

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2023

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-32167

VAALCO Energy, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

76-0274813
(I.R.S. Employer
Identification No.)

9800 Richmond Avenue
Suite 700
Houston, Texas
(Address of principal executive offices)

77042
(Zip code)

(713) 623-0801
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock	EGY	New York Stock Exchange
Common Stock	EGY	London Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 8, 2023 there were outstanding 106,772,598 shares of common stock, \$0.10 par value per share, of the registrant.

VAALCO ENERGY, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
VAALCO ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	As of March 31, 2023	As of December 31, 2022
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 52,119	\$ 37,205
Restricted cash	76	222
Receivables:		
Trade, net	30,795	52,147
Accounts with joint venture owners, net of allowance for credit losses of \$0.3 million in both periods presented	25	15,830
Foreign income taxes receivable	—	2,769
Other, net of allowance for credit losses of \$3.5 and \$0.0 million, respectively	67,157	68,519
Crude oil inventory	11,778	3,335
Prepayments and other	17,424	20,070
Total current assets	179,374	200,097
Crude oil and natural gas properties, equipment and other - successful efforts method, net	499,953	495,272
Other noncurrent assets:		
Restricted cash	1,771	1,763
Value added tax and other receivables, net of allowance of \$9.0 million and \$8.4 million, respectively	8,026	7,150
Right of use operating lease assets	2,211	2,777
Right of use finance lease assets	91,198	90,698
Deferred tax assets	33,430	35,432
Abandonment funding	6,268	20,586
Other long-term assets	1,752	1,866
Total assets	\$ 823,983	\$ 855,641
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 49,982	\$ 59,886
Accounts with joint venture owners	3,098	—
Accrued liabilities and other	80,707	91,392
Operating lease liabilities - current portion	2,040	2,314
Finance lease liabilities - current portion	6,907	7,811
Foreign income taxes payable	5,424	—
Current liabilities - discontinued operations	673	687
Total current liabilities	148,831	162,090
Asset retirement obligations	42,327	41,695
Operating lease liabilities - net of current portion	367	686
Finance lease liabilities - net of current portion	80,470	78,248
Deferred tax liabilities	79,854	81,223
Other long-term liabilities	16,959	25,594
Total liabilities	368,808	389,536
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Preferred stock, \$25 par value; 500,000 shares authorized, none issued	—	—
Common stock, \$0.10 par value; 160,000,000 shares authorized, 120,116,106 and 119,482,680 shares issued, 107,318,214 and 107,852,857 shares outstanding, respectively	12,012	11,948
Additional paid-in capital	354,499	353,606
Accumulated other comprehensive income	1,054	1,179
Less treasury stock, 12,797,892 and 11,629,823 shares, respectively, at cost	(53,029)	(47,652)
Retained earnings	140,639	147,024
Total shareholders' equity	455,175	466,105
Total liabilities and shareholders' equity	\$ 823,983	\$ 855,641

See notes to condensed consolidated financial statements.

VAALCO ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended March 31,	
	2023	2022
	<i>(in thousands, except per share amounts)</i>	
Revenues:		
Crude oil, natural gas and natural gas liquids sales	\$ 80,403	\$ 68,656
Operating costs and expenses:		
Production expense	28,200	18,360
Exploration expense	8	127
Depreciation, depletion and amortization	24,417	4,673
General and administrative expense	5,224	4,994
Credit losses and other	935	492
Total operating costs and expenses	58,784	28,646
Other operating expense, net	—	(5)
Operating income	21,619	40,005
Other income (expense):		
Derivative instruments gain (loss), net	21	(31,758)
Interest expense, net	(2,246)	(3)
Other expense, net	(1,140)	(696)
Total other expense, net	(3,365)	(32,457)
Income from continuing operations before income taxes	18,254	7,548
Income tax expense (benefit)	14,771	(4,628)
Income from continuing operations	3,483	12,176
Loss from discontinued operations, net of tax	(13)	(12)
Net income	\$ 3,470	\$ 12,164
Other comprehensive income (loss)		
Currency translation adjustments	(125)	—
Comprehensive income	\$ 3,345	\$ 12,164
Basic net income per share:		
Income from continuing operations	\$ 0.03	\$ 0.21
Loss from discontinued operations, net of tax	0.00	0.00
Net income per share	\$ 0.03	\$ 0.21
Basic weighted average shares outstanding	107,387	58,702
Diluted net income per share:		
Income from continuing operations	\$ 0.03	\$ 0.20
Loss from discontinued operations, net of tax	0.00	0.00
Net income per share	\$ 0.03	\$ 0.20
Diluted weighted average shares outstanding	108,752	59,179

See notes to condensed consolidated financial statements.

VAALCO ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)

	Common Shares Issued	Treasury Shares	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Treasury Stock	Retained Earnings	Total
	<i>(in thousands)</i>							
Balance at January 1, 2023	119,483	(11,630)	\$ 11,948	\$ 353,606	\$ 1,179	\$ (47,652)	\$ 147,024	\$ 466,105
Shares issued - stock-based compensation	633	(187)	64	210	—	—	—	274
Stock-based compensation expense	—	—	—	683	—	—	—	683
Common Shares Purchased	—	(981)	—	—	—	(4,517)	—	(4,517)
Treasury stock	—	—	—	—	—	(860)	—	(860)
Dividend Distributions	—	—	—	—	—	—	(6,735)	(6,735)
Cumulative effect of adjustment upon adoption of ASU 2016-13 on January 1, 2023	—	—	—	—	—	—	(3,120)	(3,120)
Other comprehensive loss	—	—	—	—	(125)	—	—	(125)
Net income	—	—	—	—	—	—	3,470	3,470
Balance at March 31, 2023	<u>120,116</u>	<u>(12,798)</u>	<u>\$ 12,012</u>	<u>\$ 354,499</u>	<u>\$ 1,054</u>	<u>\$ (53,029)</u>	<u>\$ 140,639</u>	<u>\$ 455,175</u>

	Common Shares Issued	Treasury Shares	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Treasury Stock	Retained Earnings	Total
	<i>(in thousands)</i>							
Balance at January 1, 2022	69,562	(10,939)	\$ 6,956	\$ 76,700	\$ —	\$ (43,847)	\$ 104,488	\$ 144,297
Shares issued - stock-based compensation	300	(64)	30	168	—	—	—	198
Stock-based compensation expense	—	—	—	404	—	—	—	404
Treasury stock	—	—	—	—	—	(387)	—	(387)
Dividend Distributions	—	—	—	—	—	—	(1,929)	(1,929)
Net income	—	—	—	—	—	—	12,164	12,164
Balance at March 31, 2022	<u>69,862</u>	<u>(11,003)</u>	<u>\$ 6,986</u>	<u>\$ 77,272</u>	<u>\$ —</u>	<u>\$ (44,234)</u>	<u>\$ 114,723</u>	<u>\$ 154,747</u>

See notes to condensed consolidated financial statements.

VAAICO ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended March 31,	
	2023	2022
	<i>(in thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,470	\$ 12,164
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss from discontinued operations, net of tax	13	12
Depreciation, depletion and amortization	24,417	4,673
Bargain purchase gain	1,412	—
Deferred taxes	2,471	(10,318)
Unrealized foreign exchange loss	512	116
Stock-based compensation	649	1,422
Cash settlements paid on exercised stock appreciation rights	(233)	(205)
Derivative instruments (gain) loss, net	(21)	31,758
Cash settlements paid on matured derivative contracts, net	(59)	(12,500)
Cash settlements paid on asset retirement obligations	(123)	—
Credit losses and other	935	492
Other operating loss, net	—	5
Operational expenses associated with equipment and other	(640)	240
Change in operating assets and liabilities:		
Trade receivables	21,357	(22,152)
Accounts with joint venture owners	18,911	(6,652)
Other receivables	(2,309)	(1,723)
Crude oil inventory	(8,443)	(3,041)
Prepayments and other	983	(876)
Value added tax and other receivables	(1,361)	(1,076)
Other long-term assets	1,051	(1,452)
Accounts payable	(6,739)	(10,132)
Foreign income taxes receivable/payable	8,193	5,691
Deferred tax liability	(3,250)	—
Accrued liabilities and other	(19,177)	12,814
Net cash provided by (used in) continuing operating activities	42,019	(740)
Net cash used in discontinued operating activities	(13)	(18)
Net cash provided by (used in) operating activities	42,006	(758)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment expenditures	(27,700)	(23,148)
Net cash used in continuing investing activities	(27,700)	(23,148)
Net cash used in discontinued investing activities	—	—
Net cash used in investing activities	(27,700)	(23,148)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuances of common stock	274	198
Dividend distribution	(6,735)	(1,929)
Treasury shares	(5,377)	(387)
Payments of finance lease	(1,701)	—
Net cash used in continuing financing activities	(13,539)	(2,118)
Net cash used in discontinued financing activities	—	—
Net cash used in financing activities	(13,539)	(2,118)
Effects of exchange rate changes on cash	(309)	—
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	458	(26,024)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	59,776	72,314
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	\$ 60,234	\$ 46,290

See notes to condensed consolidated financial statements.

VAALCO ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS SUPPLEMENTAL DISCLOSURES (Unaudited)

	Three Months Ended March 31,	
	2023	2022
	<i>(in thousands)</i>	
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	\$ 1,488	\$ —
Supplemental disclosure of non-cash investing and financing activities:		
Property and equipment additions incurred but not paid at end of period	\$ 39,584	\$ 26,113
Recognition of right-of-use finance lease assets and liabilities	\$ 1,429	\$ 1,851

See notes to condensed consolidated financial statements.

VAALCO ENERGY, INC. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND ACCOUNTING POLICIES

VAALCO Energy, Inc. (together with its consolidated subsidiaries “we”, “us”, “our”, “VAALCO” or the “Company”) is a Houston, Texas-based independent energy company engaged in the acquisition, exploration, development and production of crude oil, natural gas and natural gas liquids (“NGLs”) properties. As operator, the Company has production operations and conducts exploration activities in Gabon and Canada and hold interests in two production sharing contracts (“PSCs”) in Egypt. The Company has opportunities to participate in development and exploration activities in Equatorial Guinea, West Africa. As discussed further in Note 3 below, VAALCO has discontinued operations associated with activities in Angola, West Africa and Yemen.

The Company’s consolidated subsidiaries are VAALCO Gabon (Etame), Inc., VAALCO Production (Gabon), Inc., VAALCO Gabon S.A., VAALCO Angola (Kwanza), Inc., VAALCO Energy (EG), Inc., VAALCO Energy Mauritius (EG) Limited, VAALCO Energy, Inc. (UK Branch), VAALCO Energy (USA), Inc., VAALCO Energy (International), LLC, VAALCO Energy (Holdings), LLC, TransGlobe Energy Corporation, TG Energy UK Ltd, TransGlobe Petroleum International Inc., TG Holdings Yemen Inc., TransGlobe West Bakr Inc., TransGlobe West Gharib Inc., TGEnergy Marketing Inc., and TGNW Gharib Inc., TGS Ghazalat Inc.

These condensed consolidated financial statements are unaudited, but in the opinion of management, reflect all adjustments necessary for a fair presentation of results for the interim periods presented. All adjustments are of a normal recurring nature unless disclosed otherwise. Interim period results are not necessarily indicative of results expected for the full year.

These condensed consolidated financial statements have been prepared in accordance with rules of the Securities and Exchange Commission (“SEC”) and do not include all the information and disclosures required by accounting principles generally accepted in the United States (“GAAP”) for complete financial statements. They should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022, which includes a summary of the significant accounting policies.

On October 5, 2022, the Organization of the Petroleum Exporting Countries, Russia and other allied producing countries (collectively, “OPEC+”) announced plans to reduce overall oil production by 2 MMBbls per day starting November 2022 through December 2023. On April 3, 2023, OPEC+ reaffirmed this reduction and announced additional voluntary reductions totaling 1.2 MMBbls through December 2023 by various members in addition to the 500 MBbls per day voluntary reduction already announced by Russia in February 2023. Included in the 1.2 MMBbls per day reduction was a voluntary reduction by the Gabonese government of 8 MBbls per day. The Company has not received any mandate to reduce its current oil production from the Etame Marin block as a result of the OPEC+ initiatives.

The average Brent crude oil price for the three months ended March 31, 2023 was \$81 per barrel. The average Brent Crude oil price for the three months ended March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022 was \$100 per barrel, \$113 per barrel, \$100 per barrel and \$88 per barrel, respectively.

During the year ended December 31, 2022 and continuing into 2023, the Company noticed that the lead times associated with obtaining materials to support its operations and drilling activities have lengthened and, in some cases, prices for fuel and materials have increased. Management believes the ongoing war between Russia and Ukraine and the slowdown of the economy in China and their related impact on the global economy are causing supply chain issues and energy concerns in parts of the global economy. In addition, increased inflation and higher interest rates are impacting the global supply chain market.

While the current commodity price environment is still favorable and the Company has not experienced material disruptions to its operations as a result of COVID-19 or as result of other forces, including the Russia/Ukraine conflict or slowdown in the Chinese economy affecting the global market or further deteriorations of the global supply chain market may have a material adverse impact on financial results and business operations of the Company, including the timing and ability of the Company to complete future drilling campaigns and other efforts required to advance the development of its crude oil, natural gas and NGLs properties.

Principles of consolidation – The accompanying unaudited condensed consolidated financial statements (“Financial Statements”) include the accounts of VAALCO and its wholly owned subsidiaries. Investments in unincorporated joint ventures and undivided interests in certain operating assets are consolidated on a pro rata basis. All intercompany transactions within the consolidated group have been eliminated in consolidation.

Use of estimates – The preparation of the Financial Statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the Financial Statements and the reported amounts of revenues and expenses during the respective reporting periods. The Financial Statements include amounts that are based on management’s best estimates and judgments. Actual results could differ from those estimates.

Estimates of crude oil, natural gas and NGLs reserves used to estimate depletion expense and impairment charges require extensive judgments and are generally less precise than other estimates made in connection with financial disclosures. Due to inherent uncertainties and the limited nature of data, estimates are imprecise and subject to change over time as additional information becomes available.

Cash and cash equivalents – Cash and cash equivalents include deposits and funds invested in highly liquid instruments with original maturities of three months or less at the date of purchase. The Company maintains its cash accounts in financial institutions that are insured by the Federal Deposit Insurance Corporation. From time to time, cash balances may exceed the insured amounts, however, the Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risks.

Restricted cash and abandonment funding – Restricted cash includes cash that is contractually restricted. Restricted cash is classified as a current or non-current asset based on its designated purpose and time duration. Current amounts in restricted cash at March 31, 2023 and 2022 each include an escrow amount for the floating, production, storage and offloading vessel (“FPSO”), representing bank guarantees for customs clearance in Gabon. Long-term amounts at March 31, 2023 and 2022 include a charter payment escrow for the FPSO offshore Gabon as discussed in Note 10 and amounts set aside for the future abandonment of the Etame Marin block. The Company invests restricted and excess cash in readily redeemable money market funds. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets to the amounts shown in the condensed consolidated statements of cash flows.

	As of March 31,	
	2023	2022
	(in thousands)	
Cash and cash equivalents	\$ 52,119	\$ 18,939
Restricted cash - current	76	4,230
Restricted cash - non-current	1,771	1,752
Abandonment funding	6,268	21,369
Total cash, cash equivalents and restricted cash	\$ 60,234	\$ 46,290

The Company conducts regular abandonment studies to update the estimated costs to abandon the offshore wells, platforms and facilities on the Etame Marin block. This cash funding is reflected under “Other noncurrent assets” as “Abandonment funding” on the unaudited condensed consolidated balance sheets. Future changes to the anticipated abandonment cost estimate could change the asset retirement obligation and the amount of future abandonment funding payments. See Note 10 for further discussion.

On February 28, 2019, the Gabonese branch of the international commercial bank holding the abandonment funds in a U.S. dollar (“USD”) denominated account advised the Company that the bank regulator required transfer of the funds to the Bank Of Central African States (BEAC) which is the Central Bank of the Economic and Monetary Community of Central Africa (CEMAC) of which Gabon is one of the six member states, for conversion to local currency with a credit back to the Gabonese branch in local currency. The Etame PSC provides these payments must be denominated in USD and the CEMAC regulations provide for establishment of a USD account with the Central Bank. Although the Company requested establishment of such account, the Central Bank did not comply with its requests since they were working on an abandonment fund common policy for the oil and gas Industry as well as the mining industry. As a result, the Company was not able to make the annual abandonment funding payment for the years 2019 through 2022 totaling \$5.8 million, net to VAALCO based on the 2018 abandonment study. On January 12, 2023, after continued discussions with various BEAC and government officials, the Company was allowed to re-establish a USD denominated account and made whole for the original USD amount of \$37.3 million that was in the account prior to conversion to a local currency account in 2019.

In the first quarter of 2023, the Directorate of Hydrocarbons in Gabon approved a \$26.6 million (\$15.6 million, net to VAALCO) abandonment funding payment associated with the FPSO retirement. The Company received payment of \$15.6 million in March 2023.

The Company is working with Directorate of Hydrocarbons in Gabon on establishing a payment schedule to resume funding of the abandonment fund in compliance with the Etame PSC.

Accounts with joint venture owners, net – Accounts with joint venture owners represent the excess of charges billed over cash calls paid by the joint venture owners for exploration, development and production expenditures made by the Company as an operator. Joint owner receivables are secured through cash calls and other mechanisms for collection under the terms of the joint operating agreements. For credit losses associated with accounts with joint venture owners, see allowance for credit losses below.

Accounts Receivable, net – The Company's trade accounts receivable results from sales of crude oil, natural gas, and NGLs. For credit losses associated with accounts with trade receivables, see allowance for credit losses below.

Other receivables, net – Under the terms of the Etame PSC, the Company can be required to contribute to meeting domestic market needs of the Republic of Gabon by delivering to it, or another entity designated by the Republic of Gabon, an amount of crude oil proportional to the Company's share of production to the total production in Gabon over the year. In 2021, the Company was notified by the Republic of Gabon to deliver to a refinery its proportionate share of crude oil to meet the domestic market need as per the terms of the Etame PSC. The Company is entitled, per the Etame PSC, to a fixed selling price for the oil delivered. Since the crude oil produced by the Company was not compatible with the crude oil requirements of the refinery, the Company entered into two contracts to fulfill its domestic market needs obligation under the Etame PSC. One contract was to purchase oil from another producer that produced the compatible oil the refinery needs and another contract with the refinery itself to deliver the crude oil. Under the contract with the provider of the crude oil, the third-party provider is entitled to a selling price consistent with the price the Company receives under the terms of the Etame PSC for the delivery of the crude oil to the refinery. As a result of these contracts and timing differences between when the oil is procured and when it is delivered to and paid for by the refinery, included in the Company's March 31, 2023 condensed consolidated balance sheet are current receivables in the "other, net" line item of approximately \$16.8 million for amounts due to the Company from the refinery for 228 MBbls delivered to the refinery, a \$17.9 million current liability included in the "Account payable" line item for amounts due to the oil supplier for 195 MBbls of purchased crude oil from the supplier in the second half of 2022 and a \$2.5 million current liability included in the "Accrued liabilities and other" line item for amounts due to the oil supplier for 32.5 MBbls of crude oil purchased in March 2023.

On January 19, 2022, TransGlobe's West Gharib, West Bakr and North West Gharib (collectively the "Eastern Desert") concessions were merged into the Merged Concession Agreement with the Egyptian General Petroleum Corporation ("EGPC"). The Merged Concession includes improved cost recovery and production sharing terms scaled to oil prices with a new 15-year development term and a 5-year extension option. Upon execution of the Merged Concession, there was an effective date adjustment owed to the Company for the difference between historic and Merged Concession Agreement commercial terms applied against Eastern Desert production from the Merged Concession Effective Date, February 1, 2020. The cumulative amount of the effective date adjustment was estimated at \$67.5 million and was recorded as part of the TransGlobe Arrangement. During the fourth quarter of 2022, the Company received \$17.2 million of the receivable. At March 31, 2023, the remaining \$50.3 million was recorded on the condensed consolidated balance sheet in current receivables in the "Other, net" line item. The Company continues to work with the marketing and scheduling department of EGPC, as well as the Ministry, to crystallize cargoes against the back dated receivable.

For credit losses associated with other receivables, see allowance for credit losses below.

Value added tax and other receivables, net – The Company incurs receivables from the government of Gabon for reimbursable Value-Added Tax ("VAT"). For the allowance associated with VAT, see allowance for credit losses and other below. Since VAT is assessed under a foreign taxing authority, the allowance falls outside of the scope of the credit loss standard.

As of March 31, 2023, the outstanding VAT receivable balance, excluding the allowance, was approximately \$22.9 million (\$14.9 million, net to VAALCO). As of March 31, 2023, the exchange rate was XAF 602.976 = \$1.00. As of December 31, 2022, the outstanding VAT receivable balance, excluding the allowance, was approximately \$21.8 million (\$13.9 million, net to VAALCO). As of December 31, 2022, the exchange rate was XAF 612.6 = \$1.00. The receivable amount, net of allowances, is reported as a non-current asset in the "Value added tax and other receivables" line item in the unaudited condensed consolidated balance sheets. Because both the VAT receivable and the related allowances are denominated in XAF, the exchange rate revaluation of these balances into U.S. dollars at the end of each reporting period also has an impact on the Company's results of operations. Such foreign currency gains (losses) are reported separately in the "Other expense, net" line item of the condensed consolidated statements of operations and comprehensive income.

Allowance for credit losses and other – On January 1, 2023, the Company adopted Accounting Standards Update 2016-13, Financial Instruments—Credit Losses ("ASU 2016-13"). ASU 2016-13 requires an entity to measure credit losses of certain financial assets, including trade receivables, utilizing a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to form credit loss estimates.

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The Company estimates the current expected credit losses based primarily using an either an aging analysis or discounted cash flow methodology that incorporates consideration of current and future conditions that could impact its counterparties' credit quality and liquidity. Uncollectible receivables are written off when a settlement is reached for an amount that is less than the outstanding historical balance or when the Company has determined that the balance will not be collected.

The Company has identified the following types of financial assets that are within the scope of ASU 2016-13:

- Accounts receivable with joint venture owners;
- Trade accounts receivables;
- Other receivables

As a result of adopting ASU 2016-13 on January 1, 2023, the Company recognized a \$3.1 million provision (\$18.2 million other receivable balance excluding the provision) for current expected credit losses on its other receivables related to amounts owed to the Company from the refinery in Gabon through a cumulative effect adjustment offset to retained earnings. During the three months ended March 31, 2023, the Company recorded an additional provision of \$0.4 million for the oil delivered to the refinery during the quarter.

Also on January 1, 2023, the Company transferred its \$0.3 million provision related to accounts with joint venture owners from an allowance for bad debt account to an expected credit loss account. As of March 31, 2023, the Company has established a credit loss allowance for the full \$0.3 million receivable from one of the non-operating partners in Block P offshore Equatorial Guinea. The Company is working with its partner on collecting payment.

During the three months ended March, 31, 2023, the Company recognized an additional \$0.6 million provision related to its Value added tax with Gabon.

With respect to the Company's receivable from the refinery and TVA receivable balances, collection efforts, including remedies provided for in the contracts, are being pursued to collect overdue amounts owed to the Company. The Company is in ongoing discussions with the Ministry of the Economy, Hydrocarbons and the Presidency of Gabon on finding a solution to the realization of the past due balances.

The following table provides an analysis of the change of the aggregate credit loss allowance and other allowances.

	Three Months Ended March 31,	
	2023	2022
	<i>(in thousands)</i>	
Allowance for credit losses and other		
Balance at beginning of period	\$ (8,704)	\$ (5,741)
Credit loss charges and other, net of receipts	(935)	(492)
Cumulative effect of adjustment upon adoption of ASU 2016-13 on January 1, 2023	(3,120)	—
Foreign currency gain (loss)	(73)	98
Balance at end of period	<u>\$ (12,832)</u>	<u>\$ (6,135)</u>

Crude oil inventory – Crude oil inventories are carried at the lower of cost or net realizable value. In Gabon, inventories represent the Company's share of crude oil produced and stored on the FSO at March 31, 2023 or the FPSO at March 31, 2022, but unsold at the end of the period. In Egypt, inventory consists of the Company's entitlement crude oil barrels not yet sold. The Company has made the decision to keep an inventory of crude in Egypt rather than perform direct sales in order to push for an export cargo during the second quarter of 2023. At March 31, 2023, the Company is in an underlift situation in Egypt.

Prepayments and Other – Included in "Prepayments and other" line item of the Company's March 31, 2023 condensed consolidated balance sheet are \$2.5 million of prepayments related to fixed assets, \$1.6 million of prepayments related to royalties in Gabon, \$1.9 million in prepaid insurance and other, \$3.9 million related to prepaid fuel in Egypt, \$2.2 million in advances to contractors, and \$5.3 million in other prepaid items.

Materials and supplies – Materials and supplies, which are included in the "Prepayments and other" line item of the condensed consolidated balance sheet, are primarily used for production related activities. These assets are valued at the lower of cost, determined by the weighted-average method, or net realizable value.

Crude Oil and natural gas properties, equipment and other – The Company uses the successful efforts method of accounting for crude oil, natural gas and NGLs producing activities. Management believes that this method is preferable, as the Company has focused on exploration activities wherein there is risk associated with future success and as such earnings are best represented by drilling results.

Capitalized Equipment Inventory – Capitalized equipment inventory represents the costs incurred in bringing the inventory to its present location and condition and is based on purchase costs calculated on weighted average cost basis, including transportation costs. Capitalized equipment inventory is classified as long term when the Company expects to utilize the inventory beyond the normal operating cycle.

Capitalization – Costs of successful wells, development dry holes and leases containing productive reserves are capitalized and amortized on a unit-of-production basis over the life of the related reserves. Other exploration costs, including dry exploration well costs, geological and geophysical expenses applicable to undeveloped leaseholds, leasehold expiration costs and delay rentals, are expensed as incurred. The costs of exploratory wells are initially capitalized pending a determination of whether proved reserves have been found. At the completion of drilling activities, the costs of exploratory wells remain capitalized if a determination is made that proved reserves have been found. If no proved reserves have been found, the costs of exploratory wells are charged to expense. In some cases, a determination of proved reserves cannot be made at the completion of drilling, requiring additional testing and evaluation of the wells. Cost incurred for exploratory wells that find reserves that cannot yet be classified as proved are capitalized if (a) the well has found a sufficient quantity of reserves to justify its completion as a producing well and (b) sufficient progress in assessing the reserves and the economic and operating viability of the project has been made. The status of suspended well costs is monitored continuously and reviewed quarterly. Due to the capital-intensive nature and the geographical characteristics of certain projects, it may take an extended period of time to evaluate the future potential of an exploration project and the economics associated with making a determination of its commercial viability. Geological and geophysical costs are expensed as incurred. Costs of seismic studies that are utilized in development drilling within an area of proved reserves are capitalized as development costs. Amounts of seismic costs capitalized are based on only those blocks of data used in determining development well locations. To the extent that a seismic project covers areas of both developmental and exploratory drilling, those seismic costs are proportionately allocated between development costs and exploration expense.

Depreciation, depletion and amortization – Depletion of wells, platforms, and other production facilities are calculated on a block basis under the unit-of-production method based upon estimates of proved developed reserves. Depletion of developed leasehold acquisition costs are provided on a block basis under the unit-of-production method based upon estimates of proved reserves. Support equipment (other than equipment inventory) and leasehold improvements related to crude oil, natural gas and NGLs producing activities, as well as property, plant and equipment unrelated to crude oil, natural gas and NGLs producing activities, are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets, which are typically five years for office and miscellaneous equipment and five to seven years for leasehold improvements.

Impairment – The Company reviews the crude oil, natural gas and NGLs producing properties for impairment on a block basis whenever events or changes in circumstances indicate that the carrying amount of such properties may not be recoverable. If the sum of the expected undiscounted future cash flows from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment charge is recorded based on the fair value of the asset. This may occur if the block contains lower than anticipated reserves or if commodity prices fall below a level that significantly affects anticipated future cash flows. The fair value measurement used in the impairment test is generally calculated with a discounted cash flow model using several Level 3 (as defined in the policy "Fair value" below) inputs that are based upon estimates the most significant of which is the estimate of net proved reserves. There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of development expenditures, including many factors beyond the Company's control. Reserve engineering is a subjective process of estimating underground accumulations of crude oil, natural gas and NGLs that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. The quantities of crude oil, natural gas and NGLs that are ultimately recovered, production and operating costs, the amount and timing of future development expenditures and future crude oil and natural gas sales prices may all differ from those assumed in these estimates. Capitalized equipment inventory is reviewed regularly for obsolescence. When undeveloped crude oil, natural gas and NGLs leases are deemed to be impaired, exploration expense is charged. Unproved property costs consist of acquisition costs related to undeveloped acreage in the Etame Marin block in Gabon, Canada, Egypt and in Block P in Equatorial Guinea. See Note 7 for further discussion.

Purchase Accounting – On October 13, 2022, the Company and AcquireCo, an indirect wholly-owned subsidiary of the Company, completed the business acquisition of TransGlobe and TransGlobe became a direct wholly-owned subsidiary of AcquireCo and an indirect wholly-owned subsidiary of VAALCO, pursuant to the Arrangement Agreement on July 13, 2022. The Company made various assumptions in determining the fair values of acquired assets and liabilities assumed. In order to allocate the purchase price, the Company developed fair value models with the assistance of outside consultants. These fair value models were used to determine the fair value associated with the reserves and applied discounted cash flows to expected future operating results, considering expected growth rates, development opportunities, and future pricing assumptions. The fair value of working capital assets acquired and liabilities assumed were transferred at book value, which approximates fair value due to the short-term nature of the assets and liabilities. The fair value of the fixed assets acquired was based on estimates of replacement costs and the fair value of liabilities assumed was based on their expected future cash outflows. See Note 3 for further discussion.

Lease commitments – At inception, contracts are reviewed to determine whether an agreement contains a lease as defined under Accounting Standards Codification ("ASC") 842, Leases. Further, if a lease is identified within the contract, a determination is made whether the lease qualifies as an operating or financing lease. Regardless of the type of lease, the initial measurement of the lease results in recording a right of use ("ROU") asset and a lease liability at the present value of the future lease payments. ROU assets for operating leases are recorded under "Right of use operating lease assets" and the current portion and long-term portion of the lease liabilities for operating leases are reflected in "Operating lease liabilities – current portion" and "Operating lease liabilities – net of current portion" within the condensed consolidated balance sheets. ROU assets for financing leases are recorded within "Right of use finance lease assets" and the current portion and long-term portion of the lease liabilities for financing leases are reflected in "Finance lease liabilities – current portion" and "Finance lease liabilities – net of current portion" within the condensed consolidated balance sheets.

Asset retirement obligations ("ARO") – The Company has significant obligations to remove tangible equipment and restore land or seabed at the end of crude oil, natural gas and NGLs production operations. The removal and restoration obligations are primarily associated with plugging and abandoning wells, removing and disposing of all or a portion of offshore crude oil, natural gas and NGLs platforms, and capping pipelines. Estimating the future restoration and removal costs is difficult and requires management to make estimates and judgments. Asset removal technologies and costs are constantly changing, as are regulatory, political, environmental, safety, and public relations considerations.

A liability for ARO is recognized in the period in which the legal obligations are incurred if a reasonable estimate of fair value can be made. The ARO liability reflects the estimated present value of the amount of dismantlement, removal, site reclamation, and similar activities associated with crude oil, natural gas and NGLs properties. The Company uses current retirement costs to estimate the expected cash outflows for retirement obligations. Inherent in the present value calculation are numerous assumptions and judgments including the ultimate settlement amounts, inflation factors, credit-adjusted discount rates, timing of settlement, and changes in the legal, regulatory, environmental, and political environments. Initial recording of the ARO liability is offset by the corresponding capitalization of asset retirement cost recorded to crude oil, natural gas and NGLs properties. To the extent these or other assumptions change after initial recognition of the liability, the fair value estimate is revised, and the recognized liability adjusted, with a corresponding adjustment made to the related asset balance or income statement, as appropriate. Depreciation of capitalized asset retirement costs and accretion of asset retirement obligations are recorded over time. Depreciation is generally determined on a units-of-production basis for crude oil, natural gas and NGLs production facilities, while accretion escalates over the lives of the assets to reach the expected settlement value. Where there is a downward revision to the ARO that exceeds the net book value of the related asset, the corresponding adjustment is limited to the amount of the net book value of the asset and the remaining amount is recognized as a gain. See Note 13 for further discussion.

Revenue recognition – The Company's revenues are derived primarily from contracts with customers. Royalties are considered to be part of the price of the sale transaction and are therefore presented as a reduction to revenues. Revenues associated with the sale of crude oil, natural gas and NGLs are measured based on the consideration specified in contracts with customers.

Revenues from contracts with customers are recognized when the Company satisfies a performance obligation by transferring a good or service to a customer. A good or service is transferred when the customer obtains control of the good or service. The transfer of control of oil, natural gas and NGLs usually coincides with title passing to the customer and the customer taking physical possession. VAALCO mainly satisfies its performance obligations at a point in time and the amounts of revenues recognized relating to performance obligations satisfied over time are not significant. See Note 6 for further discussion.

In connection with the acquisition of TransGlobe on October 13, 2022, the Company has elected to continue its policy regarding shipping and handling costs and are presenting these costs net within revenue in the consolidated statements of operations and comprehensive income. In addition, the Company has elected to recognize revenue from oil, natural gas and NGLs on the basis of the Company's net working interest, less royalties on the consolidated statements of operations and comprehensive income. Any imbalances from an underlift or overlift position are valued based on the actual sales proceeds received.

Major maintenance activities – Costs for major maintenance are expensed in the period incurred and can include the costs of workovers of existing wells, contractor repair services, materials and supplies, equipment rentals and labor costs.

Stock-based compensation – The Company measures the cost of employee services received in exchange for an award of equity instruments based on the fair value of the award on the date of the grant. The grant date fair value for options or stock appreciation rights ("SARs") is estimated using either the Black-Scholes or Monte Carlo method depending on the complexity of the terms of the awards granted. The SARs fair value is estimated at the grant date and remeasured at each subsequent reporting date until exercised, forfeited or cancelled.

Black-Scholes and Monte Carlo models employ assumptions, based on management's best estimates at the time of grant, which impact the calculation of fair value and ultimately, the amount of expense that is recognized over the life of the stock options or SAR award. These models use the following inputs: (i) the quoted market price of the Company's common stock on the valuation date, (ii) the maximum stock price appreciation that an employee may receive, (iii) the expected term that is based on the contractual term, (iv) the expected volatility that is based on the historical volatility of the Company's stock for the length of time corresponding to the expected term of the option or SAR award, (v) the expected dividend yield that is based on the anticipated dividend payments and (vi) the risk-free interest rate that is based on the U.S. treasury yield curve in effect as of the reporting date for the length of time corresponding to the expected term of the option or SAR award.

For restricted stock, the grant date fair value is determined using the market value of the common stock on the date of grant.

The stock-based compensation expense for equity awards is recognized over the requisite or derived service period, using the straight-line attribution method over the service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards.

Unless the awards contain a market condition, previously recognized expense related to forfeited awards is reversed in the period in which the forfeiture occurs. For awards containing a market condition, previously recognized stock-based compensation expense is not reversed when the awards are forfeited. See Note 15 for further discussion.

Foreign currency transactions – The U.S. dollar is the functional currency of most of the Company's foreign operating subsidiaries. However, in connection with the Company's acquisition of TransGlobe, the Company acquired TransGlobe's Canadian operations whose functional currency is the Canadian dollar. When the Company's subsidiaries' functional currency is the US dollar, gains and losses on foreign currency transactions are included in income. When the Company's subsidiaries' functional currency is the local currency, not the US dollar, the cumulative effects of translating the balance sheet accounts from the functional currency into the U.S. dollar at current exchange rates are included in accumulated other comprehensive income. Both realized and unrealized foreign exchange gain and losses are recorded within the condensed consolidated statements of operations and comprehensive income line item "Other (expense) income, net".

Income taxes – The annual tax provision is based on expected taxable income, statutory rates and tax planning opportunities available to the Company in the various jurisdictions in which the Company operates. The determination and evaluation of the annual tax provision and tax positions involves the interpretation of the tax laws in the various jurisdictions in which the Company operates and requires significant judgment and the use of estimates and assumptions regarding significant future events such as the amount, timing and character of income, deductions and tax credits. Changes in tax laws, regulations, agreements and tax treaties or the level of operations or profitability in each jurisdiction would impact the tax liability in any given year. The Company also operates in foreign jurisdictions where the tax laws relating to the crude oil, natural gas and NGLs industry are open to interpretation, which could potentially result in tax authorities asserting additional tax liabilities. While the income tax provision (benefit) is based on the best information available at the time, a number of years may elapse before the ultimate tax liabilities in the various jurisdictions are determined. The Company also record as income tax expense the increase or decrease in the value of the government's allocation of Profit Oil which results due to changes in value from the time the allocation is originally produced to the time the allocation is actually lifted.

Judgment is required in determining whether deferred tax assets will be realized in full or in part. Management assesses the available positive and negative evidence to estimate if existing deferred tax assets will be utilized, and when it is estimated to be more-likely-than-not that all or some portion of specific deferred tax assets, such as net operating loss carry forwards or foreign tax credit carryovers, will not be realized, a valuation allowance must be established for the amount of the deferred tax assets that are estimated to not be realizable. Factors considered are earnings generated in previous periods, forecasted earnings and the expiration period of carryovers.

In certain jurisdictions, the Company may deem the likelihood of realizing deferred tax assets as remote where the Company expects that, due to the structure of operations and applicable law, the operations in such jurisdictions will not give rise to future tax consequences. For such jurisdictions, the Company has not recognized deferred tax assets. Should the expectations change regarding the expected future tax consequences, the Company may be required to record additional deferred taxes that could have a material effect on the condensed consolidated financial position and results of operations. See Note 16 for further discussion.

Derivative instruments and hedging activities – The Company enters into crude oil hedging arrangements from time to time in an effort to mitigate the effects of commodity price volatility and enhance the predictability of cash flows relating to the marketing of a portion of the Company's crude oil production. While these instruments mitigate the cash flow risk of future decreases in commodity prices, they may also curtail benefits from future increases in commodity prices.

The Company records balances resulting from commodity risk management activities in the condensed consolidated balance sheets as either assets or liabilities measured at fair value. The Company has elected not to offset fair value amounts of qualifying derivatives under a master netting arrangement and associated fair value amounts for cash collateral receivables and payables. Gains and losses from the change in fair value of derivative instruments and cash settlements on commodity derivatives are presented in the "Derivative instruments loss, net" line item located within the "Other income (expense)" section of the condensed consolidated statements of operations and comprehensive income. See Note 8 for further discussion.

Fair value – Fair value is defined as the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. Inputs used in determining fair value are characterized according to a hierarchy that prioritizes those inputs based on the degree to which they are observable. The three input levels of the fair-value hierarchy are as follows:

Level 1 – Inputs represent quoted prices in active markets for identical assets or liabilities (for example, exchange-traded commodity derivatives).

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (for example, quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets or liabilities in markets not considered to be active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs).

Level 3 – Inputs that are not observable from objective sources, such as internally developed assumptions used in pricing an asset or liability (for example, an estimate of future cash flows used in the internally developed present value of future cash flows model that underlies the fair-value measurement).

Nonrecurring Fair Value Measurements – The Company applies fair value measurements to its nonfinancial assets and liabilities measured on a nonrecurring basis, which consist of measurements or remeasurements of impairment of crude oil, natural gas and NGLs properties, asset retirement assets and liabilities and other long-lived assets and assets acquired and liabilities assumed in a business combination. Generally, a cash flow model is used in combination with inflation rates and credit-adjusted, risk-free discount rates or industry rates to determine the fair value of the assets and liabilities. Based upon the Company's review of the fair value hierarchy, the inputs used in these fair value measurements are considered Level 3 inputs.

Fair value of financial instruments – The Company's current assets and liabilities include financial instruments such as cash and cash equivalents, restricted cash, accounts receivable, derivative assets and liabilities, accounts payable, accrued liabilities, liabilities for SARs and guarantees. As discussed further in Note 8, derivative assets and liabilities are measured and reported at fair value each period with changes in fair value recognized in net income. The derivatives referenced below are reported in "Accrued liabilities and other" on the condensed consolidated balance sheet. SARs liabilities are measured and reported at fair value using Level 2 inputs each period with changes in fair value recognized in net income. The current portion of the SARs liabilities is reported in "Accrued liabilities and other" on the condensed consolidated balance sheet while the long-term portion is reported in "Other long-term liabilities". With respect to cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, the carrying value of each financial instrument approximates fair value primarily due to the short-term maturity of these instruments and are considered Level 1 inputs. The Company generally extends unsecured credit to these clients; therefore, collection of receivables may be affected by the economy surrounding the oil and natural gas industry or other economic conditions. The Company closely monitors extensions of credit and may negotiate payment terms that mitigate risk.

