

# Acquisition of Sasol Gabon Assets

Transformational & Strategic  
Transaction

November 17, 2020



VAALCO ENERGY, INC.

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Estimates of reserves provided in this presentation are estimates only and there is no guarantee that estimated reserves will be recovered. Actual reserves may be greater than or less than estimates provided in this presentation and differences may be material. There is no assurance that forecast price and cost assumptions applied by NSAI or by the Company in evaluating VAALCO's reserves will be attained and variances could be material. References to thickness of oil pay or of a formation where evidence of hydrocarbons have been encountered is not necessarily an indicator that hydrocarbons will be recoverable in commercial quantities or in any estimated volume. Well test results should be considered as preliminary and not necessarily indicative of long-term performance or of ultimate recovery. Well log interpretations indicating oil accumulations are not necessarily indicative of future production or ultimate recovery.

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# Acquisition Highlights

## Immediately Accretive to VAALCO

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- ❑ Acquiring an additional 27.8% WI in the VAALCO operated Etame Marin block offshore Gabon, increasing VAALCO's total WI to 58.8%
  
- ❑ Nearly doubles VAALCO's total net production and reserves
  - ❑ Increases NRI production from 4,850 BOPD to 9,150 BOPD based on current month production
  
  - ❑ Increases year-end 2019 SEC reserves<sup>(1)</sup> from 5.0 MMBO to 9.4 MMBO
  
  - ❑ Increases year-end 2019 independent 2P CPR reserves<sup>(2)</sup> from 9.2 MMBO to 17.5 MMBO
  
- ❑ Immediately accretive to VAALCO, with estimated increase of 23% in free cash flow per barrel<sup>(3)</sup> from approximately \$10.90 to \$13.30 at \$45 realized oil price
  
- ❑ Upside optionality from acquisition of Sasol's 40% non-operated participating interest in Block DE-8 offshore Gabon
  - ❑ Potentially drilling an appraisal well in 2021, with estimated net costs of between \$7 - \$9 million

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# Acquisition Terms

## Expected to Close in the Next 90 Days

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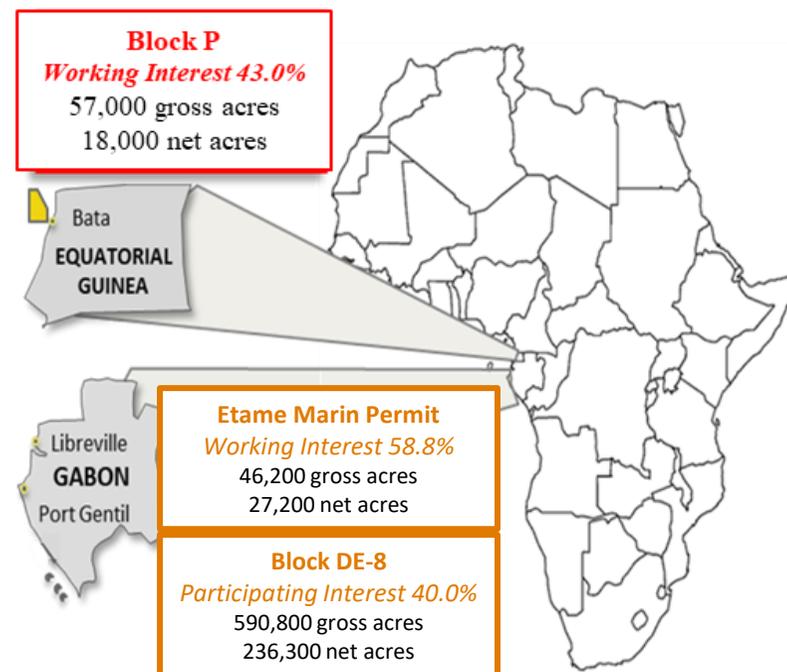
- ❑ Total consideration to Sasol for the entire transaction of \$44 million, subject to customary post-effective date adjustments, and future contingent payments of up to \$6 million
- ❑ Effective date is July 1, 2020 and expected to close in 90 days
- ❑ Cash paid at closing is expected to be less than \$44 million to account for net cash flows attributable to the period from the July 1, 2020 effective date until the closing date
  - ❑ Interim cash flows from July 1 to Sept. 30 adjusted for their ownership interest, were ~\$5.5 million
- ❑ Funding for the acquisition will be from cash on hand and cash from operations
- ❑ Closing conditions include receipt of all necessary written consents, approvals or waivers
- ❑ Contingent payments:
  - ❑ \$5 million if Brent averages >\$60/bbl for 90 consecutive days during 7/1/20 to 6/30/22
  - ❑ \$1 million if DE-8 appraisal well is successful

