

This document (the “**Prospectus**”) comprises a prospectus relating to VAALCO Energy, Inc. prepared in accordance with the prospectus regulation rules of the Financial Conduct Authority (the “**FCA**”) made under section 73A of FSMA (the “**Prospectus Regulation Rules**”) and has been approved as a prospectus by the FCA as competent authority under the UK version of Regulation (EU) 2017/1129 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018 (the “**UK Prospectus Regulation**”). The FCA only approves the Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation in respect of a prospectus. Such approval should not be considered as an endorsement of VAALCO that is, or the quality of the securities that are, the subject of the Prospectus. Investors should make their own assessment as to the suitability of investing in the securities. The Prospectus will be made available to the public in accordance with Rule 3.2 of the Prospectus Regulation Rules.

As the Arrangement is classified as a reverse takeover under the Listing Rules, the listing of the Existing Common Shares will be cancelled and applications have been made to the FCA for all of the Existing Common Shares to be re-admitted to the standard segment of the Official List and to the London Stock Exchange for all of the Existing Common Shares to be re-admitted to trading on the London Stock Exchange’s Main Market for listed securities (together, “**Re-admission**”).

Applications have also been made to the FCA for the Consideration Shares to be admitted to the standard segment of the Official List and to the London Stock Exchange for the Consideration Shares to be admitted to trading on the London Stock Exchange’s Main Market for listed securities (together, “**Admission**”).

It is expected that Re-admission and Admission will take place simultaneously and that dealings in the Existing Common Shares will recommence and that dealings in the Consideration Shares will commence at 8:00am on 14 October 2022.

VAALCO, the Directors and the Proposed Directors, whose names appear in Part 7 (*Directors, secretary, registered and head office and advisers*) of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge of VAALCO, and the Directors and the Proposed Directors, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

**Prospective investors should read this Prospectus in its entirety. In particular, your attention is drawn to Part 2 (*Risk factors*) of this Prospectus for a discussion of the risks that might affect the value of your shareholding in VAALCO. Prospective investors should be aware that an investment in VAALCO involves a degree of risk and that, if certain risks described in this Prospectus occur, investors may find their investment materially adversely affected. Accordingly, an investment in the Common Shares is only suitable for investors who are particularly knowledgeable in investment matters and who are able to bear the loss of the whole or part of their investment. You should not rely solely on information summarised in the Part 1 “Summary”.**

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## VAALCO Energy, Inc.

*(incorporated in the State of Delaware, U.S. with registration file number 2188793)*

### **Re-admission of the Existing Common Shares and Admission of up to 49,315,007 Consideration Shares to the standard segment of the Official List and to trading on the London Stock Exchange’s Main Market for listed securities**

*Financial Adviser*

## STIFEL

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Stifel Nicolaus & Company, Incorporated (“**Stifel**”) is a broker-dealer registered with the U.S. Securities Exchange Commission and member of the Financial Industry Regulatory Authority in the United States. Stifel is acting exclusively for VAALCO and no one else in connection with the Arrangement, Re-admission and Admission. Stifel will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Arrangement, Re-admission or Admission and will not be responsible to anyone other than VAALCO for providing the protections afforded to its clients or for the giving of advice in relation to the Arrangement, Re-admission or Admission or any transaction, matter or arrangement referred to in this Prospectus. Neither Stifel nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Stifel in connection with this announcement, any statement contained herein, the offer or otherwise. Apart from the responsibilities and liabilities, if any, which may be imposed on Stifel by the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, neither Stifel nor any of its affiliates accepts any responsibility whatsoever for and no representation, express or implied, is made by it, or purported to be made on its behalf, in relation to the contents of this Prospectus, including its accuracy, completeness and verification or for any other statement made or purported to be made by it, or on its behalf, in connection with VAALCO, the Common Shares or the Arrangement, Re-admission or Admission. Each of Stifel and its affiliates accordingly disclaims, to the fullest extent permitted by applicable law, all and any responsibility or liability, whether arising in tort, contract or otherwise (save as referred to above), which they might otherwise be found to have in respect of this Prospectus or any such statement or otherwise. No representation or warranty, express or implied, is made by any of Stifel or any of its affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this Prospectus, and nothing in this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future.

Stifel and its affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, VAALCO for which they would have received customary fees. Stifel and its affiliates may provide such services to VAALCO and any of its affiliates in the future.

Evercore Partners International LLP (“**Evercore**”) is authorised and regulated by the FCA in the UK. Evercore is acting exclusively for TransGlobe and no one else in connection with the Admission. Evercore will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Admission and will not be responsible to anyone other than TransGlobe for providing the protections afforded to its clients or for the giving of advice in relation to the Arrangement or any transaction, matter or arrangement referred to in this Prospectus. Neither Evercore nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Evercore in connection with this announcement, any statement contained herein, the offer or otherwise. Apart from the responsibilities and liabilities, if any, which may be imposed on Evercore by the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, neither Evercore nor any of its affiliates accepts any responsibility whatsoever for and no representation, express or implied, is made by it, or purported to be made on its

behalf, in relation to the contents of this Prospectus, including its accuracy, completeness and verification or for any other statement made or purported to be made by it, or on its behalf, in connection with TransGlobe or the Arrangement. Each of Evercore and its affiliates accordingly disclaims, to the fullest extent permitted by applicable law, all and any responsibility or liability, whether arising in tort, contract or otherwise (save as referred to above), which they might otherwise be found to have in respect of this Prospectus or any such statement or otherwise. No representation or warranty, express or implied, is made by any of Evercore or any of its affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this Prospectus, and nothing in this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future.

Evercore and its affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, TransGlobe for which they would have received customary fees. Evercore and its affiliates may provide such services to TransGlobe and any of its affiliates in the future.

Canaccord Genuity Limited (“**Canaccord**”), a member firm of the LSE, is authorised and regulated by the FCA and acts as broker to VAALCO and as nominated adviser and broker to TransGlobe. Canaccord acts solely for VAALCO and TransGlobe in the capacities noted above, and will not be responsible to anyone other than VAALCO and TransGlobe for providing the protections afforded to its customers or for advising any other person in relation to the contents of any transaction or arrangement referred to in this Prospectus. Canaccord’s responsibilities as TransGlobe’s nominated adviser under the AIM Rules for Companies and the AIM Rules for Nominated Advisers are owed solely to the LSE and are not owed to TransGlobe. Canaccord has not authorised the contents of this Prospectus (or any part of it) and no representation or warranty (express or implied) is made, or liability accepted, by Canaccord as to any of the contents of this Prospectus without prejudice to any liability for, or remedy in respect of, fraudulent misrepresentation.

Persons who come into possession of this Prospectus should inform themselves about and observe any applicable restrictions and legal, exchange control or regulatory requirements in relation to the distribution of this Prospectus. Any failure to comply with such restrictions or requirements may constitute a violation of the securities laws of any such jurisdiction. The contents of this Prospectus should not be construed as legal, business or tax advice.

This Prospectus has been prepared solely to apply to the FCA and the London Stock Exchange for the Existing Common Shares to be re-admitted and for the Consideration Shares to be admitted to the standard segment of the Official List and to trading on the London Stock Exchange’s Main Market for listed securities. It does not constitute an offer of, or the solicitation of an offer to subscribe for or buy, any Common Shares anywhere in the world.

No Consideration Shares or any other securities in VAALCO have been marketed to, or are available for purchase, in whole or in part, by the public in the UK or elsewhere in connection with the admission of the Consideration Shares to the standard segment of the Official List and the London Stock Exchange’s Main Market for listed securities, except to TransGlobe’s Shareholders (in respect of the Consideration Shares). Save as aforesaid, this Prospectus does not constitute or form part of any invitation to purchase, subscribe for, sell or issue, or any solicitation of any offer to purchase, subscribe for, sell or issue, Common Shares.

Any persons (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this Prospectus or any accompanying documents should seek appropriate advice before taking any action. The distribution of this Prospectus and any accompanying documents into jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. The Consideration Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) or under the applicable securities laws of any state, district or other jurisdiction of the U.S., Australia, Canada or Japan and no regulatory clearance in respect of the Consideration Shares has been, or will be, applied for in any jurisdiction other than the UK. The Consideration Shares may not be re-offered, resold, delivered or distributed, directly or indirectly, in, into or from the U.S., Canada, Australia or Japan or to, or for the account or benefit of, any U.S. persons or resident of the U.S., Australia, Canada or Japan absent an exemption from, or not subject to, registration or an exemption under the Securities Act or other relevant securities law. The parties intend to rely upon the exemption from the registration requirements of the Securities Act pursuant to Section 3(a)(10) thereof with respect to the issuance of the Consideration Shares under the Arrangement. The Consideration Shares will be freely transferable under U.S. securities laws, except by persons who are “affiliates” (as defined in Rule 144) of VAALCO after the effective time, or were “affiliates” of VAALCO within 90 days prior to the effective time. Any resale of Consideration Shares by such an “affiliate” or former “affiliate” may be subject to the registration requirements of the Securities Act, absent an exemption therefrom, such as the exemption contained in Rule 144.

THE CONSIDERATION SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY OTHER FEDERAL OR STATE SECURITIES COMMISSION IN THE U.S. OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY SUCH AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE RE-ADMISSION OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE U.S.

You should rely only on the information contained in this Prospectus and contained in any documents incorporated into this Prospectus by reference. No person has been authorised to give any information or make any representations in relation to Re-admission or Admission other than those contained in this Prospectus and any document incorporated by reference and, if given or made, such information or representation must not be relied upon as having been so authorised by VAALCO, the Directors, the Proposed Directors, Stifel or Evercore. In particular, neither the content of VAALCO’s website nor the content of TransGlobe’s website forms part of this Prospectus and investors should not rely on any such content. VAALCO will comply with its obligation to publish supplementary prospectuses containing further updated information required by law or by any regulatory authority but assumes no further obligation to publish additional information.

A list of defined terms used in this Prospectus is set out in Part 27 (*Definitions*) of this Prospectus. A list of defined technical terms and conversions used in this Prospectus is set out in Part 28 (*Glossary of technical terms*) of this Prospectus.

## TABLE OF CONTENTS

	<i>Page</i>
Part 1 Summary	4
Part 2 Risk factors	11
Part 3 Presentation of financial and other information	53
Part 4 Consequences of a Standard Listing	59
Part 5 Expected timetable of principal events	61
Part 6 Issue statistics	62
Part 7 Directors, secretary, registered and head office and advisers	63
Part 8 Information about the Arrangement and the Enlarged Group	66
Part 9 Information on the VAALCO Group	81
Part 10 Information on the TransGlobe Group	103
Part 11 Market overview	115
Part 12 Gabon legal and regulatory framework	119
Part 13 Equatorial Guinea legal and regulatory framework	125
Part 14 Egypt legal and regulatory framework	131
Part 15 Canada legal and regulatory framework	139
Part 16 Operating and financial review relating to the VAALCO Group	153
Part 17 Operating and financial review relating to the TransGlobe Group	169
Part 18 CREST and Depositary Shares	190
Part 19 Capitalisation and indebtedness of the VAALCO Group	195
Part 20 Capitalisation and indebtedness of the TransGlobe Group	197
Part 21 Historical financial information relating to the VAALCO Group	199
Part 22 Historical financial information relating to the TransGlobe Group	201
Part 23 Unaudited pro-forma financial information of the Enlarged Group	203
Part 24 Taxation	219
Part 25 Directors, Proposed Directors, employees and corporate governance	226
Part 26 Additional information	235
Part 27 Definitions	297
Part 28 Glossary of technical terms	308

# PART 1

## SUMMARY

1.	<b>INTRODUCTION AND WARNINGS</b>
(a)	<b>Name and ISIN of the securities</b>
	The securities being re-admitted to trading are the 70,884,065 fully paid common shares of \$0.10 par value per common share (the “ <b>Existing Common Shares</b> ”), of which 11,057,521 common shares are held in treasury and 758,440 common shares are unvested common shares which are subject to forfeiture, and the new securities being admitted to trading are the up to 49,315,007 fully paid common shares of \$0.10 par value per common share (the “ <b>Consideration Shares</b> ”). The Common Shares have, and the Consideration Shares will have, an ISIN of US91851C2017 and a SEDOL of BK5V2S9. The LEI number for VAALCO is 549300CFHFVIWB8M6T24.
(b)	<b>Identity and contact details of the issuer</b>
	The issuer’s legal and commercial name is VAALCO Energy, Inc. (“ <b>VAALCO</b> ”). VAALCO was incorporated in 1985 and has its registered office is at 9800 Richmond Avenue, Suite 700, Houston, Texas 77042, U.S. VAALCO’s telephone number is +1 (713) 623 0801.
(c)	<b>Identity and contact details of the competent authority</b>
	The Prospectus has been approved by the UK Financial Conduct Authority, as the competent authority under the UK Prospectus Regulation, with its head office at 12 Endeavour Square, London E20 1JN, UK and telephone number +44 (0) 20 7066 1000. As VAALCO has not applied for the admission of any securities specified in article 1(2) of the UK Prospectus Regulation or any other specialist securities for which a prospectus is not required, VAALCO is not required to have listing particulars approved and published for its securities.
(d)	<b>Date of approval of the Prospectus</b>
	11 October 2022
(e)	<b>Warnings</b>
	This summary should be read as an introduction to the Prospectus. Any decision to invest in the Common Shares should be based on consideration of the Prospectus as a whole by prospective investors. Any decision to invest in the Common Shares may result in an investor losing all or part of its invested capital. Civil liability (and, under Delaware law, criminal liability) attaches only to those persons who have tabled the summary, including any translation of this Prospectus, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Common Shares.
2.	<b>KEY INFORMATION ON THE ISSUER</b>
(a)	<b>Who is the issuer of the securities?</b>
(i)	<b>Domicile and legal form, LEI, applicable legislation and country of incorporation</b> VAALCO is a public company, incorporated in the State of Delaware, U.S. with registration file number 2188793 and having its registered office, and business address for all of the Directors and Executive Officers, at 9800 Richmond Avenue, Suite 700, Houston, Texas 77042. VAALCO’s telephone number is +1 713 623 0801. The principal legislation under which VAALCO operates is the Delaware General Corporation Law (“ <b>DGCL</b> ”). The LEI number for VAALCO is 549300CFHFVIWB8M6T24.
(ii)	<b>Principal activities</b> VAALCO is the holding company of the VAALCO Group, which is engaged in the acquisition, exploration, development and production of crude oil and natural gas. VAALCO’s primary source of revenue to date has been from its Etame PSC within the Etame Marin Block, located in offshore Gabon in West Africa. VAALCO also currently owns an interest in an undeveloped portion of Block P, located in offshore Equatorial Guinea in West Africa. Following Completion, the Enlarged Group will additionally hold interests in producing assets in Egypt and Canada, providing increased diversification of production and revenue for the business, and an enlarged organic development opportunity set to enable optimised capital allocation and ranking.

(iii)	<p><b>Major Stockholders</b></p> <p>As at the Last Practicable Date, and insofar as is known to VAALCO, the following persons are directly or indirectly interested in five per cent or more of VAALCO’s capital or voting rights:</p> <table><thead><tr><th><i>Name</i></th><th><i>Number of Common Shares</i></th><th><i>Percentage of issued and outstanding share capital</i></th></tr></thead><tbody><tr><td>State Street Corporation</td><td>4,121,516</td><td>6.9 per cent</td></tr><tr><td>BlackRock, Inc.</td><td>3,701,213</td><td>6.2 per cent</td></tr><tr><td>Wilén Investment Management Corp.</td><td>3,042,526</td><td>5.1 per cent</td></tr></tbody></table> <p>No holder of Common Shares has voting rights different from other holders of Common Shares.</p>	<i>Name</i>	<i>Number of Common Shares</i>	<i>Percentage of issued and outstanding share capital</i>	State Street Corporation	4,121,516	6.9 per cent	BlackRock, Inc.	3,701,213	6.2 per cent	Wilén Investment Management Corp.	3,042,526	5.1 per cent						
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Wilén Investment Management Corp.	3,042,526	5.1 per cent																	
(iv)	<p><b>Key managing directors</b></p> <p>As at the date of this Prospectus:</p> <table><thead><tr><th><i>Name</i></th><th><i>Position/Title</i></th></tr></thead><tbody><tr><td>Andrew L. Fawthrop</td><td>Chairman of the Board</td></tr><tr><td>George Maxwell</td><td>Chief Executive Officer and Director</td></tr><tr><td>Cathy Stubbs</td><td>Director</td></tr><tr><td>Fabrice Nze-Bekale</td><td>Director</td></tr></tbody></table> <p>With effect from Completion, the following individuals will be appointed:</p> <table><thead><tr><th><i>Name</i></th><th><i>Position/Title</i></th></tr></thead><tbody><tr><td>David Cook</td><td>Director</td></tr><tr><td>Edward LaFehr</td><td>Director</td></tr><tr><td>Timothy Marchant</td><td>Director</td></tr></tbody></table>	<i>Name</i>	<i>Position/Title</i>	Andrew L. Fawthrop	Chairman of the Board	George Maxwell	Chief Executive Officer and Director	Cathy Stubbs	Director	Fabrice Nze-Bekale	Director	<i>Name</i>	<i>Position/Title</i>	David Cook	Director	Edward LaFehr	Director	Timothy Marchant	Director
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Edward LaFehr	Director																		
Timothy Marchant	Director																		
(v)	<p><b>Statutory auditor</b></p> <p>BDO USA, LLP are the auditors of VAALCO, whose address is 2929 Allen Parkway, 20th Floor, Houston, Texas 77019, U.S. BDO USA LLP have been VAALCO’s auditors since financial year ended 31 December 2016.</p>																		
(b)	<p><b>What is the key financial information regarding the issuer?</b></p>																		
(i)	<p><b>Selected historical key financial information</b></p> <p>The tables below set out a summary of the financial information of the VAALCO Group and the TransGlobe Group as extracted from the audited annual consolidated financial statements of both the VAALCO Group and the TransGlobe Group for financial years ended 31 December 2021, 31 December 2020 and 31 December 2019, and from the unaudited condensed consolidated interim financial statements of both the VAALCO Group and the TransGlobe Group for the six-month periods ended 30 June 2022 and 30 June 2021.</p>																		

**VAALCO Group****Table 1: Consolidated balance sheets**

	<i>As of</i> <i>30 June</i> <i>2022</i> <i>(unaudited)</i>	<i>As of</i> <i>30 June</i> <i>2021</i> <i>(unaudited)</i>	<i>As of</i> <i>31 December</i> <i>2021</i> <i>(audited)</i>	<i>As of</i> <i>31 December</i> <i>2020</i> <i>(audited)</i>	<i>As of</i> <i>31 December</i> <i>2019</i> <i>(audited)</i>
<i>Assets</i>					
			<i>\$ (in thousands)</i>		
Total assets	369,564	181,503	263,090	141,232	211,537

**Table 2: Consolidated statements of operations**

	<i>Six Months Ended</i> <i>30 June</i> <i>2022</i> <i>(unaudited)</i>	<i>Six Months Ended</i> <i>30 June</i> <i>2021</i> <i>(unaudited)</i>	<i>Year Ended 31 December,</i> <i>2021</i> <i>(audited)</i>	<i>Year Ended 31 December,</i> <i>2020</i> <i>(audited)</i>	<i>Year Ended 31 December,</i> <i>2019</i> <i>(audited)</i>
			<i>\$ (in thousands, except per share amounts)</i>		
Revenues:					
Crude oil and natural gas sales	179,641	86,797	199,075	67,176	84,521
Operating income	113,152	33,217	79,100	(27,263)	21,193
Income from continuing operations before income taxes	68,924	21,716	59,778	(20,402)	21,042
Income tax expense (benefit)	41,624	5,911	(22,156)	27,681	23,890
Net income (loss)	27,268	15,753	81,836	(48,181)	2,563
Diluted net income (loss) per share	0.45	0.27	1.37	(0.83)	0.04
Diluted weighted average shares outstanding	59,278	58,527	58,755	57,594	59,143

**Table 3: Consolidated statements of shareholders' equity**

	<i>As of</i> <i>30 June</i> <i>2022</i> <i>(unaudited)</i>	<i>As of</i> <i>30 June</i> <i>2021</i> <i>(unaudited)</i>	<i>As of</i> <i>31 December</i> <i>2021</i> <i>(audited)</i>	<i>As of</i> <i>31 December</i> <i>2020</i> <i>(audited)</i>	<i>As of</i> <i>31 December</i> <i>2019</i> <i>(audited)</i>
<i>Liabilities and shareholders' equity</i>					
			<i>\$ (in thousands)</i>		
Total liabilities	201,383	103,967	118,793	79,774	101,817
Total shareholders' equity	168,181	77,536	144,297	61,458	109,720
Total liabilities and shareholders' equity	369,564	181,503	263,090	141,232	211,537

**Table 4: Consolidated statements of cash flows**

	<i>Six Months Ended</i> <i>30 June</i> <i>2022</i> <i>(unaudited)</i>	<i>Six Months Ended</i> <i>30 June</i> <i>2021</i> <i>(unaudited)</i>	<i>Year Ended 31 December,</i> <i>2021</i> <i>(audited)</i>	<i>Year Ended 31 December,</i> <i>2020</i> <i>(audited)</i>	<i>Year Ended 31 December,</i> <i>2019</i> <i>(audited)</i>
<i>Cash flows from operating activities</i>					
			<i>\$ (in thousands)</i>		
Net income	27,268	15,753	81,836	(48,181)	2,563
Net cash provided by continuing operating activities	69,045	13,212	50,209	27,891	31,158
Net cash used in investing activities	(60,278)	(26,806)	(39,063)	(24,328)	(10,348)
Net cash used in financing activities	(5,922)	(115)	(57)	(929)	(3,655)
Net change in cash, cash equivalents and restricted cash	2,807	(13,761)	10,997	2,193	12,469
Cash, cash equivalents and restricted cash at beginning of period	72,314	61,317	61,317	59,124	46,655
Cash, cash equivalents and restricted cash at end of period	75,121	47,556	72,314	61,317	59,124



## Table 1: Consolidated statement of earnings (loss) and comprehensive income (loss)

**Table 2: Consolidated balance sheets**Table 3: Consolidated statement of changes in TransGlobe Shareholders' equity**Table 4: Consolidated statement of cash flows**7

(ii)	<p><b>Audit report on the Historical Financial Information</b></p> <p>There are no qualifications in the auditors' reports on the Historical Financial Information.</p>
(iii)	<p><b>Pro-forma financial information on the Enlarged Group</b></p> <p>The unaudited pro-forma financial information set out below has been prepared to illustrate the effect of the Arrangement on: (i) the net assets of VAALCO as at 30 June 2022 as if the Arrangement had taken place on 30 June 2022; and (ii) on the consolidated income statement of VAALCO for the year ended 31 December 2021 and the six months ended 30 June 2022 as if the Arrangement had taken place on 1 January 2021.</p> <p>The unaudited pro-forma financial information has been prepared for illustrative purposes only, and by its nature addresses a hypothetical situation and, therefore, does not reflect the Enlarged Group's actual financial position or results.</p> <p>The unaudited pro-forma financial information has been prepared in a manner consistent with the accounting policies that will be applied by the Enlarged Group for the year ending 31 December 2022 and in accordance with the requirements of the UK Prospectus Regulation.</p> <p>The unaudited pro-forma income from continuing operations before income taxes for the six months ended 30 June 2022 is \$135,744,000. The unaudited consolidated pro-forma net assets as at 30 June 2022 is \$459,937,000.</p>
(c)	<p><b>What are the key risks that are specific to the issuer?</b></p>
	<p>VAALCO and/or the Enlarged Group is exposed to the following key risks:</p> <ul style="list-style-type: none"> <li>• The Arrangement is subject to satisfaction or waiver of several conditions and if the Arrangement does not complete because any of the conditions are not satisfied (or not waived, if applicable), or if the Arrangement is terminated, VAALCO may be required to pay a termination fee or an expense reimbursement.</li> <li>• VAALCO and TransGlobe may be the targets of legal claims, securities class actions, derivative lawsuits and other claims and negative publicity related to the Arrangement.</li> <li>• TransGlobe's Concession Agreements in Egypt contain assignment provisions and, if such assignment provisions were triggered by the Arrangement, it could adversely affect Completion or the benefits anticipated to be realised from the Arrangement in a material manner.</li> <li>• As a result of the pursuit of the Arrangement and Completion, significant demands will be placed on the managerial, operational and financial personnel and systems of the Enlarged Group.</li> <li>• VAALCO may not realise the anticipated benefits of the Arrangement and the integration of TransGlobe may not occur as planned.</li> <li>• The VAALCO Board and VAALCO's financial adviser considered financial projections in connection with the Arrangement. VAALCO management has also presented certain hypothetical Illustrative Scenarios. Actual performance of VAALCO and TransGlobe may differ materially from these projections and Illustrative Scenarios.</li> <li>• If VAALCO's assumptions underlying accruals for abandonment/decommissioning costs are too low, VAALCO could be required to expend greater amounts than expected.</li> <li>• If VAALCO is not able to timely implement the transition to the FSO unit following the expiration of production to the FPSO on 4 October 2022, VAALCO's results of operations could be materially adversely affected.</li> <li>• VAALCO may not enter into definitive agreements with the BWE Consortium to explore and exploit new properties, and VAALCO may not be in a position to control the timing of development efforts, the associated costs or the rate of production of the reserves operated by the BWE Consortium or from any non-operated properties in which it has an interest.</li> <li>• There are inherent limitations in all control systems, and misstatements due to error or fraud that could seriously harm the VAALCO Group's and, following Completion, the Enlarged Group's, business may occur and not be detected.</li> </ul>



	<ul style="list-style-type: none"> <li>Acquisitions and divestitures of properties and businesses may subject the VAALCO Group and, following Completion, the Enlarged Group to additional risks and uncertainties, including that acquired assets may not produce as projected, may subject it to additional liabilities and may not be successfully integrated with its business. In addition, any sales or divestments of properties that the VAALCO Group and, following Completion, the Enlarged Group make may result in certain liabilities that it is required to retain under the terms of such sales or divestments.</li> <li>Inflation could adversely impact the Enlarged Group's ability to control its costs, including its operating expenses and capital costs.</li> <li>The VAALCO Group's and, following Completion, the Enlarged Group's reserve information represents estimates that may turn out to be incorrect if the assumptions on which these estimates are based are inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present values of the VAALCO Group's and, following Completion, the Enlarged Group's reserves.</li> </ul>
<b>3.</b>	<b>KEY INFORMATION ON THE SECURITIES</b>
<b>(a)</b>	<b>What are the main features of the securities?</b>
<b>(i)</b>	<b>Type, class and ISIN of the securities</b> The Common Shares (including the Consideration Shares) will be registered with an ISIN of US91851C2017 and a SEDOL of BK5V2S9.
<b>(ii)</b>	<b>Currency, denomination, par value, number of securities issued and term of the securities</b> The price of the Common Shares is and, following Re-admission and Admission, will be quoted on the London Stock Exchange in GBX.  As at the Last Practicable Date, there were 70,884,065 fully paid Common Shares of \$0.10 par value per Common Share in issue.  Immediately following Admission, there will be up to 120,199,072 fully paid Common Shares of \$0.10 par value per Common Share in issue.
<b>(iii)</b>	<b>Rights attached to the securities</b> The Common Shares rank equally for voting purposes. On a show of hands, each Stockholder present has one vote and on a poll, each Stockholder has one vote per Common Share held.
<b>(iv)</b>	<b>Rank of securities in the issuers' capital structure in the event of insolvency</b> The Common Shares rank equally in the right to receive a relative proportion of VAALCO's assets upon dissolution and are, as at the Last Practicable Date, the most senior security in VAALCO's capital structure. If VAALCO issues any Preferred Shares, VAALCO will have the ability to determine the rights of those Shares. The Common Shares could rank behind any Preferred Shares in the payment of any dividend, liquidation and other matters.
<b>(v)</b>	<b>Restrictions on free transferability of securities</b> The Common Shares are freely transferable and there are no restrictions on transfer.
<b>(vi)</b>	<b>Dividends and dividend policy</b> The Common Shares rank equally for dividends declared and for any distributions on a winding-up.
<b>(b)</b>	<b>Where will the securities be traded?</b>
	Applications will be made to the FCA and the LSE for all of the Existing Common Shares to be re-admitted and for all of the Consideration Shares to be admitted to the standard segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities. The Common Shares also trade on the NYSE.
<b>(c)</b>	<b>Is there a guarantee attached to the securities?</b>
	No.
<b>(d)</b>	<b>Where are the key risks that are specific to the securities?</b>
	<ul style="list-style-type: none"> <li>The price of VAALCO's Common Shares may fluctuate significantly.</li> </ul>

	<ul style="list-style-type: none"> <li>VAALCO currently intends to pay dividends on, and effect share buybacks with respect to the Common Shares; however, VAALCO's ability to take these actions in the future may be limited and no assurance can be given that it will be able to pay dividends to Stockholders or effectuate share buybacks in the future at indicated levels or at all.</li> </ul>								
<b>4.</b>	<b>KEY INFORMATION ON ADMISSION TO TRADING ON A REGULATED MARKET</b>								
<b>(a)</b>	<b>Under which conditions and timetable can I invest in this security?</b>								
<b>(i)</b>	<p><b>General terms and conditions</b></p> <p>Not applicable. Neither this Prospectus nor the Re-admission or Admission constitutes an offer or invitation to any person to subscribe for or purchase any shares in VAALCO and no Consideration Shares or any other securities of VAALCO have been marketed to, or are available for purchase in whole or in part, by the public in the UK or elsewhere, except to TransGlobe's Shareholders in the context of the Consideration Shares.</p>								
<b>(ii)</b>	<p><b>Expected timetable of principal events</b></p> <table> <tr> <th><i>Expected date/time</i></th><th><i>Event</i></th></tr> <tr> <td>11 October 2022</td><td>Publication of this Prospectus</td></tr> <tr> <td>13 October 2022 at 11:00 p.m. (Calgary time)</td><td>Effective Time of the Arrangement</td></tr> <tr> <td>14 October 2022 at 8:00 a.m.</td><td>Re-admission of the Existing Common Shares and Admission of the Consideration Shares</td></tr> </table>	<i>Expected date/time</i>	<i>Event</i>	11 October 2022	Publication of this Prospectus	13 October 2022 at 11:00 p.m. (Calgary time)	Effective Time of the Arrangement	14 October 2022 at 8:00 a.m.	Re-admission of the Existing Common Shares and Admission of the Consideration Shares
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<b>(iii)</b>	<p><b>Details of admission to trading on a regulated market</b></p> <p>Applications have been made for the Existing Common Shares and Consideration Shares to be admitted to the standard segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities. It is expected that Re-admission and Admission will become effective and that unconditional dealings will commence at 8:00 a.m. on 14 October 2022. The Common Shares are also traded on the NYSE. No application has or is currently intended to be made for the Common Shares to be admitted to listing elsewhere or to be traded on any other exchange.</p>								
<b>(iv)</b>	<p><b>Plan for distribution</b></p> <p>Not applicable.</p>								
<b>(v)</b>	<p><b>Amount and percentage of immediate dilution resulting from the issue</b></p> <p>If the Arrangement completes, Existing Stockholders will suffer an immediate dilution of 45.5 per cent (excluding Treasury Shares and unvested VAALCO shares that are subject to forfeiture), assuming that no further Common Shares are issued between the date of this Prospectus and Re-admission/Admission and that 49,315,007 Consideration Shares are issued.</p>								
<b>(vi)</b>	<p><b>Estimate of the total expenses of the issue</b></p> <p>The total expenses incurred (or expected to be incurred) by VAALCO in connection with the Arrangement, Re-admission and Admission amount to approximately \$11 million. No commissions, fees or expenses will be charged by VAALCO to any investor in connection with the Re-admission.</p>								
<b>(b)</b>	<b>Why is this Prospectus being produced?</b>								
<b>(i)</b>	<p>This Prospectus is being produced solely in connection with the Arrangement, Re-admission and Admission.</p> <p>There are no material conflicts of interest pertaining to the Arrangement, Re-admission or Admission.</p>								

## PART 2

### RISK FACTORS

*Any investment in the Common Shares is subject to a number of risks. Prior to investing in the Common Shares, prospective investors should carefully consider the risk factors associated with any investment in the Common Shares, the VAALCO Group's and, following Completion, the Enlarged Group's business and the industry in which they operate, together with all other information contained in this Prospectus, including, in particular, the risk factors described below.*

*Prospective investors should note that the risks relating to the VAALCO Group and, following Completion, the Enlarged Group, their industry and the Common Shares summarised in the section of this Prospectus headed "Summary" are the risks that the Directors and VAALCO believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Common Shares. However, as the risks which the VAALCO Group and, following Completion, the Enlarged Group, face relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Prospectus headed "Summary" but also, among other things, the risks and uncertainties described below.*

*The risk factors described below are not an exhaustive list or explanation of all risks which investors may face when making an investment in the Common Shares and should be used as guidance only. Additional risks and uncertainties relating to the VAALCO Group and, following Completion, the Enlarged Group that are not currently known to VAALCO, or that VAALCO currently deems immaterial, may individually or cumulatively also have a material adverse effect on the VAALCO Group's and, following Completion, the Enlarged Group's business, results of operations, financial condition and/or prospects and, if any such risk should occur, the price of the Common Shares may decline and investors could lose all or part of their investment. Prospective investors should consider carefully whether an investment in the Common Shares is suitable for them in light of the information in this Prospectus and their personal circumstances.*

*The risks set out below have been organised into the following categories:*

- (a) *risks relating to the Arrangement;*
- (b) *risks relating to Completion;*
- (c) *risks relating to the business and operations of the VAALCO Group, and, following Completion, the Enlarged Group;*
- (d) *risks relating to the oil and gas industry;*
- (e) *risks relating to legal and regulatory matters; and*
- (f) *risks relating to the Common Shares.*

#### **1. Risks relating to the Arrangement**

- 1.1 ***The Arrangement is subject to satisfaction or waiver of several conditions and if the Arrangement does not complete because any of the conditions are not satisfied (or not waived, if applicable), or if the Arrangement is terminated, VAALCO may be required to pay a termination fee or an expense reimbursement.***

The Arrangement is conditional upon, among other things, the Final Order and to the extent required or necessary, the approval or consent of, or waiver or non-exercise of any material termination, pre-emption or similar rights by, any governmental entity in, or in respect of the interests held by TransGlobe in, Egypt or Canada. There can be no assurance that any or all of such required approvals, if any, will be obtained.

Further, each of VAALCO and TransGlobe has the right to terminate the Arrangement Agreement in certain circumstances. If the Arrangement is terminated: (A) by either party due to the Effective Date

of the Arrangement not occurring prior to the outside date (being 19 October 2022 or such later date as may be agreed to in writing by the parties to the Arrangement Agreement (subject to extension by periods of 15 business days if the Final Order has not been received from the Court, provided that such extensions may not extend the outside date beyond 31 January 2023) the (“**Outside Date**”)); or (B) by TransGlobe as a result of VAALCO’s breach of any representation or warranty or VAALCO’s failure to perform any covenant or agreement made by it in the Arrangement Agreement and such breach or failure would cause certain conditions in the Arrangement Agreement to not be satisfied, but in each case, only if prior to termination, there is an acquisition proposal for VAALCO announced and within 12 months of termination VAALCO enters into an agreement or consummates an acquisition proposal, VAALCO will be required to pay a termination fee of \$9,150,000 to TransGlobe in connection with the termination of the Arrangement Agreement. VAALCO may also be required to reimburse TransGlobe’s out-of-pocket expenses in an amount up to \$2,000,000 if the Arrangement Agreement is terminated by TransGlobe as a result of VAALCO’s breach of any representation or warranty or its failure to perform any covenant or agreement made by VAALCO in the Arrangement Agreement and such breach or failure would cause certain conditions in the Arrangement Agreement to not be satisfied. If the termination fee or expense reimbursement is ultimately required to be paid to TransGlobe, the payment of such amounts may have an adverse impact on VAALCO’s financial results.

In addition, VAALCO has incurred and expects to incur additional material non-recurring expenses in connection with the Arrangement (regardless of whether the transactions contemplated by the Arrangement Agreement are completed or not), including, among others, costs relating to obtaining required stockholder approvals and Court approval. Additional unanticipated costs may be incurred in the course of coordinating the business of the Enlarged Group after Completion. If the Arrangement is not Completed, VAALCO will be required to pay certain costs relating to the Arrangement incurred prior to the date the Arrangement is abandoned, such as legal, accounting, financial advisory, proxy solicitation and printing fees, which it may not be able to recover in full. Such costs may be significant and could have an adverse effect on VAALCO’s future results of operations, cash flows and financial condition. Further, if Completion does not occur, VAALCO will have incurred significant management time in connection with the Arrangement, which it will not be able to recover.

In addition, failure to complete the Arrangement would mean that VAALCO will not be able to realise the anticipated benefits of the Arrangement and its ability to implement its stated strategy may be prejudiced and could negatively impact the trading price of VAALCO’s Common Shares or otherwise adversely affect VAALCO’s business.

## 1.2 ***VAALCO and TransGlobe may be the targets of legal claims, securities class actions, derivative lawsuits and other claims and negative publicity related to the Arrangement.***

VAALCO and TransGlobe may be the target of securities class actions and derivative lawsuits which could result in substantial costs and may delay or prevent the Arrangement from being completed. Securities class action lawsuits and derivative lawsuits are often brought against companies that have entered into an agreement to acquire a public company or to be acquired. Third parties may also attempt to bring claims against VAALCO or TransGlobe seeking to restrain the Arrangement or seeking monetary compensation or other remedies. Even if the lawsuits are without merit, defending against these claims can result in substantial costs and divert management time and resources. Additionally, if a plaintiff is successful in obtaining an injunction prohibiting Completion, then that injunction may delay or prevent the Arrangement from being completed.

Following announcement of the Arrangement, on 31 August 2022, a purported VAALCO stockholder filed a lawsuit against VAALCO and its board of directors in the United States Federal District Court for the Southern District of New York captioned *Budhraj v. VAALCO Energy, Inc. et al., Civil Action No. 22-cv-07470-MKV* (the “**Budhraj Complaint**”). On 16 September 2022, a purported VAALCO stockholder filed a lawsuit against VAALCO and its board of directors in the United States Federal District Court for the Southern District of New York captioned *Montgomery v. VAALCO Energy, Inc. et al., Civil Action No. 22-cv-07934* (the “**Montgomery Complaint**”). In addition, VAALCO has

received demand letters from counsel for seven purported VAALCO stockholders (the “**Demand Letters**”, and together with the Budhrajia Complaint and the Montgomery Complaint, the “**Stockholder Actions**”).

