

May 2018 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, production and sales projections, 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, production and sales differences due to timing of liftings, 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, 2017, quarterly report in Form 10-Q for the quarter ended March 31, 2018, 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.

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**
- **Grew cash and cash equivalents to \$32.2 million at March 31, 2018⁽⁵⁾**
- **\$7.0 million debt⁽⁶⁾**

Key Metrics		
Share Price ⁽¹⁾	\$1.19	
52-Week Range ⁽¹⁾	\$0.68 - \$1.25	
Market Capitalization ⁽¹⁾	\$ 70	Million
Enterprise Value ⁽²⁾	\$ 45	Million
Net Production ⁽³⁾	3,611	BOPD
Proved Reserves ⁽⁴⁾	3.0	MMBO
2P Reserves ⁽⁴⁾	4.0	MMBO
% Oil (Brent Based Pricing)	100%	
% Operated	100%	

Proven Operator with a Track Record of Success

1) As of 5/7/2018
2) Market Cap less year-end cash plus year-end debt

3) Q1 2018 average
4) As of 12/31/2017

5) Includes non-op partner advance of \$4.8MM
6) As of 3/31/2018, net of deferred financing costs

Highlights and Recent Key Items

- Reported income from continuing operations of \$8.7 million (\$0.15 per diluted share)
- Generated operating income of \$13.0 million in the first quarter of 2018
- Grew Adjusted EBITDAX to \$14.5 million
- Income from continuing operations, operating income and Adjusted EBITDAX were positively impacted this quarter by higher realized Brent pricing, no commodity hedges in place and the split lifting that took place during the period from December 31, 2017 to January 1, 2018;
- Produced an average of 3,611 net barrels of oil per day (BOPD) in the first quarter of 2018, above the guidance range for the quarter
- Realized pricing of \$68.69 per barrel of oil in the first quarter of 2018
- Increased working capital from continuing operations by \$7.9 million, which contributed to the increase in cash and cash equivalents;
- Reduced debt by \$2.1 million, resulting in total debt (principal amount) at March 31, 2018 of \$7.1 million.

**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%)
- No hedges in place for 2018 and beyond with realized pricing correlated to Brent
- Increase in Brent quickly adds cash to the balance sheet
- Cash increased by \$12.6 million; this increase was due in part to \$4.8 million in partner advances

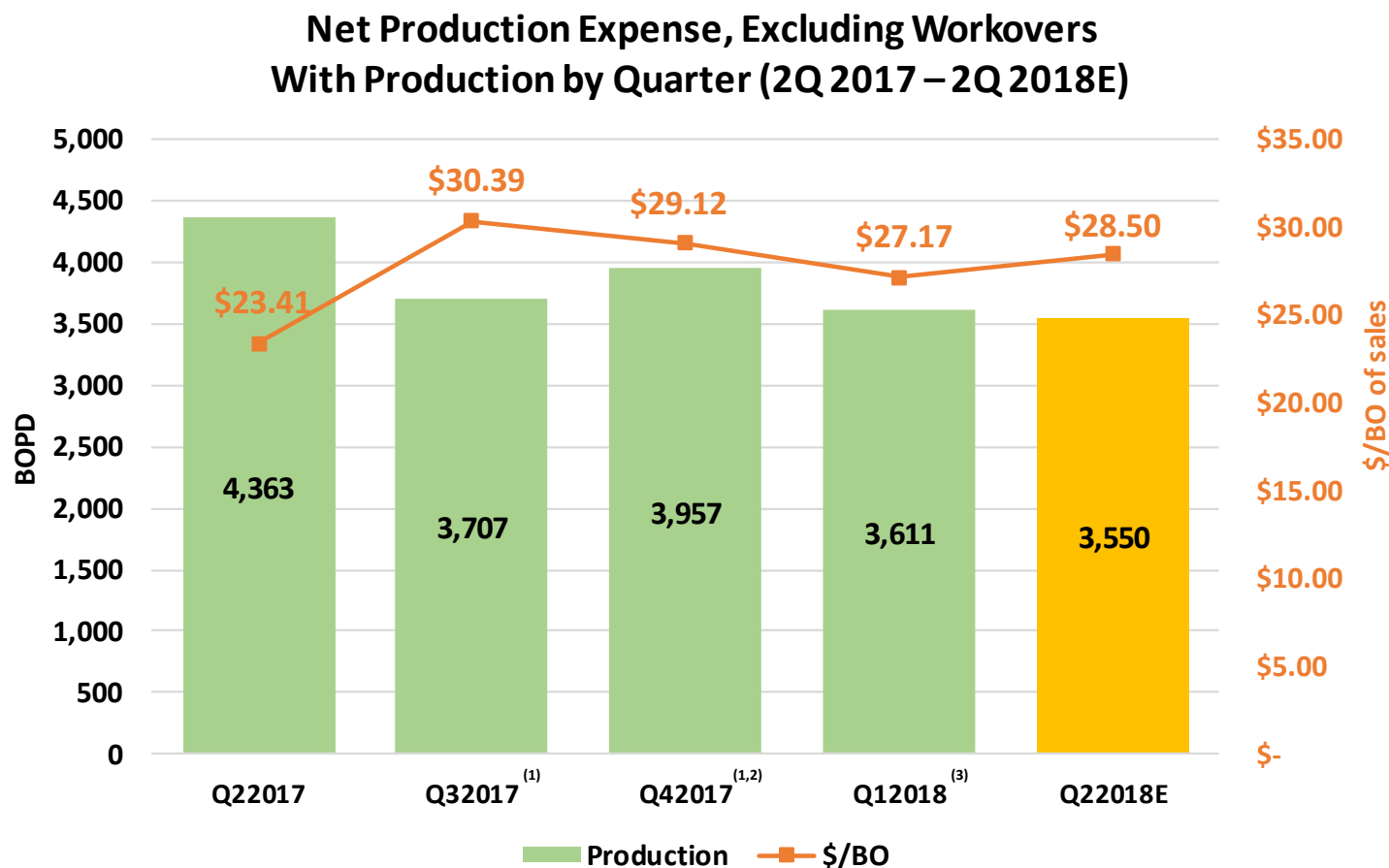
First Quarter 2018 (\$'s in millions)	
Cash and cash equivalents	\$ 32.2
Debt ⁽¹⁾	\$ 7.0
Financial performance – continuing operations	
Revenues	\$ 27.6
Production & G&A expenses	(13.6)
Exploration, DD&A, other operating expense	(1.0)
Operating income	13.0
Other (income) expense and income tax	(0.3)
Income from continuing operations	12.8
Adjusted EBITDAX ⁽²⁾	\$ 14.5
Basic shares outstanding <i>(in millions)</i>	58.9
Earnings per share from continuing operations	\$0.15

