

May 2017 Update



Safe Harbor Statement

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, 2016, quarterly report on Form 10-Q for March 31, 2017, 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. In this press release and the conference call, 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 ongoing 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.

We are committed to driving stockholder value by:

- Operating in a safe and environmentally responsible manner
- Increasing operational efficiencies and minimizing costs
- Leveraging our existing infrastructure, technical expertise, and experience as a West Africa operator overseeing production facilities and major projects
- Pursuing development wells and workovers in the Etame Marin Block
- Acquiring discovered, underdeveloped and low-risk resources in West Africa
- Evaluating value accretive merger and acquisition opportunities
- Enhancing margins and adding value

Execution of Our Strategy Will Provide Attractive Upside Optionality

VAALCO Overview

- Houston-based independent E&P
- Excellent reputation as a West Africa focused operator
- Gabon-focused with 100% oil production and reserves moving forward
- Operational capacity to take on new assets and projects
- \$24 million cash and cash equivalents⁽³⁾
- \$15 million debt⁽⁵⁾

Key Metrics		
Share Price ⁽¹⁾	\$0.95	
52-Week Range ⁽¹⁾	\$0.70 - \$1.43	
Market Capitalization ⁽¹⁾	\$ 56	Million
Enterprise Value	\$ 47	Million
Net Production ⁽²⁾	4,622	BOEPD
Proved Reserves ⁽⁴⁾	2.6	MMBOE
2P Reserves ⁽⁴⁾	4.0	MMBOE
% Oil (Brent Based Pricing)	100%	
% Operated	100%	

Proven Operator with a Track Record of Success

(1) As of 5/8/2017
(2) Q12017 average

(3) As of 3/31/2017
(4) As of 12/31/2016

(5) As of 3/31/2017, net of deferred financing costs

2017 Recent Overview and Accomplishments

- Reported income from continuing operations of \$4.4 million or \$0.07 earnings per share for the first quarter of 2017
- Generated operating income of \$8.1 million in the first quarter of 2017 and Adjusted EBITDAX of \$10.4 million
- Successfully completed workovers using hydraulic workover unit, restoring production at a reduced cost
- Produced an average of 4,622 barrels of oil per day (BOPD) in Q1 2017, above the high end of the guidance range of 4,500 to 4,600 BOPD
- Closed the sale of another non-core U.S. asset in early April
- Borrowed \$4.2 million of additional funds from the IFC, which will provide added financial flexibility and facilitate execution of strategy

Focused on Lowering Costs, Maintaining Production and Accretive Acquisitions

Financial Performance and Position

- Maximizing cash by optimizing production and reducing costs
- Straightforward capital structure with minimal debt burden
- Public company with ability to access multiple sources of capital
- Fully weighted to oil (100%)
- Increase in Brent quickly adds cash to the balance sheet
- Put contract volumes for 2017 cover ~60% of projected production net of taxes at an average floor price of ~\$49.63
- Put contracts limit price downside risk and protect cash flow, but allow full upside realization with price increases

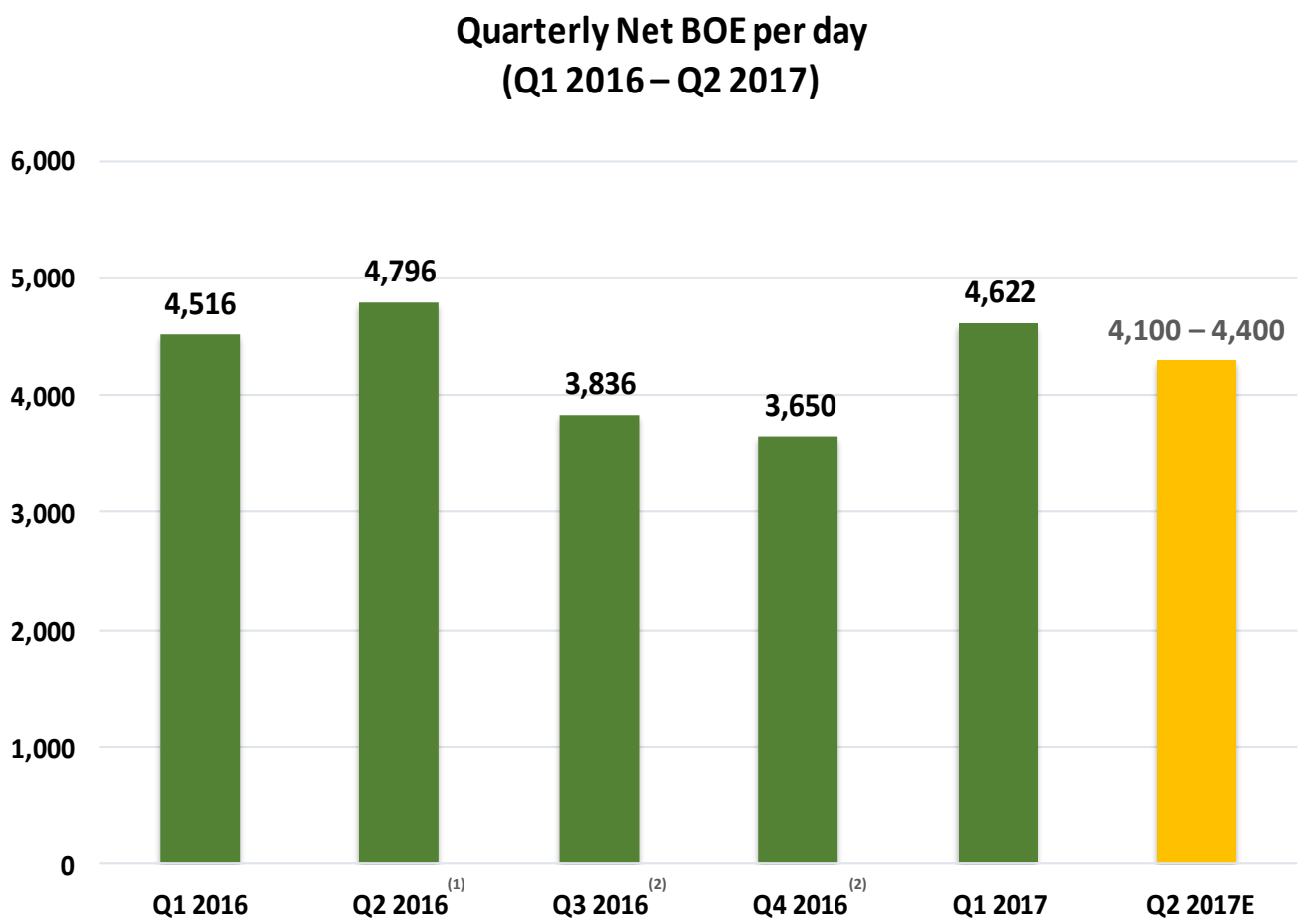
First Quarter 2017 (\$'s in millions)	
Cash and cash equivalents	\$ 24
Debt ⁽¹⁾	\$ 15
Financial performance – continuing operations	
Revenues	\$ 21
Production & G&A expenses	(11)
Exploration, DD&A, other operating expense	(2)
Operating income	8
Other expense and income tax	(4)
Income (loss) from continuing operations	4
Adjusted EBITDAX ⁽²⁾	\$ 10
Basic shares outstanding <i>(in millions)</i>	59
Earnings (Loss) per share from continuing operations	\$0.07