Balance Sheet Line		As of March 31, 2023			
		Level 1	Level 2	Level 3	Total
<i>(in thousands)</i>					
Assets					
Derivative asset	Prepayments and other	\$ —	\$ 124	\$ —	\$ 124
		\$ —	\$ 124	\$ —	\$ 124
Liabilities					
SARs liability	Accrued liabilities and other	\$ —	\$ 297	\$ —	\$ 297
		\$ —	\$ 297	\$ —	\$ 297

Balance Sheet Line		As of December 31, 2022			
		Level 1	Level 2	Level 3	Total
<i>(in thousands)</i>					
Assets					
Derivative asset	Prepayments and other	\$ —	\$ 102	\$ —	\$ 102
		\$ —	\$ 102	\$ —	\$ 102
Liabilities					
SARs liability	Accrued liabilities and other	\$ —	\$ 556	\$ —	\$ 556
		\$ —	\$ 556	\$ —	\$ 556

Earnings per Share – Basic earnings per common share is calculated by dividing earnings available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is calculated by dividing earnings available to common stockholders by the weighted average number of diluted common shares outstanding, which includes the effect of potentially dilutive securities. Potentially dilutive securities consist of unvested restricted stock awards and stock options using the treasury method. Under the treasury method, the amount of unrecognized compensation expense related to unvested stock-based compensation grants or the proceeds that would be received if the stock options were exercised are assumed to be used to repurchase shares at the average market price. When a loss exists, all potentially dilutive securities are anti-dilutive and are therefore excluded from the computation of diluted earnings per share. See Note 5 for further discussion.

Other, net – "Other, net" in non-operating income and expenses includes gains and losses from foreign currency transactions as discussed above, as well as taxes other than income taxes.

Other comprehensive income – All of the Company's other comprehensive income arises from TransGlobe's Canadian operations whose functional currency is the Canadian dollar. Translation gains and losses occur when translating the financial statements of non-U.S. functional currency operations to the USD. These translation gains and losses are recorded as currency translation adjustments and presented as other comprehensive income on the consolidated statements of operations and comprehensive income. Translations occur as follows:

- Income and expenses are translated at the date of the transaction.
- Assets and liabilities are translated at the prevailing rate on the balance sheet date. The exchange rate to convert Canadian dollars ("CAD") to US dollars ("USD") at December 31, 2022 and at March 31, 2023 was 0.738 USD and 0.739, respectively.

2. NEW ACCOUNTING STANDARDS

Adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASU") No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13") related to the calculation of credit losses on financial instruments. All financial instruments not accounted for at fair value will be impacted, including the Company's trade and joint venture owners' receivables. Allowances are to be measured using a current expected credit loss ("CECL") model as of the reporting date that is based on historical experience, current conditions and reasonable and supportable forecasts. This is significantly different from the current model that increases the allowance when losses are probable. ASU 2016-13 is effective for Securities and Exchange Commission filers, excluding smaller reporting companies, for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. As a smaller reporting company, through December 31, 2022, the Company was required to adopt the new standard for the fiscal years beginning after December 15, 2022, including interim periods within those fiscal years.

The Company adopted ASU 2016-13 ("ASC 326") on January 1, 2023 using the modified-retrospective approach. The modified-retrospective approach consists of applying the amendments in ASU 2016-03 through a cumulative-effect adjustment, if required, to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company's current method and timing of recognizing credit losses is in accordance with ASC 326 and is consistent with the previous method of recognizing credit losses, except for one receivable, which now utilizes the Discounted Cash Flow method for computing its Expected Credit Loss ("ECL"). The Company recorded an ECL allowance of \$3.1 million as an opening balance adjustment to retained earnings at January 1, 2023. See Note 1 for further details.

3. ACQUISITIONS AND DISPOSITIONS

TransGlobe Merger

On October 13, 2022, the Company and AcquireCo completed the previously announced business combination with TransGlobe whereby AcquireCo acquired all of the issued and outstanding common shares of TransGlobe and TransGlobe became a direct wholly owned subsidiary of AcquireCo and an indirect wholly owned subsidiary of the Company pursuant to an arrangement agreement entered into by the Company, AcquireCo and TransGlobe on July 13, 2022 (the "Arrangement Agreement").

At the effective time of the Arrangement and pursuant to the Arrangement Agreement, each common share of TransGlobe issued and outstanding immediately prior to the effective time of the Arrangement (the "TransGlobe common shares") was converted into the right to receive 0.6727 (the "exchange ratio") of a share of common stock, par value \$0.10 per share, of the Company ("VAALCO common stock," and each share of VAALCO common stock, a "VAALCO share"). The total number of VAALCO shares issued to TransGlobe's shareholders was approximately 49.3 million. The Arrangement resulted in VAALCO stockholders owning approximately 54.5%, and TransGlobe shareholders owning approximately 45.5% of the combined company (the "Combined Company"), calculated based on vested outstanding shares of each company as of the date of the Arrangement Agreement.

Prior to the Arrangement, TransGlobe was a cash flow-focused oil and gas exploration and development company whose activities were concentrated in the Arab Republic of Egypt and Canada. The Combined Company is a leading African-focused operator with a strong production and reserve base and a diverse portfolio of assets in Gabon, Egypt, Equatorial Guinea and Canada. The transaction qualifies as a business combination under ASC 805, Business Combinations and the Company is the accounting acquiror. The purchase accounting for the business combination has not been completed.

During the three months ended March 31, 2023, the deferred tax liability in Egypt was increased by \$1.4 million as of the date of the Arrangement. This resulted in a decrease to the bargain purchase gain of a corresponding \$1.4 million for the three months ended March 31, 2023 and is reflected in our condensed consolidated statements of operations in the line, "Other expense, net".

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The actual impact of the Arrangement was an increase to “Crude oil, natural gas and NGLs sales” of \$43.7 million and \$9.7 million of “Net income” in the condensed consolidated statements of operations and comprehensive income for the three months ended March 31, 2023.

	October 13, 2022 (in thousands)	Measurement Period Adjustment (in thousands)	October 13, 2022 (As Adjusted) (in thousands)
Purchase Consideration			
Common stock issued to TransGlobe shareholders	\$ 274,145	\$ —	\$ 274,145
	October 13, 2022 (in thousands)	October 13, 2022 (in thousands)	October 13, 2022 (in thousands)
Assets acquired:			
Cash	\$ 36,686	\$ —	\$ 36,686
Wells, platforms and other production facilities	243,669	—	243,669
Equipment and other	2,099	—	2,099
Undeveloped acreage	30,216	—	30,216
Accounts receivable - trade	48,068	—	48,068
Accounts receivable - other	50,275	—	50,275
Accounts with joint venture owners	68	—	68
Right of use operating leases	1,609	—	1,609
Right of use financing leases	204	—	204
Prepayment and other	7,627	—	7,627
Liabilities assumed:			-
Asset retirement obligations	(6,134)	—	(6,134)
Accounts payable	(10,223)	—	(10,223)
Accrued liabilities and other	(50,128)	—	(50,128)
Operating lease liabilities - current portion	(961)	—	(961)
Financing lease liabilities - current portion	(125)	—	(125)
Operating lease liabilities - net of current portion	(688)	—	(688)
Financing lease liabilities - net of current portion	(21)	—	(21)
Deferred tax liabilities	(40,964)	(1,412)	(42,376)
Other long-term liabilities	(26,313)	—	(26,313)
Bargain purchase gain	(10,819)	1,412	(9,407)
Total purchase price	\$ 274,145	\$ —	\$ 274,145

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All assets and liabilities associated with TransGlobe, including crude oil, natural gas and NGLs properties, asset retirement obligations and working capital items, were recorded at their fair value. The Company used estimated future crude oil prices as of the closing date, October 13, 2022, to apply to the estimated reserve quantities acquired and market participant assumptions to the estimated future operating and development costs to arrive at the estimates of future net revenues. The future net revenues were discounted using a weighted average cost of capital to determine the fair value at closing. The valuations to derive the purchase price included the use of both proved and unproved categories of reserves, expectation for timing and amount of future development and operating costs, projections of future rates of production, expected recovery rates, and specific risk adjustment factors based on reserve category discount rates. Other significant estimates were used by the Company to determine the fair value of assets acquired and liabilities assumed. The purchase price allocation is preliminary pending final determination of the fair values of certain assets and liabilities, primarily the accounts receivable, asset retirement obligations, accounts payable and any contingencies, and any related tax impacts. As a result of comparing the purchase price to the fair value of the assets acquired and liabilities assumed, an initial \$10.8 million bargain purchase gain was recognized. As a result of the transition period adjustment, the initial bargain purchase gain has been reduced to \$9.4 million. The bargain purchase gain was due to the decrease in the share price of VAALCO stock from the time period when the arrangement agreement was signed, July 13, 2022 and the share price at closing, October 13, 2022 while the exchange ratio, of TransGlobe shares converted to VAALCO shares, remained the same.

The unaudited pro forma results presented below have been prepared to give the effect of the TransGlobe Arrangement discussed above on the Company's results for the three months ended March 31, 2022, as if the Arrangement had been consummated on January 1, 2021. The unaudited pro forma results do not purport to represent what the Company's actual results of operations would have been if the TransGlobe Arrangement had been completed on such date or project the Company's results of operations for any future date or period.

	Three Months Ended March 31, 2022	
	<i>(in thousands)</i>	
Pro forma (unaudited):		
Crude oil, natural gas and natural gas liquids sales	\$	121,127 (a)
Operating income	\$	61,427 (b)
Net income	\$	31,039 (c)
Basic net income per share:	\$	0.29
Basic weighted average shares outstanding		108,009
Diluted net income per share:	\$	0.29
Diluted weighted average shares outstanding		108,486

- (a) The unaudited pro forma net revenues associated with Crude oil, natural gas and natural gas liquids sales have been adjusted for shipping and handling costs based on the Company's historical policy and revenue recognition is based on the Company's working interest, less royalties, the entitlement method.
- (b) The unaudited pro forma operating income for the three months ended March 31, 2022 removes the \$26.0 million impairment reversal recorded by TransGlobe in 2022, and reclassifies depreciation for certain leases identified as operating leases, to production expense and adjusts depreciation, depletion and amortization expense related to the depletable assets and asset retirement obligations acquired in the Arrangement based on the purchase price allocation.
- (c) The unaudited pro forma net income for the year ended March 31, 2022 reclassifies interest expense, for certain leases identified as operating leases, as production expense.

Discontinued Operations - Angola and Yemen

In November 2006, the Company signed a production sharing contract for Block 5 offshore Angola ("Block 5 PSA"). The Company's working interest was 40%, and the Company carried Sonangol P&P, for 10% of the work program. On September 30, 2016, the Company notified Sonangol P&P that it was withdrawing from the joint operating agreement effective October 31, 2016. On November 30, 2016, the Company notified the national concessionaire, Sonangol E.P., that it was withdrawing from the Block 5 PSA and reduced its activities in Angola. As a result of this strategic shift, the Company classified all the related assets and liabilities as those of discontinued operations in the consolidated balance sheets. The operating results of the Angola segment have been classified as discontinued operations for all periods presented in the Company's consolidated statements of operations and comprehensive income. The Company segregated the cash flows attributable to the Angola segment from the cash flows from continuing operations for all periods presented in the Company's consolidated statements of cash flows. During the three months ended March 31, 2023 and 2022, the Angola segment did not have a material impact on the Company's financial position, results of operations, cash flows and related disclosures.

As part of the Arrangement with TransGlobe, the Company acquired TG Holdings Yemen Inc. who previously owned TransGlobe's interests in four PSAs in Yemen: Block 32, Block 72, Block 75 and Block S-1. In January 2015, TransGlobe relinquished its interests in Block 32 and Block 72 in Yemen (effective dates of March 31, 2015 and February 28, 2015, respectively), and in October 2015 TransGlobe sold its subsidiary that held interests in Block 75 and Block S-1. The operating results of the Yemen segment have been classified as discontinued operations for all periods presented in the Company's consolidated statements of operations and comprehensive income. The Company segregated the cash flows attributable to the Yemen segment from the cash flows from continuing operations for all periods presented in the Company's consolidated statements of cash flows. During the three months ended March 31, 2023, the Yemen segment did not have a material impact on the Company's financial position, results of operations, cash flows and related disclosures.

4. SEGMENT INFORMATION

The Company's operations are based in Gabon and the Company has an undeveloped block in Equatorial Guinea. Each of the Company's two reportable operating segments is organized and managed based upon geographic location. The Company's Chief Executive Officer, who is the chief operating decision maker, and management review and evaluate the operation of each geographic segment separately, primarily based on operating income (loss). The operations of all segments include exploration for and production of hydrocarbons where commercial reserves have been found and developed. Revenues are based on the location of hydrocarbon production. Corporate and other is primarily corporate and operations support costs that are not allocated to the reportable operating segments.

Segment activity of continuing operations for the three months ended March 31, 2023 and 2022 as well as long-lived assets and segment assets at March 31, 2023 and December 31, 2022 are as follows:

	Three Months Ended March 31, 2023					
(in thousands)	Gabon	Egypt	Canada	Equatorial Guinea	Corporate and Other	Total
Revenues:						
Crude oil, natural gas and natural gas liquids sales	\$ 36,737	\$ 34,784	\$ 8,882	\$ —	\$ —	\$ 80,403
Operating costs and expenses:						
Production expense	14,415	11,110	2,254	362	59	28,200
Exploration expense	8	—	—	—	—	8
Depreciation, depletion and amortization	9,845	10,795	3,711	—	66	24,417
General and administrative expense	618	179	—	129	4,298	5,224
Credit losses and other	935	—	—	—	—	935
Total operating costs and expenses	25,821	22,084	5,965	491	4,423	58,784
Operating income (loss)	10,916	12,700	2,917	(491)	(4,423)	21,619
Other income (expense):						
Derivative instruments gain, net	—	—	—	—	21	21
Interest (expense) income, net	(1,507)	(808)	(4)	—	73	(2,246)
Other income (expense), net	517	—	—	(1)	(1,656)	(1,140)
Total other expense, net	(990)	(808)	(4)	(1)	(1,562)	(3,365)
Income (loss) from continuing operations before income taxes	9,926	11,892	2,913	(492)	(5,985)	18,254
Income tax expense	6,578	4,992	—	—	3,201	14,771
Income (loss) from continuing operations	3,348	6,900	2,913	(492)	(9,186)	3,483
Loss from discontinued operations, net of tax	—	—	—	—	(13)	(13)
Net income (loss)	\$ 3,348	\$ 6,900	\$ 2,913	\$ (492)	\$ (9,199)	\$ 3,470
Consolidated capital expenditures	\$ 3,689	\$ 11,571	\$ 10,165	\$ —	\$ —	\$ 25,425

	Three Months Ended March 31, 2022			
<i>(in thousands)</i>	Gabon	Equatorial Guinea	Corporate and Other	Total
Revenues:				
Crude oil and natural gas sales	\$ 68,656	\$ —	\$ —	\$ 68,656
Operating costs and expenses:				
Production expense	18,081	219	60	18,360
Exploration expense	127	—	—	127
Depreciation, depletion and amortization	4,653	—	20	4,673
General and administrative expense	593	99	4,302	4,994
Credit losses and other	492	—	—	492
Total operating costs and expenses	23,946	318	4,382	28,646
Other operating expense, net	(5)	—	—	(5)
Operating income	44,705	(318)	(4,382)	40,005
Other income (expense):				
Derivative instruments loss, net	—	—	(31,758)	(31,758)
Interest (expense) income, net	(6)	—	3	(3)
Other expense, net	(638)	(1)	(57)	(696)
Total other expense, net	(644)	(1)	(31,812)	(32,457)
Income from continuing operations before income taxes	44,061	(319)	(36,194)	7,548
Income tax (benefit) expense	7,858	—	(12,486)	(4,628)
Income (loss) from continuing operations	36,203	(319)	(23,708)	12,176
Loss from discontinued operations, net of tax	—	—	(12)	(12)
Net income (loss)	\$ 36,203	\$ (319)	\$ (23,720)	\$ 12,164
Consolidated capital expenditures	\$ 31,780	\$ —	\$ —	\$ 31,780

<i>(in thousands)</i>	Gabon	Egypt	Canada	Equatorial Guinea	Corporate and Other	Total
Long-lived assets from continuing operations:						
As of March 31, 2023	\$ 209,127	\$ 170,249	\$ 109,824	\$ 10,000	\$ 753	\$ 499,953
As of December 31, 2022 (1)	213,204	\$ 168,012	\$ 103,263	\$ 10,000	\$ 793	\$ 495,272
(1) - Includes assets acquired in the TransGlobe acquisition						

<i>(in thousands)</i>	Gabon	Egypt	Canada	Equatorial Guinea	Corporate and Other	Total
Total assets from continuing operations:						
As of March 31, 2023	\$ 381,009	\$ 270,629	\$ 116,554	\$ 11,013	\$ 44,778	\$ 823,983
As of December 31, 2022 (1)	395,393	\$ 293,640	\$ 110,071	\$ 10,861	\$ 45,676	\$ 855,641
(1) - Includes assets acquired in the TransGlobe acquisition						

Information about the Company's most significant customers

The Company currently sells crude oil production from Gabon under term crude oil sales and purchase agreements ("COSPAs") or crude oil sales and marketing agreements ("COSMA or COSMAs") with pricing based upon an average of Dated Brent in the month of lifting, adjusted for location and market factors. The Company was previously party to a COSPA with ExxonMobil Sales and Supply LLC ("Exxon") that covered sales from February 2020 through July 2022 with pricing based upon an average of Dated Brent in the month of lifting, adjusted for location and market factors. This COSPA has been terminated.

As discussed further in Note 11, on May 16, 2022, VAALCO Gabon (Etame), Inc. (the “Borrower”) entered into a facility agreement (the “Facility Agreement”) by and among the Company, VAALCO Gabon, SA (“VAALCO Gabon”), Glencore Energy UK Ltd., as mandated lead arranger, technical bank and facility agent (“Glencore”), the Law Debenture Trust Corporation P.L.C., as security agent, and the other financial institutions named therein (the “Lenders”), providing for a senior secured reserve-based revolving credit facility (the “Facility”) in an initial aggregate maximum principal amount available of up to \$50.0 million. In connection with the entry into the Facility Agreement, the Company entered into a COSMA with Glencore pursuant to which the Company agreed to make Glencore the exclusive offtaker and marketer of all of the crude oil produced from the Etame G4-160 Block, offshore Gabon during the period from August 1, 2022 until the Final Maturity Date of the Facility (as defined in the Facility Agreement). Pursuant to the COSMA, Glencore agreed to buy and market the Company’s crude oil with pricing based upon an average of Dated Brent in the month of lifting, adjusted for location and market factors.

For the three months ended March 31, 2023 sales of crude oil to Glencore made up 100% of Etame revenues. For the three months ended March 31, 2022 sales of crude oil to ExxonMobil Sales and Supply LLC made up 100% of Etame revenues. For the three months ended March 31, 2023, Mercuria covered 100% of the Company’s crude oil sales in Egypt. For the three months ended March 31, 2023, revenues in Canada were concentrated in two separate customers that constituted approximately 59% and 21% of revenues. Concentrations of accounts receivable are similar to the revenue percentages.

5. EARNINGS PER SHARE

Basic earnings per share (“EPS”) is calculated using the average number of shares of common stock outstanding during each period. For the calculation of diluted shares, the Company assumes that restricted stock is outstanding on the date of vesting, and the Company assumes the issuance of shares from the exercise of stock options using the treasury stock method.

A reconciliation of reported net income to net income used in calculating EPS as well as a reconciliation from basic to diluted shares follows:

	Three Months Ended March 31,	
	2023	2022
	<i>(in thousands)</i>	
Net income (loss) (numerator):		
Income (loss) from continuing operations	\$ 3,483	\$ 12,176
Income from continuing operations attributable to unvested shares	18	(140)
Numerator for basic	3,501	12,036
Loss from continuing operations attributable to unvested shares	(18)	—
Numerator for dilutive	\$ 3,483	\$ 12,036
Loss from discontinued operations, net of tax	\$ (13)	\$ (12)
Loss from discontinued operations attributable to unvested shares	—	—
Numerator for basic	(13)	(12)
(Income) loss from discontinued operations attributable to unvested shares	—	—
Numerator for dilutive	\$ (13)	\$ (12)
Net income (loss)	\$ 3,470	\$ 12,164
Net income attributable to unvested shares	(29)	(139)
Numerator for basic	3,441	12,025
Net (income) loss attributable to unvested shares	(18)	—
Numerator for dilutive	\$ 3,423	\$ 12,025
Weighted average shares (denominator):		
Basic weighted average shares outstanding	107,387	58,702
Effect of dilutive securities	1,365	477
Diluted weighted average shares outstanding	108,752	59,179
Stock options and unvested restricted stock grants excluded from dilutive calculation because they would be anti-dilutive	195	139

6. REVENUE

Gabon

Revenues from contracts with customers are generated from sales in Gabon pursuant to COSPAs or COSMAs. COSPAs or COSMAs with customers are renegotiated near the end of the contract term and may be entered into with a different customer or the same customer going forward. Except for internal costs, which are expensed as incurred, there are no upfront costs associated with obtaining a new COSPA or COSMA. See Note 4 under “*Information about the Company’s most significant customers*” for further discussion.

Revenues from contracts with customers are generated from sales in Gabon pursuant to crude oil sales and purchase agreements. There is a single performance obligation (delivering crude oil to the delivery point, *i.e.*, the connection to the customer’s crude oil tanker) that gives rise to revenue recognition at the point in time when the performance obligation event takes place. In addition to revenues from customer contracts, the Company has other revenues related to contractual provisions under the Etame PSC. The Etame PSC is not a customer contract. The terms of the Etame PSC includes provisions for payments to the government of Gabon for: royalties based on 13% of production at the published price and a shared portion of “Profit Oil” determined based on daily production rates, as well as a gross carried working interest of 7.5% (increasing to 10% beginning June 20, 2026) for all costs. For both royalties and Profit Oil, the Etame PSC provides that the government of Gabon may settle these obligations in-kind, *i.e.*, taking crude oil barrels, rather than with cash payments.

Customer sales generally occur on a monthly basis when the customer’s tanker arrives at the FSO and the crude oil is delivered to the tanker through a connection. There is a single performance obligation (delivering crude oil to the delivery point, *i.e.*, the connection to the customer’s crude oil tanker) that gives rise to revenue recognition at the point in time when the performance obligation event takes place. This is referred to as a “lifting”. Liftings can take one to two days to complete. The intervals between liftings are generally 30 days; however, changes in the timing of liftings will impact the number of liftings that occur during the period. Therefore, the performance obligation attributable to volumes to be sold in future liftings are wholly unsatisfied, and there is no transaction price allocated to remaining performance obligations. The Company has utilized the practical expedient in ASC Topic 606-10-50-14(a), which states that the Company is not required to disclose the transaction price allocated to remaining performance obligations if the variable consideration is allocated entirely to a wholly unsatisfied performance obligation.

The Company accounts for sales based on the Company’s working interest, less royalties. Imbalances are valued based on the actual sales proceeds. Historically as operator, the volumes sold may be more or less than the volumes that the Company is entitled based on the ownership interest in the property, and the Company would recognize a liability if the volumes sold exceeded the Company’s ownership interest. However, under the COSMA, each coventurer is responsible for invoicing Glencore their respective ownership interest in the final volumes.

For each lifting completed under a COSPA or COSMA, payment is made by the customer in U.S. dollars by electronic transfer 30 days after the date of the bill of lading. For each lifting of crude oil, pricing is based upon an average of Dated Brent in the month of lifting, adjusted for location and market factors.

Generally, no significant judgments or estimates are required as of a given filing date with regard to applicable price or volumes sold because all of the parameters are known with certainty related to liftings that occurred in the recently completed calendar quarter. As such, the Company deemed this situation to be characterized as a fixed price situation.

In addition to revenues from customer contracts, the Company has other revenues related to contractual provisions under the Etame PSC. The Etame PSC is not a customer contract, and therefore the associated revenues are not within the scope of ASC 606. The terms of the Etame PSC includes provisions for payments to the government of Gabon for: royalties based on 13% of production at the published price, and a shared portion of “Profit Oil” determined based on daily production rates as well as a gross carried working interest of 7.5% (increasing to 10% beginning June 20, 2026) for all costs. For both royalties and Profit Oil, the Etame PSC provides that the government of Gabon may settle these obligations in-kind, *i.e.*, taking crude oil barrels, rather than with cash payments.

To date, the government of Gabon has not elected to take its royalties in-kind, and this obligation is settled through a monthly cash payment. Payments for royalties are reflected as a reduction in revenues from customers. Should the government elect to take the production attributable to its royalty in-kind, the Company would no longer have sales to customers associated with production assigned to royalties.

With respect to the government's share of Profit Oil, the Etame PSC provides that the corporate income tax liability may be satisfied through the payment of Profit Oil. In the condensed consolidated statements of operations and comprehensive income, the government's share of revenues from Profit Oil is reported in revenues with a corresponding amount reflected in the current provision for income tax expense. Prior to February 1, 2018, the government did not take any of its share of Profit Oil in-kind. These revenues have been included in revenues to customers as the Company entered into the contract with the customer to sell the crude oil and was subject to the performance obligations associated with the contract. For the in-kind sales by the government beginning February 1, 2018, these sales are not considered revenues under a customer contract as the Company is not a party to the contracts with the buyers of this crude oil. However, consistent with the reporting of Profit Oil in prior periods, the amount associated with the Profit Oil under the terms of the Etame PSC is reflected as revenue with an offsetting amount reported as a current income tax expense. Payments of the income tax expense are reported in the period that the government takes its Profit Oil in-kind, *i.e.*, the period in which it lifts the crude oil.

With respect to the government's share of Profit Oil, the Etame PSC provides that corporate income tax is satisfied through the payment of Profit Oil. In the consolidated statements of operations and comprehensive income, the government's share of revenues from Profit Oil is reported in revenues with a corresponding amount reflected in the current provision for income tax expense. Prior to February 1, 2018, the government did not take any of its share of Profit Oil in-kind. These revenues have been included in revenues to customers as the Company entered into the contract with the customer to sell the crude oil and was subject to the performance obligations associated with the contract. For the in-kind sales by the government beginning February 1, 2018, these sales are not considered revenues under a customer contract as the Company is not a party to the contracts with the buyers of this crude oil. However, consistent with the reporting of Profit Oil in prior periods, the amount associated with the Profit Oil under the terms of the Etame PSC is reflected as revenue with an offsetting amount reported in current income tax expense. Payments of the income tax expense are reported in the period that the government takes its Profit Oil in-kind, *i.e.* the period in which it lifts the crude oil. The Company has a \$4.5 million foreign income tax payable as of March 31, 2023 related to Gabon. As of December 31, 2022, the Company had a foreign taxes receivable of \$2.8 million, as the Gabonese government lifted more oil-in-kind than what was owed in foreign taxes in December 2022.

Certain amounts associated with the carried interest in the Etame Marin block discussed above are reported as revenues. In this carried interest arrangement, the carrying parties, which include the Company and other working interest owners, are obligated to fund all of the working interest costs that would otherwise be the obligation of the carried party. The carrying parties recoup these funds from the carried interest party's revenues.

The following table presents revenues from contracts with customers as well as revenues associated with the obligations under the Etame PSC.

	Three Months Ended March 31,	
	2023	2022
	<i>(in thousands)</i>	
Revenues from customer contracts:		
Sales under the COSPA or COSMA	\$ 42,601	\$ 76,486
Other items reported in revenue not associated with customer contracts:		
Carried interest recoupment	—	1,112
Royalties	(5,864)	(8,942)
Net revenues	\$ 36,737	\$ 68,656

Egypt

Revenues from sales in Egypt are generally made through direct sales to EGPC or through contracts with customers pursuant to crude oil sales and purchase agreements ("COSPA") or crude oil sales and marketing agreements ("COSMA or COSMAs"). EGPC and the Company's subsidiary, TransGlobe Petroleum International ("TPI"), each own a 50% interest, respectively, in the operating company which is a party to the Merged Concession Agreement. EGPC and the Company's subsidiary, TPI, each also own a 50% interest, respectively, in the operating company that is a party to the South Ghazal concession agreement. The Company has utilized the practical expedient in ASC Topic 606-10-50-14(a), which states that the Company is not required to disclose the transaction price allocated to remaining performance obligations if the variable consideration is allocated entirely to a wholly unsatisfied performance obligation.

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Customer sales generally occur on a daily basis when sales are directly to EGPC or haphazardly production is sold through a cargo lifting. Direct sales to EGPC are considered complete when oil is delivered to EGPC storage facility. When sales are made through cargo lifting, the performance obligations are normally satisfied either when the oil is delivered to the export facility location or when the oil is delivered to its ultimate destination, as specified in the contract. Regardless of the type of sales, there is a single performance obligation (delivering crude oil to the delivery point) that gives rise to revenue recognition at the point in time when the performance obligation event takes place. Sales and delivery costs associated with certain sales are netted against revenue in accordance with the Company's policy regarding classification of these type of expenses.

Revenues associated with the sales of the Company's crude oil in Egypt are recognized by reference to actual volumes sold and quoted market prices in active markets for Dated Brent, adjusted according to specific terms and conditions as applicable per the sales contracts. Revenue is measured at the fair value of the consideration received or receivable. For reporting purposes, the Company records EGPC's share of production as royalties which are netted against revenue, whether EGPC's share of production arises from EGPC's share of profit oil or excess cost oil which is discussed below.

Egypt production is based on Dated Brent prices, less a quality differential and is shared with the Egyptian government through PSCs. When the price of oil increases, it takes fewer barrels to recover costs (cost oil or cost recovery barrels) which are assigned 100% to the Company. The PSCs provide for cost recovery per quarter up to a maximum percentage of total production. Timing differences often exist between the Company's recognition of costs and their recovery as the Company accounts for costs on an accrual basis, whereas cost recovery is determined on a cash basis. If the eligible cost recovery is less than the maximum defined cost recovery, the difference is defined as "excess". In Egypt, depending on the PSCs, the Company's share of excess ranges between 5% and 15%. If the eligible cost recovery exceeds the maximum allowed percentage, the unclaimed cost recovery is carried forward to the next quarter. Typically, maximum cost oil ranges from 25% to 40% in Egypt. The balance of the production after maximum cost recovery is shared with the government (profit oil). Depending on the contract, the Egyptian government receives 67% to 84% of the profit oil. Production sharing splits are set in each contract for the life of the contract. Typically, the government's share of profit oil increases when production exceeds pre-set production levels in the respective contracts. During times of high oil prices, the Company may receive less cost oil and may receive more profit-sharing oil. During times of lower oil prices, the Company receives more cost oil and may receive less profit oil. EGPC's share of production will increase during times of rising oil prices and decrease in times of declining oil prices. If oil prices are sufficiently low and the Gharib Blend/Dated Brent differential is high, the cost oil portion may not be sufficient to cover operating costs and capital costs, or even operating costs alone. When this occurs, the non-recovered costs accumulate in the Company's cost pools and are available to be offset against future cost oil during the term of the PSCs and any eligible extension periods.

With respect to Egyptian income taxes, which are the Company's liability under the terms of the Merged Concession Agreement, these taxes are paid by EGPC on behalf of the Company out of EGPC's share of production entitlement. The income taxes paid to the Arab Republic of Egypt on behalf of the Company are recognized as crude oil revenue and income tax expense for reporting purposes.

EGPC owns the storage and export facilities where the Company's production is delivered and the Company requires EGPC cooperation and approval to schedule liftings. Once liftings occur, the Company has a 30-day collection cycle on liftings as a result of direct marketing to international purchasers. Depending on the Company's assessment of the credit of crude oil cargo buyers, they may be required to post irrevocable letters of credit to support the sales prior to the cargo liftings. Direct sales to EGPC are normally settled two to four weeks from delivery.

In some instances TPI will borrow or loan production volumes in order to achieve a required amount of crude oil for cargo sales. In these instances, TPI can be in an overlift or underlift position. Regardless of being in an over lift or underlift position, sales are based on the Company's working interest, less royalties. Imbalances are valued based on the actual sales proceeds and TPI will record a payable, if in an overlift position, or a receivable, if in an underlift position, based on the fair value of the consideration received or receivable.

The following table presents revenues in Egypt from contracts with customers:

	Three Months Ended March 31, 2023
	<i>(in thousands)</i>
Revenues from customer contracts:	
Gross sales	\$ 54,621
Royalties	(19,340)
Selling costs	(497)
Net revenues	<u>\$ 34,784</u>

Canada

Revenues from the sale of crude oil, natural gas, condensate and natural gas liquids ("NGLs") in Canada are recognized by reference to actual volumes delivered at contracted delivery points and prices. The Company has utilized the practical expedient in ASC Topic 606-10-50-14(a), which states that the Company is not required to disclose the transaction price allocated to remaining performance obligations if the variable consideration is allocated entirely to a wholly unsatisfied performance obligation. Prices are determined by reference to quoted market prices in active markets for crude oil, natural gas, condensate, and NGLs based on product, each adjusted according to specific terms and conditions applicable per the sales contracts. Revenues are measured at the transaction price that the Company expects to be entitled in exchange for transferring promised goods to a customer and is determined based at the fair value of the consideration received. VAALCO pays royalties to the Alberta provincial government and other mineral rights owners in accordance with the established royalty regime. For reporting purposes, the Company records revenues net of royalties.

Customer sales generally occur on a daily basis when crude oil, natural gas, condensate or NGLs are sold, normally via pipeline, to a delivery point. Regardless of the type of sales, there is a single performance obligation (delivering crude oil, natural gas, condensate or NGLs to the delivery point) that gives rise to revenue recognition at the point in time when the performance obligation event takes place. Sales and delivery costs associated with certain sales are netted against revenue in accordance with the Company's policy regarding classification of these type of expenses.

Settlement of accounts receivable in Canada occur on the 25th of the following month after production.

The following table presents revenues in Canada from contracts with customers:

	Three Months Ended March 31, 2023
	<i>(in thousands)</i>
Revenues from customer contracts:	
Oil revenue	\$ 6,654
Gas revenue	958
NGL revenue	2,463
Royalties	(1,193)
Net revenues	<u>\$ 8,882</u>

7. CRUDE OIL, NATURAL GAS and NGLs PROPERTIES AND EQUIPMENT

The Company's crude oil, natural gas and NGLs properties and equipment is comprised of the following:

	As of March 31, 2023	As of December 31, 2022
	<i>(in thousands)</i>	
Crude oil and natural gas properties and equipment - successful efforts method:		
Wells, platforms and other production facilities	\$ 1,432,823	\$ 1,406,888
Work-in-progress	—	—
Undeveloped acreage	53,999	56,251
Equipment and other	41,176	38,796
	<u>1,527,998</u>	<u>1,501,935</u>
Accumulated depreciation, depletion, amortization and impairment	<u>(1,028,045)</u>	<u>(1,006,663)</u>
Net crude oil and natural gas properties, equipment and other	<u>\$ 499,953</u>	<u>\$ 495,272</u>

Etame Marin Block PSC

On September 25, 2018, VAALCO, together with the other joint venture owners in the Etame Marin block (the “Etame Consortium”), received a Presidential Decree for an extension (“PSC Extension”) to the Etame Consortium to operate in the Etame Marin block. The Company’s subsidiary, VAALCO Gabon S.A., currently has a 63.575% participating interest (working interest including the working interest attributable to the carried interest owner) in the Etame Marin block.

The PSC Extension extends the term to operate until September 17, 2028. The PSC Extension also grants the Etame Consortium the right for two additional extension periods of five years each.

In accordance with the Etame Marin block PSC, the Etame Consortium maintains a “Cost Account,” which accumulates capital costs and operating expenses that are deductible against revenues, net of royalties, in determining taxable profits. Under the PSC Extension, the Cost Recovery Percentage increased to 80% for the ten-year period from September 17, 2018 through September 16, 2028. After September 16, 2028, the Cost Recovery Percentage returns to 70%. The government of Gabon will acquire from the Etame Consortium an additional 2.5% gross working interest carried by the Etame Consortium effective June 20, 2026. VAALCO’s share of this interest to be transferred to the government of Gabon is 1.6%.

Egypt PSCs

On January 20, 2022, the Company announced a fully executed Merged Concession Agreement with EGPC that merged the three existing Eastern Desert concessions with a 15-year primary term and improved economics. In connection with the Merged Concession Agreement, the Company is required to make further annual \$10.0 million modernization payments from February 2023 through February 2026. In accordance with the Merged Concession, the Company agreed to substitute the February 2023 payment and issue a \$10.0 million credit against receivables owed to it from EGPC.

The Merged Concession Agreement contains minimum financial work commitments of \$50.0 million per each five-year period of the primary development term, commencing on February 1, 2020 (the “Merged Concession Effective Date”).

The Egyptian PSCs provide for the government to receive a percentage gross royalty on the gross production. The remaining oil production, after deducting the gross royalty, if any, is split between cost sharing oil and production sharing oil. Cost sharing oil is up to a maximum percentage as defined in the specific PSC. Cost oil is assigned to recover approved operating and capital costs spent on the specific project. Unutilized cost sharing oil or excess cost oil (maximum cost recovery less actual cost recovery) is shared between the government and the contractor as defined in the specific PSCs. Each PSC is treated individually in respect of cost recovery and production sharing purposes. The remaining production sharing oil (total production less cost oil) is shared between the government and the contractor as defined in the specific PSC. The Egyptian PSCs do not contain minimum production or sales requirements, and there are no restrictions with respect to pricing of the contractor’s sales volumes. Except as otherwise disclosed, all crude oil sales are priced at current market rates at the time of sale.

The following table summarizes the Company’s Egyptian PSC terms for the first tranche(s) of production for each block. The contracts have different terms for production levels above the first tranche, which are unique to each contract. The government’s share of production increases and the contractor’s share of production decreases as the production volumes go to the next production tranche. The Company is the contractor in all of the Company’s PSCs.

Block	Merged Concession		South Ghazalat	
Year acquired (1)	2020		2013	
Expiry date	2035		2039	
Extensions				
Exploration	N/A		N/A	
Development	+ 5 years		20 + 5 years	
Production Tranche (MBopd)	0-25		0-5	
Maximum cost oil	40	%	25	%
Excess cost oil - Contractor	15	%	5	%
Depreciation per quarter				
Operating	100	%	100	%
Capital	6	%	5	%
Production Sharing Oil:				
Contractor	30	%*	17	%
Government	70	%*	83	%

(1) - Represents the year acquired by TransGlobe, prior to the Arrangement.

*Merged Concession profit oil is set on a scale according to average Brent price and production:

Brent Price (\$/bbl)	Crude oil produced (MBopd)									
	Less than or equal to 5 MBopd		More than 5 MBopd and less than or equal to 10 MBopd		More than 10 MBopd and less than or equal to 15 MBopd		More than 15 MBopd and less than or equal to 25 MBopd		More than 25 MBopd	
	Government	Contractor	Government	Contractor	Government	Contractor	Government	Contractor	Government	Contractor
Less than or equal to \$40/bbl	67	33	68	32	69	31	70	30	71	29
More than \$40/bbl and less than or equal to \$60/bbl	68	32	69	31	70	30	71	29	72	28
More than \$60/bbl and less than or equal to \$80/bbl	70	30	71	29	72	28	74	26	76	24
More than \$80/bbl and less than or equal to \$100/bbl	72.5	27.5	73	27	74	26	76	24	78	22
More than \$100/bbl	75	25	76	24	77	23	78	22	80	20

Equatorial Guinea PSC

With the approval of the plan of development in September, 2022, the Block P production sharing contract provides for a development and production period of 25 years for the area associated with the Venus development, to September, 2047. The Block P acreage is 23,144 hectares, with 8,476 hectares being the area associated with the Venus development. The Royalty of the PSC is 10% for the first 10,000 bopd, and 11% for the 10,000 bopd to 25,000 bopd tranche. The State's share of profit oil is 10% to a cumulative production of 25 million bbl. For recovery of between 25 million bbl to 50 million bbl, the State's share of profit oil increases to 20%. The Contractor is allowed access to cost oil to pay for development and operating costs, with a cost oil maximum of 70%. The PSC is subject to 25% income tax in Equatorial Guinea, with tangible development costs being straight line depreciated for tax purposes over 120 months.

Proved Properties

The Company reviews the crude oil, natural gas and NGLs producing properties for impairment quarterly or whenever events or changes in circumstances indicate that the carrying amount of such properties may not be recoverable. When a crude oil, natural gas and NGLs property's undiscounted estimated future net cash flows are not sufficient to recover its carrying amount, an impairment charge is recorded to reduce the carrying amount of the asset to its fair value. The fair value of the asset is measured using a discounted cash flow model relying primarily on Level 3 inputs into the undiscounted future net cash flows. The undiscounted estimated future net cash flows used in the impairment evaluations at each quarter end are based upon the most recently prepared independent reserve engineers' report adjusted to use forecasted prices from the forward strip price curves near each quarter end and adjusted as necessary for drilling and production results.

