

## ***November 2017 Update***

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# Safe Harbor Statement

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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 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 September, 30 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 Opportunities**

# VAALCO Overview

- Houston-based independent E&P
- Excellent reputation as a West Africa operator
- Gabon-focused with 100% oil production and reserves moving forward
- Operational capacity to take on new assets and projects
- \$18.9 million cash and cash equivalents<sup>(3)</sup>
- \$11 million debt<sup>(5)</sup>

Key Metrics		
Share Price <sup>(1)</sup>	\$0.90	
52-Week Range <sup>(1)</sup>	\$0.68 - \$1.43	
Market Capitalization <sup>(1)</sup>	\$ 54	Million
Enterprise Value	\$ 46	Million
Net Production <sup>(2)</sup>	3,707	BOEPD
Proved Reserves <sup>(4)</sup>	2.6	MMBOE
2P Reserves <sup>(4)</sup>	4.0	MMBOE
% Oil (Brent Based Pricing)	100%	
% Operated	100%	

**Proven Operator with a Track Record of Success**

(1) As of 11/8/2017  
(2) Q32017 average

(3) As of 9/30/2017  
(4) As of 12/31/2016

(5) As of 9/30/2017, net of deferred financing costs

# 2017 Q3 Recent Overview and Accomplishments

- Reported loss from continuing operations of \$148,000 or \$0.00 per diluted share for the third quarter of 2017, which includes a non-cash mark to market loss associated with the Company's put contracts of \$1.1 million and a \$195,000 realized settlement gain
- Generated operating income of \$3.7 million in the third quarter of 2017 and Adjusted EBITDAX of \$5.7 million
- Produced an average of 3,707 barrels of oil per day (BOPD) in Q3 2017, at the high end of the guidance range of 3,500 to 3,800 BOPD
- Completed the planned 2017 maintenance turnaround with no adverse environmental or safety incidents in July 2017
- Mobilized hydraulic workover unit to Avouma platform to repair electrical submersible pumps ("ESPs") at two South Tchibala wells
- On November 3, production from the South Tchibala 1-HB was restored at a rate of 1,100 BOPD gross (300 BOPD net)
- Total Company current production has increased to approximately 15,300 BOPD gross (4,150 net)

**Focused on Maximizing Margins, Maintaining Production and Accretive Acquisitions**

# Financial Performance and Position

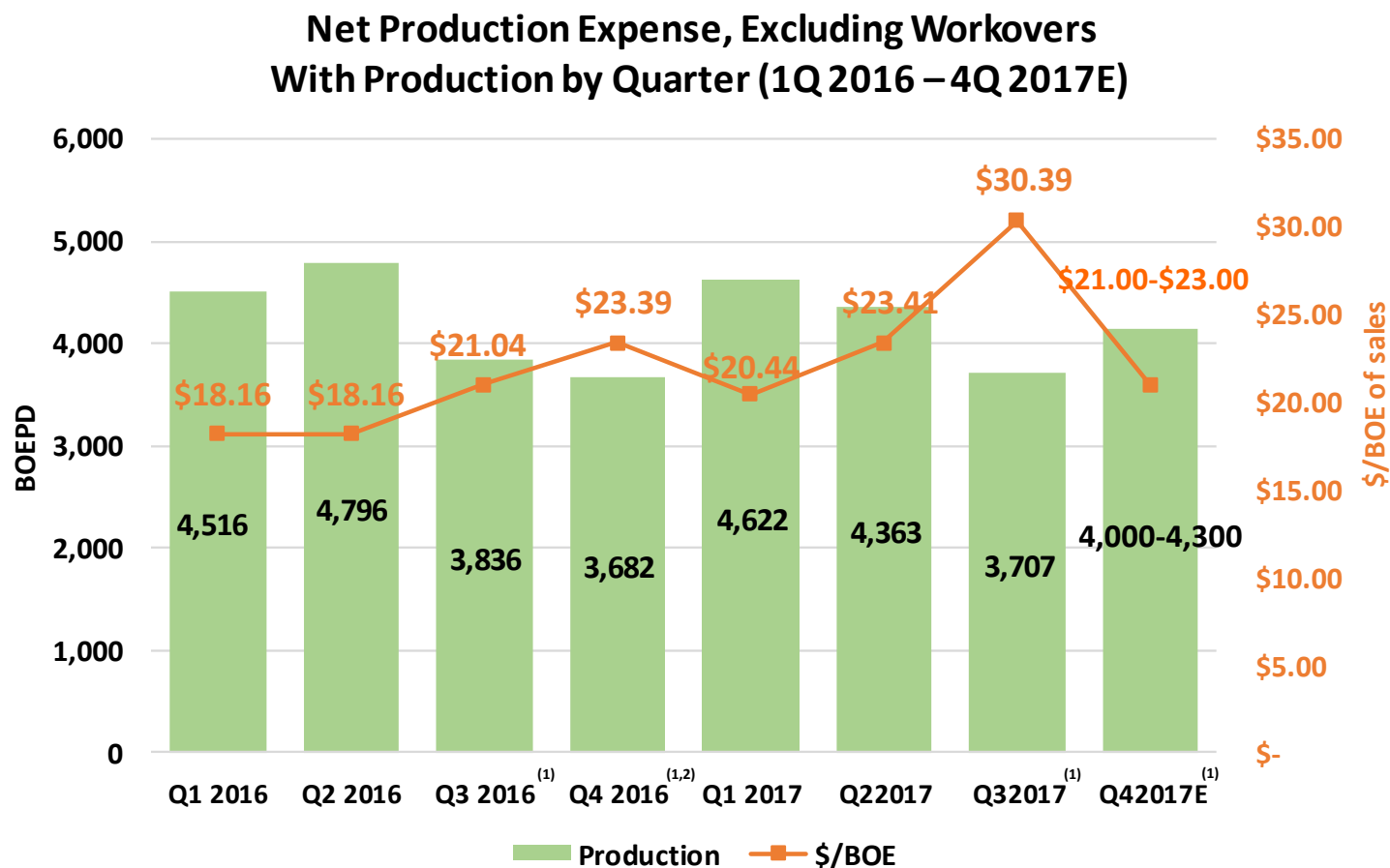
- Maximizing cash by optimizing production and reducing costs
- Straightforward capital structure with minimal debt burden
- Public company with ability to access multiple sources of capital
- Fully weighted to oil (100%)
- Increase in Brent quickly adds cash to the balance sheet
- Put contract volumes for 2017 cover ~50% of projected production net of taxes at an average floor price of ~\$50