The Stockholder Actions each assert similar claims against VAALCO and its board of directors under Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated under the Exchange Act, and allege, among other things, that the preliminary proxy statement filed with the SEC on 19 August 2022 and the definitive proxy statement filed with the SEC on 30 August 2022 misstated or omitted material information regarding the financial projections, the financial analyses performed by VAALCO’s financial advisor, and the approval process leading up to the signing of the Arrangement Agreement. The Stockholder Actions seek to enjoin the arrangement, or alternatively, rescission of the proposed Arrangement or damages if consummated. The plaintiffs each also seek attorneys’ fees and other costs incurred in bringing the Stockholder Actions. Although the Stockholder Actions request injunctive relief, none of the plaintiffs has filed a motion to enjoin the Arrangement as of the date of this Prospectus. VAALCO believes that the Stockholder Actions are without merit and intends to vigorously defend against them. Additional lawsuits and demand letters arising out of or relating to the Arrangement Agreement or the Arrangement may be filed or made in the future, which could result in additional costs to VAALCO. If additional similar complaints or demands are filed or made, absent new or different allegations that are material, VAALCO will not necessarily announce them.

In addition, political and public attitudes towards the Arrangement could result in negative press coverage and other adverse public statements affecting VAALCO and TransGlobe. Adverse press coverage and other adverse statements could lead to investigations by regulators, legislators and law enforcement officials or in legal claims or otherwise negatively impact the ability of the Enlarged Group to take advantage of various business and market opportunities. The direct and indirect effects of negative publicity, and the demands of responding to and addressing it, may have a material adverse effect on the Enlarged Group’s business, financial condition and results of operations.

1.3 ***TransGlobe’s Concession Agreements in Egypt contain assignment provisions and, if such assignment provisions were triggered by the Arrangement, it could adversely affect Completion or the benefits anticipated to be realised from the Arrangement in a material manner.***

Under the Arrangement Agreement, it is a condition precedent to the obligation of VAALCO and AcquireCo to complete the Arrangement that, to the extent required or necessary in connection with Completion: (i) the approval or consent of, or waiver or non-exercise of any material termination, pre-emption or similar rights by, any governmental entity in, or in respect of the interests held by TransGlobe in, Canada and Egypt, be given on terms or subject to conditions in each case which are satisfactory to VAALCO; and (ii) no actions or inactions have been taken which are likely to result in the withdrawal, cancellation, termination or modification of any license or permit held by TransGlobe or any of its subsidiaries in respect of the interests held by TransGlobe in Canada and Egypt which is necessary for the proper carrying on of its business.

Subsidiaries of TransGlobe (the “**TransGlobe Egyptian Parties**”), are parties to two concession agreements with the EGPC and the Arab Republic of Egypt (the “**Egyptian Government**”) that provide exclusive rights to explore for and develop oil and gas in the South Ghazalat Area Western Desert and the merged development areas of West Bakr, West Gharib and Northwest Gharib Onshore (the “**Concession Agreements**”). The Concession Agreements provide that the TransGlobe Egyptian Parties may not assign any of their rights, privileges, duties or obligations under the Concession Agreements, directly or indirectly, without the written consent of the Egyptian Government (the “**Assignment Provisions**”). In addition, if the Assignment Provisions are triggered, (i) the EGPC has the right to acquire the interest intended to be assigned on the same conditions, if it elects to do so within 90 days of receiving the final conditions (including the value of each assignment); and (ii) the TransGlobe Egyptian Parties would be required to pay a non-recoverable assignment fee to the EGPC in an amount equal to 10 per cent of the value of each assignment deal upon the Egyptian Government’s approval of any assignment.



Neither VAALCO nor TransGlobe believes that the Arrangement triggers the Assignment Provisions, and TransGlobe has made representations to that effect in the Arrangement Agreement.

Following announcement of the Arrangement, the EGPC delivered correspondences to each of VAALCO and TransGlobe requesting data and documents relating to the Arrangement, the value of the deal and TransGlobe's share in the relevant Egyptian assets. VAALCO and TransGlobe have engaged, and are continuing to engage, in discussions with the office of the Minister of Petroleum and the EGPC, for the purpose of clarifying that the Arrangement does not, and is not deemed to, trigger the Assignment Provisions in the Concession Agreements.

If the Arrangement did trigger the Assignment Provisions, Completion would require the written approval of the Egyptian Government, which could result in a failure of the condition precedent to the obligation of VAALCO and AcquireCo to complete the Arrangement described in the first paragraph of this risk factor or could delay Completion. In addition, payment of any assignment fees by any of the TransGlobe Egyptian Parties under the Concession Agreements, either before or after Completion, could have an adverse effect on the value of the assets VAALCO would acquire as a result of the Arrangement and could adversely affect the results of operations or financial condition of VAALCO following Completion, in each case, in a material manner. Further, although neither VAALCO nor TransGlobe is aware of any reported cases of a concession being terminated on such grounds, it is possible that the Egyptian Government could seek to terminate the Concession Agreements for breach of the Assignment Provisions.

**1.4 *The Arrangement could affect the price of VAALCO's Common Shares as a result of market response to the Arrangement, significant delays in Completion or the termination of the Arrangement Agreement.***

The market price of VAALCO's Common Shares may vary significantly from the price on the date of the Arrangement Agreement. Negative market response to the Arrangement or any significant delays in Completion could negatively affect VAALCO's share price. In addition, there can be no assurance that the conditions to Completion will be satisfied in a timely manner or at all. If the Arrangement is not consummated or is delayed, the market price of VAALCO's Common Shares may decline significantly, particularly to the extent the market price reflects a market assumption that the Arrangement will be consummated or will be consummated in a particular timeframe.

Stock price changes may result from a variety of factors that are beyond VAALCO's control, including:

- (a) market reaction to the announcement of the Arrangement and market assessment of the likelihood of the Arrangement being consummated;
- (b) changes in the respective businesses, operations or prospects of VAALCO or TransGlobe, including their respective ability to meet earnings estimates;
- (c) governmental or litigation developments or regulatory considerations affecting VAALCO or TransGlobe or the oil and gas industry;
- (d) general business, market, industry or economic conditions;
- (e) the worldwide supply/demand balance for oil and gas and the prevailing commodity price environment; and
- (f) other factors beyond VAALCO's control, including those described elsewhere in this "Risk factors" section.

**1.5 *Stockholders will experience substantial dilution of their ownership percentage and voting power as a result of the share issuance and the issuance of a significant number of shares of VAALCO***



***Common Shares and a possible increase in the number of sellers could adversely affect the market price of VAALCO Common Shares after Completion.***

In connection with the Arrangement, VAALCO is expected to issue approximately 49.3 million shares of its Common Shares to TransGlobe Shareholders on Completion. Immediately following Completion, assuming that no further Common Shares are issued between the date of this Prospectus and Re-admission/Admission and that 49,315,007 Consideration Shares are issued, former TransGlobe Shareholders will own collectively approximately 45.5 per cent of the total number of shares of the Enlarged Group's outstanding common stock and the existing stockholders of VAALCO will own approximately 54.5 per cent of the Enlarged Group, calculated based on VAALCO's vested and outstanding shares (excluding Treasury Shares and unvested VAALCO shares that are subject to forfeiture) and TransGlobe's outstanding shares as of the date of the Arrangement Agreement. Accordingly, the issuance of VAALCO Common Shares to TransGlobe Shareholders will have the effect of reducing the percentage of equity and voting interest held by each of VAALCO's Existing Stockholders. Consequently, Stockholders as a group will have less influence over the management and policies of the Enlarged Group than they currently exercise.

In addition, a significant number of additional shares of VAALCO Common Shares will be available for trading in the public market. The increase in the number of shares of VAALCO's Common Shares may lead to sales of such shares or the perception that such sales may occur, either of which may adversely affect the market for, and the market price of, VAALCO's Common Shares.

**1.6 *The Exchange Ratio will not be adjusted in the event of any change in either VAALCO's or TransGlobe's share price.***

Upon Completion, each TransGlobe Common Share (other than TransGlobe Common Shares held by dissenting TransGlobe Shareholders) will be converted into the right to receive 0.6727 of a share of VAALCO Common Share, subject to adjustment (if any) pursuant to the Arrangement Agreement. This exchange ratio was fixed in the Arrangement Agreement and will not be adjusted to reflect changes in the market price of either TransGlobe Common Shares or VAALCO Common Shares that have taken place since the Arrangement Agreement was entered into. The stock prices of VAALCO and TransGlobe in the period since the date the Arrangement Agreement was entered into have been, and may be, affected by a variety of factors (many of which are beyond VAALCO's and TransGlobe's control), including the following:

- (a) changes in VAALCO's and TransGlobe's respective businesses, operations and prospects;
- (b) investor behaviour and strategies, including market assessments of the likelihood that the Arrangement will be completed, including related considerations regarding court approval and regulatory clearance, if any, of the Arrangement;
- (c) interest rates, general market and economic conditions and other factors generally affecting the price of VAALCO's and TransGlobe's shares; and
- (d) foreign, federal, state, provincial and local legislation, governmental regulation and legal developments in the businesses in which VAALCO and TransGlobe operate.

The price of VAALCO's Common Shares at Completion will vary from its price on the date the Arrangement Agreement was executed, the date of the special meeting and the date of this Prospectus. As a result, the market value represented by the Exchange Ratio will also vary. For example, based on the range of closing prices of VAALCO's Common Shares during the period from 13 July 2022, the last trading day before public announcement of the Arrangement, until the Last Practicable Date, the Exchange Ratio represented a market value ranging from a low of \$2.64 to a high of \$4.19 for each TransGlobe common share.

In the event that there is an adverse event affecting the value of TransGlobe or the value of TransGlobe's assets declines prior to Completion, the value of TransGlobe may be less than the consideration agreed to be paid and, accordingly, VAALCO may therefore pay an amount in excess

of market value for TransGlobe, which could have a material adverse effect on the Enlarged Group's business, results of operations, financial condition and prospects.

**1.7 *VAALCO does not currently control TransGlobe and its subsidiaries.***

VAALCO will not control TransGlobe and its subsidiaries until Completion and the business and results of operations of TransGlobe may be adversely affected by events that are outside of VAALCO's control during the intervening period. The performance of TransGlobe may be influenced by, among other factors, economic downturns, changes in commodity prices, political instability in the countries in which TransGlobe operates, changes in applicable laws, expropriation, increased environmental regulation, volatility in the financial markets, unfavourable regulatory decisions, litigation, rising costs, civic and labour unrest, disagreements with joint venture partners, delays in ongoing exploration and development projects and other factors beyond VAALCO's control. As a result of any one or more of these factors, among others, the operations and financial performance of TransGlobe may be negatively affected, which may adversely affect the future financial results of the Enlarged Group.

**2. *Risks relating to Completion***

**2.1 *Significant demands will be placed on the Enlarged Group as a result of the Arrangement.***

As a result of the pursuit and completion of the Arrangement, significant demands will be placed on the managerial, operational and financial personnel and systems of the Enlarged Group. VAALCO cannot provide any assurance that management of VAALCO and the operations teams of VAALCO will be adequate to support the expansion of operations and associated increased costs and complexity following and resulting from Completion. The future operating results of the Enlarged Group will be affected by the ability of its officers and key employees to manage changing business conditions, integrate the acquisition of TransGlobe and implement a new business strategy.

**2.2 *VAALCO may not realise the anticipated benefits of the Arrangement and the integration of TransGlobe may not occur as planned.***

The Arrangement has been agreed with the expectation that Completion will result in diversification benefits for expected production and cash flows, increased reserves and production, enhanced organic and inorganic growth opportunities and an improved position in the capital markets for the Enlarged Group. These anticipated benefits will depend in part on whether TransGlobe's and VAALCO's operations can be integrated in an efficient and effective manner. A significant number of operational and strategic decisions and certain staffing decisions with respect to integration of the two companies have not yet been made. These decisions and the integration of the two companies will present challenges to management, including the integration of systems and personnel of the two companies which may be geographically separated, anticipated and unanticipated liabilities, unanticipated costs (including substantial capital expenditures required by the integration) and the loss of key employees. In particular, following a transition period of up to six months following Completion, VAALCO expects the departure of TransGlobe's President and Chief Executive Officer; Vice President, Finance, Chief Financial Officer and Corporate Secretary; and Vice President and Chief Operating Officer. These departures may result in a loss of institutional knowledge concerning TransGlobe's operations that could delay the achievement of the Enlarged Group's strategic objectives. In addition, there may be potential unknown liabilities of TransGlobe that may prevent the Enlarged Group from fully realising the anticipated benefits of the Arrangement.

The performance of the Enlarged Group's operations after Completion could be adversely affected if, among other things, the Enlarged Group is not able to achieve the anticipated benefits expected to be realised in entering the Arrangement, or retain key employees to assist in the integration and operation of TransGlobe and VAALCO. In particular, the Enlarged Group may not be able to realise the anticipated strategic benefits and synergies from the arrangement. VAALCO believes that the combination of the companies will provide a number of operational and financial benefits. However, achieving these goals assumes, among other things, the realisation of the targeted cost synergies expected from the Arrangement. Completion may pose special risks, including one-time write-offs,

restructuring charges and unanticipated costs. In addition, the integration process could result in diversion of the attention of management and disruption of existing relationships with suppliers, employees, customers and other constituencies of each company. Although VAALCO and its advisers have conducted due diligence on the operations of TransGlobe, there can be no guarantee that VAALCO is aware of any and all operational risks and liabilities of TransGlobe.

In addition, management of VAALCO has assumed that VAALCO will be able to elect to treat the Arrangement as an asset acquisition under Section 338(g) of the Internal Revenue Code of 1986, as amended (the “Code”). This election may be unavailable if existing TransGlobe Shareholders own shares of VAALCO’s Common Shares in an amount that prevents the Arrangement from being a “qualified stock purchase” (within the meaning of Section 338(d)(3) of the Code). A determination of the common ownership of VAALCO and TransGlobe is not possible until Completion and may still be subject to uncertainty following Completion. If an election under Section 338(g) of the Code is unavailable, the integration of TransGlobe may give rise to additional tax costs and the actual combined performance of VAALCO and TransGlobe following Completion may differ materially from the assumptions of VAALCO’s management.

As a result of these and other factors, it is possible that certain benefits expected from the combination of TransGlobe and VAALCO may not be realised.

**2.3 *The VAALCO Board and VAALCO’s financial adviser considered financial projections in connection with the Arrangement. VAALCO management has also presented certain hypothetical Illustrative Scenarios. Actual performance of VAALCO and TransGlobe may differ materially from these projections and Illustrative Scenarios.***

The VAALCO Board considered, among other things, certain projections with respect to each of VAALCO (the “**VAALCO Projections**”) and TransGlobe (the “**TransGlobe Projections**”) prepared by VAALCO management or TransGlobe management and adjusted by VAALCO management. The VAALCO Projections and the TransGlobe Projections were also provided to Stifel, VAALCO’s financial adviser, for its use in advising VAALCO and reliance in connection with its financial analyses and opinion. On 3 August 2022, VAALCO disclosed that its South Tchibala 1 HB0ST well had performed below expectations and revised its production guidance for the full year 2022 from between 9,500 and 10,500 BOE/d to between 9,000 and 9,500 BOE/d. Following this disclosure on 8 August 2022, VAALCO management prepared certain hypothetical illustrative scenarios for the years ended 2022 and 2023 based upon various oil prices and taking into account its new production guidance and \$4,000,000 in cost synergies (the “**Illustrative Scenarios**”). Information about the revised production guidance for VAALCO’s South Tchibala 1 HB0ST well and the Illustrative Scenarios were unavailable to, or not prepared by, VAALCO until August 2022 and accordingly were not part of the projections provided to Stifel for use in connection with its opinion delivered to the VAALCO Board on 13 July 2022.

The VAALCO Projections, TransGlobe Projections and Illustrative Scenarios were based on assumptions made and information available at the respective times at which such projections and Illustrative Scenarios were prepared. VAALCO and its advisers do not know whether the assumptions made will prove to be accurate. The VAALCO Projections, TransGlobe Projections and Illustrative Scenarios could be adversely affected by known or unknown risks and uncertainties, many of which are beyond VAALCO’s and TransGlobe’s control. Further, financial forecasts of this type are based on estimates and assumptions that are inherently subject to risks and other factors such as company performance, industry performance, general business, economic, regulatory, market and financial conditions, as well as changes to the business, financial condition or results of operations of VAALCO and TransGlobe, including the factors described in the “*Risk factors*” and the “*Cautionary statement regarding forward-looking statements*” sections of this Prospectus, which factors and changes may impact such forecasts or the underlying assumptions. As a result of these contingencies, there can be no assurance that the financial and other projections or the Illustrative Scenarios will be realised or that actual results will not be significantly higher or lower than projected.

The VAALCO Projections and TransGlobe Projections were prepared for internal use and to, among other things, assist VAALCO and its advisers in evaluating the transaction and were not prepared with a view toward public disclosure. Neither the VAALCO Projections, TransGlobe Projections or the Illustrative Scenarios were prepared in accordance with U.S. GAAP, published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. BDO USA LLP, VAALCO's independent registered public accounting firm, has not examined, compiled or performed any procedures with respect to the VAALCO Projections, TransGlobe Projections or the Illustrative Scenarios.

In addition, management of VAALCO has assumed that VAALCO will be able to elect to treat the Arrangement as an asset acquisition under Section 338(g) of the Code. This election may be unavailable if existing TransGlobe Shareholders own shares of VAALCO's Common Shares in an amount that prevents the Arrangement from being a "qualified stock purchase" (within the meaning of Section 338(d)(3) of the Code). A determination of the common ownership of VAALCO and TransGlobe is not possible until Completion and may still be subject to uncertainty following Completion. If an election under Section 338(g) of the Code is unavailable, the integration of TransGlobe may give rise to additional tax costs and the actual combined performance of VAALCO and TransGlobe following Completion may differ materially from the assumptions of VAALCO's management.

Finally, the VAALCO Projections, TransGlobe Projections and Illustrative Scenarios have not been updated or revised to reflect information or results after the respective dates on which such projections and Illustrative Scenarios were prepared. Except as required by applicable securities laws, VAALCO does not intend to update or otherwise revise the VAALCO Projections, TransGlobe Projections or Illustrative Scenarios to reflect circumstances existing after the respective dates on which they were made or to reflect the occurrence of future events, even in the event that any or all of the assumptions are shown to be in error.

**2.4 *The opinion obtained by VAALCO from its financial adviser as to the fairness of the consideration, from a financial point of view, to VAALCO only speaks as of the date of such opinion, and will not be updated to reflect changes in circumstances from the signing of the Arrangement Agreement through to Completion.***

Stifel, VAALCO's financial adviser, presented its financial analysis to the VAALCO Board and also delivered its oral opinion, which was subsequently confirmed in writing on 13 July 2022 (being the date of the Arrangement Agreement), that as of the date of and based on the assumptions and factors described in the written opinion, the consideration to be paid by VAALCO to the TransGlobe Shareholders pursuant to the Arrangement was fair, from a financial point of view, to VAALCO. However, VAALCO has not obtained an updated opinion from Stifel as of the date of this Prospectus, and VAALCO does not anticipate asking Stifel to update its opinion. In rendering its opinion, Stifel made judgments and, with the consent of VAALCO, assumptions with regard to industry performance, general business, market and financial conditions and other matters that are beyond the control of VAALCO and TransGlobe. These include, among other things, the accuracy and completeness of the projections and other information provided to Stifel by or on behalf of VAALCO or TransGlobe, Completion substantially on the terms and conditions described in the Arrangement Agreement, the absence of any material adverse change in the financial condition and prospects of VAALCO and TransGlobe, and the industry and financial markets in general, any of which could affect the public trading value of VAALCO's Common Shares by the time of Completion.

Because the opinion was issued in connection with the signing of the Arrangement Agreement and is not expected to be updated, the opinion does not address the fairness to VAALCO, from a financial point of view, of the consideration to be paid by VAALCO to the TransGlobe Shareholders pursuant to the Arrangement at the time of Completion or as of any other date. The opinion also does not address the prices at which VAALCO's Common Shares will trade at any time.



**2.5 *Certain agreements to which VAALCO or TransGlobe is a party contain change of control or other provisions that may possibly delay, deter or prevent a future takeover, change of control or disposal of or by the Enlarged Group.***

Certain agreements to which VAALCO or TransGlobe is a party contain change of control or other provisions that may possibly delay, deter or prevent a future takeover, change of control or disposal of or by the Enlarged Group. For example, TransGlobe's ATB Facility for approximately \$17.4 million (CA\$22.5 million) of which \$3.1 million (CA\$4 million) was drawn as of 30 June 2022, contains change of control provisions that will be triggered by the Arrangement and which could be triggered by any future takeover, change of control or disposal. Discussions between TransGlobe and ATB in relation to the Arrangement are ongoing, but there is no guarantee that ATB will provide a waiver of the change of control provision in the ATB Facility in the context of the Arrangement or that it will provide a similar waiver on any future takeover, change of control or disposal. If VAALCO and/or, following Completion, TransGlobe, is unable to negotiate waivers of change of control provisions from the relevant counterparties in the context of any future takeover, change of control or disposal, the counterparties may exercise their rights and remedies under such agreements, potentially terminating such agreements, or seeking monetary damages. Even if VAALCO and/or, following Completion, TransGlobe, is able to negotiate waivers, the counterparties may require a fee for such waivers or seek to renegotiate such agreements on terms less favourable to VAALCO and/or TransGlobe. Further, the existence of these provisions in material contracts of the Enlarged Group may delay or deter a change of control of the Enlarged Group (including deterring a third party from making a takeover offer for VAALCO).

**3. *Risks relating to the business and operations of the VAALCO Group and, following Completion, the Enlarged Group***

**3.1 *If VAALCO's or TransGlobe's assumptions underlying accruals for abandonment/decommissioning costs are too low, VAALCO, and following Completion, the Enlarged Group, could be required to expend greater amounts than expected.***

Almost all of VAALCO's existing properties which have future abandonment obligations are located offshore. The costs to abandon offshore wells and the related infrastructure may be substantial. For financial accounting purposes, VAALCO records the fair value of a liability for an asset retirement obligation in the period that it is incurred and capitalises the related costs as part of the carrying amount of the long-lived assets. The estimated liability is reflected in the "Asset retirement obligation" line item of VAALCO's consolidated balance sheet. Details of the estimated liabilities that the TransGlobe Group would incur in the event of abandonment of TransGlobe's assets are reflected in the "Well Abandonment and Reclamation Costs" line item in the table of "Total Future Net Revenue (Undiscounted) as of 31 December 2021 (Forecast Prices and Costs)" in the TransGlobe Energy Corporation Annual Information Form for the Year Ended 31 December 2021.

As part of the Etame Marin block production licence, VAALCO is subject to an agreed-upon cash funding arrangement for the eventual abandonment of all offshore wells, platforms and facilities on the Etame Marin block. Based upon the most recent abandonment study completed in November 2021, the abandonment cost estimate used for this purpose is approximately \$81,300,000 (\$47,800,000 net to VAALCO's 58.8 per cent working interest) on an undiscounted basis. On an annual basis over the remaining life of the production licence, VAALCO must fund a portion of these estimated abandonment costs. Future changes to the anticipated abandonment cost estimates could change VAALCO's asset retirement obligations and increase the amount of future abandonment funding payments VAALCO is obligated to make.

In Egypt, under model concession agreements and the Fuel Materials 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. The model concession agreements do not deal with area handover and abandonment upon termination, expiration or withdrawal from a concession agreement and certain articles in the Fuel Materials Law may apply, albeit the matter in practice is within the discretion of the EGPC.

While the current risk to TransGlobe of becoming liable for decommissioning liabilities in Egypt is low, future changes to legislation could result in decommissioning, abandonment and/or handover liabilities in Egypt. Any increase in Egyptian decommissioning liabilities could adversely affect TransGlobe's financial condition.

In relation to petroleum wells, the contractor is responsible for decommissioning non-producing wells under a decommissioning plan approved by EGPC. If EGPC agrees that a producing well is not economic, then the contractor will 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 TransGlobe could incur well decommissioning costs. In accordance with the respective concession agreements, expenses approved by EGPC are recoverable through the cost recovery mechanism.

In Canada, liabilities in respect of the decommissioning of TransGlobe's wells, fields and related infrastructure are derived from legislative and regulatory requirements concerning the decommissioning of wells and production facilities and require TransGlobe to make provisions for and/or underwrite the liabilities relating to such decommissioning. It is difficult to accurately forecast the costs that TransGlobe would incur in satisfying any decommissioning obligations. When such decommissioning liabilities crystallise, TransGlobe would be liable either on its own or jointly and severally liable for them with any other former or current partners in the field. In the event that it is jointly and severally liable with other partners and such partners default on their obligations, TransGlobe would remain liable, and its decommissioning liabilities could be magnified significantly through such default. Any significant increase in the actual or estimated decommissioning costs that TransGlobe incurs may adversely affect its financial condition.

If the VAALCO Group or, following Completion, the Enlarged Group is required to expend greater amounts than expected on abandoning or decommissioning costs, this could materially affect its revenues and financial performance.

**3.2 *If VAALCO is not able to timely implement the transition to the FSO unit following the expiration of production to the FPSO on 4 October 2022, VAALCO's results of operations could be materially adversely affected.***

As an offshore producer, VAALCO depends on an FPSO/FSO to store all of the crude oil it produces prior to sale to VAALCO's customers. VAALCO's ability to produce to the FPSO expired on 4 October 2022. On 31 August 2021, VAALCO and its Etame co-venturers approved the Bareboat Contract and Operating Agreement with World Carrier Offshore Services Corp. to replace the FPSO with an FSO unit at the Etame Marin block offshore Gabon for up to eight years with additional option periods available, upon the expiration of the FPSO contract. Transition is in process, but the final transition to the FSO has not yet been completed. If VAALCO is not able to timely implement full transition to the FSO unit as its alternative method of storing the crude oil it produces by the time the FPSO becomes unavailable, then VAALCO will not be able to sell crude oil to its customers. Consequently, VAALCO would be required to shut-in production until such time that it could offload the oil, and VAALCO's results of operations would be materially adversely affected.

**3.3 *VAALCO may not enter into definitive agreements with the BWE Consortium to explore and exploit new properties, and VAALCO may not be in a position to control the timing of development efforts, the associated costs or the rate of production of the reserves operated by the BWE Consortium or from any non-operated properties in which it has an interest.***

On 11 October 2021, VAALCO announced its entry into a consortium with BW Energy and Panoro Energy (the "**BWE Consortium**") and that the BWE Consortium had been provisionally awarded two blocks, G12-13 and H12-13, in the 12th Offshore Licensing Round in Gabon. The award is subject to concluding the terms of the production sharing contracts with the Gabonese government. BW Energy will be the operator with a 37.5 per cent working interest and VAALCO and Panoro Energy will have a 37.5 per cent working interest and a 25 per cent working interest, respectively, as



non-operating joint owners. The joint owners in the BWE Consortium 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. VAALCO's obligations within the BWE Consortium are subject to a number of conditions, including the negotiation and execution of production sharing contracts with the Gabonese government, as well the entry into joint operating agreements with VAALCO's joint interest owners. There is no assurance that VAALCO will be able to agree to terms on definitive production sharing contracts with the Gabonese government nor joint operating agreements with the joint owners in the BWE Consortium. If VAALCO is unable to negotiate and enter into definitive agreements with each party, VAALCO may not be able to explore, develop and exploit new properties, and VAALCO's results of operations could be materially adversely affected.

VAALCO may have limited control over matters relating to development and exploitation activities, including the timing of and capital expenditures for such activities, in projects where VAALCO is not the operator, including properties operated by the BWE Consortium. The success and timing of development and exploitation activities on such properties depends upon a number of factors, including:

- (a) the timing and amount of capital expenditures;
- (b) the availability of suitable offshore drilling rigs, drilling equipment, support vessels, production and transportation infrastructure, and qualified operating personnel;
- (c) the operator's expertise, financial resources and willingness to initiate exploration or development projects;
- (d) the approval of other participants in drilling wells;
- (e) risk of other a non-operator's failure to pay its share of costs, which may require VAALCO to pay its proportionate share of the defaulting party's share of costs;
- (f) the selection of technology;
- (g) delays in the pace of exploratory drilling or development;
- (h) the rate of production of the reserves; and/or
- (i) the operator's desire to drill more wells or build more facilities on a project inconsistent with its capital budget, whether on a cash basis or through financing, which may limit VAALCO's participation in those projects or limit the percentage of its revenues from those projects.

The occurrence of any of the foregoing events could have a material adverse effect on VAALCO's anticipated exploration and development activities.

**3.4 *There are inherent limitations in all control systems, and misstatements due to error or fraud that could seriously harm the VAALCO's Group and, following Completion, the Enlarged Group's, business may occur and not be detected.***

While VAALCO management has concluded that VAALCO's internal control over financial reporting, and TransGlobe management has concluded that TransGlobe's internal control over financial reporting is effective, management does not expect that the relevant internal controls and disclosure controls will prevent or detect all possible errors or all instances of fraud, and this risk will be heightened in the context of the integration of both companies' control systems post-Completion. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints, and the benefit of controls must be relative to their costs. Because of the inherent limitations in all control systems, an evaluation of controls can only provide reasonable assurance that all material control issues and instances of fraud, if any, in the VAALCO Group and, following Completion, the Enlarged Group have been or will be detected. These inherent limitations include the realities that judgments in decision-making can

be faulty and that breakdowns can occur because of simple error or mistakes. Further, controls can be circumvented by the individual acts of some persons or by two or more persons acting in collusion. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of inherent limitations in any control system designed under a cost-effective approach, misstatements due to error or fraud may occur and not be detected. A failure of the VAALCO Group's and, following Completion, the Enlarged Group's controls and procedures to detect error or fraud could seriously harm its business and results of operations.

**3.5 *Acquisitions and divestitures of properties and businesses may subject the VAALCO Group and, following Completion, the Enlarged Group to additional risks and uncertainties, including that acquired assets may not produce as projected, may subject it to additional liabilities and may not be successfully integrated with its business. In addition, any sales or divestments of properties that the VAALCO Group and, following Completion, the Enlarged Group make may result in certain liabilities that it is required to retain under the terms of such sales or divestments.***

One of the VAALCO Group's and, following Completion, the Enlarged Group's growth strategies is to capitalise on opportunistic acquisitions of crude oil and natural gas reserves and/or the companies that own them and other strategic transactions that fit within the VAALCO Group's and, following Completion, the Enlarged Group's overall business strategy. Any future acquisition will require an assessment of recoverable reserves, title, future crude oil and natural gas prices, operating costs, potential environmental hazards, potential tax and employer liabilities, regulatory requirements, and other liabilities and similar factors. Ordinarily, VAALCO's review efforts are focused on the higher valued properties and are inherently incomplete, because it generally is not feasible to review in depth every potential liability on each individual property involved in each acquisition. Even a detailed review of records and properties may not necessarily reveal existing or potential problems, nor will it permit a buyer to become sufficiently familiar with the properties to assess fully their deficiencies and potential. Inspections may not always be performed on every well, and potential problems, such as groundwater contamination and other environmental conditions and deficiencies in the mechanical integrity of equipment, are not necessarily observable even when an inspection is undertaken. Any unidentified problems could result in material liabilities and costs that negatively impact the VAALCO Group's and, following Completion, the Enlarged Group's financial condition.

Additional potential risks related to acquisitions include, among other things:

- (a) incorrect assumptions regarding the reserves, future production and revenues, or future operating or development costs with respect to the acquired properties, as well as future prices of crude oil and natural gas;
- (b) decreased liquidity as a result of using a significant portion of the VAALCO Group's and, following Completion, the Enlarged Group's cash from operations or borrowing capacity to finance acquisitions;
- (c) significant increases in the VAALCO Group's and, following Completion, the Enlarged Group's interest expense or financial leverage if it incurs additional debt to finance acquisitions;
- (d) the assumption of unknown liabilities, losses or costs (including potential regulatory actions) that the VAALCO Group and, following Completion, the Enlarged Group is not indemnified for or that its indemnity, insurance or other protection is inadequate to protect against;
- (e) an increase in the VAALCO Group's and, following Completion, the Enlarged Group's costs or a decrease in its revenues associated with any claims or disputes with governments or other interest owners;
- (f) an incurrence of non-cash charges in connection with an acquisition and the potential future impairment of goodwill or intangible assets acquired in an acquisition;

- (g) the risk that crude oil and natural gas reserves acquired may not be of the anticipated magnitude or may not be developed as anticipated;
- (h) difficulties in the assimilation of the assets and operations of the acquired business, especially if the assets acquired are in a new business segment or geographic area;
- (i) the diversion of management's attention from other business concerns during the acquisition and throughout the integration process;
- (j) losses of key employees at the acquired businesses;
- (k) difficulties in operating a significantly larger combined organisation and adding operations;
- (l) delays in achieving the expected synergies from acquisitions;
- (m) the failure to realise expected profitability or growth;
- (n) the failure to realise expected synergies and cost savings; and
- (o) challenges in coordinating or consolidating corporate and administrative functions.

If the VAALCO Group and, following Completion, the Enlarged Group consummates any future acquisitions, its capitalisation and results of operations may change significantly, and investors may not have the opportunity to evaluate the economic, financial and other relevant information that the VAALCO Group and, following Completion, the Enlarged Group will consider in evaluating future acquisitions. In addition, acquisitions of businesses often require the approval of certain government or regulatory agencies, and such approval could contain terms, conditions or restrictions that would be detrimental to the VAALCO Group's and, following Completion, the Enlarged Group's business after a merger.

In the case of sales or divestitures of the VAALCO Group's and, following Completion, the Enlarged Group's properties and businesses, the VAALCO Group and, following Completion, the Enlarged Group may become exposed to future liabilities that arise under the terms of those sales or divestitures. Under such terms, sellers typically are required to retain certain liabilities for matters with respect to their sold properties or businesses. The magnitude of any such retained liability or indemnification obligation may be difficult to quantify at the time of the transaction and ultimately may be material. Also, as is typical in divestiture transactions, third parties may be unwilling to release the VAALCO Group and, following Completion, the Enlarged Group from guarantees or other credit support provided prior to the sale of the divested assets. As a result, after a sale, the VAALCO Group and, following Completion, the Enlarged Group may remain secondarily liable for the obligations guaranteed or supported to the extent that the buyer of the assets fails to perform these obligations. In addition, the VAALCO Group and, following Completion, the Enlarged Group may be required to recognise losses in accordance with exit or disposal activities.

### 3.6 ***Inflation could adversely impact the Enlarged Group's ability to control its costs, including its operating expenses and capital costs.***

Although inflation has been relatively low in recent years, it rose significantly in the second half of 2021 and the first half of 2022. In addition, global and industry-wide supply chain disruptions have resulted in shortages in labour, materials and services. Such shortages have resulted in inflationary cost increases for labour, materials and services and could continue to cause costs to increase, as well as a scarcity of certain products and raw materials. To the extent elevated inflation remains, the Enlarged Group may experience further cost increases for its operations, including oilfield services and equipment as increasing prices of oil, natural gas and natural gas liquids, increased drilling activity in its areas of operations, as well as increased labour costs. An increase in the prices of oil, natural gas and natural gas liquids may cause the costs of materials and services used by the Enlarged Group to rise. VAALCO cannot predict any future trends in the rate of inflation, and a significant increase in inflation, to the extent VAALCO and, following Completion, the Enlarged Group, is unable to recover higher costs through higher commodity prices and revenues, could negatively

impact VAALCO and, following Completion, the Enlarged Group's, business, financial condition and results of operation.

**3.7 *The VAALCO Group's and, following Completion, the Enlarged Group's reserve information represents estimates that may turn out to be incorrect if the assumptions on which these estimates are based are inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present values of the VAALCO Group's and, following Completion, the Enlarged Group's reserves.***

There are numerous uncertainties inherent in estimating quantities of proved crude oil and natural gas reserves, including many factors beyond the VAALCO Group's and, following Completion, the Enlarged Group's control. Reserve engineering is a subjective process of estimating the underground accumulations of crude oil and natural gas that cannot be measured in an exact manner. The estimates included in the Prospectus or incorporated into the Prospectus by reference are based on various assumptions, required by the SEC, including non-escalated prices and costs and capital expenditures subsequent to 31 December 2021 and, therefore, are inherently imprecise indications of future net revenues.

Estimates of economically recoverable crude oil and natural gas reserves and the future net cash flows from them for TransGlobe are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserves recovery, timing and amount of capital expenditures, marketability of crude oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies, and future operating costs, all of which may vary materially from actual results. For those reasons, among others, estimates of the economically recoverable crude oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery, and estimates of future net revenues associated with reserves may vary and such variations may be material.

Actual future production, revenues, taxes, operating expenses, development expenditures, and quantities of recoverable crude oil and natural gas reserves may vary substantially from those assumed in the estimates. Any significant variance in these assumptions could materially affect the estimated quantity and value of the VAALCO Group's and, following Completion, the Enlarged Group's reserves.

In addition, the VAALCO Group's reserves may be subject to downward or upward revision based upon production history, results of future development, availability of funds to acquire additional reserves, prevailing crude oil and natural gas prices, and other factors. Moreover, the calculation of the estimated present value of the future net revenue using a 10 per cent discount rate as required by the SEC (in the case the of VAALCO Group) or using future net revenue (estimated using forecast prices and costs) calculated using a discount rate of 10 per cent (in the case of the TransGlobe Group) is not necessarily the most appropriate discount factor based on interest rates in effect from time to time and risks associated with the VAALCO Group's and, following Completion, the Enlarged Group's reserves or the crude oil and natural gas industry in general. It is also possible that reserve engineers may make different estimates of reserves and future net revenues based on the same available data.

The estimated future net revenues attributable to net proved reserves are prepared in accordance with current SEC guidelines (in the case of the VAALCO Group) and in accordance with the standards contained in the COGEH and the reserves definitions contained in NI 51-101 and the COGEH (in the case of the TransGlobe Group) and are not intended to reflect the fair market value of reserves. In accordance with the rules of the SEC, the reserve estimates of VAALCO are prepared using an average of the first day of the month prices received for crude oil and natural gas for the preceding twelve months. Future reductions in prices, below the average calculated for 2021, would result in the estimated quantities and present values of VAALCO's reserves being reduced. In accordance with the COGEH and NI 51-101, the reserves estimates of TransGlobe are prepared using forecast prices and costs and computed using the average of the forecasts of GLJ Ltd., McDaniel & Associates Consultants Ltd. and Sproule Associates Limited each dated 1 January 2022. The forecast prices and

costs assumptions assume changes in wellhead selling prices and take into account inflation with respect to future operating and capital costs.

The VAALCO Group's and, following Completion, the Enlarged Group's proved reserves are in non-domestic jurisdictions and are or will be subject to service contracts, production sharing contracts and other arrangements. The quantity of crude oil and natural gas that the VAALCO Group and, following Completion, the Enlarged Group will ultimately receive under these arrangements will differ based on numerous factors, including the price of crude oil and natural gas, production rates, production costs, cost recovery provisions and local tax and royalty regimes. Changes in many of these factors could affect the estimates of proved reserves in foreign jurisdictions.

