VAALCO ENERGY, INC.

# Oil & Gas Council Africa Assembly 2015

## June 23, 2015

## Paris, France

NYSE:EGY

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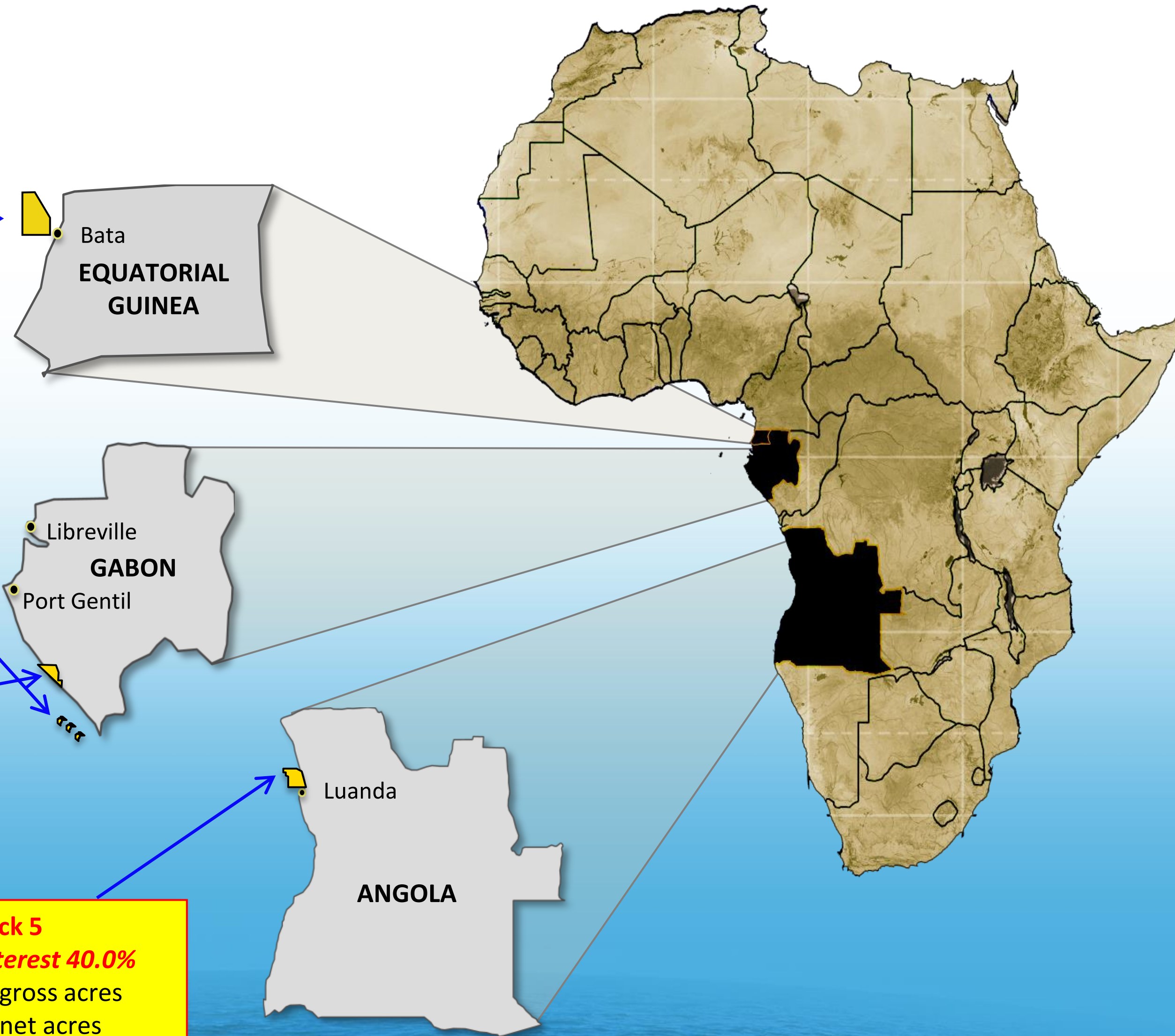
# West Africa Focus

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

**Etame Marin Permit**
***Working Interest 28.1%***
28,700 gross acres
8,100 net acres
Offshore Production
and Exploration

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




**Block 5**
***Working Interest 40.0%***
1,400,000 gross acres
560,000 net acres
Offshore Exploration

# Company Profile

## Key Metrics

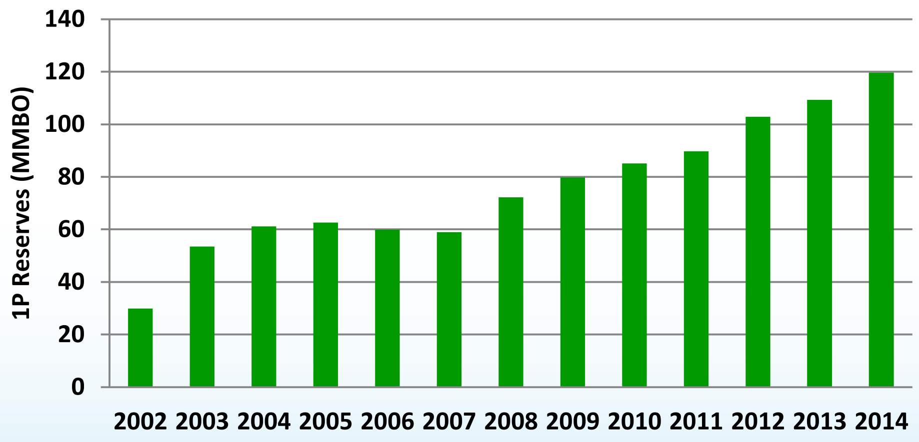
| | | |
|---|---|---|
| Share Price[1] | $2.41 | |
| 52-Week Range[1] | $2.00 - $9.67 | |
| Market Capitalization[1] | $141 | million |
| Cash Balance *including restricted*[2] | $ 64 | million |
| Revolving Debt Facility[2] | $ 65 | million |
| Current Borrowings[2] | $ 15 | million |
| Net Production[5] | 4,400 | BOPD |
| 2014 EBITDAX[3] | $ 79 | million |
| Reserves (2P)[4] | 11.6 | MMBOE |
| % Oil *(Brent Based Pricing)* | 97% | |
| % Operated | 100% | |
| Employees[4] | 113 | |
| *Corporate* | 45 | |
| *International* | 68 | |

(1) As of 6/19/2015
(2) As of 3/31/2015
(3) See detail in appendix
(4) As of 12/31/2014
(5) As of mid June 2015

