

VAALCO Energy, Inc.

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**VAALCO Energy Announces 2nd Quarter 2005
Earnings Results**

HOUSTON - (PR Newswire) – August 4, 2005– VAALCO Energy, Inc. (EGY – Amex) (the “Company”) announced that for the second quarter of 2005 earnings were \$5.0 million or \$0.09 per diluted share. This compared to net income of \$5.9 million or \$0.10 per diluted share for the comparable period in 2004. The lower earnings were attributable to a one time charge of \$2.2 million associated with the Avouma South No. 1 exploration well included in operating costs and expenses, and due to higher income taxes in Gabon. The Company sold 339,000 net barrels at an average price of \$48.41 per barrel during the second quarter of 2005 compared to 339,000 barrels at an average price of \$34.22 per barrel in the second quarter of 2004.

For the six months ended June 30, 2005, the Company earned \$12.3 million or \$0.21 per diluted share compared to \$9.1 million or \$0.16 per diluted share in the six months ended June 30, 2004. The increase in income was due to higher crude oil sales of approximately 858,000 barrels of oil equivalent in the six months ended June 30, 2005 compared to 604,000 barrels of oil equivalent in the six months ended June 30, 2004. Crude oil prices were also higher averaging \$46.25 per barrel of oil equivalent and \$32.73 in the six months ended June 30, 2005 and 2004, respectively.

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 \$7.0 million and \$16.8 million for the three months and six months ended June 30, 2005.

Robert L. Gerry, III, Chairman and CEO stated, “We are extremely pleased with the results of our second quarter and six month period. Considering the large increase in taxes paid during this time frame when compared to the same periods of a year ago the results are excellent. With the recently announced Etame 6H development well now producing approximately 6,100 barrels per day, we anticipate increased earnings in future quarters. The Avouma Field development is underway and we anticipate adding daily production for the benefit of the consortium of between 10,000 – 15,000 barrels by the fall of 2006.”

Abbreviated financial results:

(Unaudited - in thousands of dollars)	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues	16,599	11,608	39,743	19,768
Operating costs and expenses	<u>6,238</u>	<u>3,341</u>	<u>11,495</u>	<u>6,205</u>
Operating Income (Loss)	10,361	8,267	28,248	13,563
Other Income (Expense)	183	(43)	304	(102)
Income tax expense	(4,907)	(1,936)	(14,783)	(3,280)
Income (loss) from discontinued operations	1	229	9	23
Minority Interest in earnings of subsidiaries	<u>(640)</u>	<u>(662)</u>	<u>(1,518)</u>	<u>(1,096)</u>
Net Income	4,998	5,855	12,260	9,108
Basic Income per Common Share	\$0.09	\$0.27	\$0.26	\$0.42
Diluted Income per Common Share	\$0.09	\$0.10	\$0.21	\$0.16

Discretionary Cash Flow

Unaudited - (thousands of dollars)	<u>Three Months Ended</u>	<u>Six Months Ended</u>
	<u>June 30, 2005</u>	<u>June 30, 2005</u>
Net Income	4,998	12,260
Depletion, depreciation and amortization	1,320	2,907
Other non-cash charges:		
Minority interest	640	1,518
Amortization of capitalized debt issuance costs	<u>40</u>	<u>80</u>
Discretionary cash flow	6,998	16,765

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)	<u>Three Months Ended</u>	<u>Six Months Ended</u>
	<u>June 30, 2005</u>	<u>June 30, 2005</u>
Discretionary Cash Flow	6,998	16,765
Working Capital Changes, net of non-cash	1,911	(2,276)
Exploration expense	<u>2,302</u>	<u>2,451</u>
Net cash provided by operating activities	11,211	16,940

Basic and diluted shares consist of the following:

<u>Item</u>	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Basic weighted average common stock issued and outstanding	56,400,251	21,455,060	46,709,391	21,446,406
Preferred stock convertible to common stock	--	27,500,000	7,698,359	27,500,000
Dilutive warrants	--	5,533,993	1,968,553	5,559,913
Dilutive options	<u>1,672,302</u>	<u>2,071,215</u>	<u>1,811,215</u>	<u>2,078,419</u>
Total diluted shares	58,072,553	56,560,268	58,187,518	56,584,738

The Company's subsidiary VAALCO Gabon Etame, Inc. operates and owns a 28.07% interest in the Etame Field. Other field partners are Pan-Ocean Energy Corporation Limited (31.36%), Sasol Petroleum West Africa (Ltd.) (27.75%), Sojitz Etame Limited (2.98%), PetroEnergy Resources Corp. (2.34%) and Tullow Oil plc (7.5%).

VAALCO Energy, Inc. will hold an investor conference call Monday, August 8 at 10:00 a.m. (Central time). Interested parties may participate by dialing 1-800-559-2403. International parties may dial 1 (847) 619-6534. Please be prepared to provide the following information to gain access to the conference call:

Confirmation Number: 12408887
Host Name: Russell Scheirman
Company: VAALCO Energy, Inc.

Conference call replay will be available beginning 1 hour after the conference is over and will run through September 8, 2005 by dialing 1-877-213-9653 and entering the pass code 12408887#. International parties may dial 1-630-652-3041 and entering the pass code 12408887#.

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, 2004 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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