Goals: Maximize Margins, Minimize Risk and Manage Liquidity

(1) As of 3/31/2018, net of deferred financing costs
(2) See reconciliation in appendix



Production and Net Production Expense per BO



Q3 2017 Cost per BOE Higher Due to Production Decreases from Turnaround and ESP Failures
Q4 2017 Cost per BO Higher Due to Non-Recurring FPSO and Customs Costs

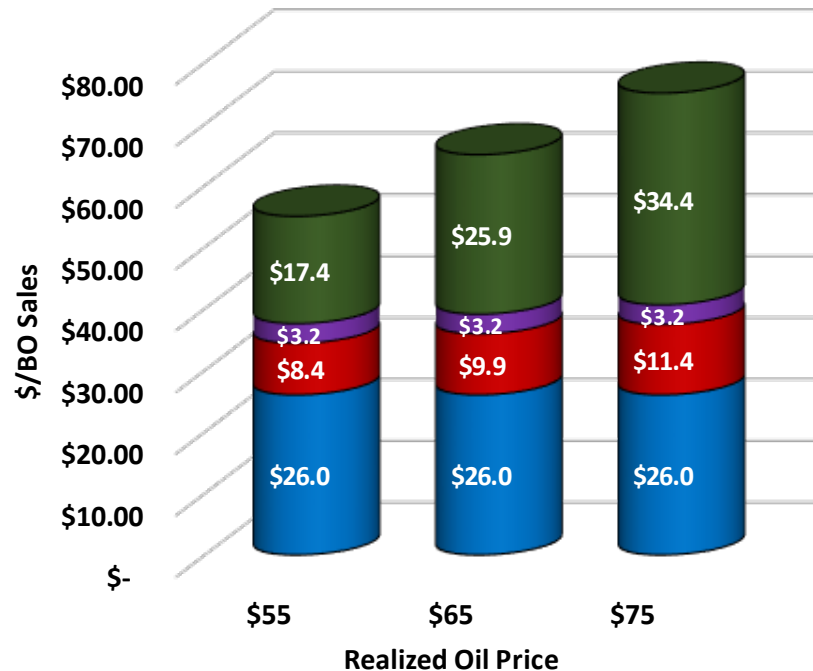
Minimizing Base Decline and Focused on Cost Containment

1) Q3 & Q4 2017 impacted by lower sales due to ESP failures
2) Q4 2017 impacted by lower sales due to split lifting on December 31, 2017

3) Q1 2018 Impacted by higher sales due to split lifting on December 31, 2017

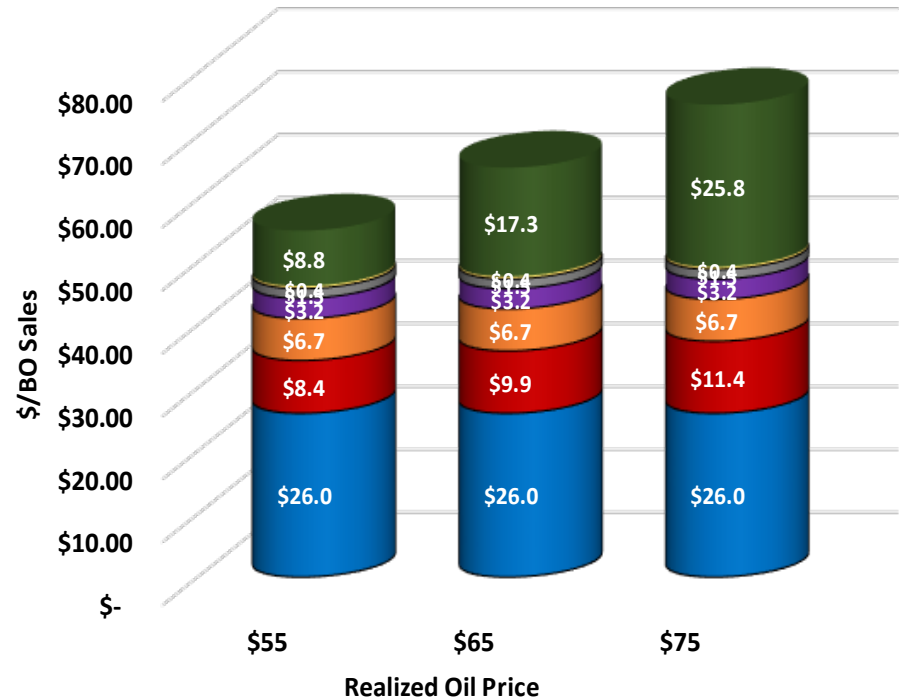
VAALCO Free Cash Flow Overview (2018E)

