

January 2017 Company Update





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 the amounts due in connection with the Company's withdrawal from Angola, expected sources of future capital funding and future liquidity, future operating losses, future changes in oil and natural gas prices, future strategic alternatives, capital expenditures, future drilling plans, prospect evaluations, negotiations with governments and third parties including with the government of Gabon in connection with a revised production sharing contract, expectations regarding processing facilities, reserve growth, and other issues related to our exit from Angola. 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, oil and gas price volatility, inflation, general economic conditions, the Company's success in discovering, developing and producing reserves, decisions by our current lender or future lenders, the risks associated with our ability to continue as a going concern, the risk that our negotiations with the governments of Gabon and Republic of Angola will be unsuccessful, lack of availability of goods, services and capital, environmental risks, drilling risks, foreign regulatory and 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, 2015 and quarterly report on Form 10-Q for the quarter ended September 30, 2016, 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 9800 Richmond Avenue, Suite 700, Houston, Texas 77042, (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.

The SEC generally permits oil and natural gas companies, in filings made with the SEC, to disclose proved reserves, which are reserve estimates that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions and certain probable and possible reserves that meet the SEC's definitions for such terms. The Company may use the terms "resource potential" and "oil in place", which the SEC guidelines restrict from being included in filings with the SEC without strict compliance with SEC definitions. These terms refer to the Company's internal estimates of unbooked hydrocarbon quantities that may be potentially added to proved reserves. Unbooked resource potential and oil in place do not constitute reserves within the meaning of the Society of Petroleum Engineer's Petroleum Resource Management System or SEC rules and do not include any proved reserves. Actual quantities of reserves that may be ultimately recovered from the Company's interests may differ substantially from those presented herein. Factors affecting ultimate recovery include the scope of the Company's drilling program, which will be directly affected by the availability of capital, decreases in oil and natural gas prices, drilling and production costs, availability of drilling services and equipment, drilling results, lease expirations, transportation constraints, processing costs, regulatory approvals, negative revisions to reserve estimates and other factors as well as actual drilling results, including geological and mechanical factors affecting recovery rates. Estimates of unproved reserves may change significantly as development of the Company's assets provides additional data. In addition, our production forecasts and expectations for future periods are dependent upon many assumptions, including estimates of production decline rates from existing wells and the undertaking and outcome of future drilling activity, which may be affected by significant commodity price declines or drilling cost increases.



- Houston-based independent E&P
- Excellent reputation as a West Africa focused operator
- Operational capacity to take on new assets and projects
- Simple capital structure
 - \$27 million cash & cash equivalents⁽³⁾
 - \$14 million debt⁽⁴⁾
- Closed acquisition of Sojitz interest in Etame Marin Permit, increasing net production 11% without requiring additional staffing

Key Metrics	
Share Price ⁽¹⁾	\$1.15
52-Week Range ⁽¹⁾	\$0.70 - \$1.53
Market Capitalization ⁽¹⁾	\$ 67 Million
Net Production ⁽²⁾	4,600 BOEPD
Proved Reserves ⁽⁵⁾	3.0 MMBOE
2P Reserves ⁽⁵⁾	6.5 MMBOE
% Oil (Brent Based Pricing)	100%
% Operated	100%

Proven Operator with a Track Record of Success

(1) As of 1/25/2017
(2) As of 1/25/17 press release

(3) As of 9/30/2016, excludes \$1.6MM of restricted cash
(4) As of 9/30/2016, net of deferred financing costs

(5) As of 12/31/2015



We are committed to opportunistic, acquisitive growth focused on:

- Leveraging our existing infrastructure, technical expertise, and experience in international offshore, major projects and production operations
- Pursuing development wells and workovers in the Etame Field
- Acquiring discovered, undeveloped resources in similar basins in West Africa and other international areas
- Achieving significant ROI that is accretive to EPS
- Providing attractive upside optionality with the continued recovery in oil prices
- Value adding partnerships and joint ventures

Goal: Seek Additional Targeted Acquisitions That Can Create Value



Maintaining Track Record of Operating Excellence

- Optimizing production to maximize cash flow
- Achieved significant cost reductions
- Reduced Houston headcount by ~40% versus 2015
- No recordable injuries in the last 17 months
- Cost reductions will not impact safety, environment or asset integrity

Key Strategic Steps Accomplished in 2016

- Reached agreement regarding remaining contract term on offshore Gabon drilling rig
- Converted IFC credit facility to \$15 million term loan with additional \$5 million available (subject to IFC approval), increasing financial flexibility
- Acquired additional 3.23% participating interest (2.98% working interest) in the Etame Marin Permit offshore Gabon from Sojitz Etame Limited, increasing net production 11% without requiring additional staffing
- Notified Sonangol P&P on September 30 of VAALCO's intent to withdraw from the joint operating agreement (JOA) and as Operator in Angola and close its office there
- Sold Texas assets and signed letters of intent to sell remaining U.S. oil and gas properties
- Concentrating on multiple development opportunities at Etame

Focus on Lowering Costs, Maintaining Production, Preserving Cash and Exploring Acquisitions

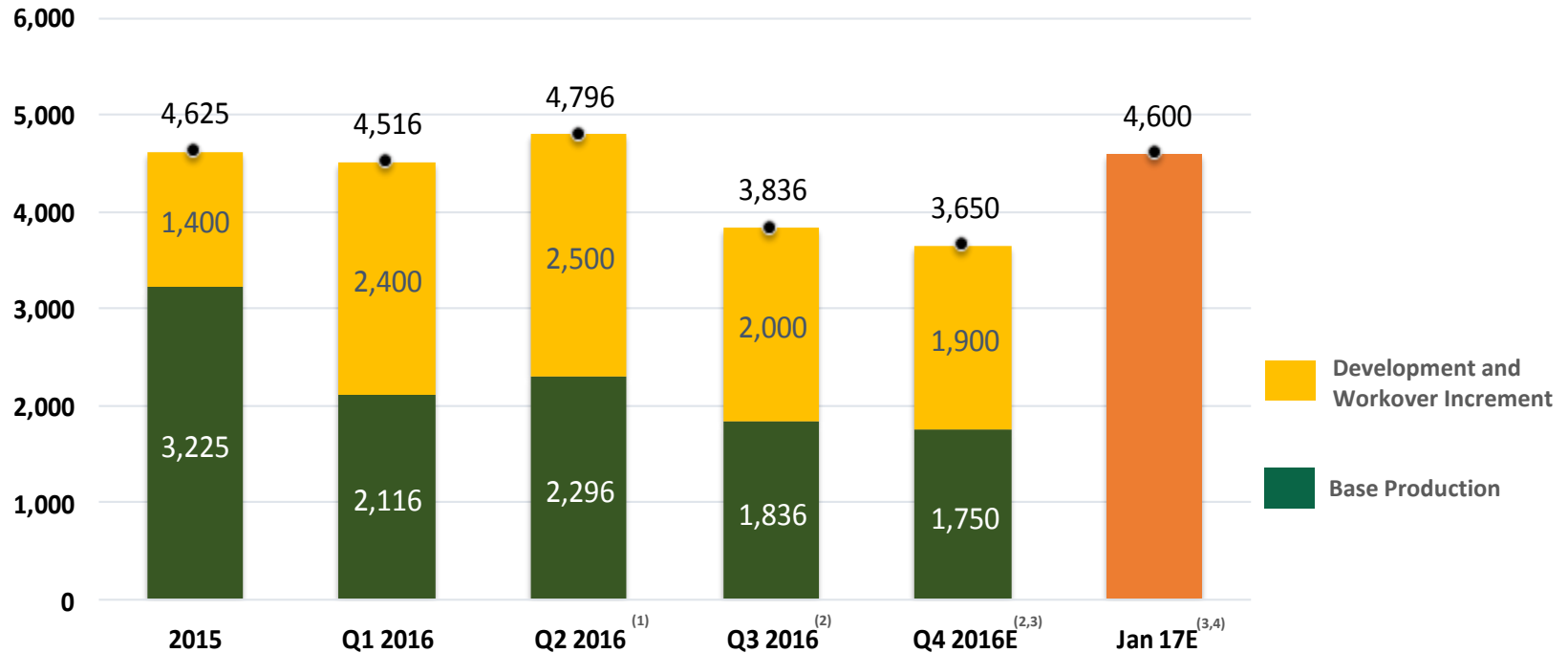
- Maximizing cash by optimizing production and reducing costs
- Straightforward balance sheet with minimal debt burden
- Public company with ability to access multiple sources of capital
- Pure oil play
- Increase in Brent quickly adds cash to the balance sheet
- In 4Q'16 purchased additional Brent crude oil put contracts on production for 2017
- Put contract volumes for 2017 cover ~60% of total projected production at an average floor price of ~\$49
- Puts limit price downside risk, but allow full upside realization with price increases