There was no triggering event in the three months ended March 31, 2023 that would cause the Company to believe the value of crude oil, natural gas and NGLs producing properties should be impaired. Factors considered included higher forward prices from December 31, 2022 and capital expenditures in the period related to its reserves in Gabon, Egypt and Canada.

Undeveloped Leasehold Costs

Equatorial Guinea

VAALCO acquired a 31% working interest in an undeveloped portion of a block ("Block P") offshore Equatorial Guinea in 2012. The Ministry of Mines and Hydrocarbons ("EG MMH") approved the Company's appointment as the operator of Block P on November 12, 2019. The Company acquired an additional working interest of 12% from Atlas Petroleum, thereby increasing its working interest to 43% in 2020, in exchange for a potential future payment of \$3.1 million to Compania Nacional de Petroleos de Guinea Ecuatorial, ("GEPetrol") in the event that there is commercial production from Block P. On August 27, 2020, the amendment to the production sharing contract to ratify the Company's increased working interest and appointment as operator was approved by the EG MMH. In April 2021, Crown Energy, who held a 5% working interest elected to default on its obligations of Block P. On April 12, 2021, the non-defaulting parties assigned the defaulting party's interest to the non-defaulting parties as required by the Joint Operating Agreement. As a result, VAALCO's working interest increased to 45.9% when the EG MMH approved the fourth amendment to the production sharing contract. In February of 2023, the Company acquired an additional 14.1% participating interest, increasing VAALCO's participating interest in the Block to 60.0%. This increase of 14.1% participating interest increases the Company's future payment to GEPetrol to \$6.8 million at first commercial production of the Block.

The Company has completed a feasibility study of the development concept of the Venus discovery on Block P. On September 16, 2022, the EG MMH approved the submitted plan of development. Final documents to affect the plan of development are subject to EG MMH approval. The 2023 budget for the plan was delivered on October 12, 2022 to the MMH and was approved effective November 16, 2022. In March 2023, Atlas voted to participate in the Venus Development. Amendment 5 of the PSC was approved by all parties in March 2023 with updated participating interest. Execution of the Venus development plan has been initiated. The Block P production sharing contract provides for a development and production period of 25 years from the date of approval of a development and production plan for the area associated with the Venus development. As of March 31, 2023, the Company had \$10.0 million recorded for the book value of the undeveloped leasehold costs associated with the Block P license.

Gabon

As a result of the PSC extension discussed above, the exploitation area for the Etame Marin block was expanded to include previously undeveloped acreage. The Company allocated \$6.7 million of the share of the signing bonus and \$7.1 million of the \$18.6 million resulting from the deferred tax impact for the difference between book basis and tax basis to unproved leasehold costs using the acreage attributable to the previous exploitation areas and the additional acreage in the expanded exploitation areas. Exploitation of this additional area is permitted throughout the term of the Etame Marin block PSC. As a result of discovering reserves in connection with drilling the South East Etame 4H development well in March 2020, \$2.3 million of costs were transferred to proved leasehold costs leaving a remaining \$11.5 million in unproved leasehold costs. In connection with the Sasol Acquisition discussed under Note 3, \$2.2 million of reserves were attributed to undeveloped properties. The balance of undeveloped leasehold costs related to the Etame Marin block at March 31, 2023 was \$13.7 million.

Egypt and Canada

In connection with the TransGlobe acquisition discussed under Note 3, the Company added \$13.6 million and \$16.7 million of undeveloped leasehold costs for Egypt and Canada, respectively. The undeveloped leasehold costs were associated to the probable category of reserves. At March 31, 2023, the undeveloped leasehold costs for Egypt was \$13.6 million and Canada was \$16.7 million.

Capitalized Equipment Inventory

Capitalized equipment inventory is reviewed regularly for obsolescence. Adjustments for inventory obsolescence are recorded in the "Other operating expense, net" line item of the unaudited condensed consolidated statements of operations and comprehensive income but were not material for the three months ended March 31, 2023 and 2022.

8. DERIVATIVES AND FAIR VALUE

The Company uses derivative financial instruments from time to time to achieve a more predictable cash flow from crude oil production by reducing the Company's exposure to price fluctuations. See the table below for the list of outstanding contracts as of March 31, 2023:

Settlement Period	Type of Contract	Index	Average Monthly Volumes (Bbls)	Weighted Average Put Price (per Bbl)	Weighted Average Call Price (per Bbl)
April 2023 - June 2023	Collars	Dated Brent	95,500	\$ 65.00	\$ 100.00

While these derivative instruments are intended to be an economic hedge to mitigate the impact of a decline in crude oil prices, the Company has not elected hedge accounting. The contracts are being measured at fair value each period, with changes in fair value recognized in net income. The Company does not enter into derivative instruments for speculative or trading purposes. In connection with the RBL facility entered in May 2022, the Company is required to hedge a portion of its anticipated oil production at the time the Company draws down on the borrowing base.

The derivative instruments are measured at fair value using the Income Method. Level 2 observable inputs used in the valuation model include market information as of the reporting date, such as prevailing Brent crude futures prices, Brent crude futures commodity price volatility and interest rates. The determination of the derivative instrument contracts' fair value includes the impact of the counterparty's non-performance risk.

To mitigate counterparty risk, the Company enters into such derivative contracts with creditworthy financial institutions deemed by management as competent and competitive market makers.

At times, the Company's counterparties require that it post collateral for changes in the net fair value of the derivative contracts. This cash collateral is reported in the line item "Restricted cash" on the unaudited condensed consolidated balance sheets.

The following table sets forth the loss on derivative instruments on the Company's unaudited condensed consolidated statements of operations and comprehensive income:

Derivative Item	Statements of Operations Line	Three Months Ended March 31,	
		2023	2022
		(in thousands)	
Commodity derivatives	Cash settlements paid on matured derivative contracts, net	\$ (59)	\$ (12,500)
	Unrealized gain (loss)	80	(19,258)
	Derivative instruments gain (loss), net	\$ 21	\$ (31,758)

Subsequent Event

On April 3, 2023, the Company entered into additional derivatives contracts for the first quarter of 2023. The details are in the chart below:

Settlement Period	Type of Contract	Index	Average Monthly Volumes (Bbls)	Weighted Average Put Price (per Bbl)	Weighted Average Call Price (per Bbl)
July 2023 - September 2023	Collars	Dated Brent	95,000	\$ 65.00	\$ 96.00

9. CURRENT ACCRUED LIABILITIES AND OTHER

Accrued liabilities and other balances were comprised of the following:

	As of March 31, 2023	As of December 31, 2022
	<i>(in thousands)</i>	
Accrued accounts payable invoices	\$ 21,185	\$ 28,360
Gabon DMO, PID and PIH obligations	11,569	10,509
Capital expenditures	27,850	26,618
Stock appreciation rights – current portion	297	570
Accrued wages and other compensation	2,626	8,161
ARO Obligation	260	306
Egypt modernization payments	9,373	9,933
Excess cost oil payable	1,297	—
Other	6,250	6,935
Total accrued liabilities and other	<u>\$ 80,707</u>	<u>\$ 91,392</u>

10. COMMITMENTS AND CONTINGENCIES

Abandonment funding

Under the terms of the Etame PSC, the Company has a cash funding arrangement for the eventual abandonment of all offshore wells, platforms and facilities on the Etame Marin block. As a result of the PSC Extension, annual funding payments are spread over the periods from 2018 through 2028, under the 2018 abandonment study. The amounts paid will be reimbursed through the Cost Account and are non-refundable. In November 2021, an abandonment study was done and the estimate used for this purpose is approximately \$81.3 million (\$47.8 million, net to VAALCO) on an undiscounted basis. The abandonment estimate was presented to the Gabonese Directorate of Hydrocarbons as required by the Etame PSC. At March 31, 2023, the balance of the abandonment fund was \$10.7 million (\$6.3 million, net to VAALCO) on an undiscounted basis. The annual payments will be adjusted based on revisions in the abandonment estimate. This cash funding is reflected under “Other noncurrent assets” in the “Abandonment funding” line item of the unaudited condensed consolidated balance sheets. Future changes to the anticipated abandonment cost estimate could change the asset retirement obligation and the amount of future abandonment funding payments.

In the first quarter of 2023, the Directorate of Hydrocarbons in Gabon approved a \$26.6 million (\$15.6 million, net to VAALCO) abandonment funding payment associated with the FPSO retirement. The Company received payment of \$15.6 million in March 2023.

FPSO charter

In connection with the charter of the FPSO, the Company, as operator of the Etame Marin block, guaranteed all of the charter payments under the charter through its contract term. At the Company's election, the charter could be extended for two one-year periods beyond September 2020. These elections were made, and the charter was extended through September 2022. On September 9, 2022, the Company signed an addendum to the FPSO contract which extended the use of the FPSO through October 4, 2022 and ratified certain decommissioning and demobilization items associated with exiting the contract.

Pursuant to the addendum, VAALCO Gabon agreed to pay the charterer day rate of \$150,000 from August 20, 2022 through October 4, 2022, and other demobilization fees totaling \$15.3 million on a gross basis, \$8.9 million net to VAALCO Gabon. The Company relinquished control over the FPSO in the fourth quarter of 2022. VAALCO and the owners of the FPSO are negotiating a final settlement of amounts owed to each other and will conclude on the Company's restricted cash balances associated with the FPSO.

Regulatory and Joint Interest Audits and Related Matters

The Company is subject to periodic routine audits by various government agencies in Gabon, including audits of the Company's petroleum cost account, customs, taxes and other operational matters, as well as audits by other members of the contractor group under the Company's joint operating agreements.

In 2016, the government of Gabon conducted an audit of the Company's operations in Gabon, covering the years 2013 through 2014. The Company received the findings from this audit and responded to the audit findings in January 2017. Since providing the Company's response, there have been changes in the Gabonese officials responsible for the audit. The Company is working with the newly appointed representatives to resolve the audit findings. The Company does not anticipate that the ultimate outcome of this audit will have a material effect on the Company's financial condition, results of operations or liquidity.

Between 2019 and 2021, the government of Gabon conducted an audit of the operations in Gabon, covering the years 2015 and 2016. The Company received the findings from this audit and has responded to the audit findings and are working with the government of Gabon on the results of the findings. The Company does not anticipate that the ultimate outcome of this audit will have a material effect on the Company's financial condition, results of operations or liquidity.

Dividend Policy

On November 3, 2021, the Company announced that the Company's board of directors adopted a cash dividend policy.

On February 14, 2023, the Company's board of directors declared a quarterly cash dividend of \$0.0625 per common share, which was paid on March 31, 2023 to stockholders of record at the close of business on March 24, 2023. On May 9, 2023, the Company's board of directors declared a quarterly cash dividend of \$0.0625 per common share to be paid on June 23, 2023 to stockholders of record at the close of business on May 24, 2023.

In connection with the RBL facility, discussed in Note 11, the Company is required to provide a cash flow projection prior to any distribution, share buyback, or stock repurchase. As long as a group liquidity test is above the required ratio outlined in the RBL facility agreement, and no event of default exists, the Company may make distributions, buyback shares, or repurchase stock without further approval. In the event the liquidity test is not met, an approval or waiver would need to be obtained from Glencore in order to make distributions, buyback shares, or repurchase stock. For the three months ended March 31, 2023, no specific approval or waivers were required for the Company to make distributions or repurchase stock.

Payment of future dividends, if any, will be at the discretion of the board of directors after taking into account various factors, including current financial condition, the tax impact of repatriating cash, operating results and current and anticipated cash needs.

Share Buyback Program

On November 1, 2022, the Company announced that the Company's board of directors formally ratified and approved a share buyback program. The board of directors also directed management to implement a Rule 10b5-1 trading plan (the "10b5-1 Plan") to facilitate share purchases through open market purchases, privately negotiated transactions, or otherwise in compliance with Rule 10b-18 under the Securities Exchange Act of 1934. The 10b5-1 Plan provides for an aggregate purchase of currently outstanding common stock up to \$30 million over 20 months. Payment for shares repurchased under the share buyback program will be funded using the Company's cash on hand and cash flow from operations.

The following table shows the repurchases of equity securities related to the share repurchase program after January 1, 2023 through March 31, 2023:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Amount that May Yet Be Used to Purchase Shares Under the Program
January 1, 2023 - January 31, 2023	350,832	\$ 4.27	350,832	\$ 25,502,669
February 1, 2023 - February 28, 2023	326,992	\$ 4.59	326,992	\$ 24,003,172
March 1, 2023 - March 31, 2023	303,176	\$ 4.95	303,176	\$ 22,503,206
Total	<u>981,000</u>		<u>981,000</u>	

The following table shows the repurchases of equity securities related to the share repurchase program after April 1, 2023 through May 9, 2023:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Amount that May Yet Be Used to Purchase Shares Under the Program
April 1, 2023 - April 30, 2023	303,969	\$ 4.93	303,969	\$ 21,003,245
May 1, 2023 - May 8, 2023	362,843	\$ 4.14	362,843	\$ 19,502,740
Total	<u>666,812</u>		<u>666,812</u>	

In connection with the RBL facility, the Company is required to provide a cash flow projection prior to any distribution, share buyback, or stock repurchase. As long as a group liquidity test is above the required ratio outlined in the RBL facility agreement, and no event of default exists, the Company may make distributions, buyback shares, or repurchase stock without further approval. In the event the liquidity test is not met, an approval or waiver would need to be obtained from Glencore in order to make distributions, buyback shares, or repurchase stock. For the three months ended March 31, 2023, no specific approval or waivers were required for the Company to make distributions or repurchase stock.

The actual timing number and value of shares repurchased under the share buyback program will depend on a number of factors, including constraints specified in the Plan, the Company's stock price, general business and market conditions, and alternative investment opportunities. Under the Plan, the Company's third-party broker, subject to SEC regulations regarding certain price, market, volume and timing constraints, would have authority to purchase the Company's common stock in accordance with the terms of the Plan.

Merged Concession Agreement

On January 20, 2022, prior to the consummation of the Arrangement, TransGlobe announced a fully executed concession agreement "Merged Concession Agreement" with the Egyptian General Petroleum Corporation ("EGPC") that merged the three existing Eastern Desert concessions with a 15-year primary term and improved economics. In advance of the Minister of Petroleum and Mineral Resources of the Arab Republic of Egypt (the "Minister") executing the Merged Concession Agreement, TransGlobe paid the first modernization payment of \$15.0 million and signature bonus of \$1.0 million as part of the conditions precedent to the official signing ceremony on January 19, 2022. On February 1, 2022, TransGlobe paid the second modernization payment of \$10.0 million. In accordance with the Merged Concession, the Company agreed to substitute the February 2023 payment and issue a \$10.0 million credit against receivables owed to it from EGPC. The Company will make three further annual equalization payments of \$10.0 million each beginning February 1, 2024 until February 1, 2026. VAALCO recorded modernization payment liabilities of \$26.3 million at March 31, 2023. On the unaudited condensed consolidated balance sheet, \$9.4 million of the modernization payment liability was recorded in the line item "Accrued liabilities and other" and \$17.0 million was recorded in "Other long-term liabilities".

The Company also has minimum financial work commitments of \$50.0 million per each five-year period of the primary development term, commencing on February 1, 2020 (the "Merged Concession Effective Date") for a total of \$150 million commencing on the Merged Concession Effective Date"). Through March 31, 2023, all investments have exceeded the five-year minimum \$50 million threshold and any excess carries forward to offset against subsequent five-year commitments.

As the Merged Concession Agreement is effective as of February 1, 2020, there will be effective date adjustment owed to the Company for the difference in the historic commercial terms and the revised commercial terms applied against the production since the Merged Concession Effective Date. In accordance with GAAP, the Company has recognized a receivable in connection with the effective date adjustment of \$67.5 million as of October 13, 2022, based on historical realized prices. However, the cumulative value to be received as a result of the effective date adjustment is currently being finalized with the EGPC and could result in a range of outcomes based on the final price per barrel negotiated. As of March 31, 2023, \$50.3 million of the original \$67.5 million receivable is recorded on the unaudited condensed consolidated balance sheet in Receivables-Other, net.

Government Related Receivables

Under the Article 35 of the Etame PSC, the Company can be required to contribute to meeting the domestic market needs of Gabon by delivering to the Government, or another entity designated by the Government, an amount of its crude oil proportional to the Company's share of production to the total production in Gabon over the year. In October 2021, the Company was notified by the Government to deliver to a refinery its proportionate share of crude oil to meet the domestic market need as per the terms of the Etame PSC. In exchange, the Company is entitled, per the Etame PSC, to a fixed selling price for the oil delivered.

Since the crude oil produced by the Company is not compatible with the crude oil requirements of the refinery, the Company entered into two contracts (buy/sell arrangements) to fulfill its domestic market needs obligation under the Etame PSC. One contract is to purchase oil from another provider (currently Perenco – the supplier) that produces the compatible oil to meet the needs of the refinery and another contract with the refinery itself (currently Sogara -the buyer and state designee) to deliver the crude oil to the Government.

In November 2022, a receivable from Sogara became past due and the Company has not received payments from the refinery since November 2022. At March 31, 2023 the amount due to the Company from the refinery is \$20.3 million. The Company is in ongoing discussions with the Ministry of the Economy, Hydrocarbons and the Presidency of Gabon on finding a solution to the realization of the past due balances related to both the receivable from the refinery as well as past due VAT receivable amounts owed to the Company. The Company expects to recover the full amount of receivables owed to it for both the VAT receivable and receivable under the oil supply arrangement, but the terms of recovery have not been finalized.

11. DEBT

As of March 31, 2023 and December 31, 2022, the Company had no outstanding debt.

RBL Facility

On May 16, 2022, the Borrower entered into the Facility Agreement by and among the Company, VAALCO Gabon, Glencore, the Law Debenture Trust Corporation P.L.C., as security agent, and the Lenders, providing for a senior secured reserve-based revolving credit facility in an aggregate maximum principal amount of up to \$50.0 million (the "Initial Total Commitment"). In addition, subject to certain conditions, the Borrower may agree with any Lender or other bank or financial institution to increase the total commitments available under the Facility by an aggregate amount not to exceed \$50.0 million (any such increase, an "Additional Commitment"). Beginning October 1, 2023 and thereafter on April 1 and October 1 of each year during the term of the Facility, the Initial Total Commitment, as increased by any Additional Commitment, will be reduced by \$6.25 million.

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The Facility provides for determination of the borrowing base asset based on the Company's proved producing reserves in Gabon and a portion of the Company's proved undeveloped reserves in Gabon. The borrowing base is determined and re-determined by the Lenders on March 31 and September 30 of each year. Based on the redetermination performed during the year, there was no change in the borrowing base.

Each loan under the Facility will bear interest at a rate equal to LIBOR plus a margin (the "Applicable Margin") of (i) 6.00% until the third anniversary of the Facility Agreement or (ii) 6.25% from the third anniversary of the Facility Agreement until the Final Maturity Date (defined below).

Pursuant to the Facility Agreement, the Company shall pay to Glencore for the account of each Lender a quarterly commitment fee equal to (i) 35% per annum of the Applicable Margin on the daily amount by which the lower of the total commitments and the borrowing base amount exceeds the amount of all outstanding utilizations under the Facility, plus (ii) 20% per annum of the Applicable Margin on the daily amount by which the total commitments exceed the borrowing base amount. The Borrower is also required to pay customary arrangement and security agent fees.

The Facility Agreement contains certain debt covenants, including that, as of the last day of each calendar quarter, (i) the ratio of Consolidated Total Net Debt to EBITDAX (as each term is defined in the Facility Agreement) for the trailing 12 months shall not exceed 3.0x and (ii) consolidated cash and cash equivalents shall not be lower than \$10.0 million. As of March 31, 2023, the Company's borrowing base was \$50.0 million. The amount the Company is able to borrow with respect to the borrowing base is subject to compliance with the financial covenants and other provisions of the Facility Agreement. With regard to the requirement that the Company deliver its fiscal year 2022 annual financial statements to Glencore within 90 days of the end of each fiscal year, the Company requested and received an extension until April 17, 2023. The Company delivered the annual financial statements, along with its covenant compliance certificate to Glencore on April 11, 2023. At March 31, 2023, the Company was in compliance with all other debt covenants and had no outstanding borrowings under the facility.

The Facility will mature on the earlier of (i) the fifth anniversary of the date on which all conditions precedent to the first utilization of the Facility have been satisfied and (ii) the Reserve Tail Date (as defined in the Facility Agreement) (the "Final Maturity Date").

Deferred financing costs incurred in connection with securing the Facility were \$1.8 million, (\$2.1 million net of accumulated amortization of \$0.3 million) which is carried in the accompanying unaudited condensed consolidated balance sheets in the line item "Other long-term assets" and is amortized on a straight-line basis, which approximates the effective interest method, over the term of the Facility and included in interest expense in the accompanying unaudited condensed consolidated statements of operations and comprehensive income.

ATB Facility

In connection with the Arrangement with TransGlobe in October 2022, and prior to the effective time of the Arrangement, TransGlobe repaid in full all outstanding obligations and liabilities owed under TransGlobe's credit facility with ATB Financial (the "ATB Facility"), representing approximately Canadian \$ 4.1 million. On January 5, 2023, the ATB Facility was formally closed. Termination of the ATB Facility will not affect the Company's \$50.0 million senior secured reserve-based revolving credit facility with Glencore.

12. LEASES

Under the leasing standard that became effective January 1, 2019, there are two types of leases: finance and operating. Regardless of the type of lease, the initial measurement of the lease results in recording a ROU asset and a lease liability at the present value of the future lease payments.

Practical Expedients

The Company elected to use all the practical expedients, effectively carrying over its previous identification and classification of leases that existed as of January 1, 2019. Additionally, a lessee may elect not to recognize ROU assets and liabilities arising from short-term leases provided there is no purchase option the entity is likely to exercise. The Company has elected this short-term lease exemption.

Operating leases

The Company is currently a party to several operating lease agreements for the corporate office, rental of marine vessels and equipment and a drilling rig used in the Company's Egyptian operations.. The duration for these agreements ranges from 3 to 24 months. In some cases, the lease contracts require the Company to make payments both for the use of the asset itself and for operations and maintenance services. Only the payments for the use of the asset related to the lease component are included in the calculation of ROU assets and lease liabilities. Payments for the operations and maintenance services are considered non-lease components and are not included in calculating the ROU assets and lease liabilities. For leases on ROU assets used in joint operations, generally the operator reflects the full amount of the lease component, including the amount that will be funded by the non-operators. As operator for the Etame Marin block, the ROU asset recorded for marine vessels, and certain equipment used in the joint operations includes the gross amount of the lease components.

The marine vessels and certain equipment leases include provisions for variable lease payments, under which the Company is required to make additional payments based on the level of production or the number of days or hours the asset is deployed, or the number of persons onboard the vessel. Because the Company does not know the extent that the Company will be required to make such payments, they are excluded from the calculation of ROU assets and lease liabilities.

Financing leases

The Company is currently a party to several financing lease agreements for the FSO and generators used in the operations of the Etame Marin block and for equipment, offices and vehicles used in the operations of Canada and Egypt. The duration for these agreements ranges from 7 to 114 months. In some cases, the lease contracts require the Company to make payments both for the use of the asset itself and for operations and maintenance services. Only the payments for the use of the asset related to the lease component are included in the calculation of ROU assets and lease liabilities. Payments for the operations and maintenance services are considered non-lease components and are *not* included in calculating the ROU assets and lease liabilities..

All leases

For all leases that contain an option to extend the initial lease term, the Company has evaluated whether it will extend the lease beyond the initial lease term. When the Company believes it will utilize these leased assets beyond the initial lease term, those payments have been included in the calculation of the ROU assets and liabilities. The discount rate used to calculate ROU assets and lease liabilities represents the Company's incremental borrowing rate. The Company determined this by considering the term and economic environment of each lease, and estimating the resulting interest rate the Company would incur to borrow the lease payments.

For the three months ended March 31, 2023 and 2022, the components of the lease costs and the supplemental information were as follows:

	Three Months Ended March 31,	
	2023	2022
	<i>(in thousands)</i>	
Lease cost:		
Finance lease cost (1)	\$ 4,365	\$ 66
Operating lease cost	583	4,196
Short-term lease cost (2)	1,360	1,014
Variable lease cost (3)	—	1,338
Total lease expense	6,308	6,614
Lease costs capitalized	48	772
Total lease costs	\$ 6,356	\$ 7,386
	Three Months Ended March 31,	
	2023	2022
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
<i>Financing cash flows attributable to finance leases (in thousands)</i>	\$ 1,701	\$ —
<i>Weighted-average remaining lease term (in years)</i>	9.33	5.42
Weighted-average discount rate	8.13%	3.54%
<i>Operating cash flows attributable to operating leases (in thousands)</i>	\$ 226	\$ 6,551
<i>Weighted-average remaining lease term (in years)</i>	1.14	0.73
Weighted-average discount rate	10.29%	5.83%

- (1) Represents depreciation and interest associated with financing leases.
- (2) Represents short term leases under contracts that are 1 year or less where a ROU asset and lease liability are not required to be recorded.
- (3) Variable costs represent differences between minimum lease costs and actual lease costs incurred under lease contracts.

The table below describes the presentation of the total lease cost on the Company's unaudited condensed consolidated statements of operations and comprehensive income. As discussed above, the Company's joint venture owners are required to reimburse the Company for their share of certain expenses, including certain lease costs.

	Three Months Ended March 31,	
	2023	2022
	<i>(in thousands)</i>	
Finance lease cost	\$ 2,625	\$ 39
Production expense	1,286	3,838
General and administrative expense	46	16
Lease costs billed to the joint venture owners	2,368	3,002
Total lease expense	6,325	6,895
Lease costs capitalized	31	491
Total lease costs	\$ 6,356	\$ 7,386

The following table describes the future maturities of the Company's lease liabilities at March 31, 2023:

Year	Operating Leases	Finance Leases
	<i>(in thousands)</i>	
2023	\$ 1,829	\$ 10,377
2024	672	13,759
2025	33	15,559
2026	—	16,156
2027	—	15,023
Thereafter	—	51,561
	2,534	122,435
Less: imputed interest	127	35,058
Total lease liabilities	<u>\$ 2,407</u>	<u>\$ 87,377</u>

Under the joint operating agreements, other joint venture owners are obligated to fund \$51.5 million of the \$125.0 million in future lease liabilities.

13. ASSET RETIREMENT OBLIGATIONS

The following table summarizes the changes in the Company's asset retirement obligations:

<i>(in thousands)</i>	As of March 31, 2023	As of December 31, 2022
Beginning balance	\$ 42,001	\$ 40,694
Accretion	556	1,958
Additions	—	6,134
Revisions	79	(43)
Settlements	(123)	(6,577)
Foreign currency gain (loss)	74	(165)
Ending balance	<u>\$ 42,587</u>	<u>\$ 42,001</u>

Accretion is recorded in the line item "Depreciation, depletion and amortization" in the unaudited condensed consolidated statements of operations and comprehensive income.

In connection with the TransGlobe Arrangement in October 2022, as discussed in Note 3, the Company added \$6.1 million of ARO for the future abandonment and reclamation costs of the Canadian assets. The Egypt concessions have no ARO.

With relation to the end of the FPSO contract in October 2022, the Company incurred decommissioning settlement fees totaling \$6.6 million previously recorded in the asset retirement obligations and included on the consolidated statements of cash flows in the line item, "Cash settlements paid on asset retirement obligations".

The Company is required under the Etame PSC for the Etame Marin block in Gabon to conduct abandonment studies to update the amounts being funded for the eventual abandonment of the offshore wells, platforms and facilities on the Etame Marin block. The current abandonment study was prepared in November 2021. As a result of the expected timing of the end of the FPSO contract, included in the line item "Accrued liabilities and other" in the unaudited condensed consolidated balance sheet is \$0.3 million of costs associated with the retirement obligation as of March 31, 2023.

In Egypt, under model concession agreements and the Fuel Material Law, liabilities in respect of decommissioning movable and immovable assets (other than wells) passes to the Egyptian Government through the transfer of ownership from the contractor to the government under the cost recovery process. While the current risk to the Company of becoming liable for decommissioning liabilities in Egypt is low, future changes to legislation could result in decommissioning liabilities in Egypt. Any increase in Egyptian decommissioning liabilities could adversely affect the Company's financial condition.

In relation to petroleum wells, under good oilfield practices, the contractor is responsible for decommissioning non-producing wells under a decommissioning plan approved by EGPC during the life of the concession agreement. If EGPC agrees that a producing well is not economic, then the contractor may be responsible for decommissioning the well under an EGPC approved decommissioning plan. EGPC, at its own discretion, may not require a well to be decommissioned if it wants to preserve the ability to use the well for other purposes. As EGPC has discretion on decommissioning wells, there is a risk that the Company could incur well decommissioning costs. In accordance with the respective concession agreements, expenses approved by EGPC are recoverable through the cost recovery mechanism. At December 31, 2022, no asset retirement obligation is recorded associated with the Egypt PSCs.

The Company provides for asset retirement obligations on all of its Canadian operations based on current legislation and industry operating practices. The estimated present value of the asset retirement obligation is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The estimated ARO liability for Canada includes assumptions of actual costs to abandon and/or reclaim wells and facilities, the time frame in which such costs will be incurred, as well as using inflation factors and discount rates in order to calculate the amount of the ARO liability.

14. SHAREHOLDERS' EQUITY

Common stock

On October 13, 2022, in connection with the closing of the Arrangement, (i) the total number of authorized shares of common stock of the Company was increased from 100 million shares to 160 million shares and (ii) VAALCO issued approximately 49.3 million shares to TransGlobe's shareholders.

Preferred stock

Authorized preferred stock consists of 500,000 shares with a par value of \$25 per share. No shares of preferred stock were issued and outstanding as of March 31, 2023.

Treasury stock

On November 1, 2022, the Company announced that the board of directors formally ratified and approved a share buyback program. The Plan provides for an aggregate purchase of currently outstanding common stock up to \$30 million over 20 months. Payment for shares repurchased under the share buyback program will be funded using the Company's cash on hand and cash flow from operations. See Note 10 for further discussion.

The below table shows the repurchases of the Company's equity securities during the three months ended March 31, 2023:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Amount that May Yet Be Used to Purchase Shares Under the Program
January 1, 2023 - January 31, 2023	350,832	\$ 4.27	350,832	\$ 25,502,669
February 1, 2023 - February 28, 2023	326,992	\$ 4.59	326,992	\$ 24,003,172
March 1, 2023 - March 31, 2023	303,176	\$ 4.95	303,176	\$ 22,503,206
Total	<u>981,000</u>		<u>981,000</u>	

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For the majority of restricted stock awards granted by the Company, the number of shares issued to the participant on the vesting date are net of shares withheld to meet applicable tax withholding requirements. In addition, when options are exercised, the participant may elect to remit shares to the Company to cover the tax liability and the cost of the exercised options. When this happens, the Company adds these shares to treasury stock and pays the taxes on the participant's behalf.

Although these withheld shares are not issued or considered common stock repurchases under the Company's stock repurchase program, they are treated as common stock repurchases in the Company's financial statements as they reduce the number of shares that would have been issued upon vesting. See Note 15 for further discussion.

15. STOCK-BASED COMPENSATION AND OTHER BENEFIT PLANS

The Company's stock-based compensation has been granted under several stock incentive and long-term incentive plans. The plans authorize the Compensation Committee of the Company's board of directors to issue various types of incentive compensation. The Company had previously issued stock options and restricted shares under the 2014 Long-Term Incentive Plan ("2014 Plan") and stock appreciation rights under the 2016 Stock Appreciation Rights Plan. On June 25, 2020, the Company's stockholders approved the 2020 Long-Term Incentive Plan (as amended, the "2020 Plan") under which 5,500,000 shares are authorized for grants. In June 2021, the Company's stockholders approved an amendment to the 2020 Plan pursuant to which an additional 3,750,000 shares were authorized for issuance pursuant to awards under the 2020 Plan. At March 31, 2023, under the 2020 Plan, 3,989,458 shares were available for future grants.

For each stock option granted, the number of authorized shares under the 2020 Plan will be reduced on a one-for-one basis. For each restricted share granted, the number of shares authorized under the 2020 Plan will be reduced by twice the number of restricted shares. The Company has no set policy for sourcing shares for option grants. Historically the shares issued under option grants have been new shares.

As referenced in the table below, the Company records compensation expense related to stock-based compensation as general and administrative expense associated with the issuance of stock options, restricted stock and stock appreciation rights. During the three months ended March 31, 2023, the Company settled in cash \$0.2 million for stock appreciation rights and received \$0.3 million for stock option exercises. During the three months ended March 31, 2022, the Company settled in cash \$0.2 million for stock appreciation rights and received \$0.2 million for stock option exercises.

	Three Months Ended March 31,	
	2023	2022
	<i>(in thousands)</i>	
Stock-based compensation - equity awards	\$ 675	\$ 404
Stock-based compensation - liability awards	(26)	1,018
Total stock-based compensation	<u>\$ 649</u>	<u>\$ 1,422</u>

Stock options and performance shares

Stock options have an exercise price that may not be less than the fair market value of the underlying shares on the date of grant. In general, stock options granted to participants will become exercisable over a period determined by the Compensation Committee of the Company's board of directors that is generally a three-year period, vesting in three equal parts on the anniversaries from the date of grant, and may contain performance hurdles.

The Company used the Monte Carlo simulation to calculate the grant date fair value of performance stock option awards. The fair value of these awards will be amortized to expense over the derived service period of the option.

For options that do not contain a market or performance condition, the Company uses the Black-Scholes model to calculate the grant date fair value of stock option awards. This fair value is then amortized to expense over the service period of the option.

During the three months ended March 31, 2022, the weighted average assumptions shown below were used to calculate the weighted average grant date fair value of option grants under the Monte Carlo. No options were granted in the first quarter of 2023.

	Three Months Ended March 31,	
	2022	
Weighted average exercise price - (\$/share)	\$	6.41
Expected life in years		6.0
Average expected volatility		72%
Risk-free interest rate		1.98%
Expected dividend yield		2.30%
Weighted average grant date fair value - (\$/share)	\$	2.84

Stock option activity associated with the Monte Carlo model for the three months ended March 31, 2023 is provided below:

	Number of Shares Underlying Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
	<i>(in thousands)</i>		<i>(in years)</i>	<i>(in thousands)</i>
Outstanding at January 1, 2023	444	\$ 3.98		
Granted	—	—		
Exercised	(74)	(1.68)		
Unvested shares forfeited	—	—		
Vested shares expired	—	—		
Outstanding at March 31, 2023	370	\$ 4.40	8.30	\$ 414
Exercisable at March 31, 2023	166	\$ 3.91	8.15	\$ 224

Stock option activity associated with the Black-Scholes model for the three months ended March 31, 2023 is provided below:

	Number of Shares Underlying Options (in thousands)	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2023	387	\$ 1.86		
Granted	—	—		
Exercised	(99)	(1.50)		
Unvested shares forfeited	—	—		
Vested shares expired	—	—		
Outstanding at March 31, 2023	288	\$ 1.98	0.81	\$ 732
Exercisable at March 31, 2023	288	\$ 1.98	0.81	\$ 732

As a result of tax withholding on options exercised, 22,027 shares were added to treasury during the three months ended March 31, 2023.

Restricted shares

Restricted stock granted to employees will vest over a period determined by the Compensation Committee that is generally a three-year period, vesting in three equal parts on the anniversaries following the date of the grant. Restricted stock granted to directors will vest on the earlier of (i) the first anniversary of the date of grant and (ii) the first annual meeting of stockholders following the date of grant (but not less than fifty (50) weeks following the date of grant). The vesting of the restricted stock is dependent upon, among other things, the employees' and directors' continued service with the Company.

The following is a summary of activity for the three months ended March 31, 2023:

	Restricted Stock (in thousands)	Weighted Average Grant Date Fair Value
Non-vested shares outstanding at January 1, 2023	665	\$ 4.59
Awards granted	—	—
Awards vested	(205)	4.82
Awards forfeited	—	—
Non-vested shares outstanding at March 31, 2023	460	\$ 4.49

During the three months ended March 31, 2023, 55,600 shares were added to treasury as a result of tax withholding on the vesting of restricted shares.

In connection with the Arrangement with TransGlobe and pursuant to the Arrangement Agreement, at the effective time of the Arrangement, certain awards previously issued to TransGlobe's key employees and board members who continued their relationship as employees or board members of VAALCO following the Arrangement, continue to be governed by the applicable TransGlobe plan, provided that each such applicable plan has been amended to provide that VAALCO common stock shall be issuable in lieu of cash or TransGlobe common stock with respect to TransGlobe's deferred share units ("DSU"s), performance share units ("PSU"s) and restricted stock units ("RSU"s), in each case, based on the exchange ratio in the Arrangement. For the PSUs that remained outstanding following the effective time of the Arrangement, the applicable vesting percentage was determined by the TransGlobe board of directors to be 200% for PSUs granted in 2020 and 2021 and 64.4% for PSUs granted in 2022.

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RSUs were issued to directors, officers and employees of TransGlobe in the ordinary course of business prior to the Arrangement. Each RSU vests annually over a three-year period. On December 16, 2022, Compensation Committee determined that the awards would be settled in shares from the 2020 Plan, thereby converting all the awards to equity awards instead of cash-settled liability awards. The following is a summary of RSU activity for the three months ended March 31, 2023:

	Restricted Stock <i>(in thousands)</i>	Weighted Average Conversion Date Fair Value
Non-vested shares outstanding at January 1, 2023	383	\$ 4.27
Awards granted	—	—
Awards vested	(121)	4.27
Awards forfeited	(23)	4.27
Non-vested shares outstanding at March 31, 2023	239	\$ 4.27

During the three months ended March 31, 2023, 45,186 shares were added to treasury as a result of tax withholding on the vesting of RSU's.

PSUs are similar to RSUs except that they originally contained a performance factor affecting the vesting percentage. For the PSUs that remained outstanding following the effective time of the Arrangement, the applicable vesting percentage was determined by the TransGlobe board of directors to be 200% for PSUs granted in 2020 and 2021; and 64.4% for PSUs granted in 2022. All PSUs granted vest on the third anniversary of their grant date. On December 16, 2022, the Compensation Committee determined that the awards would be settled in shares from the 2020 Plan, thereby converting all the awards to equity awards instead of cash-settled liability awards. The following is a summary of PSU activity for the three months ended March 31, 2023:

	Restricted Stock <i>(in thousands)</i>	Weighted Average Conversion Date Fair Value
Non-vested shares outstanding at January 1, 2023	690	\$ 4.27
Awards granted	—	—
Awards vested	(134)	4.27
Awards forfeited	(36)	4.27
Non-vested shares outstanding at March 31, 2023	520	\$ 4.27

During the three months ended March 31, 2023, 64,256 shares were added to treasury as a result of tax withholding on the vesting of PSU's.

DSUs are similar to RSUs, except that they become fully vested on the date of grant and are only issued to directors of the Company. Distributions under the DSU plan do not occur until the retirement of the DSU holder from the Company's Board of Directors. On December 16, 2022, the Compensation Committee determined that the awards would be settled in shares from the 2020 Plan, thereby converting all the awards to equity awards instead of cash-settled liability awards. At March 31, 2023, approximately 460,000 DSUs are vested but not distributed. No grants, vestings, distributions or forfeitures occurred in the first quarter of 2023 related to DSUs.

Stock appreciation rights ("SARs")

SARs may be granted under the VAALCO Energy, Inc. 2016 Stock Appreciation Rights Plan and the 2020 Plan. A SAR is the right to receive a cash amount equal to the spread with respect to a share of common stock upon the exercise of the SAR. The spread is the difference between the SAR exercise price per share specified in the SAR award (that may not be less than the fair market value of the Company's common stock on the date of grant) and the fair market value per share of the Company's common stock on the date of exercise of the SAR. SARs granted to participants will become exercisable over a period determined by the Compensation Committee of the Company's board of directors. In addition, SARs will become exercisable upon a change in control, unless provided otherwise by the Compensation Committee of the Company's board of directors.

During the three months ended March 31, 2023, the Company did not grant SARs to employees or directors.

SAR activity for the three months ended March 31, 2023 is provided below:

	Number of Shares Underlying SARs <i>(in thousands)</i>	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term <i>(in years)</i>	Aggregate Intrinsic Value <i>(in thousands)</i>
Outstanding at January 1, 2023	202	\$ 1.87		
Granted	—	—		
Exercised	(63)	0.86		
Unvested SARs forfeited	—	—		
Vested SARs expired	—	—		
Outstanding at March 31, 2023	139	\$ 2.33	0.92	\$ 304
Exercisable at March 31, 2023	139	\$ 2.33	0.92	\$ 304

Other Benefit Plans

The Company has adopted forms of change in control agreements for its named executive officers and certain other officers of the Company as well as a severance plan for its Houston-based non-executive employees in order to provide severance benefits in connection with a change in control. Upon a termination of a participant's employment by the Company without cause or a resignation by the participant for good reason three months prior to a change in control or six months following a change in control, executives and officers with change in control agreements and participants in the severance plan will be entitled to receive 100% and 50%, respectively, of the participant's base salary and continued participation in the Company's group health plans for the participant and his or her eligible spouse and other dependents for six months. In addition, certain named executive officers will receive 75% of their target bonus. Some of the named executive officers are also entitled to severance payments under their employment agreements.