Third Quarter 2017 (\$'s in millions)	
Cash and cash equivalents	\$ 18.9
Debt <sup>(1)</sup>	\$ 11.0
Financial performance – continuing operations	
Revenues	\$ 18.2
Production & G&A expenses	(12.8)
Exploration, DD&A, other operating expense	(1.7)
Operating income	3.7
Other expense and income tax	(3.9)
Income (loss) from continuing operations	(0.1)
Adjusted EBITDAX <sup>(2)</sup>	\$ 5.7
Basic shares outstanding <i>(in millions)</i>	58.8
Earnings (loss) per share from continuing operations	(\$0.00)

**Goals: Maximize Margins, Minimize Risk and Manage Liquidity**

(1) As of 9/30/2017, net of deferred financing costs  
 (2) See reconciliation

# Production and Net Production Expense per BOE



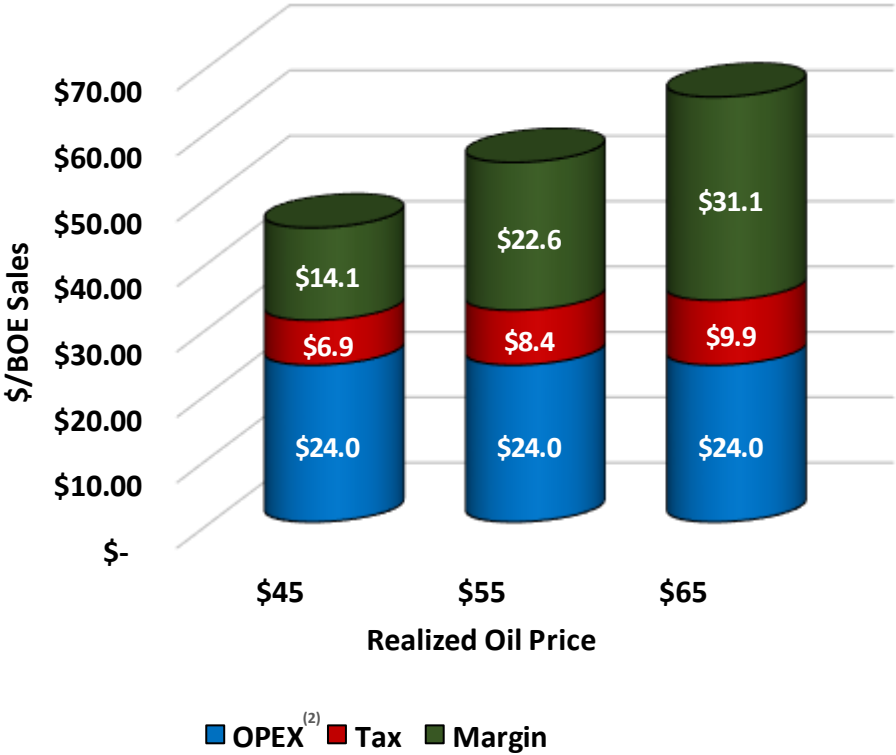
*Q3 & Q4 2016 Cost per BOE Higher Due to Production Decreases from ESP failures*  
*Q3 2017 Cost per BOE Higher Due to Production Decreases from Turnaround and ESP failures*

**Minimizing Base Decline and Focused on Cost Containment**

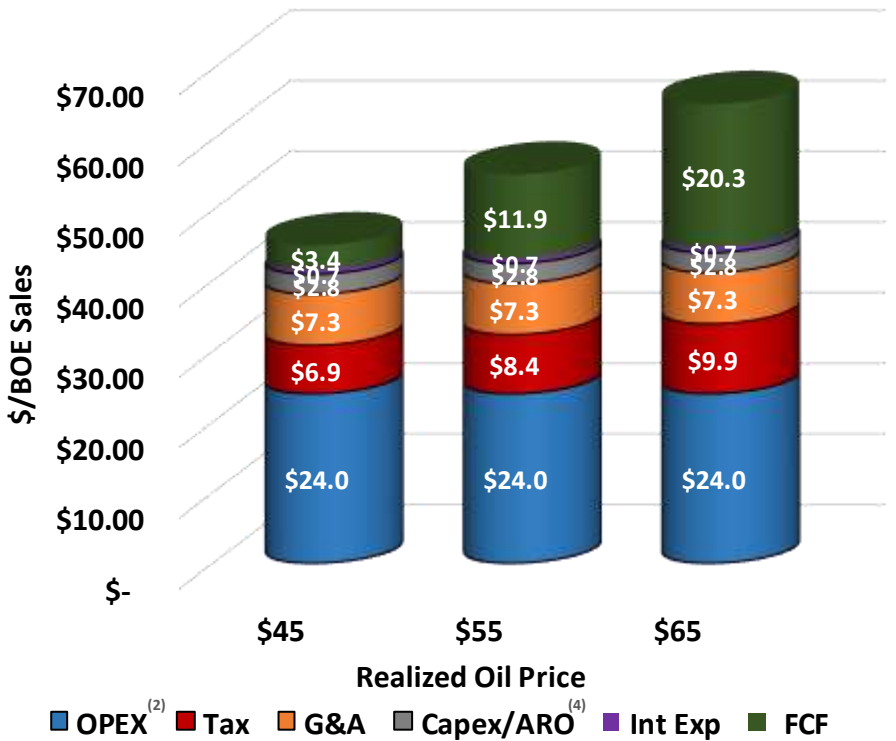
1) Q3 & Q4 2016, Q3 & Q4 2017 impacted by lower sales due to ESP failures  
2) Q4 2016 Excludes non-recurring regulatory cost in Gabon