Goals: Maximize Margins, Minimize Risk, Manage Liquidity and Preserve Cash

(1) As of 3/31/2017, net of deferred financing costs
(2) See reconciliation



Successful Production Optimization

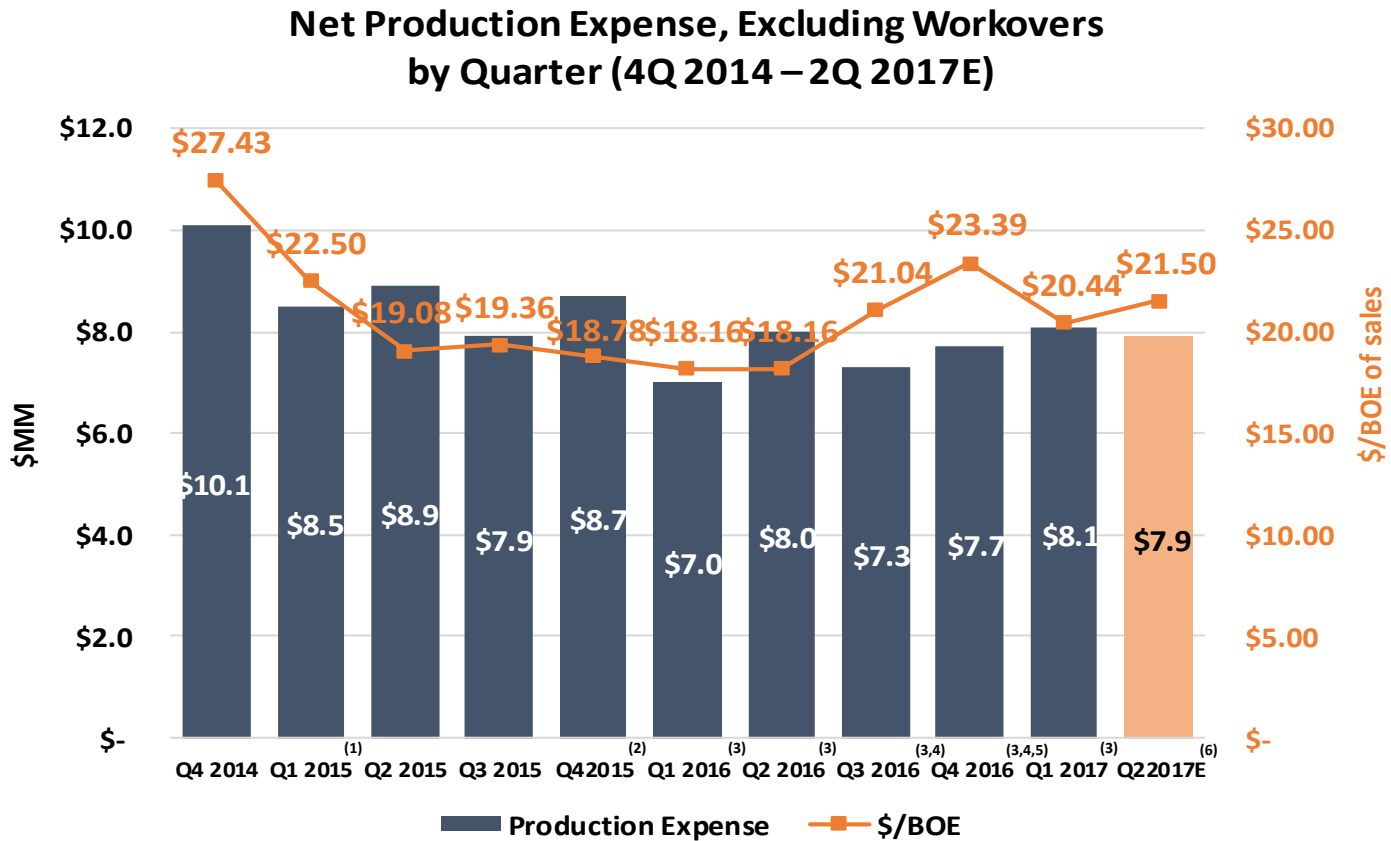


Q3 & Q4 2016 Negatively Impacted by ESP failures

Workovers Restored Production Entering 2017, Continue to Optimize Production

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

Net Production Expense Reductions



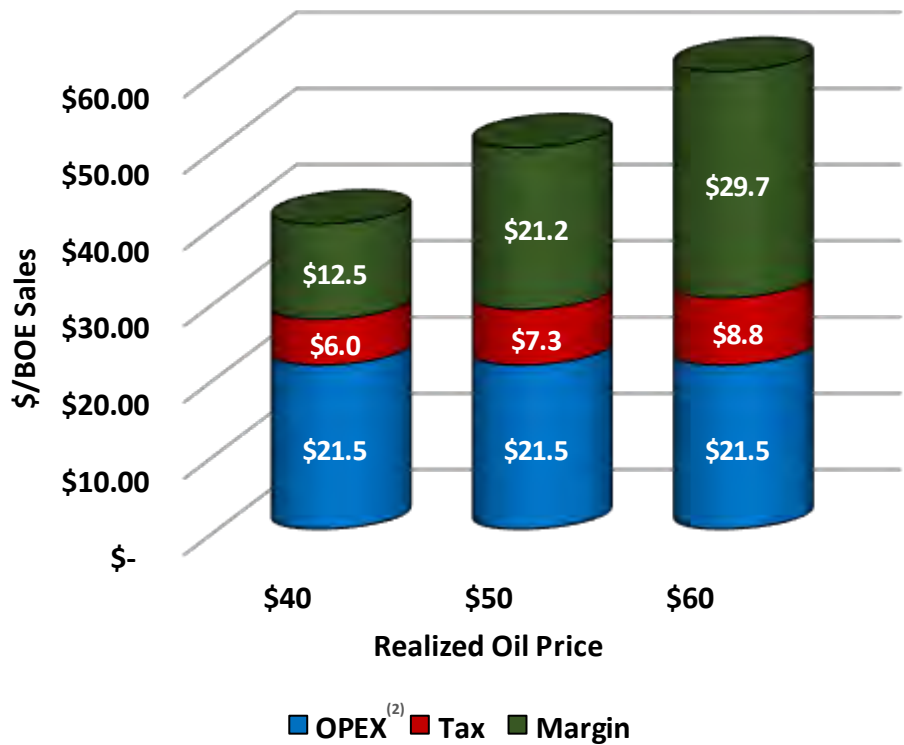
Q3 & Q4 2016 Cost per BOE Higher Due to Production Decreases from ESP failures
2017 Production Expense 11% Higher on Absolute Basis Due to 2016 Etame Acquisition from Sojitz