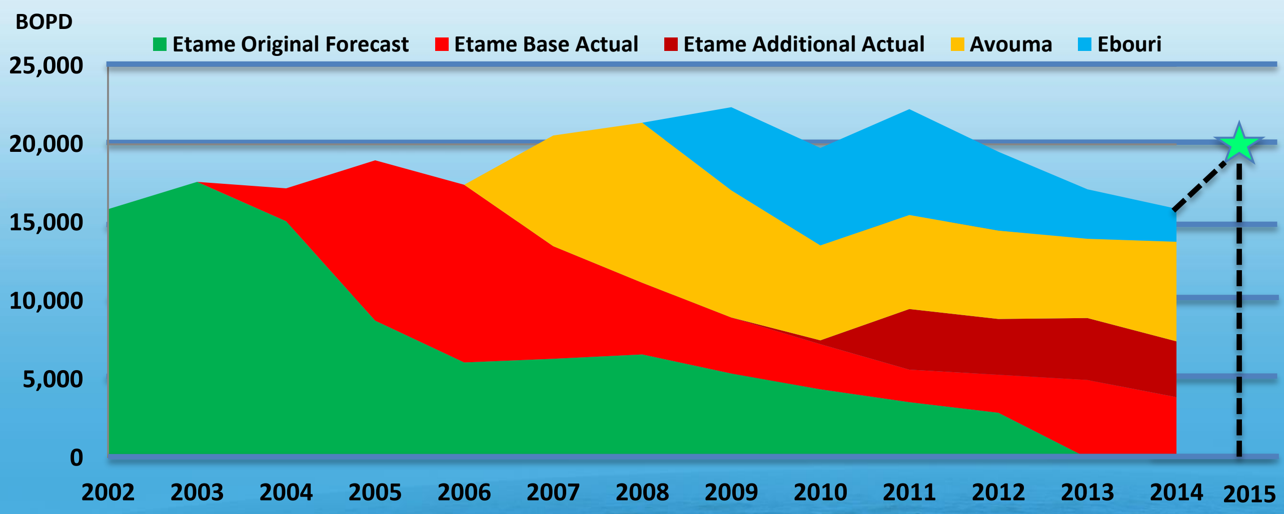
# Etame Marin Permit (Production / Reserves)

- Historical growth in EUR
- Development drilling - 2015
- Reversing production decline

## Gross EUR 1P Reserves




## ETAME Marin Gross Production




Gross estimated peak rate for 2015
- ~20,000 BOPD

2015 full year gross guidance
- 16,000 – 19,000 BOPD

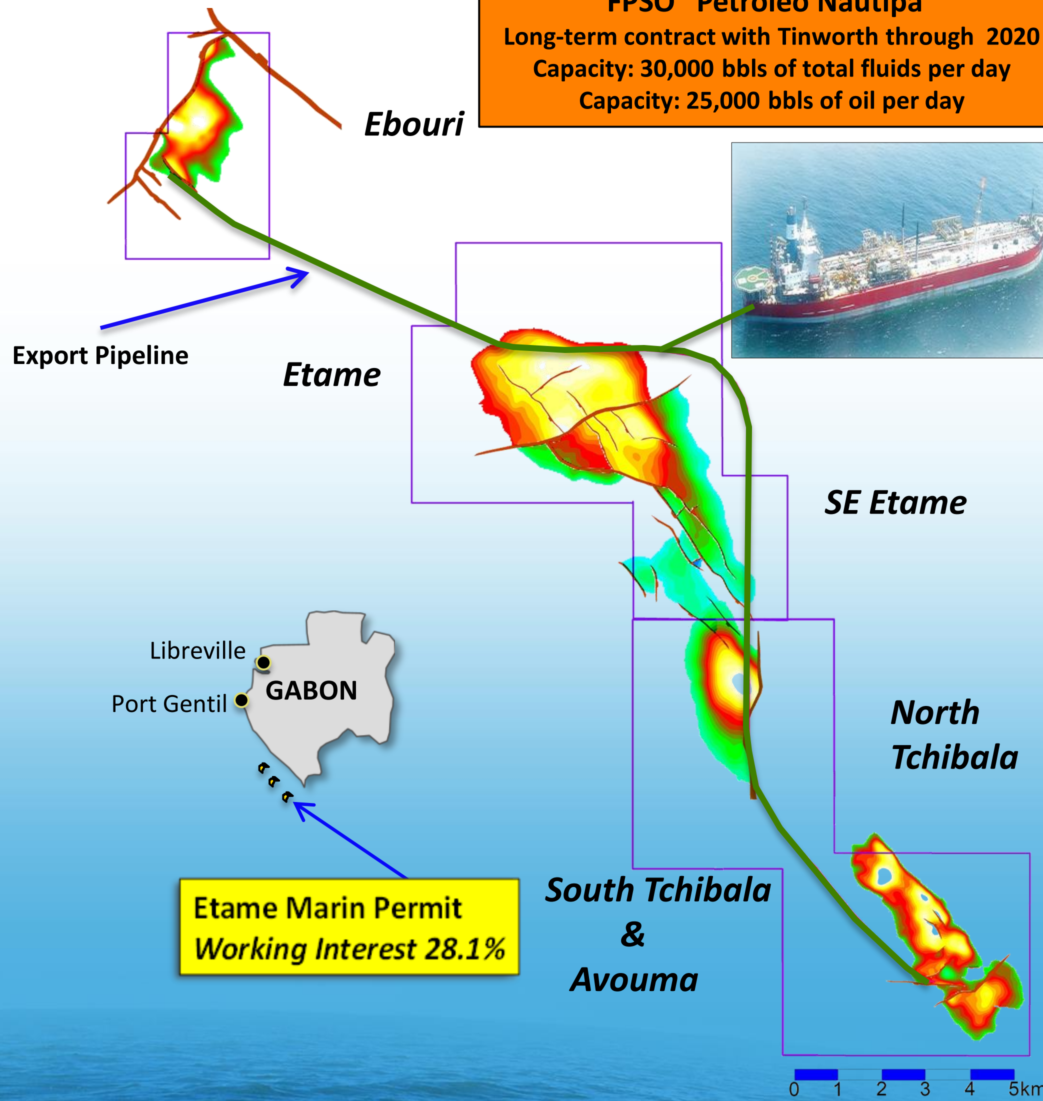
Second quarter 2015 gross guidance
- ~17,900 BOPD

