

VAALCO Energy, Inc.

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VAALCO Energy Announces 2003 Annual Results and Increase in Reserves

HOUSTON - (PR Newswire) – March 30, 2004– VAALCO Energy, Inc. (VEIX – OTC) (the “Company”) announced that for the fourth quarter of 2003 earnings were \$4.0 million or \$0.19 per basic share and \$0.07 per diluted share. This compared to net income of \$1.7 million or \$0.08 per basic share and \$0.03 per diluted share for the comparable period in 2002. For the full year 2003 earnings attributable to common shareholders were \$8.9 million or \$0.42 per basic share and \$0.16 per diluted share. This compares to net income of \$0.5 million or \$0.02 per basic share and \$0.01 per diluted share for the year ended December 31, 2002.

Fourth quarter 2003 revenues were \$10.8 million compared to \$9.3 million in fourth quarter 2002. The average price received for crude oil from the Etame field during the fourth quarter 2003 was \$29.02 per barrel compared to \$24.81 in the fourth quarter of 2002. The Company sold 367,000 net barrels from the Etame field offshore Gabon during the fourth quarter and had inventory on board the FPSO (Floating Production Storage and Offloading facility) of 90,000 net barrels at December 31, 2003. The Etame field continues to produce at a rate of approximately 15,000 barrels of oil per day.

For the year ended December 31, 2003, revenues were \$36.0 million compared to \$10.0 million for the year ended December 31, 2002. Through December 31, 2003 the Company has sold 1.6 million net barrels from the Etame field at an average price per barrel of \$27.69 per barrel.

Discretionary cash flow, a non-GAAP financial measure of the amount of cash generated that can be used for working capital, debt service or future investments was \$5.6 million for the three months ended December 31, 2003. For the year ended December 31, 2003, discretionary cash flow was \$18.5 million.

In addition to the financial results, the Company announced that its independent reserve engineers raised the total proved reserves for the Company from 5.5 million barrels to 9.0 million barrels, primarily due to the better than anticipated performance of the Etame field. Proved producing reserves were increased to 6.5 million barrels from 3.5 million barrels. The reserve figures are net of approximately 1.3 million barrels produced in 2003.

Robert L. Gerry, III, Chairman and CEO stated, “We are extremely pleased with our financial results for 2003 especially the 65% increase in proved reserves to 9.0 million barrels net to VAALCO. The increase is due to the continued strong performance of the Etame Field. The consortium has produced over 8.0 million barrels since coming onstream in September of 2002 and continues to produce at approximately 15,000 barrels per day.

“We expect to commence drilling an infield well in late April to add an additional 5,000 to 8,000 barrels (gross) of production in July. Immediately following the development well, we intend to drill our second exploration prospect. The first exploration well discovered the Ebouri Field and we are currently evaluating engineering studies to determine the best procedures to bring the field into production.”

Abbreviated financial results:

(Unaudited - in thousands of dollars)	Three Months		Year	
	Ended December 31,		Ended December 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues	10,760	9,321	35,983	9,992
Operating costs and expenses	<u>4,550</u>	<u>5,544</u>	<u>19,581</u>	<u>7,110</u>
Operating Income (Loss)	6,209	3,776	16,402	2,882
Other Income (Expense)	(144)	(383)	(2,572)	(700)
Income tax expense	(1,509)	(1,393)	(5,305)	(1,396)
Minority Interest in earnings of subsidiaries	(518)	(342)	(1,306)	(341)
Cumulative effect of accounting change	<u>--</u>	<u>--</u>	<u>1,717</u>	<u>--</u>
Net Income (Loss) attributable to common shareholders	4,039	1,658	8,936	445
Basic Income (Loss) per Common Share	\$0.19	\$0.08	\$0.42	\$0.02
Diluted Income (Loss) per Common Share	\$0.07	\$0.03	\$0.16	\$0.01

Discretionary Cash Flow

Unaudited - (thousands of dollars)

