

# VAALCO Announces Letter of Intent for FSO at Etame

HOUSTON, April 27, 2021 (GLOBE NEWSWIRE) -- VAALCO Energy, Inc. (NYSE: EGY; LSE: EGY) (“VAALCO” or the “Company”) today announced that it has signed a non-binding letter of intent (“LOI”) with Omni Offshore Terminals Pte Ltd (“Omni”) to provide and operate a Floating Storage and Offloading (“FSO”) unit at VAALCO’s Etame Marin field offshore Gabon for up to 11 years upon the expiration of the current Floating Production, Storage and Offloading (“FPSO”) contract with BW Offshore in September 2022.

## Key Highlights

- Omni has provided VAALCO with a preliminary proposal for leasing and also operating an FSO;
- The Omni FSO proposal could reduce VAALCO’s operating costs by 15% to 25% when compared to the current FPSO contract during the term of the proposed agreement;
- Maintaining the current FPSO beyond its current contract or transitioning to a different FPSO would require substantial capital costs;
- Estimated capital investment of \$40 - \$50 million gross (\$25 - \$32 million net to VAALCO) for deployment of the Omni FSO and the required field reconfiguration, with approximately 20% invested in the second half of 2021 and the balance in 2022 with an expected payback of less than three years;
- In the new field configuration, the FSO would store and offload the production and processing would be completed on the existing platforms;
- Currently forecasting that VAALCO’s capital costs for the FSO and field reconfiguration, as well as its planned 2021/2022 drilling program, can be funded with cash from operations and cash on hand;
- VAALCO and Omni, having agreed to an exclusivity period through June 1, 2021, will engage in further discussions with the intent to finalize a definitive agreement; and
- There is no assurance such an agreement will be finalized and any such agreement will be subject to Board approval by both parties as well as Etame joint-owner and Gabonese government approvals.

George Maxwell, Chief Executive Officer and Director, commented, “Sustained operational excellence and robust financial performance at Etame serves as the foundation for growing VAALCO through organic drilling and future accretive acquisition opportunities in line with our strategy. This development approach could allow us to enhance our operations, reduce costs, improve net-backs and secure our ability to maintain production growth and maximize value at Etame for the next decade. We will continue working to finalize an agreement with Omni that will be mutually beneficial for all parties. We remain focused on sustainable growth that provides benefits to all stakeholders, enhances margins and provides strong investor

returns.”

VAALCO has studied a variety of alternatives regarding the expiration of the contract on its current FPSO in September 2022. The proposed development approach utilizing an FSO and processing on existing platforms aligns with VAALCO’s ongoing strategy to reduce operating costs and extend field life. This is particularly attractive due to the potential for meaningful ongoing operating cost reductions over its term compared with the current FPSO arrangement and other options analyzed.

VAALCO’s initial forecasts indicate that a capital investment of \$40 - \$50 million gross (\$25 - \$32 million net to VAALCO) could lead to annual operating expense savings of \$15 - \$20 million gross (\$9 - \$12 million net to VAALCO) over the life of the new agreement, resulting in a fast payback of its invested capital and enhancing margins. These savings are achieved due to a more simplified processing system that avoids duplication of processing on the platforms and again on the FSO. This change is expected to reduce or eliminate the need for most ongoing life extension costs. Additionally, given the current commodity price environment, VAALCO believes that the capital costs for the FSO conversion and the upcoming planned 2021/2022 drilling campaign can be funded with cash from operations and cash on hand.

## **About VAALCO**

VAALCO, founded in 1985, is a Houston, USA based, independent energy company with production, development and exploration assets in the West African region.

The Company is an established operator within the region, holding a 63.6% participating interest in the Etame Marin block, located offshore Gabon, which to date has produced over 120 million barrels of crude oil and of which the Company is the operator.

## **For Further Information**

**VAALCO Energy, Inc. (General and Investor Enquiries)** +00 1 713 623 0801  
Website: [www.vaalco.com](http://www.vaalco.com)

**AI Petrie Advisors (US Investor Relations)** +00 1 713 543 3422  
AI Petrie / Chris Delange

**Buchanan (UK Financial PR)** +44 (0) 207 466 5000  
Ben Romney / Kelsey Traynor / James Husband [VAALCO@buchanan.uk.com](mailto:VAALCO@buchanan.uk.com)

## **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. All statements, other than statements of historical facts, included in this document that address activities, events, plans, expectations, objectives or developments that VAALCO expects, believes or anticipates will or may occur in the future are forward-

looking statements. These statements may include statements related to the impact of the COVID-19 pandemic, including the recent sharp decline in the global demand for and resulting global oversupply of crude oil and the resulting steep decline in oil prices, production quotas imposed by Gabon, disruptions in global supply chains, quarantines of our workforce or workforce reductions and other matters related to the pandemic, well results, wells anticipated to be drilled and placed on production, future levels of drilling and operational activity and associated expectations, the implementation of the Company's business plans and strategy, prospect evaluations, prospective resources and reserve growth, its activities in Equatorial Guinea, expected sources of and potential difficulties in obtaining future capital funding and future liquidity, its ability to restore production in non-producing wells, our ability to find a replacement for the FPSO or to renew the FPSO charter, future operating losses, future changes in crude oil and natural gas prices, future strategic alternatives, future and pending acquisitions, capital expenditures, future drilling plans, acquisition and interpretation of seismic data and costs thereof, negotiations with governments and third parties, timing of the settlement of Gabon income taxes, and expectations regarding processing facilities, production, sales and financial projections. These statements are based on assumptions made by VAALCO based on its experience and 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, crude oil and natural gas price volatility, the impact of production quotas imposed by Gabon in response to production cuts agreed to as a member of OPEC, inflation, general economic conditions, the outbreak of COVID-19, the Company's success in discovering, developing and producing reserves, production and sales differences due to timing of liftings, decisions by future lenders, the risks associated with liquidity, lack of availability of goods, services and capital, environmental risks, drilling risks, foreign regulatory and 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. 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.

### **Inside Information**

This announcement contains inside information as defined in Regulation (EU) No. 596/2014 on market abuse ("MAR") and is made in accordance with the Company's obligations under article 17 of MAR.



Source: VAALCO Energy, Inc.