# Offshore Gabon – Etame Marin Permit

- **Operator with a 28.1% net W.I.**
  **Partners:**
  **Sinopec (Addax), Sasol, Sojitz , PetroEnergy and Tullow**
- **2014 production averaged – 15,890 gross (3,880 net) BOPD**
- **Current production 18,000 gross (4,400 net) BOPD***
- **Cumulative production through 3/31/2015 – 84.1 million barrels**
- **Installation of two new platforms completed in 3Q 2014**
- **2015 development drilling program underway**

***As of mid June 2015***

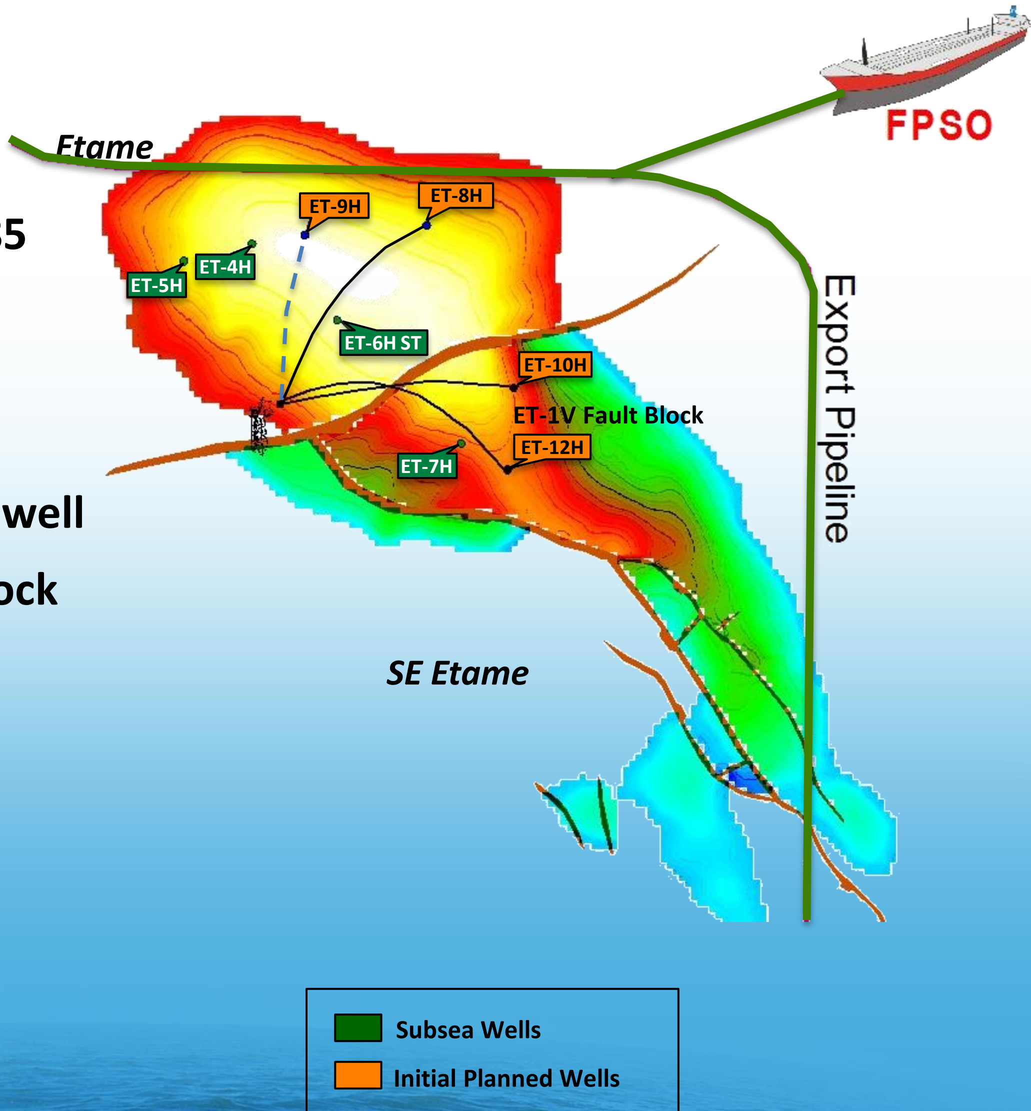
**FPSO "Petroleo Nautipa"**
**Long-term contract with Tinworth through 2020**
**Capacity: 30,000 bbls of total fluids per day**
**Capacity: 25,000 bbls of oil per day**



# Etame Field Expansion Project

## New Etame Platform

- 4 pile, 8 slot platform in water depth of 85 meters
- Targeting 10 MMBOE gross reserves
- Initial 3 well development $25.0 - $30.0 million gross ($7.0 - $8.5 million net) per well
- Encouraging results from the 1-V fault block
  - Etame 10-H initial test ~3,000 BOPD
  - Etame 12-H initial test ~2,000 BOPD
- Etame 8-H well shut in due to $H_2S$