	Three Months Ended	Year Ended
	<u>December 31 2003</u>	<u>December 31, 2003</u>
Income before accounting change	4,039	7,219
Depletion, depreciation and amortization	983	5,876
Other non-cash charges:		
Exploration expense of work in progress/undeveloped acreage	--	1,769
Amortization of debt discount for warrants	--	1,624
Minority interest	518	1,306
Non-cash compensation expense	--	443
Amortization of capitalized debt issuance costs	<u>71</u>	<u>283</u>
Discretionary cash flow	5,611	18,520

Discretionary cash flow measures the amount of cash generated by the Company that can be used as working capital, to reduce debt, or for future investment activities. Discretionary cash flow is presented because management believes it is a useful adjunct to net cash flow provided by operating activities under accounting principles generally accepted in the United States (GAAP). The measure is widely used by investors and professional research analysts in the valuation, comparison, rating and investment recommendations of companies within the oil and gas exploration and production industry. Discretionary cash flow can be reconciled to net cash provided by operating activities in the Statement of Consolidated Cash Flows filed with the SEC as follows:

Unaudited - (thousands of dollars)	Three Months Ended <u>December 31, 2003</u>	Year Ended <u>December 31, 2003</u>
Discretionary Cash Flow	5,611	18,520
Working Capital Changes, net of non-cash	8,644	3,781
Exploration expense	<u>92</u>	<u>327</u>
Net cash provided by operating activities	14,347	22,628

Basic and Diluted shares for 2003 are calculated as follows.

<u>Item</u>	Three Months Ended <u>December 31, 2003</u>	Year Ended <u>December 31, 2003</u>
Basic weighted average Common Stock issued and outstanding	21,379,516	21,236,658
Preferred Stock convertible to Common Stock	27,500,000	27,500,000
Dilutive Warrants	4,275,927	5,888,504
Dilutive Options	<u>530,248</u>	<u>730,352</u>
Total Diluted Shares	53,685,691	55,355,514

Total common shares outstanding as of December 31, 2003 were 21,531,829.

Basic shares and diluted shares totaled approximately 20,778,000 and 53,992,000 shares for the year ended December 31, 2002.

Reserves Tabulation

	As of December 31,	
	<u>2003</u>	<u>2002</u>
<u>Crude Oil</u>		
Proved Developed Reserves (MBbls)	6,492	3,467
Proved Undeveloped Reserves (MBbls)	2,519	1,986
Total Proved Reserves (MBbls)	<u>9,011</u>	<u>5,453</u>
<u>Natural Gas</u>		
Proved Developed Reserves (MMcf)	140	77
Proved Undeveloped Reserves (MMcf)	--	--
Total Proved Reserves (MMcf)	<u>140</u>	<u>77</u>
Standardized measure of discounted future net cash flows at 10% (in thousands)	<u>\$ 101,610</u>	<u>\$ 66,427</u>

VAALCO Energy, Inc. will have an investor conference Call Tuesday, April 6, 2004 at 10:00 a.m. Central Daylight Time. Interested parties may participate by calling **1-800-640-9765** and identifying the conference host, Russell Scheirman for VAALCO Energy, Inc.

This press release includes “forward-looking statements” as defined by the U.S. securities laws. Forward-looking statements are those concerning VAALCO’s plans, expectations, and objectives for future drilling, completion and other operations and activities. All statements included in this press release that address activities, events or developments that VAALCO expects, believes or anticipates will or may occur in the future are forward-looking statements. These statements include future production rates, completion and production timetables and costs to complete well. These statements are based on assumptions made by VAALCO based on its experience perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond VAALCO’s control. These risks include, but are not limited to, inflation, lack of availability goods, services and capital, environmental risks, drilling risks, foreign operational risks and regulatory changes. Investors are cautioned that forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements. These risks are further described in VAALCO’s annual report on form 10K/SB for the year ended December 31, 2002 and other reports filed with the SEC which can be reviewed at www.sec.gov, or which can be received by contacting VAALCO at 4600 Post Oak Place, Suite 309, Houston, Texas 77027, (713) 623-0801.

For further information contact:

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