Maximizing Margins Through Ongoing Cost Containment Efforts

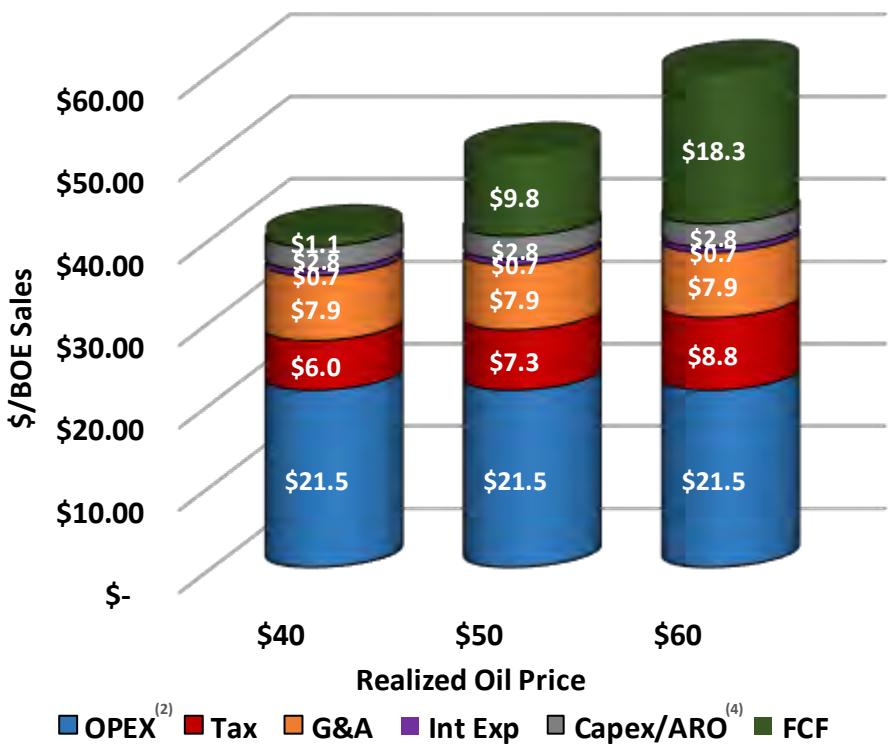
(1) Q1 2015 excludes non-cash, expensed costs for design work on CSP
(2) Q4 2015 excludes workovers and non-cash charge for suspension of CSP
(3) Q1, Q2, Q3, Q4 2016 and Q1 2017 excludes workovers
(4) Q3 & Q4 2016 impacted by lower projected sales due to ESP failures
(5) Q4 2016 Excludes non-recurring regulatory cost in Gabon
(6) Q2 2017E midpoint of guidance range

Projected Cash Margin Analysis

2017 Operational Margin Per Barrel⁽¹⁾



2017 Free Cash Flow Per Barrel⁽¹⁾



Each \$5/barrel improvement in oil price increases annualized cash flow by ~\$6MM
Free cash flow excludes 2017 principal payments of \$10.0mm⁽³⁾ and workovers

Operational Breakeven: ~\$27/BBL⁽⁵⁾

Free Cash Flow: ~\$39/BBL⁽⁵⁾

1) Excludes discontinued operations and workovers
2) Mid point of 2017 guidance range
3) Forecasted principal payments for 2017