**3.8 *VAALCO could lose its interest in Block P if it does not meet its commitments under the production sharing contract.***

VAALCO's 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. VAALCO and its Block P joint venture owners are evaluating the timing and budgeting for development and exploration activities in the block. VAALCO has completed a feasibility study of a standalone production development opportunity of the Venus discovery on Block P and on 15 July 2022 submitted to the EG MMH a plan of development for Block P which on 16 September 2022 was approved by the government of Equatorial Guinea, but there can be no certainty any such transaction will be completed or that VAALCO will be able to commence drilling operations in Block P. One of the Block P joint venture owners, Atlas Petroleum International Limited, opted not to participate in the plan of development. As a result, VAALCO will hold an 80 per cent working interest in the Block P plan of development and GEPetrol will hold a 20 per cent carried interest. If the joint venture owners of Block P fail to meet the commitments under the production sharing contract amendment, VAALCO's capitalised costs of \$10,000,000 associated with Block P interest would be impaired.

**3.9 *Production cuts mandated by the government of Gabon, a member of OPEC, could adversely affect VAALCO's revenues, cash flow and results of operations.***

After terminating its membership with OPEC in 1995, Gabon re-joined OPEC as a full member in July 2016. Historically and from time to time, members of OPEC have entered into agreements to reduce worldwide production of crude oil, including the agreement reached in April 2020 among OPEC member countries and other leading allied producing countries (collectively, "OPEC+") to reduce the gap between excess supply and demand in an effort to stabilise the international oil market. Gabon undertook measures to comply with such OPEC+ production quota agreement. As a result, the Minister of Hydrocarbons in Gabon requested that VAALCO reduce its production beginning in July 2020 and continuing through 30 April 2021 in compliance with the OPEC+ mandate, and VAALCO took measures to reduce its production. Currently, VAALCO's production is not impacted by OPEC+ curtailments; however, any future reduction in VAALCO's crude oil production or export activities for a substantial period could materially and adversely affect its revenues, cash flow and results of operations.

**3.10 *VAALCO operates in international jurisdictions, and VAALCO and, following Completion, the Enlarged Group, could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-corruption laws.***

VAALCO is subject to the provisions of the U.S. Foreign Corrupt Practices Act and the UK Bribery Act. TransGlobe is subject to the U.S. Foreign Corrupt Practices Act, the Corruption of Foreign Public Officials Act (Canada) and the UK Bribery Act. The foregoing laws prohibit companies and their intermediaries from making improper payments to officials for the purpose of obtaining or retaining business. In addition, such laws require the maintenance of records relating to transactions and an adequate system of internal controls over accounting. There can be no assurance that either party's internal control policies and procedures, compliance mechanisms or monitoring programs will protect it from recklessness, fraudulent behaviour, dishonesty or other inappropriate acts or adequately prevent or detect possible violations under applicable anti-bribery and anti-corruption legislation.



Following Completion, the Enlarged Group may be responsible for any liability in respect of any of the foregoing attributable to VAALCO and/or TransGlobe prior to Completion. A failure by VAALCO or TransGlobe to comply with anti-bribery and anti-corruption legislation could result in severe criminal or civil sanctions and may subject the Enlarged Group to other liabilities, including fines, prosecution, potential debarment from public procurement and reputational damage, all of which could have a material adverse effect on the business, consolidated results of operations and consolidated financial condition of the Enlarged Group following Completion. Investigations by governmental authorities could have a material adverse effect on the business, consolidated results of operations and consolidated financial condition of the Enlarged Group following Completion.

**3.11 *The VAALCO Group's and, following Completion, the Enlarged Group's results of operations, financial condition and cash flows could be adversely affected by changes in currency regulations.***

From time to time, emerging market countries such as those in which the Enlarged Group will operate following Completion adopt measures to restrict the availability of the local currency or the repatriation of capital across borders. These measures are imposed by governments or central banks, in some cases during times of economic instability, to prevent the removal of capital or the sudden devaluation of local currencies or to maintain in-country foreign currency reserves. In addition, many emerging markets countries require consents or reporting processes before local currency earnings can be converted into U.S. dollars or other currencies and/or such earnings can be repatriated or otherwise transferred outside of the operating jurisdiction. These measures may have a number of negative effects on the Enlarged Group, including the reduction of the immediately available capital that the Enlarged Group could otherwise deploy for investment opportunities or the payment of expenses. In addition, measures that restrict the availability of the local currency or impose a requirement to operate in the local currency may create other practical difficulties for the Enlarged Group.

**3.12 *The VAALCO Group's and, following Completion, the Enlarged Group's results of operations, financial condition and cash flows could be adversely affected by changes in currency exchange rates.***

The VAALCO Group is, and, following Completion, the Enlarged Group will be, exposed to foreign currency risk from its foreign operations.

For VAALCO, while crude oil sales are denominated in U.S. dollars, portions of its costs in Gabon are denominated in the local currency. A weakening U.S. dollar will have the effect of increasing costs, while a strengthening U.S. dollar will have the effect of reducing operating costs. The Gabon local currency is tied to the Euro. The exchange rate between the Euro and the U.S. dollar has fluctuated widely in recent years in response to international political conditions, general economic conditions, the European sovereign debt crisis and other factors beyond its control. VAALCO's financial statements, presented in U.S. dollars, may be affected by foreign currency fluctuations through both translation risk and transaction risk. In addition, currency devaluation can result in a loss to VAALCO for any deposits of that currency, such as VAALCO's deposits in the Etame PSC abandonment account, which have been converted from U.S. dollars to the Gabonese local currency.

As TransGlobe's business is conducted primarily in U.S. dollars and its financial instruments are primarily denominated in U.S. dollars, TransGlobe's exposure to foreign currency exchange risk relates primarily to certain cash, accounts receivable, long-term debt, lease obligations and accounts payable and accrued liabilities denominated in Canadian dollars. TransGlobe does not utilise derivative instruments to manage this risk. TransGlobe is 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 TransGlobe is generally able to spend the Egyptian pounds received on accounts payable denominated in Egyptian pounds, there remains foreign currency exchange risk exposure on Egyptian pound cash balances. TransGlobe does not currently utilise derivative instruments to manage foreign currency exchange risk. As a result, following Completion, the Enlarged Group's consolidated earnings and cash flows may be impacted by movements in the exchange rates to a greater extent than prior to Completion.



**3.13 *The VAALCO Group's and, following Completion, the Enlarged Group's results of operations, financial condition and cash flows could be adversely affected by changes to interest rates.***

The VAALCO Group's existing facility agreement is for \$50 million, none of which had been drawn as of 30 June 2022 and, following Completion, the VAALCO Group will have access to TransGlobe's ATB Facility for approximately \$17.4 million (CA\$22.5 million) of which \$3.1 million (CA\$4 million) was drawn as of 30 June 2022. An increase in interest rates could result in a significant increase in the amount the VAALCO Group and, following Completion, the Enlarged Group pays to service this debt, and any future debt taken out by the Enlarged Group, resulting in a reduced amount available to fund its exploration and development activities and, if applicable, the cash available for dividends. Such an increase could also negatively impact the market price of the Common Shares.

**3.14 *The VAALCO Group and, following Completion, the Enlarged Group is exposed to the credit risks of the third parties with whom it contracts.***

The VAALCO Group and, following Completion, the Enlarged Group may be exposed to third-party credit risk through its contractual arrangements with its current or future joint venture owners, marketers of its petroleum and natural gas production and other parties. In addition, the VAALCO Group and, following Completion, the Enlarged Group may be exposed to third-party credit risk from operators of properties in which it has a working or royalty interest. In the event such entities fail to meet their contractual obligations to the VAALCO Group and, following Completion, the Enlarged Group, such failures may have a material adverse effect on its business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry generally and among the VAALCO Group's and, following Completion, the Enlarged Group's joint venture owners may affect a joint venture owner's willingness to participate in its ongoing capital program, potentially delaying the program and the results of such program until it finds a suitable alternative partner. To the extent that any of such third parties go bankrupt, become insolvent, or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in the VAALCO Group and, following Completion, the Enlarged Group being unable to collect all or a portion of any money owing from such parties. Any of these factors could materially adversely affect its financial and operational results.

Specifically, VAALCO has been reliant on a small number of significant customers for sales of its crude oil production. On 16 May 2022, VAALCO Gabon (Etame), Inc. entered into a crude oil sales and marketing agreement ("COSMA" or "COSMAs") with Glencore pursuant to which VAALCO 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 1 August 2022 until the Final Maturity Date of the facility agreement entered into between the parties for the provision of a senior secured reserved-based revolving credit facility provided by Glencore. VAALCO's ability to collect payments from the sale of crude oil and natural gas to its customers depends on the payment ability of its customer base, which may include a small number of significant customers. If VAALCO's significant customers fail to pay VAALCO for any reason, VAALCO could experience a material loss. In addition, if VAALCO's significant customers cease to purchase VAALCO's crude oil or natural gas or reduce the volume of the crude oil or natural gas that they purchase from VAALCO, the loss or reduction could have a detrimental effect on VAALCO's production volumes and may cause a temporary interruption in sales of, or a lower price for, VAALCO's crude oil and natural gas.

In addition, TransGlobe is and may in the future be exposed to third-party credit risk through its contractual arrangements with the EGPC. Significant changes in the crude oil industry, including fluctuations in commodity prices and economic conditions, environmental regulations, government policy, royalty rates and other geopolitical factors, could adversely affect TransGlobe's ability to realise the full value of its accounts receivable from the EGPC. Historically, TransGlobe has had a significant account receivables outstanding from the EGPC. While the EGPC has made regular payments of these amounts owing, the timing of these payments has historically been longer than the normal industry standard. In particular, upon execution of the Merged Concession, there was an effective date adjustment owed to TransGlobe for the difference between historic and Merged

Concession Agreement commercial terms applied against Eastern Desert production from the effective date of 1 February 2020. The quantum of the effective date adjustment is currently being finalised with the EGPC and could result in a range of outcomes based on the final price per barrel negotiated. TransGlobe has recognised a receivable of \$67,500,000 at 30 June 2022, which represents the amount expected to be received from the EGPC based on historical realised prices. While other receivables have been reduced to a manageable level as a result of TransGlobe's direct marketing initiative and continued payments from the Egyptian Government, a balance does remain due from the Egyptian Government, and there can be no assurance that future payments will occur on a more timely basis or occur at all. In the event the Government of Egypt fails to meet its obligation, such failures could materially adversely affect TransGlobe's financial and operational results.

**3.15 *Events outside of the VAALCO Group's and, following Completion, the Enlarged Group's control, such as the ongoing COVID-19 pandemic, could adversely impact its business, results of operations, cash flows, financial condition and liquidity.***

The VAALCO Group and, following Completion, the Enlarged Group faces risks related to epidemics, outbreaks or other public health events that are outside of its control. The global or national outbreak of an illness or any other communicable disease or any other public health crisis, including the COVID-19 pandemic, could significantly disrupt the VAALCO Group's and, following Completion, the Enlarged Group's business and operational plans and adversely affect its results of operations, cash flows, financial condition and liquidity. Although the VAALCO Group and, following Completion, the Enlarged Group is not able to enumerate all potential risks to its business resulting from the ongoing COVID-19 pandemic, VAALCO believes that such risks include, but are not limited to, the following:

- (a) the VAALCO Group and, following Completion, the Enlarged Group may experience disruption to its supply chain for materials essential to its business, including restrictions on importing and exporting products;
- (b) the VAALCO Group and, following Completion, the Enlarged Group may receive notices from customers, suppliers and other third parties arguing that their non-performance under contracts with them are permitted as a result of force majeure or other reasons;
- (c) VAALCO and TransGlobe have previously experienced cybersecurity attacks and the VAALCO Group and, following Completion, the Enlarged Group may face cybersecurity issues in the future, as digital technologies may become more vulnerable and experience a higher rate of cyberattacks in the current environment of remote connectivity;
- (d) the VAALCO Group and, following Completion, the Enlarged Group may face litigation risk and possible loss contingencies related to COVID-19 and its impact, including with respect to commercial contracts, employee matters and insurance arrangements;
- (e) the VAALCO Group and, following Completion, the Enlarged Group may be required to implement reductions of its workforce to adjust to market conditions, including severance payments, and retention issues, and it may face an inability to hire employees when market conditions improve;
- (f) the VAALCO Group and, following Completion, the Enlarged Group may incur additional asset impairments;
- (g) the VAALCO Group and, following Completion, the Enlarged Group have and may continue to experience quarantines involving its employees and other third parties in areas in which it operates, and any such quarantines could result in a well shut-in, temporary closure of offshore platforms or the FSO charter vehicle or other disruptions in production;
- (h) VAALCO and TransGlobe have faced, and the VAALCO Group and, following Completion, the Enlarged Group may continue to face, logistical challenges, including those resulting from border closures and travel restrictions, as well as the possibility that its ability to continue

production may be interrupted, limited or curtailed if workers and/or materials are unable to reach its offshore platforms and FSO charter vessel or its counterparties are unable to lift crude oil from its FSO charter vessel;

- (i) the VAALCO Group and, following Completion, the Enlarged Group may be subject to actions undertaken by national, regional and local governments and health officials to contain the virus or treat its effects, including travel restrictions and temporary closures of its facilities, that could result in operations and supply chains being interrupted, slowed or rendered inoperable; and
- (j) the VAALCO Group and, following Completion, the Enlarged Group may experience a structural shift in the global economy and its demand for crude oil and natural gas as a result of changes in the way people work, travel and interact, or in connection with a global recession or depression.

VAALCO cannot reasonably estimate the period of time that the COVID-19 pandemic and related market conditions will persist; the full extent of the impact they will have on the VAALCO Group's and, following Completion, the Enlarged Group's business, results of operations, cash flows, financial condition and liquidity; or the pace or extent of any subsequent recovery. Additionally, COVID-19 and its effect on local and global economic conditions stemming from the pandemic could also aggravate the other risk factors identified in this section, the extent of which is not yet known.

**3.16 *The VAALCO Group's and, following Completion, the Enlarged Group's business will require significant capital expenditures, and it may not be able to obtain needed capital or financing to fund its exploration and development activities or potential acquisitions on satisfactory terms or at all.***

The VAALCO Group's and, following Completion, the Enlarged Group's exploration and development activities, as well as its active pursuit of complementary opportunistic acquisitions, are capital intensive. To replace and grow the VAALCO Group's and, following Completion, the Enlarged Group's reserves, the VAALCO Group and, following Completion, the Enlarged Group must make substantial capital expenditures for the acquisition, exploitation, development, exploration and production of crude oil and natural gas reserves. Historically, VAALCO has financed these expenditures primarily with cash from operations, debt, asset sales and private sales of equity. VAALCO is the operator of the Etame Marin block offshore Gabon, is responsible for contracting on behalf of all the remaining parties participating in the project and relies on its joint venture owners to pay for 36.4 per cent of the offshore Gabon budget. With respect to Block P, the EG MMH approved VAALCO's appointment as technical operator in August 2020 and, since VAALCO has been appointed, it will rely on the timely payment of cash calls by its joint venture owners to pay for 46.3 per cent (including the 20 per cent carry of GEPetrol's costs) of the Equatorial Guinea budget. The continued economic health of its joint venture owners could be adversely affected by low crude oil prices, thereby adversely affecting their ability to make timely payment of cash calls.

If low crude oil and natural gas prices, operating difficulties or declines in reserves result in the VAALCO Group's and, following Completion, the Enlarged Group's revenues being less than expected or limit the VAALCO Group's and, following Completion, the Enlarged Group's ability to enter into debt financing arrangements, or its joint venture owners fail to pay their share of project costs, the VAALCO Group and, following Completion, the Enlarged Group may be unable to obtain or expend the capital necessary to undertake or complete future drilling programs or to acquire additional reserves.

VAALCO does not currently have any commitments for future external funding for capital expenditures or acquisitions beyond cash generated from operating activities. The VAALCO Group's and, following Completion, the Enlarged Group's ability to secure additional or replacement financing to finance expenditure beyond its current committed capital expenditure for the next 12 months may be limited. VAALCO cannot provide any assurances that such additional debt or equity financing or cash generated by operations will be available to meet its capital requirements and

fund acquisitions. The VAALCO Group and, following Completion, the Enlarged Group may not be able to obtain debt or equity financing on terms favourable to it, or at all. Even if the VAALCO Group and, following Completion, the Enlarged Group succeeds in selling additional equity securities to raise funds, at such time the ownership percentage of its existing stockholders would be diluted, and new investors may demand rights, preferences or privileges senior to those of existing stockholders. If the VAALCO Group and, following Completion, the Enlarged Group raises additional capital through debt financing, the financing may involve covenants that restrict its business activities or its ability to make future acquisitions. If cash generated by operations or cash available under any financing sources is not sufficient to meet the VAALCO Group's and, following Completion, the Enlarged Group's capital requirements beyond its current committed expenditure for the next 12 months, the failure to obtain additional financing could result in a curtailment of its operations relating to the development of its properties or prevent it from consummating acquisitions of additional reserves. Such a curtailment in operations or activities could lead to a decline in the VAALCO Group's and, following Completion, the Enlarged Group's estimated net proved reserves and would likely materially adversely affect its business, financial condition and results of operations.

**3.17 *The Enlarged Group may not generate sufficient cash to satisfy TransGlobe's payment obligations, under the Merged Concession Agreement or be able to collect some or all of TransGlobe's receivables from the EGPC, which could negatively affect the Enlarged Group's operating results and financial condition.***

On 19 January 2022, subsidiaries of TransGlobe executed the Merged Concession Agreement with the EGPC. The Merged Concession Agreement was signed by its parties on 19 January 2022, with an effective date of 1 February 2020 (the "**Merged Concession Effective Date**"). As part of the conditions precedent to the signing of the Merged Concession by the Minister of Petroleum & Mineral Resources on behalf of the Egyptian Government, TransGlobe remitted the initial modernisation payment of \$15,000,000 and signature bonus of \$1,000,000. In accordance with the Merged Concession Agreement, TransGlobe made another modernisation payment to the EGPC in the amount of \$10,000,000 on 1 February 2022. The modernisation payments under the Merged Concession Agreement total \$65,000,000 and are payable over six years from 18 January 2022. TransGlobe will be required to pay an additional \$10,000,000 on 1 February for each of the next four years. In addition, TransGlobe has committed to spending a minimum of \$50,000,000 over each five-year period for the 15 years of the primary term (total \$150,000,000). TransGlobe's ability to make scheduled payments arising from the Merged Concession Agreement will depend on its financial condition and operating performance, which would be subject to then prevailing economic, industry and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond its control. While, in the opinion of VAALCO, the working capital available to the TransGlobe Group is sufficient for its present requirements, including the requirement to make these scheduled payments, for at least the next 12 months following the date of this Prospectus, beyond that TransGlobe may be unable to maintain a level of cash flow sufficient to permit it to satisfy the payment obligations under the Merged Concession Agreement. If TransGlobe is unable to satisfy its obligations, it is possible that the EGPC could seek to terminate the Merged Concession Agreement, which would negatively affect the Enlarged Group's operating results and financial condition.

In addition, as of the Merged Concession Effective Date, there was an adjustment of funds owed to TransGlobe for the difference between historic and Merged Concession Agreement commercial terms applied against Eastern Desert production from the Merged Concession Effective Date. The quantum of this adjustment is currently being finalised with the EGPC and could result in a range of outcomes based on the final price per barrel negotiated. TransGlobe has recognised a receivable of \$67,500,000 as of 30 June 2022, which represents the amount expected to be received from the EGPC based on historical realised prices. If the EGPC's financial position becomes impaired or it disputes or if the EGPC refuses to pay some or all of the said amount, TransGlobe's ability to fully collect such receivable from the EGPC could be impaired, which could negatively affect the Enlarged Group's operating results and financial condition.



3.18 ***Unless VAALCO is able to replace the proved reserve quantities that it has produced through acquiring or developing additional reserves, VAALCO's and, following Completion, the Enlarged Group's cash flows and production will decrease over time.***

VAALCO's and, following Completion, the Enlarged Group's future success depends upon its ability to find, develop or acquire additional crude oil and natural gas reserves that are economically recoverable. In general, production from crude oil and natural gas properties declines as reserves are depleted, with the rate of decline depending on reservoir characteristics. VAALCO's and, following Completion, the Enlarged Group's ability to make the necessary capital investment to maintain or expand its asset base of crude oil and natural gas reserves would be limited to the extent cash flow from operations is reduced and external sources of capital become limited or unavailable. VAALCO and, following Completion, the Enlarged Group may not be successful in exploring for, developing or acquiring additional reserves. Except to the extent that VAALCO and, following Completion, the Enlarged Group conducts successful exploration or development activities or acquire properties containing proved reserves, VAALCO's and, following Completion, the Enlarged Group's estimated net proved reserves will generally decline as reserves are produced.

There can be no assurance that VAALCO's and, following Completion, the Enlarged Group's development and exploration projects and acquisition activities will result in significant additional reserves or that VAALCO and, following Completion, the Enlarged Group will have continuing success drilling productive wells at economic finding costs. The drilling of crude oil and natural gas wells involves a high degree of risk, especially the risk of dry holes or of wells that are not sufficiently productive to provide an economic return on the capital expended to drill the wells. Additionally, seismic and other technology does not allow VAALCO to know conclusively prior to drilling a well that crude oil or natural gas is present or economically producible. VAALCO's and, following Completion, the Enlarged Group's drilling operations may be curtailed, delayed or cancelled as a result of numerous factors, including declines in crude oil or natural gas prices and/or prolonged periods of historically low crude oil and natural gas prices, weather conditions, political instability, availability of capital, economic/currency imbalances, compliance with governmental requirements, receipt of additional seismic data or the reprocessing of existing data, failure of wells drilled in similar formations, equipment failures (such as ESPs), delays in the delivery of equipment, and the availability of drilling rigs. If VAALCO and, following Completion, the Enlarged Group is unable to increase its proved quantities, there will likely be a material impact on its cash flows, business and operations.

3.19 ***The development of VAALCO's estimated proved undeveloped reserves may take longer and may require higher levels of capital expenditures than VAALCO currently anticipates. Therefore, VAALCO's estimated proved undeveloped reserves may not be ultimately developed or produced.***

Recovery of undeveloped reserves requires significant capital expenditures and successful drilling. VAALCO's reserves data assumes that it can and will make these expenditures and conduct these operations successfully. These assumptions, however, may not prove correct. Delays in the development of VAALCO's reserves, increases in costs to drill and develop such reserves, or decreases in commodity prices will reduce the value of its estimated proved undeveloped reserves and future net revenues estimated for such reserves and may result in some projects becoming uneconomic. If VAALCO chooses not to spend the capital to develop these reserves, or if VAALCO is not otherwise able to successfully develop these reserves, it will be required to write-off these reserves. In addition, under the SEC's reserve rules, because proved undeveloped reserves may be recognised only if they relate to wells planned to be drilled within five years of the date of their initial recognition, VAALCO may be required to write-off any proved undeveloped reserves that are not developed within this five-year time frame.

**3.20 *VAALCO's offshore operations involve special risks that could adversely affect its results of operations.***

While, following Completion, the Enlarged Group will include TransGlobe's onshore operations, VAALCO operates offshore. Offshore operations are subject to a variety of operating risks specific to the marine environment. VAALCO's production facilities are subject to hazards such as capsizing, sinking, grounding, collision and damage from severe weather conditions. The relatively deep offshore drilling conducted by VAALCO involves increased drilling risks of high pressures and mechanical difficulties, including stuck pipe, collapsed casing and separated cable. VAALCO has experienced pipeline blockages in the past and may experience additional pipeline blockages in the future. The impact that any of these risks may have upon VAALCO is increased due to the low number of producing properties VAALCO owns. VAALCO could incur substantial expenses that could reduce or eliminate the funds available for exploration, development or licence acquisitions or result in loss of equipment and licence interests.

Exploration and development operations offshore Africa often lack the physical and oilfield service infrastructure present in other regions. As a result, a significant amount of time may elapse between an offshore discovery and the marketing of the associated crude oil and natural gas, increasing both the financial and operational risks involved with these operations. Offshore drilling operations generally require more time and more advanced drilling technologies, involving a higher risk of equipment failure and usually higher drilling costs. In addition, there may be production risks for which VAALCO is currently unaware. For example, the production of hydrogen sulphide at certain of VAALCO's Etame Marin block wells creates unexpected production losses and delays in VAALCO's development plans. The development of new subsea infrastructure and use of floating production systems to transport crude oil from producing wells may require substantial time for installation or encounter mechanical difficulties and equipment failures that could result in loss of production, significant liabilities, cost overruns or delays.

In addition, in the event of a well control incident, containment and, potentially, clean-up activities for offshore drilling are costly. The resulting regulatory costs or penalties and the results of third-party lawsuits, as well as associated legal and support expenses, including costs to address negative publicity, could well exceed the actual costs of containment and clean-up. As a result, a well control incident could result in substantial liabilities for VAALCO and, following Completion, the Enlarged Group and have a significant negative impact on VAALCO's and, following Completion, the Enlarged Group's, earnings, cash flows, liquidity, financial position and share price.

**3.21 *Commodity derivative transactions that the VAALCO Group and, following Completion, the Enlarged Group enter into may fail to protect it from declines in commodity prices and could result in financial losses or reduce its income.***

In order to reduce the impact of commodity price uncertainty and increase cash flow predictability relating to the marketing of crude oil and natural gas, VAALCO has entered into, and the VAALCO Group and, following Completion, the Enlarged Group, may continue to enter into, derivative arrangements with respect to a portion of its expected production.

VAALCO's derivative contracts typically consist of a series of commodity swap contracts, such as puts, collars and fixed price swaps, and are limited in duration. For example, on 6 January 2022, VAALCO entered into additional commodity swaps at a Dated Brent weighted average price of \$76.53 per barrel for the period from and including July 2022 to September 2022 for a quantity of 375,000 barrels. On 25 July 2022 VAALCO entered into a costless commodity collar arrangement for a quantity of 326,000 barrels with a weighted average put price of \$70 per barrel and a weighted average call price of \$122 per barrel.

At 30 June 2022, the unexpired commodity swaps of VAALCO were for an underlying quantity of 375,000 barrels and had a fair value of \$12,547,334 and is reflected in the "accrued liabilities and other" line of the condensed consolidated balance sheet as at 30 June 2022.



The following table sets out the hedges of the VAALCO Group for the unexpired barrels for the third and fourth quarters of 2022.

<i>Settlement Period</i>	<i>Type of Contract</i>	<i>Index</i>	<i>Average Monthly Volumes (Bbls)</i>	<i>Weighted Average Price (per Bbl)</i>	<i>Weighted Average Put Price (per Bbl)</i>	<i>Weighted Average Call Price (per Bbl)</i>
July 2022 to September 2022	Swaps	Dated Brent	125,000	\$76.53	—	—
October 2022 to December 2022	Collars	Dated Brent	109,000	—	\$70.00	\$122.00

In conjunction with revolving Canadian reserves-based lending facility with ATB, TransGlobe is required to enter into hedging arrangements based on its debt utilisation. If utilisation is below 50 per cent, TransGlobe is not required to hedge any of its annual forecasted average daily Canadian production of oil and natural gas volumes (net of royalties); utilisation of between 50 per cent to 69 per cent requires a hedge of 25 per cent, utilisation of 70 per cent and above requires a hedge of 50 per cent.

The following table summarises TransGlobe's outstanding derivative commodity contract positions as at 30 June 2022, the fair values of which have been presented on the Condensed Consolidated Interim Balance Sheet:

*Financial AECO natural gas contracts*

<i>Period Hedged</i>	<i>Contract</i>	<i>Remaining Volume (GJ)</i>	<i>Daily Volume (GJ)</i>	<i>Bought Put C\$/GJ</i>	<i>Sold Call C\$/GJ</i>
Jul 2022 – Sep 2022	Collar	358,800	3,900	2.50	3.10
Oct 2022 – Dec 2022	Collar	358,800	3,900	2.50	4.00

The hedge counterparty will be obligated to make payments to the VAALCO Group and, following Completion, the Enlarged Group, to the extent that the floating (market) price is below an agreed fixed (strike) price. However, hedging agreements expose the VAALCO Group and, following Completion, the Enlarged Group to risk of financial loss if the counterparty to a hedging contract defaults on its contract obligations. Disruptions in the market could also occur that lead to sudden changes in the liquidity of the counterparties to the VAALCO Group's and, following Completion, the Enlarged Group's hedge transactions which in turn limit its ability to perform under their hedging contracts with VAALCO. Even if the VAALCO Group and, following Completion, the Enlarged Group accurately predict sudden changes, its ability to negate the risk may be limited depending upon market conditions. If the creditworthiness of the VAALCO Group's and, following Completion, the Enlarged Group's counterparties deteriorates and results in their non-performance, it could incur a significant loss.

Derivative arrangements also expose the VAALCO Group and, following Completion, the Enlarged Group to the risk of financial loss in some circumstances, including when production is less than the volume covered by the derivative instruments or when there is an increase in the differential between the underlying price and actual prices received in the derivative instrument. In addition, certain types of derivative arrangements may limit the benefit that the VAALCO Group and, following Completion, the Enlarged Group could receive from increases in the prices for crude oil and natural gas and may expose the VAALCO Group and, following Completion, the Enlarged Group to cash margin requirements.

**3.22 *The VAALCO Group's and, following Completion, the Enlarged Group's business could be materially and adversely affected by security threats, including cybersecurity threats, and other disruptions.***

As a crude oil producer, the VAALCO Group and, following Completion, the Enlarged Group faces various security threats, including cybersecurity threats to gain unauthorised access to sensitive information or to render data or systems unusable; threats to the security of its facilities and infrastructure or third-party facilities and infrastructure, such as processing plants and pipelines; and threats from terrorist acts. The potential for such security threats has subjected the VAALCO Group's and, following Completion, the Enlarged Group's operations to increased risks that could have a material adverse effect on its business. In particular, the VAALCO Group's and, following Completion, the Enlarged Group's implementation of various procedures and controls to monitor and mitigate security threats and to increase security for its information, facilities and infrastructure may result in increased capital and operating costs. Costs for insurance may also increase as a result of security threats, and some insurance coverage may become more difficult to obtain, if available at all. Moreover, there can be no assurance that such procedures and controls will be sufficient to prevent security breaches from occurring. If any of these security breaches were to occur, they could lead to losses of sensitive information, critical infrastructure or capabilities essential to its operations and could have a material adverse effect on the VAALCO Group's and, following Completion, the Enlarged Group's reputation, financial position, results of operations and cash flows.

Cybersecurity attacks in particular are becoming more sophisticated. The VAALCO Group and, following Completion, the Enlarged Group rely extensively on information technology systems, including internet sites, computer software, data hosting facilities, and other hardware and platforms, some of which are hosted by third parties, to assist in conducting its business. The VAALCO Group's and, following Completion, the Enlarged Group's technologies systems and networks, and those of its business associates may become the target of cybersecurity attacks, including, without limitation, malicious software, attempts to gain unauthorised access to data and systems, and other electronic security breaches that could lead to disruptions in critical systems and materially and adversely affect it in a variety of ways, including the following:

- (a) unauthorised access to and release of seismic data, reserves information, strategic information, or other sensitive or proprietary information, which could have a material adverse effect on its ability to compete for crude oil and natural gas resources;
- (b) data corruption, communication interruption or other operational disruption during drilling activities could result in failure to reach the intended target or a drilling incident;
- (c) data corruption or operational disruption of production infrastructure, which could result in a loss of production or accidental discharge;
- (d) unauthorised access to and release of personal identifying information of employees and vendors, which could expose it to allegations that it did not sufficiently protect that information;
- (e) a cybersecurity attack on a vendor or service provider, which could result in supply chain disruptions and could delay or halt operations;
- (f) a cybersecurity attack on third-party gathering, transportation, processing, fractionation, refining or export facilities, which could delay or prevent it from transporting and marketing its production, resulting in a loss of revenues;
- (g) a cybersecurity attack involving commodities exchanges or financial institutions could slow or halt commodities trading, thus preventing it from engaging in hedging activities, resulting in a loss of revenues; and
- (h) business interruptions, including use of social engineering schemes and/or ransomware, could result in expensive remediation efforts, distraction of management, damage to VAALCO's reputation, or a negative impact on the price of its Common Shares.

To protect against such attempts of unauthorised access or attack, VAALCO has implemented multiple layers of cybersecurity protection, infrastructure protection technologies, disaster recovery plans and employee training. While VAALCO has invested significant amounts in the protection of its technology systems and maintain what it believes are adequate security controls over sensitive data, there can be no guarantee such plans, to the extent they are in place, will be effective. TransGlobe conducts annual cyber-security risk assessments and training and education programmes for its employees. TransGlobe applies technical and process controls in line with industry-accepted standards to protect its information, assets and systems. However, these controls may not adequately prevent cyber-security breaches.

Any cyber incident could damage the VAALCO Group's and, following Completion, the Enlarged Group's reputation and lead to financial losses from remedial actions, loss of business or potential liability. Additionally, certain cyber incidents, such as surveillance, may remain undetected for an extended period.

**3.23 *The VAALCO Group's and, following Completion, the Enlarged Group's operations may be adversely affected by political and economic circumstances in the countries in which it operates.***

The VAALCO Group's operations are, and following Completion, the Enlarged Group's operations will be subject to risks of loss due to civil strife, acts of war, acts of terrorism, piracy, disease, guerrilla activities, insurrection and other political risks, including tension and confrontations among political parties, that may result in:

- (a) volatility in global crude oil prices, which could negatively impact the global economy, resulting in slower economic growth rates, which could reduce demand for the VAALCO Group's and, following Completion, the Enlarged Group's products;
- (b) negative impact on the world crude oil supply if infrastructure or transportation are disrupted, leading to further commodity price volatility;
- (c) difficulty in attracting and retaining qualified personnel to work in areas with potential for conflict;
- (d) the inability of the VAALCO Group's and, following Completion, the Enlarged Group's personnel or supplies to enter or exit the countries where it is conducting operations;
- (e) disruption of the VAALCO Group's and, following Completion, the Enlarged Group's operations due to evacuation of personnel;
- (f) the inability to deliver the VAALCO Group's and, following Completion, the Enlarged Group's production due to the disruption or closing of transportation routes;
- (g) a reduced ability to export the VAALCO Group's and, following Completion, the Enlarged Group's production due to efforts of countries to conserve domestic resources;
- (h) damage to, or destruction of, the VAALCO Group's and, following Completion, the Enlarged Group's wells, production facilities, receiving terminals or other operating assets;
- (i) the incurrence of significant costs for security personnel and systems;
- (j) damage to or destruction of property belonging to the VAALCO Group's and, following Completion, the Enlarged Group's commodity purchasers, leading to interruption of deliveries, claims of force majeure and/or termination of commodity sales contracts, resulting in a reduction in its revenues;
- (k) the inability of the VAALCO Group's and, following Completion, the Enlarged Group's service and equipment providers to deliver items necessary for it to conduct its operations, resulting in a halt or delay in its planned exploration activities, delayed development of major projects or shut-in of producing fields;

- (l) a lack of availability of drilling rig, oilfield equipment or services if third-party providers decide to exit the region;
- (m) the imposition of U.S. government or international sanctions that limit the VAALCO Group's and, following Completion, the Enlarged Group's ability to conduct its business;
- (n) a shutdown of a financial system, communications network, or power grid causing a disruption to the VAALCO Group's and, following Completion, the Enlarged Group's business activities; and
- (o) a capital market reassessment of risk and reduction of available capital, making it more difficult for the VAALCO Group's and, following Completion, the Enlarged Group's joint owners to obtain financing for potential development projects.

Some of these risks may be higher in the developing countries in which the VAALCO Group and, following Completion, the Enlarged Group conducts its activities, namely, Gabon and Equatorial Guinea at the date of the Prospectus and, following Completion, Egypt. For example, in Gabon, the Gabonese administration has experienced a succession of large-scale strikes since 2021, general and unlimited strikes have been initiated by workers in the oil sector, by agents of the Ministry of Foreign Affairs, by air traffic controllers and by the collectors of financial regimes. Both Gabon and Equatorial Guinea have had ongoing border disputes, and the Gulf of Guinea, covering Gabon, is often presented as a high risk zone for piracy. There has been significant civil unrest and widespread protests and demonstrations throughout the Middle East, including Egypt, since 2011. Abdel Fattah el-Sisi was elected President of Egypt in 2014 following a few years of widespread protests, demonstrations and civil unrest. Since this time, political and economic stability has returned to the country leading to a positive impact in business confidence, but this remains a jurisdiction with political and economic risk.

If the VAALCO Group's and, following Completion, the Enlarged Group's operations are disrupted and/or the economic integrity of its projects are threatened for unexpected reasons, its business may be harmed. Prolonged problems may threaten the commercial viability of its operations.

**3.24 *The VAALCO Group and, following Completion, the Enlarged Group may not have enough insurance to cover all of the risks it faces.***

The VAALCO Group's and, following Completion, the Enlarged Group's business is subject to all of the operating risks normally associated with the exploration for and production, gathering, processing, and transportation of crude oil and natural gas, including blowouts, cratering and fire, any of which could result in damage to, or destruction of, crude oil and natural gas wells or formations, production facilities, and other property, as well as injury to persons. For protection against financial loss resulting from these operating hazards, the VAALCO Group and, following Completion, the Enlarged Group maintains insurance coverage, including insurance coverage for certain physical damage, blowout/control of a well, comprehensive general liability, worker's compensation and employer's liability. However, the VAALCO Group's and, following Completion, the Enlarged Group's insurance coverage may not be sufficient to cover it against 100 per cent of potential losses arising as a result of the foregoing, and for certain risks, such as political risk, nationalisation, business interruption, war, terrorism, and piracy, for which it has limited or no coverage. In addition, neither the VAALCO Group nor the TransGlobe Group is insured against all risks in all aspects of its business, such as hurricanes. The occurrence of a significant event that the VAALCO Group and, following Completion, the Enlarged Group is not fully insured against could have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

**3.25 *The VAALCO Group's and, following Completion, the Enlarged Group's business could suffer if it loses the services of, or fail to attract, key personnel.***

The VAALCO Group and, following Completion, the Enlarged Group is highly dependent upon the efforts of its senior management and other key employees. The loss of the services of the VAALCO Group's and, following Completion, the Enlarged Group's Chief Executive Officer or Chief Financial

Officer, as well as any loss of the services of one or more other members of its senior management, could delay or prevent the achievement of its objectives. The VAALCO Group and, following Completion, the Enlarged Group do not maintain any “key-man” insurance policies on any of its senior management, and do not intend to obtain such insurance. In addition, due to the specialised nature of the VAALCO Group’s and, following Completion, the Enlarged Group’s business, the business is highly dependent upon its ability to attract and retain qualified personnel with extensive experience and expertise in evaluating and analysing drilling prospects and producing crude oil and natural gas from proved properties and maximising production from crude oil and natural gas properties. There is competition for qualified personnel in the areas of the VAALCO Group’s and, following Completion, the Enlarged Group’s activities, and it may be unsuccessful in attracting and retaining these personnel.