# Projected Cash Margin Analysis

2017 Operational Margin Per Barrel<sup>(1)</sup>



2017 Free Cash Flow Per Barrel<sup>(1)</sup>



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

Operational Breakeven: ~\$30/BBL

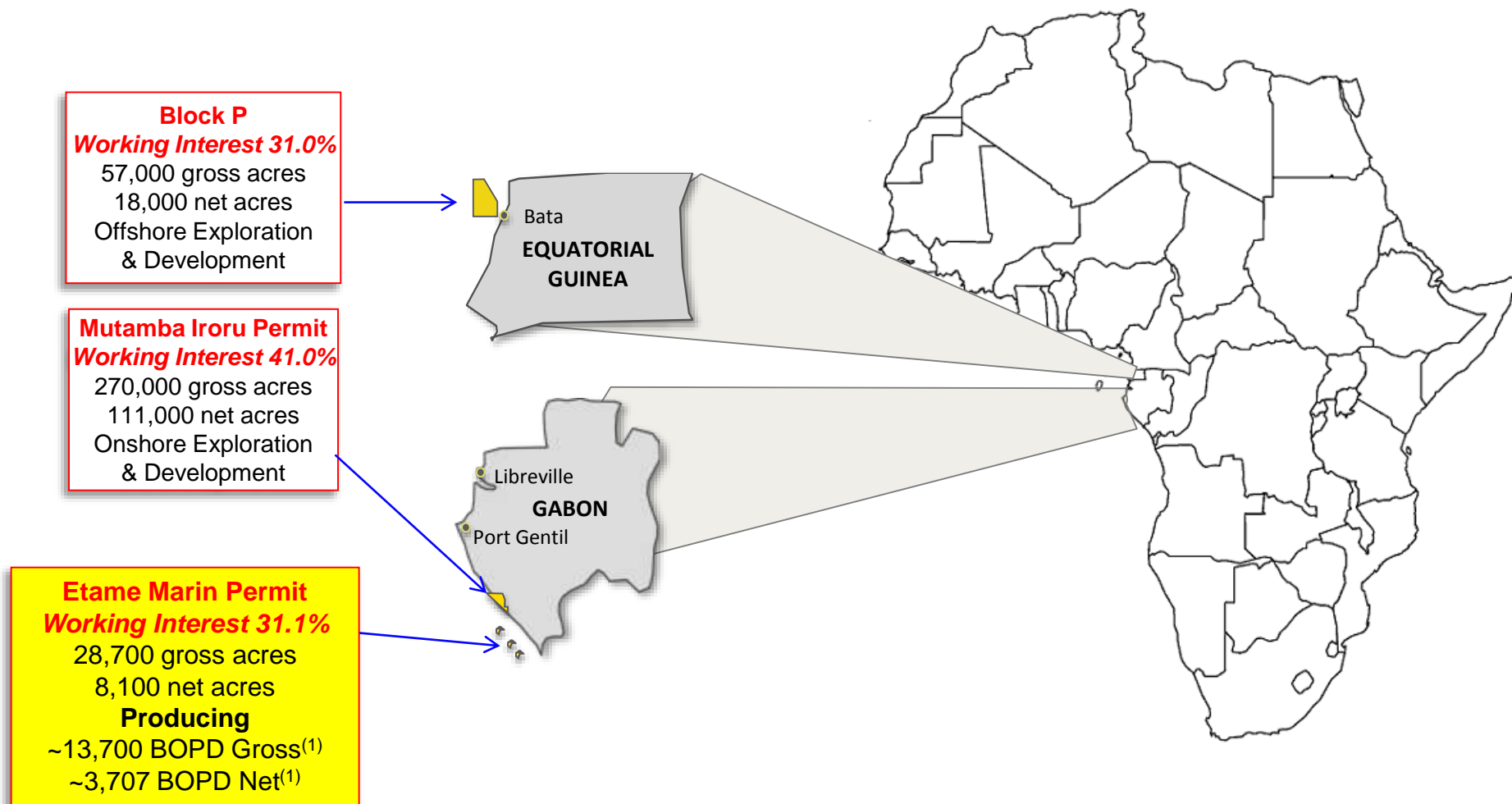
Free Cash Flow Break-Even: ~\$41/BBL

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



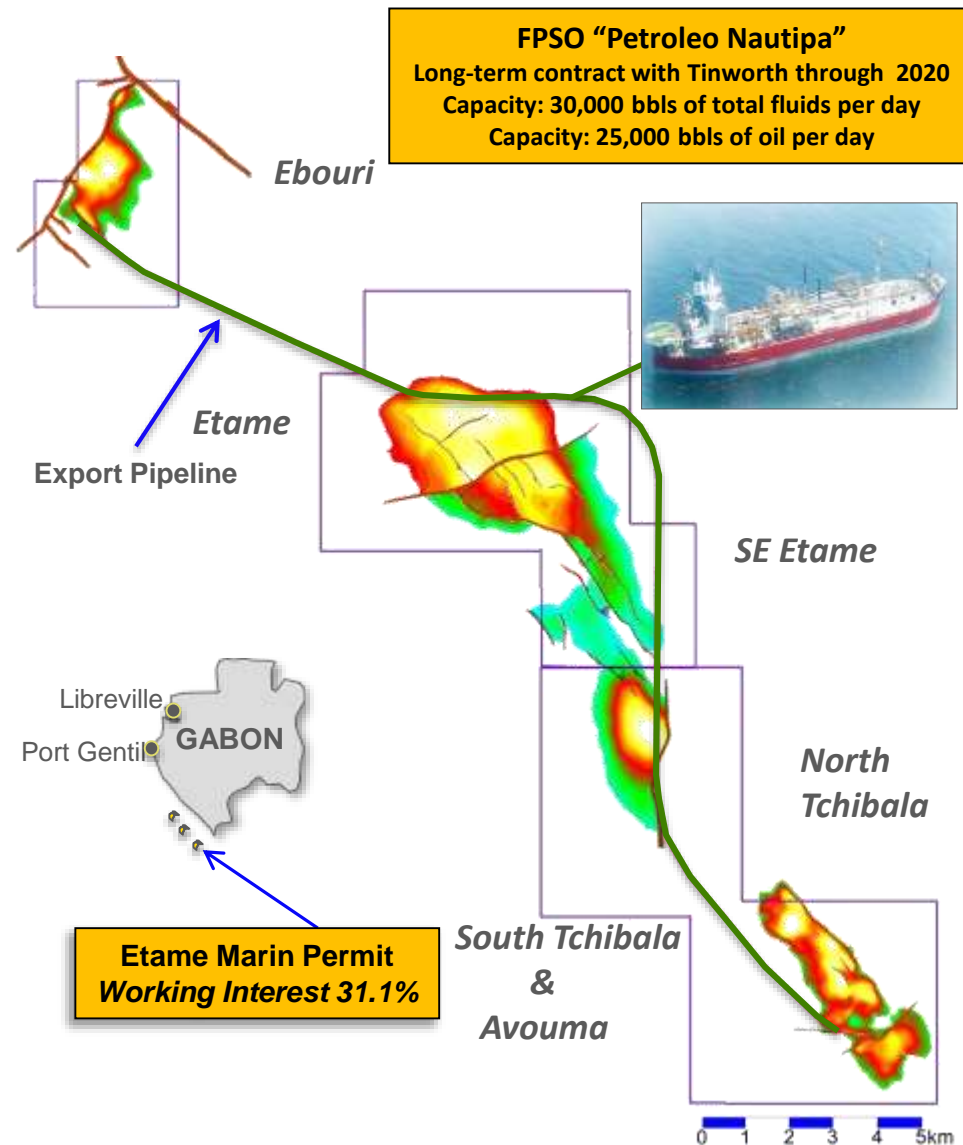
# West Africa Focus



(1) Q32017 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**
- **Q3 2017 production averaged ~13,700 gross (3,707 net) BOPD**
- **4.0 MMBO of net 2P reserves at year-end 2016**