4) Forecasted 2017 Capex & ARO payment
5) At \$40 realized oil price

West Africa Focus

Block P

Working Interest 31.0%

57,000 gross acres
18,000 net acres
Offshore Exploration
& Development

Mutamba Iroru Permit

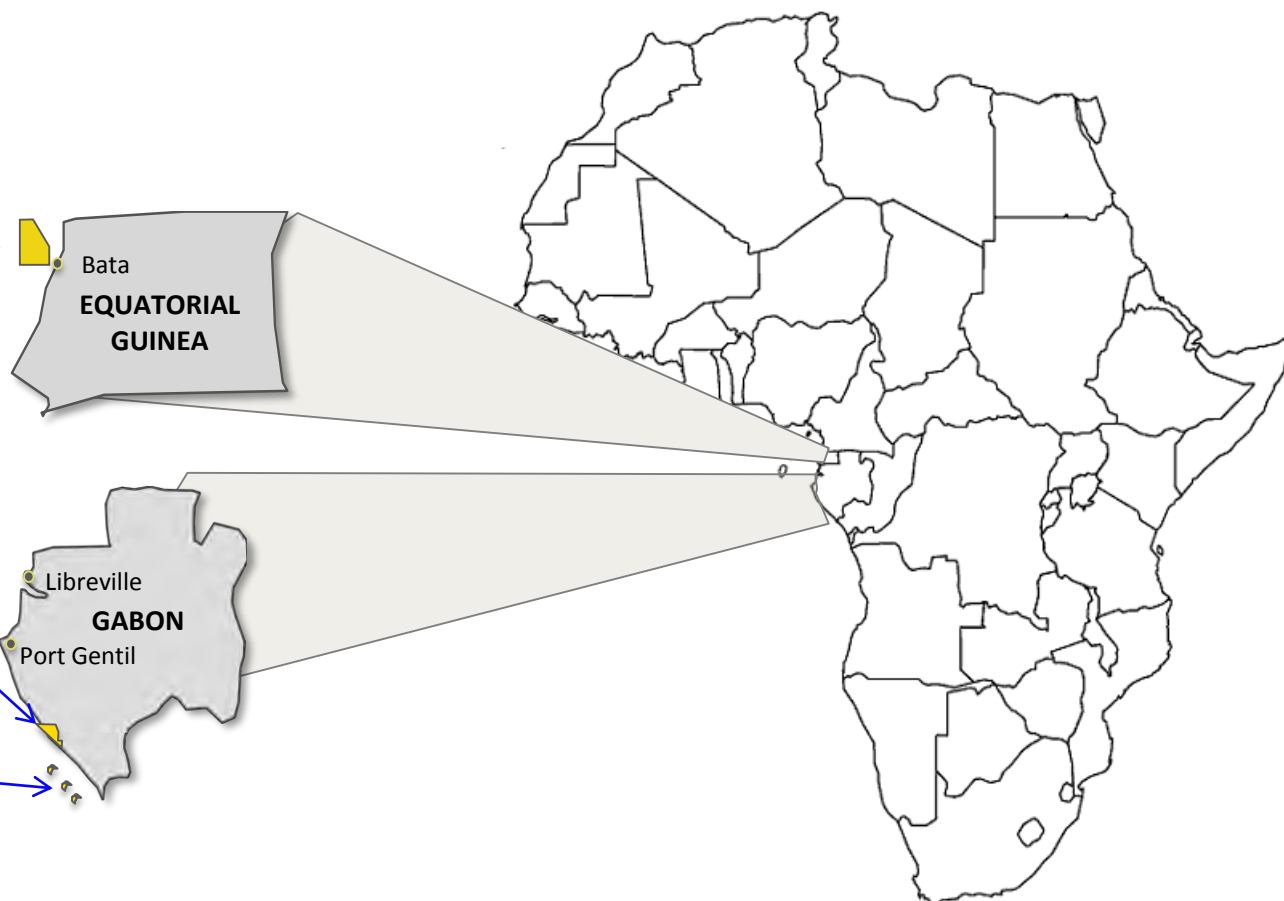
Working Interest 41.0%

270,000 gross acres
111,000 net acres
Onshore Exploration
& Development

Etame Marin Permit

Working Interest 31.1%

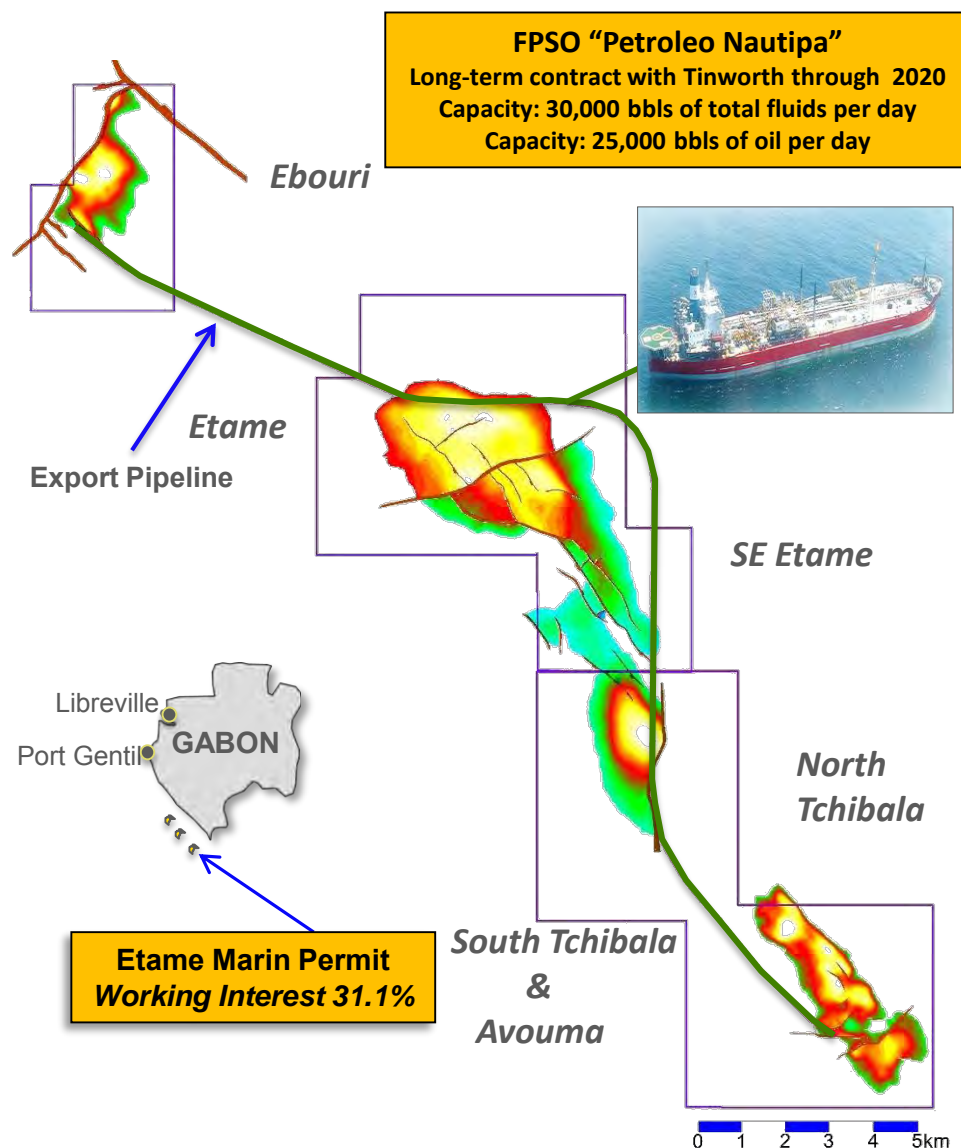
28,700 gross acres
8,100 net acres
Producing
~17,100 BOPD Gross⁽¹⁾
~4,622 BOPD Net⁽¹⁾



(1) Q12017 average

Offshore Gabon – Etame Marin Permit

- **Operator with a 31.1% net W.I.**
Partners: Sinopec (Addax), Sasol, PetroEnergy and Tullow
- **Currently 9 producing wells**
- **Q1 2017 production averaged ~17,100 gross (4,622 net) BOPD**
- **4.0 MMBO of net 2P reserves at year-end 2016**
- **Infrastructure in place to develop over 65 MMBO of gross unrisked recoverable contingent resources**