**3.26 *TransGlobe is subject to relinquishment obligations under its title documents.***

TransGlobe is subject to relinquishment obligations under its title documents which oblige it to relinquish certain proportions of its concession lease and licence areas and thereby reduce its acreage. Additionally, TransGlobe may be unable to drill all of its prospects or satisfy its minimum work commitments prior to relinquishment and may be unable to meet its obligations under the title documents. Failure to meet such obligations following Completion could result in concessions, leases and licences being suspended, revoked or terminated which could have a material adverse effect on the Enlarged Group’s business.

**3.27 *There may be valid challenges to title or legislative changes which affect TransGlobe’s title to the oil and natural gas properties TransGlobe controls in Canada.***

Although title reviews may be conducted in Canada prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise. Due in part to the nature of property rights development historically in Canada as well as the common practice of splitting legal and beneficial title, public registries are not determinative of actual rights held by parties. Further, the fragmented nature of oil and gas rights, which may be held by the government or private individuals and companies, and may be split among a great number of different granting documents, means that despite best efforts of parties, latent defects may not be immediately discoverable. As such, the actual interest of TransGlobe in properties may accordingly vary from its records. If a title defect does exist, it is possible that TransGlobe may lose all or a portion of the properties to which the title defect relates, which may have a material adverse effect on its business, financial condition, results of operations and prospects. There may be following Completion valid challenges to title or legislative changes, which affect TransGlobe’s title to the oil and natural gas properties TransGlobe controls in Canada that could impair its activities on them and result in a reduction of the revenue received by TransGlobe and therefore the Enlarged Group.

**3.28 *In Canada, opposition by Indigenous groups to the conduct of TransGlobe’s operations, development or exploration activities may negatively impact the Enlarged Group following Completion.***

Opposition by Indigenous groups to the conduct of TransGlobe’s operations, development or exploratory activities in any of the jurisdictions in which TransGlobe conducts business may negatively impact it in terms of public perception, diversion of management’s time and resources, legal and other advisory expenses, and following Completion could adversely impact the Enlarged Group’s progress and ability to explore and develop properties.

Some Indigenous groups have established or asserted Indigenous treaty and title rights to portions of Canada. Although there are no Indigenous treaty or title rights claims on lands where TransGlobe operates, no certainty exists that any lands currently unaffected by claims brought by Indigenous groups will remain unaffected by future claims. Such claims, if successful, could have a material adverse impact on TransGlobe’s operations or pace of growth.



Canadian federal and provincial governments have a duty to consult with Indigenous people when contemplating actions that may adversely affect asserted or proven Indigenous treaty or title rights and, in certain circumstances, accommodate their concerns. The scope of the duty to consult by federal and provincial governments varies with the circumstances and is often the subject of litigation. The fulfilment of the duty to consult Indigenous people and any associated duties of accommodation may adversely affect TransGlobe's ability, or increase the time required to obtain or renew, permits, leases, licences and other approvals, or to meet the terms and conditions of those approvals.

On 29 June 2021, the British Columbia Supreme Court issued a judgement in *Yahey v British Columbia* (the "**Blueberry Decision**") in which it determined that the cumulative impacts of industrial development on the traditional territory of the Blueberry River First Nation ("**BRFN**") in northeast British Columbia had breached the BRFN's treaty rights guaranteed under Treaty 8. Going forward, the Blueberry Decision may have significant impacts on the regulation of industrial activities in northeast British Columbia. Further, it may lead to similar claims of cumulative effects across Canada in other areas covered by numbered treaties.

The Government of British Columbia and the BRFN are in the midst of negotiations to finalise a new regime for assessment, authorisation and management of industrial activities on BRFN territory in a manner consistent with the Blueberry Decision. Details as to the progress of those negotiations are not clear. The long-term impacts and risks of the Blueberry Decision on the Canadian oil and gas industry and TransGlobe remain uncertain.

In addition, Canada is a signatory to the United Nations Declaration of the Rights of Indigenous Peoples ("**UNDRIP**") and the principles set forth therein may continue to influence the role of Indigenous engagement in the development of the oil and gas industry in Western Canada. For example, in November 2019, the Declaration on the Rights of Indigenous Peoples Act ("**DRIPA**") became law in British Columbia. The DRIPA aims to align British Columbia's laws with UNDRIP. In June 2021, the United Nations Declaration on the Rights of Indigenous Peoples Act (the "**UNDRIP Act**") came into force in Canada. Similar to British Columbia's DRIPA, the UNDRIP Act requires the Government of Canada to take all measures necessary to ensure the laws of Canada are consistent with the principles of UNDRIP and to implement an action plan to address UNDRIP's objectives. The Government of Canada has expressed that implementation of the UNDRIP Act has the potential to make meaningful change in how Indigenous peoples collaborate in impact assessment moving forward, but has confirmed that the current IAA already establishes a framework that aligns with UNDRIP and does not need to be changed in light of the UNDRIP Act.

Continued development of common law precedent regarding existing laws relating to Indigenous consultation and accommodation as well as the adoption of new laws such as DRIPA and the UNDRIP Act are expected to continue to add uncertainty to the ability of entities operating in the Canadian oil and gas industry to execute on major resource development and infrastructure projects, including, among other projects, pipelines which following Completion, could adversely impact the Enlarged Group's progress and ability to explore and develop properties in Canada.

**3.29 *Following Completion, the Enlarged Group will be exposed to risks associated with hydraulic fracking.***

Hydraulic fracturing involves the injection of water, sand and small amounts of additives under high pressure into tight rock formations that were previously unproductive to stimulate the production of oil, liquids and natural gas. Concerns about seismic activity, including earthquakes, caused by hydraulic fracturing has resulted in regulatory authorities implementing additional protocols for areas that are prone to seismic activity or completely banning hydraulic fracturing in other areas. Any new laws, regulations, or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs, third-party or governmental claims, and could increase the Enlarged Group's costs of compliance and doing business, as well as delay the development of oil, liquids and natural gas resources from shale formations, which are not commercial without the use of hydraulic fracturing. Restrictions on hydraulic fracturing in the areas TransGlobe operates could result in it

being unable to economically recover its oil and gas reserves, which would result in a significant decrease in the value of the Enlarged Group's assets following Completion.

Water is an essential component of TransGlobe's drilling and hydraulic fracturing processes. Limitations or restrictions on its ability to secure sufficient amounts of water (including limitations resulting from natural causes such as drought), could materially and adversely impact its operations. Severe drought conditions can result in local water authorities taking steps to restrict the use of water in their jurisdiction for drilling and hydraulic fracturing in order to protect the local water supply. If TransGlobe is unable to obtain water to use in its operations from local sources, it may need to be obtained from new sources and transported to drilling sites, resulting in increased costs, which could have a material adverse effect on the Enlarged Group's financial condition, results of operations, and cash flows following Completion.

In addition, TransGlobe must dispose of the fluids produced from oil, liquids and natural gas production operations, including produced water, which it does directly or through the use of third-party vendors. The legal requirements related to the disposal of produced water into a non-producing geologic formation by means of underground injection wells are subject to change based on concerns of the public or governmental authorities regarding such disposal activities.

Another consequence of seismic events may be lawsuits alleging that disposal well operations have caused damage to neighbouring properties or otherwise violated laws and regulations regarding waste disposal. These developments could result in additional regulation and restrictions on the use of injection wells by TransGlobe or by commercial disposal well vendors that it may use from time to time to dispose of produced water. Increased regulation and attention given to induced seismicity could also lead to greater opposition, including litigation to limit or prohibit oil and natural gas activities utilising injection wells for produced water disposal. Any one or more of these developments may result in TransGlobe or its vendors having to limit disposal well volumes, disposal rates and pressures or locations, or require TransGlobe or its vendors to shut down or curtail the injection of produced water into disposal wells, which events could have a material adverse effect on the Enlarged Group's business, financial condition, and results of operations following Completion.

The VAALCO Group rarely uses offshore fracking to enhance production. The Directors believe that the VAALCO Group is not currently exposed to significant risks associated with hydraulic fracking, as the VAALCO Group does not routinely utilise hydraulic fracking to start production and, because its hydraulic fracking takes place offshore, it is not subject to the same risks as the TransGlobe Group associated with securing sufficient amounts of water. Following Completion however, the Enlarged Group will be exposed to the risks outlined above in connection with hydraulic fracking.

**3.30 *Following Completion, the Enlarged Group may be exposed to the risk of earthquakes in Alberta.***

Minor earthquakes are common in certain parts of Alberta, and are generally clustered around the municipalities of Cardston, Fox Creek, Rocky Mountain House, Brazeau and Red Deer. The Alberta Energy Regulator ("AER") monitors seismic activity across Alberta to assess the risks associated with, and instances of, earthquakes induced by hydraulic fracturing. TransGlobe routinely conducts hydraulic fracturing in its drilling and completion programmes. In recent years, hydraulic fracturing has been linked to increased seismicity in the areas in which hydraulic fracturing takes place, prompting regulatory authorities to investigate the practice further.

The AER has developed monitoring and reporting requirements that apply to all oil and natural gas producers working in certain areas where the likelihood of an earthquake is higher, and implemented the requirements in Subsurface Order Nos. 2, 6, and 7. The regions with seismic protocols in place are Fox Creek, Red Deer, and Brazeau (the "**Seismic Protocol Regions**"). TransGlobe does not have operations in the Seismic Protocol Regions. TransGlobe owns production and working interest facilities and assets in the Harmattan area of west central Alberta and is exposed to the risks of earthquakes in that region.

#### 4. Risks relating to the oil and gas industry

##### 4.1 *Crude oil and natural gas prices are highly volatile and a depressed price regime, if prolonged, may negatively affect the VAALCO Group's and, following Completion, the Enlarged Group's financial results.*

The VAALCO Group's and, following Completion, the Enlarged Group's revenues, cash flow, profitability, crude oil and natural gas reserves value and future rate of growth are substantially dependent upon prevailing prices for crude oil and natural gas. The VAALCO Group's and, following Completion, the Enlarged Group's ability to enter into debt financing arrangements and to obtain additional capital on reasonable terms is also substantially dependent on crude oil and natural gas prices.

Historically, world-wide crude oil and natural gas prices and markets have been volatile and may continue to be volatile in the future. Prices for crude oil and natural gas are subject to wide fluctuations in response to relatively minor changes in the supply of and demand for crude oil and natural gas, market uncertainty and a variety of additional factors that are beyond the VAALCO Group's and, following Completion, the Enlarged Group's control. These factors include, but are not limited to, increases in supplies from U.S. shale production, international political conditions, including uprisings and political unrest in the Middle East and Africa, the domestic and foreign supply of crude oil and natural gas, actions by OPEC+ member countries and other state-controlled oil companies to agree upon and maintain crude oil price and production controls, the level of consumer demand that is impacted by economic growth rates; weather conditions; domestic and foreign governmental regulations and taxes; the price and availability of alternative fuels; technological advances affecting energy consumption; the health of international economic and credit markets; and changes in the level of demand resulting from global or national health epidemics and concerns, such as the ongoing COVID-19 pandemic. In addition, various factors including the effect of federal, state and foreign regulation of production and transportation, general economic conditions, changes in supply due to drilling by other producers and changes in demand may adversely affect the VAALCO Group's and, following Completion, the Enlarged Group's ability to market its crude oil and natural gas production.

In a period of depressed or declining crude oil and natural gas prices, the VAALCO Group and, following Completion, the Enlarged Group is subject to numerous risks, including but not limited to the following:

- (a) the VAALCO Group's and, following Completion, the Enlarged Group's revenues, cash flows and profitability may decline substantially, which could also indirectly impact expected production by reducing the amount of funds available to engage in exploration, drilling and production;
- (b) third-party confidence in the VAALCO Group's and, following Completion, the Enlarged Group's commercial or financial ability to explore and produce crude oil and natural gas could erode, which could impact its ability to execute on its business strategy;
- (c) the VAALCO Group's and, following Completion, the Enlarged Group's suppliers, hedge counterparties (if any), vendors and service providers could renegotiate the terms of its arrangements, terminate their relationship with it or require financial assurances from it;
- (d) the VAALCO Group and, following Completion, the Enlarged Group may take measures to preserve liquidity, such as its decision to cease or defer discretionary capital expenditures during such periods of depressed or declining oil prices; and
- (e) it may become more difficult to retain, attract or replace key employees.

The occurrence of certain of these events may have a material adverse effect on the VAALCO Group's and, following Completion, the Enlarged Group's business, results of operations and financial condition.

The estimated future net revenues attributable to VAALCO's net proved reserves are prepared in accordance with current SEC guidelines and are not intended to reflect the fair market value of its reserves. In accordance with the rules of the SEC, VAALCO's reserve estimates are prepared using the average price received for crude oil and natural gas based on closing prices of the average of the first day of the month price over the 12-month period prior to the end of the reporting period. However, for the purpose of impairment analysis, the estimated future net revenues attributable to VAALCO's net proved reserves are prepared in accordance with ASC 932 and are priced using forecasted realised prices at the end of the quarter. If crude oil prices decline, VAALCO expects that the estimated quantities and present values of its reserves and, following Completion, the reserves of the Enlarged Group, will be reduced, which may necessitate further write-downs. Any future write-downs or impairments could have a material adverse impact on VAALCO's and, following Completion, the Enlarged Group's results of operations.

A material decline in prices could also result in a reduction of TransGlobe's net production revenue. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on TransGlobe's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on TransGlobe's business, financial condition, results of operations and prospects. Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for, and project the return on, acquisitions and development and exploitation projects.

#### 4.2 *Exploring for, developing, or acquiring reserves is capital intensive and uncertain.*

The VAALCO Group and, following Completion, the Enlarged Group may not be able to economically find, develop or acquire additional reserves, or may not be able to make the necessary capital investments to develop its reserves, if its cash flows from operations decline or external sources of capital become limited or unavailable. Drilling activities are subject to many risks, including the risk that no commercially productive reservoirs will be encountered. There can be no assurance that new wells drilled by the VAALCO Group and, following Completion, the Enlarged Group will be productive or that it will recover all or any portion of its investment. Drilling for crude oil and natural gas may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. The cost of drilling, completing and operating wells is often uncertain and cost overruns are common. In particular, offshore drilling and development operations require highly capital-intensive techniques.

The VAALCO Group's and, following Completion, the Enlarged Group's drilling operations may be curtailed, delayed or cancelled as a result of numerous factors, many of which are beyond its control, including weather conditions, equipment failures or accidents, elevated pressure or irregularities in geologic formations, compliance with governmental requirements and shortages or delays in the delivery of or increased costs for equipment and services. If the VAALCO Group and, following Completion, the Enlarged Group is unable to continue drilling operations and it does not replace the reserves it produces or acquires additional reserves, its reserves, revenues and cash flow will decrease over time, which could have a material effect on its ability to continue as a going concern.

The VAALCO Group's and, following Completion, the Enlarged Group's operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices, and additional government intervention through stimulus spending or additional regulations. The VAALCO Group's and, following Completion, the Enlarged Group's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows.

4.3 ***Competitive industry conditions may negatively affect the VAALCO Group's and, following Completion, the Enlarged Group's ability to conduct operations.***

The crude oil and natural gas industry is intensely competitive. The VAALCO Group and, following Completion, the Enlarged Group competes with, and may be outbid by, competitors in its attempts to acquire exploration and production rights in crude oil and natural gas properties. These properties include exploration prospects as well as properties with proved reserves. There is also competition for contracting for drilling equipment and the hiring of experienced personnel. Factors that affect the VAALCO Group's and, following Completion, the Enlarged Group's ability to compete in the marketplace include, among other things:

- (a) its access to the capital necessary to drill wells and acquire properties;
- (b) its ability to acquire and analyse seismic, geological and other information relating to a property;
- (c) its ability to retain and hire experienced personnel, especially for its engineering, geoscience and accounting departments; and
- (d) the location of, and its ability to access, platforms, pipelines and other facilities used to produce and transport crude oil and natural gas production.

The VAALCO Group's and, following Completion, the Enlarged Group's competitors include major integrated oil companies and substantial independent energy companies, many of which possess greater financial, technological, personnel and other resources than the VAALCO Group and, following Completion, the Enlarged Group do. These companies may be better able to competitively bid for and purchase crude oil and natural gas properties; evaluate, bid for and purchase a greater number of properties than the VAALCO Group's and, following Completion, the Enlarged Group's financial or human resources permit; continue drilling during periods of low crude oil and natural gas prices; contract for drilling equipment; and secure trained personnel. The VAALCO Group's and, following Completion, the Enlarged Group's competitors may also use superior technology that it may be unable to afford or that would require costly investment by it in order to compete.

Competition due to advances in renewable fuels may also lessen the demand for the VAALCO Group's and, following Completion, the Enlarged Group's product and negatively impact its profitability. Alternatives to petroleum-based products and production methods are continually under development. For example, a number of automotive, industrial and power generation manufacturers are developing alternative clean power systems using fuel cells or clean-burning gaseous fuels that may address increasing worldwide energy costs, the long-term availability of petroleum reserves and environmental concerns, which if successful could lower the demand for crude oil and natural gas. If these non-petroleum based products and crude oil alternatives continue to expand and gain broad acceptance such that the overall demand for crude oil and natural gas is decreased, it could have an adverse effect on the VAALCO Group's and, following Completion, the Enlarged Group's operations and the value of its assets.

4.4 ***Weather, unexpected subsurface conditions and other unforeseen operating hazards may adversely impact the VAALCO Group's and, following Completion, the Enlarged Group's crude oil and natural gas activities.***

The crude oil and natural gas business involves a variety of operating risks, including fire; explosions; blow-outs; pipe failure, casing collapse; abnormally pressured formations; and environmental hazards such as crude oil spills, natural gas leaks, ruptures and discharges of toxic gases, underground migration, and surface spills or mishandling of well fluids, including chemical additives, the occurrence of any of which could result in substantial losses to the VAALCO Group and, following Completion, the Enlarged Group due to injury and loss of life, severe damage to and destruction of property, natural resources and equipment, pollution and other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations.



Climate change could have an effect on the severity of weather (including hurricanes and floods), sea levels, the arability of farmland, and water availability and quality. If such effects were to occur, the VAALCO Group's and, following Completion, the Enlarged Group's exploration and production operations have the potential to be adversely affected. Potential adverse effects could include damages to the VAALCO Group's and, following Completion, the Enlarged Group's facilities from powerful winds or rising waters in low-lying areas, disruption of its production activities because of climate-related damages to its facilities, less efficient or non-routine operating practices necessitated by climate effects or increased costs for insurance coverages in the aftermath of such effects. Significant physical effects of climate change could also have an indirect effect on the VAALCO Group's and following Completion, the Enlarged Group's financing and operations by disrupting the transportation or process-related services provided by midstream companies, service companies or suppliers with whom it has a business relationship.

The VAALCO Group and, following Completion, the Enlarged Group maintain insurance against some, but not all, potential risks; however, there can be no assurance that such insurance will be adequate to cover any losses or exposure for liability. The occurrence of a significant unfavourable event not fully covered by insurance could have a material adverse effect on the VAALCO Group's and, following Completion, the Enlarged Group's financial condition, results of operations and cash flows. Furthermore, VAALCO cannot predict whether insurance will continue to be available at a reasonable cost or at all.

4.5 ***An increased societal and governmental focus on ESG and climate change issues may adversely impact the VAALCO Group's and, following Completion, the Enlarged Group's business, impact its access to investors and financing, and decrease demand for its product.***

An increased expectation that companies address environmental (including climate change), social and governance ("ESG") matters may have a myriad of impacts to the VAALCO Group's and, following Completion, the Enlarged Group's business. Some investors and lenders are factoring these issues into investment and financing decisions. They may rely upon companies that assign ratings to a company's ESG performance. Unfavourable ESG ratings, as well as recent activism around fossil fuels, may dissuade investors or lenders from the VAALCO Group and, following Completion, the Enlarged Group toward other industries, which could negatively impact its share price or its access to capital.

Moreover, while the VAALCO Group and, following Completion, the Enlarged Group have and may continue to create and publish voluntary disclosures regarding ESG matters from time to time, many of the statements in those voluntary disclosures are based on hypothetical expectations and assumptions that may or may not be representative of current or actual risks or events, or forecasts of expected risks or events, including the costs associated therewith. Such expectations and assumptions are necessarily uncertain and may be prone to error or subject to misinterpretation given the long timelines involved and the lack of an established single approach to identifying, measuring and reporting on many ESG matters.

Approaches to climate change and transition to a lower-carbon economy, including government regulation, company policies, and consumer behaviour, are continuously evolving. At this time, the VAALCO Group cannot predict how such approaches may develop or otherwise reasonably or reliably estimate their impact on its financial condition, results of operations and ability to compete. However, any long-term material adverse effect on the oil and gas industry may adversely affect the VAALCO Group's and, following Completion, the Enlarged Group's financial condition, results of operations and cash flows.

**4.6 *The VAALCO Group and, following Completion, the Enlarged Group faces various risks associated with increased opposition to and activism against crude oil and natural gas exploration and development activities.***

The oil and natural gas exploration, development and operating activities conducted by the VAALCO Group and, following Completion, the Enlarged Group may, at times, be subject to public opposition. Opposition against crude oil and natural gas drilling and development activity has been growing globally. Companies in the crude oil and natural gas industry are often the target of activist efforts from both individuals and non-governmental organisations regarding safety, human rights, climate change, environmental matters, sustainability and business practices. Anti-development activists are working to, among other things, delay or cancel certain operations such as offshore drilling and development.

Such public opposition could expose the VAALCO Group and, following Completion, the Enlarged Group to the risk of higher costs, delays or even project cancellations, due to increased pressure on governments and regulators by special interest groups, including Indigenous groups, landowners, environmental interest groups (including those opposed to oil and natural gas production operations) and other non-governmental organisations, blockades, legal or regulatory actions or challenges, increased regulatory oversight, reduced support from the federal, provincial or municipal governments, reputational damage, delays in, challenges to or the revocation of regulatory approvals, permits and/or licences, and direct legal challenges, including the possibility of climate-related litigation. There is no guarantee that the VAALCO Group and, following Completion, the Enlarged Group will be able to satisfy the concerns of the special interest groups and non-governmental organisations, and attempting to address such concerns may require the VAALCO Group and, following Completion, the Enlarged Group to incur significant and unanticipated capital and operating expenditures.

Further, recent activism directed at shifting funding away from companies with energy-related assets could result in limitations or restrictions on certain sources of funding for the energy sector. Moreover, activist stockholders in the VAALCO Group's industry have introduced proposals that may seek to force companies to adopt aggressive emission reduction targets or to shift away from more carbon-intensive activities. While the VAALCO Group cannot predict the outcomes of such proposals, they could ultimately make it more difficult for the VAALCO Group and, following Completion, the Enlarged Group, to engage in exploration and production activities.

**5. *Risks relating to legal and regulatory matters***

**5.1 *The VAALCO Group's and, following Completion, the Enlarged Group's operations are subject to risks associated with climate change and potential regulatory programmes meant to address climate change; these programmes may impact or limit its business plans, result in significant expenditures or reduce demand for its product.***

Climate change continues to be the focus of political and societal attention. Numerous proposals have been made and are likely to be forthcoming on the international, national, regional, state and local levels to reduce the emissions of greenhouse gas emissions. These efforts have included or may include cap-and-trade programmes, carbon taxes, greenhouse gas emissions reporting obligations and other regulatory programmes that limit or require control of greenhouse gas emissions from certain sources. These programmes may limit the VAALCO Group's and, following Completion, the Enlarged Group's ability to produce crude oil and natural gas, limit its ability to explore in new areas, or may make it more expensive to produce. In addition, these programmes may reduce demand for the VAALCO Group's and, following Completion, the Enlarged Group's product either by incentivising or mandating the use of other alternative energy sources, by prohibiting the use of its product, by requiring equipment using its product to shift to alternative energy sources, or by directly increasing the cost of fossil fuels to consumers.

**5.2 *Compliance with environmental and other government regulations could be costly and could negatively impact production.***

The laws and regulations of the U.S., Gabon and Equatorial Guinea regulate the VAALCO Group's current business. Following Completion, the laws and regulations of Egypt and Canada, in addition to the laws and regulations of the U.S., Gabon and Equatorial Guinea, will regulate the Enlarged Group's business. These laws and regulations may require that the VAALCO Group and, following Completion, the Enlarged Group obtains permits for its development activities, limits or prohibits drilling activities in certain protected or sensitive areas, or restricts the substances that can be released in connection with its operations. The VAALCO Group's and, following Completion, the Enlarged Group's operations could result in liability for personal injuries, property damage, natural resource damages, crude oil spills, discharge of hazardous materials, remediation and clean-up costs and other environmental damages. Failure to comply with environmental laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties and the issuance of orders enjoining operations. In addition, the VAALCO Group and, following Completion, the Enlarged Group could be liable for environmental damages caused by, among others, previous property owners or operators of properties that it purchases or leases. Some environmental laws provide for joint and several strict liability for remediation of releases of hazardous substances, rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. As a result, the VAALCO Group and, following Completion, the Enlarged Group may incur substantial liabilities to third parties or governmental entities and may be required to incur substantial remediation costs. The VAALCO Group and, following Completion, the Enlarged Group could also be affected by more stringent laws and regulations adopted in the future, including any related to climate change and greenhouse gases and the use of hydraulic fracturing fluids, resulting in increased operating costs. In the U.S. for example, the Environmental Protection Agency continues to focus on requiring additional pollution controls on emissions from oil and gas production facilities. As a result, substantial liabilities to third parties or governmental entities may be incurred, the payment of which could have a material adverse effect on the VAALCO Group's and, following Completion, the Enlarged Group's financial condition, results of operations and liquidity.

These laws and governmental regulations, which cover matters including drilling operations, taxation and environmental protection, may be changed from time to time in response to economic or political conditions and could have a significant impact on the VAALCO Group's and, following Completion, the Enlarged Group's operating costs, as well as the crude oil and natural gas industry in general. While VAALCO believes that it is currently in compliance with environmental laws and regulations applicable to its operations, no assurances can be given that the VAALCO Group and, following Completion, the Enlarged Group, will be able to continue to comply with such environmental laws and regulations without incurring substantial costs.

**5.3 *The VAALCO Group has been, and the VAALCO Group and, following Completion, the Enlarged Group, in the future may become, involved in legal proceedings with governmental and private litigants, and, as a result, may incur substantial costs in connection with those proceedings.***

The VAALCO Group's and, following Completion, the Enlarged Group's business subjects it to liability risks from litigation or government actions. The VAALCO Group has been involved in legal proceedings from time to time, and the VAALCO Group and, following Completion, the Enlarged Group may in the future be a defendant or plaintiff in various lawsuits. The nature of the VAALCO Group's and, following Completion, the Enlarged Group's operations exposes it to further possible litigation claims in the future. There is risk that any matter in litigation could be decided unfavourably against the VAALCO Group and, following Completion, the Enlarged Group regardless of its belief, opinion and position, which could have a material adverse effect on its financial condition, results of operations and cash flows. Litigation can be very costly, and the costs associated with defending litigation could also have a material adverse effect on the VAALCO Group's and, following Completion, the Enlarged Group's results of operation, net cash flows and financial condition. Adverse litigation decisions or rulings may also damage the VAALCO Group's and, following Completion, the Enlarged Group's business reputation.

Often, the VAALCO Group's operations are conducted through joint ventures over which it may have limited influence and control. Private litigation or government proceedings brought against the VAALCO Group and, following Completion, the Enlarged Group could also result in significant delays in its operations.

5.4 ***The VAALCO Group and, following Completion, the Enlarged Group has less control over its investments in foreign properties than it would have with respect to domestic investments, and added risk in foreign countries, including legal and regulatory risk may affect its foreign investments.***

The VAALCO Group's and, following Completion, the Enlarged Group's exploration, development and production activities are subject to various political, economic and other uncertainties, including but not limited to changes, sometimes frequent or marked, in energy policies or the personnel administering them, expropriation of property, cancellation or modification of contract rights, changes in laws and policies governing operations of foreign-based companies, unilateral renegotiation of contracts by governmental entities, uncertainties as to whether the laws and regulations will be applicable in any particular circumstance, uncertainty as to whether the VAALCO Group and, following Completion, the Enlarged Group will be able to demonstrate to the satisfaction of the applicable governing authorities compliance with governmental or contractual requirements, redefinition of international boundaries or boundary disputes, foreign exchange restrictions, currency fluctuations, foreign currency availability, royalty and tax increases, changes to tax legislation or the imposition of new taxes, the imposition of production bonuses or other charges and other risks arising out of governmental sovereignty over the areas in which the VAALCO Group's and, following Completion, the Enlarged Group's operations are conducted.

The VAALCO Group's operations in Etame, Block P and any future opportunistic acquisitions of oil and natural gas reserves by the VAALCO Group or following Completion, the Enlarged Group may require protracted negotiations with host governments, local governments and communities, local competent authorities, national oil companies, and third parties.

The Gabonese government's oil company may seek to participate in crude oil and natural gas projects in a manner that could be dilutive to the interest of current licence holders, and the Gabonese government is under pressure from the Gabonese labour union to require companies to hire a higher percentage of Gabonese citizens. In 2016, the government of Gabon conducted an audit of VAALCO's operations in Gabon, covering the years 2013 through 2014. VAALCO received the findings from this audit and responded to the audit findings in January 2017. Since providing VAALCO's response, there have been changes in the Gabonese officials responsible for the audit. VAALCO is working with the current representatives to resolve the audit findings. Between 2019 and 2021, the government of Gabon conducted an audit of its operations in Gabon, covering the years 2015 and 2016. VAALCO has not yet received the findings from this audit. While the impact of any adverse findings relating to these assessments is not anticipated to have a materially significant negative impact on the Enlarged Group's reported earnings or cash flows, VAALCO can make no assurances that this will be the case. In addition, if a dispute arises with respect to VAALCO's foreign operations, VAALCO may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons, especially foreign crude oil ministries and national oil companies, to the jurisdiction of the U.S.

In December 2021, the Bank of Central African States ("BEAC"), which is the central bank for the Central African Economic and Monetary Community ("CEMAC"), passed new regulations and instructions for the CEMAC FX regulations, which were introduced in 2018, that only apply to the extractive industry. This was done by BEAC after prolonged discussions and negotiations with the extractive industries operating in the CEMAC region. The intent of the new regulations is to ensure the application of the FX regulations as of 1 January 2022, without impeding the operations of the extractive industry. Due to the lack of necessary banking infrastructure and preparedness by the banking sector and the various government agencies to apply the new regulations, it is foreseeable



that VAALCO will run the risk of seeing delays in paying its vendors and domiciliation of goods and services into the CEMAC region throughout 2022 and possibly beyond.

As part of securing the first of two five-year extensions to the Etame PSC in 2016, VAALCO agreed to a cash funding arrangement for the eventual abandonment of all offshore wells, platforms and facilities on the Etame Marin block. On 5 March 2019, in accordance with certain foreign currency regulatory requirements, the Gabonese branch of the international commercial bank holding the abandonment funds in a U.S. dollar-denominated account converted, at the request of BEAC, the funds in U.S. dollars to franc CFA, the currency of the CEMAC, of which Gabon is one of the six member states. The Etame PSC provides that these payments must be denominated in U.S. dollars, and the CEMAC FX regulations provide for establishment of a U.S. dollar account with BEAC. Although VAALCO requested the establishment of such an account, BEAC did not comply with VAALCO's requests until February 2021. As a result, VAALCO was not able to make the annual abandonment funding payments in 2019 and 2020. In February 2021, BEAC authorised VAALCO to apply for a U.S. dollar-denominated escrow account for the abandonment fund at Citibank Gabon ("**Citibank**"). Working with Citibank, on 10 January 2022, VAALCO filed the application to open the account and is currently awaiting the approval of the account from the Central Bank. Accordingly, VAALCO was not able to make its funding payment in 2021. In December 2021, as part of the new FX regulations issued by BEAC, it allowed for the opening of U.S. dollars escrow accounts for the abandonment funds at BEAC and is currently working with the extractive industry to formulate the agreements, which are expected to be finalised in 2022, that regulates these accounts. Accordingly, pursuant to Amendment No. 5 of the Etame PSC, which required these funds to be in U.S. dollars, once the account for the U.S. dollars abandonment fund is open at BEAC, VAALCO will resume its funding of the abandonment fund in compliance with the Etame PSC.

Private ownership of crude oil and natural gas reserves under crude oil and natural gas leases in the U.S. differs distinctly from VAALCO's rights in foreign reserves where the state generally retains ownership of the minerals, and in many cases participates in, the exploration and production of hydrocarbon reserves. Accordingly, operations outside the U.S. may be materially affected by host governments through. In respect of the VAALCO Group, while the laws of each of Gabon and Equatorial Guinea respectively recognise private and public property and the right to own property is protected by law, the laws of each country reserve, at the respective government's discretion, the right to expropriate property and terminate contracts (including the Etame PSC and the Block P PSC) for reasons of public interest, subject to reasonable compensation, determinable by the respective government in its discretion. The terms of the Etame PSC include provisions for, among other things, payments to the government of Gabon for a 13 per cent royalty interest based on crude oil production at published prices and payments for a shared portion of "profit oil", based on daily production rates, which such "profit oil" has been and can continue to be taken in-kind through taking crude oil barrels rather than making cash payments.

VAALCO has operated in Gabon since 1995 and believes it has good relations with the current Gabonese government. However, there can be no assurance that present or future administrations or governmental regulations in Gabon will not materially adversely affect its operations or cash flows.

The respective applicable laws governing the exploration and production of hydrocarbons in Gabon and Equatorial Guinea (Law No. 002/2019 in Gabon and Law No. 8/2006 in Equatorial Guinea) each provide their respective government officials with significantly broad regulatory, inspective and auditing powers with respect to the performance of petroleum operations, which include the powers to negotiate, sign, amend and perform all contracts entered into between the respective governments and independent contractors. The executive branches of each respective government also retain significant discretionary powers, giving considerable control over the executive, judiciary and legislative branches of each government, and the ability to adopt measures with a direct impact on private investments and projects, including the right to appoint ministers responsible for petroleum operations. Further, in Equatorial Guinea, any new PSC or equivalent agreement for the exploration and exploitation of hydrocarbons is subject to presidential ratification before it can become effective.



Any of the factors detailed above or similar factors could have a material adverse effect on VAALCO's business, results of operations or financial condition.

In addition, the majority of TransGlobe's current production is located in Egypt. As such, following Completion, the Enlarged Group will be subject to political, economic and other uncertainties in Egypt.

If the VAALCO Group's and, following Completion, the Enlarged Group's operations are disrupted and/or the economic integrity of its projects are threatened for unexpected reasons, its business may be harmed. Prolonged problems may threaten the commercial viability of its operations.

**5.5 *Failure by VAALCO and/or TransGlobe to comply with applicable laws could subject the Enlarged Group to penalties and other adverse consequences.***

VAALCO and TransGlobe are also subject to a wide variety of laws relating to the environment, health and safety, taxes, employment, labour standards, money laundering, terrorist financing, and other matters in the jurisdictions in which they operate. A failure by VAALCO and/or TransGlobe to comply with any such legislation could result in severe criminal or civil sanctions and may subject the Enlarged Group to other liabilities, including fines, prosecution and reputational damage, all of which could have a material adverse effect on the business, consolidated results of operations and consolidated financial condition of the Enlarged Group. The compliance mechanisms and monitoring programs adopted and implemented by VAALCO and TransGlobe may not adequately prevent or detect possible violations of such applicable laws. Investigations by governmental authorities could also have a material adverse effect on the business, consolidated results of operations and consolidated financial condition of the Enlarged Group.

**6. Risks relating to the Common Shares**

**6.1 *The price of VAALCO's Common Shares may fluctuate significantly.***

VAALCO's Common Shares currently trades on the NYSE and the LSE, but an active trading market for VAALCO's Common Shares may not be sustained. The market price of VAALCO's Common Shares could fluctuate significantly as a result of:

- (a) dilutive issuances of its Common Shares;
- (b) announcements relating to its business or the business of its competitors;
- (c) changes in expectations as to its future financial performance or changes in financial estimates of public market analysis;
- (d) actual or anticipated quarterly variations in its operating results;
- (e) conditions generally affecting the crude oil and natural gas industry;
- (f) the success of its operating strategy; and
- (g) the operating and share price performance of other comparable companies.

Many of these factors are beyond VAALCO's control, and it cannot predict their potential effects on the price of its Common Shares. In addition, the stock markets in general can experience considerable price and volume fluctuations. Financial markets have experienced significant price and volume fluctuations in the last several years that have particularly affected the market prices of equity securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if VAALCO's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Also, certain institutional investors may base their investment decisions on consideration of VAALCO's environmental, governance and social practices and performance against such

institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in VAALCO's Common Shares by those institutions, which could adversely affect the trading price of its Common Shares. There is no assurance that continuing fluctuations in the price and volume of publicly traded equity securities will not occur. If such increased levels of volatility and market turmoil continue, VAALCO's operations could be adversely impacted, and the trading price of the Common Shares may be adversely affected.

**6.2 *VAALCO currently intends to pay dividends on, and effect share buybacks with respect to the Common Shares; however, VAALCO's ability to take these actions in the future may be limited and no assurance can be given that it will be able to pay dividends to Stockholders or effect share buybacks in the future at indicated levels or at all.***

On 3 November 2021, VAALCO announced that the VAALCO Board adopted a quarterly cash dividend policy of an expected \$0.0325 per share of VAALCO's Common Shares commencing in the first quarter of 2022. On 18 March 2022 and 24 June 2022, VAALCO paid a quarterly cash dividend of \$0.0325 per share of VAALCO's Common Shares to Stockholders of record at the close of business on 18 February 2022 and 25 May 2022, respectively. On 5 August 2022, the VAALCO Board declared a quarterly cash dividend of \$0.0325 per share of VAALCO's Common Shares, which is payable on 23 September 2022 to Stockholders of record at the close of business on 24 August 2022. In connection with the announcement of the Arrangement, VAALCO announced that, following consummation, it would seek to have an annualised dividend target of \$28,000,000, or approximately \$0.25 per share (calculated based on VAALCO's vested and outstanding shares and TransGlobe's outstanding shares, each as of the date of the Arrangement Agreement), with payments to be made quarterly. VAALCO has also announced its intention to effect, and the VAALCO Board has approved, share buybacks in an aggregate amount of up to \$30,000,000, or approximately \$0.27 per share equivalent (calculated based on VAALCO's vested and outstanding shares and TransGlobe's outstanding shares, each as of the date of the Arrangement Agreement), subject to Completion. To the extent VAALCO has adequate cash on hand and cash flows from operations, it will consider taking these actions in the future. Payment of future dividends and effectuation of share buybacks, if any, and the establishment of future record and payment dates will be at the discretion of the VAALCO Board after taking into account various factors, including current financial condition, the tax impact of repatriating cash, operating results and current and anticipated cash needs. As a result, no assurance can be given that VAALCO will be able to continue to pay dividends to its Stockholders or the terms on which it will effect share buybacks in the future or that the level of any future dividends will achieve a market yield or increase or even be maintained over time, any of which could materially and adversely affect the market price of VAALCO's Common Shares.