2018 Operational Margin Per Barrel



■ OPEX⁽¹⁾ ■ Tax⁽²⁾ ■ Workovers ■ Margin

2018 Free Cash Flow Per Barrel



■ OPEX⁽¹⁾ ■ Tax⁽²⁾ ■ G&A ■ Workovers ■ Capex/ARO⁽⁴⁾ ■ Int Exp ■ FCF

Each \$5/barrel improvement in oil price increases annualized cash flow by ~\$6MM
Free cash flow excludes 2018 principal payments of \$6.7MM⁽³⁾

Operational Breakeven: ~\$34/BBL

Free Cash Flow Break-Even: ~\$44/BBL

1) Excludes discontinued operations and workovers
2) Midpoint of 2018 guidance

3) Forecasted principal payments for 2018
4) Forecasted 2018 Capex & ARO payment, excludes potential development drilling

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

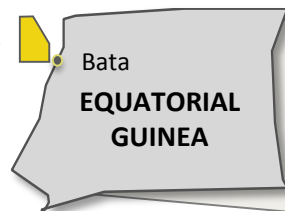
2018 Goals and Objectives

- Pursue extension of Etame license and final exit from Angola
- Grow cash balance with stronger Brent pricing and no hedges in place
- Reduce operating expenses and enhance margins
 - 2018 operational breakeven price of ~\$30 per barrel of oil sales
 - 2018 free cash flow breakeven price of ~\$40 per barrel of oil sales
- Pay down debt and strengthen balance sheet
- Evaluate and determine timing of next development drilling program in Etame
- Examine alternative, lower cost development options for discoveries on Block P offshore Equatorial Guinea

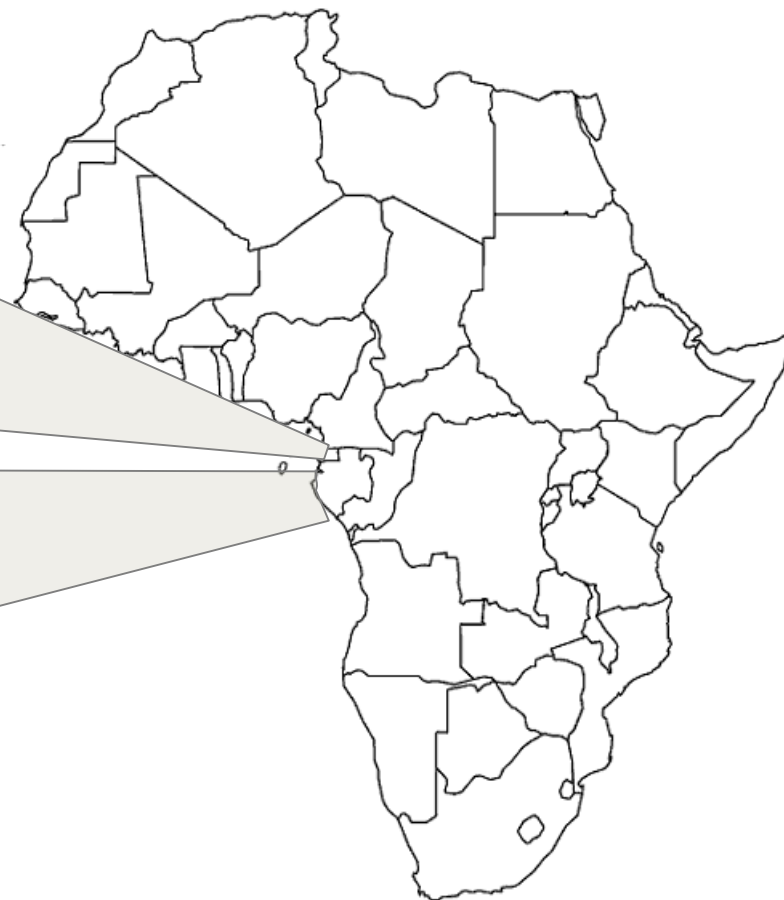
Focused on Maximizing Margins, Maintaining Production and Accretive Acquisitions