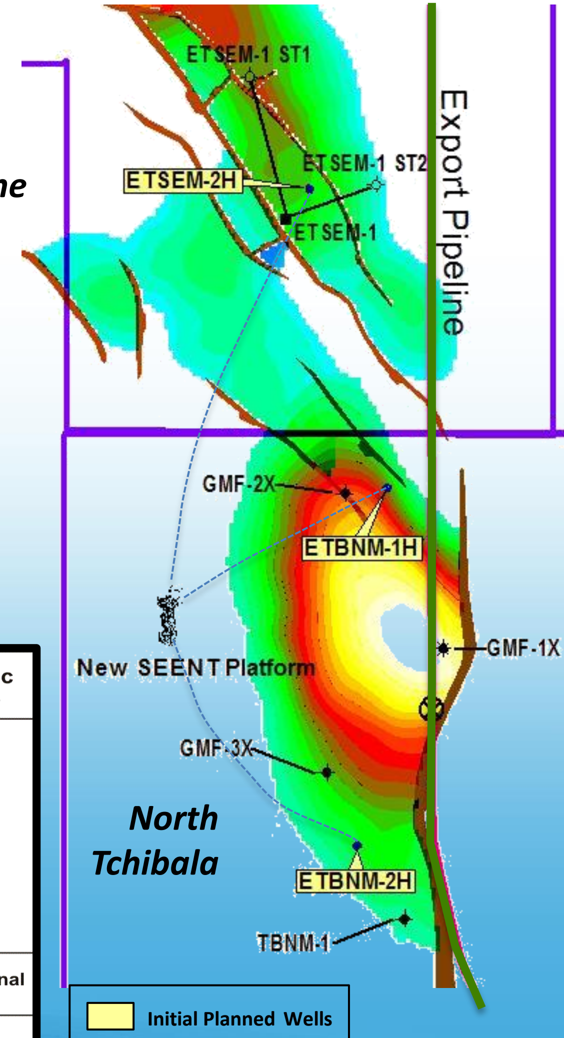


# SE Etame & North Tchibala Fields Project

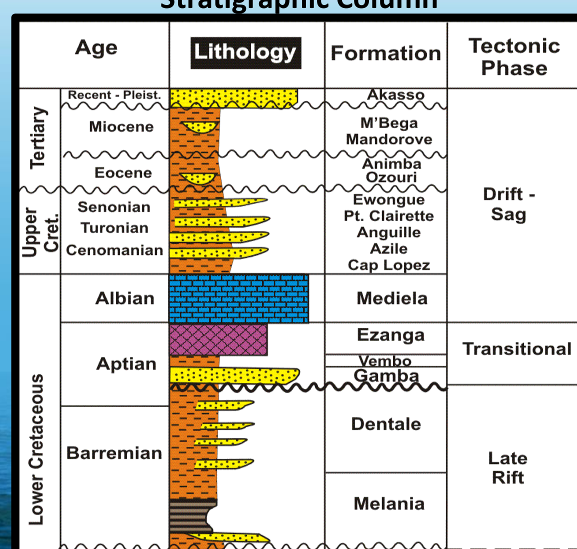
## New SEENT Platform

- 4 pile, 8 slot platform in water depth of 85 meters
- Targeting 7 MMBO gross reserves
- Transocean “Constellation II” jackup rig
- Initial 3 well development $28.0 - $32.0 million gross ($8.0 - $9.0 million net) per well
  - Post drilling at Etame platform
- Spud initial well 2Q 2015 –SE Etame 2H
  - Results expected in July 2015
  - Mechanical issues encountered
- SE Etame Gamba well depth ~1,900 meters
- North Tchibala Dentale well depth ~2,750 meters

