VG LIFE SCIENCES INC.

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Fall 2012 President's Letter to Shareholders

Dear fellow shareholders:

Let me bring you up to date on several significant recent developments that ultimately, were derived from, and designed to, harness the strength of the science that undergirds the value of the intellectual property portfolio that we have amassed over the past 15 years, and which provides the foundation for our future evolution and development. As we continue our transition from a pure science and R&D company toward a revenue-generating business, we have also taken the steps that we believe are necessary to meet our requirements now and in the future.

Driven by the broadening scope of our efforts we have changed our name to **VG Life Sciences Inc**. Our Board of Directors and I believe this better captures our reach into not only pharmaceutical development but bio-fuels, agricultural technology and the other high growth target markets we are now focused on.

We have also announced several major changes to our capital structure including a reverse stock split and the restructuring of elements of our debt obligations. We believe this results in a capital structure that enhances our credibility and better positions us with potential strategic partners, institutional funding sources and the new executive management talent that we are seeking to hire as we now go forward on this stronger foundation.

Operationally, we just reached an important milestone in our Phase 1 physician-initiated clinical trial for ovarian cancer, and we have also introduced yet another drug candidate (Lyme) to the FDA in a pre-IND submissions, while our VG Energy subsidiary launched a research-sized version of its first product, LipidMax™.

Let's discuss these, and more, in further depth. First the recent corporate changes:

<u>Capital Structure and Related Changes</u>

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Since we first met Dr. Karen Newell Rogers in 2008, started collaborating with her and her team and entering into the two Exclusive License Agreements that now form the core of our efforts, we have spent the better part of 5 years building a portfolio of intellectual property that we believe has tremendous potential value going forward in drug discovery and development, as well as the agricultural, energy and food markets.

In building this portfolio, we also overcame legacy issues, litigation, raised several million dollars in financing and settled several million more in debts. While all of the above was necessary in order for us to move forward with the portfolio of assets we now control, a byproduct was a very high share count and, for lack of a better word, a 'messy' capital structure.

It was our belief that this created significant obstacles to raising the capital and attaining the other resources we now need as we transition from relatively small-scale lab tests to clinical trials.

We believe that the changes we have made will better position the Company to obtain the necessary capital required to build real value for shareholders. There is no question in my mind that with these changes, and with taking the steps to deal with our balance sheet – in particular paying down our debt – we are in a much better position to attract interest from the sophisticated institutional investors, strategic partners, and executive talent that we now need.

Full details of this and related changes are available in the Company's November 19, 2012 press release.).

Other significant steps in our transition from basic discovery and R&D towards clinical development and ultimately revenue:

University of Texas Ovarian Cancer Clinical Trial

Quick background: this clinical trial is a multi-stage process. It uses different combinations of one of our Metabolic Disruption Technology (MDT) compounds called hydroxychloroquine (HCQ) and an existing cancer drug called sorafenib (marketed as Nexavar ™) on patients suffering from Stage IV ovarian cancer,

and monitors for “dose limiting toxicity”. The protocol first measures safety, and then effectiveness with the primary target of identifying safe dosage levels at multiple stages along the way.

Update: The first group of patients has completed two 28-day cycles: first of sorafenib alone and then sorafenib combined with HCQ. There have been no major safety concerns in this first stage and enrollment has now opened for the second group of patients who will receive an increased dosage of sorafenib plus the same dose of HCQ. If the protocol continues to present no major toxicity or safety issues while the investigators increase dosages on additional patients, we expect to identify optimum dosage of the combination. If successful, we intend for these positive results carry us into broader applications.

Sorafenib (brand name Nexavar™) in addition to being one of the top selling liver and kidney cancer related drugs of all time has extended the quality of life of thousands of patients globally and we are proud and excited to explore enhancing the effectiveness to potentially enhance the quality of thousands more. If successful in our current efforts with Ovarian cancer, it seems logical that we would initiate discussions in creating a compound for the treatment of other cancers, as well.

This marks the first time human patients have received one of our MDT compounds in combination with an existing cancer therapy. This is significant for our development efforts and I extend fulsome congratulations to our science and medical teams. Successful completion of the next stages in this protocol should enable us to broaden the use of this compound to other cancer types.

Lyme Disease Pre-IND Meeting

Earlier this quarter we embarked on our pre-IND submission to the FDA for our Lyme disease drug candidate, which is the same molecule – APi1177 – we are studying for the HIV/AIDS indication and had earlier presented to the FDA in another pre-IND meeting. APi1177 is a new molecule so there are a series of initial steps before we obtain final approval for our protocol. Indeed, at the pre-IND meeting it was confirmed that we must first complete a standard series of pharmacology and toxicology animal studies prior to receiving feedback on a

Lyme protocol. Second, we were asked to provide certain follow up lab test results – some of which are already completed, and others are now being worked on – to the FDA. We are on a clear pathway forward.