Third Quarter 2016 (\$'s in millions)	
Cash and cash equivalents ⁽¹⁾	\$ 27
Total Debt ⁽²⁾	\$ 14
Financial Performance – Continuing Operations	
Revenues	\$ 15
Production & G&A expenses	(\$10)
Exploration, DD&A, Other operating expense	(\$ 2)
Operating Income	\$3
Other expense and Income Tax	(\$3)
Income (loss) from continuing operations	\$ 0
Adjusted EBITDAX ⁽³⁾	\$4
Shares Outstanding <i>(in millions)</i>	59
Earnings (Loss) Per Share from continuing operations	\$ 0.00

Maximize Margins, Manage Liquidity, Preserve Cash to Increase Optionality

(1) As of 9/30/2016, excludes \$1.6MM of restricted cash
 (2) As of 9/30/2016, net of deferred financing costs
 (3) See reconciliation

Net BOE per day (2015 – Jan 2017E)



Q3 & Q4 2016 Negatively Impacted by ESP failures

Q4 2016 Workovers Restored Production and Jan 2017 Averaging 4,600 BOEPD

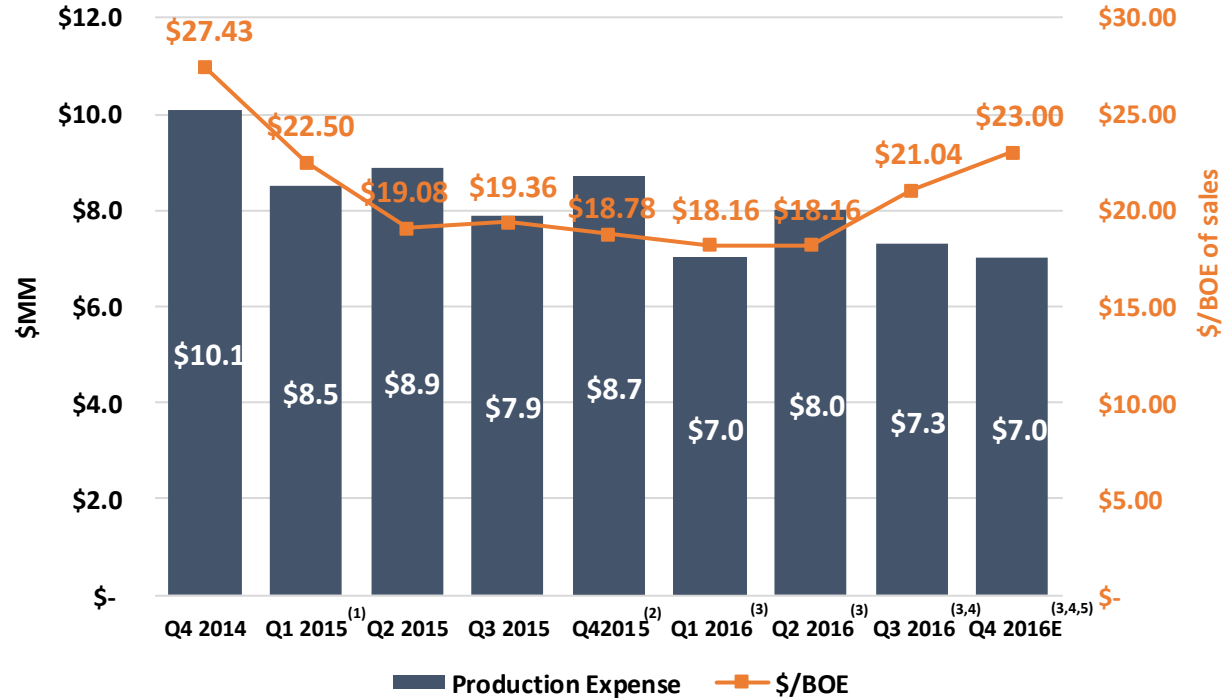
Successful 2015 Drilling Program and Workovers Grew Production

(1) Impacted by field wide six day turnaround
(2) Impacted by ESP failures on 2 Avouma well

(3) Q4 2016 and January 2017 estimates provided in 1/25/17 press release
(4) Jan 17E includes additional interest acquired from Sojitz in Q416



Net Production Expense, Excluding Workovers by Quarter (4Q 2014 – 4Q 2016E)



Full Year 2016 OPEX Guidance \$18 - \$21/Boe of Sales

Cost Reduction Initiatives Contributing to Decline in Production Expense

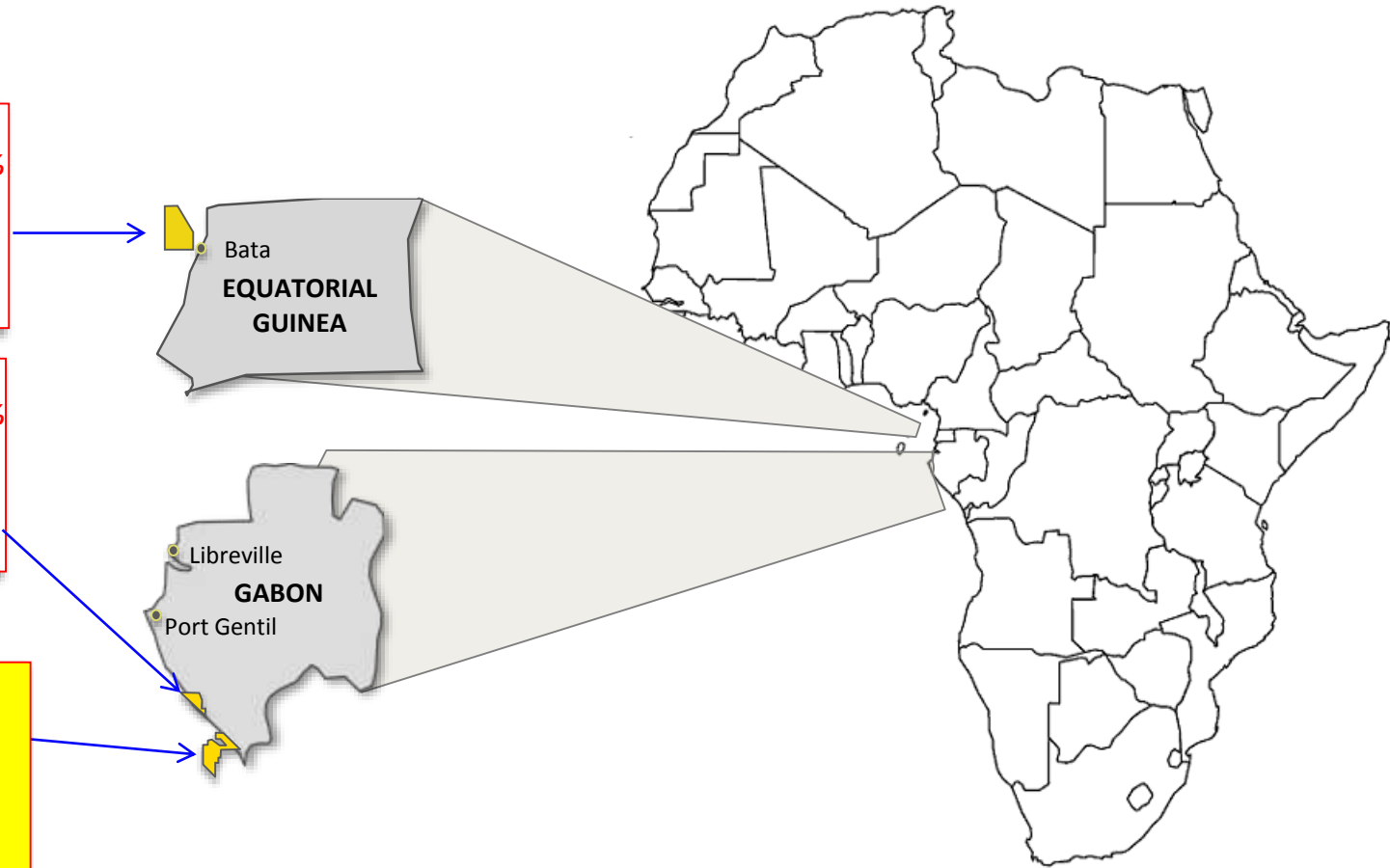
(1) Q1 2015 excludes non-cash, expensed costs for design work on CSP
 (2) Q4 2015 excludes workovers and non-cash charge for suspension of CSP
 (3) Q1, Q2, Q3 & Q4 2016 excludes workovers