16. INCOME TAXES

VAALCO and its domestic subsidiaries file a consolidated U.S. income tax return. Certain foreign subsidiaries also file tax returns in their respective local jurisdictions that include Canada, Egypt, Equatorial Guinea and Gabon.

Income taxes attributable to continuing operations for the three months ended March 31, 2023 and 2022 are attributable to foreign taxes payable in Gabon and Egypt, as well as income taxes in the U.S.

Provision for income taxes related to income from continuing operations consists of the following:

	Three Months Ended March 31,	
	2023	2022
	<i>(in thousands)</i>	
U.S. Federal:		
Current	\$ —	\$ —
Deferred	586	(12,486)
Foreign:		
Current	12,300	5,691
Deferred	1,885	2,167
Total	<u>\$ 14,771</u>	<u>\$ (4,628)</u>

The Company's effective tax rate for the three months ended March 31, 2023 and 2022, excluding the impact of discrete items, was 60.96% and 67.9%, respectively. The total tax expense for the three months ended March 31, 2023, includes a discrete amount of \$4.6 million primarily related to adjustments made as a result of changes to oil price adjustments. For the three months ended March 31, 2023, the current tax expense of \$12.3 million includes a \$3.2 million unfavorable oil price adjustment as a result of the change in value of the government of Gabon's allocation of Profit Oil between the time it was produced and the time it was taken in-kind. After excluding that impact, current income taxes were an expense of \$9.1 million for the period. For the three months ended March 31, 2022, the current tax expense of \$5.7 million includes a \$3.1 million unfavorable oil price adjustment as a result of the change in value of the government of Gabon's allocation of Profit Oil between the time it was produced and the time it was taken in-kind. After excluding the impact, current income taxes were \$2.6 million for the period.

As of March 31, 2023, the Company had no material uncertain tax positions. The Company's policy is to recognize potential interest and penalties related to unrecognized tax benefits as a component of income tax expense.

17. OTHER COMPREHENSIVE INCOME

The Company's other comprehensive loss was \$0.1 million for the three months ended March 31, 2023. The functional currency of TransGlobe Energy Corporation is the Canadian Dollar. All of the Company's other comprehensive income arises from the currency translation of TransGlobe Energy Corporation to USD.

The components of accumulated other comprehensive income are as follows:

	Currency Translation Adjustments <i>(in thousands)</i>
Balance at December 31, 2022	\$ 1,179
Accumulated other comprehensive income (loss) before reclassifications	(125)
Balance at March 31, 2023	\$ 1,054

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Quarterly Report") includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are intended to be covered by the safe harbors created by those laws. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements include information about possible or assumed future results of our operations. All statements, other than statements of historical facts, included in this Quarterly Report that address activities, events or developments that we expect or anticipate may occur in the future, including without limitation, statements regarding our financial position, operating performance and results, reserve quantities and net present values, market prices, business strategy, derivative activities, the amount and nature of capital expenditures, payment of dividends and plans and objectives of management for future operations are forward-looking statements. When we use words such as "anticipate," "believe," "estimate," "expect," "intend," "forecast," "outlook," "aim," "target," "will," "could," "should," "may," "likely," "plan," and "probably" or the negative of such terms or similar expressions, we are making forward-looking statements. Many risks and uncertainties that could affect our future results and could cause results to differ materially from those expressed in our forward-looking statements include, but are not limited to:

- volatility of, and declines and weaknesses in crude oil, natural gas and NGLs prices, as well as our ability to offset volatility in prices through the use of hedging transactions;
- our ability to remediate our material weaknesses;
- the discovery, acquisition, development and replacement of crude oil, natural gas and NGLs reserves;
- impairments in the value of our crude oil, natural gas and NGLs assets;
- future capital requirements;
- our ability to maintain sufficient liquidity in order to fully implement our business plan;
- our ability to generate cash flows that, along with our cash on hand, will be sufficient to support our operations and cash requirements;
- the ability of the BWE Consortium to successfully execute its business plan;
- our ability to attract capital or obtain debt financing arrangements;
- our ability to pay the expenditures required in order to develop certain of our properties;
- operating hazards inherent in the exploration for and production of crude oil, natural gas and NGLs;
- difficulties encountered during the exploration for and production of crude oil, natural gas and NGLs;
- the impact of competition;
- our ability to identify and complete complementary opportunistic acquisitions;
- our ability to effectively integrate assets and properties that we acquire into our operations;
- weather conditions;
- the uncertainty of estimates of crude oil, natural gas and NGLs reserves;
- currency exchange rates and regulations;
- unanticipated issues and liabilities arising from non-compliance with environmental regulations;

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- the ultimate resolution of our abandonment funding obligations with the government of Gabon and the audit of our operations in Gabon currently being conducted by the government of Gabon;
- the ultimate resolution of our negotiations with the Egyptian General Petroleum Corporation ("EGPC") relating to the Effective Date Adjustment (as defined below);
- the availability and cost of seismic, drilling and other equipment;
- difficulties encountered in measuring, transporting and delivering crude oil, natural gas and NGLs to commercial markets;
- timing and amount of future production of crude oil, natural gas and NGLs;
- hedging decisions, including whether or not to enter into derivative financial instruments;
- general economic conditions, including any future economic downturn, the impact of inflation, and disruption in financial credit;
- our ability to enter into new customer contracts;
- changes in customer demand and producers' supply;
- actions by the governments of and events occurring in the countries in which we operate;
- actions by our joint venture owners;
- compliance with, or the effect of changes in, governmental regulations regarding our exploration, production, and well completion operations including those related to climate change;
- the outcome of any governmental audit; and
- actions of operators of our crude oil, natural gas and NGLs properties.

The information contained in this Quarterly Report and the information set forth under the heading "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 ("2022 Form 10-K"), identifies additional factors that could cause our results or performance to differ materially from those we express in forward-looking statements. Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of these assumptions and therefore also the forward-looking statements based on these assumptions, could themselves prove to be inaccurate. In light of the significant uncertainties inherent in the forward-looking statements that are included in this Quarterly Report and the 2022 Form 10-K, our inclusion of this information is not a representation by us or any other person that our objectives and plans will be achieved. When you consider our forward-looking statements, you should keep in mind these risk factors and the other cautionary statements in this Quarterly Report.

Our forward-looking statements speak only as of the date the statements are made and reflect our best judgment about future events and trends based on the information currently available to us. Our results of operations can be affected by inaccurate assumptions we make or by risks and uncertainties known or unknown to us. Therefore, we cannot guarantee the accuracy of the forward-looking statements. Actual events and results of operations may vary materially from our current expectations and assumptions. Our forward-looking statements, express or implied, are expressly qualified in their entirety by this "Cautionary Statement Regarding Forward-Looking Statements," which constitute cautionary statements. These cautionary statements should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances occurring after the date of this Quarterly Report.

INTRODUCTION

VAALCO is a Houston, Texas based independent energy company engaged in the acquisition, exploration, development and production of crude oil, natural gas and NGLs. As operator, we have production operations and conduct exploration activities in Gabon, West Africa, Egypt and Canada. We also have opportunities to participate in development and exploration activities in Equatorial Guinea, West Africa. As discussed further in Note 3 to the Financial Statements, we have discontinued operations associated with our activities in Angola, West Africa and Yemen.

RECENT DEVELOPMENTS

Dividend Policy

On February 14, 2023, our board of directors increased our quarterly cash dividend policy to an expected \$0.0625 per common share per quarter, commencing in the first quarter of 2023 and concurrently declared a quarterly cash dividend of \$0.0625 per common share that was paid on March 31, 2023 to stockholders of record at the close of business on March 24, 2023. On May 9, 2023 our board announced a cash dividend of \$0.0625 per share of common stock to be paid on June 23, 2023 to stockholders of record at the close of business on May 24, 2023.

Payment of future dividends, if any, will be at the discretion of the board of directors after taking into account various factors, including current financial condition, the tax impact of repatriating cash, operating results and current and anticipated cash needs.

Share Buyback Program

On November 1, 2022, VAALCO announced that its board of directors formally ratified and approved the share buyback program that was announced on August 8, 2022 in conjunction with our business combination with TransGlobe. The board of directors also directed management to implement the 10b5-1 Plan to facilitate share purchases through open market purchases, privately negotiated transactions, or otherwise in compliance with Rule 10b-18 under the Exchange Act. The 10b5-1 Plan provides for an aggregate purchase of currently outstanding common stock up to \$30 million over 20 months. Payment for shares repurchased under the share buyback program will be funded using cash on hand and cash flow from operations.

The actual timing number and value of shares repurchased under the share buyback program will depend on a number of factors, including constraints specified in the Plan, VAALCO's stock price, general business and market conditions, and alternative investment opportunities. Under the Plan, our third-party broker, subject to SEC regulations regarding certain price, market, volume and timing constraints, has authority to purchase VAALCO common stock in accordance with the terms of the Plan.

TransGlobe Merger

On October 13, 2022, VAALCO and AcquireCo completed the previously announced business combination with TransGlobe whereby AcquireCo acquired all of the issued and outstanding TransGlobe common shares pursuant to the Arrangement and TransGlobe became a direct wholly-owned subsidiary of AcquireCo and an indirect wholly-owned subsidiary of VAALCO, pursuant to the Arrangement Agreement.

Additionally, prior to the effective time of the Arrangement, TransGlobe repaid outstanding obligations and liabilities owned under TransGlobe's credit facility with ATB Financial, representing approximately C\$4.1 million. On December 19, 2022, TransGlobe, as an indirect wholly-owned subsidiary of VAALCO, voluntarily delivered a notice of termination to ATB Financial relating to the ATB Facility. As of December 31, 2022, no amounts were drawn on the revolving loan facility. On January 5, 2023, the ATB Facility was formally closed.

The actual impact of the Arrangement Agreement was an increase to "Crude oil, natural gas and NGLs sales" of \$43.7 million and \$9.7 million of "Net income" in the condensed consolidated statements of operations and comprehensive income for the three months ended March 31, 2023.

Entry into a Facility Agreement

On May 16, 2022, VAALCO Gabon (Etame), Inc. (the "Borrower"), a wholly owned subsidiary of VAALCO, entered into a facility agreement (the "Facility Agreement") by and among VAALCO, VAALCO Gabon, SA ("VAALCO Gabon" and, together with VAALCO, the "Guarantors"), Glencore Energy UK Ltd., as mandated lead arranger, technical bank and facility agent ("Glencore"), the Law Debenture Trust Corporation P.L.C., as security agent, and the other financial institutions named therein (the "Lenders"), providing for a senior secured reserve-based revolving credit facility (the "Facility") in an aggregate maximum principal amount of up to \$50.0 million. Subject to certain conditions, the Borrower may agree with any Lender or other bank or financial institution to increase the total commitments available under the Facility by an aggregate amount not to exceed \$50.0 million (any such increase, an "Additional Commitment"). Beginning October 1, 2023 and thereafter on April 1 and October 1 of each year during the term of the Facility, the Initial Total Commitment, as increased by any Additional Commitment, will be reduced by \$6.25 million. See "Capital Resources and Liquidity – RBL Facility Agreement" for more information regarding the Facility.

Recent Operational Updates

Gabon

VAALCO completed its 2021/2022 drilling campaign in the fourth quarter of 2022. We are currently evaluating locations and planning for the next drilling campaign at Etame that is expected to occur in 2024. In October 2022, VAALCO successfully completed its transition to a Floating Storage and Offloading vessel ("FSO") and related field reconfiguration processes. This project provides a low cost FSO solution that increases the storage capacity for the Etame block. The Company will continue to focus on operational excellence, including production uptime and enhancement in 2023 to minimize decline until the next drilling campaign.

The cost of the 2021/2022 drilling program with four wells and two workovers was \$180 million, or \$114 million, net to VAALCO's participating interest.

For the three months ended March 31, 2023, all wells were online from the end of 2022 as the gas lift compression system was successfully commissioned. This gas lift compression system increased the production and the reliability of two subsea wells positively, impacting our volumes for the three months ended March 31, 2023.

The focus during the first quarter of 2023 was continued production optimization of the new flow line configurations at the Etame Facility, as all production transits through the Etame platform for final processing before being pumped to the FSO. Since the field reconfiguration in 2022, a better understanding of the field's operating parameters has resulted in a more efficient and cost effective flow assurance program. Combining this with chemical injection optimization and pipeline pigging adjustments both on frequency of pigging and flow path targeting has increased production and provided more stable operations resulting in lower downtime.

Preventative maintenance activities returned to levels prior to the field reconfiguration, as the focus came back to steady state operation following project completion.

Egypt

We continued to use the EDC-64 rig in the Eastern Desert drilling campaign. We completed the Arta 77Hz horizontal well drilling at the beginning of 2023 and released the rig on January 11, 2023. The well is flowing at approximately 200 bopd with minimal water. We expect cleanup on this well to continue for an extended period of time. This delayed the 2023 drilling campaign. However, during the remainder of the quarter, we drilled and cased five development wells, (East Arta 53 ("EA-53"), K-81, K-79, Arta-80 Red Bed, and Arta 81 Red Bed).

The EA-53 development well was drilled to a total depth of 1,279 meters targeting Red Bed reservoirs in the East Arta Field. The well was fully logged and evaluated. The Red Bed reservoir has an estimated 4.5 meters of net oil pay. The lower most Red Bed reservoir was perforated in the EA-53 well and is producing 100% water which was unexpected given that the East Arta 21 well's current production is at a 67% water cut and the East Arta 39 well's production is at an 80% water cut. There is a plan to fracture stimulate the EA-53 well to try and get oil production.

The K-81 well was drilled as vertical development well with ASL-D reservoir as the primary target and ASL-E reservoir as a secondary target. The well spudded on February 2, 2023, and reached total depth ("TD") on February 12, 2023 at a depth of 1,662m in the ASL-F reservoir. Log analysis indicated the presence of 21m of net pay in both the ASL-D and ASL-E sands. The well was perforated in the ASL-E zone over the interval from 1,503 to 1,507m MD. The well went online March 5, 2023, at an initial production of 504 bopd.

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The K-79 well was drilled as a vertical development well with the ASL-D reservoir as the primary target, and the ASL-B and ASL-E reservoirs as secondary targets. The well spudded on February 21, 2023, and reached TD on March 1, 2023 at a depth of 1,739 m in the ASL-F reservoir. Log analysis indicates the presence of 57.9m net pay, 9m in the ASL-D reservoir, 31 m in the ASL-B reservoir and 13.7m in the ASL-A sands. The well perforated in the ASL-B1 and B2 zones from 1,273 to 1,285m and 1,302 to 1,308m. Initial production commenced on March 15, 2023 at 192 bopd.

The Arta-80 development well reached its primary objective of the Red Bed reservoir approximately 24.4 meters higher than prognosis and encountered a total of 10 meters of net pay. The well spudded on March 10, 2023 and reached TD on March 15, 2023 at a depth of 1,250 meters in the Thebes Formation. Open hole log evaluation indicated the presence of 10.5 meters of net pay in the Red Bed primary reservoir. The top 9.5 meters of the Red Beds were perforated from 1,105 to 1,115 meters and began to produce on March 25, 2023 with initial production of 403 bopd.

The Arta-81 development well spud on March 21, 2023 and reached TD on March 25, 2023 at a depth of 1,264 meters within the Thebes formation. It achieved the primary objective 4.2 meters higher than prognosis and encountered a total of 9 meters of net pay in the Red Beds reservoir. The well was perforated in the top 7.9 meters of the Red Bed reservoir (1,133-1,423 meters) and began to produce on April 6, 2023 with an initial production of 317 bopd.

The HE-4 appraisal well was drilled to a total depth of 1,850m in the Bakr sand formation, reaching its primary objective of penetrating oil-bearing sands in the ASL-B formation. The well spudded on April 2, 2023 and reached TD on April 9, 2023. Open hole log evaluation indicated 8.5 meters of net pay across 3 sand zones in the ASL-B including a new sand formation not seen in offset wells to the north. The well was perforated from 1,590-1,594 meters in the lowermost sand and was put on production on April 19, 2023. Current production is approximately 180 bopd (field estimate) at 50% water cut.

The HE-5INJ injection well is planned down dip of HE-1X, HE-2 and the proposed HE-3 well (to be drilled after HE-5INJ). The reservoirs in this pool are relatively thin and pressure data indicates depletion. Injecting into the reservoir will support pressure and should improve the estimated ultimate recovery of the producing ASL-B zones.

The SGZ-6X well in the South Ghazalat concession in the Western Desert remains shut-in. Recomplete work on the well is underway to put it back on production to retain the acreage. Intervention planning was completed during the first quarter of 2023 and operations have now started in order to resume production from the Western Desert.

Canada

Early in 2023, two wells, the 1Q100/04-10-29-03W5 and the 4-19-29-3W5, were tied in. Initially, the tie-in had been scheduled for late 2022 but due to weather and contractor delays, these were moved into 2023 (1Q100/04-10-29-03W5 /4-19-29-3W5). Both wells are now online and producing.

The 2023 drilling campaign commenced in January 2023 with the drilling of 12-12-30-4W5, spud on January 28, 2023. The well was drilled to a total depth of 6,713 meters. The second well of the program, 16-30-29-3W5, was spud on February 22, 2023, and drilled to total depth of 4,403 meters. The 2 wells were completed between late March and early April with good oil shows. Both wells are currently being equipped for production and are expected online in May 2023 with a significant reduction in historical cycle times compared to previous wells.

ACTIVITIES BY ASSET

Gabon

Offshore – Etame Marin Block

Development and Production

We operate the Etame Marin Block on behalf of a consortium of companies. As of March 31, 2023, production operations in the Etame Marin block included fifteen platform wells, plus two subsea wells tied back by pipelines to deliver crude oil and associated natural gas through a riser system to allow for delivery and processing at the Etame platform. From the Etame platform, the crude oil is pumped through a riser system to the FSO where it is stored and ultimately offloaded. The leased FSO is anchored to the seabed on the block. The Etame field currently has a combined total of seventeen producing wells. During the three months ended March 31, 2023 and 2022, production from the block was 1,603 MBbls (820 MBbls, net) and 1,416 MBbls (725 MBbls, net), respectively, as discussed below in “Results of Operations”.

Egypt

In Egypt, as of March 31, 2023, our interests are spread across two regions: the Eastern Desert, which contains the West Gharib, West Bakr and North West Gharib merged concessions, and the Western Desert, which contains the South Ghazalat concession. Both of our Egyptian blocks are PSCs among the Egyptian General Petroleum Corporation ("EGPC"), the Egyptian government and us. We are the operator and have a 100% working interest in both PSCs. During the three months ended March 31, 2023, production from the Eastern Desert was 903 MBbls (616 MBbls, net) as discussed below in "Results of Operations".

The SGZ-6X well in the South Ghazalat concession in the Western Desert remains shut-in.

Canada

In Hamattan, Canada, we own production and working interests in the Cardium light oil and Mannville liquids-rich gas assets. This property produces oil and associated natural gas from the Cardium and Viking zones and liquids-rich natural gas from zones in the Lower Mannville and Rock Creek formations at vertical depths of 1,200 to 2,600 meters. All gas is delivered to a third party non-operated gas plant for processing. During the three months ended March 31, 2023, production from our Canadian assets was 239 MBoe to our working interest (211 MBoe, net) as discussed below in "Results of Operations".

Equatorial Guinea

As of March 31, 2023, we had \$10.0 million recorded for the book value of the undeveloped leasehold costs associated with the Block P license. In February of 2023, we acquired an additional 14.1% participating interest, increasing VAALCO's participating interest in the Block to 60.0%. This increase of 14.1% participating interest increases our future payment to GEPetrol to \$6.8 million at first commercial production of the Block. In March 2023, Atlas voted to participate in the Venus Development. Amendment 5 of the PSC was approved by all parties in March 2023 with this updated participating interest, and execution of the Venus development plan has been initiated. VAALCO as operator, is in the process of working through the project charter and timing of key milestones. In addition, there are some minor changes required by the Joint Operating Agreement that require final ratification by the joint venture.

The Block P production sharing contract ("PSC") provides for a development and production period of 25 years from the date of approval of a development and production plan for the area associated with the Venus development. The PSC also includes the portions of Block P not associated with the Block P - Venus development.

DISCONTINUED OPERATIONS - ANGOLA AND YEMEN

In November 2006, we signed a production sharing contract for Block 5 offshore Angola ("PSA"). Our working interest is 40%, and we carried Sonangol P&P, for 10% of the work program. On September 30, 2016, we notified Sonangol P&P that we were withdrawing from the joint operating agreement effective October 31, 2016. On November 30, 2016, we notified the national concessionaire, Sonangol E.P. that we were withdrawing from the PSA. Further to our decision to withdraw from Angola, we have closed our office in Angola and do not intend to conduct future activities in Angola. As a result of this strategic shift, the Angola segment has been classified as discontinued operations in the Financial Statements for all periods presented. See Note 3 to the Financial Statements. For the three months ended March 31, 2023 and 2022, the Angola segment did not have a material impact on our financial position, results of operations, cash flows and related disclosures.

As part of the Arrangement with TransGlobe, we acquired TG Holdings Yemen Inc. who previously owned TransGlobe's interests in four PSAs in Yemen: Block 32, Block 72, Block 75 and Block S-1. In January 2015, TransGlobe relinquished its interests in Block 32 and Block 72 in Yemen (effective dates of March 31, 2015 and February 28, 2015, respectively), and in October 2015 TransGlobe sold its subsidiary that held interests in Block 75 and Block S-1. The operating results of the Yemen segment have been classified as discontinued operations for all periods presented in our consolidated statements of operations and comprehensive income. Our segregated the cash flows attributable to the Yemen segment from the cash flows from continuing operations for all periods presented in our consolidated statements of cash flows. For the three months ended March 31, 2023, the Yemen segment did not have a material impact on our financial position, results of operations, cash flows and related disclosures.

CAPITAL RESOURCES AND LIQUIDITY

Cash Flows

Our cash flows for the three months ended March 31, 2023 and 2022 are as follows:

	Three Months Ended March 31,		
	2023	2022	Increase (Decrease) in 2023 over 2022
	<i>(in thousands)</i>		
Net cash provided by operating activities before changes in operating assets and liabilities	\$ 32,803	\$ 27,859	\$ 4,944
Net change in operating assets and liabilities	9,216	(28,599)	37,815
Net cash provided by (used in) continuing operating activities	42,019	(740)	42,759
Net cash used in discontinued operating activities	(13)	(18)	5
Net cash provided by (used in) operating activities	42,006	(758)	42,764
Net cash used in investing activities	(27,700)	(23,148)	(4,552)
Net cash used in financing activities	(13,539)	(2,118)	(11,421)
Effects of exchange rate changes on cash	(309)	—	(309)
Net change in cash, cash equivalents and restricted cash	\$ 458	\$ (26,024)	\$ 26,482

The \$4.9 million increase in net cash provided by operating activities before changes in operating assets and liabilities was due to lower cash settlements on derivative contracts partially offset by lower net income due to higher production costs and higher current income taxes. The net increase in changes provided by operating assets and liabilities of \$37.8 million for the three months ended March 31, 2023 compared to the same period of 2022 was primarily related to positive changes in receivables accounts with joint venture owners and other assets along with positive changes in accounts payable and foreign income taxes (collectively \$79.1 million). Partially offsetting these changes were negative changes in other receivables, crude oil inventory, deferred taxes and accrued liabilities and other (collectively \$41.3 million).

The \$4.6 million increase in net cash used in investing activities during the three months ended March 31, 2023 was due to increases in capital spending to costs associated with the development drilling programs in Egypt and Canada. For the three months ended March 31, 2022, cash used in investing activities was mainly for the Etame-8H development well and Etame field reconfiguration and other items to support the 2021/2022 drilling campaign.

Net cash used in financing activities during the three months ended March 31, 2023 included \$6.7 million for dividend distributions, \$5.4 million for treasury stock repurchases made under our stock repurchase plan as discussed in Note 10 to our unaudited condensed consolidated financial statements or as a result of tax withholding on options exercised and on vested restricted stock as discussed in Note 15 to our unaudited condensed consolidated financial statements, and \$1.7 million of principal payments on our finance leases partially offset by \$0.3 million in proceeds from options exercised. For the three months ended March 31, 2022, cash used in financing activities was mainly due to dividend distributions of \$1.9 million, cash used in the purchase of treasury shares as a result of tax withholding on options exercised of \$0.4 million partially offset by proceeds received from options exercised of \$0.2 million.

Capital Expenditures

For the three months ended March 31, 2023 we had accrual basis capital expenditures attributable to continuing operations of \$25.4 million compared to \$31.8 million accrual basis capital expenditures for the same period in 2022. For the three months ended March 31, 2023, our cash spending related to the payments for the 2023 drilling campaigns in Egypt and Canada. During the same period in 2022, our spending was concentrated on the 2021/2022 drilling campaign, Etame field reconfigurations and FSO projects.

See discussion below in “Capital Resources, Liquidity and Cash Requirements” for further information.

Regulatory and Joint Interest Audits

We are subject to periodic routine audits by various government agencies in Gabon, including audits of our petroleum Cost Account, customs, taxes and other operational matters, as well as audits by other members of the contractor group under our joint operating agreements. See Note 10 to the Financial Statements for further discussion.

Commodity Price Hedging

The price we receive for our crude oil, natural gas and NGLs significantly influences our revenue, profitability, liquidity, access to capital and prospects for future growth. Crude oil and natural gas commodities and, therefore their prices can be subject to wide fluctuations in response to relatively minor changes in supply and demand. We believe these prices will likely continue to be volatile in the future.

Due to the inherent volatility in crude oil prices, we use commodity derivative instruments such as swaps and costless collars to hedge price risk associated with a portion of our anticipated crude oil production. These instruments allow us to reduce, but not eliminate, the potential effects of variability in cash flow from operations due to fluctuations in commodity prices. The instruments provide only partial protection against declines in crude oil prices and may limit our potential gains from future increases in prices. None of these instruments are used for trading purposes. We do not speculate on commodity prices but rather attempt to hedge physical production by individual hydrocarbon product in order to protect returns. We have not designated any of our derivative contracts as fair value or cash flow hedges. The changes in fair value of the contracts are included in the unaudited condensed consolidated statements of operations and comprehensive income. We record such derivative instruments as assets or liabilities in the unaudited condensed consolidated balance sheet.

See the table below for the unexpired contracts at March 31, 2023:

Settlement Period	Type of Contract	Index	Average Monthly Volumes (Bbls)	Weighted Average Put Price (per Bbl)	Weighted Average Call Price (per Bbl)
April 2023 - June 2023	Collars	Dated Brent	95,500	\$ 65.00	\$ 100.00

Pursuant to the Facility entered into in May 2022, we are required to hedge a portion of our anticipated oil production at the time we draw down on the Facility.

Subsequent Event

On April 4, 2023, we entered into additional derivatives contracts for the third quarter of 2023. The details are in the chart below:

Settlement Period	Type of Contract	Index	Average Monthly Volumes (Bbls)	Weighted Average Put Price (per Bbl)	Weighted Average Call Price (per Bbl)
July 2023 - September 2023	Collars	Dated Brent	95,000	\$ 65.00	\$ 96.00

Cash on Hand

At March 31, 2023, we had unrestricted cash of \$52.1 million. We invest cash not required for immediate operational and capital expenditure needs in short-term money market instruments primarily with financial institutions where we determine our credit exposure is negligible. As operator of the Etame Marin block in Gabon, we enter into project-related activities on behalf of our working interest joint venture owners. We generally obtain advances from joint venture owners prior to significant funding commitments. Our cash on hand will be utilized, along with cash generated from operations, to fund our operations.

We currently sell all our crude oil production from Gabon under a crude oil sales and marketing agreement ("COSMA") with Glencore. Under the COSMA all oil produced from the Etame G4-160 Block offshore Gabon from August 2022 through the Final Maturity Date of the Facility, will be bought and marketed by Glencore, with pricing based upon an average of Dated Brent in the month of lifting, adjusted for location and market factors.

Revenues associated with the sales of our crude oil in Egypt are recognized by reference to actual volumes sold and quoted market prices in active markets for Dated Brent, adjusted according to specific terms and conditions as applicable per the sales contracts. Revenue is measured at the fair value of the consideration received or receivable. For reporting purposes, we record the EGPC's share of production as royalties which are netted against revenue. With respect to taxes in Egypt, our income taxes under the terms of the Merged Concession Agreement are the liability of TransGlobe Petroleum International ("TGPI"), a wholly-owned indirect subsidiary of VAALCO. TGPI's income taxes are paid by EGPC on behalf of TGPI out of EGPC's production entitlement. The income taxes paid to the Arab Republic of Egypt on behalf of TGPI are recognized as oil and gas sales revenue and income tax expense for reporting purposes.

For the three months ended March 31, 2023, all sales in Egypt were to Mercuria. Sales to Mercuria are normally settled within 30 days.

Revenues from the sale of crude oil, natural gas, condensate and NGLs in Canada are recognized by reference to actual volumes delivered at contracted delivery points and prices. Prices are determined by reference to quoted market prices in active markets for crude oil, natural gas, condensate, and NGLs based on product, each adjusted according to specific terms and conditions applicable per the sales contracts. Revenues are recognized net of royalties and transportation costs. Revenues are measured at the fair value of the consideration received.

Settlement of accounts receivable in Canada occur on the 25th of the following month after production.

Capital Resources, Liquidity and Cash Requirements

Historically, our primary source of liquidity has been cash flows from operations and our primary use of cash has been to fund capital expenditures for development activities in the Etame Marin block. We continually monitor the availability of capital resources, including equity and debt financings that could be utilized to meet our future financial obligations, planned capital expenditure activities and liquidity requirements including those to fund opportunistic acquisitions. For example, we recently took actions to improve our liquidity position by entering into the Facility Agreement. We believe that the recent Facility significantly improves our financial flexibility and our ability to achieve accretive growth by providing access to cash if required for potential future development programs or to fund inorganic acquisition opportunities. Our future success in growing proved reserves, production and balancing the long-term development of our assets with a focus on generating attractive corporate-level returns will be highly dependent on the capital resources available to us.

Based on current expectations, we believe we have sufficient liquidity through our existing cash balances and cash flow from operations, including the addition of our Egypt and Canada segments, to support our current cash requirements, including the FSO charter, drilling programs, as well as transaction expenses and capital and operational costs associated with our business segments' operations. However, our ability to generate sufficient cash flow from operations or fund any potential future acquisitions, consortiums, joint ventures, repurchases of shares or pay dividends or other similar transactions depends on operating and economic conditions, some of which are beyond our control. If additional capital is needed, we may not be able to obtain debt or equity financing on terms favorable to us, or at all. We are continuing to evaluate all uses of cash, including opportunistic acquisitions, and whether to pursue growth opportunities and whether such growth opportunities, additional sources of liquidity, including equity and/or debt financings, are appropriate to fund any such growth opportunities.

Merged Concession Agreement

On January 19, 2022, legacy subsidiaries of TransGlobe executed the Merged Concession Agreement with EGPC to update and merge TransGlobe's three Egyptian concessions in West Bakr, West Gharib and NW Gharib (the "Merged Concession"). The modernization payments under the Merged Concession Agreement total \$65.0 million and are payable over six years from the Merged Concession Effective Date. Under the Merged Concession Agreement, we will be required to pay an additional \$10.0 million on February 1 for each of the next three years. In addition, we have committed to spending a minimum of \$50.0 million over each five-year period for the 15 years of the primary term (totaling \$150.0 million). Our ability to make scheduled payments arising from the Merged Concession Agreement will depend on our financial condition and operating performance, which is subject to then prevailing economic, industry and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control.

RBL Facility Agreement and Available Credit

On May 16, 2022, VAALCO Gabon (Etame), Inc. entered into Facility Agreement by and among VAALCO, VAALCO Gabon, Glencore, the Law Debenture Trust Corporation P.L.C. and the Lenders, providing for a senior secured reserve-based revolving credit facility in an aggregate maximum principal amount of up to \$50.0 million (the “Initial Total Commitment”). In addition, subject to certain conditions, the Borrower may agree with any Lender or other bank or financial institution to increase the total commitments available under the Facility by an aggregate amount not to exceed \$50.0 million. Beginning October 1, 2023 and thereafter on April 1 and October 1 of each year during the term of the Facility, the Initial Total Commitment, as increased by any Additional Commitment, will be reduced by \$6.25 million.

The Facility provides for determination of the borrowing base asset based on our proved producing reserves and a portion of our proved undeveloped reserves. The borrowing base is determined and re-determined by the Lenders on March 31 and September 30 of each year. Based on the redetermination performed during the year, there was no change in the borrowing base.

The Borrower’s obligations under the Facility Agreement are guaranteed by Guarantors and secured by interests, rights, activities, assets, entitlements, and development in the Etame Marin Permit (Block G64-160) Field and any other assets which are approved by the Majority Lenders (as defined in the Facility Agreement).

Each loan under the Facility will bear interest at a rate equal to LIBOR plus a margin (the “Applicable Margin”) of (i) 6.00% until the third anniversary of the Facility Agreement or (ii) 6.25% from the third anniversary of the Facility Agreement until the Final Maturity Date (defined below).

Pursuant to the Facility Agreement, we shall pay to Glencore for the account of each Lender a quarterly commitment fee equal to (i) 35% per annum of the Applicable Margin on the daily amount by which the lower of the total commitments and the borrowing base amount exceeds the amount of all outstanding utilizations under the Facility, plus (ii) 20% per annum of the Applicable Margin on the daily amount by which the total commitments exceed the borrowing base amount. The Borrower is also required to pay customary arrangement and security agent fees.

The Facility Agreement contains certain debt covenants, including that, as of the last day of each calendar quarter, (i) the ratio of Consolidated Total Net Debt to EBITDAX (as each term is defined in the Facility Agreement) for the trailing 12 months shall not exceed 3.0x and (ii) consolidated cash and cash equivalents shall not be lower than \$10.0 million. As of September 30, 2022, our borrowing base was \$50.0 million. The amount we are able to borrow with respect to the borrowing base is subject to compliance with the financial covenants and other provisions of the Facility Agreement. We were in compliance with all debt covenants at March 31, 2022. As of March 31, 2022, we had no outstanding borrowings under the facility.

The Facility will mature on the earlier of (i) the fifth anniversary of the date on which all conditions precedent to the first utilization of the Facility have been satisfied and (ii) the Reserve Tail Date (as defined in the Facility Agreement) (the “Final Maturity Date”).

Cash Requirements

Our material cash requirements generally consist of finance leases, operating leases, purchase obligations, capital projects and 3D seismic processing, the TransGlobe acquisition transaction costs, dividend payments, funding of our share buyback program, merged concession agreement, future lease payments and abandonment funding, each of which is discussed in further detail below.

Abandonment Funding – Under the terms of the Etame PSC, we have a cash funding arrangement for the eventual abandonment of all offshore wells, platforms and facilities on the Etame Marin block. As a result of the PSC Extension, annual funding payments are spread over the periods from 2018 through 2028, under the applicable abandonment study. The amounts paid will be reimbursed through the Cost Account and are non-refundable. In November 2021, a new abandonment study was done and the estimate used for this purpose is approximately \$81.3 million (\$47.8 million, net to VAALCO) on an undiscounted basis. The new abandonment estimate has been presented to the Gabonese Directorate of Hydrocarbons as required by the PSC. At March 31, 2023, the balance of the abandonment fund was \$10.7 million (\$6.3 million, net to VAALCO) on an undiscounted basis. The annual payments will be adjusted based on revisions in the abandonment estimate. This cash funding is reflected under “Other noncurrent assets” in the “Abandonment funding” line item of the consolidated balance sheets. Future changes to the anticipated abandonment cost estimate could change the asset retirement obligation and the amount of future abandonment funding payments.

Leases – We are a party to several operating and financing lease arrangements, including operating leases for the corporate office, a drilling rig, rental of marine vessels and helicopters, warehouse and storage facilities, equipment and financing lease agreements for the FSO and generators used in the operations of the Etame Marin block and for equipment, offices and vehicles used in the operations of Canada and Egypt. The annual costs of these leases are significant to us. For further information see Note 12 to our consolidated financial statements.

Merged Concession Agreement – On January 20, 2022, prior to the consummation of the Arrangement, TransGlobe announced a fully executed Merged Concession Agreement with EGPC that merged the three existing Eastern Desert concessions with a 15-year primary term and improved economics. In advance of the Minister of Petroleum and Mineral Resources of the Arab Republic of Egypt (the “Minister”) executing the Merged Concession Agreement, TransGlobe paid the first modernization payment of \$15.0 million and signature bonus of \$1.0 million as part of the conditions precedent to the official signing ceremony on January 19, 2022. On February 1, 2022, TransGlobe paid the second modernization payment of \$10.0 million. In accordance with the Merged Concession, we agreed to substitute the February 1, 2023 payment and issue a \$10.0 million credit against receivables owed from EGPC. We will make three further annual equalization payments of \$10.0 million each beginning February 1, 2024, until February 1, 2026. We also have minimum financial work commitments of \$50.0 million per each five-year period of the primary development term, commencing on February 1, 2020 (the “Merged Concession Effective Date”). As of March 31, 2023, the \$50 million of financial work commitments had been delivered to EGPC.

FSO Agreements – On August 31, 2021, we and our Etame co-venturers approved the Bareboat Contract and Operating Agreement with World Carrier to replace the existing FPSO with a FSO unit at the Etame Marin block offshore Gabon. Pursuant to the Bareboat Charter, World Carrier will provide use of the *TELI* vessel to VAALCO Gabon for an initial eight-year term, subject to optional two successive one-year extensions. Pursuant to the Operating Agreement, VAALCO Gabon agreed to engage World Carrier for the purposes of maintaining and operating the FSO on its behalf in accordance with the specifications therein and to provide other services to VAALCO Gabon in connection with the operation and maintenance of the FSO. As consideration for the performance by World Carrier of the Operator Services, VAALCO Gabon agreed to pay a daily operating fee (to be paid monthly) beginning on the date of issuance of the Fit to Receive Certificate (as defined in the Operating Agreement) until the end of the term, with such term being the same as the term in the Bareboat Charter.

On October 19, 2022, we issued final acceptance certificate of the FSO. On December 4, 2022, the first lifting from the FSO was successfully completed at the same time the final remaining volumes from the FPSO were removed.

BWE Consortium – On October 11, 2021, we announced our entry into a consortium with BW Energy and Panoro Energy and that the BWE Consortium has been provisionally awarded two blocks in the 12th Offshore Licensing Round in Gabon. The award is subject to concluding the terms of the PSC with the Gabonese government. BW Energy will be the operator with a 37.5% working interest. We will have a 37.5% working interest and Panoro Energy will have a 25% working interest as non-operating joint owners. The two blocks, G12-13 and H12-13, are adjacent to our Etame PSC as well as BW Energy and Panoro’s Dussafu PSC offshore Southern Gabon, and cover an area of 2,989 square kilometers and 1,929 square kilometers, respectively. The two blocks will be held by the BWE Consortium and the PSCs over the blocks will have two exploration periods totaling eight years which may be extended by an additional two years. During the first exploration period, the joint owners intend to reprocess existing seismic and carry out a 3-D seismic campaign on these two blocks and have also committed to drilling exploration wells on both blocks. In the event the BWE Consortium elects to enter the second exploration period, the BWE Consortium will be committed to drilling at least another one exploration well on each of the awarded blocks.

Drilling Programs – In Egypt, we continued to use the EDC-64 rig in the Eastern Desert drilling campaign. We completed the Arta 77Hz horizontal well drilling at the beginning of 2023 and released the rig on January 11, 2023. The well is flowing at approximately 200 bopd with minimal water. We expect cleanup on this well to continue for an extended period of time. This delayed the 2023 drilling campaign. However, during the remainder of the quarter, we drilled and cased five development wells, (East Arta 53 (“EA-53”), K-81, K-79, Arta-80 Red Bed, and Arta 81 Red Bed).

The EA-53 development well was drilled to a total depth of 1,279 meters targeting Red Bed reservoirs in the East Arta Field. The well was fully logged and evaluated. The Red Bed reservoir has an estimated 4.5 meters of net oil pay. The lower most Red Bed reservoir was perforated in the EA-53 well and is producing 100% water which was unexpected given that the East Arta 21 well's current production is at a 67% water cut and the East Arta 39 well's production is at an 80% water cut. There is a plan to fracture stimulate the EA-53 well to try and get oil production.