Significantly, because we are using the same APi1177 molecule for the Lyme disease indication as for HIV/AIDS, completion of the pharmacology and toxicity studies would potentially enable us to move ahead with both clinical development programs towards human trials simultaneously (provided we meet any other applicable guidelines)..

Because we are also exploring other potential indications of APi1177 in addition to Lyme and HIV/AIDS which could further enhance the value of the molecule itself, the value of completing these pharmacology and toxicity studies could potentially increase even further.

We are now arranging for completion of the pharmacology and toxicology studies.

Launch of LipidMax™ for Research

Our majority-owned subsidiary, VG Energy, launched a research-sized version of LipidMax™ for use in lab testing of LipidMax for enhancing yields of plant and related oils. The purpose of this launch is to allow potential industrial-scale users and buyers of LipidMax to obtain it relatively easily under our terms and conditions, which includes a limited license for the underlying intellectual property.

Summary

I hope you will agree that the Company has significant, credible opportunities immediately in front of us and has taken the required steps needed to move forward with them. We will look to accelerate our drug pipeline and, separately and on its own terms, to support the development of our majority-owned subsidiary, VG Energy

We believe we have the science and the intellectual property portfolio secured, and we have addressed some significant issues with our capital structure – now

we need to implement the plan to take the portfolio forward into the marketplace through partnering, commercialization or other ultimately revenue-generating activity. For this reason, I am now focused on across-the-board changes to enhance our operations and management team, beginning with additions to our clinical development team at VG Life Sciences, and formalizing our ongoing global search for seasoned senior executive level talent at VG Energy

These are very exciting times for VG Life Sciences and VG Energy. The more focused direction of the Company has revitalized our efforts and we are moving toward a very promising future in a reenergized fashion. As a major shareholder of this Company, my focus is on continuing to build value in the shares of the Company.

As always, thank you for your ongoing support.

Haig Keledjian
President
VG Life Sciences Inc.

For further details on this document, please refer to the Company's filings on www.otcmarkets.com.

For more information on VG Life Sciences Inc. or VG Energy, Inc. please see our websites:
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About VG Life Sciences Inc. (formerly known as Viral Genetics, Inc.)
San Marino, California-based VG Life Sciences Inc. discovers and develops drug therapies from two exclusively-licensed platform technologies based on over 60 patents: Metabolic Disruption (MDT) and Targeted Peptides (TPT). A physician-initiated Phase I clinical trial of an MDT compound in combination with Nexavar™ on Stage III and IV ovarian cancer patients is ongoing at the Cancer Therapy and Research Center of The University of Texas Health Science Center at San Antonio. A majority-owned subsidiary, VG Energy (www.vgenergy.net), is dedicated to exploring biofuel and agricultural applications for the MDT platform. Founded in 1994, the biotech

company is researching treatments for drug resistant cancer, Lyme disease, Strep, Staph and Sepsis, and HIV/AIDS. For more information, visit www.viralgenetics.com.

About VG Energy

VG Energy Inc. is an alternative energy and agricultural biotech company that is a majority-owned subsidiary of VG Life Sciences Inc. VG Energy holds the exclusive worldwide license to the Metabolic Disruption Technology (MDT) patent rights for use in the increase of production of various oils from algae, plants and seeds. VG Energy's pivotal discoveries could allow the biofuel industry to overcome its major obstacle in the area of production efficiency: namely, an increase in production yields leading to feasible economic returns on investment, allowing renewable biodiesel to be competitive with fossil fuels. For more information, please visit http://www.vgenergy.net.

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS:

This news release contains forward-looking statements that involve risks and uncertainties associated with financial projections, budgets, milestone timelines, clinical development, regulatory approvals, and other risks described by VG Life Sciences Inc. from time to time in its periodic reports, including statements about its VG Energy, Inc. subsidiary. None of VG Life Sciences' drug compounds are approved by the US Food and Drug Administration or by any comparable regulatory agencies elsewhere in the world, nor are any non-pharmaceutical products of VG Energy, Inc. commercialized. While VG Life Sciences believes that the forward-looking statements and underlying assumptions are reasonable, any of the assumptions could be inaccurate, including, but not limited to, the ability of VG Life Sciences to establish the efficacy of any of its drug therapies in the treatment of any disease or health condition, the development of studies and strategies leading to commercialization of those drug compounds in the United States, the obtaining of funding required to carry out the development plan, the completion of studies and tests on time or at all, the successful outcome of such studies or tests, or the successful commercialization of VG Energy, Inc.'s non-pharmaceutical products. Therefore, there can be no assurance that the forward-looking statements included in this release will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the forward-looking statements should not be regarded as a representation by VG Life Sciences or any other person that the objectives and plans of VG Life Sciences will be achieved. VG Life Sciences Inc. disclaims any obligation to update these forward-looking statements, except as required by law.