**SE Etame**



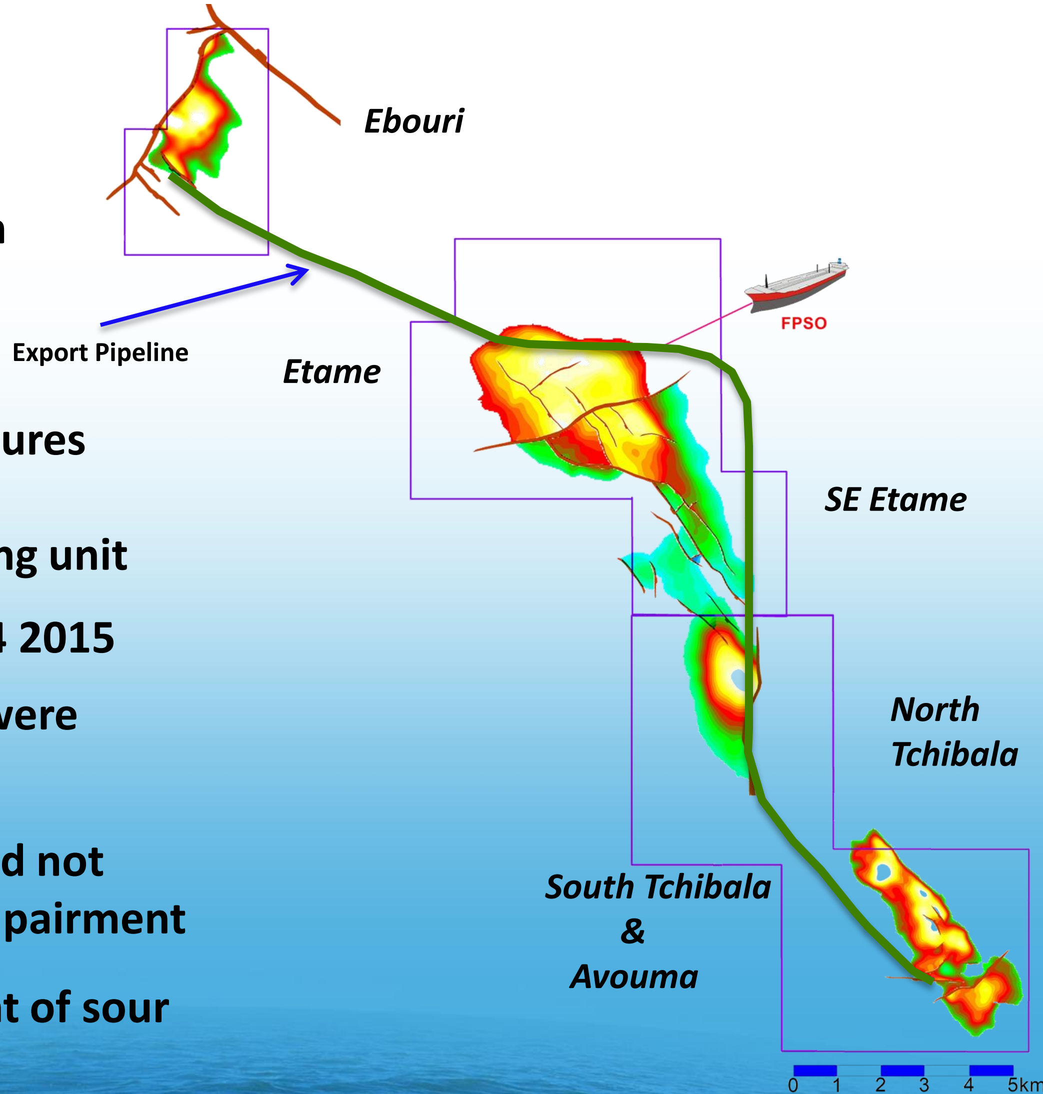

Stratigraphic Column



# Crude Sweetening Project

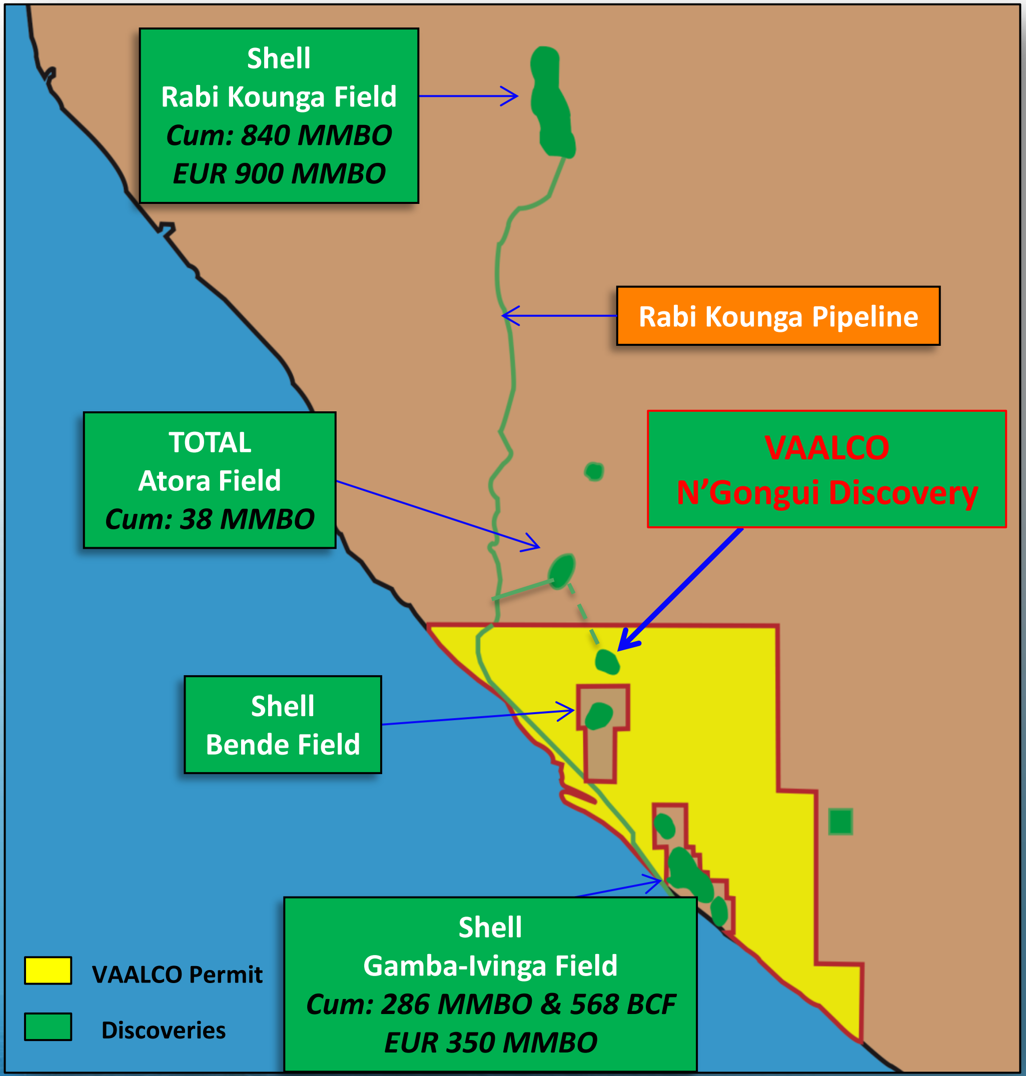
## Targeting sour oil reserves at Ebouri and Etame fields

- Due to significant fall in oil prices, re-evaluating project scope and design
- Some options being considered:
  - Chemical removal
  - Install facilities on existing structures
  - Use of surplus equipment
  - Potential to retrofit mobile drilling unit
- Timing should be known as early as Q4 2015
- Reserves associated with this project were booked prior to 2014
- Reclassification of these reserves would not likely lead to an additional financial impairment
- Remain committed to the development of sour reserves



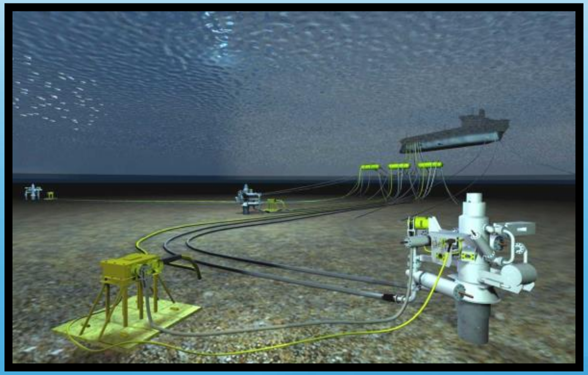
# Onshore Gabon- Mutamba Iroru Permit

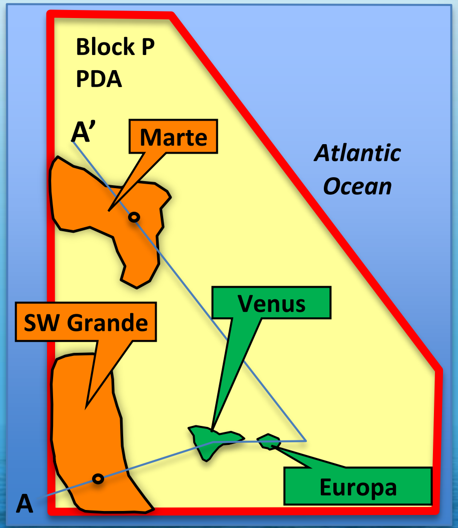
- VAALCO operated with 41% working interest
- N'Gongui discovery well drilled in Q4 2012
- Encountered 49 feet of oil pay in the Gamba Formation
- Revised production sharing contract term sheet was signed in 3Q 2014
- Development slowed while costs and design re-evaluated to improve returns