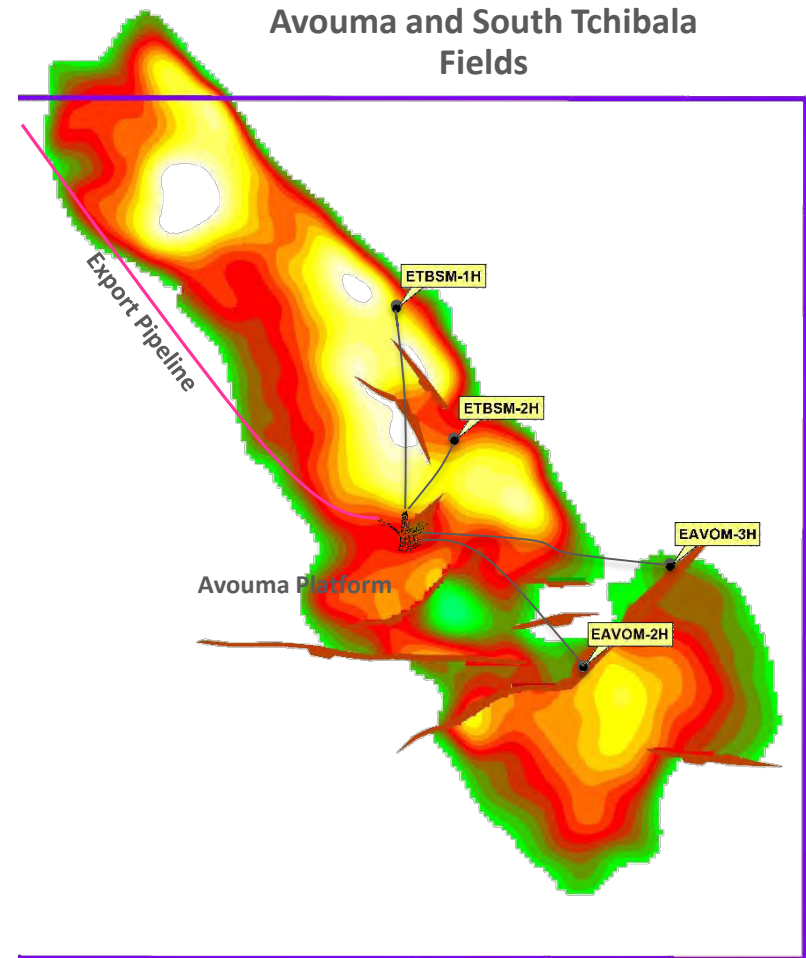
Cost Reduction Through Innovation

Two Well Workover Program on Avouma Platform to Replace ESPs

- South Tchibala 2-H workover successful
 - Restored 1,600 BOPD gross (430 BOPD net)
- Avouma 2-H workover successful
 - Restored ~2,700 BOPD gross (730 BOPD net)

Utilized hydraulic workover unit to replace ESP systems quickly and efficiently

- Up to 50% more cost effective than using a standard drilling rig
- Improved availability and faster deployment for workover projects, minimizing downtime
- Enhances economic life of field for reserve reporting due to lower costs



Q4 2016 Workover Program Restored over 1,000 BOPD Net Production

Etame Opportunities for Future Growth Potential

Infrastructure in place to develop opportunities

Near-Term Potential:

- Offset successful wells from the 2014/2015 development campaign

Long-Term Potential:

Etame Platform:

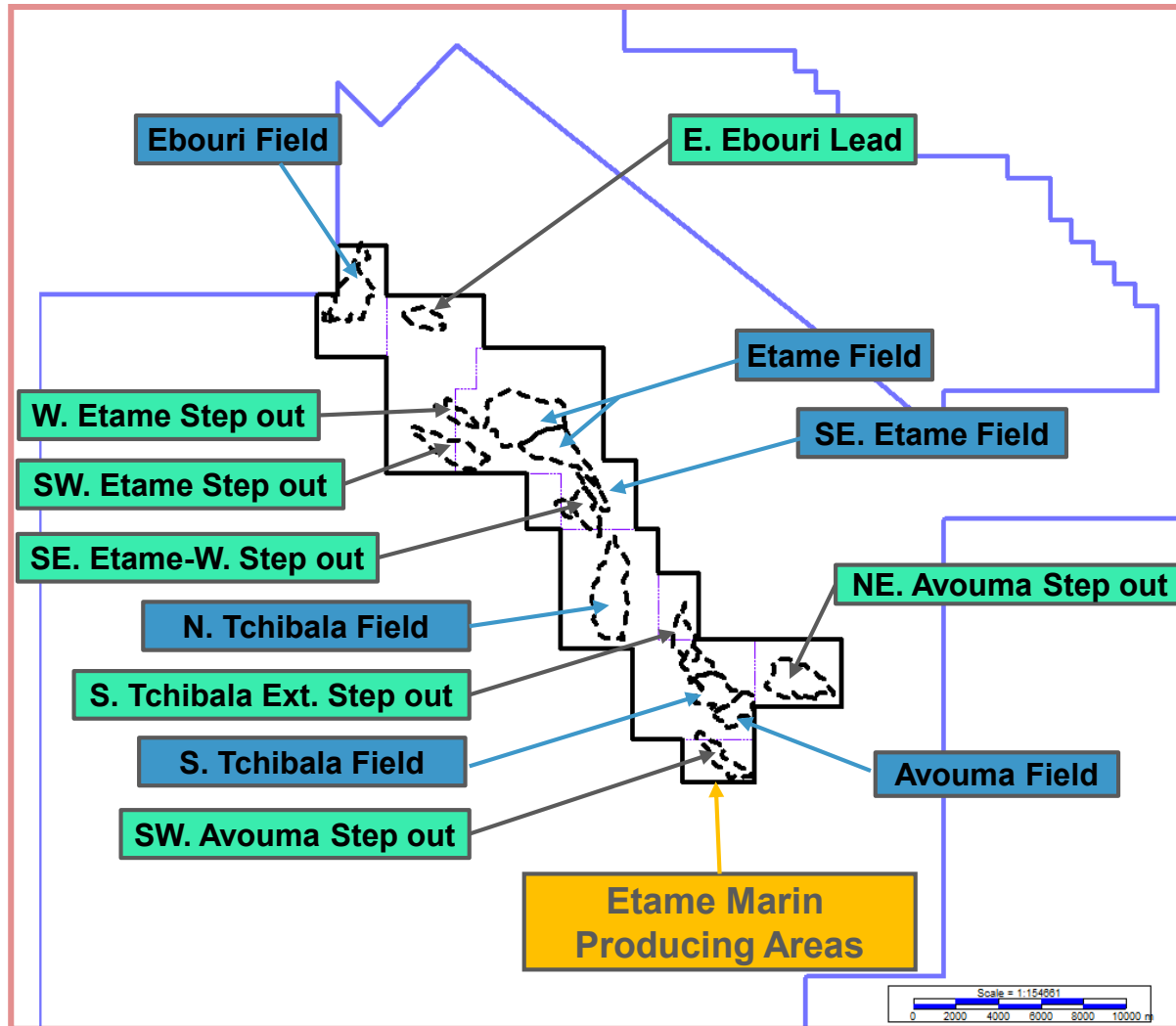
- Three Gamba and six Dentale infills (29 MMBBLS)

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

Looking to the Future

Significant Development Opportunities at Etame

- Development opportunities identified that would extend the economic life
- Over 65 MMBO of gross unrisked recoverable contingent resources
- Operating infrastructure in place to support development