West Africa Focus

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



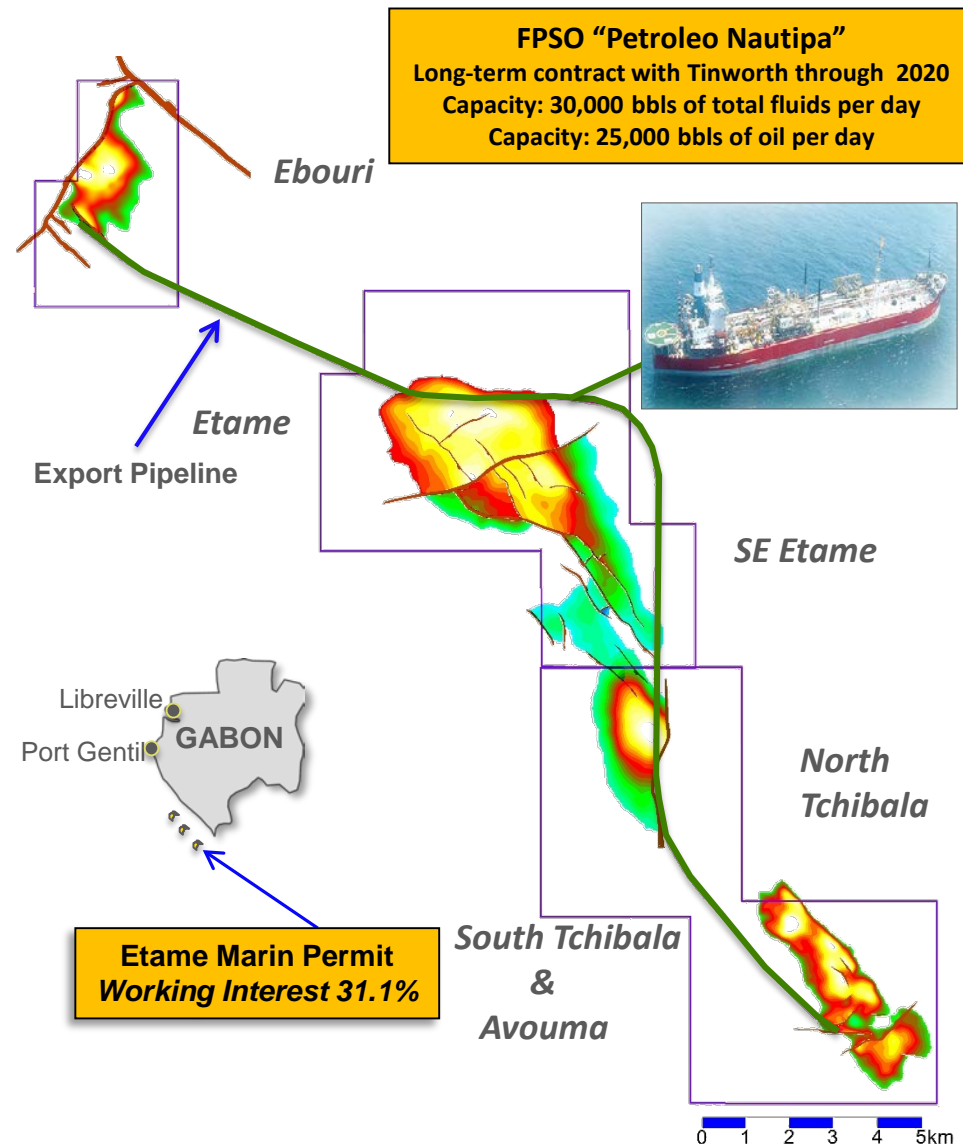
Etame Marin Permit
Working Interest 31.1%
28,700 gross acres
8,100 net acres
Producing
~13,300 BOPD Gross⁽¹⁾
~3,611 BOPD Net⁽¹⁾



(1) Q12018 average

Offshore Gabon – Etame Marin Permit

- **Operator with a 31.1% net W.I.**
Partners: Sinopec (Addax), Sasol, PetroEnergy and Tullow
- **Currently 10 producing wells and two wells temporarily shut-in**
- **Q1 2018 production averaged ~13,300 gross (3,611 net) BOPD**
- **4.0 MMBO of net 2P reserves at year-end 2017**
- **Infrastructure in place to develop over 71 MMBO of gross unrisked recoverable contingent resources**



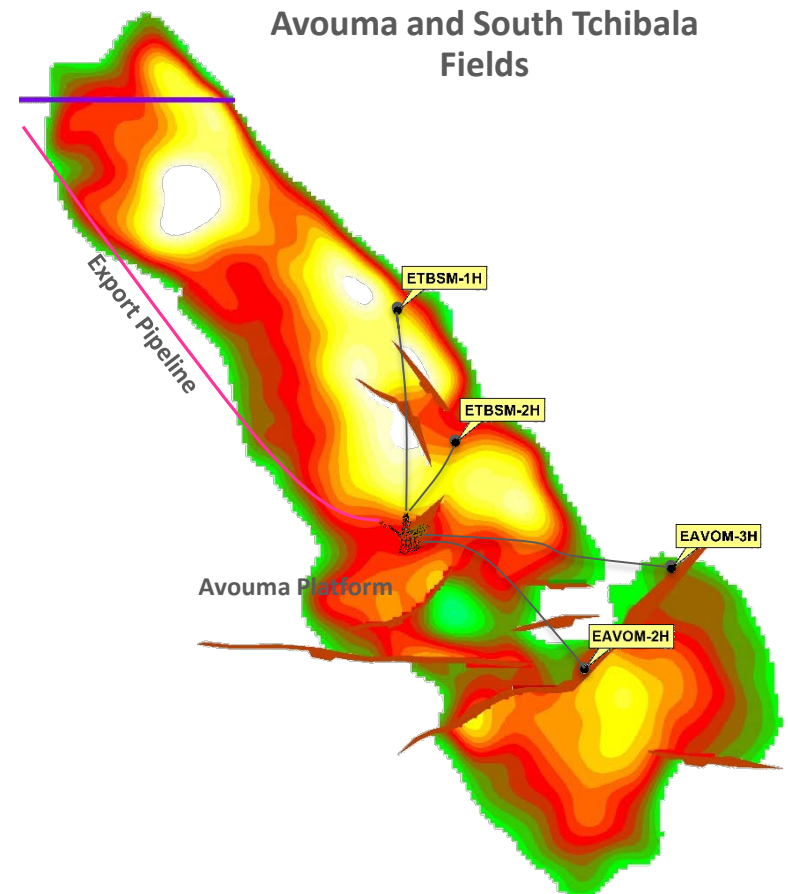
Cost Reduction Through Innovation

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 – Q2 2018

- ESP failures limited to Avouma platform
- South Tchibala 1-HB and Avouma 2-H wells currently shut-in
- Prior to ESP failure wells were producing a total of 2,825 BOPD gross (750 BOPD net)
- Workovers expected to begin in May
- Forecasting wells back on production in Q2 2018