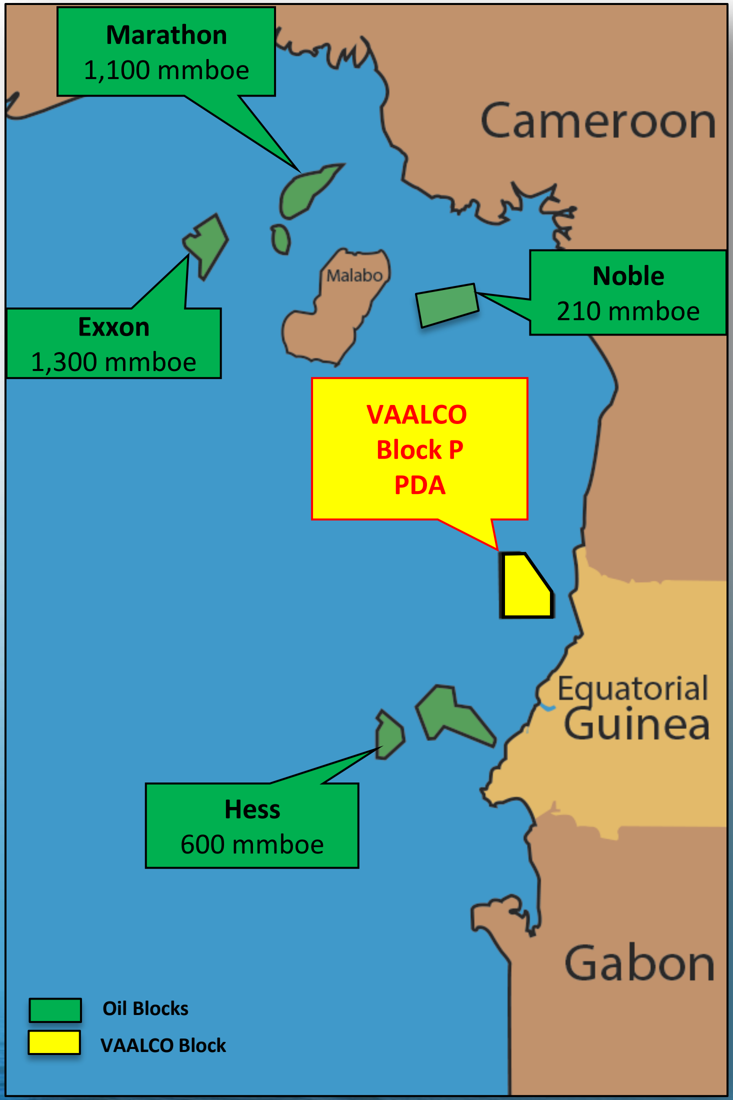


# Offshore Equatorial Guinea - Block P

- **VAALCO 31% working interest**
- **Block P Partners have agreed to the development of the Venus discovery prior to the drilling of exploration wells**
- **Revising the JOA to reflect joint operatorship**
- **Development slowed while costs and design re-evaluated to improve returns**
- **17-21 million BOE gross EUR**

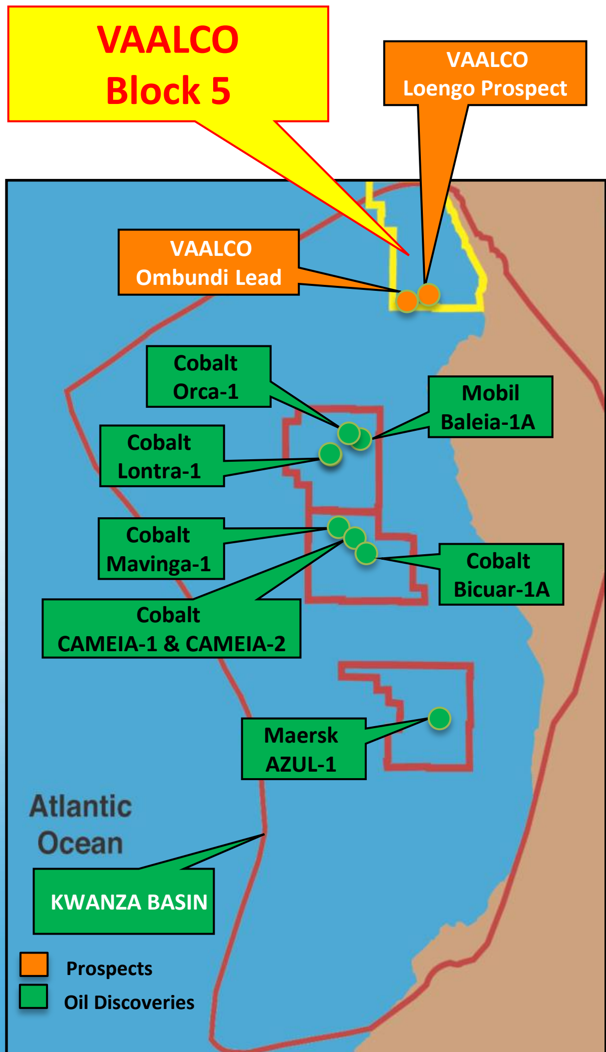


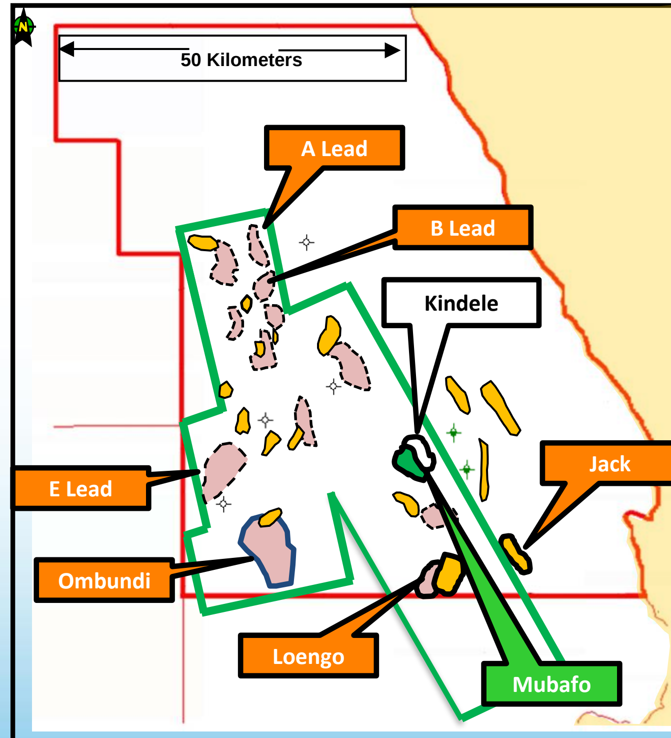


# Exploration Program

# Angola Block 5 – Identified Exploration Upside




Pre-Salt Leads

Post-Salt Prospects & Leads

Post-Salt Discovery

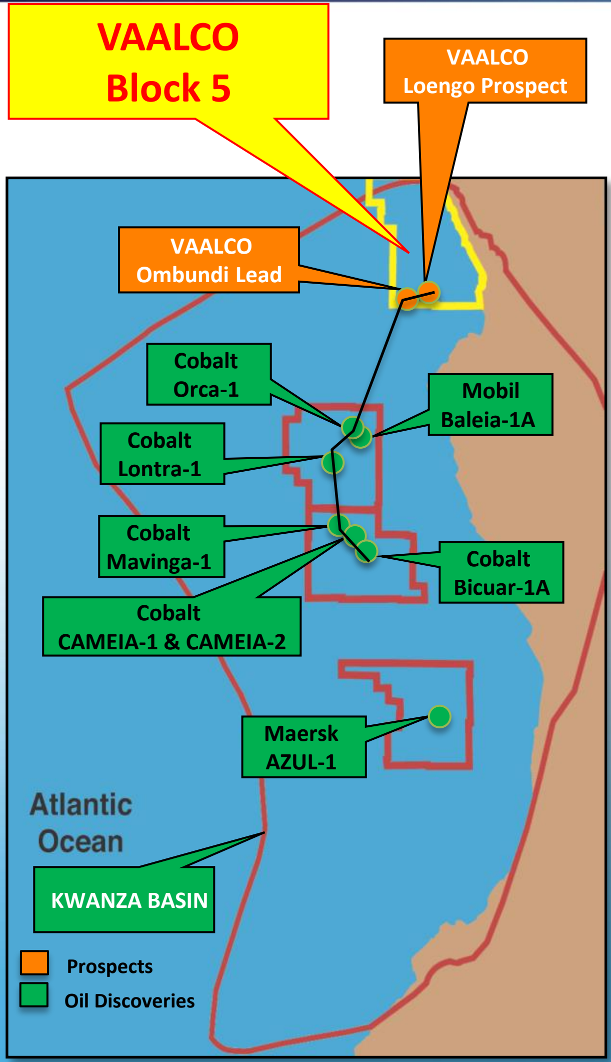
2015 New PSDM Reprocessing (2233 km²)

