July 16, 2024

VAALCO Energy, Inc. Provides Positive Additional Information Regarding Its Acquisition Of Svenska

HOUSTON, July 16, 2024 (GLOBE NEWSWIRE) -- VAALCO Energy, Inc. (NYSE: EGY; LSE: EGY) ("**VAALCO**" or the "**Company**") today announces that it has filed a Form 8-K/A with the Securities and Exchange Commission ("SEC") that provides historical financial statements and additional reserves disclosures regarding its acquisition of Svenska Petroleum Exploration AB ("Svenska").

Key highlights:

- Updated SEC net proved reserves as of December 31, 2023 of 16.9 million barrels of oil equivalent ("MMBOE") (93% oil), significantly higher than previous 1P working interest ("WI") CPR reserves of 13.0 MMBOE (99% oil) as of October 1, 2023;
- Increased 2P WI CPR reserves as of December 31, 2023 to 22.5 MMBOE (93% oil) from 21.7 MMBOE (97% oil) estimate; and
- Significant further upside identified from contingent resources at the Baobab field with Best Estimate Working Interest Contingent Resources ("2C") of 20.4 MMBOE.

George Maxwell, VAALCO's Chief Executive Officer commented, "We are very pleased with the results of our third-party reserve engineer's calculation of proved reserves as of December 31, 2023 for Svenska that shows even greater reserves than we initially disclosed. This strategic and highly cost-effective acquisition strategically expands our West African focus area with a sizeable producing asset that has significant upside potential and considerable future development opportunities in Côte d'Ivoire, a well-established and investment-friendly country. This transaction was highly accretive on key metrics to our shareholder base and provides another strong asset to support future growth."

As previously disclosed, VAALCO closed the acquisition of Svenska on April 30, 2024. Svenska's primary asset is a 27.39% non-operated working interest in the deepwater producing Baobab field in Block CI-40, offshore Côte d'Ivoire in West Africa. The net purchase price of $40.2 million was fully funded by cash on hand with no issuance of debt or equity.

At the time of initial announcement of the acquisition, VAALCO disclosed that the transaction included estimated 1P WI CPR reserves, as of October 1, 2023, of 13.0 MMBOE (99% oil) and total 2P WI CPR reserves at October 1, 2023, of 21.7 million MMBOE (97% oil); VAALCO at that time did not have a calculation of SEC proved reserves as of December 31, 2023 but has since worked with its third-party reserves auditors to calculate its SEC proved reserves and related Standardized Measure of Discounted Future Net Cash Flows ("Standardized Measure") as of that date utilizing a flat SEC pricing assumption of $83.06 per barrel of oil.

In today's SEC filing, VAALCO reported that SEC net proved reserves as of December 31, 2023 totaled 16.9 MMBOE. The Standardized Measure of those reserves as of December 31, 2023 totaled $107.1 million. On a pro-forma basis, this results in VAALCO's year-end 2023 pro-forma SEC net proved reserves totaling 45.6 MMBOE, a 59% increase from its reported yearend 2023 SEC net proved reserves of 28.6 MMBOE. Utilizing the net cash purchase price of $40.2 million, VAALCO paid approximately $2.37 per net proved barrel of reserves.

2P WI CPR reserves for Svenska as of December 31, 2023 are estimated at 22.5 MMBOE compared with the previously disclosed 21.7 MMBOE as of October 1, 2023. The discounted value of the future cash flows from those reserves as of December 31, 2023 totaled $240.9 million. The pricing assumptions used in these CPR calculations was $79.79 per barrel of oil beginning in 2024, $69.79 in 2025, and inflating 2% thereafter. VAALCO notes that 2P reserves do not include significant upside from contingent resources at the Baobab field. Block CI-40 also includes the discovered but undeveloped Kossipo field, for which the Company will update the contingent resources with its third-party reserves auditors in due course.

About VAALCO

VAALCO, founded in 1985 and incorporated under the laws of Delaware, is a Houston, Texas, USA based, independent energy company with a diverse portfolio of production, development and exploration assets across Gabon, Egypt, Côte d'Ivoire, Equatorial Guinea and Canada.

For Further Information

VAALCO Energy, Inc. (General and Investor Enquiries)	+00 1 713 543 3422
Website:	www.vaalco.com
Al Petrie Advisors (US Investor Relations)	+00 1 713 543 3422
Al Petrie / Chris Delange	
Buchanan (UK Financial PR)	+44 (0) 207 466 5000
Ben Romney / Barry Archer	VAALCO@buchanan.uk.com

Forward Looking Statements

This announcement includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are intended to be covered by the safe harbors created by those laws and other applicable laws. Where a forward-looking statement expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. All statements other than statements of historical fact may be forward-looking statements. The words "anticipate," "believe," "estimate," "expect," "intend," "forecast," "outlook," "aim," "target," "will," "could," "should," "may," "likely," "plan," "probably" or similar words may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this announcement may include, but are not limited to, statements relating to (i) expectations and estimates of future drilling, production and sales of crude oil and natural gas; and (ii) expectations regarding VAALCO's ability to effectively integrate assets and properties it has acquired as a result of the Acquisition into its operations. Such forward-looking statements are subject to risks, uncertainties and other factors, which could cause

actual results to differ materially from future results expressed, projected or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, the inherent uncertainty in estimating oil and natural gas resources, the fact that the decision as to whether to develop the field to pursue any contingent resource estimates cannot be made unilaterally by VAALCO, who is not operator of the Svenska asset, and to the other risks described under the caption “Risk Factors” in the Company’s most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q, in each case filed with the U.S. Securities and Exchange Commission (the “SEC”). There may be additional risks that VAALCO does not presently know, or that the Company currently believes are immaterial, that could also cause actual results to differ from those contained in the forward-looking statements. In addition, forward-looking statements reflect VAALCO’s expectations, plans or forecasts of future events and views as of the date of this announcement. Should one or more of these risks or uncertainties materialize, or should any of the assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. No obligation is being undertaken to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Oil and Natural Gas Reserves

This announcement contains crude oil and natural gas metrics which do not have standardized meanings or standard methods of calculation as classified by the SEC and therefore such measures may not be comparable to similar measures used by other companies. Such metrics have been included herein to provide readers with additional measures to evaluate the Svenska acquisition; however, such measures may not be reliable indicators of future performance.