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The K-79 well was drilled as a vertical development well with the ASL-D reservoir as the primary target, and the ASL-B and ASL-E reservoirs as secondary targets. The well spudded on February 21, 2023, and reached TD on March 1, 2023 at a depth of 1,739 meters in the ASL-F reservoir. Log analysis indicates the presence of 57.9m net pay, 9m in the ASL-D reservoir, 31 m in the ASL-B reservoir and 13.7m in the ASL-A sands. The well perforated in the ASL-B1 and B2 zones from 1,273 to 1,285m and 1,302 to 1,308m. Initial production commenced on March 15, 2023 at 192 bopd.

The Arta-80 development well reached its primary objective of the Red Bed reservoir approximately 24.4 meters higher than prognosis and encountered a total of 10 meters of net pay. The well spudded on March 10, 2023 and reached TD on March 15, 2023 at a depth of 1,250 meters in the Thebes Formation. Open hole log evaluation indicated the presence of 10.5 meters of net pay in the Red Bed primary reservoir. The top 9.5 meters of the Red Beds were perforated from 1,105 to 1,115 meters and began to produce on March 25, 2023 with initial production of 403 bopd.

The Arta-81 development well spud on March 21, 2023 and reached TD on March 25, 2023 at a depth of 1,264 meters within the Thebes formation. It achieved the primary objective 4.2 meters higher than prognosis and encountered a total of 9 meters of net pay in the Red Beds reservoir. The well was perforated in the top 7.9 meters of the Red Bed reservoir (1,133-1,423 meters) and began to produce on April 6, 2023 with an initial production of 317 bopd.

The HE-4 appraisal well was drilled to a total depth of 1,850m in the Bakr sand formation, reaching its primary objective of penetrating oil-bearing sands in the ASL-B formation. The well spudded on April 2, 2023 and reached TD on April 9, 2023. Open hole log evaluation indicated 8.5 meters of net pay across 3 sand zones in the ASL-B including a new sand formation not seen in offset wells to the north. The well was perforated from 1,590-1,594 meters in the lowermost sand and was put on production on April 19, 2023. Current production is approximately 180 bopd (field estimate) at 50% water cut.

The HE-5INJ injection well is planned down dip of HE-1X, HE-2 and the proposed HE-3 well (to be drilled after HE-5INJ). The reservoirs in this pool are relatively thin and pressure data indicates depletion. Injecting into the reservoir will support pressure and should improve the estimated ultimate recovery of the producing ASL-B zones.

In Canada, the 2023 drilling campaign commenced in January 2023 with the drilling of 12-12-30-4W5 which was spud on January 28, 2023. The well was drilled to a total depth of 6,713 meters. The second well of the program, 16-30-29-3W5, was spud on February 22, 2023, and drilled to total depth of 4,403 meters. The 2 wells were completed in late March and early April and are currently being equipped for production.

TransGlobe Acquisition – On October 13, 2022, VAALCO and AcquireCo completed the business combination with TransGlobe. At the effective time of the Arrangement and pursuant to the Arrangement Agreement, each common share of TransGlobe issued and outstanding immediately prior to the effective time of the Arrangement was converted into the right to receive 0.6727 of a share of VAALCO common stock. The total number of VAALCO shares issued to TransGlobe's shareholders was approximately 49.3 million. In addition, we incurred \$14.6 million of transaction costs associated with the acquisition agreement.

Dividend Policy – On February 14, 2023, we announced that our board of directors adopted of a quarterly cash dividend of an expected \$0.0625 per common share per quarter, commencing in the first quarter of 2023 and also declared a quarterly cash dividend of \$0.0625 per common share, which was paid on March 31, 2023 to stockholders of record at the close of business on March 24, 2023. On May 9, 2023, our board of directors declared a quarterly cash dividend of \$0.0625 per common share to be paid on June 23, 2023 to stockholders of record at the close of business on May 24, 2023.

Payment of future dividends, if any, will be at the discretion of the board of directors after taking into account various factors, including current financial condition, the tax impact of repatriating cash, operating results and current and anticipated cash needs.

Share Buyback Program – On November 1, 2022, we announced that our board of directors formally ratified and approved the share buyback program that was announced on August 8, 2022 in conjunction with our business combination with TransGlobe. The board of directors also directed management to implement the 10b5-1 Plan to facilitate share purchases through open market purchases, privately-negotiated transactions, or otherwise in compliance with Rule 10b-18 under the Exchange Act. The 10b5-1 Plan provides for an aggregate purchase of currently outstanding common stock up to \$30 million over 20 months. Payment for shares repurchased under the share buyback program will be funded using our cash on hand and cash flow from operations. As of March 31, 2023, approximately \$22.5 million remained available for repurchase under current authorizations.

Trends and Uncertainties

Geopolitical Climate and Other Market Forces – Increased inflation, higher interest rates and current turmoil in certain governments are impacting the global supply chain, which in turn have had, and may continue to have, an impact on our business. Management believes the ongoing war between Russia and Ukraine and its related impact on the global economy are causing supply chain issues and energy concerns in parts of the global economy. For example, we noticed that the lead times associated with obtaining materials to support our operations and drilling activities has lengthened, leading to delays and, in most cases, prices for materials have increased.

The outbreak of armed conflict between Russia and Ukraine in February 2022 and the subsequent sanctions imposed on the Russian Federation has, and may continue to have, a destabilizing effect on the European continent and the global oil and natural gas markets. The ongoing conflict has caused, and could intensify, volatility in oil and natural gas prices, and the extent and duration of the military action, sanctions and resulting market disruptions could be significant and could potentially have a substantial negative impact on the global economy and/or our business for an unknown period of time.

Further, the slowdown in the Chinese economy is negatively impacting the global market and the global supply chain problems may have a material adverse impact on our financial results and business operations, including our timing and ability to complete future drilling campaigns and other efforts required to advance the development of our crude oil, natural gas and NGLs properties.

Commodity Prices – Historically, the markets for oil, natural gas and NGLs have been volatile. Oil, natural gas and NGLs prices are subject to wide fluctuations in supply and demand. Our cash flows from operations may be adversely impacted by volatility in crude oil and natural gas prices, a decrease in demand for crude oil, natural gas or NGLs and future production cuts by OPEC+. On October 5, 2022, OPEC+ announced plans to reduce overall oil production by 2 MMBbbls per day starting November 2022. In April 2023, OPEC+ reaffirmed its decision to reduce overall oil production by 2 MMBbbls per day from November 2022 through December 2023. Additionally, certain member countries announced additional voluntary reductions totaling 1.2 MMBbbls through December 2023, which is in addition to the 500 MBbbls per day voluntary reduction announced by Russia in February 2023. Included in the 1.2 MMBbbls per day reduction was a voluntary reduction by the Gabonese government of 8 MBbbls per day, which will go into effect in May 2023 and is expected to extend through the remainder of 2023. To date, we have not received any mandate to reduce our current oil production from the Etame Marin block as a result of the OPEC+ initiative. Brent crude prices were approximately \$79.19 per barrel as of March 31, 2023.

ESG and Climate Change Effects – ESG matters continue to attract considerable public and scientific attention. In particular, we expect continued regulatory attention on climate change issues and emissions of greenhouse gases (“GHG”), including methane (a primary component of natural gas) and carbon dioxide (a byproduct of crude oil and natural gas combustion). This increased attention to climate change and environmental conservation may result in demand shifts away from crude oil and natural gas products to alternative forms of energy, higher regulatory and compliance costs, additional governmental investigations and private litigation against us. For example, numerous proposals have been made and are likely to continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of GHGs. These efforts have included consideration of cap-and-trade programs, carbon taxes, GHG reporting and tracking programs and regulations that directly limit GHG emissions from certain sources. In addition, institutional investors, proxy advisory firms and other industry participants continue to focus on ESG matters, including climate change. We expect that this heightened focus will continue to drive ESG efforts across our industry and influence investment and voting decisions, which for some investors may lead to less favorable sentiment towards carbon assets and diversion of investment to other industries. Consistent with the increased attention on ESG matters and climate change, we have prioritized and are committed to responsible environmental practices by monitoring our adherence to ESG standards, including the reduction of our carbon footprint and measurement of GHG emissions. ESG is important to us, and we are in the process of developing a multi-year plan to establish and document our ESG base currently and developing a systematic plan to monitor and improve matters related to ESG and climate change going forward.

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COVID-19 Pandemic – While crude oil, natural gas and NGLs prices are currently stable, the continued spread of COVID-19, including vaccine-resistant strains, or deterioration in crude oil, natural gas and NGLs prices could result in additional adverse impacts on our results of operations, cash flows and financial position, including asset impairments. The health of our employees, contractors and vendors, and our ability to meet staffing needs in our operations and certain critical functions cannot be predicted and is vital to our operations. We are unable to predict the extent of the impact that the continuing spread of COVID-19 throughout Gabon, Egypt or Canada may have on our ability to continue to conduct our operations.

Hedging

We seek to mitigate the impact of volatility in crude oil prices through hedging. See the table below for the unexpired contracts entered into prior to March 31, 2023:

Settlement Period	Type of Contract	Index	Average Monthly Volumes (Bbls)	Weighted Average Put Price (per Bbl)	Weighted Average Call Price (per Bbl)
April 2023 - June 2023	Collars	Dated Brent	95,500	\$ 65.00	\$ 100.00

Pursuant to the Facility entered into in May 2022, we are required to hedge a portion of our anticipated oil production at the time that we draw down on the Facility.

Subsequent Event

On April 3, 2023, we entered into additional derivatives contracts for the third quarter of 2023. The details are in the chart below:

Settlement Period	Type of Contract	Index	Average Monthly Volumes (Bbls)	Weighted Average Put Price (per Bbl)	Weighted Average Call Price (per Bbl)
July 2023 - September 2023	Collars	Dated Brent	95,000	\$ 65.00	\$ 96.00

CRITICAL ACCOUNTING POLICIES

There have been no material changes to our critical accounting policies subsequent to December 31, 2022.

NEW ACCOUNTING STANDARDS

See Note 2 to the condensed consolidated financial statements.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2023 Compared to the Three Months Ended March 31, 2022

Net income for the three months ended March 31, 2023 was \$3.5 million compared to net income of \$12.2 million for the same period of 2022. See discussion below for changes in revenue and expense.

Crude oil and natural gas revenues increased \$11.7 million, or approximately 17%, to \$80.4 million during the three months ended March 31, 2023 from \$68.7 million for the same period in the prior year. The revenue increase is attributable to higher volumes sold in Gabon and the addition of the Egypt and Canada segments acquired in the Arrangement with TransGlobe, partially offset by lower realized sales prices.

	Three Months Ended March 31,		
	2023	2022	Increase/(Decrease)
	(in thousands except per Boe information)		
Net crude oil, natural gas, and NGLs sales volume (MBoe)	1,224	616	608
Average crude oil, natural gas and NGLs sales price (per Boe)	\$ 65.68	\$ 109.65	\$ (43.97)
Net crude oil, natural gas, and NGLs revenue	\$ 80,403	\$ 68,656	\$ 11,747
Operating costs and expenses:			
Production expense	28,200	18,360	9,840
Exploration expense	8	127	(119)
Depreciation, depletion and amortization	24,417	4,673	19,744
General and administrative expense	5,224	4,994	230
Credit losses and other	935	492	443
Total operating costs and expenses	58,784	28,646	30,138
Other operating expense, net	—	(5)	5
Operating income	\$ 21,619	\$ 40,005	\$ (18,386)

The revenue changes in the three months ended March 31, 2023 compared to the same period in 2022 identified as related to changes in price or volume, are shown in the table below:

(in thousands)

Price	\$ (53,832)
Volume	66,690
Other	(1,111)
	\$ 11,747

(1) The price in the table above excludes revenues attributed to carried interests

The table below shows net production, sales volumes and realized prices for both periods.

	Three Months Ended March 31,	
	2023	2022
Net crude oil, natural gas and NGLs production (MBoe)	1,647	725
Net crude oil, natural gas and NGLs sales (MBoe)	1,224	616
Average realized crude oil, natural gas and NGLs price (\$/Boe)	\$ 65.68	\$ 109.65
Average Dated Brent spot price* (\$/Bbl)	\$ 81.07	\$ 100.87

*Average of daily Dated Brent spot prices posted on the U.S. Energy Information Administration website.

Crude oil, natural gas and NGL revenues increased \$11.7 million, or approximately 17.0%, during the three months ended March 31, 2023 compared to the same period of 2022.

Gabon

Crude oil sales in Gabon are a function of the number and size of crude oil liftings in each year and thus crude oil sales do not always coincide with volumes produced in any given year. The Company's Gabon segment contributed \$36.7 million of revenue to the Company's total revenue during the three months ended March 31, 2023. This compares to the \$68.7 million of revenue contributed by the Segment during the three months ended March 31, 2022. The total barrels lifted in Gabon for the three months ended March 31 was less than the barrels lifted during the same period in 2022, mainly due to the timing of liftings. In addition, the Gabon per barrel price received during the three months ended March 31, 2023 was \$30.00 less than the price received in 2022. Our share of crude oil inventory, excluding royalty barrels, was approximately 408,543 and 174,250 barrels at March 31, 2023 and 2022, respectively.

Egypt

Crude oil sales in Egypt are either sold to a third party via a cargo lifting or sold directly to the government, EGPC. During the three months ended March 31, 2023, all the oil sold in Egypt was through third party cargo sales. The Company's Egypt segment contributed \$34.8 million of revenue to the Company's total revenue for the quarter. At the end of the quarter, the Company's Egypt segment had approximately 63,000 barrels at March 31, 2023 in oil inventory. Since the Company acquired its Egyptian segment in the fourth quarter of 2022, there are no comparable revenues for the three months ended March 31, 2022.

Canada

Crude oil sales in Canada are normally sold through pipelines to a third party. The Company's Canadian segment contributed \$8.9 million of revenue to the Company's total revenue for the quarter. Since the Company acquired its Canadian segment in the fourth quarter of 2022, there are no comparable revenues for the three months ended March 31, 2022.

Production expenses increased \$9.8 million, or approximately 54%, for the three months ended March 31, 2023 to \$28.2 million from \$18.4 million for the same period in the prior year. The increase in production expense was primarily driven by increased production and costs associated with the TransGlobe combination as well as higher costs associated with boats, diesel and operating costs. VAALCO has seen inflationary pressure on personnel and contractor costs. On a per barrel basis, production expense, excluding workover expense and stock compensation expense, for the three months ended March 31, 2023 decreased to \$23.91 per barrel from \$29.83 per barrel for the three months ended March 31, 2022 primarily as a result of higher sales volumes. For both the three months ended March 31, 2023 and 2022, respectively, we have not experienced any material operational disruptions associated with the current worldwide COVID-19 pandemic. For the three months ended March 31, 2023 the costs associated with proactive measures related to COVID were not material. For the three months ended March 31, 2022, we incurred \$0.9 million in higher costs related to the proactive measures taken in response to the pandemic.

Exploration expense for the three months ended March 31, 2023 and for the three months ended March 31, 2022 was not material to our results.

Depreciation, depletion and amortization costs increased \$19.7 million, or approximately 423% for the three months ended March 31, 2023 to \$24.4 million from \$4.7 million for the same period in the prior year. The increase in depreciation, depletion and amortization expense for the three months ended March 31, 2023 compared to three months ended March 31, 2022, is due to higher depletable costs associated with the FSO, the field reconfiguration capital costs at Etame and the step-up to fair value of the TransGlobe assets.

General and administrative expenses increased \$0.2 million, or 5% for the three months ended March 31, 2023 to \$5.2 million from \$5.0 million for the same period in the prior year. The increase in general and administrative expenses is primarily due to higher professional fees for the three months ended March 31, 2023 compared to the same period in 2022.

Credit losses and other increased by \$0.4 to \$0.9 million for the three months ended March 31, 2023 from \$0.5 million for the three months ended March 31, 2022. We adopted Accounting Standards Update 2016-13, Financial Instruments—Credit Losses ("ASU 2016-13") on January 1, 2023. In connection with the adoption of ASU 2016-13, we established an opening balance sheet adjustment related to a receivable from a state sponsored oil refinery where we delivered oil pursuant to the domestic market needs obligation under the Etame PSC. During the three months ended March 31, 2023, we recognized an additional amount to the credit loss allowance of \$0.4 million for crude oil delivered to the refinery during the quarter. For the three months ended March 31, 2022, no allowance was established related to this receivable as the state sponsored oil refinery made timely payments of the amounts owed to the Company.

Historically, we reported amounts currently considered as credit loss expense and other as bad debt expense and, prior to the adoption of ASU 2016-13, bad debt expense mainly related to the our VAT balances under the Etame PSC. When we are invoiced by a vendor an amount is added for VAT (a cost plus VAT amount) and we pay the vendor invoice. Since we are an oil and gas company, we are exempt from VAT and therefore request reimbursement from the State of Gabon for VAT for amounts we've paid. Due to the late reimbursement nature of the VAT receivable by the State of Gabon, the Company established an allowance against the receivable. The allowance related to the VAT receivable was \$8.4 million on December 31, 2022. For the three months ended March 31, 2023 we added \$0.5 million to the allowance account for the current's quarters activity. We are now reporting under the condensed consolidated income statement line item "Credit losses and other" the activity related to financial assets under ASC 2016-13 and activity regarding other allowance accounts. For more information on credit losses and other allowances, see Note 1 to the unaudited condensed consolidated financial statements.

Other operating expense, net for each of the three months ended March 31, 2023 and 2022 was not material to our results.

Derivative instruments gain (loss), net is attributable to our swaps and collars as discussed in Note 8 to the unaudited condensed consolidated financial statements. Derivative loss decreased by \$31.8 million, or approximately 100% to an immaterial loss for the three months ended March 31, 2023 from a loss of \$31.8 million during the same period in the prior year. Derivative gains (losses) for the three months ended March 31, 2022 are a result of the increase in the price of Dated Brent crude oil over the initial strike price per barrel of the option over the three months ended March 31, 2022. During 2022, we changed the type of our derivative instruments from swaps to costless collars. Our derivative instruments currently cover a portion of our production through September 2023.

Interest expense, net was \$2.2 million for the three months ended March 31, 2023 compared to an expense of \$0.0 million during the same period in 2022. The increase of net interest expense for the three months ended March 31, 2023, primarily results from our finance lease relating to the FSO but also includes commitments fees incurred on the Facility, amortization of debt issue costs related to the Facility and interest associated with our other finance leases partially offset by interest income.

Other (expense) income changed by \$0.4 million to expense of \$1.1 million for the three months ended March 31, 2023 from an expense of \$0.7 million for the three months ended March 31, 2022. Other (expense) income, net normally consists of foreign currency gains and (losses) as discussed in Note 1 to the unaudited condensed consolidated financial statements. However, the three months ended March 31, 2023, also included \$1.4 million expense from a transition period adjustment of the bargain purchase gain related to the Arrangement with TransGlobe as discussed in Note 3 to our unaudited condensed consolidated financial statements. Foreign currency losses are the primary driver for the activity during the three months ended March 31, 2022.

Income tax expense (benefit) for the three months ended March 31, 2023 was an expense of \$14.8 million. This is comprised of current tax expense of \$12.3 million and \$2.5 million of deferred tax expense. Income tax expense (benefit) for the three months ended March 31, 2022 was a benefit of \$4.6 million. This was comprised of \$10.3 million of net deferred tax benefit and a current tax expense of \$5.7 million.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK

We are exposed to market risk, including the effects of adverse changes in commodity prices, foreign exchange rates and interest rates as described below.

FOREIGN EXCHANGE RISK

Our results of operations and financial condition are affected by currency exchange rates. While crude oil sales are denominated in U.S. dollars, portions of our costs in Gabon are denominated in the local currency (the Central African CFA Franc, or XAF), and our VAT receivable as well as certain liabilities in Gabon are also denominated in XAF. A weakening U.S. dollar will have the effect of increasing costs while a strengthening U.S. dollar will have the effect of reducing costs. For our VAT receivable in Gabon, a strengthening U.S. dollar will have the effect of decreasing the value of this receivable resulting in foreign exchange losses, and vice versa. The Gabon local currency is tied to the Euro. The exchange rate between the Euro and the U.S. dollar has historically fluctuated in response to international political conditions, general economic conditions and other factors beyond our control. As of March 31, 2023, we had net monetary assets of \$22.6 million (XAF 13,642.2 million) denominated in XAF. A 10% weakening of the CFA relative to the U.S. dollar would have a \$2.1 million reduction in the value of these net assets. For the three months ended March 31, 2023, we had expenditures of approximately \$11.3 million (net to VAALCO), denominated in XAF.

Related to our Canadian operations, our currency exchange risk relates primarily to certain cash and cash equivalents, accounts receivable, lease obligations and accounts payable and accrued liabilities denominated in Canadian dollars. We estimate that a 10% decrease in the value of the Canadian dollar against the US dollar would increase the value of the net assets for the three months ended March 31, 2023 by approximately \$0.8 million. Conversely, a 10% increase in the value of the Canadian dollar against the US dollar would decrease the value of the net assets for the three months ended March 31, 2023 by approximately \$0.9 million.

We are also exposed to foreign currency exchange risk on cash balances denominated in Egyptian pounds. Some collections of accounts receivable from the Egyptian Government are received in Egyptian pounds, and while we are generally able to use the Egyptian pounds received on accounts payable denominated in Egyptian pounds, there remains foreign currency exchange risk exposure on Egyptian pound cash balances. Using month-end cash balances converted at month-end foreign exchange rates at March 31, 2023, we estimate that a 10% increase in the value of the Egyptian pound against the US dollar would increase the cash value for the three months ended March 31, 2023 by less than \$0.1 million. Conversely, a 10% decrease in the value of the Egyptian pound against the US dollar would decrease our US dollar cash value for the three months ended March 31, 2023 by less than \$0.1 million.

COUNTERPARTY RISK

We are exposed to market risk on our open derivative instruments related to potential nonperformance by our counterparty. To mitigate this risk, we enter into such derivative contracts with creditworthy financial institutions deemed by management as competent and competitive market makers.

COMMODITY PRICE RISK

Our major market risk exposure continues to be the prices received for our crude oil and natural gas production. Sales prices are primarily driven by the prevailing market prices applicable to our production. Market prices for crude oil and natural gas have been volatile and unpredictable in recent years, and this volatility may continue. Sustained low crude oil and natural gas prices or a resumption of the decreases in crude oil and natural gas prices could have a material adverse effect on our financial condition, the carrying value of our proved reserves, our undeveloped leasehold interests and our ability to borrow funds and to obtain additional capital on attractive terms.

With respect to our crude oil sales in Gabon, the price received is based on Dated Brent prices plus or minus a differential. If crude oil sales were to remain constant at the most recent quarterly sales volumes of 459 MBbls, a \$5 per Bbl decrease in crude oil price would be expected to cause a \$2.3 million decrease per quarter in revenues and operating income (loss) and a \$2.1 million decrease per quarter in net income (loss).

Egypt production is based on Dated Brent prices, less a quality differential and is shared with the Egyptian government through PSCs. When the price of oil increases, it takes fewer barrels to recover costs (cost oil or cost recovery barrels) which are assigned 100% to the Company. The PSCs provide for cost recovery per quarter up to a maximum percentage of total production. Timing differences often exist between VAALCO's recognition of costs and their recovery as VAALCO accounts for costs on an accrual basis, whereas cost recovery is determined on a cash basis. If the eligible cost recovery is less than the maximum defined cost recovery, the difference is defined as "excess". In Egypt, depending on the PSCs, our share of excess ranges between 5% and 15%. If the eligible cost recovery exceeds the maximum allowed percentage, the unclaimed cost recovery is carried forward to the next quarter. Typically maximum cost oil ranges from 25% to 40% in Egypt. The balance of the production after maximum cost recovery is shared with the government (profit oil). Depending on the contract, the Egyptian government receives 67% to 84% of the profit oil. Production sharing splits are set in each contract for the life of the contract. Typically the government's share of profit oil increases when production exceeds pre-set production levels in the respective contracts. During times of high oil prices, the Company may receive less cost oil and may receive more profit-sharing oil. During times of lower oil prices, the Company receives more cost oil and may receive less profit oil.

With respect to our crude oil and NGL sales in Canada, the prices received is based on NYMEX WTI (west Texas Intermediate) prices plus or minus a differential. Natural gas sales are based on Canadian index price that whose price is based, in part, on the NYMEX Henry Hub Natural Gas futures contracts. If Canadian BOE sales were to remain constant at the most recent quarterly sales volumes of 211 MBbls, a \$5 per Bbl decrease in crude oil price would be expected to cause a \$1.1 million decrease per quarter in revenues and operating income (loss) and a \$0.8 million decrease per quarter in net income (loss).

As of March 31, 2023, we had unexpired derivative instruments outstanding covering approximately 287 MBbls of production through June 2023. In April of 2023, we added derivative contracts covering 285 MBbls of production from July 2023 through September 2023. These instruments were intended to be an economic hedge against declines in crude oil prices; however, they were not designated as hedges for accounting purposes. See Note 8 to our unaudited condensed consolidated financial statements for further discussion.

INTEREST RATE RISK

Changes in market interest rates affect the amount of interest owed on outstanding balances under our Facility. However as of March 31, 2023 we had no amounts drawn under the facility. The commitment fees on the undrawn availability under the Facility are not subject to changes in interest rates. Additionally, changes in market interest rates could impact interest costs associated with any future debt issuances.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We performed an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. The evaluation was performed with the participation of senior management, under the supervision of the principal executive officer and principal financial officer. Based on their evaluation as of March 31, 2023, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses in control over financial reporting previously disclosed in Part II, Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Notwithstanding the identified material weaknesses, management, including our principal executive officer and principal financial officer, believes the consolidated financial statements included in this Quarterly Report on Form 10-Q fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with GAAP.

On October 13, 2022, we completed the acquisition of TransGlobe, see Note 3 to the unaudited condensed consolidated financial statements, which operated under its own set of internal controls. During the three months ended March 31, 2023, we transitioned certain TransGlobe processes to our internal control processes and added other internal controls over significant processes specific to the acquisition and to post-acquisition activities, including internal controls associated with the valuation of certain assets acquired and liabilities assumed in the acquisition. We will continue the process of integrating internal control over financial reporting for TransGlobe and plans to incorporate TransGlobe in the evaluation of our disclosure controls and procedures beginning in the second quarter of 2023.

MANAGEMENT'S PLAN FOR REMEDIATION OF THE MATERIAL WEAKNESS

As previously described in Part II, Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, we began implementing a remediation plan to address the material weaknesses mentioned above. The weaknesses will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of the material weaknesses will be completed prior to the end of fiscal year 2023.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Except for the activities taken related to the remediation of the material weaknesses described above, there have been no changes in our internal control over financial reporting during the three months ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to litigation claims and governmental and regulatory proceedings arising in the ordinary course of business. It is management's opinion that none of the claims and litigation we are currently involved in are material to our business.

ITEM 1A. RISK FACTORS

Our business faces many risks. Any of the risks discussed elsewhere in this Quarterly Report and our other SEC filings could have a material impact on our business, financial position or results of operations. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations.

For a discussion of our potential risks and uncertainties, see the information in Item 1A. "Risk Factors" in our 2022 Form 10-K. There have been no material changes in our risk factors from those described in our 2022 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sale of Equity Securities

There were no sales of unregistered securities during the quarter ended March 31, 2023 that were not previously reported on a Current Report on Form 8-K.

Dividend Policy

On November 3, 2021, we announced that our board of directors adopted a cash dividend policy.

On February 14, 2023, our board of directors declared a quarterly cash dividend of \$0.0625 per common share, which was paid on March 31, 2023 to stockholders of record at the close of business on March 24, 2023. On May 9, 2023, the Company's board of directors declared a quarterly cash dividend of \$0.0625 per common share to be paid on June 23, 2023 to stockholders of record at the close of business on May 24, 2023.

Payment of future dividends, if any, will be at the discretion of the board of directors after taking into account various factors, including current financial condition, the tax impact of repatriating cash, operating results and current and anticipated cash needs.

Issuer Repurchases of Common Stock

On November 1, 2022, we announced that our board of directors formally ratified and approved the share buyback program ("the Plan") that was announced on August 8, 2022 in conjunction with our business combination with TransGlobe. The board of directors also directed management to implement the Plan to facilitate share purchases through open market purchases, privately negotiated transactions, or otherwise in compliance with Rule 10b-18 under the Exchange Act. The Plan provides for an aggregate purchase of currently outstanding common stock up to \$30 million over 20 months. Payment for shares repurchased under the share buyback program will be funded using our cash on hand and cash flow from operations.

The following table represents details of the various repurchases under the Plan during the quarter ended March 31, 2023:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Amount that May Yet Be Used to Purchase Shares Under the Program
January 1, 2023 - January 31, 2023	350,832	\$ 4.27	350,832	\$ 25,502,669
February 1, 2023 - February 28, 2023	326,992	\$ 4.59	326,992	\$ 24,003,172
March 1, 2023 - March 31, 2023	303,176	\$ 4.95	303,176	\$ 22,503,206
Total	<u>981,000</u>		<u>981,000</u>	

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See Note 14 to the unaudited condensed consolidated financial statements for further discussion. Subsequent to March 31, 2023 and through May 9, 2023, the following table represents the details of various repurchases under the Plan:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Amount that May Yet Be Used to Purchase Shares Under the Program
April 1, 2023 - April 30, 2023	303,969	\$ 4.93	303,969	\$ 21,003,245
May 1, 2023 - May 8, 2023	362,843	\$ 4.14	362,843	\$ 19,502,740
Total	666,812		666,812	

ITEM 6. EXHIBITS

(a) Exhibits

<u>3.1</u>	<u>Restated Certificate of Incorporation as amended through May 7, 2014 (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on November 10, 2014 and incorporated herein by reference).</u>
<u>3.1.1</u>	<u>Certificate of Amendment to Restated Certificate of Incorporation of VAALCO, dated October 13, 2022 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on October 13, 2022 and incorporated herein by reference).</u>
<u>3.2</u>	<u>Third Amended and Restated Bylaws, dated July 30, 2020 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on August 4, 2020 and incorporated herein by reference).</u>
<u>3.3</u>	<u>Certificate of Elimination of Series A Junior Participating Preferred Stock of VAALCO Energy, Inc., dated as of December 22, 2015 (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed on December 23, 2015, and incorporated herein by reference).</u>
<u>10.1*</u>	<u>Separation Agreement, by and between VAALCO Energy, Inc. and David DesAutels, dated as of March 8, 2023 (filed as Exhibit 10.32 to the Company's Annual Report on Form 10-K filed on April 6, 2023 and incorporated herein by reference).</u>
<u>10.2*</u>	<u>Consulting Agreement between VAALCO Energy and David DesAutels, dated as of March 8, 2023, (filed as Exhibit 10.33 to the Company's Annual Report on Form 10-K filed on April 6, 2023 and incorporated herein by reference).</u>
<u>31.1(a)</u>	<u>Sarbanes-Oxley Section 302 certification of Principal Executive Officer.</u>
<u>31.2(a)</u>	<u>Sarbanes-Oxley Section 302 certification of Principal Financial Officer.</u>
<u>32.1(b)</u>	<u>Sarbanes-Oxley Section 906 certification of Principal Executive Officer.</u>
<u>32.2(b)</u>	<u>Sarbanes-Oxley Section 906 certification of Principal Financial Officer.</u>
101.INS(a)	Inline XBRL Instance Document.
101.SCH(a)	Inline XBRL Taxonomy Schema Document.
101.CAL(a)	Inline XBRL Calculation Linkbase Document.
101.DEF(a)	Inline XBRL Definition Linkbase Document.
101.LAB(a)	Inline XBRL Label Linkbase Document.
101.PRE(a)	Inline XBRL Presentation Linkbase Document.
104	Cover Page Interactive Data File (Formatted as Inline XBRL and contained in Exhibit 101).

(a) Filed herewith

(b) Furnished herewith

* Management contract or compensatory plan or arrangement.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VAALCO ENERGY, INC.
(Registrant)

By : /s/ Ronald Bain
Ronald Bain
Chief Financial Officer
(Principal Financial Officer)

Dated: May 10, 2023

S // STATE OF DELAWARE
T // SECRETARY OF STATE
A // DIVISION OF CORPORATIONS
M // FILED 10:01 AM 09/24/1997
P // 971320817-2188793
BY April Wright

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 10:01 AM 09/24/1997
971320817-2188793
BY Robin Mendes

**RESTATED CERTIFICATE OF INCORPORATION
OF
VAALCO ENERGY, INC.**

(Originally incorporated February 28, 1989
under the name Gladstone Resources Ltd.)

Article One

The name of the corporation is VAALCO Energy, Inc.

Article Two

The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware. The name of its registered agent at such address is The Corporation Trust Company.

Article Three

The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

Article Four

The aggregate number of shares which the corporation has authority to issue is 50,500,000, of which 50,000,000 shares shall be a class designated, as Common Stock with a par value of \$0.10 per share, and 500,000 shares shall be a class designated as Preferred Stock with a par value of \$25.00 per share. The Board of Directors is authorized, subject to limitations prescribed by law and the provisions of this Article Four, to provide for the issuance of shares of Preferred Stock in series, and, by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each series and the qualifications, limitations or restrictions thereof.

The authority of the Board with respect to each series shall include, but not be limited to, determination of the following:

- (a) The number of shares constituting that series and the distinctive designation of that series;
- (b) The dividend rate on the shares of that series, whether dividends shall be cumulative, and if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;
- (c) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;
- (d) Whether that series shall have conversion privileges, and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate in such events as the Board of Directors shall determine;
- (e) Whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or date upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

*State of Delaware
Secretary of State
Division of Corporations
Delivered 10:01 AM 09/24/1997
FILED 10:01 AM 09/24/1997
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(f) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;

(g) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the corporation, and the relative rights of priority, if any, of payment of shares of that series;

(h) Any other relative rights, preferences and limitations of that series.

Dividends on outstanding shares of Preferred Stock shall be paid or declared and set apart for payment before any dividends shall be paid or declared and set apart for payment on the common shares with respect to the same dividend period.

If upon any voluntary or involuntary liquidation, dissolution or winding up of the corporation, the assets available for distribution to holders of shares of Preferred Stock of all series shall be insufficient to pay such holders the full preferential amount to which they are entitled, then such assets shall be distributed ratably among the shares of all series of Preferred Stock in accordance with the respective preferential amounts (including unpaid cumulative dividends, if any) payable with respect thereto.

Article Five

Section 1. No Written Ballot. Directors need not be elected by written ballot unless required by the bylaws of the corporation.

Section 2. Number, Election and Terms of Directors. Except as otherwise fixed pursuant to the provisions of Article Four hereof relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, the number of directors of the corporation shall be fixed from time to time by or pursuant to the bylaws; provided that such number shall not be less than three nor more than fifteen. The directors, other than those who may be elected by the holders of any class or series of stock having preference over the Common Stock as to dividends or upon liquidation, shall be classified, with respect to the time for which they severally hold office, into three classes, each as nearly equal in number as possible, as shall be provided in the manner specified in the bylaws, one class (Class I) to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1994, another class (Class II) to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1995, and another class (Class III) to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1996, with the members of each class to hold office until their successors are elected and qualified. At each annual meeting of the stockholders of the corporation, the successors to the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders to be held in the third year following the year of their election.

Section 3. Removal of Directors. Subject to the rights of any class or series of stock having preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, any director may be removed from office only for cause. Except as may otherwise be provided by law, cause for removal shall be construed to exist only if: (a) the director whose removal is proposed has been convicted of a felony by a court of competent jurisdiction and such conviction is no longer subject to direct appeal; (b) such director has been adjudicated by a court of competent jurisdiction to be liable for gross negligence, recklessness or misconduct in the performance of his or her duty to the corporation in a manner of substantial importance to the corporation and such adjudication is no longer subject to direct appeal; or (c) such director has been adjudicated by a court of competent jurisdiction to be mentally incompetent, which mental incompetency directly affects his or her ability as a director of the corporation, and such adjudication is no longer subject to direct appeal. Any action for removal must be brought within three months of the date on which such conviction or adjudication is no longer subject to direct appeal.

Section 4. Bylaw Amendments. The Board of Directors shall have power to make, alter, amend and repeal the bylaws (except so far as the bylaws adopted by the stockholders shall otherwise provide). Any bylaws made by the Board of Directors under the powers conferred hereby may be altered, amended or repealed by the directors or by the stockholders. Notwithstanding the foregoing and anything contained in this Certificate of Incorporation to the contrary, the bylaws shall not be altered, amended or repealed by action of the stockholders and no provision inconsistent therewith shall be adopted by the stockholders without the affirmative vote of the holders of at least 66²/₃% of the voting power of all the shares of the corporation entitled to vote generally in the election of directors, voting together as a single class.

Section 5. Amendment, Repeal, etc. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 66²/₃% of the voting power of the then outstanding shares of capital stock of the corporation entitled to vote generally in the election of directors ("Voting Stock"), voting together as a single class, shall be required to alter, amend, adopt any provision inconsistent with, or repeal, this Article Five or any provision hereof.

Article Six

Section 1. Vote Required for Certain Actions. In addition to any affirmative vote required by law or this Certificate of Incorporation, unless approved by a majority of the Continuing Directors (as hereinafter defined), the affirmative vote of the holders of at least 80% of the Voting Stock, voting together as a single class, shall be required for the approval or authorization of (i) any merger or consolidation of the corporation with or into another corporation, (ii) any share exchange with the corporation, (iii) the adoption of any plan or proposal for the liquidation, dissolution or reorganization of the corporation and (iv) any sale, lease or other disposition of all or substantially all the assets of the corporation (on a consolidated basis). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

Section 2. Continuing Directors. For purposes of this Article Six, the term "Continuing Directors" shall mean (i) any member of the Board of Directors of the corporation as of December 31, 1992, (ii) any new director who is proposed to be a director of the corporation by a majority of the Continuing Directors then on the Board of Directors of the corporation and (iii) any successor of a Continuing Director who is recommended to succeed a Continuing Director by majority of the Continuing Directors then on the Board of Directors of the corporation.

Section 3. Amendment. Notwithstanding any other provision of this Certificate of Incorporation or the bylaws (and notwithstanding the fact that a lesser percentage may be specified by law, this Certificate of Incorporation or the bylaws), the affirmative vote of the holders of 80% or more of the outstanding Voting Stock, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with, this Article Six.

Article Seven

The corporation reserves the right to amend or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by statute or by this Certificate of Incorporation. All rights conferred upon stockholders herein are granted subject to this reservation.

Article Eight

No director shall personally be liable to the corporation or the stockholders for monetary damages for any breach of his fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or the stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law or other applicable law is amended after approval by the stockholders of this article to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law or such other applicable law, as so amended. Any repeal or modification of this article by the stockholders shall not adversely affect any right or protection of a director existing at the time of such repeal or modification.

IN WITNESS WHEREOF, this Restated Certificate of Incorporation, which (i) restates and integrates and does not further amend the provisions of the Corporation's Certificate of Incorporation, as heretofore amended, and (ii) except in accordance with Section 245 of the General Corporation Laws of the State of Delaware, contains no discrepancy between the Corporation's Certificate of Incorporation, as heretofore amended, and the provisions of this Restated Certificate of Incorporation, having been duly adopted by the Board of Directors of the Corporation in accordance with the provisions of Section 245 of the General Corporation Laws of the State of Delaware, has been executed this 15th day of September, 1997 by **W. RUSSELL SCHEIRMAN**, its authorized officer.

/s/ W. RUSSELL SCHEIRMAN
Title: PRESIDENT

**CERTIFICATE OF AMENDMENT OF
THE CERTIFICATE OF INCORPORATION
OF VAALCO ENERGY, INC.**

VAALCO Energy, Inc., a Delaware corporation (the "Corporation"), does hereby certify:

I. That at a meeting of the Board of Directors of the Corporation, resolutions were duly adopted setting forth a proposed amendment to the Certificate of Incorporation of the Corporation, declaring the amendment to be advisable and calling a meeting of stockholders of the Corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows;

"RESOLVED FURTHER, that to increase the authorized shares of the Corporation's Common Stock from 50,000,000 shares to 100,000,000 shares the Certificate of Incorporation of the Corporation shall be amended by deleting the first paragraph of Article Four and substituting thereof the following as the first paragraph of Article Four:

The aggregate number of shares which the Corporation has authority to issue is 100,500,000 of which 100,000,000 shares shall be a class designated as Common Stock with a par value of \$.10 per share, and 500,000 shares shall be a class designated as Preferred Stock with a par value of \$25.00 per share. The Board of Directors is authorized, subject to limitations prescribed by law and the provisions of this Article Four, to provide for the issuance of shares of Preferred Stock in series, and, by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each series and the qualifications, limitations or restrictions thereof."

II. That pursuant to resolutions of its Board of Directors, a meeting of the stockholders of said Corporation was duly called and held on June 24, 1998, upon notice and in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

III. That said amendment was duly adopted and in accordance with provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, VAALCO Energy, Inc. has caused this Certificate to be signed by W. Russell Scheirman, an authorized officer, this 24th day of June, 1998.