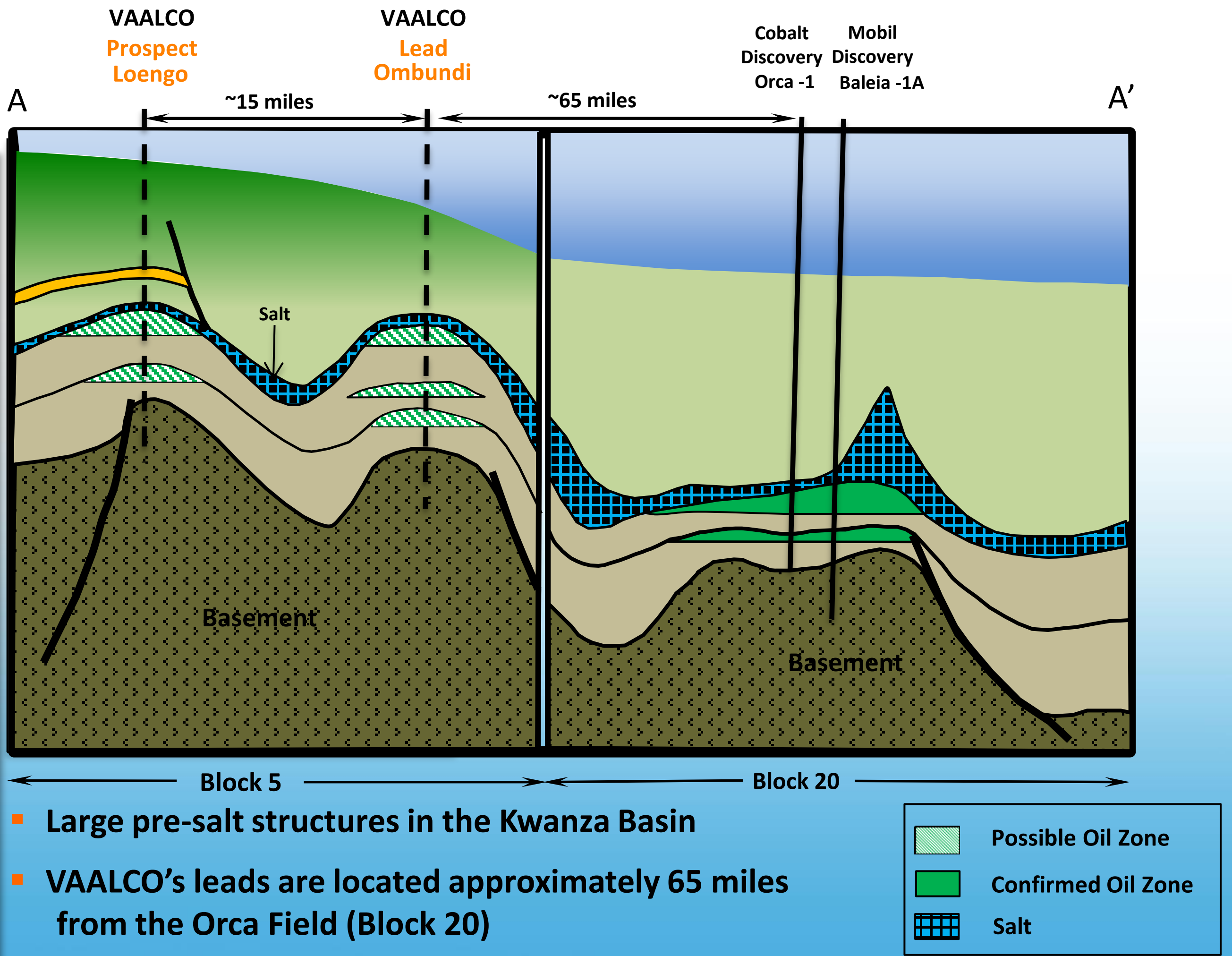
- Expanded lead inventory
  - Derived from new 3-D seismic reprocessing
- VAALCO operated with 40% WI, 10% govt. carry
- Sonangol P&P 40% WI, 10% govt. carry

**Kindele results:**

- Encountered thick well developed sands - wet
- Dry hole cost ~$49 million gross (~$24.5 million net)
- Does not diminish attractiveness of other post-salt or pre-salt prospects on Block 5