Etame License Extension

- Current license terminates in 2021
- Need license extension to enhance economics of new development wells

Angola Exit

- Relinquishing exploration license in Angola to focus on development in Gabon
- VAALCO believes that the accrued \$15 million liability will be substantially less
- Resolution would strengthen the balance sheet and improve access to capital

Growth

- Leverage existing infrastructure, technical expertise and experience in international offshore, major projects and production operations
- Seeking attractively valued new development opportunities in West Africa
- Evaluating value accretive merger and acquisition opportunities

Each Opportunity, When Realized, Should Add Significant Value

Appendix

2017 Full Year Guidance *(As of May 8, 2017)*

Production (BOPD) **3,700 – 4,300***
*2nd Quarter 4,100 – 4,400

Production Expense⁽¹⁾ **\$31 - \$35 MM***
(\$20.00 - \$23.00 per BOE)
*2nd Quarter Guidance (\$20.00 - \$23.00 per BOE)

Workovers **\$3 - \$5 MM***
*Assumed in 2nd half of 2017

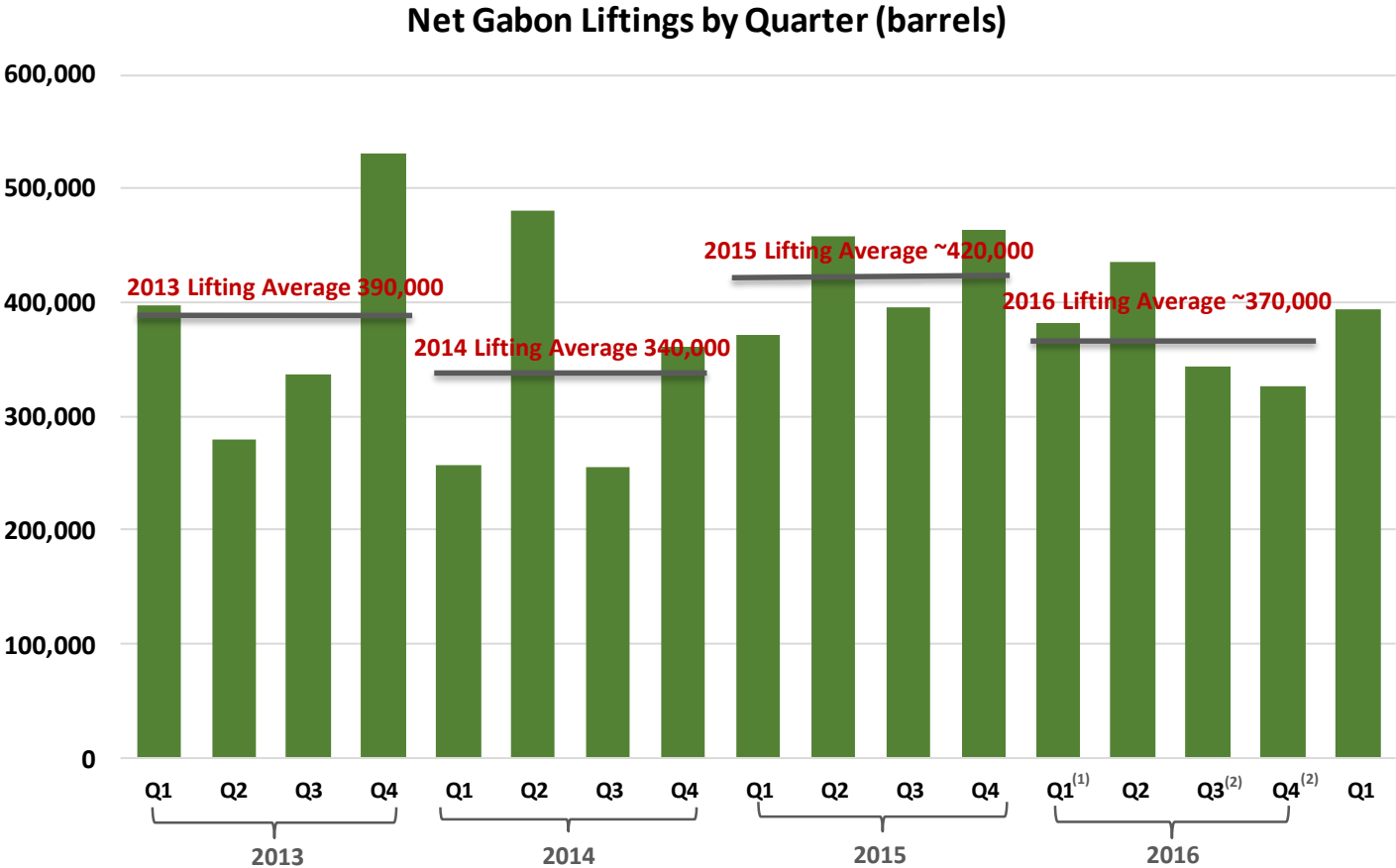
Cash G&A	\$11 - \$13 MM
Non Cash G&A	~\$2 MM
Total G&A	\$13 - \$15 MM