*Reserves, Production and Financial Results for the Interests Being Acquired Will be Included in VAALCO's Results for Periods After the Closing Date of the Transaction*

# Transformational & Strategic Transaction

## Increases Size and Scale<sup>(1)</sup> (Highlighted below)

- International E&P focused on low-risk, producing assets in West Africa
- Operator of Gabon offshore Etame license
  - Etame Joint Owners Participating Interests<sup>(1)</sup>**: VAALCO (operator) **63.6%**, Addax (Sinopec) 33.9%, PetroEnergy 2.5%
- Produced ~118 gross MMBO to date with remaining reserves and resources of ~116 gross MMBO at Etame<sup>(3)</sup>
- Highly successful 2019/2020 work program; resulting in estimated 40% increase in production for FY'20 over FY'19
  - Inventory of well locations available for multiple future drilling campaigns at Etame
  - Acquired new proprietary 3-D seismic data over entire Etame Marin block to optimize and de-risk future drilling locations as well as identify new potential locations
- Significant potential in Equatorial Guinea
- New non-operated opportunity in Block DE-8 offshore Gabon, with an existing discovery and potential appraisal well in 2021**
- Strong balance sheet with no debt

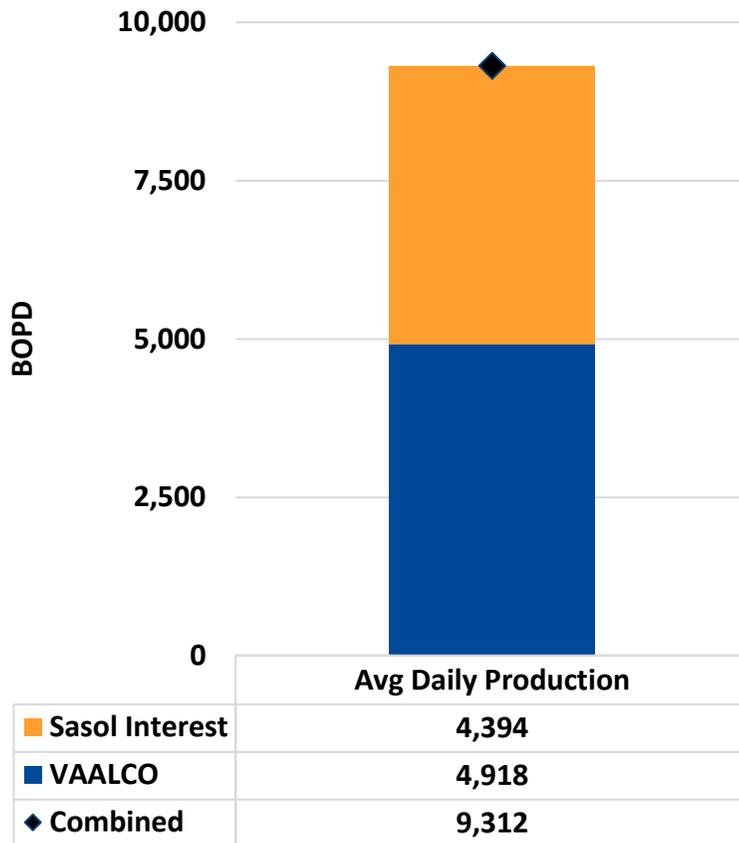


	<u>Gross</u>	<u>WI<sup>(2)</sup></u>	<u>NRI<sup>(3)</sup></u>
YE'19 SEC Proved Reserves (MMBO) <sup>(5)</sup>	18.4	10.8	9.4
YE'19 2P CPR Reserves (MMBO) <sup>(6)</sup>	34.3	20.1	17.5
YTD Sept 2020 Production (BOPD)	18,201	10,703	9,312