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:

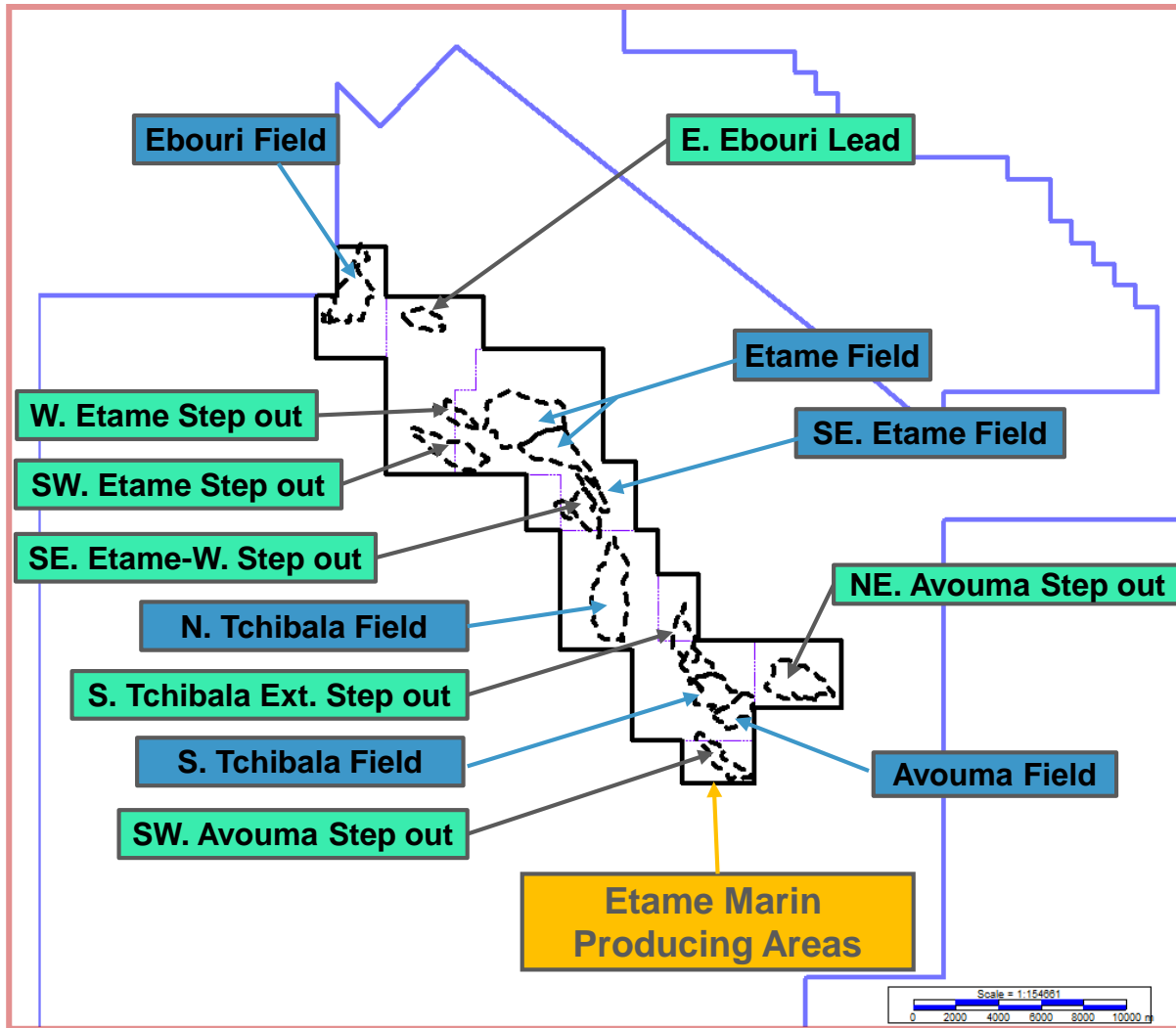
- Three Gamba and six Dentale infills (29 MMBBLS)

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

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
- 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

Appendix

2018 Full Year Guidance *(As of May 7, 2018)*

Production (BOPD)	3,500 – 4,100*
*2nd Quarter 3,400– 3,700	

Production Expense⁽¹⁾	\$36 - \$42 MM*
(\$24.00 - \$28.00 per BO)	
*2nd Quarter Guidance (\$27.00 - \$30.00 per BO)	

Workovers	\$3.5 - \$6.0 MM
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Cash G&A	\$9 - \$11 MM
Non Cash G&A	~\$1-2 MM
Total G&A	\$10 - \$13 MM