(4) Q3 & Q4 2016 impacted by lower projected sales due to ESP failures
 (5) Q4 2016 midpoint of guidance range

Block P
Working Interest 31.0%
57,000 gross acres
18,000 net acres
Offshore Exploration
& Development

Mutamba Iroru Permit
Working Interest 41.0%
270,000 gross acres
111,000 net acres
Onshore Exploration
& Development

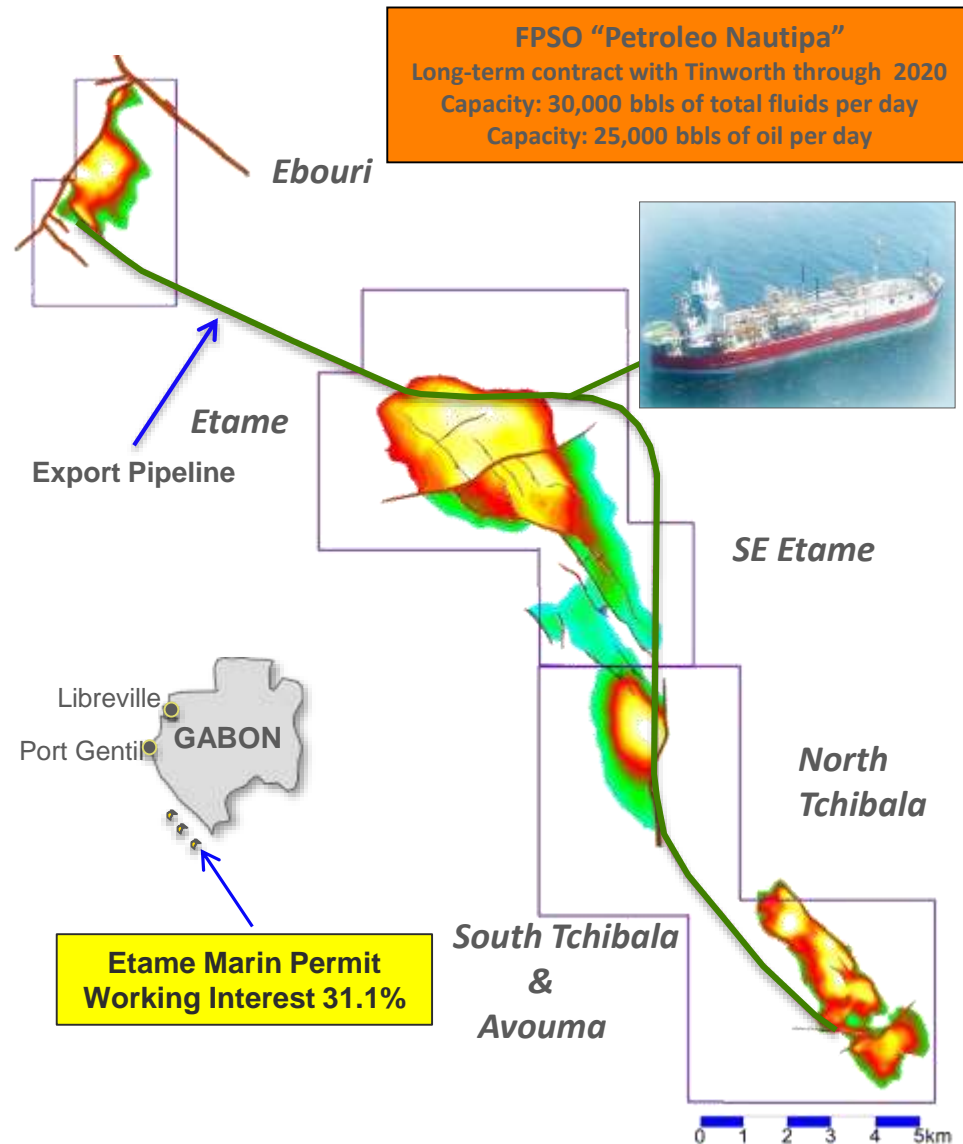
Etame Marin Permit
Working Interest 31.1%
28,700 gross acres
8,925 net acres
Producing
~17,250 BOEPD Gross⁽¹⁾



(1) Current gross production rate as of 1/25/17



- Operator with a 31.1% net W.I.
Partners: Sinopec (Addax), Sasol, PetroEnergy and Tullow
- In Q4'16 acquired additional 3.23% participating interest (2.98% working interest) from Sojitz, increasing net production 11% without requiring additional staffing
- January 2017 production averaging ~17,250 gross (4,600 net) BOEPD
- Cumulative sales/liftings through 12/27/2016 ~ 95 million barrels⁽¹⁾
- Installation of two new platforms completed in 3Q 2014
- Successfully completed full field maintenance turnaround Q1 2016



(1) Monthly liftings since 2002 disclosed on website

Q4 2016 Workovers

Two Well Workover Program on Avouma Platform to Replace ESPs

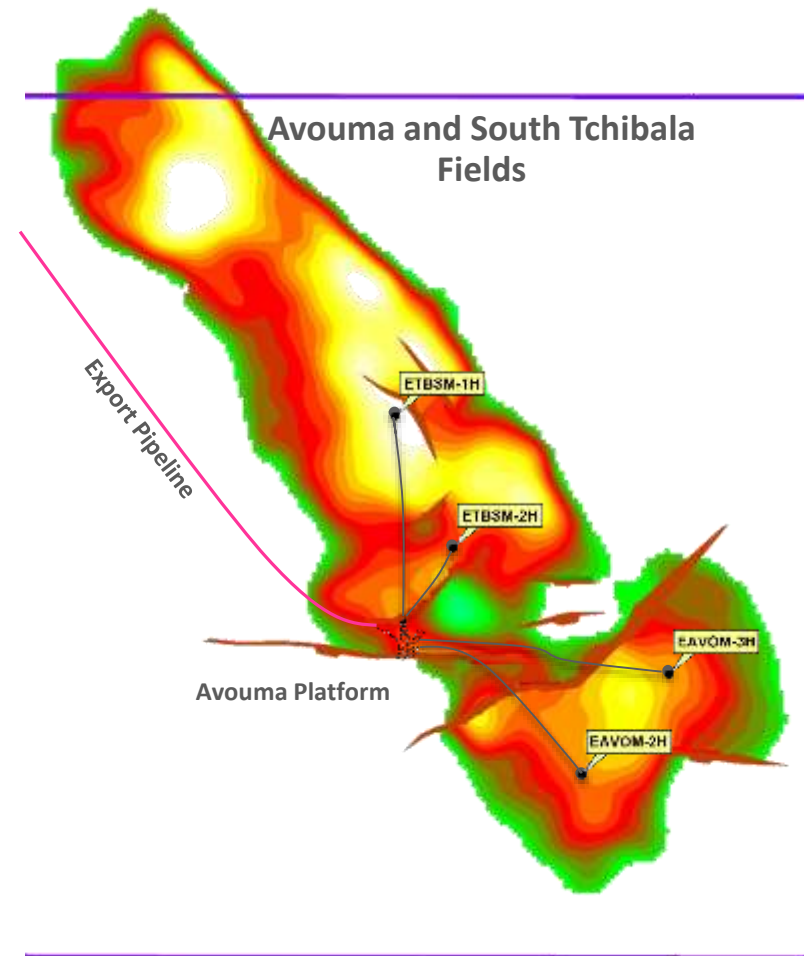
South Tchibala 2-H workover successful

- Restored 1,600 BOPD gross (430 BOPD net)
- Prior to ESP failure well was producing ~1,700 BOPD gross