**6.3 *Dual-listing on the NYSE and the LSE may lead to an inefficient market in VAALCO's Common Shares.***

Dual-listing of VAALCO's Common Shares will result in differences in liquidity, settlement and clearing systems, trading currencies, and prices and transaction costs between the exchanges where the Common Shares will be quoted. These and other factors may hinder the transferability of VAALCO's Common Shares between the two exchanges.

VAALCO's Common Shares are quoted on the NYSE and on the LSE. Consequently, the trading in and liquidity of the Common Shares are split between these two exchanges. The price of the Common Shares may fluctuate and may at any time be different on the NYSE and the LSE. Investors could seek to sell or buy Common Shares to take advantage of any price differences between the two markets through a practice referred to as arbitrage. Any arbitrage activity could create unexpected volatility in both Common Share prices on either exchange and in the volumes of Common Shares available for trading on either market. This could adversely affect the trading of the Common Shares on these exchanges and increase their price volatility and/or adversely affect the price and liquidity of the Common Shares on these exchanges. In addition, holders of Common Shares in either jurisdiction will not be immediately able to transfer such shares for trading on the other market without effecting

necessary procedures with VAALCO's transfer agents/registrars. This could result in time delays and additional cost for Stockholders.

VAALCO's Common Shares are quoted and traded in USD on the NYSE. The Common Shares are quoted and traded in GBX on the LSE. The market price of the Common Shares on those exchanges may also differ due to exchange rate fluctuations.

6.4 ***Substantial future sales of Common Shares, or the perception that such sales might occur, or additional offerings of Common Shares could depress the market price of VAALCO's Common Shares.***

VAALCO cannot predict what effect, if any, future sales of Common Shares, or the availability of Common Shares for future sale, or the offer of additional Common Shares in the future, will have on the market price of Common Shares. Sales or an additional offering of substantial numbers of Common Shares in the public market, or the perception or any announcement that such sales or an additional offering could occur, could adversely affect the market price of Common Shares and may make it more difficult for Stockholders to sell their Common Shares at a time and price that they deem appropriate and could also impede VAALCO's ability to raise capital through the issuance of equity securities.

6.5 ***Any issuance of Preferred Shares will rank in priority to VAALCO's Common Shares.***

While VAALCO does not currently have any Preferred Shares outstanding, under VAALCO's Certificate of Incorporation, it is authorised to issue up to 500,000 Preferred Shares. Any issuance of Preferred Shares would rank in priority to VAALCO's Common Shares with respect to the payment of dividends, liquidation, and other matters.

6.6 ***VAALCO's certificate of incorporation and bylaws do not contain any rights of pre-emption in favour of existing Stockholders, which means that Stockholders may be diluted if additional Common Shares are issued.***

VAALCO's Stockholders do not have pre-emptive rights and without Stockholder consent, may issue additional Common Shares, Preferred Shares, warrants, rights, units and debt securities for general corporate purposes, including, but not limited to, working capital, capital expenditures, investments, acquisitions and repayment or refinancing of borrowings. VAALCO actively seek to expand its business through complementary or strategic acquisitions and may issue additional Common Shares in connection with those acquisitions. VAALCO also issues Common Shares to its executive officers, employees and independent directors as part of their compensation. This may have the effect of diluting the interests of existing Stockholders. Additionally, to the extent that pre-emptive rights are granted, Stockholders in certain jurisdictions may experience difficulties or may be unable to exercise their pre-emptive rights.

6.7 ***The choice of forum provisions in VAALCO's Third Amended and Restated Bylaws (the "Bylaws") could limit VAALCO's Stockholders' ability to obtain a favourable judicial forum for disputes with VAALCO.***

VAALCO's Bylaws provide that 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 VAALCO 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 VAALCO to VAALCO or VAALCO's stockholders, (iii) any action arising or asserting a claim arising pursuant to any provision of the General Corporation Law of Delaware (the "DGCL") or any provision of VAALCO's Restated Certificate of Incorporation, as amended (the "Charter"), or the Bylaws or as to which the DGCL 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 Charter or the Bylaws. Nonetheless, pursuant to VAALCO's Bylaws, the foregoing provisions 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. VAALCO's Bylaws further provide that unless VAALCO consents in writing to the selection of an alternative forum, the federal district courts of the U.S. shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. Under the Securities Act, federal and state courts have concurrent jurisdiction over all suits brought to enforce any duty or liability created by the Securities Act, and stockholders cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Accordingly, there is uncertainty as to whether a court would enforce such a forum selection provision as written in connection with claims arising under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of VAALCO will be deemed to have notice of and have consented to the provisions of VAALCO's Bylaws related to choice of forum. The choice of forum provisions in VAALCO's Bylaws may limit VAALCO's stockholders' ability to obtain a favourable judicial forum for disputes with VAALCO. Additionally, the enforceability of choice of forum provisions in other companies' governing documents has been challenged in legal proceedings, and it is possible that, in connection with any applicable action brought against VAALCO, a court could find the choice of forum provisions contained in VAALCO's Bylaws to be inapplicable or unenforceable in such action. If so, VAALCO may incur additional costs associated with resolving such action in other jurisdictions, which could harm its business, results of operations, and financial condition.

**6.8 *The rights afforded to VAALCO's stockholders are governed by laws of the State of Delaware, and non-U.S. stockholders may have difficulties exercising rights that are governed by U.S. law.***

As VAALCO is incorporated under the laws of the U.S. State of Delaware, the rights of its stockholders are governed by the DGCL and the Certificate of Incorporation and Bylaws. The rights of VAALCO's stockholders under the laws of the State of Delaware may differ from the rights of stockholders of companies incorporated in other jurisdictions. Not all rights available to VAALCO's stockholders under English law will be available to VAALCO's stockholders. VAALCO's stockholders must follow the State of Delaware's legal requirements in order to exercise their rights, which may be difficult for stockholders outside of the U.S.

**6.9 *Stockholders are not entitled to the takeover offer protections provided by the UK Takeover Code.***

The UK Takeover Code applies to offers for, among other companies, listed public companies that are either (i) considered by the Takeover Panel to be resident in the UK, the Channel Islands or the Isle of Man; or (ii) incorporated in the UK, the Channel Islands or the Isle of Man and listed on a Member State's regulated market, traded on a multilateral trading facility in the UK or traded on a stock exchange in the Channel Islands or the Isle of Man.

VAALCO's Common Shares are listed on the regulated market of the London Stock Exchange. Because VAALCO is not a resident or incorporated within the UK, the Channel Islands or the Isle of Man, however, VAALCO's stockholders do not receive the benefit of the takeover offer protections provided by the UK Takeover Code.

**6.10 *Certain Stockholders have been, and, following Completion, certain stockholders of the Consideration Shares will be issued Depositary Interests in respect of underlying Common Shares and will have to rely on the DI Depositary or the Custodian to exercise rights attaching to the underlying Common Shares for the benefit of the holders of Depositary Interests.***

Following Completion, certain holders of Consideration Shares will be able to hold and transfer interests in the Consideration Shares within CREST pursuant to a depositary interest arrangement established by VAALCO on its listing in 2019. The Consideration Shares will not themselves be admitted to CREST; rather, the DI Depositary will issue the Depositary Interests in respect of underlying Consideration Shares. The DI Depositary will have the power to exercise voting and other rights conferred by the DGCL, Certificate of Incorporation and Bylaws on behalf of the relevant holder through its or the Custodian's DTC account, which will be maintained on VAALCO's share register via Cede & Co, a nominee of DTC. Consequently, the holders of Depositary Interests must

rely on the DI Depositary to exercise such rights for the benefit of the holders of Depositary Interests. Holders of Depositary Interests may experience delays in receiving any dividends paid by VAALCO may receive proxy forms later than other stockholders and may have to act earlier than other stockholders when casting votes at general meetings of VAALCO, by virtue of the administrative process involved in connection with holding Depositary Interests.

6.11 ***VAALCO is re-applying for a Standard Listing and, accordingly, VAALCO will not be required to comply with those protections applicable to a Premium Listing.***

VAALCO is seeking a re-admission to the standard segment of the Main Market of the London Stock Exchange, and, as a consequence, as is the case at the date of the Prospectus, additional ongoing requirements and protections applicable to a Premium Listing will not apply to VAALCO. A standard listing will afford investors a lower level of regulatory protection than that afforded to investors in a company with a premium listing. In particular, the provisions of Chapters 6 to 13 of the Listing Rules (other than Rule 7.2.1), being additional requirements for a Premium Listing of equity securities (Premium Listing principles, sponsors, continuing obligations, significant transactions, related party transactions, dealing in own securities and treasury shares and contents of circulars), will not apply. In addition, a Standard Listing will not permit VAALCO to gain UK FTSE indexation, which may have an adverse effect on the valuation of VAALCO's Common Shares.



## PART 3

### PRESENTATION OF FINANCIAL AND OTHER INFORMATION

#### General

The document comprises a prospectus for the purpose of Article 6 of the UK Prospectus Regulation and is issued in compliance with the Listing Rules. Investors should only rely on the information in this Prospectus. No person has been authorised to give any information or to make any representation other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of VAALCO, the Directors or the Proposed Directors or any of them. Without prejudice to any obligation of VAALCO to publish a supplementary prospectus pursuant to FSMA, neither the publication nor the delivery of this Prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of VAALCO, the VAALCO Group or the TransGlobe Group since the date of this Prospectus or that the information contained in this Prospectus is correct as at any time subsequent to this date. VAALCO makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication other than this Prospectus.

The contents of this Prospectus or any subsequent communications from VAALCO, the VAALCO Group or any of their respective affiliates, directors, officers, advisers, employees or agents, are not to be construed as legal, business or tax advice. Each prospective investor should consult its or their own lawyer, financial intermediary or tax adviser for legal, financial or tax advice. In making an investment decision, each investor must rely on its or their own examination, analysis and enquiry of VAALCO, including the merits and risks involved.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of VAALCO, the Directors or the Proposed Directors or any of its or their representatives that any recipient of this Prospectus should subscribe for or purchase Common Shares. Prior to making any decision as to whether to subscribe for or purchase Common Shares, prospective investors should read this Prospectus. Investors should ensure that they read the whole of this Prospectus carefully and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination of VAALCO and the terms of this Prospectus, including the risks involved.

#### Presentation of Technical Information

The reserves, resources and production profile data contained in this Prospectus are estimates only and should not be construed as representing exact quantities. They are based on production data, prices, costs, ownership, geophysical, geological and engineering data, and other information assembled by the VAALCO Group or the TransGlobe Group (as applicable). The estimates may prove to be incorrect and Stockholders should not place undue reliance on the forward-looking statements contained in the Prospectus concerning the VAALCO Group's and the TransGlobe Group's reserves and resources or production levels or those attributed to the VAALCO Group or the TransGlobe Group.

#### Presentation of financial information relating to the VAALCO Group

Unless otherwise indicated, all financial information in relation to the VAALCO Group presented in this Prospectus has been extracted from the VAALCO Group's audited annual consolidated financial statements as at and for the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019 and the unaudited condensed interim financial statements of the VAALCO Group for the six months ended 30 June 2022 and 30 June 2021, which are incorporated by reference into this Prospectus as described in Part 21 (*Historical Financial Information relating to the VAALCO Group*) of this Prospectus.

The financial statements for the VAALCO Group have been prepared in accordance with U.S. GAAP.

Unless otherwise indicated, none of the financial information relating to the VAALCO Group in this Prospectus has been audited.

In this Prospectus, the VAALCO Group presents certain financial measures and other metrics that are unaudited. The Directors believe that each of these measures provides useful information with respect to the performance of the VAALCO Group's business and operations. Unaudited financial measures and other metrics in relation to the VAALCO Group have been derived from: (i) management accounts for the relevant accounting periods presented; (ii) internal financial reporting systems supporting the preparation of the Historical Financial Information contained in Part 21 (*Historical Financial Information of the VAALCO Group*) of this Prospectus; and (iii) the VAALCO Group's other business operating systems and records. Management accounts are prepared using information derived from accounting records used in the preparation of the Historical Financial Information contained in Part 21 (*Historical Financial Information of the VAALCO Group*) of this Prospectus, but may also include certain other assumptions and analyses.

### ***Non-GAAP Financial Measures***

Adjusted EBITDAX is a supplemental non-GAAP financial measure used by VAALCO's management and by external users of VAALCO's financial statements, such as industry analysts, lenders, rating agencies, investors and others who follow the industry, as an indicator of VAALCO's ability to internally fund exploration and development activities and to service or incur additional debt. Adjusted EBITDAX is a non-GAAP financial measure and as used in this Prospectus or in documents incorporated by reference into this Prospectus represents net income before discontinued operations, interest income net, income tax expense, depletion, depreciation and amortisation, exploration expense, non-cash and other items including stock compensation expense and unrealised commodity derivative loss.

VAALCO management uses Adjusted Net Income to evaluate operating and financial performance and believes the measure is useful to investors because it eliminates the impact of certain non-cash and/or other items that VAALCO management does not consider to be indicative of VAALCO's performance from period to period. VAALCO management also believes this non-GAAP measure is useful to investors to evaluate and compare VAALCO's operating and financial performance across periods, as well as facilitating comparisons to others in VAALCO's industry. Adjusted Net Income is a non-GAAP financial measure and as used in this Prospectus or in documents incorporated by reference into this Prospectus represents net income before discontinued operations, deferred income tax expense, unrealised commodity derivative loss and non-cash and other items.

VAALCO management uses Adjusted Working Capital as a measurement tool to assess the working capital position of VAALCO's continuing operations excluding leasing obligations because it eliminates the impact of discontinued operations as well as the impact of lease liabilities. Under the lease accounting standards, lease liabilities related to assets used in joint operations include both VAALCO's share of expenditures as well as the share of lease expenditures which its non-operator joint venture owners' will be obligated to pay under joint operating agreements. Adjusted Working Capital is a non-GAAP financial measure and as used in this Prospectus or in documents incorporated by reference into this Prospectus represents working capital excluding working capital attributable to discontinued operations and current liabilities associated with lease obligations.

Adjusted EBITDAX and Adjusted Net Income have significant limitations, including that they do not reflect VAALCO's cash requirements for capital expenditures, contractual commitments, working capital or debt service. Adjusted EBITDAX and Adjusted Net Income should not be considered as substitutes for net income (loss), operating income (loss), cash flows from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. Adjusted EBITDAX and Adjusted Net Income exclude some, but not all, items that affect net income (loss) and operating income (loss) and these measures may vary among other companies. Therefore, VAALCO's Adjusted EBITDAX and Adjusted Net Income may not be comparable to similarly titled measures used by other companies.

### **Presentation of financial information relating to TransGlobe**

Unless otherwise indicated, all financial information in relation to the TransGlobe Group presented in this Prospectus has been extracted from the TransGlobe Group's audited annual consolidated financial statements as at and for the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019 and the unaudited condensed interim financial statements of the TransGlobe Group for the six months

ended 30 June 2022 and 30 June 2021, which are incorporated by reference into this Prospectus as described in Part 22 (*Historical Financial Information relating to the TransGlobe Group*) of this Prospectus.

The financial statements for the TransGlobe Group have been prepared in accordance with IFRS, which in Canada is considered generally accepted accounting principles (“GAAP”). However, TransGlobe also employs certain non-GAAP and other financial measures to analyse financial performance, financial position, and cash flow including, “netback”, “capital expenditures” and “funds flow from operating activities”. Additionally, other financial measures are used to analyse performance including, but not limited to, “funds from operations” and “net debt”. These non-GAAP and other financial measures do not have any standardised meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other companies. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net earnings (loss), cash flow generated by operating activities, and cash flow used in investing activities, as indicators of TransGlobe’s performance.

Unless otherwise indicated, none of the financial information relating to the TransGlobe Group in this Prospectus has been audited.

In this Prospectus, the VAALCO Group presents certain financial measures and other metrics in relation to the TransGlobe Group that are unaudited. The Directors and the Proposed Directors believe that each of these measures provides useful information with respect to the performance of the TransGlobe Group’s business and operations. Unaudited financial measures and other metrics in relation to the TransGlobe Group have been derived from: (i) management accounts for the relevant accounting periods presented; (ii) internal financial reporting systems supporting the preparation of the Historical Financial Information contained in Part 22 (*Historical Financial Information of the TransGlobe Group*) of this Prospectus; and (iii) the TransGlobe Group’s other business operating systems and records. Management accounts are prepared using information derived from accounting records used in the preparation of the Historical Financial Information contained in Part 22 (*Historical Financial Information of the TransGlobe Group*) of this Prospectus, but may also include certain other assumptions and analyses.

### **Pro-forma Financial Information**

In this Prospectus, any reference to pro-forma financial information is to information which has been extracted without material adjustment from the unaudited pro-forma financial information contained in Part 23 (*Unaudited pro-forma financial information of the Enlarged Group*) of this Prospectus.

The unaudited pro-forma financial information is for illustrative purposes only. Because of its nature, the pro-forma financial information addresses a hypothetical situation and, therefore, does not represent the VAALCO Group’s, the TransGlobe Group’s or the Enlarged Group’s actual financial position.

The unaudited pro-forma financial information does not purport to represent what the VAALCO Group’s, the TransGlobe Group’s or the Enlarged Group’s financial position or results would have been if the Arrangement had taken place on the dates indicated nor does it purport to represent the VAALCO Group’s, TransGlobe Group’s or Enlarged Group’s results expected to be achieved in the future.

### **Oil and gas data**

Unless expressly stated otherwise, all estimates of proved, probable and possible reserves and related future net revenue and contingent and prospective resources disclosed in this Prospectus in relation to the VAALCO Group have been prepared in accordance with the Petroleum Resources Management System (“PRMS”). As presented in the PRMS, petroleum accumulations can be classified, in decreasing order of likelihood of commerciality, as reserves, contingent resources, or prospective resources. Unless otherwise noted, reserves estimates are presented on a “company gross” basis, representing the VAALCO Group’s working interest share before deduction of royalties.

Unless expressly stated otherwise, all estimates of proved, probable and possible reserves and related future net revenue and contingent and prospective resources disclosed in this Prospectus in relation to the TransGlobe Group have been prepared in accordance with the COGEH and the reserves definitions

contained in National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities. As presented in the COGEH, petroleum accumulations can be classified, in decreasing order of likelihood of commerciality, as reserves, contingent resources, or prospective resources. Unless otherwise noted, reserve estimates are presented on a “*company gross*” basis, representing the TransGlobe Group’s working interest share before deduction of royalties.

The accuracy of reserves estimates and associated economic analysis is, in part, a function of the quality and quantity of available data and of engineering and geological interpretation and judgment. This Prospectus should be accepted with the understanding that reserves, resources and financial performance subsequent to the date of the estimates may necessitate revision. These revisions may be material. Unless otherwise stated, all information about the oil and gas reserves and resources attributable to the VAALCO Group, and forward-looking production estimates and other geological information in relation thereto, has been extracted without material adjustment from the VAALCO Gabon CPR prepared by NSAI and dated 3 March 2022, setting out the position as at 31 December 2021. Unless otherwise stated, all information about the oil and gas reserves and resources attributable to the TransGlobe Group, and forward-looking production estimates and other geological information in relation thereto, has been extracted without material adjustment from the TransGlobe Energy Corp Reserves Assessment and Evaluation of Canadian and Egyptian Oil and Gas Properties, effective 31 December 2021, dated 22 February 2022, prepared by GLJ Ltd.

No competent person’s report is required to be prepared in connection with the Arrangement, and has not been prepared. VAALCO’s reserve estimates have been prepared in accordance with U.S. Financial Accounting Standards Board’s (“**FASB**”) ASC Topic 932 – Extractive Activities – Oil and Natural Gas under U.S. GAAP and subpart 1200 of Regulation S-K promulgated by the SEC (the “**U.S. Standards**”). TransGlobe’s historical oil and natural gas reserves estimates were prepared in accordance with the standards set forth in the Canadian Oil and Gas Evaluation (“**COGEH**”) Handbook and the definitions contained in *National Instrument 51-101—Standards of Disclosure for Oil and Gas Activities* (“**NI 51-101**”) under Canadian securities law and the COGEH, which differ from the requirements of U.S. securities laws. Accordingly, reserves information presented in this Prospectus may not be presented in a form which is familiar to UK investors.

### Currencies

In this Prospectus, references to “**GBP**” or “**£**” are to the lawful currency of the UK, references to “**U.S. dollars**” or “**USD**” or “**\$**” are to the lawful currency of the U.S., references to “**CFA**” are to the lawful currency of Gabon and Equatorial Guinea, references to “**Canadian Dollars**” or “**CAS**” are to the lawful currency of Canada, references to “**Egyptian Pound**” are to the lawful currency of Egypt and references to “**Euro**” or “**€**” are to the lawful currency of 19 Member States of the European Union. The basis of translation of any foreign currency transactions and amounts in the Historical Financial Information incorporated by reference into this Prospectus are set out in Parts 21 (*Historical Financial Information of the VAALCO Group*) and 22 (*Historical Financial Information of the TransGlobe Group*).

### Rounding

Percentages and certain amounts in this Prospectus, including financial, statistical and operating information, have been rounded to the nearest thousand whole number or single decimal place for ease of presentation. As a result, the figures shown as totals may not be the precise sum of the figures that precede them. In addition, certain percentages and amounts contained in this Prospectus reflect calculations based on the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages or amounts that would be derived if the relevant calculations were based upon the rounded numbers.

### Third-party information

All third-party information contained in this Prospectus has been accurately reproduced and, so far as VAALCO is aware and is able to ascertain from information published by that third-party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where third-party information has been used in this Prospectus, the source of such information has also been identified.



Statements regarding the oil and gas industry which are not based on published statistical data or information obtained from independent third parties, are based on the VAALCO Group's and/or the Directors' experience, the VAALCO Group's internal studies and estimates, and the VAALCO Group's own investigation of market conditions. VAALCO cannot assure prospective investors that any of these studies or estimates are accurate, and none of the VAALCO Group's internal surveys or information has been verified by any independent sources. While the Directors are not aware of any misstatements regarding the Enlarged Group's own estimates presented in this Prospectus, those estimates involve risks, assumptions and uncertainties and are subject to change based on various factors, including those set out in Part 2 (*Risk factors*) of this Prospectus.

### **Forward-looking statements**

This Prospectus includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the VAALCO Group's or the TransGlobe Group's (as applicable) control and all of which are based on the Directors' and the Proposed Directors' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates" or the negative of this Prospectus, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Directors, the Proposed Directors or the VAALCO Group or the TransGlobe Group (as applicable) concerning, among other things, the results of operations, financial condition, prospects, growth, strategies, and dividend policy of the VAALCO Group, the TransGlobe Group and, following Completion, the Enlarged Group and the industry in which they operate. In particular, the statements under the headings Part 1 (*Summary*), Part 2 (*Risk factors*), Part 8 (*Information about the Arrangement and the Enlarged Group*), Part 9 (*Information on the VAALCO Group*), Part 10 (*Information on the TransGlobe Group*), Part 16 (*Operating and financial review relating to the VAALCO Group*) and Part 17 (*Operating and financial review relating to the TransGlobe Group*) regarding the VAALCO Group's, the TransGlobe Group's and, following Completion, the Enlarged Group's strategy and other future events or prospects are forward-looking statements.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the VAALCO Group's, the TransGlobe Group's and, following Completion, the Enlarged Group's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. These statements speak only as of the date of this Prospectus and do not seek in any way to qualify the working capital statement given by VAALCO at paragraph 24 of Part 26 (*Additional information*) of this Prospectus. Actual operational and financial results or events may differ materially from VAALCO's and TransGlobe's expectations contained in the forward-looking statements as a result of various factors, many of which are beyond the control of VAALCO and TransGlobe.

Statements related to reserves or resources are deemed to be forward-looking information as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and prospective resources can be profitably produced in the future. The forward-looking statements contained in this Prospectus are expressly qualified by this cautionary statement. VAALCO does not undertake any obligation to publicly update or revise any forward-looking statements except as required by applicable securities laws.

These forward-looking statements and other statements contained in this Prospectus regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the VAALCO Group, the TransGlobe Group and, following Completion, the Enlarged Group. Such risks, uncertainties and other important factors include, but are not limited to, those listed in Part 2 (*Risk factors*) of this Prospectus.

Should one or more of these risks or uncertainties materialise or should any of the assumptions underlying the above or other factors prove to be incorrect, the VAALCO Group's, the TransGlobe Group and, following



Completion, the Enlarged Group's actual future business, results of operations and/or financial condition, performance, prospects, anticipated growth, strategies or opportunities could differ materially from those described in this Prospectus as currently anticipated, believed, estimated or expected.

Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. Such forward-looking statements contained in this Prospectus speak only as of the date of this Prospectus. VAALCO, the Directors and the Proposed Directors expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the Prospectus to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, the Prospectus Regulation Rules, the Listing Rules, or the Disclosure Guidance and Transparency Rules of the FCA.

#### **Profit forecasts and estimates**

Unless otherwise stated, no statement in the Prospectus is intended as a profit forecast or estimate and no statement in the Prospectus should be interpreted to mean that earnings per share for the most recent, current or future financial years would necessarily match or exceed the historical published earnings per share. The outstanding profit forecasts and estimates relating to the VAALCO Group and the Enlarged Group, as at the date of this Prospectus, are summarised in paragraph 22 of Part 26 (*Additional information*) of this Prospectus.

#### **No incorporation of website**

Other than the documents specifically incorporated by reference into this Prospectus which will be made available on VAALCO or TransGlobe's website, neither the contents of VAALCO's or TransGlobe's website, nor any other website, forms a part of, nor is to be considered incorporated into, this Prospectus.

#### **TransGlobe information**

The information in the Prospectus relating to the TransGlobe Group and the TransGlobe Subsidiaries prior to completion of the Arrangement has been provided by the management of TransGlobe.

## PART 4

### CONSEQUENCES OF A STANDARD LISTING

As the Arrangement is classified as a reverse takeover under the Listing Rules, upon Completion, the listing on the standard segment of the Official List of the Existing Common Shares will be cancelled. Application has been made for the Existing Common Shares and the Consideration Shares to be admitted to listing on the standard segment of the Official List pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for Standard Listings and does not require VAALCO to comply with, among other things, the provisions of Chapters 6 to 13 of the Listing Rules (excluding Listing Principles 1 and 2). VAALCO's securities will not be eligible for inclusion in the UK series of the FTSE indices.

A Standard Listing affords Stockholders and investors in VAALCO a lower level of regulatory protection than that afforded to investors in companies whose securities are admitted to the premium segment of the Official List, which are subject to additional obligations under the Listing Rules.

#### **1. Listing Rules which are not applicable to a Standard Listing**

The following Listing Rules are not applicable to a Standard Listing:

- (a) Chapter 6 of the Listing Rules regarding, among other things, the content of the Historical Financial Information, provisions pertaining to, control of the business, working capital, constitutional arrangements of VAALCO and Shares in public hands;
- (b) Chapter 7 of the Listing Rules other than the listing principles relating to (i) taking reasonable steps to establish and maintain adequate procedures, systems and controls to enable VAALCO to comply with its obligations, and (ii) dealing with the FCA in an open and co-operative manner;
- (c) Chapter 8 of the Listing Rules regarding the appointment of a listing sponsor to guide VAALCO in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters. In particular, VAALCO is not required to appoint a sponsor in relation to the publication of this Prospectus or Admission;
- (d) Chapter 9 of the Listing Rules relating to further issues of shares, issuing shares at a discount in excess of 10 per cent of market value, notifications and contents of financial information;
- (e) Chapter 10 of the Listing Rules relating to significant transactions which requires shareholder consent for certain acquisitions;
- (f) Chapter 11 of the Listing Rules regarding related party transactions;
- (g) Chapter 12 of the Listing Rules regarding purchases by VAALCO of its Common Shares; and
- (h) Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to shareholders.

#### **2. Listing Rules with which VAALCO must comply under a Standard Listing**

There are, however, a number of principles and continuing obligations set out in Chapter 7 and Chapter 14, respectively, of the Listing Rules that will be applicable to VAALCO. These include requirements as to:

##### ***Chapter 7 – Listing Principles***

- (a) the taking of reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations; and
- (b) the dealing with the FCA in an open and co-operative manner.

### ***Chapter 14 – Continuing Obligations***

- (a) the forwarding of circulars and other documentation to the FCA for publication through the document viewing facility and related notification to a regulatory information service;
- (b) the provision of contact details of appropriate persons nominated to act as a first point of contact with the FCA in relation to compliance with the Listing Rules and the DTR;
- (c) the form and content of temporary and definitive documents of title;
- (d) the appointment of a registrar;
- (e) the making of regulatory information service notifications in relation to a range of debt and equity capital issues; and
- (f) at least 10 per cent of the Common Shares being held by in public hands at all times.

In addition, as a company whose securities are admitted to trading on a regulated market, VAALCO will be required to comply with the DTR.

### **3. Exchange Act**

Sections 13(d) and 13(g) of the Exchange Act require any person or group of persons who directly or indirectly acquires or has beneficial ownership of more than 5 per cent of a class of an issuer's securities to report such beneficial ownership on Schedule 13D or Schedule 13G, as appropriate. These reports are filed with the SEC electronically on EDGAR. Both Schedule 13D and Schedule 13G require background information about the reporting persons, including the name, address, and citizenship or place of organisation of each reporting person, the amount of the securities beneficially owned and aggregate beneficial ownership percentage, and whether voting and investment power is held solely by the reporting persons or shared with others.

## PART 5

### EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The dates given in the table below are indicative only and are based on VAALCO's current expectations and may be subject to change without notice. All times shown in this Prospectus are in London times unless otherwise stated.

<i>Expected date/time</i>	<i>Event</i>
11 October 2022	Publication of this Prospectus
11 October 2022 at 2:30 p.m. (Calgary time)	Court hearing in respect of the Final Order
13 October 2022 at close of business	TransGlobe's depositary interests in CREST disabled
13 October 2022 at 11:00 p.m. (Calgary time)	Effective Time of the Arrangement
14 October 2022 at 7:00 a.m.	Trading of TransGlobe's Common Shares on AIM cancelled
14 October 2022 at 8:00 a.m.	Re-admission of the Existing Common Shares and Admission of the Consideration Shares
14 October 2022 at 9:30 a.m. (Eastern Time)	TransGlobe Common Shares delisted on Nasdaq
Within two days following receipt by the TSX of the required documents relating to Completion	TransGlobe Common Shares delisted from TSX

## PART 6

### ISSUE STATISTICS

Number of Existing Common Shares in issue and outstanding as at the Last Practicable Date (excluding Treasury Shares but including unvested VAALCO shares that are subject to forfeiture):	59,826,544
Number of Existing Common Shares held in treasury as at the Last Practicable Date:	11,057,521
Number of Existing Common Shares in issue as at the Last Practicable Date (including Treasury Shares and unvested VAALCO shares that are subject to forfeiture):	70,884,065
Maximum number of Consideration Shares to be issued pursuant to the Arrangement:	49,315,007
Maximum number of Common Shares in issue and outstanding immediately following Re-admission and Admission (excluding Treasury Shares but including unvested VAALCO shares that are subject to forfeiture):	109,141,551
Maximum number of Common Shares in issue immediately following Re-admission and Admission (including Treasury Shares and unvested VAALCO shares that are subject to forfeiture):	120,199,072
Consideration Shares as a percentage of the Enlarged Share Capital (excluding Treasury Shares and but including unvested VAALCO shares that are subject to forfeiture) immediately following Re-admission and Admission:	45.50%
Consideration Shares as a percentage of the Enlarged Share Capital (including Treasury Shares and unvested VAALCO shares that are subject to forfeiture) immediately following Re-admission and Admission:	41.03%
Estimated total expenses of the Arrangement, Re-admission and Admission (inclusive of VAT):	Approximately \$11 million

Unless otherwise stated, for the purposes of the table above and this Prospectus, the number of Common Shares in issue immediately following Re-admission and Admission is stated on the assumption that no further Common Shares are issued, between the date of this Prospectus and Re-admission/Admission and the statistics for the position following Re-admission and Admission assume that 49,315,007 Consideration Shares are issued.



## PART 7

### DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS

<b>Directors</b>	George Maxwell Andrew L. Fawthrop Cathy Stubbs Fabrice Nze-Bekale	<i>Chief Executive Officer and Director</i> <i>Chairman and Director</i> <i>Director</i> <i>Director</i>
<b>Proposed Directors</b>	David Cook Edward LaFehr Timothy Marchant	<i>Director</i> <i>Director</i> <i>Director</i>
<b>Company Secretary</b>	Michael G. Silver	
<b>Registered office and head office</b>	9800 Richmond Avenue Suite 700 Houston, Texas 77042 U.S.	
<b>Financial adviser to VAALCO</b>	Stifel, Nicolaus & Company, Incorporated 1000 Louisiana St., Suite 5250 Houston, Texas 77002 U.S.	
<b>Financial adviser to TransGlobe</b>	Evercore Partners International LLP 15 Stanhope Gate London W1K 1LN UK	
<b>Legal advisers as to English and U.S. law to VAALCO</b>	Mayer Brown International LLP 201 Bishopsgate London EC3M 2AF UK	
<b>Legal advisers as to Egyptian law to VAALCO</b>	Al Kamel Law Firm 17 Nabil El Wakad St. Dokki Giza Egypt	
<b>Legal advisers as to Canadian law to VAALCO</b>	Osler, Hoskin & Harcourt LLP Suite 1900 340 Albert Street Ottawa ON K1R 7Y6 Canada	
<b>Legal advisers as to Gabonese and Equatorial Guinea law to VAALCO</b>	Miranda & Associados Av. Engenheiro Duarte Pacheco, 7 1070-100 Lisboa Portugul	
<b>Legal advisers as to English law to TransGlobe</b>	Bird & Bird LLP 12 New Fetter Lane London EC4A 1JP UK	

<b>Legal advisers as to U.S. law to TransGlobe</b>	Paul, Weiss, Rifkind, Wharton & Garrison LLP 1285 Avenue of the Americas New York, NY 10019-6064 U.S.
<b>Legal advisers as to Egyptian law to TransGlobe</b>	Sharkaway & Sarhan Law Firm Arabella Plaza Building 2, P.O. 11835 New Cairo Egypt
<b>Legal advisers as to Canadian law to TransGlobe</b>	Burnet, Duckworth & Palmer LLP 2400, 525 – 8th Avenue S.W. Calgary, Alberta T2P 1G1 Canada
<b>Legal advisers to Stifel</b>	Vinson & Elkins LLP Texas Tower 845 Texas Avenue Suite 4700 Houston, Texas 77002 U.S.
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## PART 8

### INFORMATION ABOUT THE ARRANGEMENT AND THE ENLARGED GROUP

#### 1. Introduction and summary of the Arrangement

##### 1.1 Overview

On 13 July 2022, VAALCO, TransGlobe and AcquireCo entered into the Arrangement Agreement, which constitutes a plan of arrangement between the parties to form the Enlarged Group, subject to the approval of the Court of King's Bench of Alberta (the "**Court**").

The Arrangement will be implemented by way of a plan of arrangement (the "**Plan of Arrangement**") in accordance with the Business Corporations Act (Alberta) (the "**ABCA**") and is subject to approval by the Court.

##### 1.2 Consideration

The transaction is valued at \$307.2 million (which represents TransGlobe enterprise value of \$273 million assuming cash of \$37.2 million and debt of \$3.1 million as of 31 March 2022). If the Arrangement is completed, each TransGlobe Common Share outstanding immediately prior to the Effective Time (excluding shares held by VAALCO, AcquireCo or any of their respective affiliates or by shareholders that validly exercise, and do not withdraw, their dissent rights) will be deemed to be transferred and assigned to AcquireCo at the Exchange Ratio. No fractional shares of VAALCO Common Shares will be issued as part of the Arrangement, and TransGlobe Shareholders will receive cash in lieu of any fractional shares of VAALCO Common Shares in accordance with the terms of the Plan of Arrangement. Upon Completion, assuming that no further Common Shares are issued between the date of this Prospectus and Re-admission/Admission and that 49,315,007 Consideration Shares are issued, it is expected that VAALCO Stockholders will own approximately 54.5 per cent and TransGlobe Shareholders will own approximately 45.5 per cent of the Enlarged Group, calculated based on VAALCO's vested and outstanding shares (excluding Treasury Shares and unvested VAALCO shares that are subject to forfeiture) and TransGlobe's outstanding shares, each as of the date of the Arrangement Agreement. This represents a premium to TransGlobe Common Shares of 24.9 per cent based on VAALCO and TransGlobe's 30-day volume weighted average share price as of 13 July 2022 (the date on which the Arrangement Agreement was entered into).

##### 1.3 Application of the Listing Rules

Due to the size of the Arrangement relative to the size of VAALCO, the Arrangement is classified as a reverse takeover pursuant to the Listing Rules. As a result of the Arrangement's classification as a reverse takeover pursuant to the Listing Rules, VAALCO will apply to the FCA and to the London Stock Exchange for:

- (a) the current listing of the Existing Common Shares to be cancelled and the Existing Common Shares to be readmitted upon Completion to the standard segment of the Official List and to trading on the Main Market for listed securities of the London Stock Exchange; and
- (b) the Consideration Shares to be admitted upon Completion to the standard segment of the Official List and to trading on the Main Market for listed securities of the London Stock Exchange.

Given that Completion is conditional amongst other things on:

- (a) the FCA having acknowledged to VAALCO or its agent (and such acknowledgement not having been withdrawn) that the application for Admission has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject), Admission

will become effective as soon as a dealing notice has been issued by the FCA and any conditions to which such approval is expressed to be subject having been satisfied; and

- (b) the London Stock Exchange having acknowledged to VAALCO or its agent (and such acknowledgement not having been withdrawn) that the conditions to the Enlarged Share Capital being admitted to trading on the standard segment of the Main Market have been satisfied,

if these acknowledgements from the FCA and London Stock Exchange are not received, Completion will not take place.

## **2. Structure of the Arrangement**

The Arrangement Agreement provides that at the Effective Time, AcquireCo will acquire all of the issued and outstanding TransGlobe Common Shares with TransGlobe becoming a direct wholly-owned subsidiary of AcquireCo and an indirect wholly-owned subsidiary of VAALCO. The Arrangement will be implemented by way of a Plan of Arrangement in accordance with the ABCA. The Arrangement requires the approval of at least 66<sup>2/3</sup> per cent of the votes cast by TransGlobe's Shareholders, which was obtained at TransGlobe's special meeting held on 7 October 2022, as well as approval by the holders of a majority of shares of VAALCO Common Shares, which was obtained at VAALCO's special meeting on 29 September 2022. The Arrangement also requires the approval of the Court.

The Arrangement will become effective at the Effective Time on the date shown in the certificate of arrangement. If the Final Order is granted and all other conditions to Completion as set out in the Arrangement Agreement are satisfied or waived (to the extent that such conditions are capable of being satisfied prior to the Effective Date and, if waived, are not prohibited from being waived), TransGlobe shall send to the registrar, for filing, the Articles of Arrangement and such other documents as may be required pursuant to the ABCA to give effect to the Arrangement, as soon as is reasonably practicable and in any event no later than three business days after such satisfaction or waiver occurs, unless another time or date is agreed to in writing by VAALCO, TransGlobe and AcquireCo.