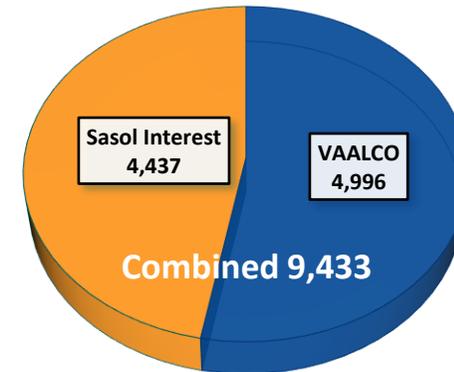
# Step Change in Total NRI Production and Reserves

Nearly Doubles Size and Scale

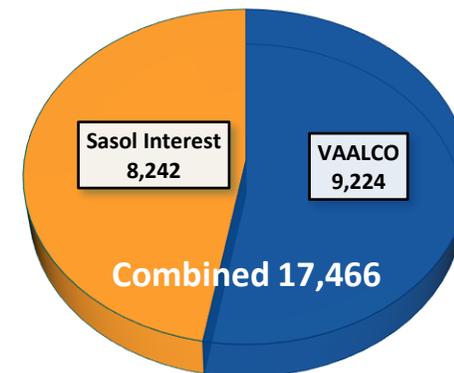
YTD Sept 2020 NRI Production



2019 YE PROVED SEC RESERVES<sup>(1)</sup> (MBBLS)



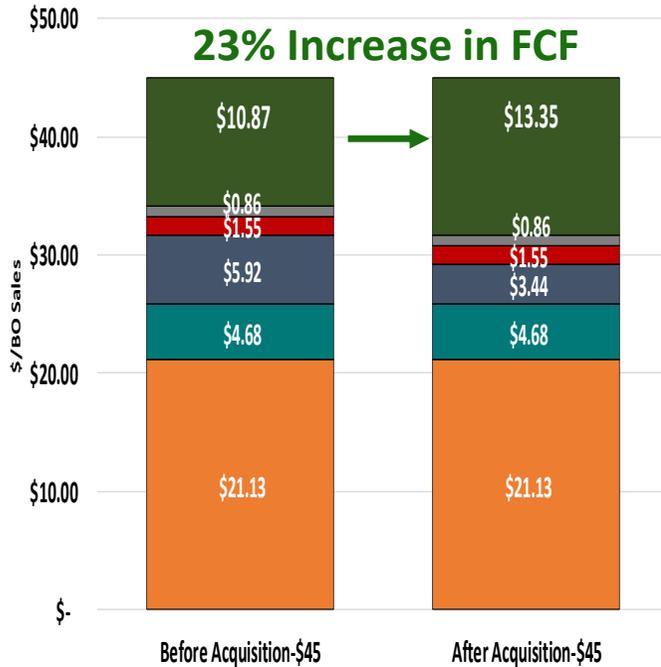
2019 YE 2P CPR RESERVES<sup>(2)</sup> (MBBLS)