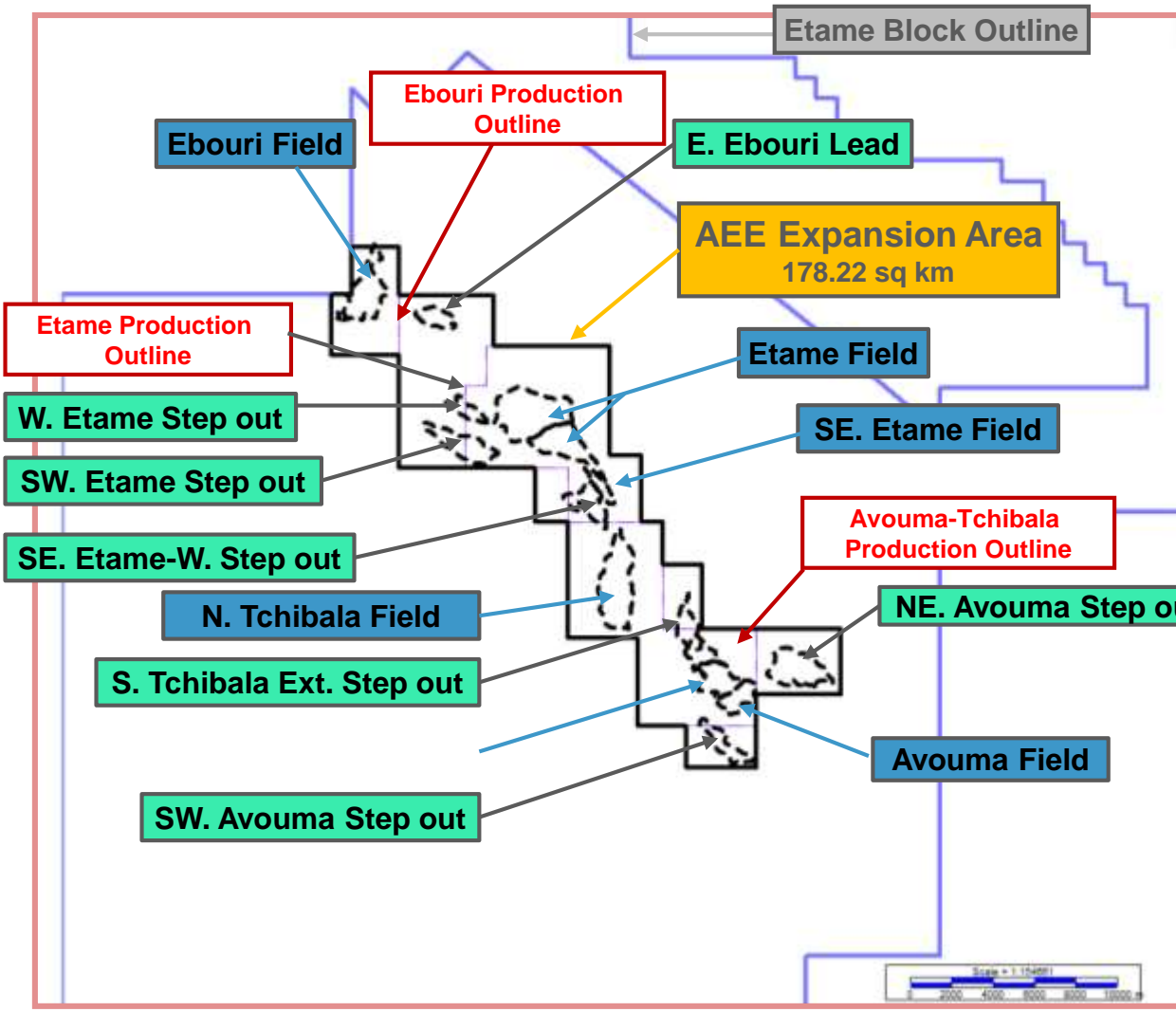
Avouma 2-H workover successful

- Avouma 2-H returned to production at ~2,700 BOPD gross (730 BOPD net)
- Prior to ESP failure well was producing ~2,400 BOPD gross

Utilized hydraulic workover unit that replaced ESP systems quickly and efficiently



Q4 2016 Workover Program Restored over 1,100 BOPD Net Production



Identified Opportunities

Etame Platform:

- Three Gamba and six Dentale infills (29 MMBBLS)

SEENT Platform:

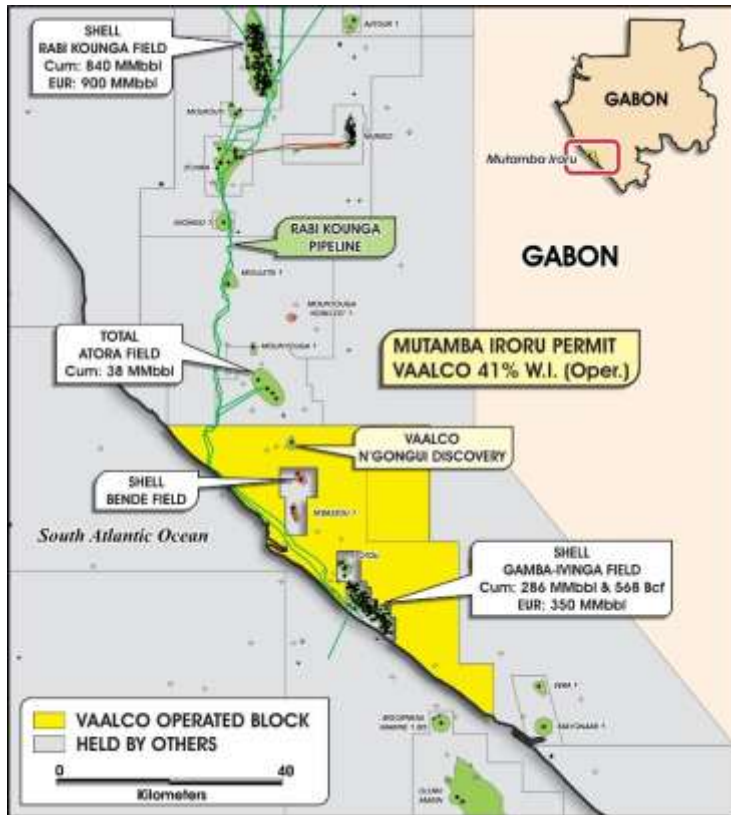
- Four Gamba, four Dentale infills (25 MMBBLS)

Avouma Platform:

- Two Gamba and two Dentale infill (12 MMBBLS)