## **3. VAALCO's reasons for the Arrangement**

- 3.1 The VAALCO Board believes that the Arrangement will create a world-class, African-focused exploration and development company supporting a host of benefits to the Enlarged Group's shareholders and other stakeholders. In evaluating the Arrangement, VAALCO's Board considered a number of factors, including but not limited to the following factors:

- (a) *Complementary businesses creating a diversified, African-focused E&P.*

The Arrangement will combine two crude oil and natural gas leaders to create a world-class, African-focused exploration and development company supporting a host of benefits to the Enlarged Group's shareholders and other stakeholders, and creating a full-cycle portfolio of strong assets in Egypt, Gabon, Equatorial Guinea and Canada under a production and development-oriented business model.

- (b) *Complementary production and reserves bases.*

The Enlarged Group will have a larger, more diversified reserves and production base, enhancing risk management, increasing portfolio optionality to high-grade and sequence investment projects towards the projects with attractive returns, as well as increasing access to a broader set of capital sources relative to each company on a standalone basis. The combination of the companies will enable a step change in production and cash flows, with a near doubling of production and tripling of reserves and will provide a strong, diversified asset



base with synergy potential supporting significant, sustainable cash generation for shareholder returns and growth investment. The management of VAALCO estimates:

- (i) combined production for the full year of 2022 is expected to be between 17,700 and 19,000 BOE/d (mid-point production of 18.4 MBOE/d), and combined production for the full year of 2023 is expected to be between 17,500 and 21,500 BOE/d (preliminary mid-point outlook of 19.5 MBOE/d (96 per cent oil & liquids)) on a NRI basis across Egypt, Gabon and Canada, a 15 per cent increase on a pro forma per share basis, calculated on the basis of VAALCO's vested and outstanding shares and TransGlobe's outstanding shares, each as of the date of the Arrangement Agreement;
- (ii) pro forma proved reserves of 32.4 million BOE (83.2 per cent oil) calculated using SEC-compliant methodologies, a 56.3 per cent increase on a per share basis, calculated on the basis of VAALCO's vested and outstanding shares and TransGlobe's outstanding shares, each as of the date of the Arrangement Agreement; and
- (iii) a significant 1P (NRI) reserve base of:
  - (A) 11.2 MMBOE in respect of VAALCO in Gabon (estimated in accordance with FASB and US Standards);
  - (B) 8.4 MMBOE and 12.4 MMBOE for Canada and Egypt respectively for TransGlobe (estimated in accordance with COGEH and NI 51-101);
- (iv) a 2P (NRI) reserve base of:
  - (A) 17.0 MMBOE in respect of VAALCO in Gabon (estimated in accordance with FASB and US Standards); and
  - (B) 16.9 MMBOE and 17.4 MMBOE for Canada and Egypt respectively for TransGlobe (estimated in accordance with COGEH and NI 51-101).

VAALCO's proved reserves have grown from 3.2 MMBOE as of 31 December 2020 to 11.2 MMBOE at year-end 2021. Drilling in the Etame Marin area has indicated potential for conversion of identified resources to reserves through increased long-term drilling and additional drilling on the structure to unlock further reserves. In Equatorial Guinea, the plan of development approval for Block P grants adds 2P reserves, combined with near-term opportunities in Egypt for increasing reserves.

The Enlarged Group will seek to explore the resource potential following provisional awards for new exploration of Etame Marin Blocks G and H, and maximise the long-term growth opportunities in Egypt utilising the contingent resource base.

Production potential of the Enlarged Group will enable operational optimisation for maximum recoveries and infill drilling for 2P reserves to add incremental production in the Etame Marin block. Infill drilling and recompletions in Egypt also enable additional near-term production opportunities. In Canada, the ability to accelerate drilling and deliver additional production will enable the Enlarged Group to take advantage of higher commodity prices.

The Enlarged Group has the potential to expand production in 2023 and beyond through high grading return opportunities in Gabon, Egypt, Equatorial Guinea and Canada. The Directors believe that increased production will allow for greater cash flow generation and enhance self-funding of future production opportunities (as well as increased, sustainable shareholder returns and greater capital allocation optionality). In Egypt, at the K-Field site there are 11 infill wells to be drilled between the third quarter of 2022 and the second quarter of 2023 (and one WI well in the third quarter of 2022), while at H-Field there is a step-out well due in the third quarter of 2023 (and two WI wells due the first quarter of 2023). At Arta, two horizontal wells are due to be drilled by the end of 2022, with a further three horizontal wells coming between the second quarter of 2023 and the fourth quarter of 2023. In Canada, there is an anticipated

seven to 10 wells a year, with the ability to scale up or down depending on macroeconomic conditions.

(c) *Robust balance sheet.*

The Enlarged Group will be in a strong financial position, with \$97.9 million in pro forma combined cash and cash equivalents as of 30 June 2022 (prior to receipt of \$70.3 million in July and August 2022 from VAALCO's May and June 2022 liftings) and \$3.1 million in long-term debt, in each case on a pro forma combined basis, and the Enlarged Group will have access to additional liquidity under VAALCO's existing facility agreement (\$50.0 million undrawn as of 30 June 2022) and TransGlobe's ATB Facility (approximately \$17.4 million (CA\$22.5 million) of which \$3.1 million (CA\$4.0 million) was drawn as of 30 June 2022) which provides the Enlarged Group the financial flexibility to invest in projects with attractive returns through continued disciplined capital allocation in the future. The Enlarged Group intends to build on the strong respective track records for value creation and returns of VAALCO and TransGlobe, with both share prices gaining 400 per cent over the past two years as at the date the transaction was first announced on 14 July 2022.

(d) *Strong financial framework supporting enhanced stockholder returns.*

The Arrangement will allow Stockholders to participate in the benefits of the Enlarged Group, including: (i) subject to VAALCO Board approval, a target annual dividend of US\$28.0 million (approximately US\$0.25 per share, calculated based on VAALCO's vested and outstanding shares and TransGlobe's outstanding shares, each as of the date of the Arrangement Agreement), subject to Completion; and (ii) an up to US\$30.0 million (approximately US\$0.27 per share equivalent, calculated based on VAALCO's vested and outstanding shares and TransGlobe's outstanding shares, each as of the date of the Arrangement Agreement) share buy-back programme, subject to Completion.

(e) *Enhanced cost saving prospects.*

The Directors believe that the Enlarged Group will have the potential to realise operational synergies with \$30.0 million to \$50.0 million in anticipated cost savings through 2030 that would otherwise not be possible on a standalone basis. VAALCO management expects near-term cost synergies (with annualised estimated savings of \$3.0 million to \$5.0 million, representing savings of \$21.0 million to \$35.0 million from 2023 to 2030) to occur within the six months post-Completion, as a result of: (i) cancellation of TransGlobe's listings on the TSX, Nasdaq and AIM; (ii) reduction of board and executive positions; (iii) consolidation of advisers; and (iv) extraction of cost savings in service contracts across the business given the combined scale of the Enlarged Group. VAALCO management also expects medium-term cost synergies (with expected annualised estimated savings of \$2.0 million to \$4.0 million, representing \$10.0 million to \$20.0 million from 2025 to 2030) to occur within 18 to 24 months post-Completion, as a result of: (i) automation, digitalisation and process-led back office efficiencies; and (ii) supply chain-led contracting efficiencies on drilling and capital projects. Other operational synergies have also been identified by VAALCO management, such as knowledge sharing. The Enlarged Group's combination will enhance engineering and reservoir expertise, including onshore and offshore operations and development, as well as expansion of fracking knowledge and potential operational applications.

(f) *Opportunity to participate in growth prospects of the Enlarged Group.*

The Enlarged Group will have an attractive inventory of organic growth projects across the portfolio in all regions, and will be more favourably positioned to self-fund, optimise and generate value from these projects on account of the Enlarged Group's superior operational and technical capabilities and financial resources, relative to each of VAALCO and TransGlobe on an individual basis. By combining the portfolios, the Enlarged Group will have greater optionality to optimise capital allocation and ranking, allowing for VAALCO to prioritise high-

grade investment opportunities to optimise returns.

(g) *Proven team with established track record of value creation.*

The Enlarged Group will feature proven and experienced oil and gas business leaders, at both the board and executive management team levels, with a demonstrable track record of creating and delivering value to shareholders along with the combination of two highly capable subsurface, technical, operational and business development teams enabling the pooling of operational best practices, skills and technology across the combined portfolio.

(h) *Enhanced proposition for global capital markets.*

The Enlarged Group will benefit from greater scale, diversification and financial resilience that are expected to provide access to a broader range of capital sources. Shareholders in the Enlarged Group should benefit from a more liquid investment, with an increased number of shares traded on the NYSE and London Stock Exchange, a more diversified combined shareholder profile and increased visibility in the public capital markets. The Directors believe that the Enlarged Group will offer strong equity market performance with enhanced visibility in exploration and production capital markets. Furthermore, comparable companies of greater scale have achieved higher valuation multiples in public markets and, if there is a higher trading multiple for the Enlarged Group's shares, this could provide an incremental benefit to shareholders as a result of the Arrangement. Further benefits may include additional trading liquidity, building on the \$15.0 million average daily trading across both VAALCO and TransGlobe in the six months prior to the announcement of the Arrangement. VAALCO's NYSE and LSE listings will mean the Enlarged Group is well positioned to benefit from transatlantic trading, with continued inclusion in the Russell 3000 Index in the US promoting liquidity and index demand. Many E&P companies presently use free cash flow to pay off debt. However, the Directors believe that the Enlarged Group will be a financially stronger company than VAALCO and TransGlobe were individually with no net debt and be in a net cash position alongside having operational free cash flows to underpin sustainable stockholder returns and growth while maintaining sufficient liquidity and a continued robust balance sheet.

(i) *Enhanced ability to execute on inorganic growth opportunities.*

The Enlarged Group will be well positioned to benefit from additional targeted inorganic growth in Africa, with reference to strict strategic, financial and operational criteria, that would otherwise not have been available to VAALCO on a standalone basis.

(j) *Combination of operational and technical ability and environmental and social best practice.*

The combination of two highly capable subsurface/technical, operational and business development teams will enable the pooling of operational best practices, skills and technology across the Enlarged Group, alongside a highly experienced management team with an established multi-decade track record of value creation in the Enlarged Group's areas of operation.

The Directors believe that the Enlarged Group's scale will aid development of climate resilience strategies including: (i) defining investment programmes to enhance emissions control; (ii) targeted plans to reduce methane emissions; and (iii) improve access to renewable energy sources.

There has been strong operation and process safety performance by both VAALCO and TransGlobe, with a notable track record of significant socio-economic contributions to host countries through: (i) tax and royalty payments; (ii) spend with national suppliers; and (iii) advanced workforce nationalisation programmes aligned with local content objectives. Both VAALCO and TransGlobe are proactively engaged with communities and NGOs in the areas in which they operate.

Neither VAALCO nor TransGlobe have had any significant and/or reportable environmental incidents in the last ten years.

(k) *Financial analysis and opinion.*

Stifel presented its financial analysis to the VAALCO Board and also delivered its oral opinion, which were subsequently confirmed in writing, that as of the date of, and subject to various assumptions made, procedures followed, matters considered and limitations and qualifications as described in such written opinion, the consideration to be paid by VAALCO to the TransGlobe Shareholders pursuant to the Arrangement was fair, from a financial point of view, to VAALCO.

(l) *Support of boards and management teams.*

The boards of directors of VAALCO and TransGlobe have unanimously recommended support for the Arrangement. Additionally, all of the directors and members of the executive team of each of VAALCO and TransGlobe have entered into support and voting agreements pursuant to which they have agreed, among other things, to vote in favour of, in the case of VAALCO, the Amendment Proposal and the Share Issuance Proposal, and in the case of TransGlobe, the TransGlobe Resolution. In the case of VAALCO, these support and voting agreements relate to shares comprising approximately 1.6 per cent of issued and outstanding shares of VAALCO Common Shares as of the record date of the special meeting; and in the case of TransGlobe, these support and voting agreements relate to shares comprising approximately 2.6 per cent of issued and outstanding TransGlobe Common Shares as of the record date of TransGlobe's Shareholder meeting. All of the directors and members of the executive team of each of VAALCO and TransGlobe who entered into support and voting agreements voted in favour of the relevant resolutions at the stockholder meeting held by VAALCO on 29 September 2022 and the shareholder meeting held by TransGlobe on 7 October 2022.

(m) *Arm's length transaction.*

The Arrangement Agreement is the result of arm's length negotiations and includes terms and conditions that are reasonable in the judgment of the VAALCO Board.

(n) *Likelihood of completion.*

The likelihood that the conditions to Completion will be satisfied prior to the Outside Date.

(o) *Exchange Ratio and Consideration Shares.*

The Arrangement Agreement provides for an Exchange Ratio, which will not be adjusted as a result of possible changes in the market prices of Common Shares of VAALCO or TransGlobe Common Shares following the announcement of the Arrangement, providing reasonable certainty as to the respective pro forma percentage ownership of VAALCO by the current VAALCO Stockholders and TransGlobe Shareholders. In addition, the all-share transaction preserves the Enlarged Group's cash resources for operational and investment purposes.

(p) *Business climate and review of alternatives.*

After reviewing the current and prospective business climate in the oil and gas industry, including the potential for further consolidation or acquisitions, and the benefits and risks of other strategic opportunities reasonably available to VAALCO, the VAALCO Board believes that the Arrangement represents VAALCO's best prospect for increasing shareholder value in the medium to long-term.

(q) *Conduct of VAALCO's business.*

The VAALCO Board believes that the restrictions imposed on VAALCO's business and operations prior to Completion of the Arrangement are reasonable and not unduly burdensome.

(r) *Certain terms of the Arrangement Agreement.*

The VAALCO Board considered certain terms of the Arrangement Agreement including:

- (i) that the Arrangement Agreement imposes restrictions on TransGlobe's ability to solicit or engage in discussions or negotiations regarding certain alternative acquisition proposals for TransGlobe;
- (ii) that there are limited circumstances in which the TransGlobe board of directors may terminate the Arrangement Agreement or change its recommendation that TransGlobe Shareholders approve the Arrangement;
- (iii) that notwithstanding the limitations contained in the Arrangement Agreement on VAALCO's ability to solicit interest from third parties and terminate the Arrangement Agreement, the Arrangement Agreement allows VAALCO to engage in discussions or negotiations regarding any unsolicited competing proposal for VAALCO received prior to the special meeting that constitutes or would reasonably be expected to result in a VAALCO superior proposal;
- (iv) that the Arrangement Agreement allows the VAALCO Board to change its recommendation supporting the Arrangement at any time (prior to the time that Stockholder approval of the VAALCO Resolutions is obtained) following the VAALCO Board's good faith determination, after consultation with its outside legal counsel and financial advisers, that an alternative acquisition proposal constitutes a superior proposal or in response to an intervening event following the VAALCO Board's good faith determination, after consultation with its outside legal counsel, that a failure to effect a change in recommendation would be inconsistent with its fiduciary duties under applicable law;
- (v) VAALCO's right to receive a termination fee of \$9.15 million or up to a \$2.0 million expense reimbursement in the event that the Arrangement Agreement is terminated in certain circumstances; and
- (vi) that the Amendment Proposal must be approved by the affirmative vote of a majority of the outstanding shares of VAALCO Common Shares, and that the Share Issuance Proposal must be approved by the affirmative vote of the holders of a majority of shares of VAALCO Common Shares who, being present in person (online) or voting by proxy and entitled to vote at the special meeting, cast votes affirmatively or negatively on the Share Issuance Proposal.

(s) *Increased trading multiples.*

Following Completion, the Directors consider that potential for realising increased trading multiples in connection with building the Enlarged Group's size and scale offers the opportunity to grow value and support and enhanced return profile for shareholders of the Enlarged Group. As standalone entities, both VAALCO and TransGlobe presently trade at a cash flow multiple discount of 1x in comparison to larger entities listed in the U.S. and the UK. Through the Arrangement, the Enlarged Group would, with a larger market cap, be expected to realise an increased trading multiple. While both company's share prices have meaningfully outperformed the increase in Brent oil prices over the past two years, post-Completion, should the share price of the Enlarged Group trade at a higher multiple, then this would imply a corresponding uplift in value to the combined market capitalisations of both VAALCO and TransGlobe which demonstrates the potential for price appreciation based solely on multiple expansion. The Directors also believe that the Enlarged Group will attain a net cash positive position post-Completion, aided by an absence of burdensome debt compared to comparative entities.



(t) *Significant adjusted EBITDA growth.*

The Directors believe that building the size and scale of the Enlarged Group would grow value and support an enhanced return profile. Through enhanced adjusted EBITDA, there would be increased and sustainable dividends, expanded share buybacks, increased capital allocation optionality and acceleration of organic and inorganic growth. By optimising the Enlarged Group through capital allocation and medium-term cost synergies, value creation is expected to be enhanced beyond the current outlook (which includes VAALCO and TransGlobe's business plans for 2023 and 2023 prior to the Arrangement and indicative estimates based on various flat Brent oil price assumptions). Assuming the Brent oil price is within a range of approximately US\$90 to US\$120/BBL in 2023, the expected standalone Adjusted EBITDA for VAALCO would be between US\$190.0 million and \$230.0 million for 2022, whereas the Enlarged Group's expected Adjusted EBITDA for 2023 would be between \$350.0 million and \$505.0 million. This would mean based on the calculation methodologies included in the Arrangement Agreement, that VAALCO's standalone Adjusted EBITDA per share would be \$3.2 to \$3.9, compared to \$3.2 to \$4.7 as part of the Enlarged Group, representing an accretive ~\$1 per share for VAALCO on a standalone basis. Further details as to the assumptions on which these projections are based are set out in paragraph 22 of Part 26 (*Additional Information*).

(u) *Other factors.*

The VAALCO Board also carefully considered the Arrangement with reference to current economics, industry and market trends affecting each of VAALCO and TransGlobe in the oil and gas market, information concerning oil and gas reserves and oil and gas resources, business, operations, properties, assets, financial condition, operating results and prospects of each of VAALCO and TransGlobe and the historical trading prices of the VAALCO Common Shares and the TransGlobe Common Shares, taking into account the results of VAALCO's due diligence review of TransGlobe and its properties.

## **4. The Arrangement Agreement**

### **4.1 Overview**

The Arrangement Agreement provides that at the Effective Time, AcquireCo will acquire all of the issued and outstanding TransGlobe Common Shares with TransGlobe becoming a direct wholly-owned subsidiary of AcquireCo and an indirect wholly-owned subsidiary of VAALCO. The Arrangement will be implemented by way of a Plan of Arrangement in accordance with the ABCA. The Arrangement requires the approval of VAALCO's Stockholders which was obtained on 29 September 2022 and TransGlobe's Shareholders which was obtained on 7 October 2022. The Arrangement also requires the approval of the Court.

The Arrangement will become effective at the Effective Time on the date shown in the certificate of arrangement. If the Final Order is granted and all other conditions to Completion are satisfied or waived (to the extent that such conditions are capable of being satisfied prior to the effective date and, if waived, are not prohibited from being waived), TransGlobe shall send to the registrar, for filing, the Articles of Arrangement and such other documents as may be required pursuant to the ABCA to give effect to the Arrangement, as soon as is reasonably practicable and in any event no later than three business days after such satisfaction or waiver occurs, unless another time or date is agreed to in writing by VAALCO, TransGlobe and AcquireCo.

### **4.2 Consideration Shares received pursuant to the Arrangement**

At the meeting of VAALCO's Stockholders held on 29 September 2022, VAALCO's Stockholders approved: (i) an amendment to the VAALCO Certificate of Incorporation to increase the authorised shares of VAALCO Common Shares from 100,000,000 shares to 160,000,000 shares; and (ii) the issuance of shares of VAALCO Common Shares to TransGlobe Shareholders in connection with the Arrangement Agreement. The Consideration Shares will be issued pursuant to these authorisations. In

connection with the VAALCO Stockholder meeting, a proxy statement dated 29 August 2022 was sent to VAALCO Stockholders, a copy of which can be found at [www.vaalco.com/investors/sec-filings/proxy-statements](http://www.vaalco.com/investors/sec-filings/proxy-statements).

At the Effective Time, each TransGlobe Common Share outstanding immediately prior to the Effective Time (excluding shares held by VAALCO, AcquireCo or any of their respective affiliates or by shareholders that validly exercise, and do not withdraw, their dissent rights) will be deemed to be transferred and assigned to AcquireCo at the Exchange Ratio, subject to adjustment (if any) pursuant to the Arrangement Agreement.

The Consideration Shares to be paid for TransGlobe Common Shares will be adjusted to reflect the economic effect of changes in the number of outstanding shares of VAALCO Common Shares that are issued and outstanding after the date of the Arrangement Agreement and prior to the Effective Time by reason of any split or consolidation of the issued and outstanding shares of VAALCO Common Shares and where, on or after the date of the Arrangement Agreement, any dividend or other distribution is declared, set aside or paid to TransGlobe Shareholders or VAALCO Stockholders of record as of a time prior to the Effective Time (except for regular quarterly dividends to Stockholders made in accordance with the Arrangement Agreement).

No fractional entitlement to VAALCO Common Shares will arise as part of the Arrangement. Instead, where the aggregate number of VAALCO Common Shares to be issued to a TransGlobe Shareholder as consideration would result in a fraction of VAALCO Common Shares being issuable, the number of VAALCO Common Shares to be received by such TransGlobe Shareholder will be rounded down to the nearest whole VAALCO Common Share. In lieu of any such fractional entitlement to a VAALCO Common Share, each TransGlobe Shareholder otherwise entitled will receive a cash payment equal to an amount representing such TransGlobe Shareholder's proportionate interest in the net proceeds from the sale by the Depositary on behalf of all such TransGlobe Shareholders of the excess of (i) the number of shares of VAALCO Common Share issued and delivered to the Depositary pursuant to the Plan of Arrangement, over (ii) the aggregate number of whole shares of VAALCO Common Share to be issued to TransGlobe Shareholders pursuant to the Plan of Arrangement.

At the Effective Time, on the terms and subject to the conditions of the Arrangement Agreement and the Plan of Arrangement, each TransGlobe Option that is outstanding immediately prior to the Effective Time will be deemed to be fully and unconditionally vested and exercisable and surrendered and transferred to TransGlobe for cancellation in exchange for a cash payment from TransGlobe equal to the amount (if any) by which: (x) the product of the Closing VWAP multiplied by the exchange ratio exceeds (y) the exercise price thereof and for greater certainty, where such amount is zero or negative, none of TransGlobe, VAALCO or AcquireCo or the Depositary will be obligated to pay to the holder of such TransGlobe Option any amount in respect of such TransGlobe Option.

At the Effective Time, on the terms and subject to the conditions of the Arrangement Agreement and the Plan of Arrangement, each (i) DSU held by persons other than the three directors of TransGlobe who will be appointed to the VAALCO board of directors namely David Cook, Edward LaFehr and Timothy Marchant; (ii) PSU held by TransGlobe's departing employees; and (iii) RSU held by TransGlobe's departing employees will be deemed to be fully and unconditionally vested (at the applicable vesting percentage determined by the TransGlobe board of directors, in the case of PSUs, which percentage will not exceed 200 per cent) and surrendered and transferred to TransGlobe for cancellation in exchange for a cash payment from TransGlobe equal to the product of the Closing VWAP multiplied by the Exchange Ratio. All DSUs, PSUs and RSUs excluded from (iii) that are outstanding immediately prior to the Effective Time will remain outstanding and the terms of such DSUs, RSUs and PSUs will continue to be governed by the applicable plan provided that each such applicable plan will be amended so as to substitute for TransGlobe Common Shares underlying such DSUs, RSUs and PSUs, a number of shares of VAALCO Common Shares (rounded down to the nearest whole number) in an amount equal to (a) the number of TransGlobe Common Shares underlying such DSUs, RSUs or PSUs, multiplied by (b) the Exchange Ratio. For the PSUs that will remain outstanding following the Effective Time as described in (a), the applicable vesting percentage

will be determined by the TransGlobe board of directors, which percentage will not exceed 200 per cent.

#### **4.3 *Board and management following Completion***

VAALCO has agreed with TransGlobe that it will take all actions necessary to ensure that, as of the Effective Time, the Board of VAALCO will consist of (i) the four existing members of VAALCO's board of directors: Andrew L. Fawthrop, George Maxwell, Cathy Stubbs and Fabrice Nze-Bekale; and (ii) three members of TransGlobe's existing board of directors: David Cook, Edward LaFehr and Timothy Marchant. Andrew L. Fawthrop will continue as the chair of the VAALCO Board.

VAALCO anticipates that its Chief Executive Officer and Chief Financial Officer will remain with VAALCO following Completion.

VAALCO expects to exercise the rights contained in the employment agreements of each of TransGlobe's President and Chief Executive Officer; Vice President, Finance, Chief Financial Officer and Corporate Secretary; and Vice President and Chief Operating Officer that will require such officer to remain employed by the Enlarged Group for a minimum of a three-month period following Completion. Further, retention agreements signed between TransGlobe and two of these officers provide VAALCO an option to extend such officers' employment for a further three-month period if they elect to terminate their employment pursuant to change of control provisions in their employment agreements.

#### **4.4 *Treatment of TransGlobe Awards***

Each of TransGlobe, VAALCO, AcquireCo and the TransGlobe board of directors (and any relevant committee thereof), will take such actions (including all actions permitted under the TransGlobe equity incentive plans, as such term is defined in the Arrangement Agreement) as are necessary, such that, from and after the Effective Time (i) each TransGlobe Option, DSU, PSU and RSU (collectively, the "**TransGlobe awards**") in each case that is outstanding as of immediately prior to the Effective Time, will be dealt with as provided in the Plan of Arrangement; and (ii) notwithstanding any provision herein to the contrary, at or prior to the Effective Time, TransGlobe, its board of directors, the Compensation, Human Resources and Governance Committee of the TransGlobe board of directors, as applicable, will adopt any resolutions and take all actions that are necessary to effect the provisions of the Arrangement Agreement and the Plan of Arrangement related to the TransGlobe awards.

#### **4.5 *Conditions for Completion***

- (a) The respective obligations of TransGlobe and VAALCO to complete the Arrangement are subject to the fulfilment of each of the following conditions precedent on or before the Effective Time (each of which may only be waived with the mutual consent of VAALCO and TransGlobe):
  - (i) the TransGlobe Resolution having been duly approved by TransGlobe Shareholders in accordance with the Court's Interim Order and applicable law;
  - (ii) the VAALCO Resolutions having been duly approved at the special meeting in accordance with applicable law;
  - (iii) the Court's Interim Order and the Final Order each having been obtained on terms consistent with the Arrangement Agreement and in form and substance acceptable to each of VAALCO and TransGlobe, acting reasonably, and having not been set aside or modified in a manner unacceptable to either TransGlobe or VAALCO, each acting reasonably, on appeal or otherwise;
  - (iv) no governmental entity that has a material connection with TransGlobe, VAALCO, AcquireCo, or their respective assets having enacted, issued, promulgated, enforced or entered any order or law which is then in effect and has the effect of making the

Arrangement illegal or otherwise preventing or prohibiting consummation of the Arrangement;

- (v) the Consideration Shares, subject to customary conditions, having been approved for listing on the NYSE;
- (vi) the FCA having acknowledged to VAALCO or its agent (and such acknowledgment not having been withdrawn) that the application for Admission has been approved and (after satisfaction of any conditions to listing), Admission will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions have been satisfied;
- (vii) the London Stock Exchange having acknowledged to VAALCO or its agent (and such acknowledgment not having been withdrawn) that the conditions to the Enlarged Share Capital being admitted to trading on the standard segment of the Official List have been satisfied; and
- (viii) the Consideration Shares having been exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) thereof or having been registered under the Securities Act.

The VAALCO Resolutions were approved by VAALCO Stockholders on 29 September 2022 and the TransGlobe Resolution was approved by TransGlobe Shareholders on 7 October 2022.

- (b) The obligation of VAALCO and AcquireCo to complete the Arrangement is subject to the fulfilment of each of the following conditions precedent on or before the Effective Time (each of which is for the exclusive benefit of VAALCO and AcquireCo and may be waived by VAALCO):
  - (i) the representations and warranties of TransGlobe set forth in the Arrangement Agreement regarding: (a) organisation and qualification, authority relative to the Arrangement Agreement and absence of certain changes or events (being no TransGlobe material adverse effect) having been true and correct in all respects as of the date of the Arrangement Agreement and the Effective Time as if made as at and as of such time; (b) subsidiaries and capitalisation and listing having been true and correct in all respects (except for de minimis inaccuracies) as of the date of the Arrangement Agreement and the Effective Time as if made as at and as of such time; and (c) all other representations and warranties of TransGlobe having been true and correct in all respects (disregarding for purposes of this condition any materiality or TransGlobe material adverse effect qualification contained in any such representation or warranty) as of the date of the Arrangement Agreement and the Effective Time as if made at and as of such time (except that any representation and warranty in each of the foregoing (a), (b) and (c) that by its terms speaks specifically as of the date of the Arrangement Agreement or another date shall have been true and correct in all respects as of such date), except in the case of paragraph (c) where the failure of such representations and warranties to be so true and correct in all respects, individually and in the aggregate, does not constitute a TransGlobe material adverse effect; and TransGlobe having provided to VAALCO and AcquireCo a certificate of two TransGlobe senior officers certifying (on TransGlobe's behalf and without personal liability) the foregoing dated the Effective Date;
  - (ii) TransGlobe having complied in all material respects with the covenants required to be performed by it in the Arrangement Agreement, and TransGlobe having provided to VAALCO and AcquireCo a certificate of two TransGlobe senior officers certifying (on TransGlobe's behalf and without personal liability) compliance with such covenants dated the Effective Date;
  - (iii) since the date of the Arrangement Agreement, there not having occurred, or have been disclosed to the public (if previously undisclosed to the public), any TransGlobe

material adverse effect, and TransGlobe having provided to VAALCO and AcquireCo a certificate of two TransGlobe senior officers certifying (on TransGlobe's behalf and without personal liability) to that effect;

- (iv) to the extent required or necessary in connection with the consummation of transactions contemplated in the Arrangement Agreement: (i) the approval or consent of, or waiver or non-exercise of any material termination, pre-emption or similar rights by, any governmental entity in, or in respect of the interests held by TransGlobe in, Canada and Egypt, having been given on terms or subject to conditions in each case which are satisfactory to VAALCO, and (ii) no actions or inactions having been taken which are likely to result in the withdrawal, cancellation, termination or modification of any licence or permit held by TransGlobe or any of its subsidiaries in respect of the interests held by TransGlobe in Canada and Egypt which is necessary for the proper carrying on of its business; and
  - (v) dissent rights having not been exercised (or, if exercised, remain unwithdrawn) with respect to more than 10 per cent of the issued and outstanding TransGlobe Common Shares.
- (c) The obligation of TransGlobe to complete the Arrangement is subject to the fulfilment of each of the following conditions precedent on or before the Effective Time (each of which is for the exclusive benefit of TransGlobe and may be waived by TransGlobe):
- (i) the representations and warranties of VAALCO and AcquireCo set forth in the Arrangement Agreement regarding (a) organisation and qualification, authority relative to the Arrangement Agreement and absence of certain changes or events (being no VAALCO material adverse effect) having been true and correct in all respects as of the date of the Arrangement Agreement and the Effective Time as if made as at and as of such time; (b) capitalisation and listing having been true and correct in all respects (except for de minimis inaccuracies) as of the date of the Arrangement Agreement and the Effective Time as if made as at and as of such time; and (c) all other representations and warranties of VAALCO and AcquireCo having been true and correct in all respects (disregarding for purposes of this condition any materiality or VAALCO material adverse effect qualification contained in any such representation or warranty) as of the date of the Arrangement Agreement and the Effective Time as if made at and as of such time (except that any representation and warranty in each of the foregoing (a), (b) and (c) that by its terms speaks specifically as of the date of the Arrangement Agreement or another date shall have been true and correct in all respects as of such date), except in the case of paragraph (c) where the failure of such representations and warranties to be so true and correct in all respects, individually and in the aggregate, does not constitute a VAALCO material adverse effect; and each of VAALCO and AcquireCo having provided to TransGlobe a certificate of two of their respective senior officers certifying (on such party's behalf and without personal liability) the foregoing dated the Effective Date;
  - (ii) VAALCO and AcquireCo having complied in all respects with its covenants in the Arrangement Agreement regarding payment of consideration and governance and transitional matters and in all material respects with its other covenants required to be performed by each of them in the Arrangement Agreement, and each of VAALCO and AcquireCo having provided to TransGlobe a certificate of two of their respective senior officers certifying (on such party's behalf and without personal liability) compliance with such covenants dated the Effective Date; and
  - (iii) since the date of the Arrangement Agreement, there not having occurred, or have been disclosed to the public (if previously undisclosed to the public), any VAALCO material adverse effect, and each of VAALCO and AcquireCo having provided to TransGlobe a certificate of two of their respective senior officers certifying (on such party's behalf and



without personal liability) to that effect.

#### 4.6 ***Termination of the Arrangement Agreement***

##### *Right to Terminate*

The Arrangement Agreement may be terminated at any time prior to the Effective Time (i) by mutual written agreement of VAALCO and TransGlobe; or (ii) by either VAALCO or TransGlobe, if:

- (a) the Effective Time has not occurred on or before the Outside Date, except that the right to terminate the Arrangement Agreement under this provision will not be available to any party whose failure to fulfil any of its obligations or breach of any of its representations and warranties under the Arrangement Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur by the Outside Date;
- (b) after the date of the Arrangement Agreement, there has been enacted or made any applicable law or order that remains in effect and that makes consummation of the Arrangement illegal or otherwise prohibits or enjoins TransGlobe, VAALCO or AcquireCo from consummating the Arrangement and such law, order or injunction has become final and non-appealable;
- (c) the TransGlobe Resolution has not been approved at the TransGlobe Shareholder meeting except that the right to terminate the Arrangement Agreement under this provision will not be available to any party whose failure to fulfil any of its obligations or breach of any of its representations or warranties under the Arrangement Agreement has been the cause of, or resulted in, such failure to receive the approval from TransGlobe Shareholders. The TransGlobe Resolution was approved by TransGlobe Shareholders at the TransGlobe Shareholder meeting held on 7 October 2022;
- (d) the VAALCO Resolutions have not been approved at the special meeting except that the right to terminate the Arrangement Agreement under this provision will not be available to any party whose failure to fulfil any of its obligations or breach of any of its representations or warranties under the Arrangement Agreement has been the cause of, or resulted in, such failure to receive the approval from VAALCO Stockholders. The VAALCO Resolutions were approved by VAALCO Stockholders at the VAALCO Stockholder meeting held on 29 September 2022;
- (e) the board of directors of the other party changes its recommendation prior to the time that such party's stockholder or shareholder approval, as the case may be, is obtained;
- (f) the other party breaches its non-solicitation covenants in any material respect;
- (g) a material adverse effect has occurred in relation to the other party; or
- (h) the other party breaches any representation or warranty or fails to perform any covenant or agreement in the Arrangement Agreement that would cause certain conditions precedent to completing the Arrangement not to be satisfied and such conditions are incapable of being satisfied by the Outside Date and provided that the party having the right to terminate the Arrangement Agreement is not then in material breach of the Arrangement Agreement so as to cause any conditions precedent to completing the Arrangement Agreement not to be satisfied.

The party desiring to terminate the Arrangement Agreement will give written notice of such termination to the other party, specifying in reasonable detail the basis for the terminating party's exercise of its termination right.

If the Arrangement Agreement is terminated in accordance with its terms, there will be no liability on the part of any party thereto except for such party's wilful breach of the Arrangement Agreement, and certain provisions of the Arrangement Agreement that will survive such termination, including those provisions related to the payment of termination fees described below.

### *Termination Fees*

TransGlobe will be required to pay a termination fee of \$9.15 million to VAALCO (or at VAALCO's direction, AcquireCo) in the event that:

- (a) the Arrangement Agreement is terminated by VAALCO due to a change in recommendation by TransGlobe at any time prior to the time that the TransGlobe Shareholders' approval of the TransGlobe Resolution is obtained. The TransGlobe Resolution was approved by TransGlobe Shareholders at the TransGlobe Shareholder meeting held on 7 October 2022;
- (b) the Arrangement Agreement is terminated by either party due to a failure to obtain the approval of TransGlobe Shareholders following a change in recommendation by TransGlobe. The TransGlobe Resolution was approved by TransGlobe Shareholders at the TransGlobe Shareholder meeting held on 7 October 2022; or
- (c) the Arrangement Agreement is terminated by: (i) either party (A) due to the Effective Date of the Arrangement not occurring prior to the Outside Date; or (B) a failure to obtain the approval of TransGlobe Shareholders (the TransGlobe Resolution was approved by TransGlobe Shareholders at the TransGlobe Shareholder meeting held on 7 October 2022, however); or (ii) by VAALCO if TransGlobe is in breach of any representation or warranty or fails to perform any covenant or agreement under the Arrangement Agreement that would cause certain conditions to closing not to be satisfied, and such conditions are incapable of being satisfied by the Outside Date, but, in each case, only if in these termination events:
  - (i) prior to such termination, a bona fide acquisition proposal for TransGlobe has been made or publicly announced by any person other than VAALCO or AcquireCo (and, if TransGlobe's Shareholder meeting is held, is not withdrawn at least five business days prior to the date of TransGlobe's Shareholder meeting); and
  - (ii) on or prior to the 12 month anniversary of the date of such termination: (i) TransGlobe or one or more of its subsidiaries enters into a definitive agreement in respect of an acquisition proposal for TransGlobe and such acquisition proposal is later consummated (whether or not on or prior to the 12 month anniversary of the date of such termination) or (ii) an acquisition proposal for TransGlobe has been consummated.

VAALCO (or at VAALCO's direction, AcquireCo) will be required to pay a termination fee of \$9.15 million to TransGlobe in the event that:

- (a) the Arrangement Agreement is terminated by TransGlobe due to a change in recommendation by VAALCO at any time prior to the time that the Stockholders' approval of the VAALCO Resolutions is obtained. The VAALCO Resolutions were approved by Stockholders at the VAALCO Stockholder meeting held on 29 September 2022;
- (b) the Arrangement Agreement is terminated by either party due to a failure to obtain the approval of Stockholders following a change in recommendation by VAALCO. The VAALCO Resolutions were approved by Stockholders at the VAALCO Stockholder meeting held on 29 September 2022; or
- (c) the Arrangement Agreement is terminated by (i) either party due to (A) the Effective Date of the Arrangement not occurring prior to the Outside Date or (B) a failure to obtain the approval of Stockholders (the VAALCO Resolutions were approved by Stockholders at the VAALCO Stockholder meeting held on 29 September 2022, however) or (ii) by TransGlobe if VAALCO is in breach of any representation or warranty or fails to perform any covenant or agreement under the Arrangement Agreement that would cause certain conditions to closing not to be satisfied, and such conditions are incapable of being satisfied by the Outside Date, but, in each case, only if in these termination events:
  - (i) prior to such termination, a bona fide acquisition proposal for VAALCO has been made or publicly announced by any person other than TransGlobe (and, if the special meeting

is held, is not withdrawn at least five business days prior to the date of the special meeting); and

- (ii) on or prior to the 12 month anniversary of the date of such termination, (i) VAALCO or one or more of its subsidiaries enters into a definitive agreement in respect of an acquisition proposal for VAALCO and such acquisition proposal is later consummated (whether or not on or prior to the 12 month anniversary of the date of such termination) or (ii) an acquisition proposal for VAALCO has been consummated.

