved an exploration and development program to 30 June 2011 that will result in the rapid development and expansion of its productive oil assets in the Cooper Basin.

The ambitious program is expected to significantly improve the Company's oil reserves position and increase net oil production to over 1,500 barrels of oil per day by mid 2011.

Today's announcement by Beach Energy Limited of a proposed merger with Impress Energy Limited reaffirms the value of Victoria Petroleum's Cooper Basin oil assets. Impress Energy holds a 40% interest in Victoria Petroleum's key oil permits, with the Company owning the remaining 60% and acting as Operator. The Company owns a 10.15% interest in Impress Energy, and is currently assessing the Beach Energy proposal.

AGGRESSIVE CSG APPRAISAL PROGRAM AGREED WITH QGC

Victoria Petroleum today agreed a \$71 million appraisal program (\$17 million net to the Company) for the 2011 calendar year in its two key CSG permits in Queensland with the Company's joint venture partner, QGC.

The work program includes a 13 well campaign in PL 171 and a nine well campaign in ATP 574P, and includes two production pilots in each permit to test gas deliverability, with associated water infrastructure. The work program also includes the completion of an additional 10 wells drilled as part of the 2010 work program.

Mr Davies said the aggressive work program reflected the Company's commitment to developing a strong position in the Eastern Australian gas market.

"These budgets reflect our confidence in the quality of these assets. With the work programs agreed, significant progress can be made in 2011 towards recognising major reserves across the majority of both permit areas," he said.

Victoria Petroleum holds a 30% interest in ATP 574P and 20% interest in PL 171, both of which are operated by QGC.

VICTORIA PETROLEUM TO ASSUME OPERATORSHIP IN THE SURAT BASIN DON JUAN PROJECT AND EXTEND PROPOSED EXPLORATION AND APPRAISAL PROGRAM

Victoria Petroleum will assume Operatorship of joint venture permits ATP 593P and ATP 771P (the Don Juan project) in the Western Surat Basin, currently operated by Bow Energy Limited.

The Company intends to drill two core holes in ATP 593P in early 2011 to continue to prove up proved and probable (2P) and proved, probable and possible (3P) reserves. Victoria Petroleum has booked net 2P reserves of 45 PJ and net 3P reserves of 89 PJ in ATP 771P. Following the results of these core holes, the Company will propose a comprehensive appraisal program for the project.

The Don Juan exploration and appraisal program will complement the appraisal program agreed with QGC to realise value from the Company's valuable gas reserves and resources.

Victoria Petroleum holds an interest of 45% in ATP 771P and ATP 593P.

For further information contact

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Competent Person Statement - The estimates of gas reserves and resources for the Don Juan CSG Field have been prepared by MHA Petroleum Consultants, LLC (MHA) in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers. The reserve statement has been compiled by Mr Timothy L Hower Chairman of MHA, together with personnel under his supervision. Mr Hower, who has over 28 years industry experience, and MHA have consented to the inclusion of the technical information contained in this announcement.

VICTORIA PETROLEUM OIL AND GAS ASSETS