- **Infrastructure in place to develop over 71 MMBO of gross unrisked recoverable contingent resources**



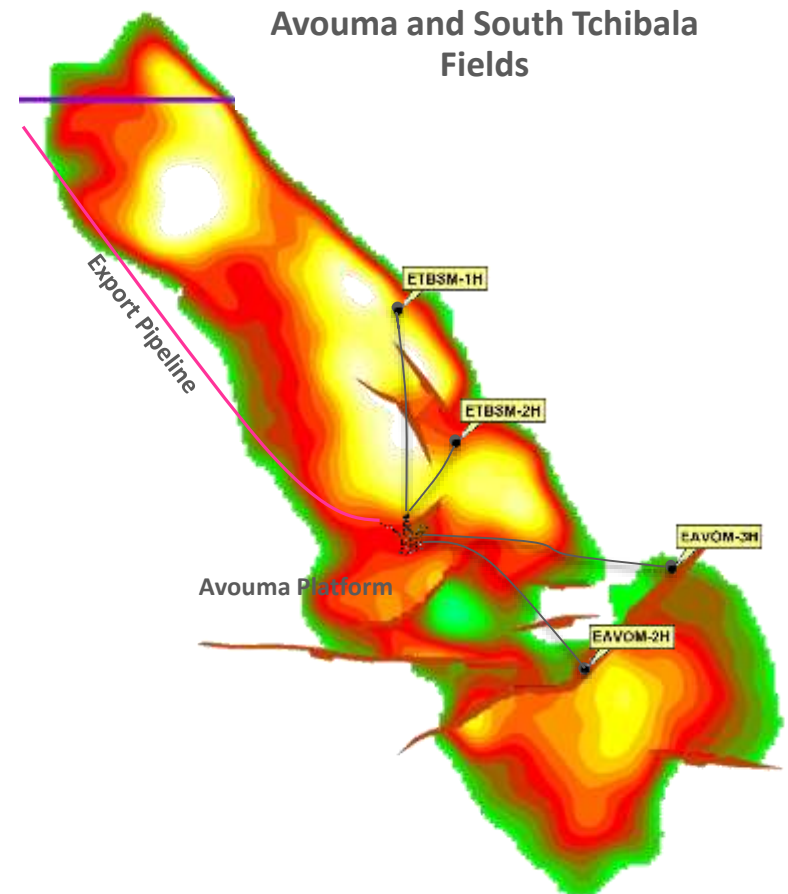
# Cost Reduction Through Innovation

## Utilizing 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

## Workover Program on Avouma Platform to Replace ESPs

- South Tchibala 1-HB workover successful in Q4 2017
  - Restored ~1,100 BOPD gross (300 BOPD net)
  - Prior to ESP failure well was producing ~900 BOPD gross (245 BOPD net)
- South Tchibala 2-H
  - Initial workover successful in Q4 2016
  - Subsequent ESP failure in July 2017
  - Workover currently underway unit to replace ESP