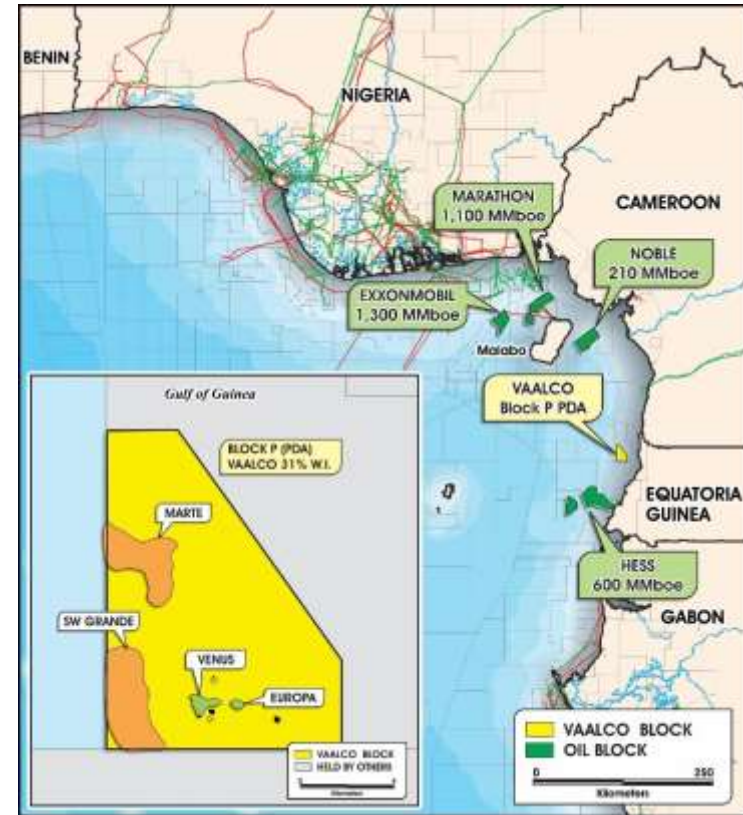
Over 65 MMBO of Gross Unrisked Recoverable Contingent Resources

Onshore Gabon, operated with 41% WI
2012 discovery encountered 49' of oil pay



Development slowed while costs, design and terms are re-evaluated to improve returns

Equatorial Guinea with 31% WI
20+ million BOE gross EUR discovered



Unique Development Opportunities Remain



Positioned for Acquisitive Growth in Current Low Price Environment

- Public company with ability to access multiple sources of capital
- Maintaining focus on cost reductions, lowering breakeven price and increasing margins
- Structure in place to consolidate and operate a broader portfolio of assets

Seeking Targeted Value Adding Acquisitions

- Leverage our existing infrastructure, technical expertise, and experience in international offshore, major projects and production operations
- Sojitz acquisition good first example of execution of VAALCO growth strategy
- Seeking similar attractively valued acquisition opportunities in our focus area, or other similarly situated basins

Significant Upside Optionality on Oil Price Recovery

- Additional cash generation with improved margins
- Substantial additions of low risk reserves by advancing organic development plans

VAALCO Has the Technical Expertise to Capture Upside Value



Production (BOEPD)

~ 4,200*



*4th Quarter ~ 3,650

Production Expense⁽¹⁾

\$27.5 - \$32.5 MM*

(\$18.00 - \$21.00 per BOE)

*4th Quarter Guidance (\$22.00 - \$24.00 per BOE)

Workovers

\$6.0 - \$8.0 MM*

*Includes ~\$3.4MM of workovers completed YTD in 2016

Cash G&A

Non Cash G&A

Total G&A

\$9.5 - \$11.5 MM

~ \$1.5 MM

\$11.0 - \$13.0 MM

DD&A (\$/BOE)

\$4.00 - \$6.00/BOE*

*4th Quarter Guidance \$4.00 - \$6.00/BOE

CAPEX

~ \$1.0 MM

(1) Excludes workovers

★ Note: Company reported estimated 4Q and full year 2016 productions on 1/25/17



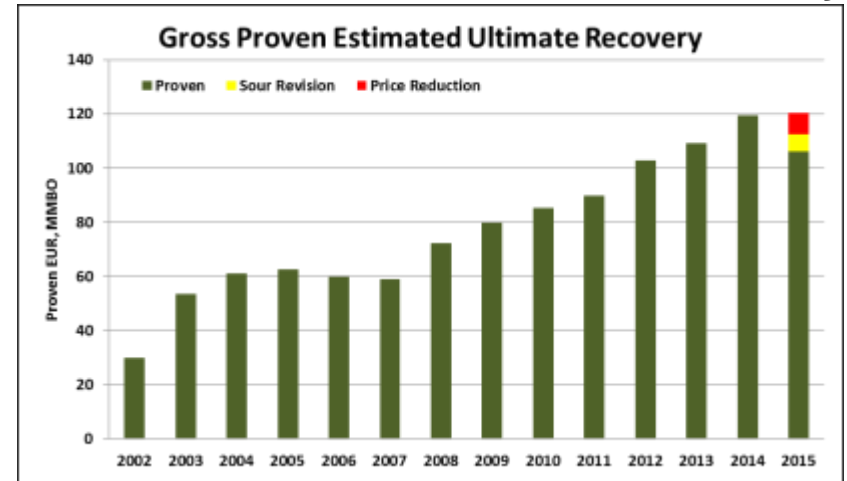


Appendix

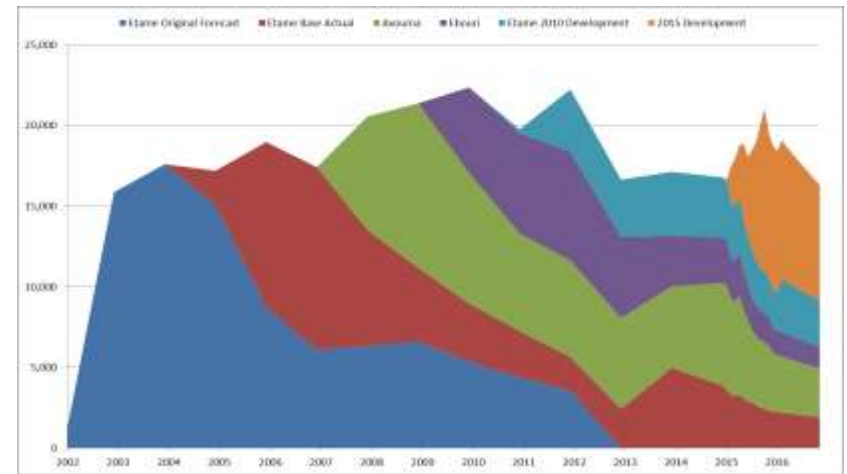
Proven Track Record of Success

- Strong safety culture
- Over 95 MMBO recovered from Etame field to date, initial estimate 30 MMBO
- Successfully executed multiple development projects
- Respected operator and leader in West Africa with a history of cooperation with host governments and local partners
- Operational capacity to develop organic opportunities and proven ability to identify and advance new development and exploration programs