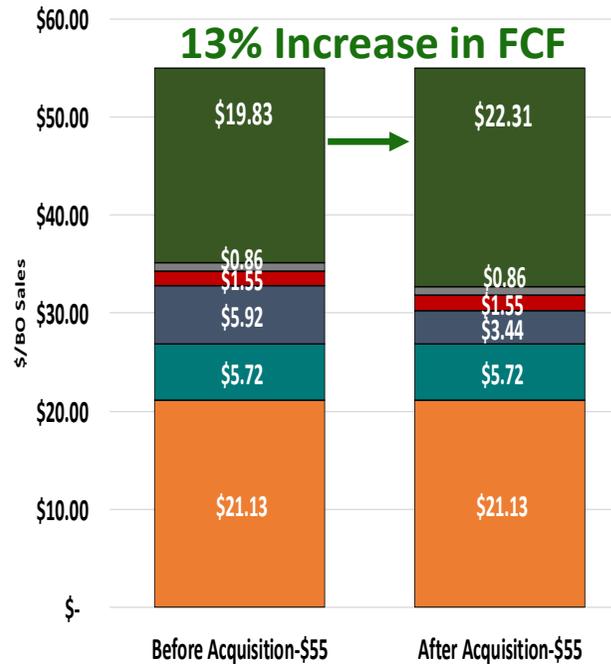
# VAALCO Free Cash Flow Overview (2020E)

## Acquisition Increases Free Cash Flow per Barrel

2020 Free Cash Flow Per Barrel @\$45 Realized Oil Price



2020 Free Cash Flow Per Barrel @\$55 Realized Oil Price



- Each \$5/barrel improvement in oil price:
  - Increases Free Cash Flow by ~\$15 million
  - Increases Adjusted EBITDAX by ~\$17 million
- Free cash flow per barrel excludes Hedging and Capex
- Approximately 90% of estimated opex is fixed, resulting in enhanced margins with additional volumes

■ OPEX <sup>(1)</sup>
■ Tax 
 ■ G&A <sup>(2)</sup>
■ Workovers 
 ■ ARO <sup>(3)</sup>
■ FCF

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**Expected to Reduce Free Cash Flow Breakeven from \$33/Bbl to <\$31/Bbl**

# Reserves and Resources at Etame

## Organic Growth Opportunities

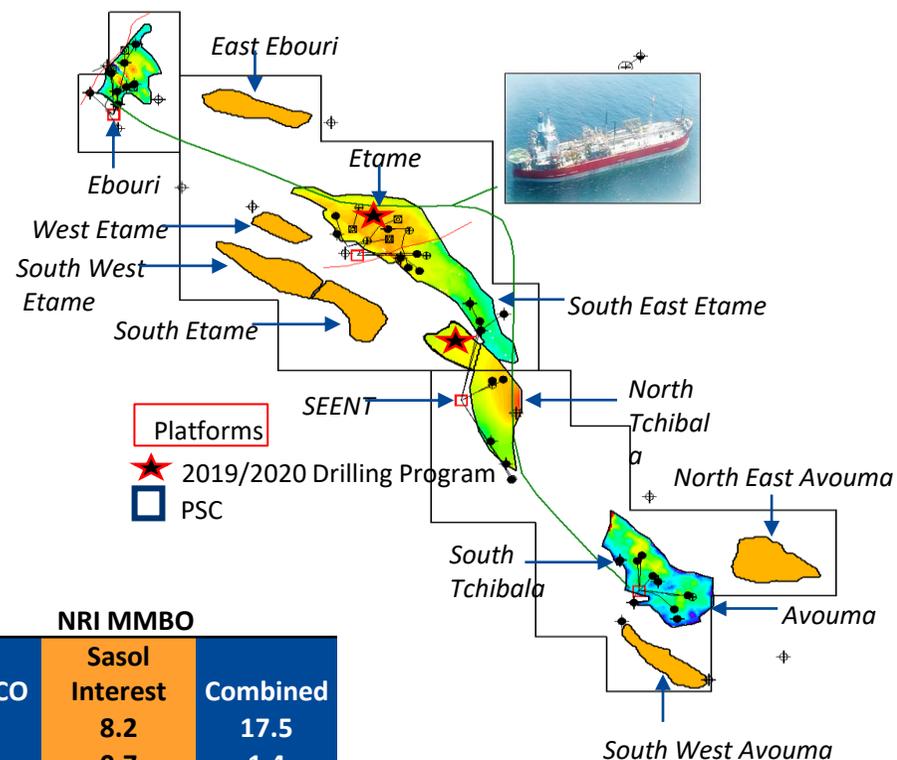
**Gamba Extensions:** 3 South East Etame and 2 South Tchibala Gamba wells