# 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:

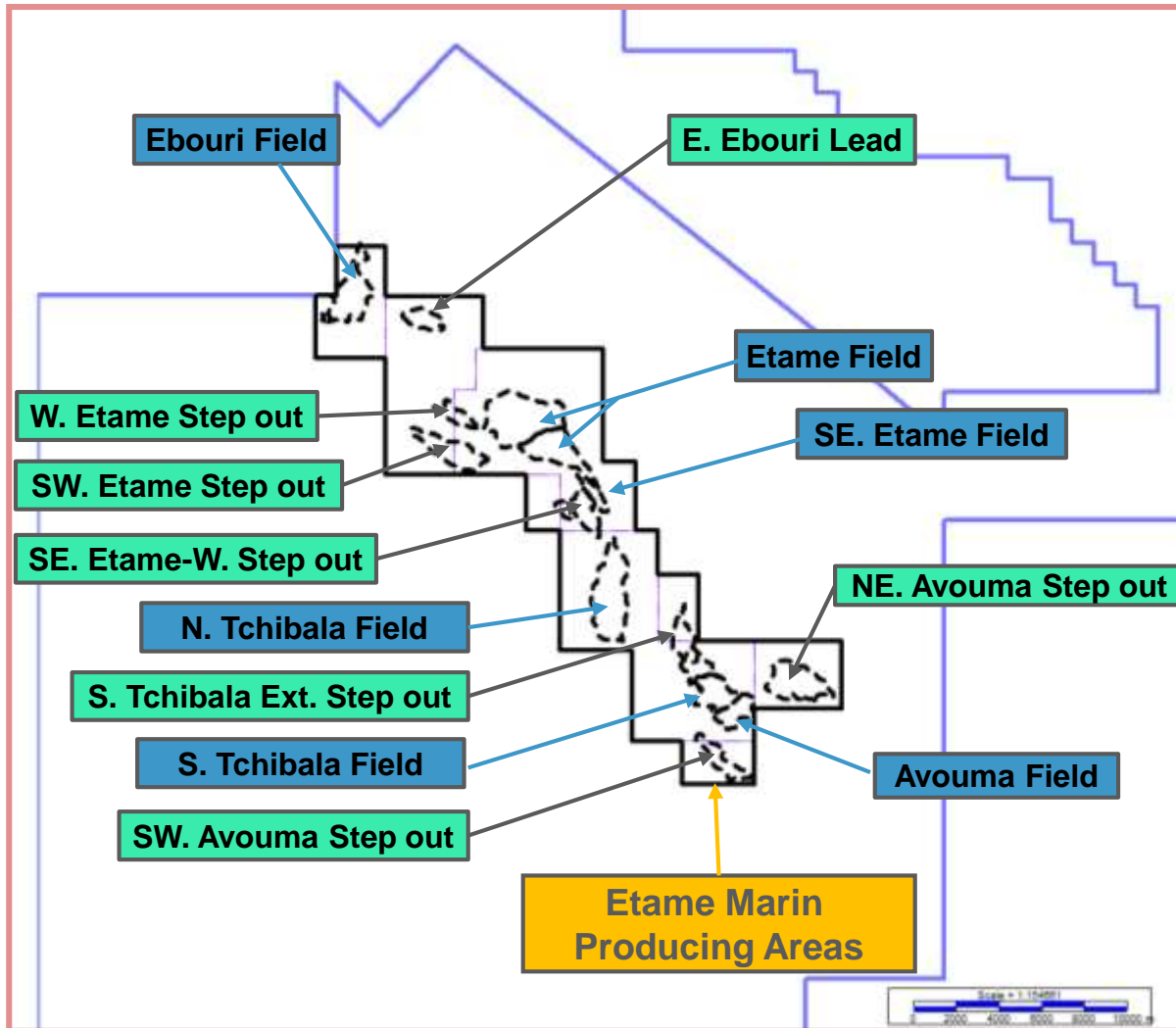
- Three Gamba and six Dentale infills (29 MMBBLS)

### SEENT Platform:

- Four Gamba, four Dentale infills (25 MMBBLS)

### Avouma Platform:

- Two Gamba and two Dentale infill (12 MMBBLS)



**Over 71 MMBO of Gross Unrisked Recoverable Contingent Resources**

# Looking to the Future

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## Significant Development Opportunities at Etame

- Development opportunities identified that would extend the economic life
- Over 71 MMBO of gross unrisked recoverable contingent resources
- Operating infrastructure in place to support development

## Etame License Extension

- Current license terminates in 2021; continue to have constructive discussions and working sessions with decision makers within the Gabonese government
- License extension would 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**

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# Appendix

# 2017 Full Year Guidance *(As of November 9, 2017)*

<b>Production (BOPD)</b>	<b>4,100 – 4,200*</b>
<b>*4<sup>rd</sup> Quarter 4,000– 4,300</b>	

<b>Production Expense<sup>(1)</sup></b>	<b>\$33 - \$37 MM*</b>
	<b>(\$23.00 - \$25.00 per BOE)</b>
<b>*4<sup>rd</sup> Quarter Guidance (\$21.00 - \$23.00 per BOE)</b>	