VAALCO Energy, Inc.

/s/ W. Russell Scheirman

W. Russell Scheirman, President, Chief
Financial Officer and Director

*State of Delaware
Secretary of State
Division of Corporations
Delivered 01:30 PM 05/07/2014
FILED 01:26 PM 05/07/2014
SRV 140580914 – 2188793 FILE*

AMENDMENT TO RESTATED CERTIFICATE OF INCORPORATION

VAALCO ENERGY, INC.

Pursuant to Section 242 of the General
Corporation Law of the State of Delaware

VAALCO Energy, Inc., a Delaware corporation (hereinafter called the "Corporation"), does hereby certify as follows;

FIRST: That the Restated Certificate of Incorporation was filed on September 24, 1997 with the Secretary of State of the State of Delaware, as further amended by an amendment filed on June 25, 1998.

SECOND: The amendment effected hereby was duly authorized by the Corporation's Board of Directors and stockholders in accordance with the provisions of Section 242 of the DGCL and shall be executed, acknowledged and filed in accordance with Section 103 of the DGCL.

THIRD: That Section 2 of Article Five of the Corporation's Restated Certificate of Incorporation, as amended, is hereby amended to read in its entirety as set forth below:

"SECTION 2. NUMBER, ELECTION AND TERMS OF DIRECTORS. Except as otherwise fixed pursuant to the provisions of Article Four hereof relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, the number of directors of the corporation shall be fixed from time to time by or pursuant to the bylaws; provided that such number shall not be less than three nor more than fifteen. Until the date of the 2010 annual meeting of stockholders, the directors, other than those who may be elected by the holders of any class or series of stock having preference over the Common Stock as to dividends or upon liquidation, shall be classified, with respect to the time for which they severally hold office, into three classes, each as nearly equal in number as possible. From and after the date of the 2010 annual meeting of stockholders, the Board of Directors shall not be classified and directors shall be elected at each annual meeting for a one-year term expiring at the next annual meeting."

FOURTH. This Amendment shall be effective upon the filing hereof.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be duly executed in its corporate name effective the 3rd day of June, 2009.

VAALCO ENERGY, INC.

By: /s/ Gayla M. Cutrer
Gayla M. Cutrer
Executive Vice President

**CERTIFICATE OF AMENDMENT
TO RESTATED CERTIFICATE OF INCORPORATION
OF
VAALCO ENERGY, INC.**

Pursuant to Section 242 of the General
Corporation Law of the State of Delaware

VAALCO Energy, Inc., a Delaware corporation (hereinafter called the “Corporation”), does hereby certify as follows:

FIRST: That the Restated Certificate of Incorporation was filed on September 24, 1997 with the Secretary of State of the State of Delaware, as further amended by amendments filed on June 25, 1998 and May 7, 2014.

SECOND: The amendment effected hereby was duly authorized by the Corporation’s Board of Directors and stockholders in accordance with the provisions of Section 242 of the DGCL and shall be executed, acknowledged and filed in accordance with Section 103 of the DGCL.

THIRD: That the first paragraph of Article Four of the Corporation’s Restated Certificate of Incorporation, as amended, is hereby amended to read in its entirety as set forth below:

“The aggregate number of shares which the Corporation has authority to issue is 160,500,000 of which 160,000,000 shares shall be a class designated as Common Stock with a par value of \$.10 per share, and 500,000 shares shall be a class designated as Preferred Stock with a par value of \$25.00 per share. The Board of Directors is authorized, subject to limitations prescribed by law and the provisions of this Article Four, to provide for the issuance of shares of Preferred Stock in series, and, by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each series and the qualifications, limitations or restrictions thereof.”

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be duly executed in its corporate name effective the 13th day of October, 2022.

VAALCO Energy, Inc.

/s/ Ronald Y. Bain

Name: Ronald Y. Bain

Title: Chief Financial Officer



Exhibit 3.1

**VAALCO ENERGY, INC.
THIRD AMENDED AND RESTATED BYLAWS**

July 30, 2020

**ARTICLE I.
OFFICES**

Section 1 The registered office of VAALCO Energy, Inc. (the “corporation”) shall be in the City of Wilmington, County of Newcastle, State of Delaware.

Section 2 The corporation may also have offices at such other places both within and without the State of Delaware as the board of directors may from time to time determine or the business of the corporation may require.

**ARTICLE II.
MEETINGS OF STOCKHOLDERS**

Section 1 All meetings of the stockholders shall be held at such place, if any (including a virtual meeting), either within or without the State of Delaware as shall be designated from time to time by the board of directors and stated in the notice of the meeting.

Section 2 The annual meeting of the stockholders of the corporation, for the election of directors and the transaction of such other business as may properly come before the meeting, shall be held at such time and date as shall be designated by the board of directors from time to time and stated in the notice of the meeting.

Section 3 Written notice of the annual meeting stating the place, if any (including a virtual meeting), date and hour of the meeting, and the means of remote communications (if any) by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, shall be given to each stockholder entitled to vote at such meeting not less than 10 nor more than 60 days before the date of the meeting.

Section 4 The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 5 Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by applicable law or by the certificate of incorporation, (i) may be called by the chairman of the board of the corporation (the “chairman of the board”), or (ii) shall be called by the chairman of the board or secretary of the corporation (the “secretary”) at the request of a majority of the board of directors, or at the request in writing of the holders of a majority of the capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting and shall include a proper notice containing the information required by Article II, Section 12(A)(2). No business other than that stated in the corporation’s notice of a special meeting of stockholders shall be transacted at such special meeting.

Section 6 Written notice of a special meeting stating the place, date and hour of the meeting, the means of remote communications (if any) by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and the purpose or purposes for which the meeting is called, shall be given not less than ten nor more than 60 days before the date of the meeting, to each stockholder entitled to vote at such meeting.

Section 7 Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 8 The holders of a majority of the capital stock of the corporation issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by applicable law, by the certificate of incorporation, or by the rules of any stock exchange on which the corporation's securities are listed.

Section 9 When a quorum is present at any meeting, all elections of directors shall be determined by a plurality of the votes cast, and, except as otherwise required by applicable law, the certificate of incorporation, these bylaws or the rules of any stock exchange on which the corporation's securities are listed, all other matters shall be determined by a majority of the votes cast affirmatively or negatively. In determining the number of votes cast, shares abstaining from voting or otherwise not voted on a matter (including elections) will not be treated as votes cast. The corporation shall not vote, directly or indirectly, shares of its own capital stock owned by it; and such shares shall not be counted in determining the total number of outstanding shares of the corporation's capital stock and for quorum purposes.

Section 10 Unless otherwise provided in the certificate of incorporation each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder.

Section 11

(A) Unless otherwise provided in the certificate of incorporation any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of holders to take the action were delivered to the corporation as provided herein.

(B) In order that the corporation may determine the stockholders entitled to take corporate action by written consent without a meeting, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the board of directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall first request that the board of directors fix a record date for such purpose, which request shall (i) be in proper form and (ii) be delivered to, or mailed and received by, the secretary of the corporation at the principal executive offices of the corporation. Within (1) ten (10) days after the date on which such request is received by the secretary or (2) five (5) days after delivery of any information requested by the corporation to determine the validity of any such request or whether the action to which such request relates to an action that may be taken by written consent of stockholders in lieu of a meeting, the board of directors shall determine the validity of such request and whether such request relates to an action that may be taken by written consent of the stockholders in lieu of a meeting in accordance with this Section 11 and applicable law. If such request is valid, the board of directors may adopt a resolution fixing such record date. If (x) the request required by this Section 11(B) has been determined to be valid and to relate to an action that may be effected by written consent in accordance with this Section 11 and applicable law or (y) no such determination shall have been made by the date required by this Section 11(B), and in either event no record date has been fixed by the board of directors, the record date for determining stockholders entitled to take corporate action by written consent without a meeting, when no prior action by the board of directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery in a manner permitted by applicable law. If no record date has been fixed by the board of directors and prior action by the board of directors is required by applicable law, the record date for determining stockholders entitled to take corporate action by written consent without a meeting shall be at the close of business on the day on which the board of directors adopts the resolution taking such prior action.

(C) To be in proper form for purposes of Article II, Section 11(B), a request by a stockholder for the board of directors to fix a record date shall set forth the action proposed to be taken by written consent of stockholders in lieu of a meeting and must contain such information and representations, to the extent applicable, required by the certificate of incorporation, as applicable, and these bylaws as though such stockholder were intending to make a nomination or to bring a business proposal before a meeting of stockholders. Notwithstanding anything to the contrary contained in this Section 11, upon receipt of a request by a stockholder to set a record date in order to have stockholders authorize or take corporate action by written consent, the corporation may require the stockholder(s) submitting such request to furnish such other information as

may be requested by the corporation to determine the validity of the request required by this Section 11 and to determine whether such request relates to an action that may be effected by written consent of stockholders in lieu of a meeting under this Section 11 and applicable law.

(D) In connection with an action or actions proposed to be taken by written consent in accordance with this Section 11, the stockholder seeking such action shall further update and supplement the information previously provided to the corporation in connection therewith, if necessary, so that the information provided or required to be provided pursuant to this Section 11 shall be true and correct as of the record date for determining the stockholders eligible to take such action and as of the date that is five (5) business days prior to the date the consent solicitation is commenced, and such update and supplement shall be delivered to, or mailed and received by, the secretary at the principal executive offices of the corporation not later than five (5) business days after the record date for determining the stockholders eligible to take such action (in the case of the update and supplement required to be made as of the record date), and not later than three (3) business days prior to the date that the consent solicitation is commenced (in the case of the update and supplement required to be made as of five (5) business days prior to the commencement of the consent solicitation).

(E) Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the earliest dated consent delivered in the manner required hereby to the corporation, written consents signed by a sufficient number of holders to take action are delivered to the corporation by delivery in a manner permitted by applicable law.

(F) A facsimile, electronic mail message, or other electronic transmission (each an "electronic transmission") consenting to an action to be taken and transmitted by a stockholder or proxyholder, or by a person or persons authorized to act for a stockholder or proxyholder, shall be deemed to be written, signed and dated for the purposes hereof if such electronic transmission sets forth or is delivered with information from which the corporation can determine: (a) that the electronic transmission was transmitted by the stockholder or proxyholder or by a person or persons authorized to act for the stockholder or proxyholder and (b) the date on which such stockholder or proxyholder or authorized person or persons transmitted such electronic transmission. The date on which such electronic transmission is transmitted shall be deemed to be the date on which such consent was signed. No consent given by electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and until such paper form shall be delivered to the corporation by delivery in a manner permitted by applicable law. Notwithstanding the foregoing limitations on delivery, consents given by electronic transmission may be otherwise delivered to the principal place of business of the corporation or to the secretary to the extent and in the manner provided by resolution of the board of directors.

(G) In the event of the delivery to the corporation of a written consent or consents purporting to represent the requisite voting power to authorize or take corporate action and/or any related revocations, the secretary shall provide for the safekeeping of such consents and revocations. The secretary, or such other officer of the corporation as the board of directors may designate, shall, as promptly as practicable, conduct a ministerial review of the validity of the consents and/or any related revocations deemed necessary and appropriate; provided, however, that if the corporate action to which the written consent relates is the removal or replacement of one or more members of the board of directors, the secretary, or such other officer of the corporation as the board of directors may designate, shall promptly designate two persons, who may be employees of the corporation, but who shall not be members of the board of directors or officers of the corporation, to serve as inspectors with respect to such written consent and such inspectors shall discharge the functions of the secretary, or such other officer of the corporation as the board of directors may designate, under this Section 11. If after such investigation, the secretary, such other officer of the corporation as the board of directors may designate or the inspectors, as the case may be, shall determine that the action purported to have been taken is duly authorized by the consents, that fact shall be certified on the records of the corporation kept for the purpose of recording the proceedings of meetings of stockholders and the consents shall be filed in such records. In conducting the investigation required by this Section 11(G), the secretary, such other officer of the corporation as the board of directors may designate or the inspectors, as the case may be, may, at the expense of the corporation, retain special legal counsel and any other necessary or appropriate professional advisors as such person or persons may deem necessary or appropriate and, to the fullest extent permitted by law, shall be fully protected in relying in good faith upon the opinion of such counsel or advisors.

(H) No action by written consent without a meeting shall be effective until such date as the secretary, such other officer of the corporation as designated by the board of directors or inspectors as appointed in accordance with Article II, Section 11(G), as applicable, completes their review, determines that the consents delivered to the corporation in accordance with this Section 11 represent not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and certifies such determination to the board of directors for entry in the records of the corporation kept for the purpose of recording the proceedings of meetings of stockholders. If the board of directors determines that any request to fix a record date or to take stockholder action by written consent was not properly made in accordance with this Section 11 or relates to an action that may not be taken by written

consent of stockholders in lieu of a meeting pursuant to this Section 11 or applicable law, then no record date in respect of a written consent shall be set and any such purported action by written consent shall be null and void to the fullest extent permitted by applicable law.

(I) Any stockholder giving a written consent, or the stockholder's proxyholder, may revoke the consent in any manner permitted by applicable law.

(J) Notwithstanding anything to the contrary set forth above, (i) none of the foregoing provisions of this Section 11 shall apply to any solicitation of stockholder action by written consent in lieu of a meeting by or at the direction of the board of directors and (ii) the board of directors shall be entitled to solicit stockholder action by written consent in accordance with applicable law.

Section 12

(A) Annual Meetings of Stockholders.

(1) Nominations of persons for election to the board of directors and the proposal of other business to be considered by the stockholders may be made at an annual meeting of stockholders (a) as specified by the corporation's notice of meeting by or at the direction of the board of directors, (b) by or at the direction of the board of directors or (c) by any stockholder of the corporation who (i) was a stockholder of record at the time of giving of notice provided for in these bylaws and at the time of the annual meeting, (ii) is entitled to vote at the meeting and (iii) complies with the notice procedures set forth in these bylaws as to such business or nomination. Nothing in this Section 12(A) shall be deemed to affect any right of a stockholder to request inclusion of a proposal in, or the right of the corporation to omit the proposal from, any proxy statement filed by the corporation with the Securities and Exchange Commission pursuant to Rule 14a-8 (or any successor provision) under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(2) Without qualification, for any nominations or any other business to be properly brought before an annual meeting by a stockholder pursuant to Article II, Section 12(A)(1)(c) of these bylaws, the stockholder must have given timely notice thereof in writing to the secretary and such other business must otherwise be a proper matter for stockholder action and representations set forth in the statement required by these bylaws. To be timely, a stockholder's notice shall be delivered to the secretary at the principal executive offices of the corporation not earlier than the close of business on the 120th day and not later than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to the date of such annual meeting and not later than the close of business on the later of the 90th day prior to the date of such annual meeting or, if the first public announcement of the date of such annual meeting is less than 100 days prior to the date of such annual meeting, the 10th day following the day on which public announcement of the date of such 'meeting is first made by the corporation. In no event shall any adjournment or postponement of a meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described above. To be in proper form, a stockholder's notice (whether given pursuant to this Section 12(A)(2) or Article II, Section 12(B)) to the secretary must: (a) set forth, as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (including any affiliate or associate (each within the meaning of Rule 12b-2 under the Exchange Act) of such stockholder or beneficial owner) (i) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial owner, if any, (ii) (A) the class, series, and number of shares of the corporation which are, directly or indirectly, owned beneficially or of record (within the meaning of Rule 13d-3 under the Exchange Act) by such stockholder and such beneficial owner, if any (except that any such person shall in all events be deemed to beneficially own any shares of any class or series of the corporation as to which such person has a right to acquire beneficial ownership at any time in the future), (B) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the corporation or with a value derived in whole or in part from the value of any class or series of shares of the corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the corporation or otherwise (a "Derivative Instrument") directly or indirectly owned beneficially by such stockholder and such beneficial owner, if any, any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the corporation, (C) any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder and such beneficial owner, if any, has a right to vote, directly or indirectly, any shares of any security of the corporation, (D) any short interest of such stockholder or beneficial owner, if any, in any security of the corporation (for purposes of these bylaws a person shall be deemed to have a short interest in a security if such person directly or

indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (E) any rights to dividends on the shares of the corporation owned beneficially by such stockholder or beneficial owner, if any, that are separated or separable from the underlying shares of the corporation, (F) any proportionate interest in shares of the corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder or beneficial owner, if any, is a general partner or, directly or indirectly, beneficially owns an interest in a general partner and (G) any performance-related fees (other than an asset-based fee) that such stockholder or beneficial owner, if any, is entitled to base on any increase or decrease in the value of shares of the corporation or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of such stockholder's or beneficial owner's immediate family sharing the same household; (iii) any other information relating to such stockholder and beneficial owner, if any, that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder; and (iv) a representation (A) that the stockholder is a holder of record of stock of the corporation entitled to vote at such annual meeting and intends to appear in person or by proxy at the annual meeting to propose such business or nomination and (B) whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (y) otherwise to solicit proxies from stockholders in support of such proposal or nomination; (b) if the notice relates to any business other than a nomination of a director or directors that the stockholder proposes to bring before the meeting, set forth (i) a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest of such stockholder and beneficial owner, if any, in such business, (ii) the text of the proposal or business (including the text of any resolutions proposed for consideration) and (iii) a complete and accurate description of all agreements, arrangements and understandings between or among such stockholder and such beneficial owner, if any, and any other person or persons (including their names and addresses) in connection with the proposal of such business by such stockholder; and (c) set forth or provide, as to each person, if any, whom the stockholder proposes to nominate for election or reelection to the board of directors (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person (present and for the past five (5) years), (iii) the class or series and number of shares of capital stock of the corporation which are owned beneficially and of record by such person, (iv) a completed and signed questionnaire, and written representation and agreement, each as required by Article 11, Section 12(A)(4) of these bylaws, (v) all information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serve as a director if elected) and (vi) a complete and accurate description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such stockholder and beneficial owner, if any, and their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the stockholder making the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any affiliate or associate thereof or person acting in concert therewith, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant.

The corporation may require any proposed nominee to furnish such other information as may reasonably be required by the corporation to determine the eligibility of such proposed nominee to serve as an independent director of the corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee.

(3) Notwithstanding anything in the second sentence of Section 12(A)(2) of these bylaws to the contrary, in the event that the number of directors to be elected to the board of directors is increased and there is no public announcement by the corporation naming all of the nominees for director or specifying the size of the increased board of directors at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the secretary at the principal executive offices of the corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the corporation.

(4) To be eligible to be a nominee for election or reelection as a director of the corporation, a proposed nominee must deliver (in accordance with the time periods prescribed for delivery of notice under these bylaws and

applicable law) to the secretary at the principal executive offices of the corporation (i) a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the secretary upon written request); and (ii) a written representation and agreement (in the form provided by the secretary upon written request) that such person (a) is not and will not become a party to (1) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the corporation, will act or vote in such capacity on any issue or question (a "Voting Commitment") that has not been disclosed to the corporation or (2) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the corporation, with such person's fiduciary duties under applicable law, (b) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director of the corporation that has not been disclosed to the corporation, and (c) in such person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the corporation, and will comply with all applicable law and all applicable rules of the U.S. exchanges upon which the common stock of the corporation is listed and all applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and other guidelines of the corporation duly adopted by its board of directors.

(B) Special Meetings of Stockholders. Only such business (including nominations and elections of directors) shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the corporation's notice of meeting. The notice of such special meeting shall include the purpose(s) for which the meeting is called. Nominations of persons for election to the board of directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the corporation's notice of meeting (a) by or at the direction of the board of directors or (b) provided that the board of directors has determined that directors shall be elected at such meeting, by any stockholder of the corporation who (i) is a stockholder of record at the time of giving of notice provided for in these bylaws and at the time of the special meeting, (ii) is entitled to vote at the meeting, and (iii) complies with the notice procedures set forth in these bylaws. In the event the corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the board of directors, any such stockholder may nominate a person or persons (as the case may be) for election to such position(s) as specified in the corporation's notice of meeting, if the stockholder's notice required by Section 12(A)(2) of these bylaws with respect to any nomination shall be delivered to the secretary at the principal executive offices of the corporation not earlier than the close of business on the 120th day prior to the date of such special meeting and not later than the close of business on the later of the 90th day prior to the date of such special meeting or, if the first public announcement of the date of such special meeting is less than 100 days prior to the date of such special meeting, the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected at such meeting. In no event shall any adjournment or postponement of a special meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described above.

(C) General.

(1) Notwithstanding anything in these bylaws to the contrary, no business shall be brought or conducted at an annual or special meeting by a stockholder except in accordance with (i) the procedures set forth in these bylaws and (ii) applicable law. Except as otherwise provided by law, the certificate of incorporation or these bylaws, the chairman of the meeting may, if the facts warrant, determine that certain business was (i) not properly brought before the meeting in accordance with the provisions of these bylaws or applicable law; and if the chairman of the meeting should so determine, the chairman of the meeting shall so declare to the meeting, and any such business not properly brought before the meeting shall not be transacted. Nothing in these bylaws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

(2) No nomination by a stockholder shall be considered properly brought before a meeting, and no person shall be eligible for nomination or election as a director of the corporation, unless the nomination is made in accordance with (i) the procedures set forth in these bylaws and (ii) applicable law. Except as otherwise provided by law, the certificate of incorporation or these bylaws, the chairman of the meeting may, if the facts warrant, determine that a nomination was not made in accordance with the procedures prescribed in these bylaws and/or not in accordance with applicable law; and if the chairman of the meeting should so determine, the chairman of the meeting shall so declare to the meeting, and the defective nomination shall be disregarded. Nothing in this Section 12 shall be deemed to affect any rights of the holders of any series of preferred stock of the corporation to elect directors pursuant to any applicable provisions of the certificate of incorporation.

(3) Notwithstanding the foregoing provisions of these bylaws, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in these bylaws; provided, however, that any references in these bylaws to the Exchange Act or the rules promulgated thereunder are not intended to and shall not limit the requirements applicable to nominations or proposals as to any other business to be considered pursuant to Section 12(A)(1)(c) or Section 12(B) of these bylaws.

(4) For purposes of these bylaws, “public announcement” shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder.

(5) Notwithstanding the foregoing provisions of these bylaws, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the corporation to present a nomination or proposed business, such nomination shall be disregarded and such proposed business shall not be transacted notwithstanding that proxies in respect of such vote may have been received by the corporation. For purposes of these bylaws, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager, or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the annual or special meeting and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the annual or special meeting.

(6) A stockholder providing notice of business or any nomination proposed to be brought before a meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 12 shall be true and correct (a) as of the record date for the meeting and (b) as of the date that is ten (10) business days prior to the meeting or any adjournment, recess, rescheduling or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the secretary at the principal executive offices of the corporation not later than five (5) business days after the record date for the meeting (in the case of the update and supplement required to be made as of the record date) and not later than seven (7) business days prior to the date for the meeting, if practicable (or, if not practicable, on the first practicable date prior to) or any adjournment, recess, rescheduling or postponement thereof (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment, recess, rescheduling or postponement thereof).

Section 13

(A) Postponement. The board of directors may, at any time prior to the holding of a meeting of stockholders (annual or special), and for any reason, cancel, postpone or reschedule such meeting upon public notice given prior to the time previously scheduled for such meeting of stockholders. The meeting may be postponed or rescheduled to such time and place as is specified in the notice of postponement or rescheduling of such meeting.

(B) Adjournment or Recess. The board of directors or the chairman of the meeting may adjourn or recess any meeting of stockholders, annual or special, at any time and for any reason, whether or not a quorum is present, to reconvene at the same or some other place and notice need not be given of any such adjourned or recessed meeting if the time and place thereof are announced at the meeting at which the adjournment or recess is taken. At the adjourned or recessed meeting, the corporation may transact any business which might have been transacted at the original meeting. If the adjournment or recess is for more than thirty (30) days, a notice of the adjourned recessed meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment or recess a new record date for stockholders entitled to vote is fixed for the adjourned or recessed meeting, the board of directors shall fix a new record date for notice of such adjourned or recessed meeting and shall give notice of the adjourned or recessed meeting to each stockholder of record entitled to vote at such adjourned or recessed meeting as of the record date for notice of such adjourned or recessed meeting.

Section 14

(A) Appointment of Chairman of the Meeting. Meetings of stockholders shall be presided over by the chairman of the meeting of stockholders (the “chairman of the meeting”), who shall be the chairman of the board of directors or, in his or her absence, the chief executive officer or, in his or her absence, the president or, in his or her absence, a vice president or, in the absence of the foregoing persons, a person designated by the board of directors or, in the absence of such designation, a person chosen at the meeting. The secretary of the corporation shall act as secretary of the meeting, but in his or her absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

(B) Conduct of the Meeting. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the chairman of the meeting. The board of directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the board of directors, the chairman of the meeting may prescribe such rules, regulations and procedures and do all such acts as, in the judgment of such chairman of the meeting, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the board of directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (a) the establishment of an agenda or order of business for the meeting; (b) rules and procedures for maintaining order at the meeting and the safety of those present; (c) limitations on attendance at or participation in the meeting to stockholders entitled to vote at the meeting, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (d) restrictions on entry to the meeting after the time fixed for the commencement thereof; (e) restrictions on the use of audio or video recording devices at the meeting and (f) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the board of directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

ARTICLE III. DIRECTORS

Section 1 Except as otherwise fixed pursuant to the provisions of Article Four of the certificate of incorporation relating to the rights of the holders of any class or series of stock having a preference over the common stock as to dividends or upon liquidation to elect additional directors under specified circumstances, the number of directors of the corporation shall be fixed from time to time by the directors and shall be set forth in the notice of any meeting of stockholders held for the purpose of electing directors; provided that such number shall not be less than three nor more than fifteen.

Section 2 Subject to the rights of the holders of any series of preferred stock then outstanding, vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office (though less than a quorum), or by a sole remaining director. Any directors so chosen shall hold office for a term expiring at the next annual meeting of stockholders and until their successors are duly elected and shall qualify, unless sooner displaced. No decrease in the authorized number of directors shall shorten the term of any incumbent director. If there are no directors in office, then an election of directors may be held in the manner provided by applicable law.

Section 3 The business of the corporation shall be managed by its board of directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by applicable law or by the certificate of incorporation or by these bylaws directed or required to be exercised or done by the stockholders.

Section 4 The board of directors of the corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 5 A meeting of the board of directors shall be held at the place of, and immediately following, the annual meeting of stockholders and no notice of such meeting shall be necessary to any newly elected directors to legally constitute the meeting, provided a quorum shall be present. In the event such meeting is not held at such time and place, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or as shall be specified in a written waiver signed by all of the directors.

Section 6 Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

Section 7 Special meetings of the board may be called by the chairman of the board on 48 hours' notice to each director, either personally or by mail, overnight mail or courier service, or 24 hours' notice to each director by telephone, facsimile or electronic transmission; provided, that if the chairman of the board determines in good faith that it is necessary to hold a special meeting sooner, the chairman of the board may provide less than 24 hours' notice. See Article IV regarding further information on notices. Special meetings shall be called by the chief executive officer or secretary in like manner and on like notice on the written request of two directors. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the sole purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any special meeting of the board of directors need be specified in the notice or waiver of notice of such meeting, except that notice shall be given of any proposed amendment to these bylaws if it is to be adopted at any special meeting or with respect to any other matter where notice is required by applicable law.

Section 8 At all meetings of the board a majority of the directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by applicable law or by the certificate of incorporation. If a quorum shall not be present at any meeting of the board of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 9 Any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing or writings or electronic transmission or transmissions, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 10 Members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 11 The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees and shall, for those committees and any others provided for herein, elect a director or directors to serve as the member or members each committee to consist of one or more of the directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. The "whole board" means the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships. Any such committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the certificate of incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all property and assets of the corporation, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, or amending the bylaws of the corporation; and, unless the resolution or the certificate of incorporation expressly so provide, no committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the board of directors.

Section 12 Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required. Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Notice to members of all meetings shall be given based on the time periods and methods for a special meeting of the board of directors; a majority of the members shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of the proceedings of such committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 13 The board of directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and may be paid a fixed sum for attendance at each meeting of the board of directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 14 The board of director's may appoint such advisory directors as it may deem appropriate, each of whom will hold office until the next annual meeting of the directors following their election. The advisory directors shall have the right to attend meetings of the board of directors and to advise the board concerning the affairs of the corporation but shall not have the right to vote.

Section 15 Each director shall hold all Confidential Information in the strictest confidence and shall take all appropriate measures to ensure that no other person shall have access to the Confidential Information. No director shall disclose any confidential information to any person outside the corporation, either during or after his or her service as a director, except with authorization of the board of directors or as may be required by law. For the avoidance of doubt, the foregoing shall also apply to any director who serves on the board of directors as the designee or past nominee of a stockholder of the corporation, and such director shall not disclose any Confidential Information to such stockholder or any of its officers, directors, managers, members, partners employees, attorneys, accountants, advisors, agents, consultants or other representatives. "Confidential Information" shall mean all non-public information

(whether or not material to the corporation) entrusted to or obtained by a director by reason of his or her position as a director of the corporation.

ARTICLE IV. NOTICES

Section 1 Whenever, under the provisions of the applicable law, the certificate of incorporation, these bylaws, or otherwise, notice is required to be given to any stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such stockholder, at his or her address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given to the stockholder at the time when the same shall be deposited in the United States mail. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders may be given by electronic transmission in the manner provided in Section 232 of the Delaware General Corporation Law. Whenever, under the provisions of the applicable law, the certificate of incorporation, these bylaws, or otherwise, notice is required to be given to any director or a member of a committee, such notice may be given personally, or orally by telephone, or in writing and sent by mail, overnight mail or courier service addressed to such director or committee member, at his or her address as it appears on the records of the corporation, with postage thereon prepaid, or sent by facsimile transmission or electronic mail. If mailed, such notice shall be deemed to be given to the director or committee member five (5) business days after it shall be deposited in the United States mail. If given by overnight mail or courier service, such notice to the director or committee member shall be deemed delivered on the earlier of the date of delivery or 5:00 p.m. on the next business day after it was delivered to the overnight mail or courier service company. If sent by facsimile transmission, notice to a director or committee member shall be deemed to be given when the facsimile is transmitted. If sent by electronic mail, notice to a director or committee member shall be deemed to be given when the e-mail is transmitted. If by telephone, notice to a director or committee member shall be deemed to be given when the corporation representative and the director or committee member speak on the telephone.

Section 2 Whenever any notice is required to be given under the provisions of the applicable law or of the certificate of incorporation or of these bylaws, or otherwise, a waiver of any notice, signed by a stockholder or director, or waiver by electronic transmission by such person, whether given before or after the time stated therein, shall be deemed equivalent thereto. Neither the business nor the purpose of any meeting need be specified in such a waiver. Attendance at any meeting shall constitute waiver of notice except attendance for the express purpose of objecting at the beginning of the meeting of the transaction of business because the meeting is not lawfully called or convened.

ARTICLE V. OFFICERS

Section 1 The board of directors shall annually elect one of its own members as the chairman of the board of directors who shall serve as the chairman of the board of directors until his or her successor is chosen and qualified or until his or her earlier resignation or removal or until he or she shall cease to be a director of the corporation. The chairman of the board may also be the chief executive officer or any other officer of the corporation. The chairman of the board shall preside at the meetings of the board of directors and may call meetings of the board of directors and of any committee thereof, whenever the chairman of the board deems it necessary, and, if present, the chairman of the board shall call to order and preside at all meetings of the stockholders of the corporation. In addition, the chairman of the board shall have such other powers and duties as the board of directors shall designate from time to time.

Section 2 The officers of the corporation shall be chosen by the board of directors and may include, at the discretion of the board of directors, a chief executive officer, president, chief operating officer, chief financial officer, one or more vice presidents (any one or more of whom may be designated executive vice president or senior vice president) and a secretary. Any number of offices may be held by the same person. Such officers shall be chosen by the board of directors at its first meeting after each annual meeting of stockholders; however, the board of directors may authorize officers to appoint other officers who report to the appointing officer.

Section 3 The board of directors may from time to time appoint such other officers and agents as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board.

Section 4 The salaries of all officers and agents of the corporation shall be fixed by the board of directors or pursuant to its direction.

Section 5 The officers of the corporation shall hold office until their successors are chosen and qualify or until their earlier resignation or removal. Any number of offices may be held by the same person. Any officer elected or appointed by the board of directors may be removed at any time, with or without cause, by the affirmative vote of a majority of the board of directors, but such removal

shall be without prejudice to the contractual rights, if any, of the person so removed. Any vacancy occurring in any office of the corporation shall be filled by the board of directors.

Section 6 Any officer may resign at any time by giving written notice to the board of directors or the secretary. Such resignation shall take effect at the time specified in the notice, and, unless otherwise specified in the notice, the acceptance of such resignation shall not be necessary to make it effective.

Section 7 The board of directors may, by resolution adopted by a majority of the whole board, designate the chairman of the board as the executive chairman and an officer of the corporation. The executive chairman (if any) shall, in addition to his or her duties as chairman of the board, have and perform such other powers and duties as may be prescribed by the board of directors or these bylaws and serve at the pleasure of the board of directors. During the time of any vacancy in the office of the chief executive officer or in the event of the absence or disability of the chief executive officer, the executive chairman (if any) shall have the duties and powers of the chief executive officer unless otherwise determined by the board of directors.

Section 8 The chief executive officer shall have the general powers and duties of supervision, management and direction over the business and policies of the corporation and such other powers and duties that may be assigned to him from time to time by the board of directors. The chief executive officer shall have power to sign all certificates of stock, bonds, deeds and contracts of the corporation. The chief executive officer shall have the power to appoint and remove subordinate officers, agent and employees, except those that are appointed by the board of directors. The chief executive officer shall keep the board of directors fully informed and shall consult them concerning the business of the corporation.

Section 9 The president shall possess the same power as the chief executive officer to sign and execute certificates of stock, bonds, deeds and contracts of the corporation, except in cases where the signing and execution thereof shall be expressly designated by the board of directors or by these bylaws to some other officer, official or agent of the corporation or shall be required by law to be otherwise executed. The president shall perform such duties as may from time to time be assigned to him by the board of directors and the chief executive officer. In the event of the absence or disability of the chief executive officer, and at the request of the board of directors, the president shall perform all of the duties of the chief executive officer, and when so acting he or she shall have all of the powers of and be subject to the restrictions upon the chief executive officer.

Section 10 The chief operating officer shall perform such duties as are customary for a chief operating officer to perform, including the powers to sign and execute certificates of stock, bonds, deeds and contracts of the corporation, except in cases where the signing and execution thereof shall be expressly designated by the board of directors or by these bylaws to some other officer, official or agent of the corporation or shall be required by law to be otherwise executed, and shall perform such other duties as from time to time may be assigned to him or her by the board of directors, the chief executive officer or the president. In the event of the absence or disability of the chief executive officer and the president, the chief operating officer shall perform all of the duties of the president, and when so acting he or she shall have all of the powers of, and be subject to, the restrictions upon the president.

Section 11 The chief financial officer shall serve as the principal advisor to the corporation in all matters relating to financial risks, financial planning and record-keeping. The chief financial officer shall be responsible for and shall direct agents and employees in the performance of all financial duties and services for and on behalf of the corporation. The chief financial officer shall perform such other duties and exercise such other powers as are commonly incidental to the office of the chief financial officer, and such other duties as from time to time are assigned to him or her by the chief executive officer or the board of directors.

Section 12 Each vice president shall have such powers and duties as may be prescribed by the board of directors or as may be delegated from time to time by the chief executive officer or the president and (in the order as designated by the board of directors, or in the absence of such designation, as determined by the length of time each has held the office of vice president continuously) shall exercise the powers of the chief operating officer during that officer's absence or inability to act.

Section 13 The secretary shall attend all meetings of the board of directors and committees thereof and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the board of directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He or she shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the board of directors, and shall perform such other duties as may be prescribed by the board of directors, chief executive officer, president, or chief operating officer. The secretary shall have custody of the corporate seal of the corporation and the secretary, or an assistant secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his or her signature or by the signature of such assistant secretary. The board of directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his or her signature.

Section 14 Any assistant secretary may, in the absence of the secretary or in the event of his or her inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

Section 15 Unless otherwise directed by the board of directors, the chief executive officer or any officer of the corporation authorized by the chief executive officer shall have power to vote and otherwise act on behalf of the corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other corporation in which this corporation may hold securities and otherwise to exercise any and all rights and powers which this corporation may possess by reason of its ownership of securities in such other corporation.

ARTICLE VI. CERTIFICATES OF STOCK

Section 1 Every holder of stock in the corporation shall be entitled to have a certificate, signed by the chief executive officer, president, chief operating officer or a vice president, and the secretary or an assistant secretary, of the corporation, certifying the number of shares owned by him or her in the corporation. If the corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualification, limitations or restrictions of such preferences or rights shall be set forth in full or summarized on the face or back of the certificate which the corporation shall issue to represent such class or series of stock; provided that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences or rights.

Section 2 Any of or all the signatures on any stock certificate issued by the corporation may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he, she or it were such officer, transfer agent or registrar at the date of issue.

Section 3 The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his or her legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 4 Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 5 In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution of allotment of any rights, or entitled to exercise any rights in respect of any changes, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than 60 nor less than ten days before the date of such meeting, nor more than 60 days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided however, that the board of directors may fix a new record date for the adjourned meeting.

Section 6 The corporation shall be entitled to treat the registered owner of any share or shares of stock as the absolute owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

ARTICLE VII. INDEMNIFICATION AND INSURANCE

Section 1 The corporation shall indemnify any person who was or is a party or who was or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), by reason of the fact that he or she is or was a director, advisory director, officer, employee or agent of the corporation or of any entity a majority of the voting stock of which is owned by the corporation, or is or was serving at the request of the corporation as a director, advisory director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

Section 2 The corporation shall indemnify to the fullest extent permitted by Delaware law any person who was or is a party or who was or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, advisory director, officer, employee or agent of the corporation or of any entity a majority of the voting stock of which is owned by the corporation, or is or was serving at the request of the corporation as a director, advisory director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery of the State of Delaware or such other court shall deem proper.

Section 3 To the extent that any person who is or was a director, advisory director, officer, employee or agent of the corporation or of any entity a majority of the voting stock of which is owned by the corporation, or who is or was serving at the request of the corporation as a director, advisory director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 1 and 2 of this Article VII, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection herein. Any other indemnification under Sections 1 and 2 of this Article VII shall be made by the corporation only as authorized in the specific case upon a determination that indemnification is proper in the circumstances because the applicable standard of conduct set forth therein has been met.—Such determination shall be made (a) by the board of directors of the corporation by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (b) if such quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (c) by the stockholders of the corporation.

Section 4 Expenses, including attorneys' fees, incurred by a director, advisory director, officer, employee or agent in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding (hereinafter an "advancement of expenses") upon receipt of an undertaking by or on behalf of the director, advisory director, officer, employee or agent to repay such amount if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that he or she is not entitled to be indemnified by the corporation pursuant to this Article VII or otherwise.

Section 5 If a claim under Section 1 or 2 of this Article VII is not paid in full by the corporation within 60 days after a written claim has been received by the corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be 20 days, the indemnitee may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim. To the fullest extent permitted by law, if successful in whole or in part in any such suit, or in a suit brought by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that the indemnitee has not met any applicable standard for indemnification set forth in the Delaware General Corporation Law. In any suit brought by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the Delaware General

Corporation Law. Neither the failure of the corporation (including its directors who are not parties to such action, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the corporation (including its directors who are not parties to such action, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article VII or otherwise shall be on the corporation.

Section 6 The indemnification and advancement of expenses provided by, or granted pursuant to, the other Sections of this Article VII shall not be deemed exclusive of any other right to which those seeking indemnification or advancement of expenses may be entitled to from the corporation or any other entity under any applicable law, other bylaw, agreement, provision of the corporation's certificate of incorporation, vote of stockholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office. The rights conferred upon indemnities in this Article VII shall be contract rights and such rights and the indemnification and advancement of expenses provided by, or granted pursuant to, this Article VII shall continue as to a person who has ceased to be a director, advisory director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person. However, any amount actually received as the proceeds of any such other indemnification shall be deducted from the amount, if any, which he or she may be entitled to receive pursuant to this Article VII. Any amendment, alteration, or repeal of this Article VII that adversely affects any right of an indemnitee or its successors shall be prospective only and shall not limit, eliminate, or impair any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment or repeal.

Section 7 By action of its board of directors, notwithstanding any interest of the directors in the action, to the full extent permitted by the General Corporation Law of the State of Delaware, the corporation may purchase and maintain insurance, in such amounts and against such risks as the board of directors deems appropriate, on behalf of any person who is or was a director, advisory director, officer, employee or agent of the corporation, or of any entity a majority of the voting stock of which is owned by the corporation, or who is or was serving at the request of the corporation as a director, advisory director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power or would be required to indemnify him against such liability under the provisions of this Article VII, or of the corporation's certificate of incorporation or of the General Corporation Law of the State of Delaware.