**Gamba Leads/Prospects:** 5 potential satellite prospects identified

**Dentale Sub Crop & Dentale Development:** 3 sub crop wells and 10 development wells

**Crude Sweetening Project:** Reactivation of 3 shut in wells, 3 potential new wells and testing a satellite prospect

**Extension beyond 2028:** Reserves and resources beyond economic life up to 2038 for PSC



	Gross MMBO				NRI MMBO		
	2P	Contingent <sup>(1)</sup>	Prospective <sup>(2)</sup>	Total	VAALCO	Sasol Interest	Combined
CPR @ 12/31/2019	34.3 <sup>(1)</sup>	-	-	34.3	9.2	8.2	17.5
South East Etame 4H	2.7 <sup>(3)</sup>	-	-	2.7	0.7	0.7	1.4
Future Opportunities:							
Gamba Extensions	-	-	10.0	10.0	2.7	2.4	5.1
Gamba Satellite Prospects	-	-	20.3	20.3	5.5	4.9	10.4
Dentale Sub Crop	-	3.2	2.1	5.3	1.4	1.3	2.7
Dentale Development Wells	-	4.5	11.1	15.6	4.2	3.8	8.0
Crude Sweetening Project	-	6.1	8.2	14.3	3.9	3.5	7.3
Extension based on economics	-	13.7	-	13.7	3.6	3.2	6.8
<b>Total</b>	<b>37.0</b>	<b>27.5</b>	<b>51.7</b>	<b>116.2</b>	<b>31.3</b>	<b>27.9</b>	<b>59.2</b>