<b>Workovers</b>	<b>\$3.5 - \$4 MM</b>
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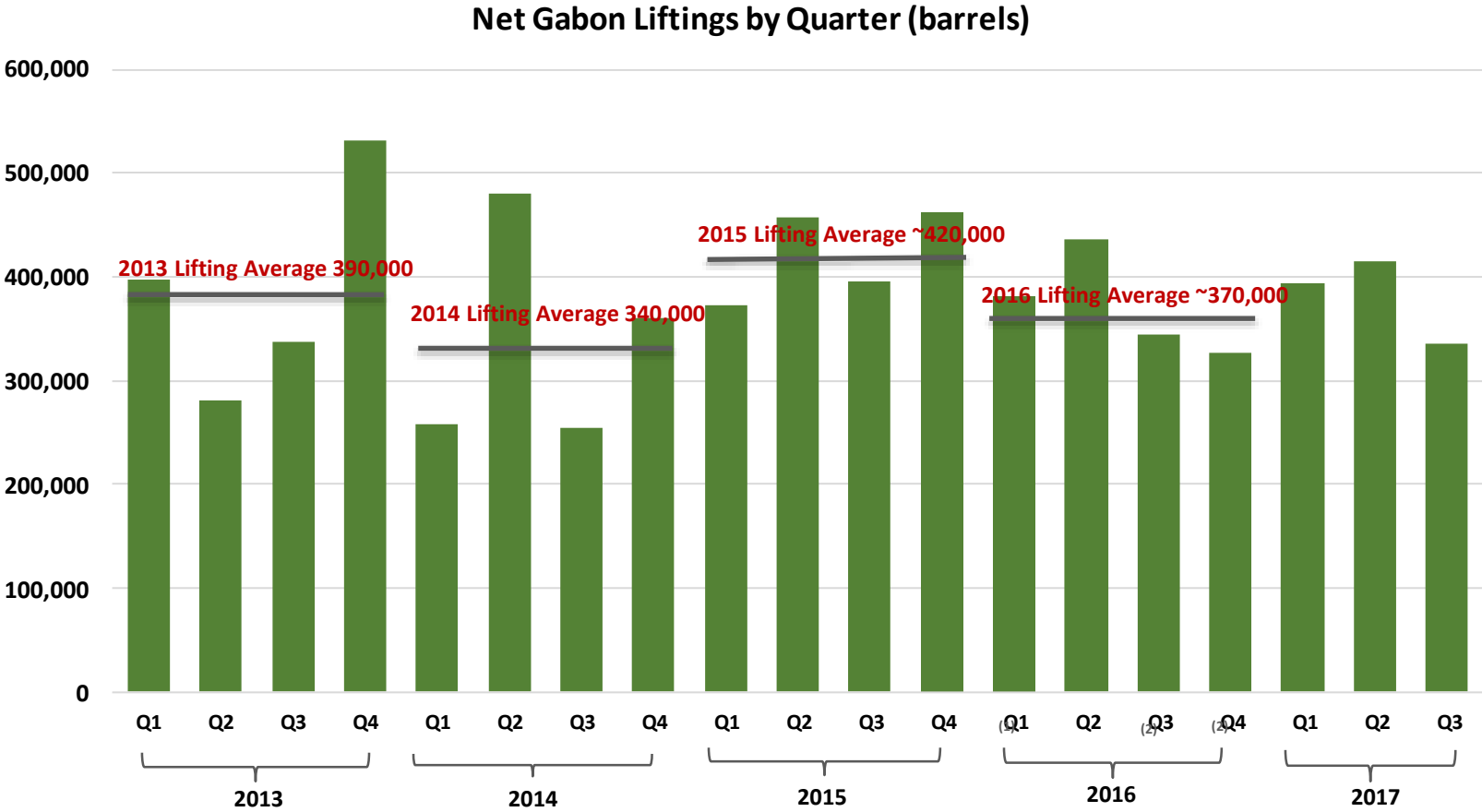
<b>Cash G&amp;A</b>	<b>\$10 - \$12 MM</b>
Non Cash G&A	~\$1-2 MM
Total G&A	\$11 - \$13 MM

<b>DD&amp;A (\$/BOE)</b>	<b>\$4.00 - \$5.00/BOE</b>
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<b>CAPEX</b>	<b>\$1 - \$3 MM</b>
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(1) Excludes workovers

# Offshore Gabon Net Liftings

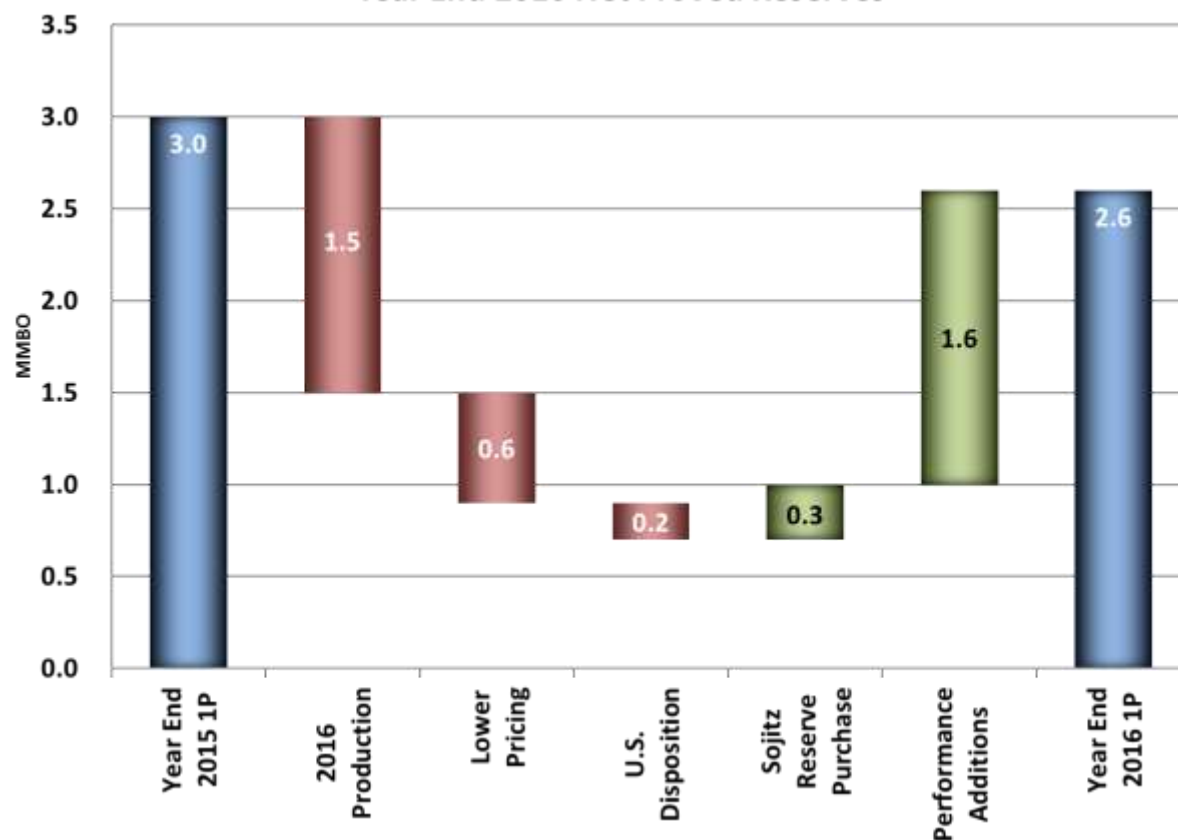


(1) Q1 2016 lifting impacted by field wide six day turnaround  
(2) Q3 & Q4 2016 impacted by ESP failures in 2 Avouma wells