ARTICLE VIII. GENERAL PROVISIONS

Section 1 Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

Section 2 Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

Section 3 All checks, notes and contracts of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

Section 4 The fiscal year of the corporation shall be fixed by resolution of the board of directors.

Section 5 The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE IX. AMENDMENTS

Section 1 The board of directors shall have power to make, alter, amend and repeal the bylaws (except so far as the bylaws adopted by the stockholders shall otherwise provide). Any bylaws made by the board of directors under the powers conferred hereby may be altered, amended or repealed by the directors or by the stockholders. Notwithstanding the foregoing and anything contained in the certificate of incorporation to the contrary, the bylaws shall not be altered, amended or repealed by action of the stockholders and no provision inconsistent therewith shall be adopted by the stockholders without the affirmative vote of the holders of at least 66 2/3% of the voting power of all the then-outstanding shares of the corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE X. SEVERABILITY

Section 1 Whenever possible, each provision or portion of any provision of these bylaws will be interpreted in such manner as to be effective and valid under applicable law but if any provision or portion of any provision of these bylaws is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such provision or portion of any provision shall be severable and the invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and these bylaws will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

ARTICLE XI.
FORUM FOR ADJUDICATION OF DISPUTES

Section 1 To the fullest extent permitted by law, and unless the corporation consents in writing to the selection of an alternative forum, (a) the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended, and (b) the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) shall be the sole and exclusive forum for: (i) any derivative action or proceeding brought in the name or right of the corporation or on its behalf, (ii) any action asserting a claim for breach of a fiduciary duty owed by any director, officer, employee, stockholder or other agent of the corporation to the corporation or the corporation's stockholders, (iii) any action arising or asserting a claim arising pursuant to any provision of the General Corporation Law of Delaware or any provision of the certificate of incorporation or these bylaws or as to which the General Corporation Law of Delaware confers jurisdiction on the Court of Chancery of the State of Delaware or (iv) any action asserting a claim governed by the internal affairs doctrine, including, without limitation, any action to interpret, apply, enforce or determine the validity of the certificate of incorporation or these bylaws. Notwithstanding the foregoing, the provisions of this Article XI will not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction.

Section 2 Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the corporation shall be deemed to have notice of and consented to the provisions of this Article XI.

**CERTIFICATE OF ELIMINATION
OF
SERIES A JUNIOR PARTICIPATING PREFERRED STOCK
OF VAALCO ENERGY, INC.**

December 22, 2015

(Pursuant to Section 151(g) of the General Corporation Law of the State of Delaware)

VAALCO Energy, Inc., a Delaware corporation (the “Company”), certifies as follows:

1. Pursuant to Section 151 of the General Corporation Law of the State of Delaware (the “DGCL”) and the authority granted in the Certificate of Incorporation (the “Charter”) of the Company, the Board of Directors of the Company, by resolution duly adopted, authorized the issuance of 15,000 shares of preferred stock, par value \$25.00 per share, of the Company designated as Series A Junior Participating Preferred Stock (the “Series A Preferred Stock”).

2. Pursuant to the provisions of Section 151(g) of the DGCL, the Board of Directors of the Company adopted the following resolutions:

RESOLVED FURTHER, that none of the authorized shares of Series A Preferred Stock are outstanding, and none of the authorized shares of Series A Preferred Stock will be issued subject to the certificate of designations therefor;

RESOLVED FURTHER, that the Company be, and hereby is, authorized and directed to file with the Secretary of State of the State of Delaware a certificate (the “Certificate of Elimination”) containing these resolutions, with the effect under the General Corporation Law of the State of Delaware of eliminating from the Company’s Charter all matters set forth in the Certificate of Designations of Series A Junior Participating Preferred Stock of the Company filed with the Secretary of State of the State of Delaware; and

RESOLVED FURTHER, that any of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Executive Vice President or General Counsel of the Company (each, an “Authorized Officer”) are, and each of them hereby is, authorized and directed, for and on behalf of the Company and in its name, to execute and file the Certificate of Elimination and such time as they deem appropriate, and to take such further actions as they may deem necessary or appropriate to carry out the intent of the foregoing resolutions in accordance with the applicable provisions of the General Corporation Law of the State of Delaware.

3. Pursuant to the provisions of Section 151(g) of the DGCL, all references to the Series A Preferred Stock in the Charter are hereby eliminated, and the shares that were designated to such series are hereby returned to the status of authorized but unissued shares of preferred stock of the Company.

IN WITNESS WHEREOF, the Company has caused this Certificate of Elimination to be signed on its behalf by its duly authorized officer on the date first set forth above.

VAALCO Energy, Inc.

By: /s/ Eric J. Christ

Name: Eric Christ

Title: Vice President, General Counsel and
Corporate Secretary

SEPARATION AND RELEASE AGREEMENT

This Separation and Release Agreement ("Agreement") is entered into by and between VAALCO Energy, Inc. (the "Company") and David Albert DesAutels ("Employee"), as of the Effective Date (defined below). Employee and the Company will be referred to as "Party" in the singular and "Parties" in the plural.

WHEREAS, Employee and the Company are parties to that certain offer letter dated July 5, 2017 ("Offer Letter");

WHEREAS, Employee is currently employed by the Company, and Employee intends to voluntarily resign from employment with the Company effective as of March 14 ("Separation Date");

WHEREAS, as part of the Severance Benefits outlined in Section 2 of this Agreement, the Company agrees to engage Employee to provide certain consulting services to the Company, for the benefit of, as applicable, the Company, its parent, direct and indirect subsidiaries, and other corporate affiliates (collectively, the "Company Group"), from time to time, following the Separation Date and in accordance with the terms and conditions set forth in that certain Transition Consulting Agreement, entered into by the Parties, as of the date immediately following the Separation Date (the "Consulting Agreement"), in exchange for Employee's promises and continued compliance with the terms and conditions of this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Parties, the Company and Employee, intending to be legally bound, hereby incorporate the recitals above as terms of this Agreement and agree as follows:

1. **Employment Separation; Final Paycheck; Cessation of Employment Benefits.**

1.1. **Final Paycheck; Resignation of all Positions.** Employee has received or will receive by the date required by applicable law Employee's final paycheck ("Final Paycheck"), which includes Employee's regular salary earned through the Separation Date, any unused paid time off earned/accrued by Employee in accordance with Company policy or practice, and an amount equal to 4 weeks of Employee's regular salary in full satisfaction of the Company's obligation under the Offer Letter. All amounts paid in the Final Paycheck will be taxed and subject to usual and customary withholdings in accordance with applicable federal, state and local tax laws and procedures, and shall be made by direct deposit consistent with Employee's current payroll instruction. Any claims regarding inaccuracies in the amount of the Final Paycheck must be raised before the end of the Revocation Period provided below. By entering into this Agreement, Employee affirms that Employee has been paid all compensation owed for work performed for the Company through the Separation Date. Employee acknowledges that, effective as of the Separation Date, Employee resigned from any officer position or other position held by Employee with the Company or any direct or indirect subsidiary of the Company, unless additional time or effort is so required that such resignation is effective at a date following the Separation Date.

1.2. **Cessation of Benefits.** Except as otherwise provided in this Agreement, Employee's eligibility to participate in all health and welfare benefits plans and all other employee or officer benefits that were provided Employee in connection with Employee's employment with the Company will terminate as provided by the terms of the plans. Employee may be eligible to elect to continue such coverage pursuant to, as applicable, state law or the federal law known as COBRA. Materials outlining Employee's eligibility for continuation coverage, if any, and the continuation coverage election process will be obtained by Employee from the Company's third-party administrator. Employee should reach out to the third-party administrator if Employee has not received any communication regarding COBRA. Employee acknowledges and agrees that any such continuation coverage is subject to Employee's timely completion of any necessary application forms and shall be at Employee's sole expense.

1.3. Expense Reimbursements. To the extent Employee has any business expenses properly incurred in connection with Employee's work for the Company prior to the Separation Date that have not been submitted for reimbursement, Employee must submit any such requests for reimbursement, along with all necessary backup documentation, to the Company within 15 business days of the Separation Date. Otherwise, Employee forfeits the right to reimbursement for such expenses.

1.4. Incentive Payments. Employee understands that Employee is no longer eligible to participate in any commission, bonus or incentive plans offered by any member of the Company Group, as applicable, and, except as otherwise provided in Section 2, no amounts or other benefits will be paid or provided to Employee for any such potential bonuses or incentives following the Separation Date.

2. Severance Benefits. In exchange for the promises made by Employee in this Agreement, including the release of claims in Section 3, and Employee's continued compliance with each of the terms of this Agreement, the Company will provide the following Severance Benefits to Employee. Employee acknowledges that Employee is not otherwise owed, and has no right to, the consideration in this Section 2 without full compliance with the terms of this Agreement. Employee further acknowledges that Employee is not entitled to any additional payment or consideration not specifically referenced in this Agreement.

2.1. Severance Payment. The Company will provide severance pay in the gross amount of One Hundred and Forty Five Thousand Nine Hundred and Seventeen Dollars and No Cents (\$145,917.00) ("Severance Payment"), which shall be paid out in a single lump sum within 15 business days following the Effective Date. The Severance Payment will be taxed and subject to usual and customary withholdings in accordance with applicable federal, state and local tax laws and procedures, and shall be made by direct deposit consistent with Employee's current payroll instruction.

2.2. Annual Cash Bonus. Employee acknowledges and agrees that the Company generally pays annual cash bonuses in March and, as a condition to earning any such annual cash bonus, Employee must be employed on the date of payment. Employee further acknowledges and agrees that, because the Separation Date occurred prior to the payment date for the 2022 annual cash bonuses, Employee is not eligible to receive and has not earned a 2022 annual cash bonus. The foregoing notwithstanding, the Company agrees to provide employee with a cash payment in the gross amount of, Ninety Eight Thousand Nine Hundred and Fourteen Dollars and No Cents (\$98,914.00) ("Unearned Bonus"), which is equivalent to the 2022 annual cash bonus Employee might otherwise have received if employed through the date of payment. The Unearned Bonus will be (a) paid out in a single lump sum within 15 business days following the Effective Date, (b) taxed and subject to usual and customary withholdings in accordance with applicable federal, state and local tax laws and procedures, and (c) made by direct deposit consistent with Employee's current payroll instruction.

2.3. Consulting Service Agreement; Equity Vesting. Contingent upon the Employee remaining employed with the Company through the Separation Date, the Parties have agreed to enter into the Consulting Agreement, pursuant to which the Employee shall perform certain services for the Company as a consultant for a period beginning on the Separation Date and ending upon the Date of Termination (as defined in the Consulting Agreement). Subject to (a) Employee signing and not revoking this Agreement during the time periods required, (b) Employee remaining employed in good standing by the Company through the Separation Date, and (c) Employee's continued compliance with the terms of this Agreement and the Consulting Agreement, the Date of Termination (as defined in the Consulting Agreement) will be treated as the Employee's "Termination of Service" for purposes of all equity awards granted to the Employee pursuant to the VAALCO Energy, Inc. 2020 Long Term Incentive Plan (the "Plan") prior to the Separation Date. Specifically, as long as Employee is willing to remain a consultant under the terms of the Consulting Agreement through the Date of Termination and complies with all applicable terms of the Consulting Agreement, Employee will retain all rights following the Separation Date with respect to Restricted Stock Units (as defined in the Plan) and Stock Options (as defined in the Plan) granted to the Employee pursuant to the Plan prior to the Separation Date that have not vested or otherwise been forfeited prior to the Separation Date in accordance with the terms of such awards as if he remained employed by the Company through the Date of Termination.

2.4. Reimbursement for Legal Fees. The Company agrees to reimburse Employee for up to \$5,000 worth of legal fees incurred by Employee arising out of the Parties' negotiations of this Agreement, such obligation becoming due and payable within fifteen (15) business days after the Effective Date; provided, however, that Employee provides the Company with a copy of an invoice from Employee's counsel no later than ten (10) business days following the Separation Date.

3. Release and Covenant not to Sue.

3.1. Employee, on behalf of Employee and Employee's heirs and assigns, irrevocably and unconditionally releases, waives, and forever discharges the Company and its present and former affiliates, parents, subsidiaries, and stockholders, and each of its/their agents, employees, officers, directors, investors, attorneys, plan fiduciaries and benefit plans, partners, stockholders, and any successors and assigns of the foregoing (collectively, the "Company Releasees"), from any and all claims, demands, actions, causes of action, costs, fees, and all liabilities whatsoever, whether known or unknown, fixed or contingent, which Employee has, had, or may have against the Company Releasees relating to or arising out of Employee's employment or separation from employment with the Company, the Offer Letter, or any other matter that arises through the date that this Agreement is executed by Employee ("Company Released Claims").

3.2. Employee agrees not to file a lawsuit to assert any such Company Released Claims, and Employee agrees not to accept any monetary damages or other personal relief (including legal or equitable relief) in connection with any administrative claim or lawsuit filed by any person or entity or governmental agency for a Company Released Claim, other than any award or relief under any Securities and Exchange Commission ("SEC") program.

3.3. Employee understands that included in the Company Released Claims, to the extent permitted by applicable law, are claims at law or equity or sounding in contract (express or implied) or tort, including claims for breach of contract, such as the Offer Letter, claims (including claims for monetary damages or other injuries) arising under any federal, state, or local laws of any jurisdiction, including laws that prohibit age, sex, race, national origin, color, disability, religion, veteran or any other form of discrimination, harassment, or retaliation, including the Age Discrimination in Employment Act, the Americans with Disabilities Act, Title VII of the 1964 Civil Rights Act, the Civil Rights Act of 1991, 42 U.S.C. § 1981, or the Rehabilitation Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act, the Texas Labor Code, including the Texas Payday Act, the Texas Anti-Retaliation Act, Chapter 21 of the Texas Labor Code, the Texas Whistleblower Act or any other claim under any state or federal or other applicable law related to Employee's employment with or termination from the Company, *or any other matter arising between Employee and the Company through the date that this Agreement is executed by Employee.*

3.4. The Company Released Claims include any claims against the Company relating to any promise or agreement or Company policy or offer with the Company, including, the Offer Letter, and any alleged entitlement to any form of compensation or benefit, including payment of severance (or other amounts caused by termination of employment, good reason termination or constructive termination), unused paid personal time off, annual or periodic incentives, bonuses, commission payments, severance payments, reimbursements, benefits, and any other financial recovery against the Company or any Company Releasees. Except with respect to the right to continued vesting outlined in Section 2.3 above, Employee irrevocably disclaims and forfeits any unvested equity ownership of the Company, and any claims or rights related thereto. The foregoing includes, without limitation, a waiver and release of any right to purchase stock or other equity ownership in the Company or to exercise any equity instruments related to the Company's capital stock, including any restricted stock awards, restricted stock units, stock options, any other equity or rights to equity in the Company. Employee acknowledges and agrees the foregoing supersedes any prior agreements to the contrary, including any stock option award or grant agreement. Further, the terms and provisions of this Agreement shall, to the extent permitted by applicable law, extend and apply to all unknown, unsuspected or unanticipated injuries or damages, claims arising out of any legal restrictions on the Company's right to terminate its employees, including any claims based on any violation of public policy or retaliation, or claims regarding any restrictions to, the scope of, or the Company's right to fully enforce any of Employee's continuing obligations to the Company.

3.5. Nothing in this Agreement shall be construed as an attempt to waive any right or claim which: is not waivable as a matter of law, involves the consideration provided under this Agreement, arises after the date this Agreement is executed, involves unemployment compensation benefits if Employee is otherwise qualified for such benefits under applicable law, or involves any pending workers' compensation claim (however, Employee represents and acknowledges that Employee has no unfiled workers' compensation claim or unreported injury). Further, the Company Released Claims do not waive Employee's rights to indemnification to the extent Employee has such rights under existing D&O insurance policies or the Company's bylaws, if any, so long as the Company, in its reasonable discretion, determines that Employee: (i) acted in good faith; (ii) reasonably believed that Employee's conduct was in the Company's best interests; (iii) in the case of a criminal proceeding, Employee did not have reasonable cause to believe that Employee's conduct was unlawful; (iv) with respect to expenses, the amount of expenses (other than a judgment) is reasonable; and (v) indemnification is consistent with applicable law.

3.6. Release of Age Discrimination Claims. Employee acknowledges the following:

3.6.1. This Agreement is written in a manner calculated to be understood by Employee, and Employee in fact understands the terms, conditions and effect of this Agreement.

3.6.2. This Agreement refers to rights or claims arising under the Age Discrimination in Employment Act and the Older Workers' Benefit Protection Act.

3.6.3. Employee does not waive rights or claims that may arise after the date this Agreement is executed by Employee.

3.6.4. Employee is waiving rights or claims in exchange for consideration which is in addition to anything of value to which Employee is already entitled.

3.6.5. Employee is advised to consult with an attorney prior to executing the Agreement.

3.6.6. Employee has been given this Agreement to consider on February 21, 2023, and Employee has 21 days (*i.e.* until March 14, 2023) to consider this Agreement before accepting it (such period, the "Consideration Period"). Employee and the Company agree that any changes to this Agreement do not re-start the Consideration Period. **To timely and properly accept the offer made by this Agreement, Employee must sign the Agreement *on or after* the Separation Date and *prior to* the last day of the Consideration Period.**

3.6.7. This Agreement allows a period of 7 calendar days following execution of the Agreement during which Employee may revoke this Agreement ("Revocation Period"). If revoked, (i) this Agreement will be revoked in full and void ab initio, as if it had never been entered into; and (ii) any opportunity to receive the Severance Benefits shall terminate and be forfeited.

3.6.8. Provided Employee timely signs and returns this Agreement to the Company, and does not revoke this Agreement, in each case, in accordance with the terms of this Section 3, the Agreement will become effective on the day immediately following the expiration of the Revocation Period (the "Effective Date"). For the avoidance of doubt, if Employee signs this Agreement ***before*** the Separation Date or ***after*** the last day of the Consideration Period, or Employee revokes the Agreement, as provided in this Section 3, then the Agreement shall be automatically revoked and become null and void.

3.6.9. Any notice of acceptance or revocation must be made by Employee as specified in the "Notices" Section below.

3.6.10. Employee fully understands all of the terms of this Agreement and knowingly and voluntarily enters into this Agreement.

3.7. Protected Agency Disclosures/Participation. Employee understands and agrees that nothing in this Agreement other any other agreement or policy of the Company shall be construed to prohibit the Parties from making disclosures to, filing a charge or complaint with, or participating in any investigation or proceeding conducted by, the Equal Employment Opportunity Commission ("EEOC"), the SEC or any other federal, state or local governmental agency or commission. This Agreement does not impose any condition precedent (such as prior notice to the Company), any penalty, or any other restriction or limitation adversely affecting the Parties' rights regarding any governmental agency disclosure, report, claim or investigation. Further, Employee may disclose Employee's wages, hours, or other terms and conditions of employment in the exercise of any rights provided by the National Labor Relations Act. Notwithstanding the foregoing, Employee agrees to waive Employee's right to recover monetary damages or other personal relief in any charge, complaint, or lawsuit that Employee has filed or might file or which might be filed on Employee's behalf. The Company and Employee further understand and agree that nothing in this Agreement limits Employee's right to receive an award for information provided to the SEC or under any of its programs. The Parties may disclose the terms of this Agreement to the extent required by law or in a legal proceeding to enforce the Agreement or other applicable law. Nothing in this Agreement prevents Employee from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that Employee has reason to believe is unlawful, to the extent such discussions are protected by applicable law.

3.8. No Admission. Employee understands this Agreement is not and shall not be deemed or construed to be an admission by the Company of any wrongdoing of any kind or of any breach of any contract, law, obligation, policy, or procedure of any kind or nature.

Employee acknowledges that Employee has read this Section 3 carefully.

4. Employee Obligations.

4.1. Return of the Company Property. Employee will, if not done prior to the Separation Date, return to the Company, and cease all access to, all property (including property purchased or paid for by the Company in Employee's possession, custody or control) which belongs to the Company, including any accounts, databases, keys, access cards, computers, cell phones, pagers, or other equipment and any Company records, files, data, and documents (whether on a work or personal computer, in electronic format, cloud storage, hard copy or otherwise, and whether confidential in nature or not). Employee represents Employee will not, and that Employee has not, shared access, deleted, modified or altered any property, prior to its return to the Company. The foregoing notwithstanding, it shall not be considered a violation of Employee's obligations under this Agreement, if, following the Separation Date, Employee properly receives, or continues to have access to, Company property, materials or information in connection with the services provided by Employee pursuant to the Consulting Agreement; provided, that such receipt or continued access is (i) reasonably necessary to complete the services required of Employee under the Consulting Agreement; (ii) subject to continued Company authorization; and (iii) consistent with the terms and conditions of the Consulting Agreement. Upon request by the Company or upon termination of the Consulting Agreement, for any reason, Employee shall return (without retaining any local or personal copies) all Company equipment, information, data and files in any format and cease receiving or accessing, as applicable, all such Company property, materials and information, data or files.

4.2. Non-Disparagement. Employee agrees not to make any disparaging, denigrating, demeaning, or untrue statements about the Company and the Company Releasees, or any of their present and former products, services, agents, employees, officers, directors, attorneys, stockholders, investors, plan fiduciaries and benefit plans, and any successors and assigns of the foregoing. The Parties agree to characterize to third parties that Employee's separation is due to Employee's desire to pursue other opportunities. The foregoing notwithstanding, the Parties must respond truthfully regarding the nature of Employee's separation when required by law. Except. This Section 4.3 does not apply to or in any way restrict or impede Employee from any communications or actions permitted by the "Protected Agency Disclosures/Participation" Section above or the "Protected Disclosures" Section below, or complying with any applicable law or court order, or exercising whistleblower or other protected non-waivable legal rights.

4.3. Protected Disclosures. Notwithstanding the obligations stated in this Agreement, neither this Agreement nor any other agreement or policy of the Company shall prohibit Employee from the following protected statements or disclosures: (i) disclosures of trade secrets made in confidence to a federal, state, or local government official, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law, or (ii) disclosures of trade secrets made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal or per court order, or (iii) disclosures of trade secrets by a plaintiff to his or her attorney in a lawsuit for retaliation for reporting a suspected violation of law and use of the trade secret information in the court proceeding if any document containing the trade secrets is filed under seal and does not disclose the trade secrets, except pursuant to court order, or (iv) other actions protected as whistleblower activity under applicable law, or (v) as stated above regarding the "Protected Agency Disclosures/ Participation" Section. Employee is not required to notify the Company of these allowed reports or disclosures.

4.4. Cooperation and Assistance. Employee agrees to cooperate with the Company, upon the Company's request, regarding matters and information relating to Employee's job duties, the transition of such job duties, and other matters related to Employee's work for the Company, including, as needed to satisfy Employee's obligation to resign from other positions held by Employee, as outlined in Section 1.1. Further, for so long as Employee has relevant knowledge, Employee agrees to provide truthful testimony and information and to otherwise reasonably cooperate with the Company Group in connection with any and all existing or future claims, litigation or investigations brought by or against the Company Group or any of its past or present affiliates, agents, officers, directors, fiduciaries, or employees, whether administrative, civil or criminal in nature, with respect to such matters as were within Employee's knowledge while employed by any member of the Company Group.

Employee acknowledges that Employee has read this Section 4 carefully.

5. Miscellaneous. This Agreement shall be subject to the following additional terms and conditions:

5.1. Modification/Severability. The Parties agree that if a court having jurisdiction over this matter determines any term or portion of a term is unenforceable or invalid under applicable law, such court shall modify any term (or portion of a term) that can be modified or altered to be reasonable, valid, and enforceable under applicable law. Should the court declare or determine any provision of this Agreement is unmodifiable and illegal or invalid, the validity and enforceability of the remaining parts, terms, or provisions of this Agreement shall be salvaged and will not be affected or modified or voided in any way, and any illegal or invalid part, term, or provision will no longer be part of this Agreement.

5.2. Amounts Owed by Employee to the Company. Any amounts that Employee may owe the Company, may be deducted by the Company from, or offset against, any amount the Company owes Employee under this Agreement or otherwise owing by the Company.

5.3. Notices. Any notices under this Agreement shall be in writing. Any such notice shall be deemed effective upon personal delivery or, if deposited with a nationally recognized courier service, such as FedEx, upon the first day that such service attempts delivery at the address set forth below. The notice shall be addressed to the Company at Attn: Head of HR, 9800 Richmond Ave., Ste. 700, Houston, Texas 77042. Notice to Employee should be addressed to 9589 Rancho Drive, Willis, Texas, 77318. Notice of change in address should be provided as stated in this Section 5.3.

5.4. Entire Agreement. Employee represents and acknowledges that in executing this Agreement, Employee did not rely, and has not relied, on any oral or written representations, agreements, or communications by any of the Company Releasees, except as expressly contained in this Agreement. This Agreement constitutes the entire contract between the Parties with respect to the subject matter covered. This Agreement terminates all of Employee's rights under all other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the same subject matter, including the Offer Letter. This Agreement does not replace or supersede or modify any existing obligation, under applicable law or agreement regarding confidentiality, fiduciary duties, non-disparagement, non-competition, unfair competition, non-solicitation, or non-disclosure or otherwise. Employee acknowledges and understands Employee is not entitled to any other payment or benefit of any kind not otherwise included in this Agreement.

5.5. Applicable Law: Dispute Resolution. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, USA, excluding applicable conflict-of-law rules or principles. All claims and matters in question arising out of or relating to this Agreement, Employee's employment or separation from employment with the Company or the relationship between the Parties otherwise (and including any claim against any Company Releasee or affiliate of either Party), whether sounding in contract, tort or otherwise, and including statutory claims to the extent permitted by law, shall be resolved solely and exclusively by non appealable binding arbitration in Houston, Texas, pursuant to the Federal Arbitration Act, 9 U.S.C. § 1 et. seq. THE PARTIES UNDERSTAND THAT THIS MEANS THAT THEY EACH WAIVE ANY RIGHT TO TRIAL BY JURY OR TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, ARISING OUT OF OR RELATING TO THIS AGREEMENT, EMPLOYEE'S EMPLOYMENT OR SEPARATION FROM EMPLOYMENT WITH THE COMPANY OR THE RELATIONSHIP BETWEEN THE PARTIES OTHERWISE (AND INCLUDING ANY CLAIM AGAINST ANY COMPANY RELEASEE OR AFFILIATE OF EITHER PARTY). The arbitration shall be administered by the American Arbitration Association (the "AAA") and, except as otherwise lawfully modified by this Section 5.5, pursuant to the rules which address employment proceedings. There shall be one arbitrator. Each Party shall designate a representative, who need not be neutral, within 30 days of receiving notification of the filing with the AAA of a demand for arbitration. The two representatives so designated shall elect an arbitrator from a panel of independent arbitrators proposed by the AAA. If either Party fails to designate a representative within the time specified or the two parties' representatives fail to designate an arbitrator within 30 days of their appointments, the arbitrator shall be appointed by the AAA. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim or the matter would be barred by applicable statutes of limitation. The Parties agree that all documents considered relevant by the submitting Party shall be submitted with the respective statement of claim/defense, and any counterclaim/reply. Neither Party may compel the other to produce additional documents or cooperate in additional discovery. However, the arbitrator shall have discretion, on the arbitrator's own motion or at the request of a Party, to request the submission of additional documents for the arbitral tribunal. Each Party shall bear its own costs and expenses associated with the arbitration proceedings, regardless of the outcome of the arbitration proceedings. The arbitrator shall have no authority to award consequential, special, treble, exemplary, incidental, indirect or punitive damages of any type under any circumstances, regardless of whether such damages may be available under applicable law; provided, that in the event a court determines that the foregoing express waiver of damages is invalid or unenforceable, then the arbitrator, and not a court, shall determine if consequential, special, treble, exemplary, incidental, indirect or punitive damages shall be awarded. Except as required by applicable law, all arbitration proceedings conducted hereunder and the decision of the arbitrators shall be kept confidential, subject to the last sentence of this Section 5.5. The arbitrator, upon motion of either Party, shall grant summary judgment in favor of such Party as to any claim or counterclaim or portion thereof that would be subject to summary judgment under the federal summary judgment standard for that claim or counterclaim. The arbitrator shall have the authority to grant specific performance and other injunctive or equitable relief. Either Party shall have the right to apply to a court to obtain an injunction to enforce the provisions of this Section 5.5 or to seek a temporary restraining order, preliminary injunction or other provisional relief to maintain the status quo or in aid of or pending the application or enforcement of this Section 5.5. The Parties agree that, subject to the last sentence of this Section 5.5, injunctive relief obtained from a court can be effective only for the duration of any arbitration proceeding, and that only the arbitrator has the authority to determine the merits of any claim or matter arising out of or relating to this Agreement or the relationship between the Parties created by this Agreement. The Parties agree that the arbitrator shall have the authority to determine his or her jurisdiction to hear any such claim or matter. The arbitrator's final decision and award may be entered as a judgment in any court of competent jurisdiction.

5.6. Remedies. Employee and the Company acknowledge and understand that if either of them breaches any term of this Agreement, the other Party is permitted to seek injunctive or other equitable relief for any such breach due to the difficulty in ascertaining or obtaining adequate monetary relief, in addition to seeking any other remedies that may be available under law or equity, including actual or compensatory damages and the forfeiture of all amounts paid or the cessation of any payments owing under this Agreement. To the fullest extent allowed by law, for any dispute between Employee and the Company, any court having jurisdiction shall award all fees and costs reasonably incurred, including attorneys' fees, to the prevailing party. The determination of prevailing party shall consider the nature and amount of claims brought and the success of either party, both in bringing claims and in defending claims.

5.7. No Waiver. No failure by either Party at any time to give notice of any breach by the other Party of, or to require compliance with, any condition or provision of this Agreement shall (i) be deemed a similar or dissimilar provisions or conditions at the same or at any prior or subsequent time or (ii) preclude insistence upon strict compliance in the future.

5.8. Alienation of Interest Forbidden. The interests of Employee under this Agreement or the benefits conveyed to Employee in this Agreement, may not be sold, transferred, assigned, or encumbered in any manner, either voluntarily or involuntarily, and any attempt to alienate, sell, transfer, assign, pledge, encumber, or charge the same shall be null and void; neither shall the benefits to Employee under this Agreement be liable for or subject to the debts, contracts, liabilities, engagements or torts of Employee, nor shall they be an asset in bankruptcy or subject to garnishment, attachment or other legal or equitable proceedings.

5.9. Interpretation of "Including/Or/Law." Unless expressed otherwise in this Agreement, the term "including" means "including without limitation," the use of the word "or" is not exclusive, and the term "law" includes any (i) law of any jurisdiction (federal, state, local or other jurisdiction), (ii) statutory or common law, or (iii) applicable regulations or other legal obligations.

5.10. Successors and Assigns. The Company's obligations under this Agreement shall be binding upon the Company and its successors and assigns. The release obligations of Employee under this Agreement are binding upon Employee, Employee's executors, administrators, heirs, successors, representatives and assignees. The rights and other obligations of Employee under this Agreement are personal in nature and may not be assigned. The benefits of Employee's obligations under this Agreement shall inure to the benefit of the Company and its successors and assigns, and Employee consents to the assignment of this Agreement by the Company.

5.11. Code Section 409A. This Agreement is intended to comply with the provisions of Section 409A of the United States Internal Revenue Code and the rules and regulations promulgated thereunder (collectively, "Code Section 409A"), and this Agreement should be construed in accordance therewith. To the extent there is any ambiguity in this Agreement as to its compliance with Code Section 409A, this Agreement shall be read to conform to the requirements of Code Section 409A, and the Company may, in its sole discretion, amend or replace this Agreement to cause this Agreement to comply with Code Section 409A. Neither the Company nor Employee shall have the right to accelerate or defer the delivery of any consideration provided under this Agreement except to the extent specifically permitted or required by Code Section 409A. Terms defined in this Agreement shall have the meanings given such terms under Code Section 409A if and to the extent required to comply with Code Section 409A. In any event, the Company makes no representations or warranty and shall have no liability to Employee or any other person if any provisions of or payments under this Agreement are determined to constitute deferred compensation subject to Code Section 409A but not to satisfy the conditions of that section.

5.12. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall be deemed one and the same instrument, and to the extent executed and delivered by means of a facsimile machine or other electronic transmission (including e-mail of a "pdf" signature, whether handwritten or by DocuSign or other electronic means), this Agreement shall be treated in all manners and respects, and for all purposes, as an original Agreement and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person.

5.13. Amendment and Modification. The terms of this Agreement may only be modified, amended, or terminated by separate written agreement executed by Employee and an authorized representative of the Company.

5.14. Titles and Headings. Titles and headings of sections of this Agreement are for convenience only and shall not affect the construction of any provision of this Agreement.

[signature page follows]

IN WITNESS WHEREOF, the Company and Employee have executed this Agreement as of the dates set forth below each such Party's signature below to be effective as of the Effective Date.

AGREED BY EMPLOYEE:

/s/ David A DesAutels
David Albert DesAutels

Date March 8 2023

AGREED BY V A ALCO ENERGY, INC.

By: G. Maxwell

Name: George Maxwell

Date: March 8, 2023

Confidential

CONSULTING SERVICES AGREEMENT

This Consulting Services Agreement ("Agreement"), dated effective as of March 1, 2023 (the "Effective Date"), is entered into between VAALCO Energy, Inc., a Delaware corporation, with an address at 9800 Richmond Avenue, Suite 700 (the "Company"), and David DesAutels, an individual, with an address at 9589 Rancho Drive, Willis, Texas, 77318 ("Consultant"). The Company and Consultant are sometimes referred to in this Agreement individually as a "Party" and collectively as the "Parties." All capitalized terms not otherwise defined in this Agreement shall have the meaning ascribed to them in that certain Separation and Release Agreement, by and between the Company and Consultant (the "Separation Agreement"), dated as of the Effective Date (as such term is defined in the Separation Agreement).

WHEREAS, in exchange for Consultant's promises in the Separation Agreement, including the release of claims in Section 5 of the Separation Agreement, and continued compliance with the terms and conditions of the Separation Agreement, the Company agreed, among other things, to engage Consultant to perform the Services (as defined below), following the Separation Date, in accordance with the terms and conditions set forth in this Agreement; and

WHEREAS, the Company desires to engage Consultant to perform the services as described in this Agreement.

Accordingly, the Parties agree as follows:

1. Services, Undertakings, Representations and Warranties.

(a) The Company hereby engages Consultant to perform transition consulting services with respect to business development and the Company's petroleum operations (the "Services"). Consultant shall be generally available to perform the Services for at least three (3) days per every workweek during the Company's normal business hours; *provided, however*, that upon the Company's reasonable request, Consultant may be required to perform the Services on additional days during a workweek from time to time. The specifics and schedule of the Services will on a monthly basis be pre-approved by the Company's Chief Executive Officer ("CEO") or another Company representative designated by the Company from time to time (the "Designated Company Representative") and, upon reasonable notice by Consultant, shall account for, and minimize disruption with, permissible outside activities engaged in by Consultant. The Parties acknowledge and agree that the Company is not guaranteeing that a certain minimum level of Services will be approved to be performed and Consultant is not guaranteeing availability to perform the Services on any particular day during any particular workweek. The amount of Services (if any) that the Company shall pre-approve shall be in the Company's sole and absolute discretion.

(b) The Company enters into this Agreement based on Consultant's representations and warranties herein and Consultant's demonstrated ability to perform the Services. Consultant shall perform the Services in a good and workmanlike manner in accordance with this Agreement and prudent industry standards, and in compliance with all Relevant Laws (as defined herein), the Company's Code of Ethics, the Company's International Trade Practices Policy, and the Company's Insider Trading Policy. Other than providing related information as requested from time to time by Consultant, the Company will not provide Consultant with any training or instructions with respect to the Services. Similarly, Consultant is responsible for providing all equipment, materials, and supplies that Consultant determines are necessary to perform the Services. Consultant represents that it is familiar with all Relevant Laws and has all necessary licenses, permits, and registrations required to perform the Services.

(c) Consultant agrees that it and its Representatives (as defined below) are aware of and will comply fully with all applicable laws, statutes and regulations in performing the Services, including the United States Foreign Corrupt Practices Act of 1977 ("FCPA"), the UK Bribery Act, the anti-corruption, anti-money laundering and anti-terrorism laws of the United States, environmental laws, employment laws, safety regulations, securities laws and regulations, tax laws and regulations, antitrust laws, intellectual property laws and all other applicable laws, statutes and regulations of the United States and elsewhere (collectively, the "Relevant Laws"), and will conduct themselves in keeping with the Company's policies and the highest ethical standards. Consultant further agrees that it and its Representatives will comply with all applicable safety and security regulations and policies while on the Company's premises and all other policies of the Company and will use their best efforts to preserve the business of the Company and the goodwill of all employees, customers, suppliers and other persons having business relations with the Company. As used in this Agreement as to any Party, the term "Representative" shall include such Party's affiliates, officers, directors, employees, contractors and subcontractors of any tier, and representatives. For the avoidance of doubt, neither Party shall be considered a Representative of the other Party, notwithstanding Consultant's status as a contractor of the Company. An "affiliate" of a Party shall mean any person or entity that directly or indirectly controls, is controlled by, or is under common control with, such Party. For the purposes of this definition, "control" (including the terms "controlled by" and "under common control with") means the power to direct or cause the direction of the management and policies of a business entity, directly or indirectly, whether through the ownership of voting securities, by contract, or otherwise.

(d) By entering into this Agreement, Consultant represents and warrants that neither Consultant nor its Representatives have directly or indirectly made any Prohibited Payment. Consultant agrees that during the Term of this Agreement neither Consultant nor its Representatives shall directly or indirectly make any Prohibited Payment or any other payment prohibited by the FCPA. As used in this Agreement, a "Prohibited Payment" means an offer, gift or payment, or authorization or promise of an offer, gift or payment, of any money or thing of value, including charitable contributions, to or for the direct or indirect benefit of any Government Official (as defined below) for the purposes of influencing any act or decision of such Government Official in his or its official capacity (including an act or omission to act in violation of his or its lawful duties), or for the purpose of inducing such Government Official to use his or its influence to affect or influence any act or decision of the Government, in order to assist Consultant or the Company in obtaining or retaining business for or with, or directing business to, any person or entity. As used in this Section 1(d), the term "Government Official" includes (i) any official or employee of any Government, (ii) any person acting in an official capacity on behalf of any Government, (iii) any political party or official of any political party, and (iv) any candidate for political office, and the term "Government" includes (i) any government of any country (or of any subdivision of any country) and (ii) any department, agency or other instrumentality of any such government. Solely for purposes of this Agreement and not as an admission under or interpretation of the FCPA or any statute or regulation of any country, an "instrumentality" of a Government shall be deemed to include any enterprise in which a Government owns a substantial equity interest or which any Government controls. Company is entering into this Agreement in reliance on the accuracy of the representations and the warranties contained in this Section 1(d). Consultant acknowledges that, in addition to any other remedies the Company may have, breach of this Section 1(d) constitutes grounds for the Company to terminate this Agreement immediately. In such event, Consultant agrees and acknowledges that Consultant shall lose any right to receive reimbursements, fees or other compensation under this Agreement, whether already earned or not. Upon the request of the Company during the term of this Agreement, Consultant agrees to sign and deliver to the Company one or more statements in substantially the form of Exhibit A to this Agreement certifying compliance with Sections 1(c), 1(d) and any other provisions of this Agreement.

(e) In performing the Services, Consultant agrees to make and keep accurate books, records and accounts, and to implement and maintain an effective system of internal accounting controls that allows it to do so. Consultant agrees to implement and maintain a program to ensure that Consultant and its Representatives are aware of and in compliance with Relevant Laws. The foregoing system and program shall be in effect during the performance of any Services.

(f) Consultant shall not utilize the services of any individual, company or other entity as a subcontractor or an independent contractor to assist in performing the Services unless Consultant obtains (i) the prior written permission of the Company to utilize the services of such subcontractor or independent contractor in connection with the Services and (ii) the prior written acknowledgment of such subcontractor or independent contractor of the requirements of this Agreement.

(g) Consultant represents and warrants that the information provided by Consultant on the Company's Consultant Questionnaire (if required by Company) is true and correct as of the date hereof. Consultant agrees (i) complete Company's Consultant Questionnaire, and to answer any other questions and provide any other information reasonably requested by Company upon request, from time to time, for the purpose of verifying Consultant's eligibility for perform work for Company under applicable laws, rules, regulations and Company policies, (ii) to verify its information and certify compliance with this Agreement by submitting to the Company, upon request, from time to time, a certification substantially in the form of the statement attached hereto as Exhibit A, and (iii) if Consultant's information or compliance changes in any respect during the Term of this Agreement, Consultant will immediately notify the Company in writing. Company is entering into this Agreement in reliance on the covenants, and on the accuracy of the representations and the warranties contained in this Section 1(g). Consultant acknowledges that, in addition to any other remedies the Company may have, breach of this Section 1(g) constitutes grounds for Company to withhold any payment otherwise due to Consultant, and additionally, for the Company to terminate this Agreement immediately. In the event Company so terminates this Agreement, Consultant agrees and acknowledges that Consultant shall lose any right to receive reimbursements, fees or other compensation under this Agreement, whether accrued or not.