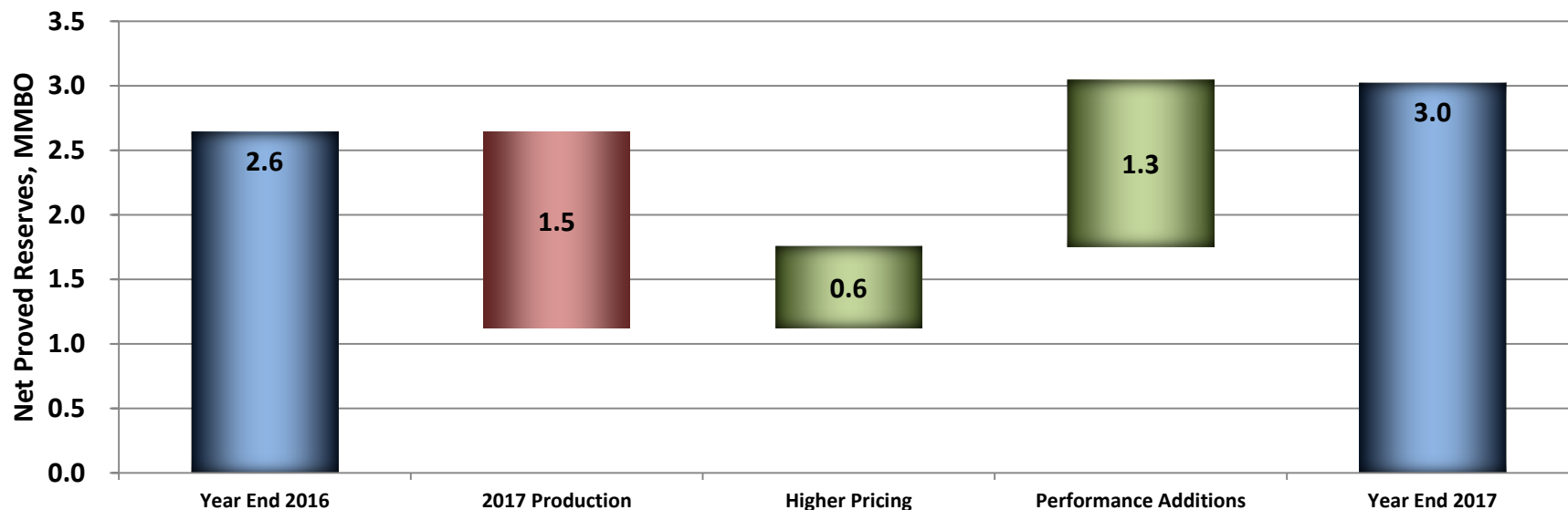
DD&A (\$/BO)	\$3.00 - \$4.00/BO
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Sales Volume (BOPD)	3,700 – 4,300
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(1) Excludes workovers

VAALCO Year End 2017 Reserves

3.0 MMBO Net Proved Reserves for YE-2017
4.0 MMBO Net Proved + Probable (2P) Reserves for YE-2017
Replaced 127% of 2017 Production

