August 6, 2014

VAALCO Energy Announces Second Quarter 2014 Results

HOUSTON, Aug. 6, 2014 /PRNewswire/ -- VAALCO Energy, Inc. (NYSE: EGY) today reported net income of $24.7 million or $0.43 per diluted share for the second quarter of 2014 compared to net income of $7.1 million or $0.12 per diluted share for the comparable period in 2013. Second quarter 2014 revenues were $52.1 million compared to $29.1 million in the second quarter of 2013, primarily due to the higher volumes of crude liftings in the second quarter of 2014 as compared to the second quarter of 2013.

Second quarter 2014 highlights when compared to the same quarter in 2013 include the following:

- Net income increased by 347%
- Revenues were up 79%
- Lifted volumes (crude sales) were up 71%
- Average price for the barrels sold was up 6%
- Production from Gabon operations was up by 3%
- Jacket sections of two new platforms have arrived in Gabon and are in the process of being installed
- Deck sections of the two platforms are on their journey from the fabrication yard in Louisiana to the offshore waters of Gabon

- Agreement reached with the government and the venture partner on terms of a new production sharing contract for Mutamba Iroru, VAALCO's onshore Gabon block

Steve Guidry, CEO, commented: "VAALCO continues to deliver reliable production and strong operating cash flow and income from our offshore Gabon operation. Our teams are continuing to optimize our producing assets, while building out the infrastructure required for our next phase of growth at the Etame Marin Block. Just last week we reached a major project milestone as our two new platforms set sail on their 45 day voyage to Gabon. We will be drilling our first exploration well offshore Angola later this year and we have made progress in our collaborative efforts with our partners toward optimally developing and exploring Block P Equatorial Guinea. Our enthusiasm for VAALCO's initiatives to grow our business and drive additional shareholder value creation remains strong and we look forward to continued success in 2014."

Exploration and Development Update

The Company provided the following update on its exploration and development programs:

Gabon

During the second quarter of 2014, VAALCO continued to execute the near- and long-term optimization of production offshore Gabon. In April 2014, the Company commenced drilling a development well in the South Tchibala field to replace a well with damaged casing. The well was successfully brought on production in May 2014. Today the well is producing approximately 1400 BOPD. This well was the final development well of the eight well drilling campaign offshore Gabon that began in late 2012.

The planned installation of the two production platforms for the additional development of the Etame Marin block remains on schedule for later in 2014, with one platform being installed in the Etame field and the second platform being installed between the Southeast Etame and North Tchibala fields. The first platform jacket arrived in Gabon in July 2014 and has been successfully positioned on the seabed in the Etame field. The second platform jacket has arrived in Gabon and is scheduled for installation in August 2014. The deck sections are currently being towed to Gabon and are expected to arrive in September 2014. The Transocean "Constellation II" jack-up rig has been contracted to begin drilling development wells from the two new platforms beginning in the fourth quarter of 2014.

The owner/operator of the Company's leased floating, production, storage and offloading vessel ("FPSO") will implement a planned six day shutdown in late-August 2014 to upgrade the gas detection and fire systems. The upgrade projects aboard the FPSO will require the Company to shut-in production from the block during this period.

Onshore Gabon, VAALCO and its concession partner, Total Gabon, continue to work with the government of Gabon to obtain approval of a revised production sharing contract. All three parties reached agreement and signed a term sheet outlining the variable components that will feature in the new contract. Once the contract is approved, the plan of development will then be submitted.

Angola

In the first quarter of 2014, the Company and its working interest partner purchased seismic data in the outboard segment of Block 5, which is currently being processed with an expected completion early in 2015. The processing and interpretation will identify both post-salt and pre-salt opportunities.

In April 2014, the Company received a letter and contractual amendment proposal from Sonangol E. P. which is expected to be signed in the near term by the government of Angola. The amendment provides for a three year extension until December 1, 2017 along with the spudding of one exploration well prior to the expiration of the current November 30, 2014 time extension, and the second well by early 2016. The Transocean "Celtic Sea" semi-submersible drilling rig has been contracted and will drill the 2014 well in the Kindele prospect, a post-salt objective.

Offshore Equatorial Guinea

The Company continues to work with GEPetrol, the block operator, on a joint operatorship model, and with the Ministry of Mines, Industry and Energy regarding timing and budgeting for development and exploration activities. VAALCO has proposed to both GEPetrol and the Ministry that the sequence of activities be reordered, with the development of the Venus discovery occurring prior to the drilling of the exploration wells at SWGrande and Marte.

Financial Results Discussion

During the second quarter of 2014, the Company sold, from its offshore Gabon operation, approximately 480,000 net barrels of oil from three liftings at an average price of $108.24 per barrel, compared to 280,000 net barrels of oil equivalent from two liftings at an average price of $102.21 per barrel in the second quarter of 2013. Quarterly oil sales are a function of the number and size of oil liftings that occur in a calendar quarter from the FPSO and thus do not always closely correlate with production. Produced volumes for the three months ended June 30, 2014 were approximately 446,000 net barrels as compared to approximately 432,000 net barrels produced in the three months ended June 30, 2013.

