

Newsletter from the CEO

I am pleased to issue the following update on Visoka Oil Field:



As of today, we have reactivated 60 wells using old pumps and 15 wells with new PCP pumps which were successfully put into operation. Currently there are a total of 75 wells in production with a total average output of 49 MT per day. The production increase is less than expected because of the reduced production levels during the cold weather and need to invest in well work-overs. The next series of PCP pumps has been ordered and we expect to install a total of another 40 PCP

pumps this year. The wells work-over are expected to start by the end of March.

Approximately 75 km of roads were built or renovated in the oil field to improve access to the wells and other areas of the oil field. Now we are working on improving access to the Northern part of the oil field, which will be without much effort.

The repair of the first 1,000 MT storage tank including installation of new heating system was completed in November 2012 and the storage tank was put into operation in the following month. The construction of a 5,000 MT storage tank, including heating system, was completed in February 2013 and is currently being commissioned.

The office building including testing laboratory at the decant station has been completed and taken into operation in December 2012. In addition the workshop building was completely renovated and we have moved in at the year end 2012.

The renovation of the Research and Development Center was completed and we have moved in. The preparation of the two test wells A and B is completed. The first results are expected later this year, after the successful completion of the necessary work-overs. We will then apply for additional patents registration in respect to our new developments and will construct the "Hertel-Engine" (Hertel Motor) prototype based on the technology developed last year.

We are building two storage tanks with capacity 1,000 MT each for fluid at the decant station as an alternative to using the expensive old stoves for preparing the crude oil for export. This new technology will enable a much more efficient processing.



In January 2013 we finalized new drilling plans (horizontal drilling and directional drilling). We are in the ordering process. The successful completion of these new drillings will bring the development of the oil field forward and increase production substantially.

Peter Krempin
CEO Transoilgroup AG