# Year End 2016 Reserves

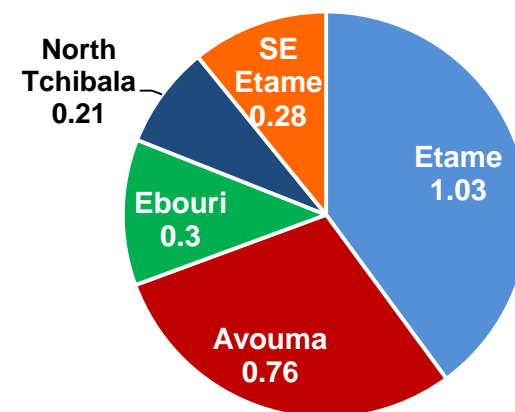
Year End 2016 Net Proved Reserves



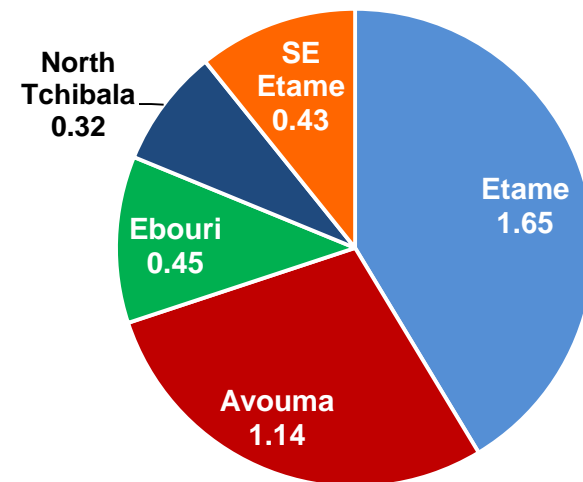
(1) At strip prices<sup>(1)</sup> 1P reserves were 3.3MMBO and PV10 value was \$37MM

(2) At strip prices<sup>(1)</sup> 2P reserves were 5.0MMBO and PV10 value was \$58MM

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



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

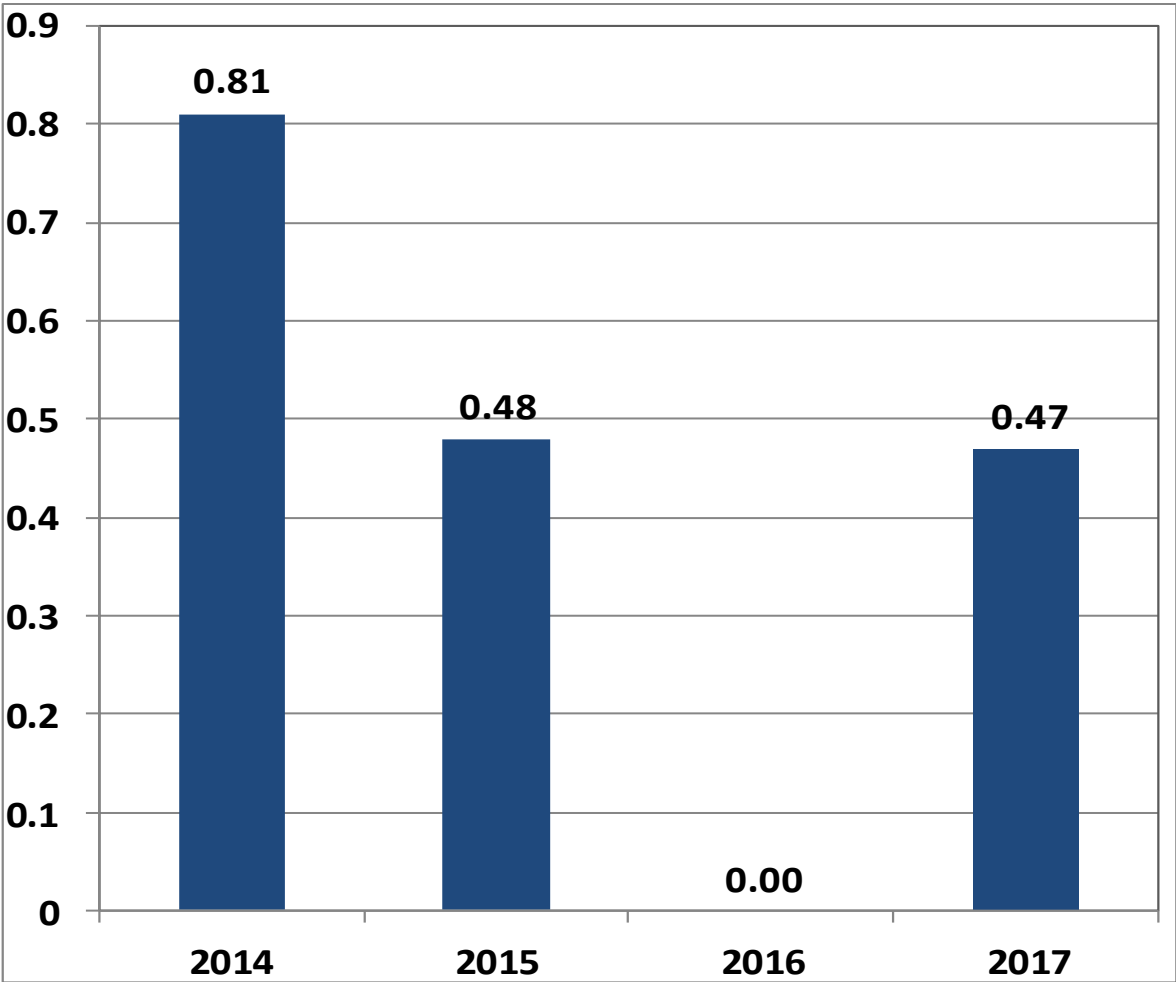


**Higher Prices/Lower Costs Increase Economic Life and Reserves May be Reclassed to Proved**

(1) Strip pricing used for calculation is: 2017 \$57.26 oil, 2018 \$57.51 oil, 2019 \$57.18 oil, 2020 \$57.33 oil, 2021+ \$58.21 oil