The Company reported operating income of $33.8 million in the second quarter of 2014 compared to operating income of $11.7 million in the second quarter of 2013.

Total production expenses were $4.8 million in the second quarter of 2014 compared to $7.0 million in the prior year quarter. The lower production expenses incurred were primarily due to non-operational adjustments recorded in the second quarter of 2014 including an accrual true-up.

Exploration expense was $3.3 million in the second quarter of 2014 compared to $4.2 million of expense in the prior year quarter. Exploration expense in the second quarter of 2014 consisted primarily of $2.0 million related to an unsuccessful offshore Gabon exploration well, $0.8 million for impairment of remaining unevaluated leasehold offshore Gabon, and an additional $0.3 million related to seismic processing in Angola.

Income tax expenses were $9.0 million for the three months ended June 30, 2014 compared to $4.6 million in the second quarter of 2013, all of which was paid to the Republic of Gabon. The higher income tax is primarily attributable to higher sales volumes.

Balance Sheet

At June 30, 2014, the Company had unrestricted cash of $118.6 million. This cash, combined with partner receivables, cash flow from operations and the IFC facility is sufficient to fund the Company's remaining 2014 capital expenditure budget.

As of June 30, 2014, the Company had no outstanding borrowings under the IFC loan facility.

Conference Call

As previously announced, the Company will hold a conference call to discuss its second quarter results on Thursday, August 7, 2014 at 10:00 a.m. Central Time (11:00 a.m. Eastern Time). Interested parties may participate by dialing 1 (877) 209-9921. International parties may dial 1 (612) 288-0340. The confirmation code is 331766. This call will also be webcast on VAALCO's website at www.vaalco.com.

An audio replay will be available beginning approximately one hour after the end of the conference call through September 7, 2014, on the Company's website and by dialing 1 (800) 475-6701. International parties may dial 1 (320) 365-3844. The confirmation code is 331766.

Summary of financial results for the quarter are tabulated below.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Unaudited - in thousands of dollars)	2014	2013	2014	2013
Revenues	$52,098	$29,118	$80,172	$73,255
Operating costs and expenses	18,269	17,452	46,990	40,085
Operating (loss) income	33,828	11,666	33,181	33,170
Other expense, net	(108)	14	(370)	(55)
Income tax expense	(9,009)	(4,559)	(15,135)	(18,805)
Net (loss) income - VAALCO Energy, Inc.	24,712	7,121	17,676	14,310
Basic net (loss) income per share attributable to VAALCO Energy, Inc.	$ 0.43	$ 0.12	$ 0.31	$ 0.25
Diluted net (loss) income per share attributable to VAALCO Energy, Inc.	$ 0.43	$ 0.12	$ 0.31	$ 0.24

Other financial results:

	Three months ended,		Six months ended	
(Unaudited)	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Net oil sales (MBbls)	478	281	736	679
Net gas sales (MMCF)	56	88	126	183
Net oil and gas sales (MBOE)	488	296	757	709
Average oil price ($/bbl)	$108.24	$102.12	$108.15	$106.72
Average gas price ($/MCF)	$5.61	$4.60	$4.70	$4.47
Average price ($/BOE)	$106.81	$98.41	$105.94	$103.28
Production costs, excluding workover costs ($/BOE)	$9.94	$8.50	$16.28	$13.67
Depletion costs ($/BOE)	$14.34	$11.60	$14.74	$9.95
General and administrative costs ($/BOE)	$6.42	$8.33	$8.88	$8.60
Capital Expenditures ($thousands)	$24,237	$18,954	$39,551	$34,301

Basic and diluted share information:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Basic weighted average common stock issued and outstanding	56,950,678	57,906,967	56,905,675	57,906,967
Dilutive options	586,040	659,475	487,442	881,937
Total dilutive shares	57,536,718	58,566,442	57,393,117	58,788,904

Forward-Looking Statements

This document includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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 document 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 expected capital expenditures, future drilling plans, prospect evaluations, negotiations with governments and third parties, acquisition opportunities and reserve growth. These statements are based on assumptions made by VAALCO based on its 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, general economic conditions, oil and gas price volatility, the Company's success in discovering, developing and producing reserves, lack of availability of goods, services and capital, environmental risks, drilling risks, foreign operational risks, and regulatory changes. These and other risks are further described in VAALCO's annual report on Form 10-K for the year ended December 31, 2013 and other reports filed with the SEC which can be reviewed at http://www.sec.gov, or which can be received by contacting VAALCO at 4600 Post Oak Place, Suite 300, Houston, Texas 77027, (713) 623-0801. 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. VAALCO disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

About VAALCO

VAALCO Energy, Inc. is a Houston based independent energy company principally engaged in the acquisition, exploration, development and production of crude oil. VAALCO's strategy is to increase reserves and production through the exploration and exploitation of oil and natural gas properties with high emphasis on international opportunities. The company's properties and exploration acreage are located primarily in Gabon, Angola and Equatorial Guinea in West Africa.

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