~400% Growth in Estimated Ultimate Recovery



Gross Offshore Gabon Production

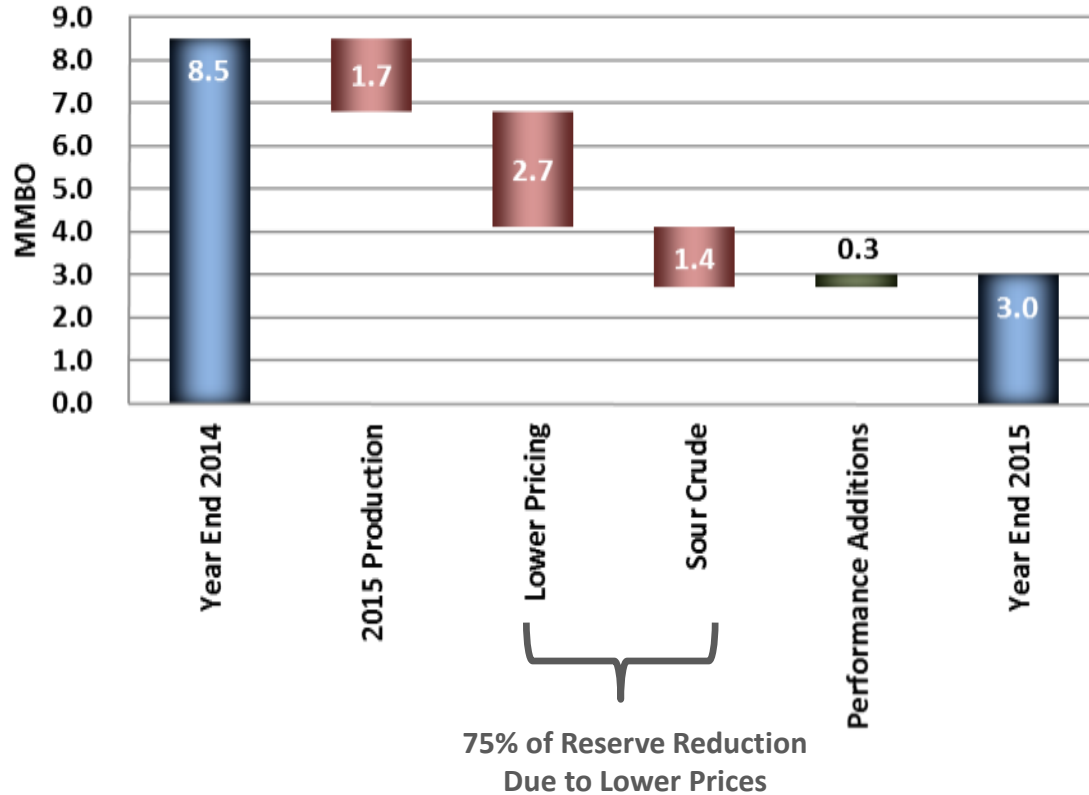


VAALCO Has Demonstrated Success in Executing a Broad Range of Opportunities

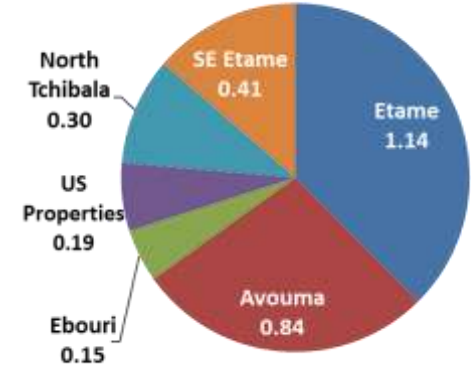


Year End 2015 Reserves

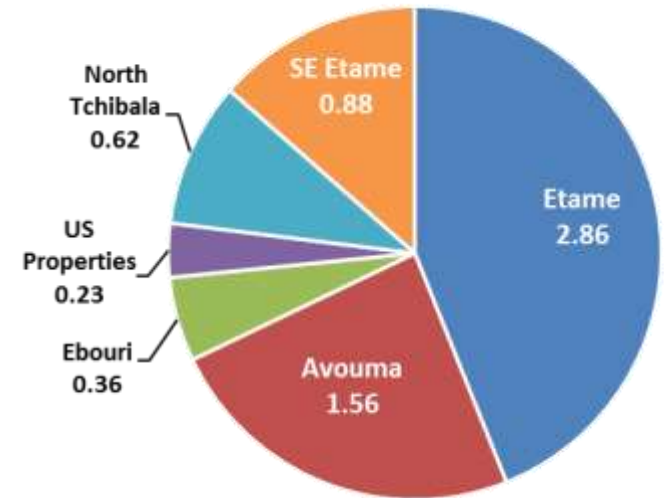
Year End 2015 Net Proved Reserves



1P Proved Reserves 3.0 MMBOE, 94% Oil

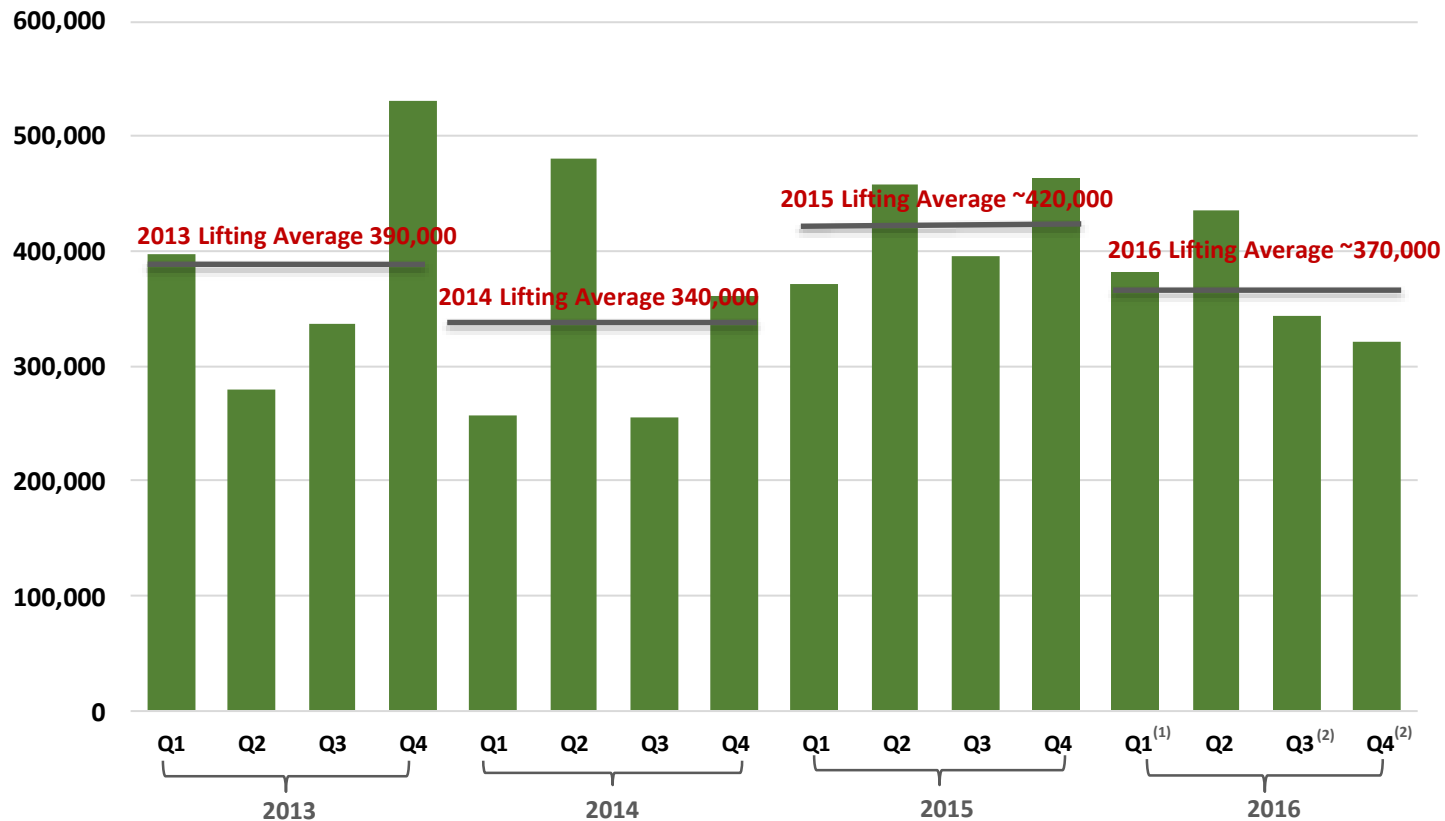


2P Reserves 6.5 MMBOE, 94% Oil



Higher Prices/Lower Costs Increase Economic Life and Reserves May be Reclassed to Proved

Net Gabon Liftings by Quarter (barrels)



Net Lifting Increase Driven By Development Drilling Success

(1) Q1 2016 lifting impacted by field wide six day turnaround
 (2) Q3 & Q4 2016 impacted by ESP failures in 2 Avouma wells



Operational Efficiencies

	<u>2015</u>	<u>2016E</u>
• Lifting support vessel reductions	~\$2.0 million	\$2 - 3 million
• Helicopter and operations support vessel savings	~\$1.5 million	\$2 - 3 million

Material Costs

• Fuel (reduced consumption and lower diesel cost)	~\$1.5 million	\$1 - 2 million
• Chemicals (optimized volumes and negotiated lower prices)	~\$1.0 million	