## **5. Nasdaq, AIM and TSX Delistings**

The TransGlobe Common Shares are listed and posted for trading on the TSX and AIM under the trading symbol “TGL” and are listed on Nasdaq under the trading symbol “TGA”. Following Completion, the TransGlobe Common Shares will be delisted from the TSX, AIM and Nasdaq and the TransGlobe depositary interests will be cancelled in CREST as promptly as practicable.

VAALCO’s Common Shares are currently listed for trading on the NYSE and the London Stock Exchange under the trading symbol “EGY”, with such listings and ticker name to be retained post-Completion.

## PART 9

### INFORMATION ON THE VAALCO GROUP

#### 1. Overview

VAALCO is an independent energy company based in Houston, Texas, U.S., engaged in the production of crude oil and the exploration and development of oil properties in West Africa.

VAALCO was founded in 1985 and its Shares are currently listed on the New York Stock Exchange (“NYSE”) and on the standard segment of the Main Market of the London Stock Exchange under the symbol EGY.

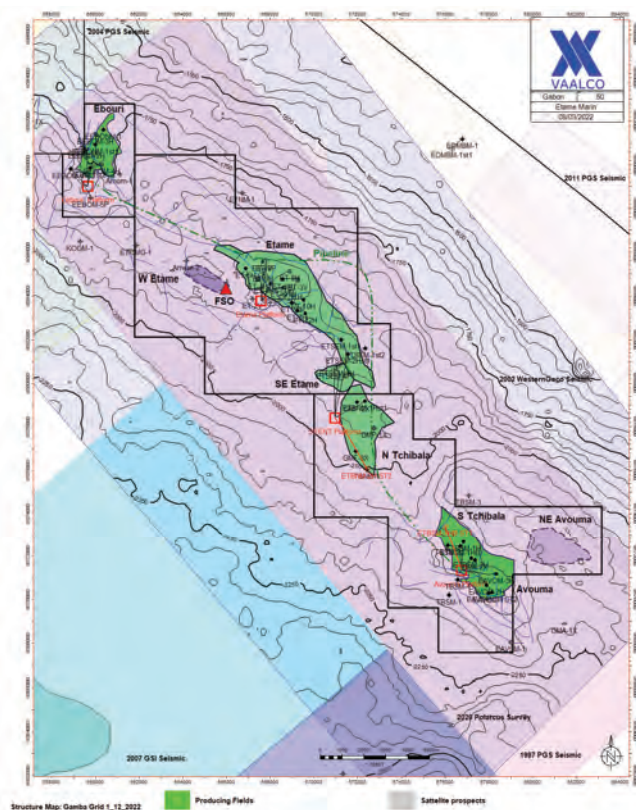
The VAALCO Group’s flagship asset is a 58.8 per cent working interest in the Etame Marin Block, located offshore Gabon, which for the years ended 31 December 2021, 31 December 2020 and 31 December 2019, produced aggregate production of 5.4 MMBBLs (2.6 MMBBLs net to VAALCO), 6.6 MMBBLs (1.8 MMBBLs net to VAALCO) and 4.7 MMBBLs (1.3 MMBBLs net to VAALCO), respectively. Under the Etame production sharing contract (“PSC”), which the VAALCO Group entered into in July 1995, VAALCO will hold an interest in Etame until September 2028, with an option to extend for two additional five-year periods.

VAALCO is designated as the operator on behalf of the Etame Consortium. The Etame Consortium consists of three companies, being (1) VAALCO Gabon; (2) Addax Petroleum Oil & Gas Gabon (“Addax”); and (3) PetroEnergy Resources Corporation (“PetroEnergy”). Etame is subject to a 7.5 per cent back-in carried interest by the State of Gabon, which is currently held by Tullow Oil Gabon SA. VAALCO’s working interest will decrease to 57.2 per cent in June 2026, when the back-in carried interest increases from 7.5 per cent to 10 per cent.

VAALCO’s interest in Etame accounts for substantially all of the VAALCO Group’s revenue and 100 per cent of its reserves. In addition to its interest in the Etame Marin Block, VAALCO owns a 43 per cent working interest in an undeveloped portion of Block P, located offshore Equatorial Guinea. VAALCO’s working interest in Block P will increase to 45.9 per cent once the Equatorial Guinea Ministry of Mines and Hydrocarbons (“EG MMH”) approves a new amendment to the production sharing contract.

As of 31 December 2021, VAALCO had estimated proved reserves of 11.218 MMBBLs pursuant to its interests in the Etame Marin Block.

A map showing the location of the assets in the Etame Marin Block is set out below.



## 2. Competitive strengths

### 2.1 *Established operator with a proven track record in West Africa*

The VAALCO Group acquired its interest in Etame in July 1995. Since acquiring its interest, VAALCO has acted as operator and has produced more than 126 MMBBLs of oil to date, including from deep and over pressured reservoirs. Production has grown from 4,853 NRI BBL/d in the year ended 31 December 2020 to 9,500 NRI BBL/d in March 2022. Expected production (NRI) in 2022 is 9.0 – 9.5 MBOPD.

In addition to the Etame Marin Block, the VAALCO Group has a working interest in the prospective Block P, which it has owned since June 2012 and which the Directors believe has the potential to significantly increase the VAALCO Group's reserves.

### 2.2 *Strong management team with extensive industry experience*

The Directors, Executive Officers and the VAALCO Group's technical teams have experience working in international and national oil companies, independents and service companies and have global experience in hydrocarbon exploration, development and production operations. They have extensive experience in the African oil and gas market.

### 2.3 *Profitable free cash flow from low risk reserve base*

The VAALCO Group's operations in Etame have provided it with a profitable basis of free cash flow with operating income from the Etame Marin Block in the financial year ended 31 December 2021 of \$79,100,000. The Directors believe that, following the Etame PSC Extension it can leverage these strengths to continue to benefit Stockholders.

### 2.4 *Material upside from existing Etame Field*

VAALCO's proved reserves are estimated at 11.218 MMBBLs.



As a result of improved oil pricing, positive production performance and the Etame PSC Extension, VAALCO's estimated proved reserves increased by 8 MMBBLs (250 per cent) during 2021. This increase was a result of (i) the acquisition of Sasol's interest in the Etame Marin block (adding 2.6 MMBBLs); and (ii) positive revisions of previous estimates, together adding 8.0 MMBBLs.

1P Reserves (NRI) are 11.2 MMBBL with 2P Reserves (NRI) at 16.8 MMBOE, with potential for further opportunities arising at moderate drilling depths (1,800m to 2,900m TVD) into known reservoirs.

## 2.5 *Fully funded drilling campaigns providing multiple catalysts*

VAALCO was fully funded to pursue and complete its 2019/2020 drilling campaign in Etame, which commenced on 13 September 2019 and completed in April 2020. After installing production equipment, the Etame 9H development well was brought online at an initial rate of 5,500 barrels of oil per day ("**BOPD**") gross, (1,500 BOPD net to VAALCO's 31.1 per cent working interest in 2019).

VAALCO began its 2021/2022 drilling campaign in December 2021 with the drilling of the Etame 8H-ST development well, which came online in February 2022 and had an initial rate of approximately 5,000 gross BOPD, which was reduced to approximately 4,200 gross BOPD for reservoir management purposes. The Avouma 3H-ST development well was drilled, completed and brought online in April 2022 with an initial rate of approximately 3,100 gross BOPD. The third well drilled and completed was the South Tchibala 1HB-ST, which discovered two potential Dentale producing zones, the Dentale D1 sand and the Dentale D9. The first completion was in the shallower D1 which included a hydraulic fracture treatment to increase both the production flow rate and recovery from the D1 interval. The additional Dentale D9 (15 meters net hydrocarbons) interval can be tested and completed in the future and has an estimated original oil in place range of four to 15 MMBO.

Following the South Tchibala 1HB-ST well, the rig was mobilised to the SEENT platform to drill the ETBSM 2H-ST well, which is targeting the Dentale Formation, which is productive in other areas in the Etame license. This mobilisation was delayed by two weeks due to weather and the rig began operations on the well in late July. After setting up the equipment and completing operations to re-enter the well, VAALCO began drilling the ETBSM 2H-ST well on 8 August 2022. On 27 September 2022, VAALCO announced the successful drilling of the ETBSM 2H-ST well. VAALCO is preparing to complete the ETBSM 2H-ST well utilising a fracture stimulation vessel that will provide support with multiple stimulation and frac-pack operations. Following clean up and stabilisation of flow rate, VAALCO expects a stable flow rate from the well by the end of October 2022. Once on production, VAALCO expects to add new reserves from the 2H-ST well, some of which were not previously in its 2P reserve base. The positive results from this well gives VAALCO increasing confidence in targeting the Dentale sand for production at Etame in addition to the Gamba – thereby further increasing the production runway from this high-quality field.

In July 2022, VAALCO exercised its options to extend the contract for the rig. As a result, VAALCO plans to add two additional wells to the programme, the Ebouri 4H development well targeting the Gamba formation and a Northeast Avouma well that is a near-field exploration well also targeting the Gamba formation and if successful is expected to be tied into the Avouma platform at a later date. VAALCO estimates the total cost of the 2021/2022 drilling campaign at Etame to be between \$174,000,000 and \$213,000,000 gross, or between \$111,000,000 and \$135,000,000 net to VAALCO's 63.6 per cent participating interest.

VAALCO has a track record of success – an 80 per cent exploration success rate combined with a 95 per cent overall drilling success rate at the Etame Marin block, which has consisted of acreage extensions and seven successful drilling programmes over a 20-year period while growing reserves. Wells successfully developed in 2021 and 2022 are ongoing, with the following multi-year reserves growth opportunities identified: (i) infill drilling in the Gamba and Dentale sands; (ii) satellite field tie-backs (approximately five); and (iii) reserve additions from a pair of five-year options to extend the PSC beyond 2028. Material margin increases are also possible, as well as field life extensions

through an FSO production solution, which is expected to be available in the third quarter of 2022. As a consequence, storage and offloading costs are anticipated to be reduced by approximately 50 per cent in combination, with approximately \$13,000,000 to \$16,000,000 net operational savings being made through the life of the field.

The Directors believe that these drilling campaigns are the first steps in realising the full potential now opened to VAALCO following the extension of the Etame PSC.

## **2.6 *Solid foundation to pursue opportunistic inorganic growth***

VAALCO's goal is to achieve transformational growth both organically and through potential value-accretive acquisitions or mergers of similar properties or assets to diversify the VAALCO Group's portfolio.

## **3. Strategy**

Following the Etame PSC Extension, VAALCO's financial position has improved and the VAALCO Group has no external third party debt. The Directors believe that the VAALCO Group will generate sufficient operating cash flow to sustain current operations and fund development projects in the Etame Marin Block.

VAALCO is seeking to further increase production and reserves by undertaking its 2021/2022 drilling campaign and pursuing accretive growth opportunities where it can leverage proven technical and operational capabilities, although there may be certain challenges faced by VAALCO in achieving its objectives, such as a tightening of regulatory frameworks, unpredictable fluctuations in input costs such as drilling and other support goods and services, and technical issues accessing reserves.

The cornerstone of VAALCO's strategy to create long-term value for all stakeholders is to focus on profitable growth from low-risk reserve development while maintaining financial discipline. In addition, over the next 12 months, VAALCO seeks to:

- (a) focus on maintaining production and lowering costs to increase margins and preserve optionality to capitalise on an increase in crude oil prices;
- (b) manage capital expenditures related to the Etame drilling program so that expenditures can be funded by cash on hand and cash from operations;
- (c) continue its focus on operating safely and complying with internationally accepted environmental operating standards;
- (d) optimise production through careful management of wells and infrastructure;
- (e) maximise its cash flow and income generation;
- (f) continue planning for additional development at Etame as well as future activity in Equatorial Guinea;
- (g) preserve a strong balance sheet by maintaining conservative leverage ratios and exhibiting financial discipline;
- (h) opportunistically hedge against exposures to changes in crude oil prices;
- (i) actively pursue strategic, value-accretive mergers and acquisitions of similar properties to diversify its portfolio of producing assets; and
- (j) continue its strategy related to BWE Consortium as further described in paragraph 8 of this Part 9 (*Information on the VAALCO Group*).

## **4. Summary of reserves and resources**

The estimated gross oil reserves, working interest oil reserves and estimated future net revenue to VAALCO in the Etame Marin Block, as at 31 December 2021, are detailed in Table 1.

**Table 1 – Etame Marin Block reserves and probable resources**

<i>Category</i>	<i>Oil Reserves (MBBL)</i>		<i>Future Net Revenue (M\$)</i>	
	<i>Gross (100 per cent)</i>	<i>Net*</i>	<i>Total</i>	<i>Present Worth at 10 per cent</i>
Proved Developed Producing	14,125.4	7,226.8	81,172.9	74,588.1
Proved Undeveloped	7,913.3	3,991.0	38,393.3	24,670.4
Total Proved (1P)	22,038.6	11,217.8	119,566.3	99,258.5

\* Net reserves are prior to deductions for “income tax barrels”.

## 5. Etame Marin Block

The Etame Marin Block lies approximately 23 km northwest of the Gabon-Congo international boundary and 140 km southeast of Sette Cama, Gabon, in water depths ranging from 75 m to 85 m. It is separated into three Exclusive Exploitation Authorisations (“EEAs”) in the permit area, which comprise approximately 187 km<sup>2</sup> located around the five producing Etame Field areas. The Ebouri EEA comprises 14.86 km<sup>2</sup>, the Avouma EEA comprises 77.81 km<sup>2</sup> and the Etame EEA comprises 94.44 km<sup>2</sup>.

The Etame Fields consist of five separate producing fields, being the (i) Avouma/South Tchibala Field; (ii) Ebouri Field; (iii) Etame Field; (iv) North Tchibala Field; and (v) Southeast Etame Field, details of which are set out in Table 2.

**Table 2 – Etame Fields**

<i>Licence/Field</i>	<i>Operator</i>	<i>VAALCO Working Interest</i>	<i>Licence Expiration (per cent) Status Date</i>	<i>Licence Area (km<sup>2</sup>)</i>
Etame PSC	VAALCO Gabon	58.8	16 September 2028	187
Avouma/South Tchibala Field		Production		
Ebouri Field		Production		
Etame Field				
North Tchibala Field		Production		
Southeast Etame		Production		

Elf, the original licence holder of the Etame PSC, drilled several wells during the 1970s and 1980s when the South Tchibala and North Tchibala Fields were discovered. VAALCO acquired the Etame PSC in July 1995 and conducted a 385 km<sup>2</sup> 3-D seismic survey in 1997 and drilled the discovery well for the Etame Field in 1998.

On 22 November 2016, the VAALCO Group completed the acquisition of an additional 2.98 per cent working interest (3.23 per cent participating interest) in the Etame Marin Block from Sojitz, which had an effective date of 1 August 2016. The Etame PSC Extension, which the VAALCO Group entered into on 17 September 2018, extended the Etame PSC through September 2028, with an option to extend for two additional five-year periods.

On 25 February 2021, VAALCO completed the acquisition of Sasol’s 27.8 per cent working interest in the Etame Marin Block, which increased VAALCO’s working interest in the Etame Marin Block to 58.8 per cent, pursuant to the sale and purchase agreement dated 17 November 2020 (the “SPA”) (the “**Sasol Acquisition**”). Prior to the Sasol Acquisition, VAALCO owned and operated a 31.1 per cent working interest in Etame. The Sasol Acquisition increased VAALCO’s working interest to 58.8 per cent, almost doubling its total production and reserves. The effective date of the transaction was 1 July 2020. VAALCO completed the Sasol Acquisition for a final cash settlement payment of \$29,638,917, which was paid from cash on hand

and reflected the \$44,000,000 purchase price less (i) a cash deposit of approximately \$4,300,000 paid on the SPA execution date, (ii) net cash flows generated from the Sasol interest from 1 July 2020 through the closing date and (iii) other purchase price adjustments pursuant to the SPA. In addition, under the terms of the SPA, a contingent payment of \$5,000,000 was payable to Sasol should the average Dated Brent price over a consecutive 90-day period from 1 July 2020 to 30 June 2022 exceed \$60.00 per barrel. The conditions related to the contingent payment were met and on 29 April 2021, VAALCO paid the \$5,000,000 contingent amount to Sasol in accordance with the terms of the SPA. As a result of the acquisition, VAALCO's net portion of production and costs relating to its Etame operations has increased from 31.1 per cent to 58.8 per cent.

VAALCO is a party to a floating, production, storage and offloading vessel ("**FPSO**") charter for the storage of all of the crude oil that it produces. On 31 August 2021, VAALCO and its co-venturers at Etame approved the Bareboat Charter and Operating Agreement (collectively, the "**FSO Agreements**") with World Carrier Offshore Services Corp. to replace the FPSO with a Floating Storage and Offloading unit ("**FSO**"). Further details are set out in paragraph 5.4 below.

In December 2021, VAALCO commenced its 2021/2022 drilling campaign offshore of Gabon with the Etame 8H-ST well. In February 2022, VAALCO completed the drilling of the Etame 8H-ST well and moved the drilling rig to the Avouma platform to drill the Avouma 3H-ST1 development well, which is targeting the Gamba reservoir. The initial flow rate of the ETAME 8H-ST well was approximately 5,000 gross BOPD, 2,560 BOPD net to VAALCO's 58.8 per cent working interest in 2022, featuring limited pressure drawdown and recovery factors of up to 50 per cent or higher. However, the well was reduced to approximately 4,200 gross BOPD for reservoir management purposes.

On 11 April 2022, VAALCO announced that it had successfully drilled the Avouma 3H-ST development well with a lateral of 268 meters in high quality Gamba sands at the top of the structure. On 26 April 2022, VAALCO announced that it had successfully completed the Avouma 3H-ST development well. The well was completed and brought online with an initial rate of approximately 3,100 gross BOPD, 1,589 BOPD net to VAALCO's 58.8 per cent working interest in 2022.

The third well drilled and completed as part of the 2021/2022 drilling campaign was the South Tchibala 1HB-ST, which discovered two potential Dentale producing zones, the Dentale D1 sand and the Dentale D9. The first completion was in the shallower D1 which included a hydraulic fracture treatment to increase both the production flow rate and recovery from the D1 interval. The additional Dentale D9 (15 meters net hydrocarbons) interval can be tested and completed in the future and has an estimated original oil in place range of 4 to 15 MMBO.

Following the South Tchibala 1HB-ST well, the rig was mobilised to the SEENT platform to drill the ETBSM 2H-ST well, which is targeting the Dentale Formation, which is productive in other areas in the Etame license. This mobilisation was delayed by two weeks due to weather and the rig began operations on the well in late July 2022. After setting up the equipment and completing operations to re-enter the well, VAALCO began drilling the ETBSM 2H-ST well on 8 August 2022. On 27 September 2022, VAALCO announced the successful drilling of the ETBSM 2H-ST well. VAALCO is preparing to complete the ETBSM 2H-ST well utilising a fracture simulation vessel that will provide support with multiple stimulation and frac-pack operations. Following clean up and stabilisation of flow rate, VAALCO expects a stable flow rate from the well by the end of October 2022.

In July 2022, VAALCO exercised its options to extend the contract for the rig. As a result, VAALCO plans to add two additional wells to the programme, the Ebouri 4H development well targeting the Gamba formation and a Northeast Avouma well that is a near-field exploration well also targeting the Gamba formation and if successful is expected to be tied into the Avouma platform at a later date. VAALCO now estimates the total cost of the 2021/2022 drilling campaign at Etame to be between \$174,000,000 and \$213,000,000 gross, or between \$111,000,000 and \$135,000,000 net to VAALCO's 63.6 per cent participating interest.

### 5.1 *Geology of the Etame Marin Block*

The coastal sedimentary basin of Gabon started forming during the Upper Jurassic period with the onset of rifting and breakup of the Gondwana supercontinent. Rifting started with the formation of a series of tilted horst and graben blocks and fluviodeltaic deposition that ended with deposition of the Dentale Formation. The rift phase was terminated by major uplift of the western margin of Africa that caused an erosional event that planed off topographic highs and deposited the sediments in the lows, creating a surface with little or no topographic relief.

The rift phase was followed by an Aptian transition phase initiated by transgression of marine waters into the basin with deposition of the transgressive Gamba Sandstone and Vembo Shale. Later deposition of the Ezanga Salt occurred in the restricted seaway that formed and then was cut off from the main body of the ocean.

The transition phase was succeeded by the drift phase in which Albian oceanic crust started to form and the Madiela carbonates were deposited. These carbonates and the clastics of the Cenomanian Cap Lopez were deformed by basinward block faulting caused by a slight westward tilt of the basin and the mobility of the underlying salt.

From the Cenomanian age onward, a large prograding wedge of marine and marginal marine clastics has been deposited along the west coast of Gabon. This sediment wedge has been broken up into large fault blocks formed by listric faulting that soles out into the Ezanga Salt.

The Dentale Formation contains a thick sequence of fluviodeltaic and fluviolacustrine sandstones and shales of Barremian age. The source rock for much of the offshore area is found in this formation. It is also one of the more prolific oil-producing zones in Gabon. The Dentale Formation is productive in offshore Etame, North Tchibala and Tchibala Fields.

The Gamba Formation unconformably overlies the Dentale Formation and was deposited during the transgressive event after erosion of the Dentale Formation. The Gamba Formation is composed of a basal sandstone and an upper carbonate. The reservoir is usually contained in the sandstone since the carbonate is typically very tight unless a dolomite zone is developed. The Gamba Sandstone exhibits excellent reservoir properties, with porosity generally between 20 to 30 per cent and permeability often greater than 1 darcy.

Capping the Gamba Formation are the Vembo Shale and the Ezanga Salt. The Vembo is a dark-coloured, restricted marine shale. The Ezanga Salt varies in thickness from 500 to over 1,500 m. The drastic change in thickness is caused by the mobility of the salt that has resulted in much of the structuring observed in the post-salt sequence. The Vembo Shale and Ezanga Salt make an excellent seal for the underlying Gamba and Dentale Formations.

### 5.2 *Wells in the Etame Marin Block*

There are 26 wells across the Etame Fields, of which 16 are currently in production: the (i) Avouma/South Tchibala Field has four producing wells; (ii) Ebouri Field has two producing wells; (iii) Etame Field has seven producing wells; (iv) North Tchibala Field has one producing well; and (v) Southeast Etame Field has two producing wells.



Details of each of the wells in Etame are set out in Table 3.

**Table 3 – Summary of production wells in the Etame Marin Block\***

<i>Well Name</i>	<i>Field</i>	<i>Well Type</i>	<i>Artificial Lift Type</i>	<i>First Production Date</i>	<i>Current Status</i>	<i>Cumulative Oil (MBBL)</i>
EAVOM-2H	Avouma	Platform	ESP	01-2007	Active	16,968.1
EAVOM-3H	Avouma	Platform	ESP	04-2013	Abandoned	757.1
EAVOM-3HST2	Avouma	Platform	ESP	04-2022	Active	252.7
ETBSM-1H	Avouma	Platform	ESP	01-2007	Abandoned	4,474.5
ETBSM-1HB	Avouma	Platform	ESP	05-2014	Abandoned	1,393.7
ETBSM-1HBST2	South Tchibala	Platform	ESP	07-2022	Active	1.6
ETBSM-2H	Avouma	Platform	ESP	01-2011	Active	4,838.7
EEBOM-2H	Ebouri	Platform	ESP	01-2009	Active	11,180.3
EEBOM-3H	Ebouri	Platform	ESP	04-2009	Shut-In	1,586.3
EEBOM-4H	Ebouri	Platform	ESP	05-2010	Shut-In	1,131.0
ETAME-1VA	Etame	Subsea	Natural Flow	09-2002	Shut-In	6,274.0
ETAME-3H	Etame	Subsea	Natural Flow	09-2002	Shut-In	5,728.4
ETAME-4H	Etame	Subsea	Natural Flow	09-2002	Active	17,550.3
ETAME-5H	Etame	Subsea	Gas Lift	08-2004	Shut-In	5,305.5
ETAME-6HST1	Etame	Subsea	Gas Lift	07-2005	Active	19,539.2
ETAME-7H	Etame	Subsea	Gas Lift	12-2010	Active	8,248.3
ETAME-8H	Etame	Platform	ESP	N/A	Abandoned	0.0
ETAME-8HST1	Etame	Platform	ESP	02-2022	Active	472.7
ETAME-9H	Etame	Platform	ESP	11-2019	Active	2,191.2
ETAME-10H	Etame	Platform	ESP	02-2015	Active	2,373.9
ETAME-11H	Etame	Platform	ESP	01-2020	Active	2,477.0
ETAME-12H	Etame	Platform	ESP	04-2015	Active	5,577.1
ETBNM-1H	North Tchibala	Platform	Natural Flow	09-2015	Active	2,290.0
ETBNM-2H	North Tchibala	Platform	Natural Flow	12-2015	Shut-In	582.8
ETSEM-2H	Southeast Etame	Platform	ESP	07-2015	Active	6,160.7
ETSEM-4H	Southeast Etame	Platform	ESP	03-2020	Active	1,281.1

### 5.3 *Development of the Etame Fields*

#### *Avouma/South Tchibala Field*

The discovery well for the South Tchibala Field was drilled in 1978, followed by the drilling of four more appraisal wellbores. The Avouma-1 exploration well was drilled in July 2004 to the southwest of the existing South Tchibala Field wells and confirmed a structure in a fault block adjacent to the South Tchibala Field. This field is now referred to as the Avouma/South Tchibala Field. The Avouma-1 well drill stem tested at a rate of 6.6 MBOPD, so the decision was made to commercially develop this field.

Two horizontal development wells were drilled in the second half of 2006. The ETBSM-1 well was drilled to the South Tchibala structure and the EAVOM-2H well was drilled to the Avouma structure. An unmanned production facility was installed and tied in by a subsea pipeline to the Etame Field during 2006. Electrical submersible pumps (“**ESPs**”) installed in the two production wells provided the artificial lift mechanism for production. Production started from the two horizontal wells in January 2007. The field production rate in February 2007 was approximately 4.6 MBOPD; however, this rate was artificially restricted because of overall licence processing limitations. The field production rate gradually increased throughout the year as the rate from Etame Field decreased. The field production rate reached a peak of 11.4 MBOPD in April 2008. The ETBSM-2H well, which targeted a central portion of the South Tchibala area, was drilled in October 2010 and put online in December 2010. The EAVOM-3H well was drilled in the southern portion of the Avouma structure and put online in April 2013. In 2014, the ETBSM-1 well was side-tracked to the ETBSM-1HB location to mitigate a mechanical issue in the original well. All of the Avouma/South Tchibala wells are produced using ESPs, and pump replacement workovers are a significant component of the

ongoing operations in the field. The development plan for this field included the ETBSM-3 well, which would have targeted a structural high to the north and west of the existing producing wells.

The reserves associated with the ETBSM-3 well were removed from proved undeveloped volumes because it was decided by VAALCO and the Etame joint venture owners to remove the well from the 2019 development schedule and instead drill the Etame 11H.

In February 2022, VAALCO completed the drilling of the Etame 8-H ST1 well and moved the drilling rig to the Avouma platform to drill the EAVOM 3H-ST1 development well.

### *Ebouri Field*

The Ebouri Field is located along the boundary of the Etame Marin Block, on a separate structure approximately 18 km northwest of the Etame Field. The field was discovered in December 2003 with the drilling of the EBO-1 well. The EBO-1 well was drilled to 2,026 m measured depth (1,901 m true vertical depth subsea) and encountered approximately 14 m of oil pay in the Gamba Formation near the centre of the structure. The oil discovery was confirmed by the drilling of two side-tracks, the EBO-1 ST1 well on the east side of the structure and the EBO-1 ST2 well to the west of the discovery well. The Ebouri development was then approved and the Ebouri platform was installed.

At the end of 2008, renewed appraisal and development began with the drilling of the EEBOM-2HP1 well. The EEBOM-2HP1 well came in high to prognosis and pushed the oil-water contact further west. A second pilot hole, EEBOM-2HP2, was then drilled from the platform to the north end of the structure and also came in high to prognosis. A horizontal drain hole, the EEBOM-2H, was drilled from this pilot hole in the north part of the field. A third well, the EEBONM 1, was drilled to the northeast in late 2008 to test a possible separate closure. This well came in slightly low to prognosis with the same oil-water contact as seen in the Ebouri Field. The EEBONM-1 well was then side-tracked to the southwest of the original hole and encountered good-quality reservoir sands oil-filled to base. A second producing well, the EEBOM-3H, was drilled in early 2009 to produce the northeast area of the field.

The EEBOM-2H well began producing in January 2009 and the EEBOM-3H came online in April 2009. Initial field rates were 7 MBOPD. In early 2010, the EEBOM-4 pilot was drilled in the southwest portion of the Ebouri structure. This well helped define the extent of the structure in this area before being side-tracked to the EEBOM-4H producing location in the eastern part of the field. In May 2010, the well was brought online with initial rates of over 3.5 MBOPD. Peak production rates of over 9 MBOPD from the three producing wells occurred in June 2010.

In July 2012, it was found that hydrogen sulphide (“H<sub>2</sub>S”) was being produced from the EEBOM-3H and EEBOM-4H wells. All production prior to this event was sweet crude; because the facilities and wellbores were not designed to handle sour production, the wells were shut-in. Although these wells have been shut-in since, the EEBOM-2H well has continued to produce with low levels of H<sub>2</sub>S, which are able to be treated by chemical injection. Discussions about a crude sweetening project are ongoing and, at some point, facilities modifications could be made in order to restore the sour crude production from the EEBOM-3H and EEBOM-4H wells.

In October 2021, VAALCO completed a workover on the Ebouri 2H well. This increased production from about 500 gross BOPD (255 BOPD, net) prior to the workover to approximately 1,400 gross BOPD (715 BOPD, net).

### *Etame Field*

The Etame Field was discovered in 1998 with the drilling of the ETAME-1V well, which discovered oil in the Gamba Formation. After the ETAME-2V well was drilled in 1999, the 3-D seismic data were reprocessed. The ETAME-3V well was drilled in February 2001 and the ETAME 4V well was drilled in May 2001. From April to July 2002, the ETAME-3V and ETAME-4V wells were re-entered and drilled as the ETAME-3H and ETAME-4H horizontal production wells. Production from the field commenced in September 2002 from the ETAME-1V, ETAME-3H, and ETAME-4H wells. It became

apparent that the field is divided into two regions separated by a northeast-to-southwest trending sealing fault. Fluid properties, particularly the gas-oil ratio, differ across this fault. The regions are known as the 1V FB, which contains the ETAME-1V well, and the main fault block, which contains all other wells.

Additional reprocessing of the 3-D seismic data was performed in 2003. The ETAME-5H-Pilot and ETAME 5H wells were drilled into the main fault block in June and July 2004, and the ETAME-5H well was placed on production. The ETAME-6H and ETAME-6HST wells were drilled into the main fault block in mid-2005, and the ETAME-6H ST was placed on production. Production from the ETAME-3H well ceased in September 2005 because of water production and subsequent loss of flowing tubing pressure. The ETAME-7H well was drilled into the 1V FB during August and September 2010 and commenced production in December 2010. Subsequent to the ETAME-7H coming online, the production rate from the ETAME-1V well went on a significantly steeper decline and the well stopped producing in April 2012. The ETAME-5H, ETAME-6HST, and ETAME-7H wells are fitted with gas-lift valves.

Production from Etame had always been sweet crude with no H<sub>2</sub>S. However, after the discovery of H<sub>2</sub>S in two of the three Ebouri wells in July 2012, additional monitoring of all wells in the Etame Marin Block was implemented. In early 2014, H<sub>2</sub>S was discovered on the ETAME-5H well and it was subsequently shut-in.

Installation of a four-pile platform was completed in the third quarter of 2014. The platform has the capability to serve as a first stage processing facility for up to eight dry tree ESP-lifted wells. Three wells have been drilled from this platform to Etame Field: the ETAME-8H into the main fault block and the ETAME-10H and ETAME-12H into the 1V FB. ETAME-8H was drilled in 2014 but encountered H<sub>2</sub>S and, as a result, the well has remained shut-in. ETAME-10H was drilled near the end of 2014, completed in January 2015, and started production in February 2015. ETAME-12H was drilled in the first quarter of 2015 and was completed and started production in April 2015.

VAALCO commenced its 2019/2020 drilling campaign in September 2019 and completed the campaign in April 2020. In September 2019, VAALCO spudded the Etame 9P appraisal wellbore at the Etame block. In October 2019, the Etame 9P, targeting the subcropping Dentale reservoir, was successfully drilled to a total depth of 10,260 feet and encountered both Gamba and Dentale crude oil sands. In December 2019, VAALCO reached total depth of approximately 8,900 feet in drilling the Etame 9H development well and completed approximately 1,000 feet of the horizontal section within the Gamba reservoir as planned. The horizontal section of the Etame 9H development well is at the top of the Gamba structure where the high-quality reservoir is approximately 45 feet thick. After installing production equipment, the Etame 9H development well was brought online at an initial rate of 5,500 BOPD gross, (1,500 BOPD net to VAALCO's 31.1 per cent working interest in 2019).

Shortly after completion of the Etame 9H development well, VAALCO began drilling the Etame 11H horizontal development well from the Etame platform, targeting the same Gamba reservoir at a different location in the Etame block. VAALCO reached a total measured depth of approximately 9,022 feet in the Etame 11H development well and completed approximately 860 feet of horizontal section within the Gamba reservoir. Similar to Etame 9H well, the horizontal section of the Etame 11H well is at the top of the Gamba structure but at a different location. After installing production equipment, the Etame 11H well was brought online at an initial flow rate of approximately 5,200 BOPD gross, (1,400 BOPD net to VAALCO's 31.1 per cent working interest in 2020), in early January 2020.

In December 2020, VAALCO completed the acquisition of approximately 1,000 square kilometres of new dual-azimuth proprietary 3-D seismic data over the entire Etame Marin block. VAALCO expects the seismic data to enhance sub-surface imaging by merging legacy data with newly acquired seismic data allowing for the first continuous 3-D seismic over the entire block. The processing of the seismic data began in January 2021, and was completed by the fourth quarter of 2021. The seismic data will be used to optimise and de-risk future drilling locations and potentially identify new drilling locations.

In October 2021, VAALCO completed a workover on the Etame 12-H well. This workover replaced both the upper and lower ESP and reconfigured the ESP design resulting in restored production of about 1,800 gross BOPD (920 BOPD, net).

VAALCO commenced the 2021/2022 drilling campaign in December 2021 with the drilling of the Etame 8-H development well. VAALCO anticipates the costs of the 2021/2022 drilling program to have an estimated cost of \$117,000,000 to \$143,000,000 gross, or \$74,000,000 to \$91,000,000, net to VAALCO's 63.6 per cent participating interest (working interest including the working interest attributable to the carried interest owner). In February 2022, VAALCO completed the drilling of the Etame 8-H well and moved the drilling rig to the Avouma platform to drill the Avouma 3H-ST1 development well, which is targeting the Gamba reservoir. The initial flow rate of the ETAME 8-H well was 5,000 BOPD, 2,560 BOPD net to VAALCO's 58.8 per cent working interest in 2022.

#### *North Tchibala Field*

A complex of stacked Dentale sands known as the North Tchibala Field is located southeast of the Southeast Etame Field and northwest of the Avouma/South Tchibala Field. The North Tchibala structure is a presalt anticlinal feature in which several sandstones within the Dentale Formation were found to be hydrocarbon-bearing. Gulf Oil of Gabon drilled a discovery well and two appraisal wellbores during the 1970s. Elf drilled an additional appraisal wellbore in 1980 that further defined the field.

In the third quarter of 2014, VAALCO completed the installation of a four-pile fixed-leg platform to develop the Southeast Etame and the North Tchibala Fields. Two wells have been drilled from this platform into the North Tchibala Field. ETBNM-1H was drilled in 2015, and was completed and started production in September 2015. It is a horizontal well completed in the commingled D-9 and D-10 intervals in the Dentale Formation. ETBNM-2H was drilled in 2015, completed in November 2015, and started production in December 2015. It is a horizontal well completed in the commingled D-18 and D-19 intervals in the Dentale Formation. The ETBNM-1H and ETBNM-2H wells are both fitted with upper and lower ESPs which are operational, if needed, but both wells currently flow naturally.

#### *Southeast Etame*

The Southeast Etame Field was identified as a southern extension to the Etame Field on a separate anticlinal structure. During 2010, the ETSEM-1 exploration well was drilled and encountered oil pay in the Gamba Formation. The deposit was further defined by two appraisal side-tracks, the ETSEM-1 ST1 and the ETSEM-1 ST2. The discovery well encountered a reservoir in the Gamba that was 5 m thick; this reservoir was oil-bearing and filled-to-base.

Following the installation of the Southeast Etame North Tchibala ("SEENT") platform, the ETSEM-2H development well was drilled in 2015. The well was completed and started production in July 2015 and is fitted with upper and lower ESPs that are operational and in use.

VAALCO drilled the Southeast Etame 4P appraisal wellbore to evaluate a Gamba step out area in the Etame block during the first quarter of 2020. With the drilling of the Southeast Etame 4P appraisal wellbore, VAALCO satisfied the drilling commitment as part of the PSC Extension that it signed in late 2018. The Southeast Etame 4P appraisal wellbore indicated the presence of approximately 1.0 to 2.0 MMBBLs of hydrocarbons in the Gamba reservoir, and VAALCO began drilling a third development well, the Southeast Etame 4H as part of the 2019/2020 drilling campaign. This development well was brought online in late March of 2020. With respect to all of the wells drilled in the 2019/2020 drilling campaign, VAALCO did not encounter H<sub>2</sub>S in either the Gamba or Dentale reservoirs, which could impact the safety and marketability of production from those wells.

### **5.4 FSO conversion and field reconfiguration**

In August 2021, VAALCO and its co-venturers at Etame approved the FSO Agreements with World Carrier Offshore Services Corp to replace the FPSO with an FSO at the Etame Marin block offshore



Gabon for up to eight years with additional option periods available. The FPSO contract anticipated that production would cease in September 2022, with a mooring disconnection and demobilisation timeline through to 2 January 2023. The FSO Agreements require a prepayment of \$2,000,000 gross (\$1,200,000, net to VAALCO) in 2021 and \$5,000,000 gross (\$3,200,000 net to VAALCO) in 2022 of which \$6,000,000 will be recovered against future rentals. The Bareboat Charter contains purchase provisions and termination provisions. VAALCO does not expect to utilise the termination provisions under the FSO Agreements. In addition, total field level capital conversion estimates, to accept and implement the FSO, are \$59,023,889 to \$72,854,143 gross (\$34,706,047 to \$42,838,236 net to VAALCO).