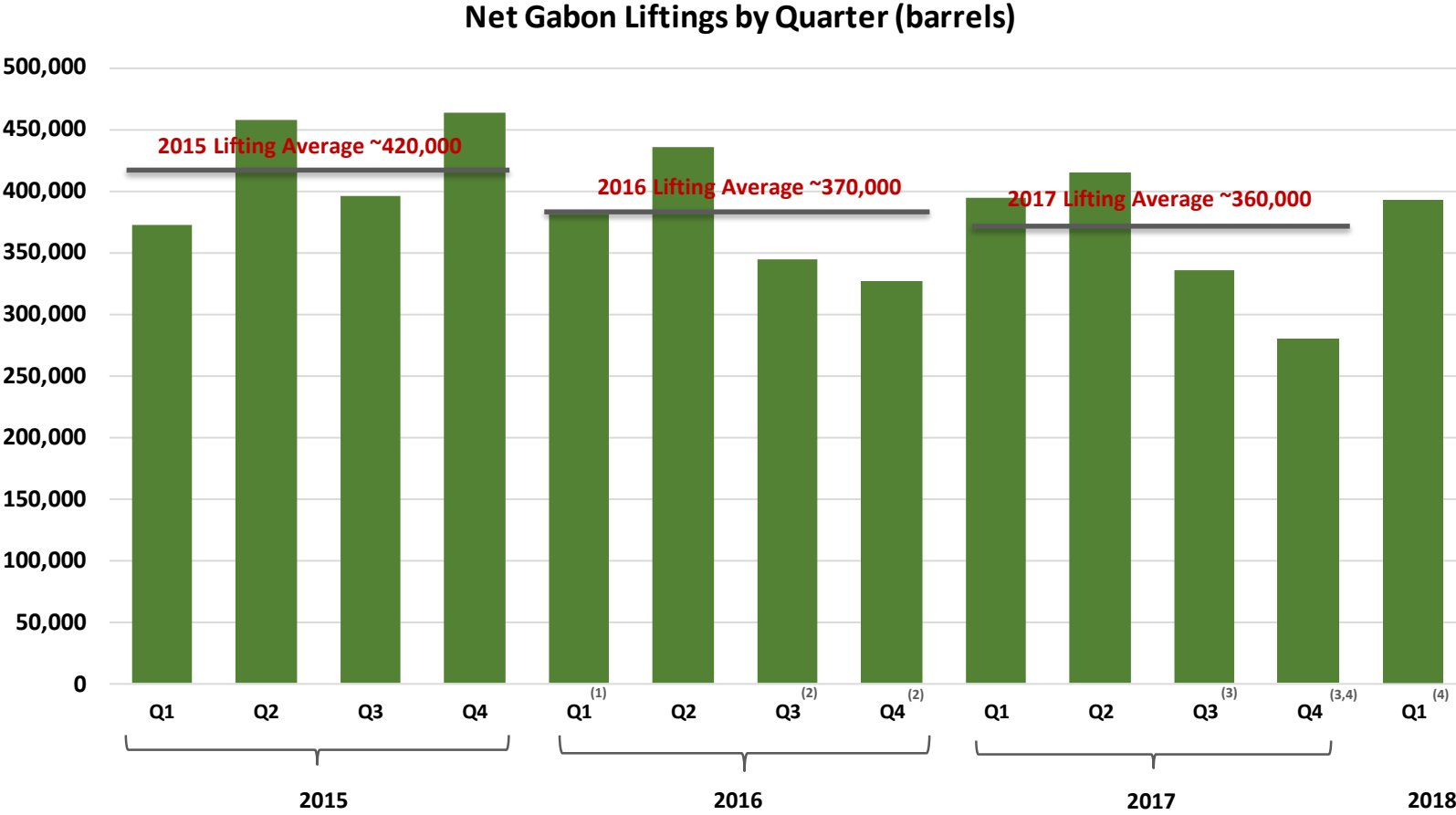


- PV-10 of 1P Reserves at SEC Pricing = \$22.5 MM; at 12/29/17 Strip¹ = \$39.3 MM
- PV-10 of 2P Reserves at SEC Pricing = \$33.9 MM; at 12/29/17 Strip¹ = \$52.7 MM
- Amounts are net of expected P&A liabilities

Significant Upward Revisions as a Result of Strong Production Performance

¹ Brent Oil pricing assumptions used in Strip Pricing PV-10 calculations: \$65.38 (2018); \$61.65 (2019); \$59.10 (2020); and, \$57.96 (2021). The higher Strip Pricing assumptions increase the recoverable reserves.

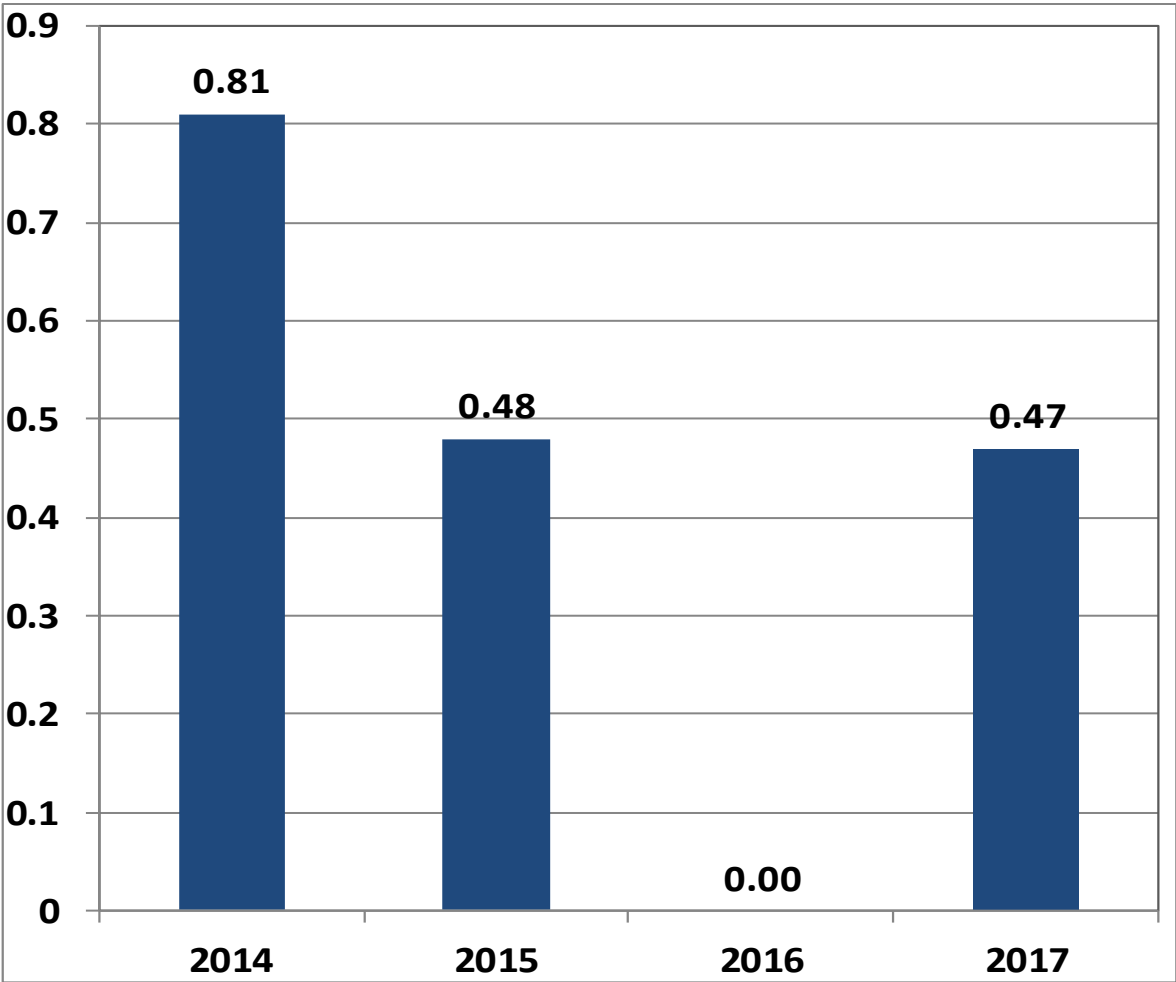
Offshore Gabon Net Liftings



(1) Q1 2016 lifting impacted by field wide six day turnaround
(2) Q3 & Q4 2016 impacted by ESP failures in 2 Avouma wells
(3) Q3 & Q4 2017 impacted by lower sales due to ESP failures
(4) Q417 & Q118 impacted by split lifting lowered Q417 and raised Q118