Personnel

• Wages, travel, vehicle rentals, etc.	<u>~\$2.0 million</u>	<u>\$1 - 2 million</u>
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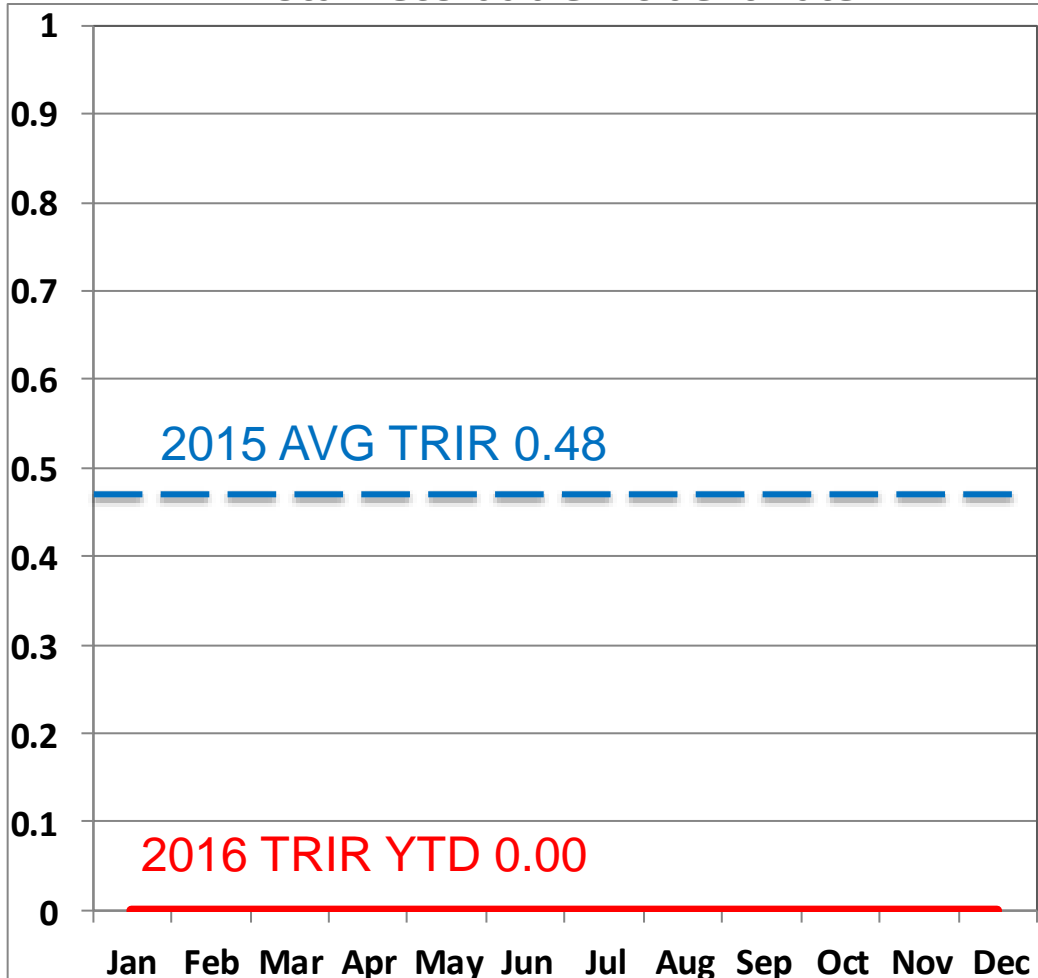
Annual Incremental Gross Savings

	*\$8.0 million	\$6 - 10 million
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Successfully Achieved Reductions in 2015; Targeting Additional Savings of \$6-10 MM in 2016



Total Recordable Incident Rate



Performance at Year End 2015

- Total Recordable Incident Rate (TRIR) of 0.48, 41% below prior year

Safety Performance During 2015

- Four recordable incidents in 1H 2015
- Re-emphasized training and renewed focus on safety
- No recordable incidents in 2H 2015
- Increased cooperation between Houston and Port Gentil management and staff

2016 Performance

- TRIR target below 2015
- No recordable incidents in 2016
- No environmental incidents in 2016
- Maintain strong safety record while reducing costs

Seventeen Months Without a Recordable Incident

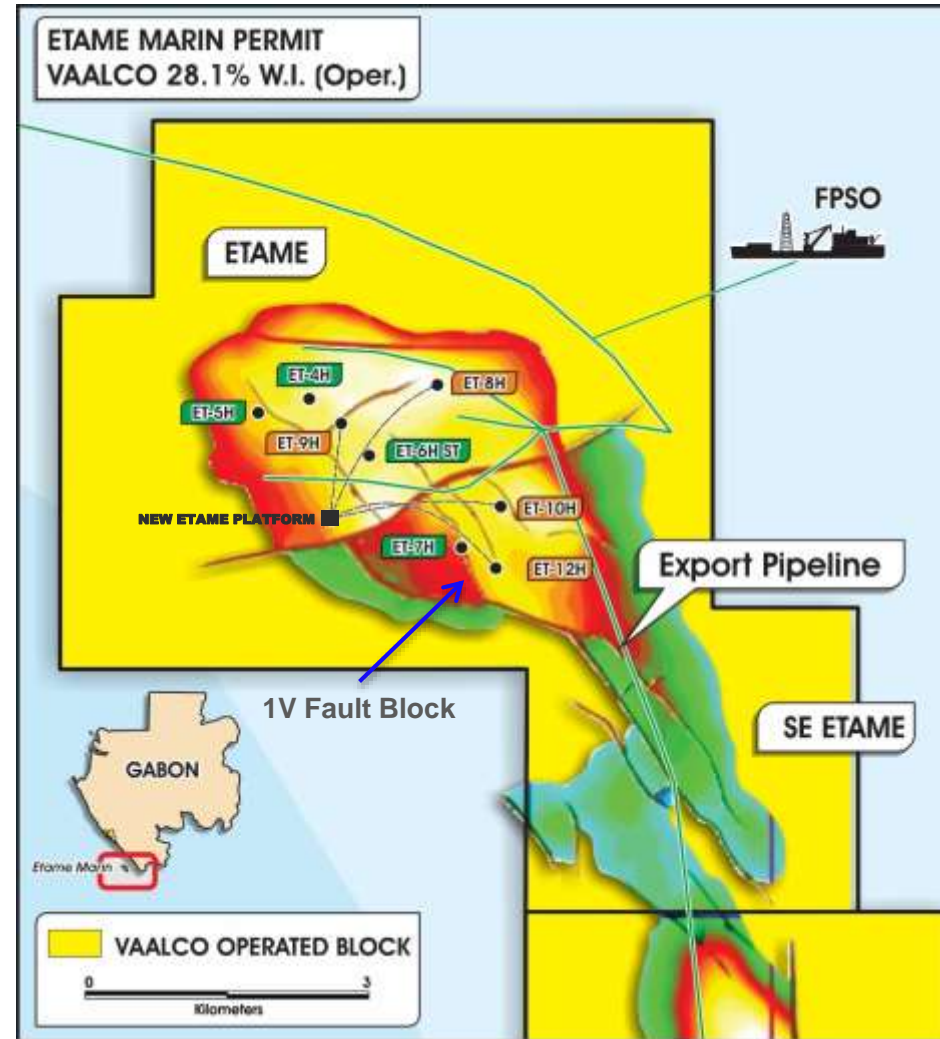
Etame Field Development Drilling

1-V Fault Block: Encouraging Results from the Lower Lobe of the Gamba Reservoir:

- Two 2015 development wells placed on production (Etame 10H & 12H)
- Both the Upper and Lower Lobes of the Gamba provide targets for exploitation in future development phases

Main Fault Block

- Etame 9H and 11H wells remain as future drilling opportunities
- Other targets have been identified in the deeper Dentale Formation
- Etame 8H well temporarily shut-in due to the presence of H₂S