# Commendable Safety Record

Total Recordable Incident Rate



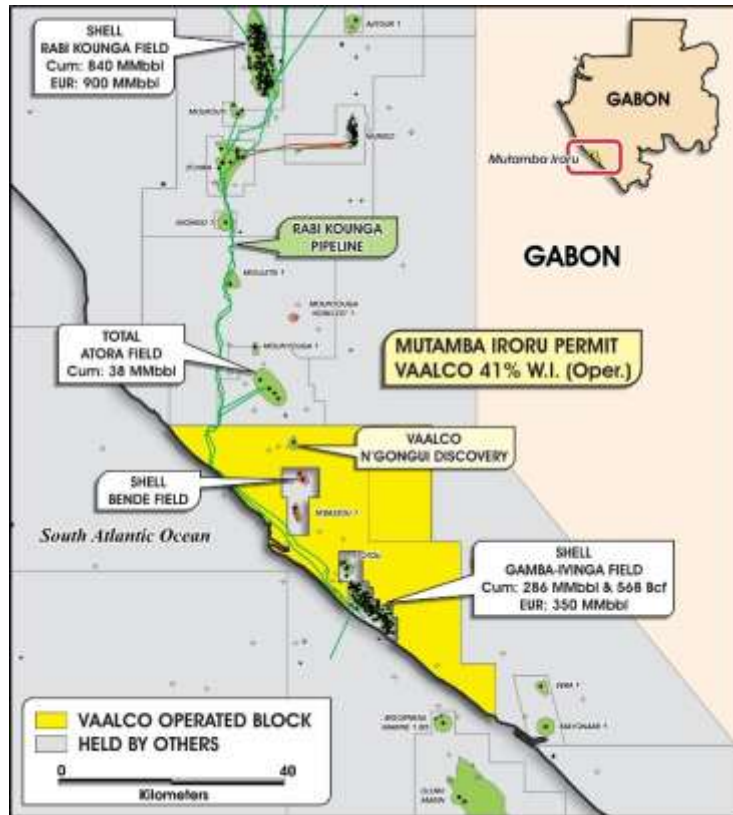
## Key Improvements

- 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

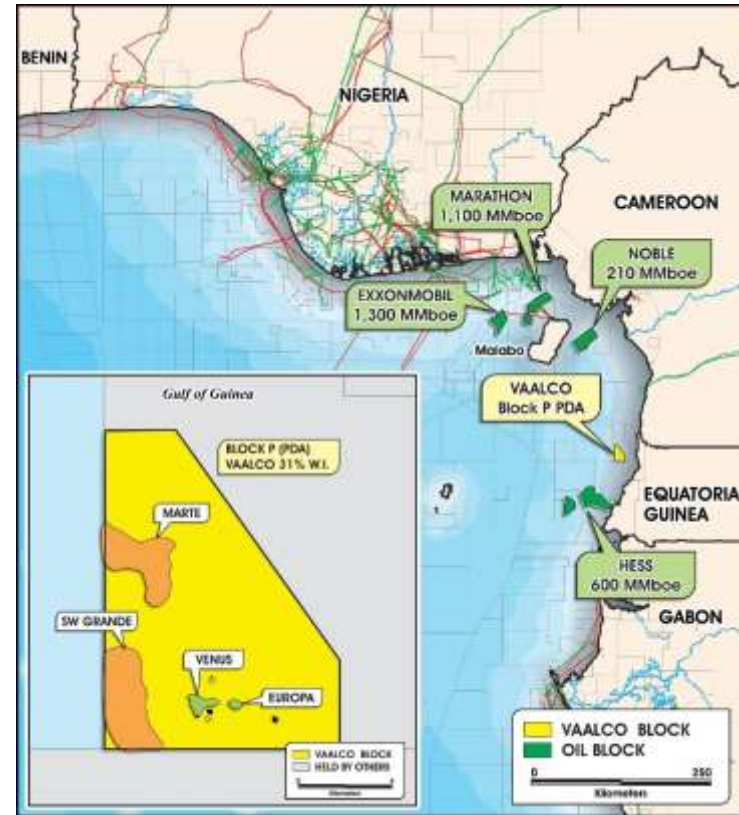
# Onshore Gabon & Equatorial Guinea

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

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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

## VAALCO ENERGY, INC AND SUBSIDIARIES Reconciliations of Non-GAAP Measures (Unaudited)

Reconciliation of Net income (loss) to Adjusted EBITDAX	Three Months Ended		
	September 30, 2017	September 30, 2016	June 30, 2017
	<i>(in thousands)</i>		
Net income (loss)	\$ (322)	\$ (14,767)	2,283
Add back:			
Impact of discontinued operations	174	15,783	168
Interest expense, net	327	327	378
Income tax expense	2,749	2,198	3,096
Depreciation, depletion and amortization	1,700	1,607	1,970
Impairment of proved properties	—	88	—
Exploration expense	4	2	—
Non-cash or unusual items:			
Stock-based compensation	154	(1,341)	629
Shareholder matters	—	85	—
Commodity derivative loss (gain)	921	194	(130)
Bad debt expense	(49)	63	183
Adjusted EBITDAX	<u>\$ 5,658</u>	<u>\$ 4,239</u>	<u>\$ 8,577</u>