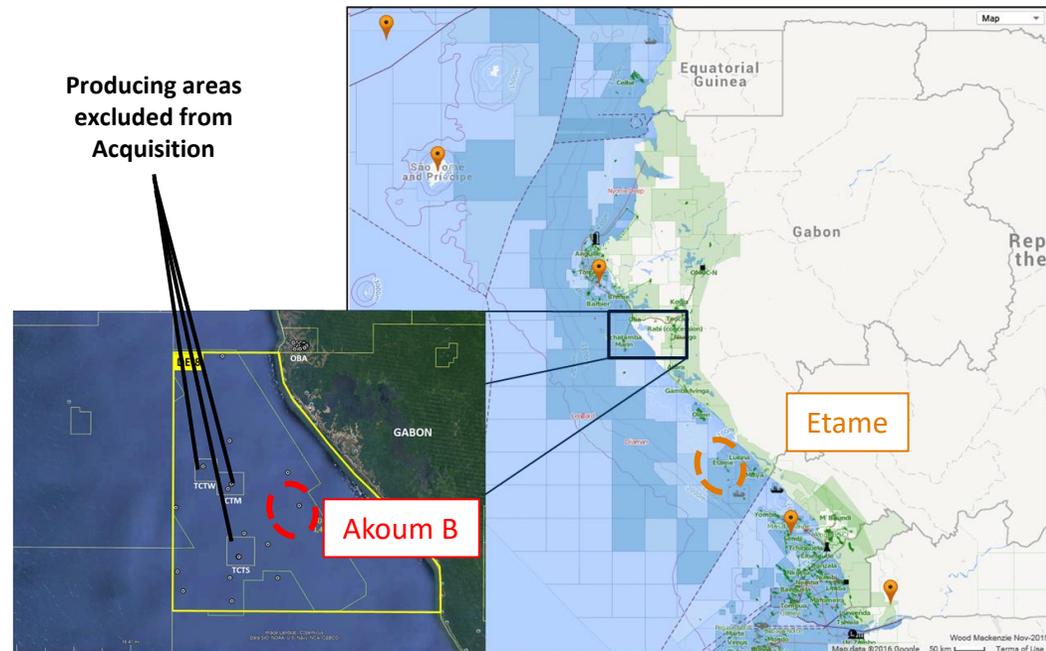
# Block DE-8 Offshore Gabon

## Diversifying and Adding to the Portfolio

- VAALCO is acquiring a 40% non-operated participating interest<sup>(1)</sup> in Block DE-8 offshore Gabon
  - Perenco is the operator, holding the remaining 60%
  - Located in shallow waters and encompasses multiple existing producing fields that are not part of the transaction and are carved out of the contract area
  - Working interest is subject to government rights for a 20% carried interest and 10% back-in interest and 14% royalty
- SPA includes interest in the Akoum-B discovery that was drilled in 2003
- Potential appraisal well on Akoum-B discovery in 2021
  - Estimated net cost to drill the appraisal well at between \$7 million and \$9 million
- Successful appraisal well could be tied back through a subsea completion to Perenco's existing platform

### DE-8 Overview

- ~ 180 miles NW of Etame
- Water depth 0 - 100 meters (block straddles Gabon shoreline)
- ~ 75% covered in 3D seismic
- Multiple Cretaceous stacked sandstone and carbonate reservoirs



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# Near-Term and Long-Term Catalysts

## Acquisition Enhances Upside Potential

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### Etame – Seismic & Future Drilling

- New proprietary 3-D seismic data over entire Etame Marin block projected to be completed Q4'20
- Optimizes future drilling locations, provides better imaging of existing satellite and infill locations, as well as identifies additional upside opportunities
- High upside potential with relatively low risk Gamba satellite and extension prospects targeted for 2021/2022 drilling program
- PSC in place for up to 20 years with significant remaining reserves and resources of ~116 gross MMBO at Etame

### Block DE-8

- Adds upside optionality
- Potential Akoum-B appraisal well in 2021
- Estimated net cost to drill appraisal well is \$7 - \$9 million
- Successful well could be tied back through a subsea completion to existing Perenco-operated platform

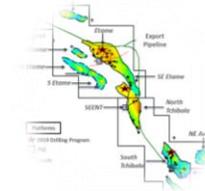
### Equatorial Guinea Block P

- Future potential with PSC license period of 25 years from date of approval of a development and production plan
- Ongoing farmout discussions with Levene where they will potentially cover all, or substantially all, exploratory well costs
- 16.5 MMBOE unrisks gross 2C resource Venus discovery; 7.9 MMBOE unrisks gross 2C resource Europa discovery
- Well defined exploration opportunity with 164 MMBOE unrisks gross resource potential in SW Grande

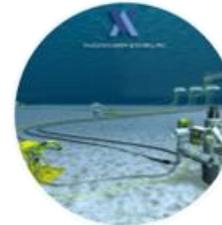
# Vision 2025

## Roadmap to Transformational Growth

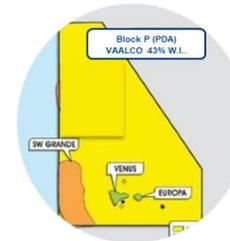
- *Achieve material increase in scale as a premier Africa operator*
- Maintain operational excellence, cost discipline and strong balance sheet
- Execute work programs at Etame to grow production and reserves
- Partner with established African company in Equatorial Guinea
- *Pursue value accretive M&A opportunities within strategic focus*



2019/20 Etame License Work Program



Future Etame License Work Programs



Equatorial Guinea – Block P



New Ventures and M&A

**Delivering Profitable Growth Through Acquisitions and Operational Execution  
In Line with Our Strategic Objectives**

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# Sasol Acquisition Is Ideal Growth Transaction

**Value Accretive and Consistent with Growth Strategy**

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**Nearly Doubles VAALCO's Total Net Production and Reserves**

**Estimated to Increase VAALCO's Free Cash Flow Per Barrel by ~ \$2.40**

**Non-Operated WI in Block DE-8 with Upside Optionality, Includes an Existing Discovery and Potential Appraisal Well in 2021 Providing a Near-Term Catalyst**

**Total Consideration to Sasol for the Entire Transaction of \$44 Million, Subject to Customary Post-Effective Date Adjustments and Contingent Payments**

**Funding for the Acquisition Will be From Cash on Hand and Cash From Operations**

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