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APPENDIX F

Shetland Islands Council

Chief Executive: Morgan H. Goodlad

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REC

03 FEB 2009

Date: 29 January 2009

Dear Ann,

Reimbursements of Council Costs Viking Energy

I address this to you in the context of the Charitable Trust's position as majority shareholder of Viking Energy (VEL).

The Council sold 90% of the shares in this company to the Charitable Trust, in September 2007. This was on the clear understanding that all costs accrued to the Council for development of this business, for which the Charitable Trust now has majority ownership, would be met by VEL. At the time of agreeing the sale of the shares in this venture, the Council instructed the Head of Finance to pursue reimbursement of these costs.

The reasons for the apparent delay have been widely reported and principally appear to lie in the Trust not having yet agreed to capitalise VEL, with the required finance to meet these obligations.

The Council has since the time of the sale of VEL, now almost one and a half years ago, continued to provide the development costs which now amount to £1.74m. This is a matter of some concern to the Council and requires resolution. The Council simply cannot continue to meet these expenses for a company it has no locus in and we require to be reimbursed for the expenses accrued, as agreed at the time of the sale of shares.

I look forward the hearing from you.

Yours sincerely

Morgan H Goodlad
Chief Executive