DD&A (\$/BOE) **\$4.00 - \$5.00/BOE**

CAPEX **\$1 - \$3 MM**

(1) Excludes workovers

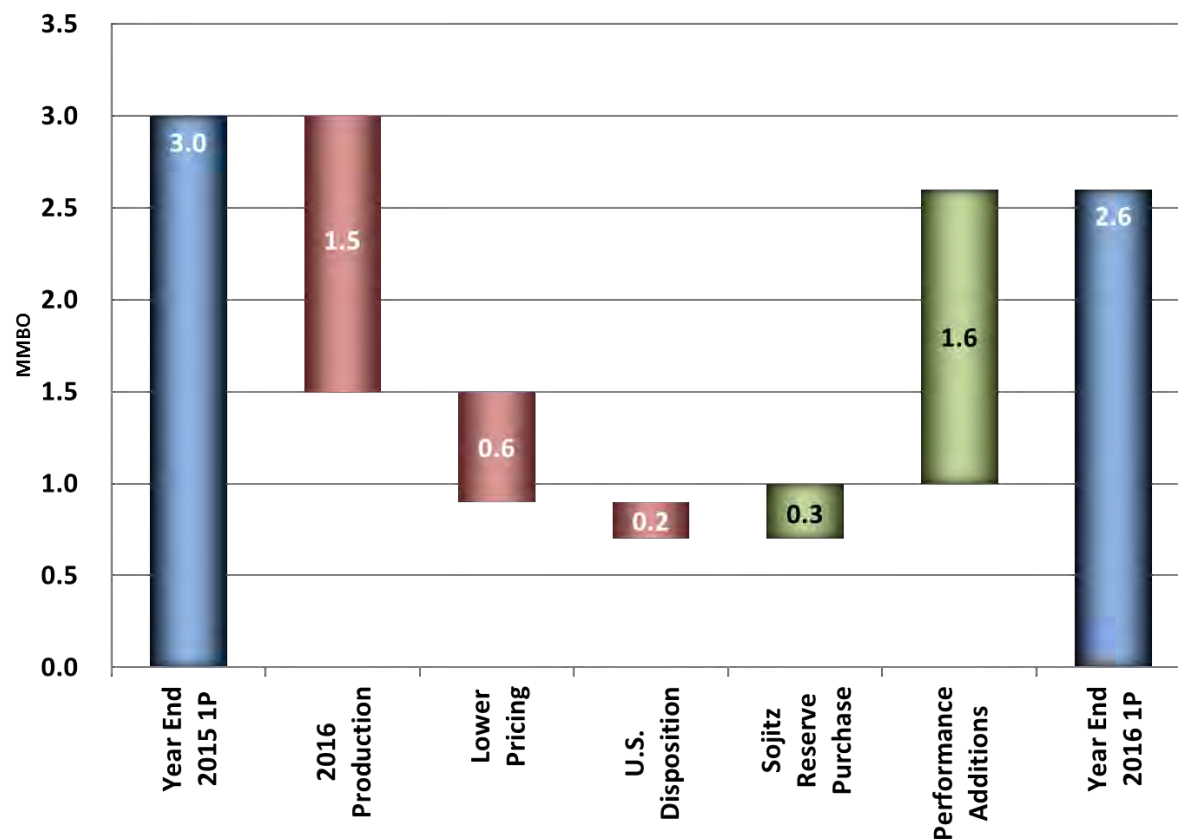
Offshore Gabon Net Liftings



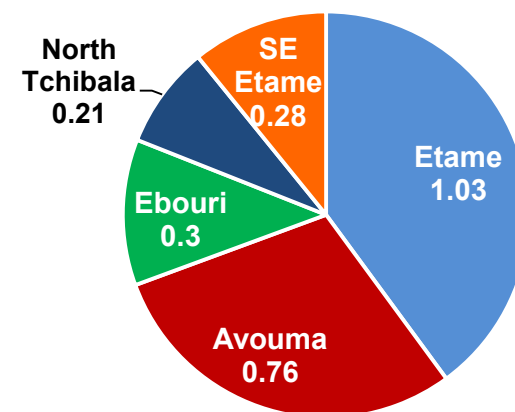
(1) Q1 2016 lifting impacted by field wide six day turnaround
(2) Q3 & Q4 2016 impacted by ESP failures in 2 Avouma wells

Year End 2016 Reserves

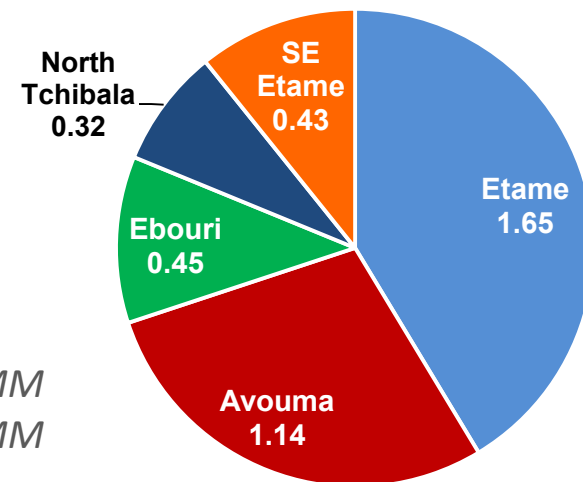
Year End 2016 Net Proved Reserves



1P Proved Reserves 2.6 MMBO
SEC Pricing PV10 Value \$9MM, 100% Oil⁽¹⁾



2P Reserves 4.0 MMBO, 100% Oil
SEC Pricing PV10 Value \$18MM, 100% Oil⁽²⁾



(1) At strip prices 1P reserves are 3.3MMBO and PV10 value is \$37MM

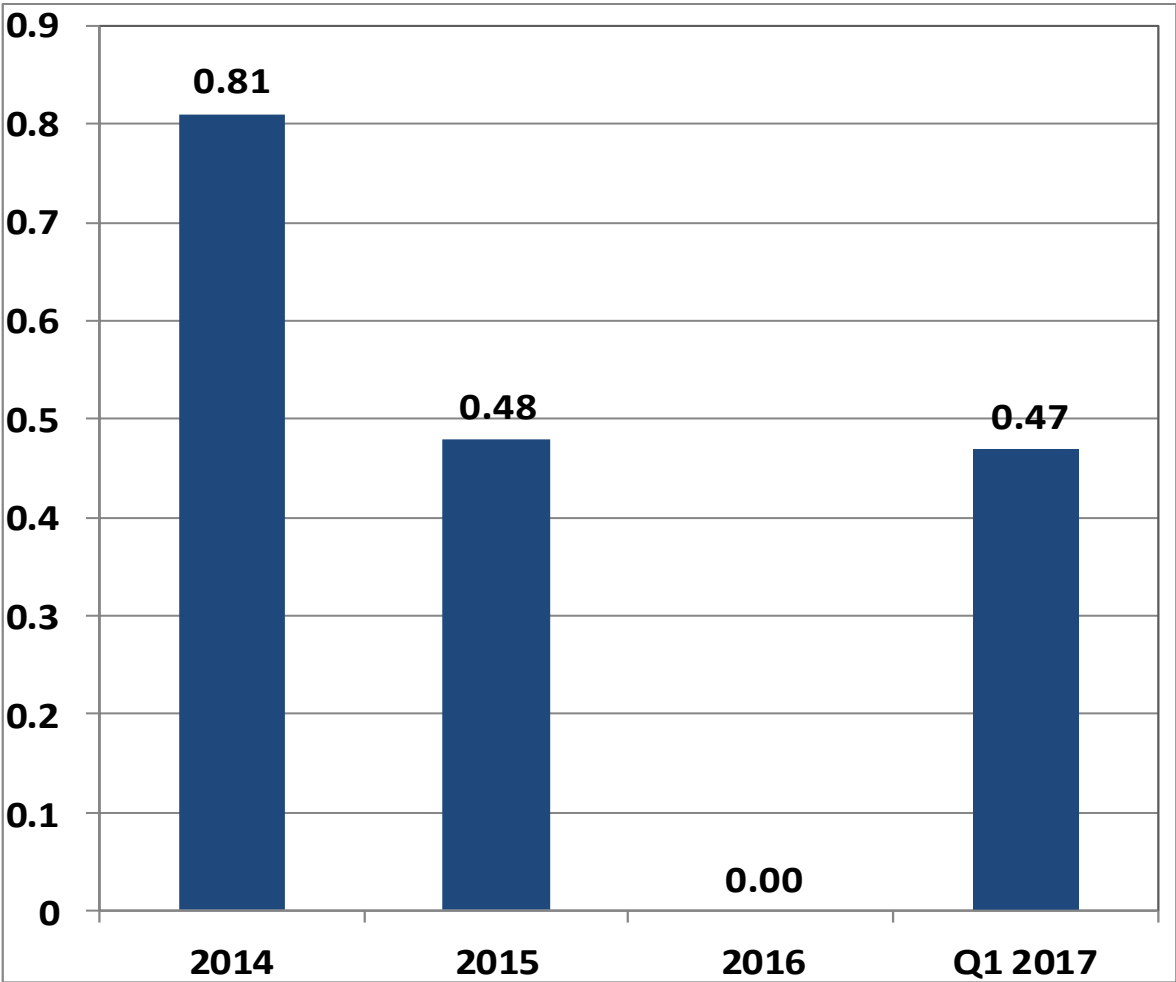
(2) At strip prices 2P reserves are 5.0MMBO and PV10 value is \$58MM