Commendable Safety Record

Total Recordable Incident Rate

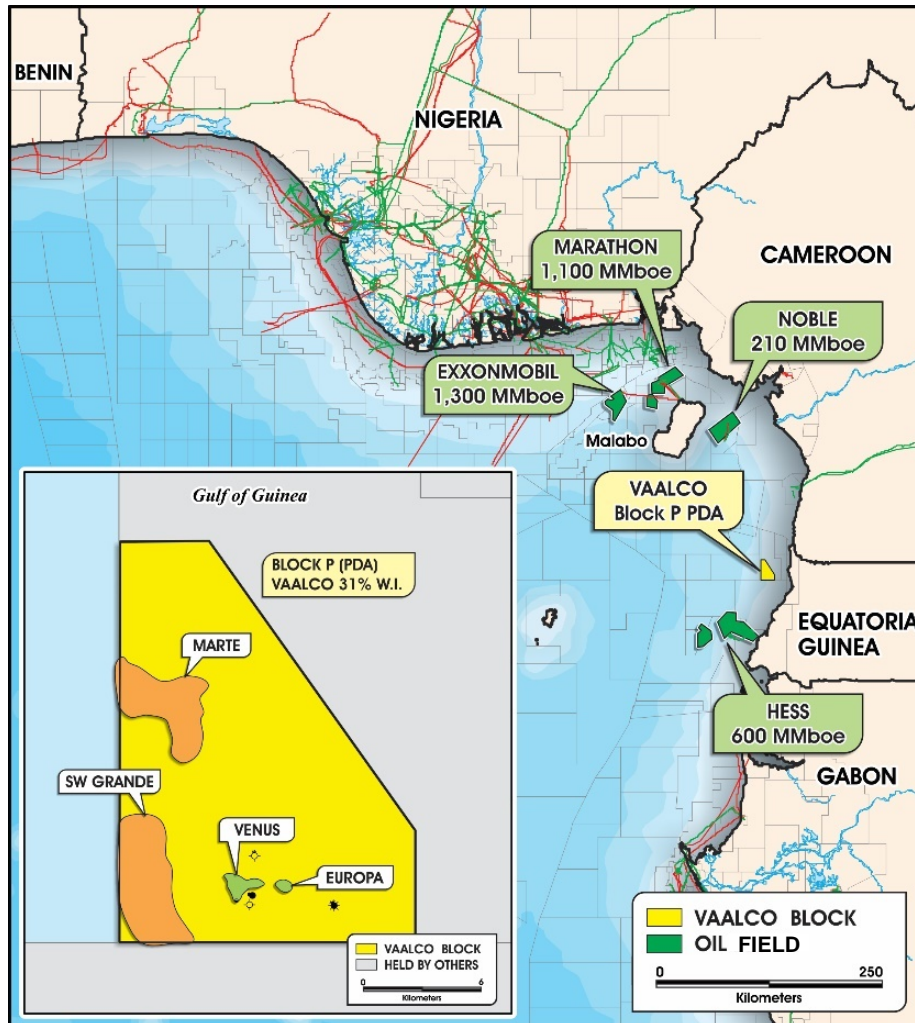


Key Improvements

- 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

Equatorial Guinea Future Upside Potential



- 20+ million BOE gross EUR discovered resource with 31% W.I.
- Evaluating timing and budgeting for unique development opportunities Venus and Europa
- Costs, development plan and terms are being re-evaluated to improve returns
- Exploration potential in Marte and SW Grande

Medium to Long-Term Upside Potential for VAALCO

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.

Adjusted EBITDAX and working capital from continuing operations are Non-GAAP financial measures and are described and reconciled to the closest GAAP measure in the attached table under "Non-GAAP Reconciliations."

Non-GAAP Reconciliations

VAALCO ENERGY, INC AND SUBSIDIARIES

Reconciliations of Non-GAAP Measures

(Unaudited)

(in thousands)

	Three Months Ended		
	March 31, 2018	March 31, 2017	December 31, 2017
Reconciliation of Net income to Adjusted EBITDAX			
Net income	\$ 8,659	\$ 4,259	3,431
Add back:			
Impact of discontinued operations	52	176	103
Interest expense, net	354	403	306
Income tax expense	4,042	3,194	1,339
Depreciation, depletion and amortization	1,124	1,869	918
Exploration expense	—	—	3
Non-cash or unusual items:			
Stock-based compensation	314	154	165
Accrued liabilities reversal	—	—	(2,614)
Shareholder matters	—	15	—
Commodity derivative loss	—	180	61
Equipment (recovery) write-offs	(24)	63	—
Bad debt expense (recovery) and other	(56)	98	220
Adjusted EBITDAX	<u>\$ 14,465</u>	<u>\$ 10,411</u>	<u>\$ 3,932</u>

Reconciliation of Changes in Working Capital From Continuing Operations

	March 31, 2018	December 31, 2017	Change
Current assets	\$ 46,477	\$ 33,616	\$ 12,861
Current liabilities	36,250	31,241	5,009
Working capital ⁽¹⁾	<u>\$ 10,227</u>	<u>\$ 2,375</u>	<u>\$ 7,852</u>

(1) Excludes current assets and current liabilities attributable to discontinued operations.