(h) Consultant acknowledges and agrees that the Company is entering into this Agreement in reliance on the promises made by Consultant in the Separation Agreement, and the Parties' respective rights and obligations under this Agreement are expressly conditioned upon Consultant's execution and non-revocation of the Separation Agreement. Consultant acknowledges and agrees that if Consultant fails to execute the Separation Agreement, or after execution by Consultant, Consultant timely revokes the Separation Agreement, this Agreement shall automatically, without any further action by either Party, be terminated. In the event this Agreement terminates pursuant to this Section 1(h), Consultant acknowledges and agrees that Consultant shall lose any right to receive reimbursements, fees or other compensation under this Agreement, whether accrued or not.

2. Term. This Agreement shall commence on the date hereof and, unless earlier terminated in accordance with Sections 1(d), 1(g), or 1(h), this Agreement shall remain in effect until the earliest to occur of the following: (i) expiration of thirteen (13) months from the date hereof; (ii) termination by the Company for Cause upon written notice to Consultant; (iii) termination by Consultant upon 30 days' prior written notice to the Company (the "Term"). For purposes of this Agreement, "Cause" shall mean (x) Consultant engages in gross negligence or willful misconduct in the performance of the Services; (y) Consultant is convicted of or pleads *nolo contendere* to a felony involving fraud, embezzlement, or financial improprieties, (z) Consultant violates any applicable laws or regulations while in the performance of its Services under this Agreement.

(a) The "Date of Termination" shall be, as applicable, the date the Term expires under clause (i), or the date specified in written notice from the Company to Consultant under clause (ii), or the date specified in written notice from Consultant to the Company, which shall be no less than thirty (30) days from the date such notice is delivered to the Company, that the Agreement is otherwise being terminated under clause (iii).

(b) In no event, regardless of whether this Agreement is terminated under Section 2(i), (ii), or (iii), shall Consultant be required to forfeit any of Consultant's vested Restricted Stock Units (as defined in the Plan) and Stock Options (as defined in the Plan) awarded to Consultant under the VAALCO Energy Inc., 2020 Long Term Incentive Plan (the "Plan").

3. Payment to Consultant.

(a) In consideration for the Services provided by Consultant, and subject to Consultant's compliance with Section 2(e) below, the Company shall pay Consultant a fee in the amount of Five Thousand Dollars and No Cents (\$5,000.00) per full month within the Term (the "Consulting Fee"), which shall be prorated for any partial month in the Term; *provided, however,* that if, pursuant to Section 1(a) above, Company requests and Consultant performs the Services for more than three (3) days during any workweek, then the Company shall pay Consultant an additional One Thousand Five Hundred Dollars and No Cents (\$1500.00) per additional day of Services performed by Consultant (the "Additional Consulting Fee").

(b) Consultant is responsible for payment of its own office expenses such as rent, utilities, telephone, office supplies and similar costs and expenses, and payment of its own Representatives, if any. The Company will reimburse Consultant for reasonable and necessary out-of-pocket expenses incurred by Consultant solely from direct performance of the Services. If any such out-of-pocket expenses are reasonably expected to exceed \$1,000.00 in any consecutive thirty (30) day period, Consultant will obtain written approval from the Company prior to incurring such expenses. Such expenses shall be incurred at the lowest reasonable level possible. Reasonable transportation and travel-related expenses incurred by Consultant at the request of the Company will be reimbursed to Consultant if such expenses are pre-approved in writing by the Designated Company Representative. To receive reimbursement, Consultant shall timely submit to the Company a statement setting forth the expenses in form and substance satisfactory to the Company, together with receipts or other supporting evidence as may be requested by the Company.

(c) Consultant shall maintain during the Term of this Agreement, and retain not less than three (3) years after the expiration or termination thereof, complete and accurate records of all of Consultant's costs that are chargeable to the Company under this Agreement. The Company shall have the right, at reasonable times, to inspect and audit those records by authorized representatives of its own or any public accounting firm selected by it.

(d) Each month, Consultant shall deliver an accounting of the Services performed in form and substance reasonably satisfactory to the Company, containing detailed information relating to the time spent and work performed and accompanied by documentation to the extent necessary to support the work performed. The Company shall pay the invoice to Consultant within thirty (30) days after the Company's receipt of such invoice. Notwithstanding the foregoing, if the Company gives Consultant written notice of a good faith dispute with respect to any amount due, describes the dispute in reasonable detail, and pays all undisputed invoice amounts then due, the Company will not be considered in default of its payment obligations with regard to such invoice. Upon the resolution of such dispute, the Company shall promptly pay any amount due.

(e) As a condition to receiving or retaining any portion of the Consulting Fee and Additional Consulting Fee, if applicable, (i) Consultant shall execute a general release of claims in favor of the Company and the other Company Releasees, the form of which shall be determined by the Company, within its sole discretion, provided the language is consistent with the release provisions in Section 3 of the Separation Agreement (the "Release"), (ii) the Release shall be executed by Consultant within the time period provided for in the Release, and (iii) the Release shall become effective in accordance with its terms. The Company will provide Consultant the Release on or within ten (10) days following any applicable Date of Termination.

4. Confidentiality of the Company's Business.

(a) Consultant acknowledges that the business of the Company and its affiliates is highly competitive and that the books, records and documents of the Company or its affiliates, information concerning the Company's or its affiliates' strategies, plans, business, products, equipment, services and processes, procurement procedures and pricing techniques, the names of and other information (such as credit and financial data) concerning the Company's or its affiliates' customers and business affiliates and any other confidential, sensitive and/or proprietary information and/or trade secrets that have been developed or used by or on behalf of the Company or its affiliates or will be developed and that cannot be obtained readily by third parties from outside sources (collectively, "Confidential Information"), all comprise confidential business information and trade secrets of the Company that are valuable, special and unique proprietary assets of the Company. Consultant further acknowledges that protection of the Company's Confidential Information against unauthorized disclosure and use is of critical importance to the Company in maintaining its competitive position. Accordingly, Consultant hereby agrees that it will not (and it will ensure that its Representatives do not), at any time during or after the Term of this Agreement, make any unauthorized disclosure of any Confidential Information of the Company, or make any use thereof, except solely for the benefit of, and on behalf of, the Company in the performance of the Services pursuant to this Agreement. Consultant will safeguard the Confidential Information from unauthorized disclosure. Consultant also agrees to preserve and protect the confidentiality of third-party confidential information to the same extent, and on the same basis, as the Company's Confidential Information. Consultant's obligation under this Section 4 will not extend to information that is or becomes part of the public domain through no action or omission of Consultant or its Representatives. Without limiting the foregoing, Consultant agrees that it will not (and it will insure that its Representatives do not) trade in any securities of VAALCO Energy, Inc. when in the possession of any material, non-public information.

(b) Consultant will not (and will ensure that its Representatives do not) disclose to any person (other than its tax, legal and financial advisers who have a need to know) the terms of this Agreement without the prior written consent of the Company.

(c) If Consultant or its Representatives are requested or required (by oral question, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any Confidential Information, Consultant will promptly notify the Company of such request or requirement so that the Company may seek an appropriate protective order or other appropriate remedy and/or take steps to resist or narrow the scope of the disclosure. If, in the absence of a protective order or other remedy, Consultant or its Representatives are, in the opinion of Consultant's counsel, compelled to disclose the Confidential Information, Consultant may disclose only such of the Confidential Information to the party compelling disclosure as is required by law. Consultant shall not be liable for the disclosure of Confidential Information pursuant to the preceding sentence unless such disclosure was caused by Consultant or its Representatives and not otherwise permitted by this Agreement. Consultant shall exercise its best efforts to obtain a protective order or other reliable assurance that confidential treatment will be accorded the Confidential Information so disclosed.

(d) All written Confidential Information (including that portion of the Confidential Information that may be found in analyses, compilations, studies or other documents prepared by or for Consultant) will be delivered or returned to the Company immediately upon the Company's request, and no copies shall be retained by Consultant or its Representatives. Oral Confidential Information and written Confidential Information not so requested or delivered or returned will be held by Consultant and kept subject to the terms of this Agreement or destroyed.

(e) Consultant shall be responsible for any breach of the terms of this Section 4 by its Representatives.

5. Protection of Company's Business Interest. Without prior written approval from the CEO of the Company, which shall not be unreasonably withheld, Consultant agrees that during the Term Consultant will not (and shall ensure that its Representatives will not), directly or indirectly, for himself or for others: (i) consult, advise, counsel or otherwise assist any competitor of the Company or competitor of any affiliate of the Company in any manner that would have, or is likely to have, a directly adverse effect upon the Company or its affiliates; or (ii) serve any interest or do any act or thing which might conflict with the interests of the Company or any of its affiliates. Consultant agrees that, during the Term and for a period of one (1) year thereafter, it will not (and shall ensure that its Representatives will not), directly or indirectly, for himself or for others, (a) induce or attempt to induce any employee of the Company or of any affiliate of the Company to leave its employ, induce or attempt to induce any consultant or independent contractor to discontinue work with the Company or any affiliate of the Company, or in any way interfere with the relationship between the Company (or any affiliate of the Company) and any employee, consultant or independent contractor of the Company or of an affiliate of the Company; or (b) hire any person who is or was an employee, consultant or independent contractor of the Company or of any affiliate of the Company. Consultant shall be responsible for any breach of the terms of this Section 5 by its Representatives.

6. Intellectual Property Rights.

(a) All information, data, documents and materials provided to Consultant by or on behalf of the Company or an affiliate of the Company, or acquired or learned by Consultant from the files, documents, employees or representatives of the Company or an affiliate of the Company, including, without limitation, any information, data, documents and materials Consultant was permitted to retain following the Separation Date in accordance with the Separation Agreement, shall remain the sole and exclusive property of the Company. Consultant shall obtain no rights whatsoever, whether under applicable patent, copyright, trade secret laws or otherwise, in such information, data, documents or materials unless specifically provided in writing by the Company. For the avoidance of doubt, and without limiting the foregoing, nothing in this Agreement shall be construed as granting to Consultant or any other party, either expressly or by implication, any right, title or interest of any kind in any patent, copyright or any other intellectual property right of the Company or its affiliates, including any license to practice and use any patents or any other intellectual property right or any right, title or interest in any Confidential Information or proprietary information of the Company or its affiliates.

(b) All information, drawings, plans, specifications, programs, designs, reports, computations, calculations, presentations, working papers and other documents that

(i) are prepared by or on behalf of Consultant or its Representatives in furtherance of or in connection with the Services, or

(ii) use, utilize or incorporate any of the information, data, documents or materials described in Section 6(a) above (regardless of whether such use, utilization or incorporation was authorized by this Agreement),

are collectively referred to herein as the "Work Product" and will be and shall remain the sole and exclusive property of the Company and shall be delivered or returned to the Company upon its request. The Company shall have full and unlimited right to use all of the same without any claim or right thereto by Consultant or its Representatives for any additional compensation for such use. Consultant further agrees that the Work Product and all other information developed or secured by Consultant during performance of the Services shall be kept strictly confidential and shall not be sold, traded, published or otherwise disclosed to anyone in any manner whatsoever, including by means of photocopying or reproduction, without the Company's prior written consent. Consultant shall obtain no rights whatsoever, whether under applicable patent, copyright, trade secret laws or otherwise, in such Work Product and information unless specifically provided in writing by the Company. Consultant agrees to assign and hereby assigns to the Company all title, patents, patent rights, copyrights, mask work rights, trade secret rights and all other intellectual and industrial property rights of any sort anywhere in the world in connection with such Work Product. All works of authorship by Consultant under this Agreement will be "works made for hire" to the extent allowed by law. Any assignment of copyright by Consultant hereunder (and any ownership of a copyright as a work made for hire) includes all rights of paternity, integrity, disclosure and withdrawal and any other rights that may be known as or referred to as "moral rights" (collectively "Moral Rights"). To the extent such Moral Rights cannot be assigned under applicable law and to the extent the following is allowed by the laws in the various countries where Moral Rights exist, Consultant hereby ratifies and consents to any action by or on behalf of the Company or any affiliate of the Company that would violate such Moral Rights in the absence of such ratification/consent. Consultant agrees to confirm any such ratifications and consents from time to time as requested by the Company. Similarly, if Consultant obtains access to third-party information, data, documents and materials that are in the possession of the Company, Consultant shall obtain no rights in such third-party information, data, documents and materials. Irrespective of whether the Work Product, information, data, documents and materials is subject to the obligations of confidence imposed by Section 4, Consultant shall make no copies, summaries or extracts thereof except as necessary in connection with this Agreement or as otherwise specifically authorized in writing by the Company, and Consultant shall make no use of such Work Product, information, data, documents or materials except as specifically authorized in writing by the Company. Irrespective of whether the Work Product, information, data, documents and materials are subject to the obligations of confidence imposed by Section 4, upon completion of the Services, or the Company terminating this Agreement, Consultant shall immediately deliver or return to the Company all such Work Product, information, data, documents and materials, as well as any and all copies, summaries or extracts thereof (except for one copy which may be retained Consultant solely for record-keeping purposes). Consultant shall also immediately deliver or return to the Company all such Work Product, information, data, documents and materials, as well as any and all copies, summaries or extracts thereof, whenever requested by the Company. For purposes of this Agreement, "Work Product" also includes inventions (including improvements, designs, formulas, works of authorship, trade secrets, technology, mask works, circuits, layouts, algorithms, computer programs, software, source code, ideas, processes, techniques, know-how and data, whether or not patentable) that Consultant makes, conceives, reduces to practice or develops (in whole or in part, either alone or jointly with others) during the Term of this Agreement in connection with performing Services or that relate to any other Work Product or that use, utilize or incorporate any of the information, data, documents or materials described in Section 6(a) above (regardless of whether such use, utilization or incorporation was authorized by this Agreement).

(c) Consultant shall not disclose or provide to the Company any information, ideas, concepts, improvements, discoveries, inventions or forms of expression of ideas that Consultant does not own or otherwise have the right to disclose or provide to the Company. Consultant represents and warrants to the Company that all information, ideas, concepts, improvements, discoveries, inventions and forms of expression of ideas disclosed or provided to Company shall be free from third-party claims of ownership and from third-party intellectual property rights.

(d) To the fullest extent permitted by law, Consultant shall protect, defend, indemnify, release and hold the Company, its parent, affiliates, officers, directors, agents, employees and partners harmless from and against any and all liabilities, claims, causes of action, demands, damages, losses and expenses (and all costs, expenses, damages, liabilities or judgments sustained or incurred by the Company in connection therewith, including the costs of investigation, defense and reasonable attorneys' fees and legal costs) (herein collectively called "Claims") arising out of or connected with or alleged to arise out of or be connected with an allegation or claim (i) that a third party owns information, ideas, concepts, improvements, discoveries, inventions or forms of expression of ideas disclosed or provided by Consultant to the Company; (ii) that the Company's worldwide right to own, use, make, have made, license, sell or otherwise market information, ideas, concepts, improvements, discoveries, inventions or forms of expression of ideas disclosed or provided by Consultant to the Company infringe a third-party's intellectual property rights therein; or (iii) that the processes utilized by Consultant in providing the Services to the Company infringe third-party intellectual property rights or that the products provided by Consultant to the Company infringe third party intellectual property rights (such an infringement or alleged infringement would include any violation or alleged violation of the Process Patents Amendment Act of 1988).

7. Equitable Relief. Money damages would not be a sufficient remedy for any breach of Sections 4, 5 or 6 by Consultant or its Representatives, and the Company shall be entitled to specific performance and injunctive relief as remedies upon proof of any such breach. Such remedies shall not be deemed to be the exclusive remedies for a breach of this Agreement by Consultant or its Representatives but shall be in addition to all other remedies available at law or in equity to the Company.

8. Indemnification. To the fullest extent permitted by law, Consultant shall protect, defend, indemnify, release and hold the Company, its parent, affiliates, officers, directors, agents, employees and partners harmless from and against any and all Claims arising out of or connected with or alleged to arise out of or be connected with (a) the Services; (b) any allegation or claim by Consultant's Representatives, including claims for compensation owed to the Representative; (c) the presence of Consultant or its Representatives on the Company's premises; (d) any act or omission of Consultant or Consultant's Representatives (including any breach of this Agreement); (e) the failure, by any employer or deemed employer of Consultant or any Representative of Consultant, to comply with the applicable requirements of the employer information reporting provisions under Internal Revenue Code ("IRC") §§ 6055 or 6066 and related regulations; or (f) any failure by any employer or deemed employer of Consultant or of any Representative of Consultant to comply with any provision of the ACA or any related regulation that pertains to health coverage for Consultant or any of Consultant's Representatives.

9. Insurance.

(a) If Consultant elects to obtain and maintain insurance covering it, its activities, its business or its Representatives during the Term, Consultant shall be solely responsible for obtaining and maintaining the insurance at its sole cost and expense. The Company shall not provide any insurance coverage for Consultant or for any of Consultant's Representatives.

(b) Consultant agrees that: (i) Consultant and all of Consultant's Representatives shall comply in all respects with the Patient Protection and Affordable Care Act (together with applicable related regulations, the "ACA"); and (ii) neither Consultant, nor any of Consultant's Representatives, is, or has claimed to be, or will claim to be, an employee of Company (or of any affiliate of Company), common law or otherwise, in connection with procuring health coverage, or in connection with applying for a tax credit, or otherwise. Consultant agrees that Consultant has the responsibility to determine if it is the employer of any of Consultant's Representatives for the purpose of the ACA and, if the employer, to offer health coverage to its employees as required by the ACA (including IRC §4980H and related regulations) and, if not the employer, to insure that its Representatives procure health coverage as required by the ACA. If Consultant is an individual, Consultant shall procure his or her own health coverage in accordance with the ACA (and shall not apply for coverage, and has not applied for coverage, as an employee of Company or of any of Company's affiliates). Neither Company nor any affiliate of Company will offer health coverage to Consultant or any Representative of Consultant.

10. Independent Contractor.

(a) The Services performed by Consultant or its Representatives shall be as an independent contractor and not as an employee. Consultant acknowledges and agrees that its Representatives have no relationship or affiliation with the Company except as Representatives of Consultant, and that any duties, obligations and responsibilities owed to Consultant's Representatives are owed by Consultant and not by the Company. Accordingly, neither Consultant nor its Representatives is entitled to the benefits provided by the Company to its employees, including group insurance and participation in the Company's employee benefit and pension plans.

(b) In the event Consultant (and/or its Representatives) for any reason were to become eligible to participate in a Company-sponsored benefit program, Consultant hereby waives any such right to participate in the program. This waiver of any right to participate in Company sponsored employee benefit programs represents a material component of the terms of payment agreed to by the Parties. Further, Consultant is not an agent, partner, or joint venturer of the Company. Consultant shall not represent itself to third persons to be other than an independent consultant of the Company, nor shall Consultant permit itself or its Representatives to offer or agree to incur or assume any obligations or commitments in the name of the Company or for the Company without the prior written consent and authorization of the Company.

11. Taxes.

(a) Consultant shall be responsible for payment of all applicable taxes arising out of Consultant's activities under this Agreement, including (by way of illustration but not limitation) US federal and state income taxes, US Social Security taxes, VAT, unemployment insurance taxes, and any other taxes or business license fees as required. The Company will neither pay unemployment taxes on, nor withhold employment taxes from, any compensation it pays Consultant. Rather, if (and to the extent) required to do so under applicable US law, the Company will report the amounts it pays Consultant on IRS Form 1099. Notwithstanding the foregoing, the Company shall have the right to withhold any and all taxes from payments due to Consultant under this Agreement to the extent that such withholding may be required by any governmental body claiming jurisdiction over any payment made to or earned by Consultant hereunder, and payment by the Company to the respective governmental office of the amount of money so withheld will relieve the Company from any further obligation to Consultant with respect to the amount so withheld.

(b) To the fullest extent permitted by law, Consultant shall protect, defend, indemnify, release and hold the Company, its parent, affiliates, officers, directors, agents, employees and partners harmless from and against any and all Claims for taxes assessed or levied by any governmental body against Consultant or against the Company for or on account of (i) any payment made to or earned by Consultant hereunder, (ii) wages, salaries or other benefits paid to Consultant's Representatives or (iii) any property or equipment of Consultant.

(c) The Company's Anti-Facilitation of Tax Evasion Policy. The Company takes a zero-tolerance approach to the criminal facilitation of tax evasion. In its representation of the Company, Consultant and Consultant's Representatives shall not:

- (i) engage in any form of facilitating tax evasion in any country;
- (ii) aid, abet, counsel or procure the commission of a tax evasion offence by another person in any country;
- (iii) fail to promptly report any request or demand from any third party to facilitate the fraudulent evasion of tax in any country, or any suspected fraudulent evasion of tax in any country by another person;
- (iv) engage in any other activity that might lead to a breach of this policy; or
- (v) threaten or retaliate against another individual who has refused to commit a tax evasion offence or who has raised concerns under this policy.

12. Notices. All notices under this Agreement shall be in writing. Any notice shall be deemed received (i) upon receipt or refusal to accept delivery, when delivered personally or sent via certified mail, or (ii) if deposited with an internationally recognized courier service, upon the first day such service attempts delivery. Addresses for notices are set forth below.

If to Consultant:

At the address set forth at the top of this Agreement.

If to Company:

VAALCO Energy, Inc.

9800 Richmond Avenue, Suite 700
Houston, Texas 77042 Attn: Head of HR

13. Waiver. Failure of a Party at any time to require performance by the other Party of any provision hereof shall in no way affect the right of a Party hereafter to enforce the same. Nor shall any waiver by a Party of any breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision or as a waiver of this provision itself.

14. Applicable Law; Dispute Resolution. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, USA, excluding applicable conflict-of-law rules or principles. All claims and matters in question arising out of or relating to this Agreement or the relationship between the Parties created by this Agreement (and including any claim against any Representative or affiliate of either Party), whether sounding in contract, tort or otherwise, and including statutory claims to the extent permitted by law, shall be resolved solely and exclusively by non-appealable binding arbitration in Houston, Texas, pursuant to the Federal Arbitration Act, 9 U.S.C. § 1 et. seq. **THE PARTIES UNDERSTAND THAT THIS MEANS THAT THEY EACH WAIVE ANY RIGHT TO TRIAL BY JURY OR TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, ARISING OUT OF OR RELATING TO THIS AGREEMENT.** The arbitration shall be administered by the American Arbitration Association (the "AAA"). There shall be one arbitrator. Each Party shall designate a representative, who need not be neutral, within 30 days of receiving notification of the filing with the AAA of a demand for arbitration. The two representatives so designated shall elect an arbitrator from a panel of independent arbitrators proposed by the AAA. If either Party fails to designate a representative within the time specified or the two parties' representatives fail to designate an arbitrator within 30 days of their appointments, the arbitrator shall be appointed by the AAA. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim or the matter would be barred by applicable statutes of limitations. The Parties agree that all documents considered relevant by the submitting Party shall be submitted with the respective statement of claim/defense, and any counterclaim/reply. Neither Party may compel the other to produce additional documents or cooperate in additional discovery. However, the arbitrator shall have discretion, on the arbitrator's own motion or at the request of a Party, to request the submission of additional documents for the arbitral tribunal. Each Party shall pay an equal share of the fees of the arbitrator, and each Party shall bear its own costs and expenses associated with the arbitration proceedings, regardless of the outcome of the arbitration proceedings. All arbitration proceedings conducted under this Agreement shall be in the English language. Except with regard to claims of breach of Sections 4, 5 or 6, the arbitrator shall have no authority to award consequential, special, treble, exemplary, incidental, indirect or punitive damages of any type under any circumstances, regardless of whether such damages may be available under applicable law; *provided*, that in the event a court determines that the foregoing express waiver of damages is invalid or unenforceable, then the arbitrator, and not a court, shall determine if consequential, special, treble, exemplary, incidental, indirect or punitive damages shall be awarded. Each Party against whom the award or decision of the arbitrator assesses a monetary obligation shall pay that obligation on or before the thirtieth (30th) day following such award or such other date as the award may provide. All awards shall be payable in cash, and shall be payable in United States Dollars. Except as required by applicable law, all arbitration proceedings conducted hereunder and the decision of the arbitrators shall be kept confidential, subject to the last sentence of this Section 14. The arbitrator, upon motion of either Party, shall grant summary judgment in favor of such Party as to any claim or counterclaim or portion thereof that would be subject to summary judgment under the federal summary judgment standard for that claim or counterclaim. The arbitrator shall have the authority to grant specific performance and other injunctive or equitable relief. Either Party shall have the right to apply to a court to obtain an injunction to enforce the provisions of this Section 14 or to seek a temporary restraining order, preliminary injunction or other provisional relief to maintain the status quo or in aid of or pending the application or enforcement of this Section 14. The Parties agree that, subject to the last sentence of this Section 14, injunctive relief obtained from a court can be effective only for the duration of any arbitration proceeding, and that only the arbitrator has the authority to determine the merits of any claim or matter arising out of or relating to this Agreement or the relationship between the Parties created by this Agreement. The Parties agree that the arbitrator shall have the authority to determine his or her jurisdiction to hear any such claim or matter. The arbitrator's final decision and award may be entered as a judgment in any court of competent jurisdiction.

15. Severability. The terms in this Agreement shall be enforceable to the fullest extent permitted by law. If any such term or covenant or the application thereof to any person or circumstance shall be construed to be invalid or unenforceable, then such term shall be construed in a manner as to permit its enforceability to the fullest extent permitted by law. The remaining provisions of this Agreement shall remain in full force and effect.

16. Successors and Assignment. This Agreement automatically shall be binding upon and shall inure to the benefit of any person, corporation or entity which may hereafter acquire or succeed to all or substantially all of the business or assets of the Company by purchase, merger, consolidation or by any other means whatsoever, whether direct or indirect. This Agreement shall not be assigned by Consultant unless such assignment is first approved in writing by the Company.

17. Termination.

(a) Upon the applicable Date of Termination, or the date the Agreement is otherwise terminated pursuant to Sections 1(d), 1(g) or 1(h), Consultant shall immediately discontinue all Services and transfer title and deliver or return to the Company all Work Product (including work in process, completed work, supplies and other materials produced or acquired for the Services, as well as the completed or partially completed information and other property that, if this Agreement had been completed, would be required to be furnished or delivered or returned to the Company).

(c) In the event this Agreement is terminated by the Company pursuant to Sections 1(d), 1(g), or 2(ii), (i) Consultant's right to receive, and the Company's obligation to pay, any amounts as reimbursement, fee or other compensation under this Agreement, including the Consulting Fee or any Additional Consulting Fee, as applicable, whether already accrued or not, shall automatically be extinguished; provided, however, such termination shall not relieve any Party from any *other* obligation accruing or accrued to the date of such termination; (ii) such termination shall not deprive any Party not in default of any remedy otherwise available to it; (iii) the indemnification provisions of this Agreement shall survive such termination relative to all claims and other indemnified matters, discovered or undiscovered, arising out of, in connection with, or incident to this Agreement; and (iv) the obligations of the Parties set forth in Sections 4, 5, 6, 8, 10, 11, 12, 14 and 17 shall survive such (termination of this Agreement).

(e) In the event this Agreement is terminated pursuant to Section 1(h), (i) Consultant's right to receive, and the Company's obligation to pay, any amounts as reimbursement, fee or other compensation under this Agreement, including the Consulting Fee and any Additional Consulting Fee, as applicable, whether already accrued or not, shall automatically be extinguished, (ii) Consultant shall be obligated to repay to the Company any amounts already paid by the Company as reimbursement, fee or other compensation under this Agreement, including the Consulting Fee and any Additional Consulting Fee, as applicable, and (iii) except with respect to Consultant's continuing obligations under Sections 4-6 of this Agreement, the Parties shall have no further obligations to one another under this Agreement. The foregoing notwithstanding, such termination of this Agreement shall not deprive the Company of any remedy otherwise available to it for Consultant's breach of its obligations under Sections 4-6 of this Agreement, and the indemnification provisions of this Agreement shall survive such termination relative to all claims and other indemnified matters, discovered or undiscovered, arising out of, in connection with, or incident to this Agreement.

(f) In the event this Agreement expires as specified in Section 2(i), or is terminated by Consultant as specified in Section 2(iii), (i) such expiration or termination, as applicable, shall not relieve any Party from any obligation accruing or accrued as of the applicable Date of Termination and shall not deprive a Party not in default of any remedy otherwise available to it, (ii) subject to Consultant's satisfaction of Section 3(e) and any right of retainage or withholding herein set forth, Consultant shall be entitled to receive a Consulting Fee for the month in which the Date of Termination occurred, prorated for any partial month, and, if applicable, any Additional Consulting Fees incurred by Consultant for such month, pursuant to the express terms of this Agreement, (iii) if Consultant fails to satisfy Consultant's obligations under Section 3(e), then Consultant shall not be entitled to the payment outlined in the immediately preceding clause (ii) and Consultant shall be obligated to repay to the Company any amounts already paid by the Company for reimbursement, fee or other compensation under this Agreement, including the Consulting Fee and any Additional Consulting Fee, as applicable, and (iv) the indemnification provisions of this Agreement shall survive such termination relative to all claims and other indemnified matters, discovered or undiscovered, arising out of, in connection with, or incident to this Agreement, and (v) the obligations of the Parties set forth in Sections 4, 5, 6, 8, 10, 11, 12, 14 and 17 shall survive the expiration or termination of this Agreement.

18. Controlled Substances Weapons. Consultant acknowledges, and agrees to advise its Representatives, that it is the policy of the Company that: (a) the use, possession, and/or distribution of illegal or unauthorized drugs, drug related paraphernalia, or weapons on the Company's premises is prohibited, and the use or possession of alcoholic beverages, except where authorized by the Company's management, also is prohibited; (b) entry onto or presence on the Company's premises by any person, including Consultant, constitutes consent by each such person to have its person and personal effects searched by the Company or the Company's representative, with or without advance notice, for such prohibited items; and (c) any person who is found in violation of the policy or who refuses to permit a search may be removed and barred from the Company's premises, at the discretion of the Company.

19. Other Agreements; Modifications. Except for the Separation Agreement, this Agreement supersedes all other preceding agreements and understandings between the Parties and their affiliates regarding the performance of the Services and constitutes the entire agreement and understanding of the Parties regarding the performance of the Services. Each Party represents and warrants that no promise or agreement which is not herein expressed has been made to it in executing this Agreement, and that it is not relying on any statement or representation made that is not in writing in this Agreement. Each Party is relying on its own judgment in executing this Agreement, after having had the opportunity to consult with legal counsel of its choosing. This Agreement may not be amended, modified, superseded, canceled, renewed, or extended without a written instrument executed by both Parties.

20. Drafting Party. This Agreement is the result of arms-length negotiations between the Parties. In reviewing and negotiating this Agreement, each Party had the opportunity to consult legal counsel of its own choosing and each Party participated in the review and negotiation of this Agreement. Accordingly, any rule of construction against the drafting party shall have no application to this Agreement.

21. Representations. Consultant represents that it is not a party to any restrictive agreement limiting its activities in providing the Services. Consultant further represents that at the time of the execution of this Agreement, Consultant knows of no written or oral contract or of any other impediment that would inhibit or prohibit this consulting arrangement with the Company.

22. Advertising and Publicity. The Company shall not use the name of Consultant or of any of its Representatives in any advertising, publicity, or selling material without prior written approval of Consultant. Consultant shall not use the name of the Company, its affiliates or any of its or their Representatives in any advertising, publicity, or selling material without prior written approval of the Company.

23. Interpretation. In this Agreement (including the Exhibits), except to the extent otherwise provided or that the context otherwise requires:

(a) When a reference is made to a Section or Exhibit, such reference is to a Section of, or an Exhibit to, this Agreement unless otherwise indicated;

(b) Headings are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement or an Exhibit;

(c) whenever the words "include," "includes" or "including" are used, they are deemed to be followed by the words "without limitation";

(d) the words "hereof," "herein" and "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular provision of this Agreement;

(e) references to any statute, rule or regulation are to the statute, rule or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes, include any rules and regulations promulgated under said statutes) and to any section of any statute, rule or regulation include any successor to said section;

(f) references to a person are also to its successors and permitted assigns;

- (g) the use of "or" is not intended to be exclusive unless expressly indicated otherwise;
- (h) words importing the singular include the plural and vice versa and words importing gender include all genders; and
- (i) references to "\$" refer to U.S. Dollars unless otherwise indicated.

24. QHSE Compliance. Consultant shall comply with Company's Quality, Health, Safety and Environment ("QHSE") policies upon the Company's furnishing the QHSE policies to Consultant. Company may undertake an independent QHSE audit of Consultants at Company's sole discretion.

Consultant shall be solely responsible for the health and safety of its agents, employees and subcontractors' employees engaged in work. Consultant and its subcontractors shall comply with all applicable health, environment and safety standards, codes and regulations whether defined by the Government/Federal regulatory bodies, Company or Company's clients (whichever are the most stringent). Consultant's responsibilities include but shall not be limited to:

- (a) Consultant shall exercise due care, skill and diligence and take all necessary measures and precautions to insure that in the execution of the work, safe working practices are observed.
- (b) Consultant shall take all reasonable precautions to protect the environment during the performance of work; and
- (c) If requested by the Company, Consultant shall promptly furnish Company full reports of any incidents involving Consultant's agents, employees or property connected with the work and shall update such reports as reasonably necessary. Such reports and updates shall contain a description of the circumstance of any personal injury, treatment provided, number of restricted or lost work days, the date of return to work and a description of any lasting impairment. Consultant shall provide similar reports to Company for all its subcontractors.

25. Compliance with U.S. Export Control and OFAC Laws. Consultant acknowledges that VAALCO's products and technology may be subject to U.S. export control laws, OFAC regulations and/or other directives of various countries (collectively, the "Export Control and OFAC Laws"). Consultant represents and warrants that it will comply fully with all such applicable Export Control and OFAC Laws, including any provisions relating to licensing, reporting or disclosure requirements. Consultant agrees not to release any technology to any persons or entities with which, under any Export Control and OFAC Laws, the Company (or the Company's affiliates) are restricted or prohibited from transacting business (including, without limitation, any persons who are citizens or residents of Cuba, Iran, North Korea, Sudan, Syria or the Region of Crimea). Consultant specifically agrees to abide by the U.S. Export Administration Regulations ("EAR") and the OFAC regulations in reference to the U.S. Russian Industry Sectoral Sanctions ("RISS").

/SIGNATURE PAGE FOLLOWS-REST OF PAGE INTENTIONALLY BLANK/

Confidential

IN WITNESS WHEREOF, the Parties have caused this Agreement to be effective as of the Effective Date.

COMPANY:

VAALCO ENERGY, INC.

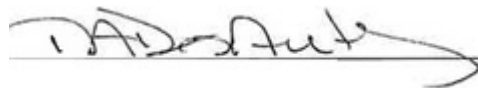
By: _____



Name: George Maxwell

Title: Chief Executive Officer

CONSULTANT:



David DesAutels

EXHIBIT "A"

CERTIFICATION OF COMPLIANCE

In addition to the requirements set forth under the Agreement, the Consultant must comply with the following additional compliance terms and conditions. In the event of any conflict between the Agreement and this Certification, the more stringent terms and conditions shall control.

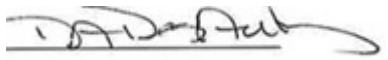
1. Compliance with Anti-Corruption Laws. Consultant represents, warrants, and agrees that it has knowledge of applicable anti-corruption laws, including the United States Foreign Corrupt Practices Act ("FCPA"), and other applicable anti-bribery and anti corruption laws and regulations. Consultant represents, warrants, and agrees that neither it nor any of its employees, agents, or other Representatives will directly or indirectly take any action that would constitute a violation of applicable anti-corruption laws with respect to any activities performed by the Consultant related to the Company's business.
2. Prohibition on Improper Payments.
 - a. Consultant represents, warrants, and agrees that, in connection with the services to be performed for the Company, neither it nor any of its employees, agents, or other Representatives has or will pay, offer, promise to pay, or authorize the payment, or offer or promise to pay, directly or indirectly, any monies or anything else of value to any current or former Government Official (defined below), for the purposes of:
 1. Influencing any act, inaction, or decision of, such persons in their official capacity; or
 11. Securing any improper advantage from such persons; or
 111. Inducing any such persons to use their influence with a government, or agency or instrumentality thereof, to affect or influence any act or decision of such government, or agency or instrumentality thereof.
 - b. Consultant acknowledges that, for purposes of this Certification, a "Government Official" is:
 1. Any director, officer, or employee of any government, or any department, agency, instrumentality, or entity owned or controlled by a government outside the U.S. (e.g., a state-owned utility company);
 11. Any person acting in an official capacity for or on behalf of any such government, department, agency, instrumentality, or entity;
 111. Any officer or employee of any political party or faction outside the U.S.; 1v. Any candidate for political office outside the U.S.; or
 - v. Any director, officer, or employee of any public international organization, like the World Bank.

3. Additional Payments. Consultant agrees that it will not pay, or offer, or agree to pay:
 - a. Any political contribution or charitable donation in respect of any business for which it provides services to the Company.
 - b. Any facilitating payment or "grease" payment in respect of any business for which it provides services to the Company.
4. Relationships with Government Officials. Consultant represents and warrants that, except as otherwise disclosed directly to the Company in writing, none of Consultant's employees, agents, or other Representatives or any close family member (i.e. spouse, child, parent, or sibling) of a Representative, is presently a Government Official, or has been a Government Official in the past year. Consultant will notify the Company promptly in writing if any of Consultant's employees, agents, or other Representatives, or any family member of a Representative, becomes a Government Official.
5. Compliance with Company's Anti-Facilitation of Tax Evasion Policy. Consultant represents, warrants, and agrees that, in connection with the services to be performed for the Company, neither it nor any of its employees, agents, or other Representatives has or will:
 - a. engage in any form of facilitating tax evasion in any country;
6. Accurate Records and Internal Controls. Consultant agrees that it will maintain proper and accurate books, records, and accounts, which accurately and fairly reflect any and all payments made, expenses incurred, and assets disposed. Consultant agrees that it will maintain an internal accounting controls system that ensures the proper authorization, recording, and reporting of all transactions, and that provides reasonable assurance that violations of applicable anti-corruption laws will be prevented, detected, and deterred. Consultant agrees to maintain such books and records for five (5) years, or longer as necessary to enable the Company to conduct a reasonable review of such books and records related to all services performed by Consultant on the Company's behalf.
7. Audit Rights. Consultant agrees that it will permit, upon a good faith request by the Company, an audit by the Company's personnel and/or an independent auditor working on the Company's behalf, of Consultant's transactions and activities that relate to the services performed by Consultant on the Company's behalf. Consultant agrees that such auditor shall have full and unrestricted access to, and shall be permitted to conduct reviews of, all records related to the work performed for the Company, and to report any violation of any of the applicable laws and regulations, or of the compliance provisions of its contract with the Company, to the Company with respect to:
 - a. The effectiveness of Consultant's existing compliance program and any codes of conduct;
 - b. The origin and legitimacy of any funds paid to the Company;

- c. Its books, records, and accounts, or those of any of its subsidiaries, joint ventures, or affiliates, related to work performed for, or services or equipment provided to, the Company;
 - d. All disbursements made for or on behalf of the Company; and
 - e. All funds received from the Company in connection with work performed for the Company.
8. Audit Certification. Consultant shall certify to the Company the results of any periodic internal and independent audit that it conducts with respect to (1) work performed for the Company and (2) Consultant's compliance with all applicable laws and regulations.
9. Accuracy of Representations and Information. Consultant represents and warrants that all representations, warranties, and covenants set forth in this Certification are truthful and accurate. Consultant shall notify the Company in writing immediately upon the occurrence of any event that would render the representations, warranties, and covenants contained herein incorrect.

As a duly appointed representative of Consultant, I warrant that I am authorized to sign this Certification for and on behalf of Consultant.

Name of Consultant: DAVID DESJARDIS

Signature of Consultant: 

Title: _____

Date: March 8 2023

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, George W.M. Maxwell, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of VAALCO Energy, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2023

/s/ George W.M. Maxwell

George W.M. Maxwell
Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ronald Bain, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of VAALCO Energy, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2023

/s/ Ronald Bain

Ronald Bain

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of VAALCO Energy, Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George W.M. Maxwell, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 10, 2023

/s/ George W.M. Maxwell

George W.M. Maxwell, Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of VAALCO Energy, Inc. (the “Company”) on Form 10-Q for the quarterly period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Ronald Bain, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 10, 2023

/s/ Ronald Bain

Ronald Bain, Chief Financial Officer
(Principal Financial Officer)