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



Commendable Safety Record

Total Recordable Incident Rate



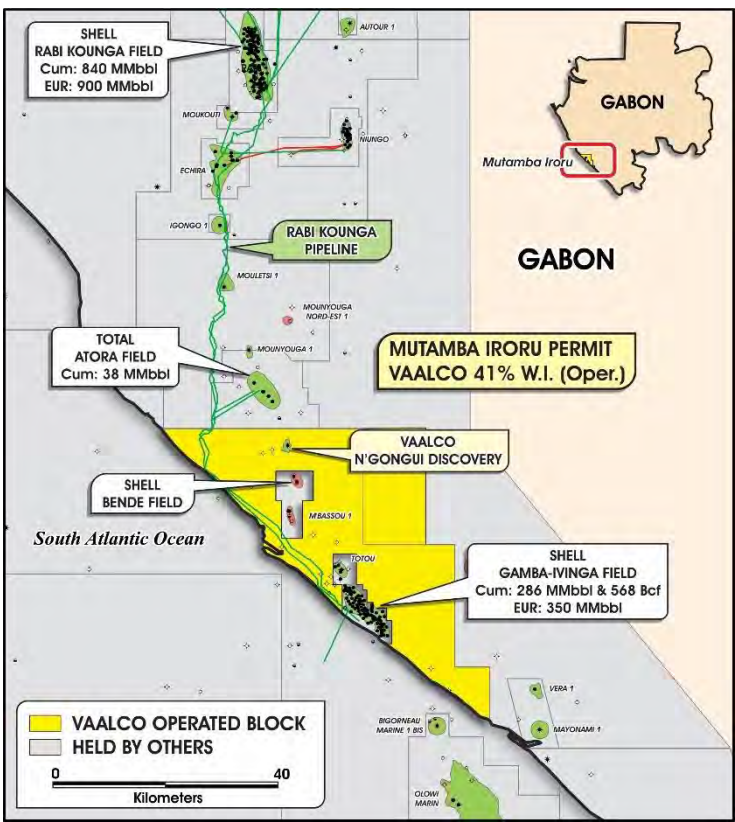
Key Improvements

- Re-emphasized training and renewed focus on safety
- Increased cooperation between Houston and Port Gentil management and staff
- Maintain strong safety record while reducing costs

VAALCO is Committed to Operating Safely

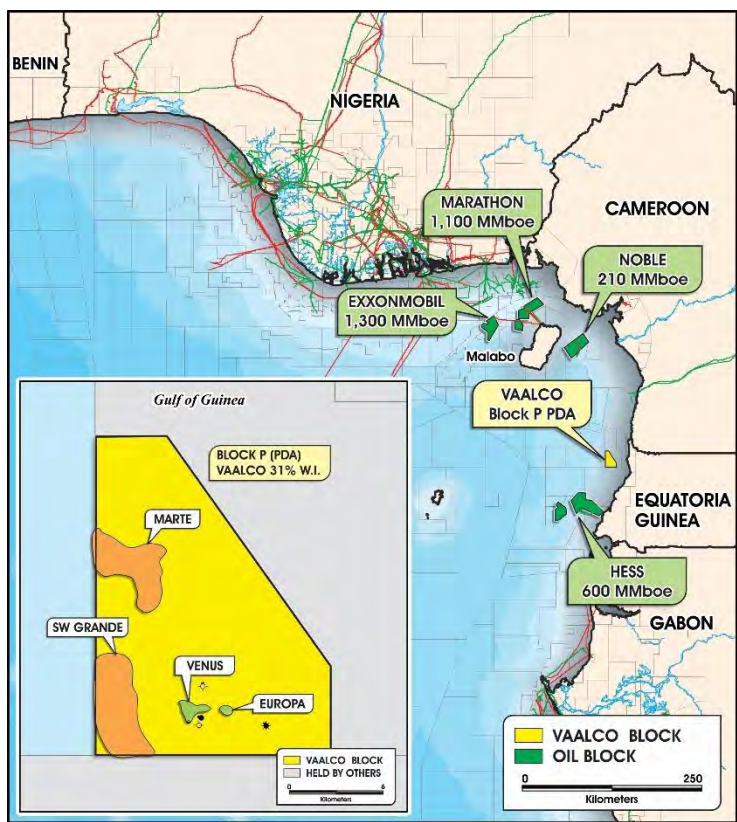
Onshore Gabon & Equatorial Guinea

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 When Prices Recover

Non-GAAP Measures

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.

Non-GAAP Reconciliations

Reconciliation of Net income (loss) to Adjusted EBITDAX

	Three Months Ended		
	March 31, 2017	March 31, 2016	December 31, 2016
Net income (loss)	\$ 4,259	\$ (7,624)	(3,641)
Add back:			
Impact of discontinued operations	176	(7,806)	286
Interest (income) expense, net	403	488	328
Income tax expense	3,194	1,685	2,364
Depreciation, depletion and amortization	1,869	2,238	1,139
Exploration expense	-	-	1
Non-cash or unusual items:			
Stock-based compensation	154	420	72
Shareholder matters	15	(453)	18
Commodity derivative loss	180	-	939
Equipment write-offs	63	-	-
Bad debt expense	98	343	645
Adjusted EBITDAX	<u>\$ 10,411</u>	<u>\$ (10,709)</u>	<u>\$ 2,151</u>