# Offshore Angola - Block 5 Regional X-section

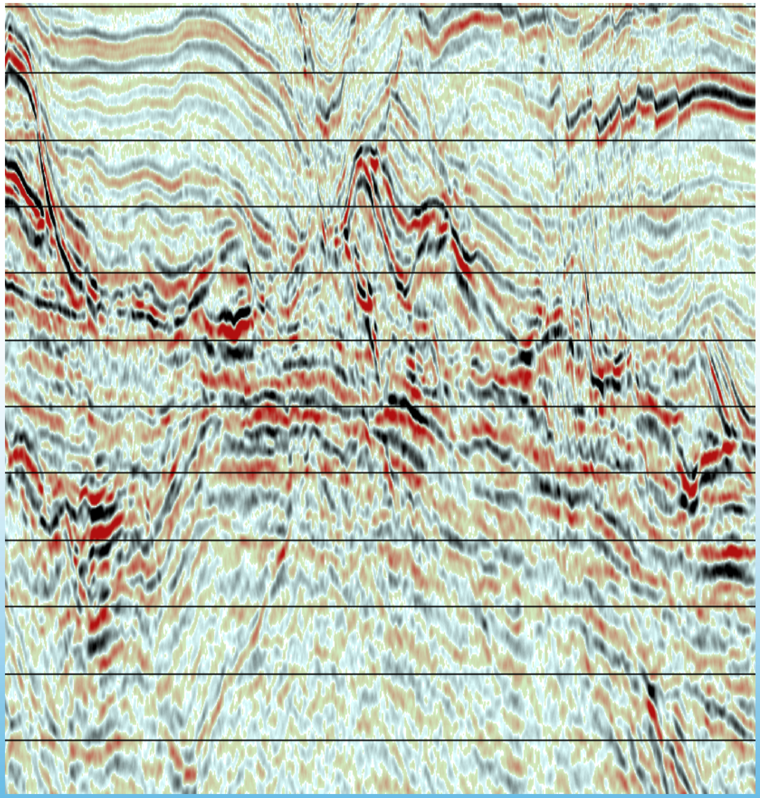


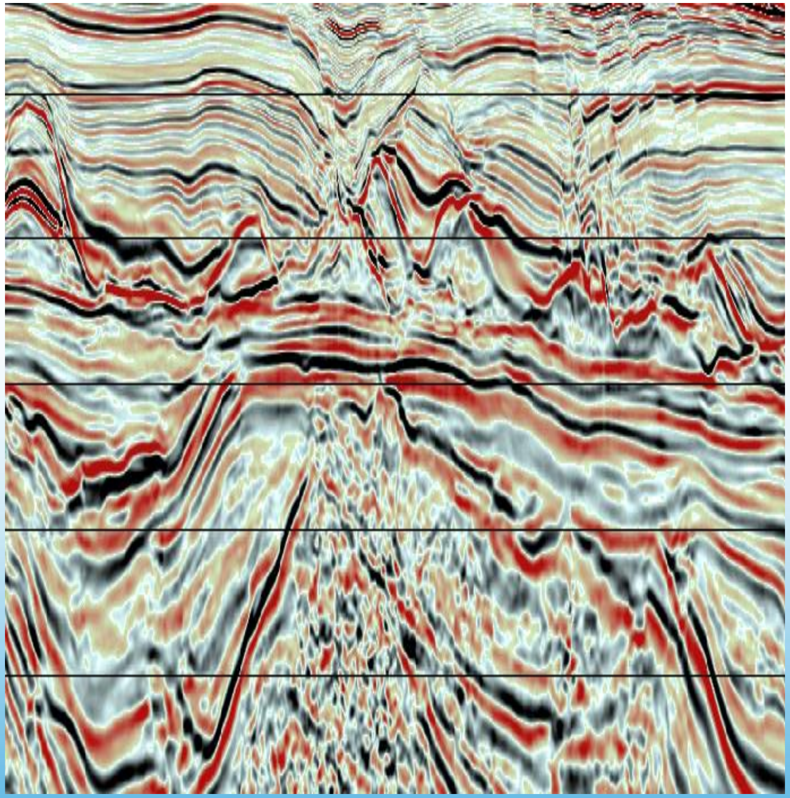

- Large pre-salt structures in the Kwanza Basin
- VAALCO's leads are located approximately 65 miles from the Orca Field (Block 20)
- VAALCO's leads are in much shallower water depths (100 m – 500 m)
- Plan to test first pre-salt prospect in 2016/2017

# 2000 PSTM vs. 2015 PSDM Seismic Data

**2000 PSTM Seismic Data**



**2015 PSDM Seismic Data**



Schlumberger

WesternGeco

- **New 3D seismic reprocessing improving data quality**
- **Additional leads are being identified and reviewed**

# Why Invest in VAALCO Now?

## Near term catalysts

- Continued Development Program at Etame – reversing production decline
- Analyzing recently reprocessed pre-salt seismic on Block 5

## Proven West Africa Operator

- 100% operated
- In 3 out of top 4 West Africa producing countries
- Successful platform construction and installation projects

## Solid Financial Position

- Increasing production profile in 2015
- Unrestricted Cash Position
- Internally funding development and exploration activities

## High Impact Exploration Prospects

- Significant exposure to pre-salt opportunities

## Identifying Potential Discovered Resource Acquisition

- Acquisition would balance development / exploration portfolio

# APPENDIX

# Strong Financial Position

| ($'s in millions) | |
|---|---|
| **Financial Position 3/31/2015** | |
| Cash Balance *(Includes Restricted)* | **$ 64** |
| Working Capital *(Includes Restricted)* | **60** |
| Net PP&E | **107** |
| Current Borrowing Balance *(IFC Loan)* | **15** |
| Retained Earnings | **67** |
| **Financial Performance (1st Quarter 2015)** | |
| Revenues | **18** |
| Operating Income | **-35** |
| Tax Expense | **- 3** |
| Net Loss *(includes non-cash impairment of $5.4 MM)* | **-39** |
| EBITDAX*(1)* | **4** |
| **Funds Available for Growth** | |
| Working Capital | **60** |
| Current Borrowing Capacity *(IFC Loan)* | **0 - 5** |
| **Total Funds Available for Growth** | **$ 60 - 65** |
| | |
| **Basic Shares Outstanding 3/31/2015** *(in millions)* | **57.9** |
| **Earnings Per Share (1st Quarter 2015)** | **$ -.67** |

***(1) See detail in appendix***

# EBITDAX Reconciliation

| | 12 months ended 12/31/2014 | 3 months ended 3/31/2015 |
|---|---|---|
| Revenues | $ 127,691 | $ 18,239 |
| Operating costs and expenses | (182,097) | (53,517) |
| **Operating income (loss)** | **$ (54,406)** | **$ (35,278)** |
| | | |
| Depreciation, depletion and amortization | 20,086 | 5,935 |
| Exploration expenses | 15,358 | 27,459 |
| Impairment of proved properties | 98,341 | 5,399 |
| **Total add backs** | **$ 133,785** | **$ 38,793** |
| | | |
| **EBITDAX** | **$ 79,379** | **$ 3,515** |

***(Amounts in thousands)***

# 2015 –Guidance *(As of May 28, 2015)*

| | |
|---|---|
| **BOPD**<br>***2nd Quarter Guidance 4,300 – 4,600** | **3,900 – 4,600*** |
| **OPEX ($MM)**<br>***2nd Quarter Guidance $7.5 - $8.5** | **$30.0 MM - $33.0 MM*** |
| **Workovers ($MM)**<br>***2nd Quarter Guidance $0.0** | **$3.0 MM - $6.0 MM** |
| **G&A ($MM)** | **$12.5 MM - $15.0 MM (1)** |
| **DD&A ($/bbl)**<br>***2nd Quarter Guidance $15.0 - $18.0** | **$15.0 - $18.0*** |
| **CAPEX ($MM)** | **$65.0 - $75.0** |

***(1) Includes ~$3.5MM non-cash compensation***