Five Slots Available for Future Development Drilling from the Etame Platform

SE Etame 2-H

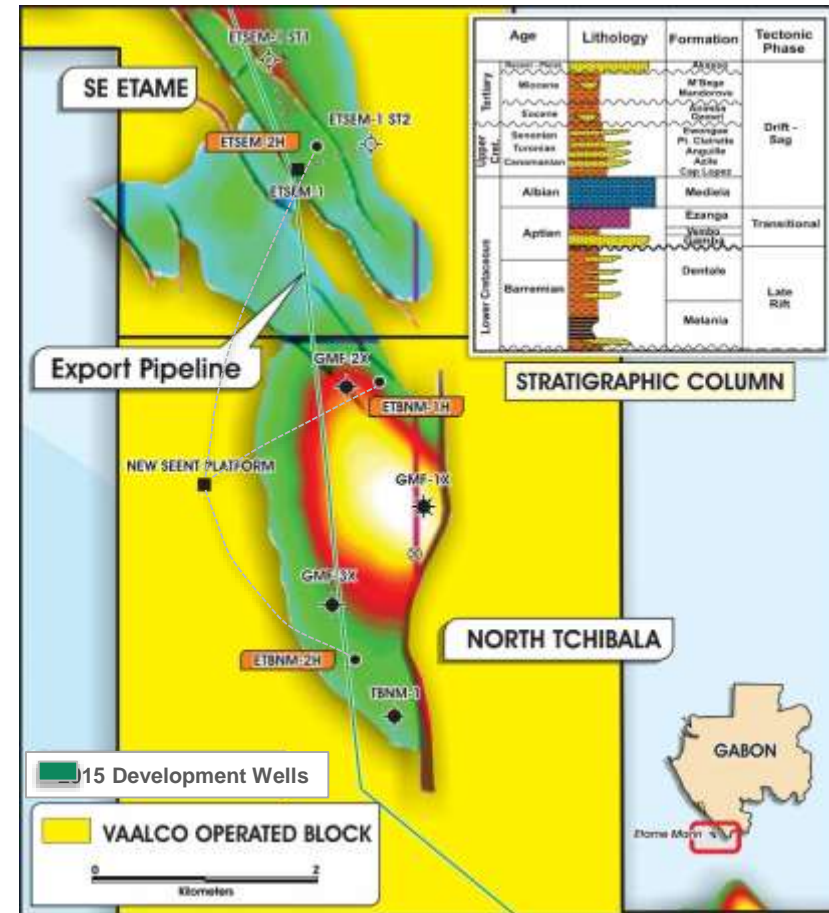
- Online 2Q 2015 with initial rate of 3,400 BOPD gross (900 BOPD net), higher than forecast
- No H2S

North Tchibala 1-H

- First Gabon offshore Dentale producer, online in 3Q15
- Demonstrated high productivity with initial rate of over 3,000 BOPD gross
- No formation water or H2S and GOR has stabilized

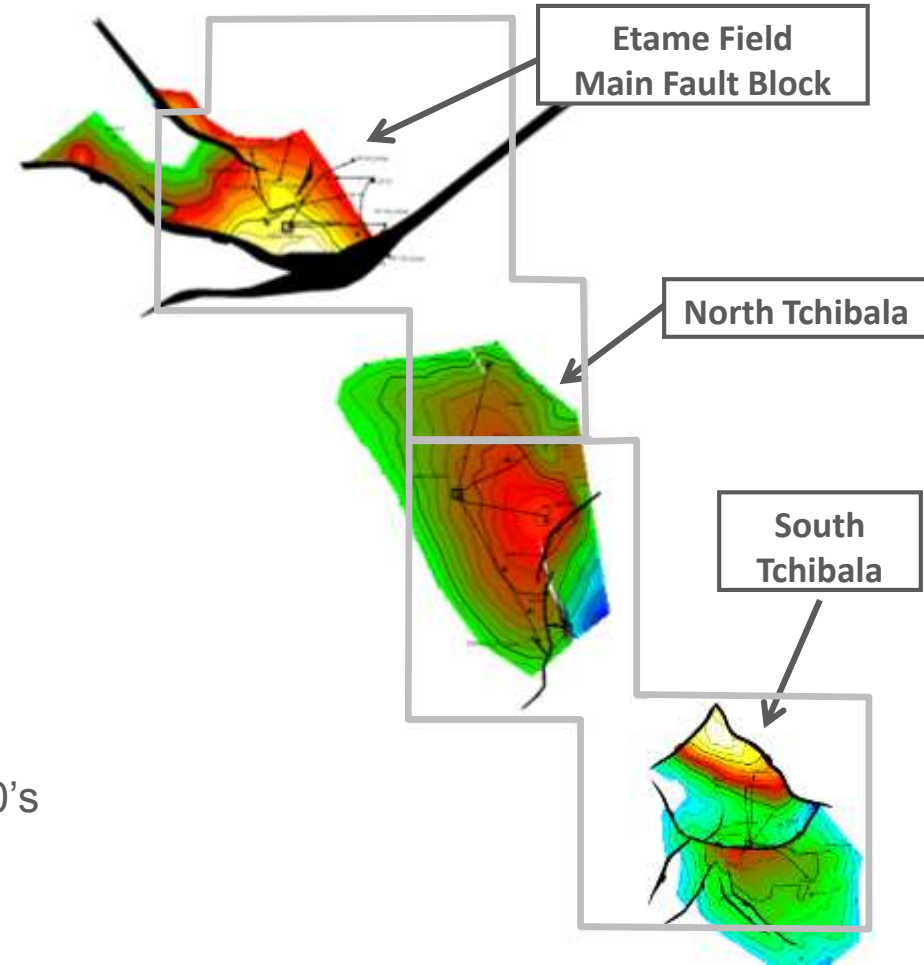
North Tchibala 2-H

- Online 4Q 2015 with initial rate of ~500 BOPD gross
- Good quality reservoir, potential formation damage limiting production rate
- No formation water or H2S



Significant Future Development Potential, with Five Remaining Slots for Drilling

- Multiple Dentale reservoir units are present throughout the block
- Largely undeveloped sand-shale sequence
- Gross thickness of several hundred to thousands of meters
 - ~30% net pay to gross thickness
- Dentale is flowing in North Tchibala
- Targeted zones show good reservoir quality
 - Porosity ranging from 16% to 28%
 - Permeability in the range of 10's to 100's mD.



Estimated Gross ~150 MMBO In-Place at North Tchibala and Etame Fields



Adjusted EBITDAX is a supplemental non-GAAP financial measure used by VAALCO's management and by external users of the Company's financial statements, such as industry analysts, lenders, rating agencies, investors and others who follow the industry as an indicator of the Company's ability to internally fund exploration and development activities and to service or incur additional debt. Adjusted EBITDAX is a non-GAAP financial measure and as used herein represents net income before interest income (expense) net, income tax expense, depletion, depreciation and amortization, impairment of proved properties, exploration expense, non-cash and other items including stock compensation expense.

Adjusted EBITDAX has significant limitations, including that it does not reflect the Company's cash requirements for capital expenditures, contractual commitments, working capital or debt service. Adjusted EBITDAX should not be considered as a substitute for net income (loss), operating income (loss), cash flows from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. Adjusted EBITDAX excludes some, but not all, items that affect net income (loss) and operating income (loss) and these measures may vary among other companies. Therefore, the Company's Adjusted EBITDAX may not be comparable to similarly titled measures used by other companies.

Reconciliation of Net loss to Adjusted EBITDAX

	Three Months Ended		
	September 30, 2016	September 30, 2015	June 30, 2016
Net loss	\$ (15,599)	\$ (33,668)	\$ (261)
Add back:			
Impact of discontinued operations	15,783	(853)	127
Interest (income) expense, net	327	462	1,470
Income tax expense	2,198	2,707	2,894
Depreciation, depletion and amortization	1,607	8,256	1,942
Impairment of proved properties	88	17,988	-
Exploration expense	2	8,975	2
Non-cash or unusual items:			
Stock-based compensation	(509)	692	757
Shareholder matters	85	-	18
Commodity derivative loss	194	-	578
Bad debt expense	63	2,750	171
Adjusted EBITDAX	<u>\$ 4,239</u>	<u>\$ 7,309</u>	<u>\$ 7,698</u>