Contingent Resources

The SEC permits oil and gas companies, in their filings with the SEC, to disclose only proved, probable and possible reserves that meet the SEC’s definitions for such terms. In this announcement, VAALCO uses certain broader terms such as “contingent resources” “working interest contingent resources” and “2C” that the SEC’s guidelines strictly prohibit VAALCO from including in filings with the SEC. These types of estimates do not represent, and are not intended to represent, any category of reserves based on SEC definitions, are by their nature more speculative than estimates of proved, probable and possible reserves and do not constitute “reserves” within the meaning of the SEC’s rules. As defined by the Society of Petroleum Engineers and the independent engineer’s report VAALCO obtained for the Svenska asset, “contingent resources” as those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be commercial owing to one or more contingencies. The independent engineer’s report states that the contingent resources included in the report are contingent upon approval of a development plan with sufficient development wells to economically produce the volumes prior to the termination of the production sharing contract and commitment to develop the resources. The independent engineer’s report states that, if these contingencies are successfully addressed, some portion of the contingent resources estimated in the report may be reclassified as reserves but notes that the estimates have not been risked to account for the possibility that the contingencies are not successfully addressed. The independent engineer’s report does not address (1) the portion of contingent resources that could be reclassified as a reserves if the contingencies are successfully addressed; or (2) whether or to what extent any of the contingent resources that could be so reclassified would be classified as proved, probable or possible reserves.

The independent engineer's report states that once all contingencies have been successfully addressed, the approximate probability that the quantities of contingent resources actually recovered will equal or exceed the estimated amounts is generally inferred to be 50% but notes that the contingent resources have not been adjusted for development risk. In addition, the estimates of contingent resources in this announcement are prior to the deduction of royalties. These estimates are subject to greater uncertainties, and accordingly, are subject to a substantially greater risk of actually being realized. Accordingly, resource estimates may differ significantly from the quantities of oil and natural gas that are ultimately recovered and there may be significant delay in the recovering of any such contingent resources. Investors are urged to consider closely the disclosures and risk factors in the reports VAALCO files with the SEC.

WI CPR Reserves

WI CPR reserves represent proved (1P) and proved plus probable (2P) estimates as reported by Petroleum Development Consultants Limited and prepared in accordance with the definitions and guidelines set forth in the 2018 Petroleum Resources Management Systems approved by the Society of Petroleum Engineers. The SEC definitions of proved and probable reserves are different from the definitions contained in the 2018 Petroleum Resources Management Systems approved by the Society of Petroleum Engineers. As a result, 1P and 2P WI CPR reserves may not be comparable to United States standards. The SEC requires United States oil and gas reporting companies, in their filings with the SEC, to disclose only proved reserves after the deduction of royalties and production due to others but permits the optional disclosure of probable and possible reserves in accordance with SEC definitions.

1P and 2P WI CPR reserves, as disclosed herein, may differ from the SEC definitions of proved and probable reserves because:

- Pricing for SEC is the average closing price on the first trading day of each month for the prior year which is then held flat in the future, while the 1P and 2P WI CPR pricing assumption was $79.79 per barrel of oil beginning in 2024, $69.79 in 2025, and inflating 2% thereafter;
- Lease operating expenses are typically not escalated under the SEC's rules, while for the WI CPR reserves estimates, they are escalated at 2% annually beginning in 2024.

Management uses 1P and 2P WI CPR reserves as a measurement of operating performance because it assists management in strategic planning, budgeting and economic evaluations and in comparing the operating performance of Svenska to other companies. Management believes that the presentation of 1P and 2P WI CPR reserves is useful to its international investors, particularly those that invest in companies trading on the London Stock Exchange, in order to better compare reserve information to other London Stock Exchange-traded companies that report similar measures. However, 1P and 2P WI CPR reserves should not be used as a substitute for proved reserves calculated in accordance with the definitions prescribed by the SEC. In evaluating VAALCO's business, investors should rely on VAALCO's SEC proved reserves and consider 1P and 2P WI CPR reserves only supplementally.

Other Oil and Gas Advisories

Investors are cautioned when viewing BOEs in isolation. The Svenska reserves estimates as of October 1, 2023 were calculated using a BOE conversion ratio of six thousand cubic feet

of natural gas to one barrel of oil equivalent (6 MCF: 1 Bbl). The Svenska reserves estimates as of December 31, 2023 were calculated using a BOE conversion ratio of five thousand eight hundred cubic feet of natural gas to one barrel of oil equivalent (5.8 MCF: 1 Bbl). BOE conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalencies described above, utilizing such equivalencies may be incomplete as an indication of value.

Inside Information

This announcement contains inside information as defined in Regulation (EU) No. 596/2014 on market abuse which is part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“MAR”) and is made in accordance with the Company’s obligations under article 17 of MAR. The person responsible for arranging the release of this announcement on behalf of VAALCO is Matthew Powers, Corporate Secretary of VAALCO.

Source: VAALCO Energy, Inc.