VAALCO is working with the FPSO charterer regarding the schedule for decommissioning and associated costs to ensure a smooth transition to the FSO. VAALCO believes that all of the associated engineering, long-lead equipment and significant contracts are proceeding in-line with the anticipated timelines and expected delivery schedules for the deployment of the FSO in the third quarter of 2022. Field reconfiguration began as planned in March 2022. Teli, a double-hull crude tanker built in 2001 that was re-engineered into a FSO, left the shipyard in early July 2022 following completion of sea trials, arrived in Gabon in August 2022, was permanently moored in September 2022, and has been commissioned to begin operations in October 2022.

Modifications to the Etame platform to support the full field reconfiguration are underway. VAALCO completed the first of several short facility outages in June 2022 to allow for flare system upgrades and the installation of tie-in points for the process equipment. There were several short duration outages in September 2022 to facilitate the changeover of process lines and equipment to the new field configuration. All major deck components have been installed. The process equipment has arrived in Gabon and is in the process of being transported offshore. VAALCO has disconnected all except two production lines to the FPSO. Installation of all process equipment required for first oil, final hookup and commissioning has been completed, allowing the Etame platform to serve as the central processing hub for the Etame field once reconfiguration is complete. VAALCO expects completion of all FSO and first oil field reconfiguration activities in the second week of October 2022.

The subsea reconfiguration of the field is underway, starting with the first portion of the Bourbon/RANA dive programme which commenced in mid-July. The DOF Skandi Constructor vessel arrived in Gabon and has commenced reconfiguration of the existing lines and installation of the new lines. Over 95 per cent of the approximately 5,100 meters of new subsea, flexible pipe for the reconfiguration of the Etame field has been installed. Compared to the FPSO agreement, the new FSO is expected to significantly reduce storage and offloading costs by almost 50 per cent, increase effective capacity for storage by over 50 per cent, and lead to an extension of the economic field life, resulting in a corresponding increase in recovery and reserves at the same time. The energy industry is experiencing inflationary pressures related to goods and services, particularly impacting fuel prices, services and equipment prices, availability of equipment and global logistic cost increase and delays. These factors coupled with additional engineering requirements for the FSO conversion and field reconfiguration have increased current total field level capital conversion estimates to \$55,000,000 to \$70,000,000 gross (\$35,000,000 to \$45,000,000 net to VAALCO). This capital investment is projected to save approximately \$20,000,000 to \$25,000,000 gross per year (\$13,000,000 to \$16,000,000 net to VAALCO) in operational costs through 2030.

## 5.5 ***Production***

In 2021, VAALCO's net production at Etame averaged approximately 7,119 BOPD, increasing from 4,853 BOPD average for fiscal year 2020. This increase was mainly due to the purchase of Sasol's share in the Etame lease resulting in the total VAALCO working interest increasing to 58.8 per cent from 31.1 per cent. The average net production for the second quarter of 2022 was 9,211 BOPD, increasing from an average of 8,108 BOPD in the second quarter of 2021 and 8,051 BOPD in the first quarter of 2022. During the second quarter of 2022, the newly drilled EAVOM-3HST well was first put into production in April, and the field construction work has been undertaken to reroute subsea lines, upgrade the Etame platform and bring and tie in the new FSO Teli to replace the FPSO Petroleo



Nautipa. In the third quarter of 2022, several planned short duration downtimes occurred that impacted partial field production to facilitate the final reconfiguration of flowlines and equipment commissioning to allow for the full disconnection of the FPSO Petroleo Nautipa.

In December 2021, the rig Borr Norve moved into the Etame lease area to drill ET-8H ST, EAVOM-3H ST, ETBSM-1HB ST, ETBNM-2H ST and working over the ETBNM-1H, ETSEM-4H and EEBOM-4H wells. The ET-8H sidetrack spud from the Etame platform in December 2021. Total depth of the well was reached and the well completed in February 2022 and started production. For the month of February 2022, the well averaged a gross production rate of 3,416 BOPD (1,747 BOPD net to VAALCO). The rig moved to the Avouma platform and the EAVOM-3H ST2 well was drilled to a structure high in the South side of the Avouma field. However, the structure was deeper than anticipated and it was decided to drill a second sidetrack to a structure near the EAVOM-2H well. Total depth of the well was reached and the well completed and was consequently put on production in April 2022. The well produced an average of 1,426 BOPD gross (730 BOPD net to VAALCO) in May 2022. After the EAVOM-3H ST well was completed, the rig skidded to side track the ETBSM-1HB well to a higher structure target in Gamba sand and explore the deeper Dentale sands. The well penetrated Gamba sand on a high structure however, the Gamba sand was thin and of low quality. The well penetrated the deeper Dentale sands of D01 and D9. A decision was made to complete the D-01 sand with a hydraulically induced frac pack and the well was put on production early July 2022. This well is still being unloaded and tested. Consequently, the rig has moved to the SEENT platform to drill a side track from the suspended ETBNM-2H well. This side track is ongoing and is designed to be completed as a slanted well with two hydraulic fractures in the Dentale D18/19/19A sands.

During the first quarter of 2022, the drilling activities had to be suspended to contain a COVID 19 outbreak and this suspension caused 18 days of delay in the rig schedule from late December 2021 through January 2022. Another event that caused partial production shut down was reaching FPSO Petroleo Nautipa tank tops, due to harsh weather and difficulties connecting to the export tanker. The field was partially shut down and consequent start up was severed due to wax build up in the cooled subsea lines. The Avouma, SEENT and Ebouri platforms were affected and shut down for several days.

The planned FSO installation and the field upgrade completion in September 2022 will impact the third quarter of 2022 production. This was taken into consideration in determining the full year guidance for 2022, which was adjusted at between 9,000 BOPD net to VAALCO and 9,500 BOPD net to VAALCO. Taking into consideration the combination of the planned turnaround, as well as the impact of the ETBSM-1HB well results, VAALCO expects average production for the third quarter of 2022 to be between 8,000 BOPD net to VAALCO and 8,700 BOPD net to VAALCO.

Production operations in the Etame Marin Block currently include 13 platform wells, plus three subsea wells tied back by pipelines to deliver crude oil and associated natural gas through a riser system to allow for delivery, processing, storage and ultimately offloading crude oil from a leased FPSO vessel anchored to the seabed on the block. Dry tree wells are used to develop the Etame Fields from four manned production platforms. The Avouma, Ebouri, Etame, and SEENT platforms are tied back by pipelines to deliver oil and associated natural gas through a riser system to allow for delivery, processing, storage and ultimately offloading the oil from the FPSO Petroleo Nautipa anchored to the seabed on the block. Some of the original wells in the Etame Field have subsea trees, which are tied directly back to the FPSO Petroleo Nautipa. Production from 12 of VAALCO's wells is aided by ESPs. VAALCO currently has 16 producing wells. The FPSO Petroleo Nautipa can process up to approximately 25,000 BOPD and 30,000 BBLs of total fluids per day.

The planned future FSO Teli's capacity will be similar to the FPSO Petroleo Nautipa, except that most of the processing will be handled on the Etame platform. The FSO will be connected to the Etame platform to receive the field oil production. The subsea wells ET-6H & 7H will be tied to the Etame platform as well and will receive the compressed gas lift from the Etame platform. The subsea ET-4H well will be disconnected and abandoned in addition to the ET-5H well.

For the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019, aggregate production from the Etame Marin Block was approximately 5.4 MMBBLs (2.6 MMBBLs net to VAALCO), 6.6 MMBBLs (1.8 MMBBLs net to VAALCO) and 4.7 MMBBLs (1.3 MMBBLs net to VAALCO), respectively. VAALCO's net share of barrels produced reflects an allocation of cost oil and profit oil after reduction for a royalty of approximately 13 per cent. Periodically, VAALCO performs workovers on its wells to maintain or restore production.

**Table 4 – Summary of key production facilities at the Etame Marin Block**

<i>Facility Name</i>	<i>Producing Field</i>	<i>Total Liquid</i>	<i>Capacity (BBL/D)</i>	
			<i>Oil</i>	<i>Water</i>
FPSO/FSO	All	30,000	25,000	5,000
Avouma platform	Avouma/South Tchibala	16,000	16,000	15,000
Ebouri platform	Ebouri	17,500	17,500	14,000
Etame platform	Etame	26,000	25,000	22,500
SEENT platform	North Tchibala/Southeast Etame	26,000	25,000	22,500

Two of VAALCO's wells are currently shut-in for safety and marketability reasons because of high levels of H<sub>2</sub>S. H<sub>2</sub>S was not encountered in any of the wells or appraisal wellbores drilled in the 2019/2020 drilling campaign and has not been encountered so far in the 2021/2022 drilling campaign. To re-establish and maximise production from the impacted areas, additional capital investment will be required, including the construction of one or more processing facilities capable of removing H<sub>2</sub>S, the recompletion of the temporarily abandoned wells and the potential drilling of additional wells. VAALCO has determined that these identified processing facilities are not the most economically attractive use of VAALCO's resources at current crude oil prices. As of 31 December 2022, VAALCO has no proved reserves booked for the wells impacted by high levels of H<sub>2</sub>S.

## **6. Block P**

VAALCO acquired a 31 per cent working interest in offshore Block P and EG MMH approved VAALCO's appointment as the operator of Block P on 12 November 2019. VAALCO acquired an additional working interest of 12 per cent from Atlas Petroleum, thereby increasing its working interest to 43 per cent in 2020, in exchange for a potential future payment of \$3,100,000 to Compania Nacional de Petroles de Guinea Equatoria, ("GEPetrol") in the event that there is commercial production from Block P. VAALCO's current working interest in Block P is 45.9 per cent.

### **6.1 Geology of Block P**

Block P is located in the Rio Muni Basin, offshore Equatorial Guinea. The rift between South America and Africa began 126 million years ago in the early Cretaceous with a series of basins that would resemble the lakes in East Africa today. As Brazil continued to pull away from West Africa, faulting and sliding associated with the rift formed the early Rio Muni basin. The Rio Muni Basin contains a thick wedge of Cretaceous to Tertiary sediments deposited over an early Cretaceous rifted terrain. Deposition of this wedge was interrupted by low stands in sea level and tectonic uplift in the Aptian and Santonian stages. During the regional Santonian tectonic episode and associated uplift, valleys were incised into the underlying lower Cretaceous syn-rift, transitional, and early drift deposits in the prospect area. Subsequently, stacked Upper Cretaceous channels and fans were deposited as valley fill on the Santonian unconformity. Continued opening of the Atlantic Ocean accommodated the deposition of Tertiary and younger shale and sands that buried the Santonian unconformity and related valley fill deposits to their current depths.

During the Barremian and Aptian rifting, deep, anoxic, lacustrine systems developed, resulting in the deposition of important synrift source rocks. These permanently stratified lakes did not experience seasonal overturn. During humid episodes, when lake level was high, the lakes were highly productive and anoxia was widespread, resulting in the accumulation of thick sequences of organic-rich, laminated shale. During arid episodes, when evaporation rates were high and thus lake level was low,

organic shale and carbonate mudstone or marl was deposited in shallow, aerated water. These source rocks are a key part of the hydrocarbon system within the basin.

The Upper Cretaceous sequence of sedimentation is important as it relates to prospectivity within the basin. This was a period of sand-rich deposition as incised valleys were filled and stacked channels systems and fans were formed. Some of these features are imaged on 3D seismic data and are the subjects of potential future exploration.

During the early Tertiary, thick sections of sediment were deposited but were subsequently eroded during the Oligocene when sea level dropped. Valleys were cut into the existing sediments during the period of erosion that were later filled in by sediments of varying lithology. The sand members within the valley fill are potential exploration targets.

## 6.2 ***Development of Block P***

### *Historical development of Block P*

The first well on Block P, the P-1, was drilled in 2004 targeting Campanian and Santonian channel sands within the Jupiter complex. This well demonstrated a viable hydrocarbon system was present in the area finding 17 feet of low permeability pay as well as numerous hydrocarbon shows.

In 2005, Devon Energy Corporation made the Venus discovery with the P-2 well, which targeted a stratigraphic trap in the Venus Channel complex. The P-2ST and P-3 wells were subsequently drilled in 2005 and 2006, further delineating this discovery in the Green Sand. The P-4 well, drilled in 2007 to test AVO anomalies in the Europa field, made another discovery in the Europa channel system.

Since this time, the data has been studied and various development plans have been evaluated by VAALCO. However no development activity has commenced to date. Currently, VAALCO is considering additional exploration activity in order to optimise the commerciality of a development on the block.

All wells drilled on Block P have oil shows or oil sands, with additional prospectivity identified in the SW Grande prospect.

### *Future development of Block P*

The EG MMH approved VAALCO Mauritius's appointment as technical operator for Block P on behalf of the Block P Consortium on 12 November 2019. The Block P Consortium initially consisted of four companies, being (1) VAALO Mauritius; (2) GEPetrol; (3) Atlas; and (4) Crown Energy.

On 27 August 2020, the amendment to the production sharing contract to ratify VAALCO's increased working interest and appointment as operator was approved by the EG MMH. In April 2021, Crown Energy, who held a five per cent working interest, elected to default on its obligations from Block P. On 12 April 2021, the majority of non-defaulting parties, as required by the Block P joint operating agreement, assigned the defaulting party's interest to the non-defaulting parties. As a result, VAALCO's working interest will increase to 45.9 per cent once the EG MMH approves a new amendment to the production sharing contract.

Further to completion of the Venus feasibility study in 2021, VAALCO submitted a plan of development ("POD") for Venus on 15 July 2022 to the EG MMH. The POD was submitted under exclusive operations where VAALCO would be entitled to 80 per cent of the working interest of the Venus development. 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. On 16 September 2022 the POD was approved by the government of Equatorial Guinea. Upon execution of final documents, VAALCO will proceed directly to project execution, which adds 23.1 MBO of 2P CPR gross reserves and 18.5 MMBO of 2P CPR working interest reserves as of September 2022 (16.2 MMBO net 2P reserves), which includes 9.1 MMBO of working interest proved undeveloped reserves ("PUDs"). The Directors also believe that there is additional future upside with the Europa development (which added 7.9 MBOE of unrisked gross 2C resource as at 31 December 2021) and

exploration upside with the Saturno and SW Grande prospects (which as a best estimate adds 164.4 MBOE of unrisks gross prospective resources).

The approval of the POD allows VAALCO to proceed with the development of the Venus discovery. VAALCO plans to spud the first development well in early 2024 and to acquire, convert and install production facilities over the next three years. VAALCO expects to spud an additional development and a water injection well in 2025 or 2026. The preliminary project cost of drilling two development wells, an injection well and installing the related production facility are expected to be approximately \$310 million gross, or approximately \$13.40 per barrel of 2P gross reserves. VAALCO anticipates first oil production from Block P in mid to late 2026. Based on results from the initial discovery, VAALCO expects production from the field to reach approximately 15,000 gross barrels of oil per day upon completion of the two development wells and the injection well (with expected net volume of 10,750 NRI BOPD in 2026).

The Directors believe that Block P has the upside potential to become a world class asset in line with VAALCO's Etame asset and see clear strategic benefits in diversifying the revenue generation and country focus of VAALCO's portfolio. VAALCO has a proven operating track record for a development of this kind and VAALCO intends to use learnings and expertise from Etame to potentially reduce the cost of development. The Directors believe that VAALCO can significantly enhance shareholder value through the drill bit on our outstanding assets.

## **7. Block 5 (discontinued operations)**

In November 2006, VAALCO signed the Block 5 PSA in respect of Block 5, a 1.4 million-acre oil exploration concession off the coast of Angola. VAALCO's working interest was 40 per cent and it carried Sonangol P&P, the operating subsidiary of Sonangol E.P., the national concessionaire. On 30 September 2016, VAALCO notified Sonangol P&P that it was withdrawing from the Block 5 joint operating agreement with effect from 31 October 2016. On 24 November 2016, VAALCO notified Sonangol E.P. that it was withdrawing from the Block 5 PSA. Further to VAALCO's decision to withdraw from Angola, it closed its local offices with no intention of conducting future activities in Angola.

On 28 June 2019, the State of Angola approved by executive decree the Block 5 Settlement Agreement entered into on 26 February 2019. In consideration for the payment of \$4,500,000 by VAALCO to the Angola National Agency of Petroleum, Gas, and Biofuels ("ANAPGB"), as national concessionaire, and the elimination of the \$3,300,000 outstanding receivable from Sonangol P&P, the VAALCO Group was released in full and final settlement from its outstanding obligations and liabilities arising under the Block 5 PSA. On 16 July 2019, VAALCO made the final settlement payment to ANAPGB.

## **8. History**

VAALCO was founded in 1985 and was registered and incorporated in the State of Delaware, U.S. under the name Gladstone Resources Limited in 1989. The name of VAALCO was changed to VAALCO Energy, Inc. in 1997.

In July 1995, the VAALCO Group entered into the Etame PSC, pursuant to which it acquired an interest in the Etame Marine Block. Elf, which had held an interest in Etame prior to VAALCO's entry into the Etame PSC, had drilled several wells during the 1970s and 1980s, leading to the discovery of the South Tchibala and North Tchibala Fields. VAALCO conducted a 385 km<sup>2</sup> 3-D seismic survey in 1997 and drilled the discovery well for Etame Field in 1998.

The first sale of oil lifted from Etame occurred in November 2002. The VAALCO Group continued to explore the Etame Fields, leading to the discovery of the Avouma and Ebouri Fields in 2004. The first oil was lifted from Avouma Field in 2007 and from Ebouri Field in 2009. In 2011, the VAALCO Group discovered the Southeast Etame Field.

VAALCO's shares were listed on the NYSE in 2006.

In 2006, VAALCO entered into the Block 5 PSA, acquiring a 40 per cent working interest in Block 5, offshore Angola, from which it has now withdrawn.

In June 2012, VAALCO acquired its 31 per cent working interest in an undeveloped portion of Block P from Petronas.

In 2014, the VAALCO Group installed Etame and SEENT platforms to further increase the production capability of Etame.

In September 2018, VAALCO entered into the Etame PSC Extension, pursuant to which VAALCO will hold an interest in Etame until September 2028, with an option to extend for two additional five-year periods.

VAALCO completed a dual listing of its Common Shares on the London Stock Exchange on 26 September 2019 in order to provide it with access to additional sources of capital to help fund its growth objectives.

In September 2019, VAALCO commenced its 2019/2020 drilling campaign at the Etame Marin Block. VAALCO drilled one development well and one appraisal wellbore in 2019, and during the first quarter of 2020, it drilled one development well and one appraisal wellbore. In addition, VAALCO successfully completed drilling the Southeast Etame 4H development well and brought the well into production on 21 March 2020.

George Maxwell joined the Board as a director in April 2020 and became CEO in June 2020.

In December 2020, VAALCO completed the acquisition of approximately 1,000 square kilometres of new dual-azimuth proprietary 3-D seismic data over the entire Etame Marin Block, which will be used to optimise and de-risk future drilling locations and potentially identify new drilling locations.

On 25 February 2021, VAALCO completed the acquisition of Sasol's 27.8 per cent working interest in the Etame Marin Block, which increased VAALCO's working interest in the Etame Marin Block to 58.8 per cent.

Ronald Bain joined as CFO in June 2021.

On 11 October 2021 VAALCO announced its entry into a consortium with BW Energy and Panoro Energy (the "**BWE Consortium**") and that the BWE Consortium had been provisionally awarded two blocks, G12-13 and H12-13, in the twelfth offshore licensing round in Gabon. The two blocks are adjacent to VAALCO's Etame PSC as well as BW Energy and Panoro's Dussafu PSC offshore Southern Gabon, and cover an area of 2,989 square kilometres and 1,929 square kilometres, respectively. The award is subject to concluding the terms of the production sharing contracts with the Gabonese government. BW Energy will be the operator with a 37.5 per cent working interest and VAALCO and Panoro Energy will have a 37.5 per cent working interest and 25 per cent working interest, respectively, as non-operating joint owners. Both Etame and Dussafu have been highly successful exploration, development and production projects undertaken by the BWE Consortium members over the past 20 years with approximately 250,000,000 barrels discovered to date. The two blocks will be held by the BWE Consortium and the PSCs will provide for two exploration periods totaling eight years which may be extended by two additional years. During the first exploration period, the joint owners intend to reprocess existing seismic and carry out a 3-D seismic campaign and have also committed to drilling one exploration well on each of the two blocks. In the event the consortium elects to enter the second exploration period, the BWE Consortium will be committed to drilling at least one exploration well on each of the awarded blocks.

In December 2021, VAALCO commenced its 2021/2022 drilling campaign offshore Gabon with the Etame 8-H well. In February 2022, VAALCO completed the drilling of the Etame 8-H well, in April 2022, VAALCO completed the drilling of the Avouma 3H-ST development well, and in May 2022, VAALCO completed the drilling of the South Tchibala 1HB-ST well.



## 9. Current trading and guidance

### 9.1 Current trading

#### *Cash Requirements*

VAALCO's material cash requirements generally consist of operating leases, purchase obligations, capital projects and 3D seismic processing, the Sasol Acquisition, the TransGlobe Arrangement transaction costs, and abandonment funding, each of which is discussed in further detail below.

- Sasol Acquisition – As a result of completing the Sasol Acquisition on 25 February 2021, VAALCO's obligations with respect to development activities in the Etame have increased based on the increase in VAALCO's working interest in the Etame from 31.1 per cent at 31 December 2020, to 58.8 per cent. As a result of the Sasol Acquisition, the net portion of production and costs relating to the Etame operations increased from 31.1 per cent to 58.8 per cent. Reserves, production and financial results for the interests acquired in the Sasol Acquisition have been included in VAALCO's results for periods after 25 February 2021.
- FSO agreements – VAALCO is currently a party to an FPSO charter for the production and storage of all of the crude oil that VAALCO produces. VAALCO's ability to produce to the FPSO under this contract expired on 4 October 2022. VAALCO is currently working with the FPSO charterer regarding the schedule for decommissioning and associated costs. On 31 August 2021, VAALCO and its Etame co-venturers approved the Bareboat Contract and Operating Agreement with World Carrier to replace the 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.

The FSO Agreements require a prepayment of \$2 million gross (\$1.2 million net to VAALCO) in 2021 and \$5 million gross (\$3.2 million net) in 2022 of which \$6 million will be recovered against future rentals. In addition, VAALCO Gabon agreed to pay a daily hire rate at certain rates specified therein, with such hire rate being based on the year within the term.

In connection with the implementation of the FSO, VAALCO is required to incur certain Etame field configuration expenses in order to facilitate the FSO. Current total field conversion estimates are \$66 to \$80 million gross (\$42 to \$51 million net to VAALCO).

- BWE Consortium – On 11 October 2021, VAALCO announced its 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 per cent working interest. VAALCO will have a 37.5 per cent working interest and Panoro Energy will have a 25 per cent working interest as non-operating joint owners. The two blocks, G12-13 and H12-13, are adjacent to VAALCO's 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 more 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 Program – VAALCO commenced the 2021/2022 drilling campaign in December 2021 with the drilling of the Etame 8H-ST development well. In February of 2022, VAALCO completed the drilling of the Etame 8H-ST well and moved the drilling rig to the Avouma platform to drill the Avouma 3H-ST development well, which targeted the Gamba reservoir. The initial flow rate of the ETAME 8H-ST well was 5,000 gross BOPD, 2,560 BOPD net to VAALCO's 58.8 per cent working interest in 2022. In April 2022, the Avouma 3H-ST well was completed and brought online with an initial production rate of approximately 3,100 gross BOPD, 1,589 BOPD net to VAALCO's 58.8 per cent working interest in 2022.

In July 2022, VAALCO completed the ETBSM 1HB-ST well on the Avouma platform, targeting the Gamba reservoir and also testing the Dentale formation. The section of the Gamba sand encountered was not economically viable to complete in this wellbore. However, VAALCO did discover two potential zones, The Dentale D1 and Dentale D9 zones for development. The well was completed in the Dentale D1 formation and brought online in July with an initial production rate of approximately 293-390 gross BOPD, 150-200 BOPD net to VAALCO's 58.8 per cent working interest in 2022. VAALCO plans to evaluate and recomplete the D9 zone during the next drilling campaign.

Following the completion of the ETBSM 1HB-ST well, the rig was mobilised to the Southeast Etame North Tchibala Platform to drill the North Tchibala ETBSM 2H-ST well, targeting the Dentale formation, which is productive in other areas in the Etame license. This mobilisation was delayed by two weeks due to weather and the rig began operations on the well in late July. After setting up the equipment and completing operations to re-enter the well, VAALCO began drilling the ETBSM 2H-ST well on 8 August 2022. On 27 September 2022, VAALCO announced the successful drilling of the ETBSM 2H-ST well. VAALCO is preparing to complete the ETBSM 2H-ST well utilising a fracture stimulation vessel that will provide support with multiple stimulation and frac-pack operations. Following clean up and stabilisation of flow rate, VAALCO expects a stable flow rate from the well by the end of October 2022.

In July 2022, VAALCO elected to exercise its options on the rig contract time to allow VAALCO to drill an additional two wells.

VAALCO estimates the range of cost of the 2021/2022 drilling program with six wells to be between \$174 million to \$213 million gross, or \$111 million to \$135 million, net to VAALCO's 63.6 per cent participating interest with about \$70 million to about \$85 million gross expected in the second half of 2022, or about \$44 million to \$54 million net to VAALCO.

- TransGlobe Arrangement – On 13 July 2022, VAALCO entered into the Arrangement Agreement. The aggregate consideration for the Arrangement is approximately \$307 million. The \$307 million aggregate consideration is estimated from VAALCO's share price of \$6.23 at the close of business on 13 July 2022 multiplied by the exchange ration negotiated with TransGlobe of 0.6727 shares of VAALCO's stock for each TransGlobe share multiplied by the number of TransGlobe outstanding shares of 73,309,064.
- Dividend Policy – On 3 November 2021, VAALCO announced that its board of directors adopted of a quarterly cash dividend policy of an expected \$0.0325 per common share commencing in the first quarter of 2022.

On 18 March 2022, VAALCO paid a quarterly cash dividend of \$0.0325 per share of common stock to the stockholders of record at the close of business on 18 February 2022. On 24 June 2022, VAALCO paid a quarterly cash dividend of \$0.0325 per share of common stock to the stockholders of record at the close of business on 25 May 2022. On 5 August 2022, VAALCO announced that the board of directors had declared a quarterly cash dividend of \$0.0325 per

share of common stock, payable on 23 September 2022 to stockholders of record at the close of business on 24 August 2022.

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.

#### *Trends and Uncertainties*

- *COVID-19 pandemic* – While crude oil prices are currently at the highest levels seen in recent years, the continued spread of COVID-19, including vaccine-resistant strains, or deterioration in crude oil and natural gas prices could result in additional adverse impacts on VAALCO's results of operations, cash flows and financial position, including asset impairments. The health of VAALCO's employees, contractors and vendors, and VAALCO's ability to meet staffing needs in our operations and certain critical functions cannot be predicted and is vital to VAALCO's operations. VAALCO is unable to predict the extent of the impact that the continuing spread of COVID-19 throughout Gabon may have on its ability to continue to conduct its operations.
- *Commodity prices* – Historically, the markets for oil and natural gas have been volatile. Oil, natural gas and NGL prices are subject to wide fluctuations in supply and demand. VAALCO's cash flows from operations may be adversely impacted by volatility in crude oil prices, a decrease in demand for crude oil and future production cuts by OPEC+. In July 2021, OPEC+ agreed to increase production beginning in August 2021 to phase out a portion of the prior production cuts. Brent crude prices were approximately \$120 per barrel as of 30 June 2022. The decision to increase production was reaffirmed by an OPEC+ meeting held on 30 June 2022.
- *ESG and Climate Change Effects* – ESG matters continue to attract considerable public and scientific attention. In particular, VAALCO expects continued regulatory attention on climate change issues and emissions of greenhouse gases ("GHGs"), 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 VAALCO.

## 9.2 **Guidance**

VAALCO expects third quarter 2022 production to be between 8,000 and 8,700 NRI BOPD, which is temporarily impacted by the FPSO to FSO changeover (as described in paragraph 5.4 of Part 9 (*Information on the VAALCO Group*)) and full field turnaround. VAALCO expects third quarter 2022 sales to be between 6,100 and 8,600 NRI BOPD, which takes into account potentially two or three liftings in the quarter. Following the completion of the FPSO to FSO changeover and full field turnaround, as well as expected success from the new wells, VAALCO expects the rate of production as at 31 December 2022 to be between 10,500 and 11,500 net BOPD.

Third quarter 2022 production expense, excluding workovers, is expected to be \$30.00 to \$33.00 per barrel of oil sales, which is higher due to FPSO to FSO changeover and full field turnaround. Workover expense for the third quarter 2022 is expected to be between \$0 and \$3,000,000. Cash G&A expense for the third quarter of 2022 is expected to be between \$2,000,000 and \$3,000,000. Capital expense for the third quarter of 2022 is expected to be between \$40,000,000 and \$50,000,000.

VAALCO updated its guidance range for production and sales for the full year 2022 to be between 9,000 and 9,500 NRI BOPD or between 10,350 to 10,900 WI BOPD. Production expense, excluding workovers increased primarily due to inflationary impacts and higher expected costs associated with the decommissioning of the FPSO and is expected to range from \$82,000,000 to

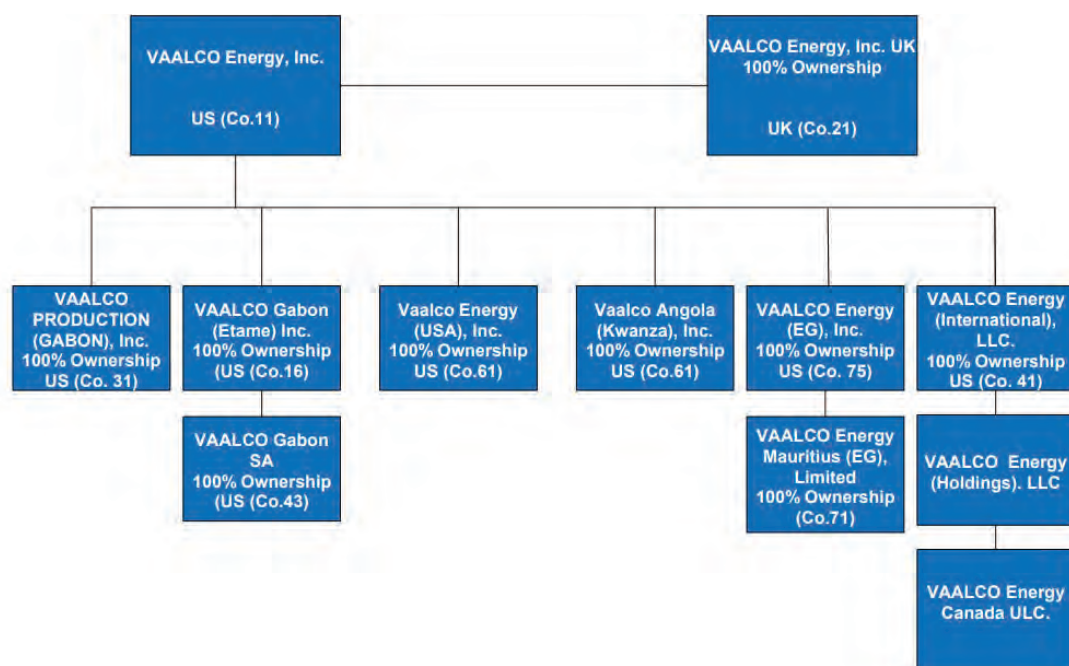
\$90,000,000 or \$24.00 to \$28.00 per barrel of oil. Workover expense is expected to be between \$2,000,000 and \$6,000,000 and Cash G&A \$9,500,000 and \$11,500,000.

For the full year 2022, VAALCO has updated its expected total capital expenditures to be between \$130,000,000 and \$150,000,000 net to VAALCO, which reflects the addition of two new wells and increased costs associated with the FSO conversion and full field reconfiguration. VAALCO expects to fund its 2022 capital expenditures fully from cash on hand and cash flow from operations.

## 10. The VAALCO Group Structure

VAALCO is the holding company of the VAALCO Group, of which each subsidiary is a wholly-owned direct or indirect subsidiary. VAALCO Gabon is party to the Etame PSC, while VAALCO Mauritius is party to the Block P PSC. The structure of the VAALCO Group is shown at Figure 2.

Figure 2 – Group structure chart.



## 11. Environmental and social

As summarised in Part 2 (*Risk Factors*) of this Prospectus, the oil and natural gas industry is subject to extensive and varying environmental regulations in each of the jurisdictions in which the VAALCO Group operates. Environmental regulations establish standards respecting health, safety and environmental matters and place restrictions and prohibitions on emissions of oil and natural gas and various substances produced concurrently with oil and natural gas. These regulations can have an impact on the selection of drilling locations and facilities, potentially resulting in increased capital expenditures. In addition, environmental legislation may require those wells and production facilities to be abandoned and sites reclaimed to the satisfaction of local authorities. VAALCO is committed to complying with environmental and operation legislation wherever the VAALCO Group operates.

VAALCO has had no reportable hydrocarbon spills over approximately a 20 year operating history, and has undertaken a significant baseline study to manage and reduce its carbon footprint. In 2021, VAALCO launched a wildlife inventory project and has contributed to the installation of water wells, solar lights, medical equipment supply and school rebuilding projects in Gabon.

VAALCO published its annual ESG report in June 2022 as part of its commitment to environmental stewardship, social awareness and good corporate governance. The report covers VAALCO's ESG initiatives and related key performance indicators for the three-year period from 2019 to 2021. In the preparation of the qualitative and quantitative information and data, VAALCO consulted with the Sustainability Accounting

Standards Board's Oil and Gas Exploration and Production Sustainability Accounting Standard, and this year took a more meaningful dive into the recommendations of the Task Force on Climate-related Financial Disclosures. VAALCO remains focused on showing progress and improvement in its environmental, social and governance metrics.

## **12. Dividend policy and buybacks**

On 3 November 2021, VAALCO announced that its board of directors adopted a quarterly cash dividend policy of an expected \$0.0325 per common share commencing in the first quarter of 2022, with a through-cycle sustainable dividend stress tested to \$65/BBL. On 18 March 2022 and 24 June 2022, VAALCO paid a quarterly cash dividend of \$0.0325 per share of VAALCO's Common Shares to Stockholders of record at the close of business on 18 February 2022 and 25 May 2022, respectively. On 5 August 2022, the VAALCO Board declared a quarterly cash dividend of \$0.0325 per share of VAALCO's Common Shares, which is payable on 23 September 2022 to Stockholders of record at the close of business on 24 August 2022. In connection with the announcement of the Arrangement, VAALCO announced that, following consummation, it would seek to have an annualised dividend target of \$28,000,000, or approximately \$0.25 per share, with payments to be made quarterly. VAALCO has also announced its intention to effectuate, and the VAALCO board has approved, share buybacks in an aggregate amount of up to \$30,000,000, or up to approximately \$0.27 per share, subject to Completion. The share buyback has been stress tested at \$80/BBL, providing scope for additional returns in 2023 and aligning focus to enhance shareholder distributions through returning excess cash via potential special distributions. Payment of future dividends, if any, and the establishment of future record and payment dates 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.



## **PART 10**

### **INFORMATION ON THE TRANSGLOBE GROUP**

#### **1. Introduction**

TransGlobe is engaged in the exploration, development and production of crude oil and natural gas in Egypt and Canada. TransGlobe also regularly reviews potential acquisitions and new international exploration blocks to supplement its exploration and development activities.

TransGlobe has had operations in Egypt during the past 17 years. TransGlobe also operated in Canada from 1999 to 2008, and made a re-entry into Canada in December 2016. As at 31 December 2021, TransGlobe held interests in four PSCs in Egypt: West Gharib, West Bakr, North West Gharib, and South Ghazalat. On 19 January 2022, the West Gharib, West Bakr and North West Gharib concessions were merged into the Merged Concession Agreement. In Canada, TransGlobe owns production and working interests in certain facilities in the Cardium light oil and Mannville liquids-rich gas assets in the Harmattan area of west central Alberta.

As at 31 December 2021, TransGlobe had total gross proved plus probable reserves of 46.1 MMBOE, up by 19 per cent from 2020 primarily due to the successful drilling programme in Canada at South Harmattan and the term extension resulting from the Merged Concession in Egypt. Average production in the second quarter of 2022 was 12,132 BOE/d.

The TransGlobe Common Shares have been listed on the TSX under the symbol “TGL” since 7 November 1997 and on Nasdaq under the symbol “TGA” since 18 January 2008. On 31 December 2020, the TransGlobe Common Shares were transferred from The Nasdaq Global Select Market to The Nasdaq Capital Market. Prior to listing on Nasdaq, TransGlobe had a U.S. listing on the American Stock Exchange since 2003. The TransGlobe Common Shares have been admitted to trading on AIM under the symbol “TGL” since 29 June 2018.

#### **2. History and Development of TransGlobe**

TransGlobe was incorporated on 6 August 1968 and was organised under variations of the name “Dusty Mac” as a mineral exploration and extraction venture under the Companies Act (British Columbia). TransGlobe changed its name to “TransGlobe Energy Corporation” on 2 April 1996, and on 9 June 2004 TransGlobe continued from the Province of British Columbia to the Province of Alberta pursuant to the ABCA.

In 1992, TransGlobe entered the oil and gas exploration and development industry in the United States and later in Yemen, Canada and Egypt, ceasing operations as a mining company. TransGlobe’s U.S. oil and gas properties were sold in 2000 to fund opportunities in Yemen and TransGlobe’s previous Canadian oil and gas assets and operations were divested in early 2008 to assist with the funding of opportunities in Egypt and Yemen. In 2015, TransGlobe relinquished and divested all of its interests in Yemen. In 2016, TransGlobe re-entered Canada with the acquisition of production and working interests in certain assets in west central Alberta. TransGlobe and its subsidiaries are engaged in oil and natural gas exploration, development and production, and the acquisition of oil and natural gas properties in Egypt and Alberta, Canada.

#### **3. Strategy and Objectives**

TransGlobe is positioned with a producing asset base, established working relationships within Egypt and cash flows from both its Egyptian and Canadian business units.

TransGlobe’s focus is to leverage its strong asset base and balance sheet to build a diversified, profitable and growth oriented international portfolio of assets capable of generating cash-flow and building shareholder value over the long term.

TransGlobe's strategy is to grow the TransGlobe Group's annual cash flow through exploitation, development, exploration and acquisitions.

#### **4. Key Strengths**

The Directors and the Proposed Directors believe that the TransGlobe Group's key strengths include:

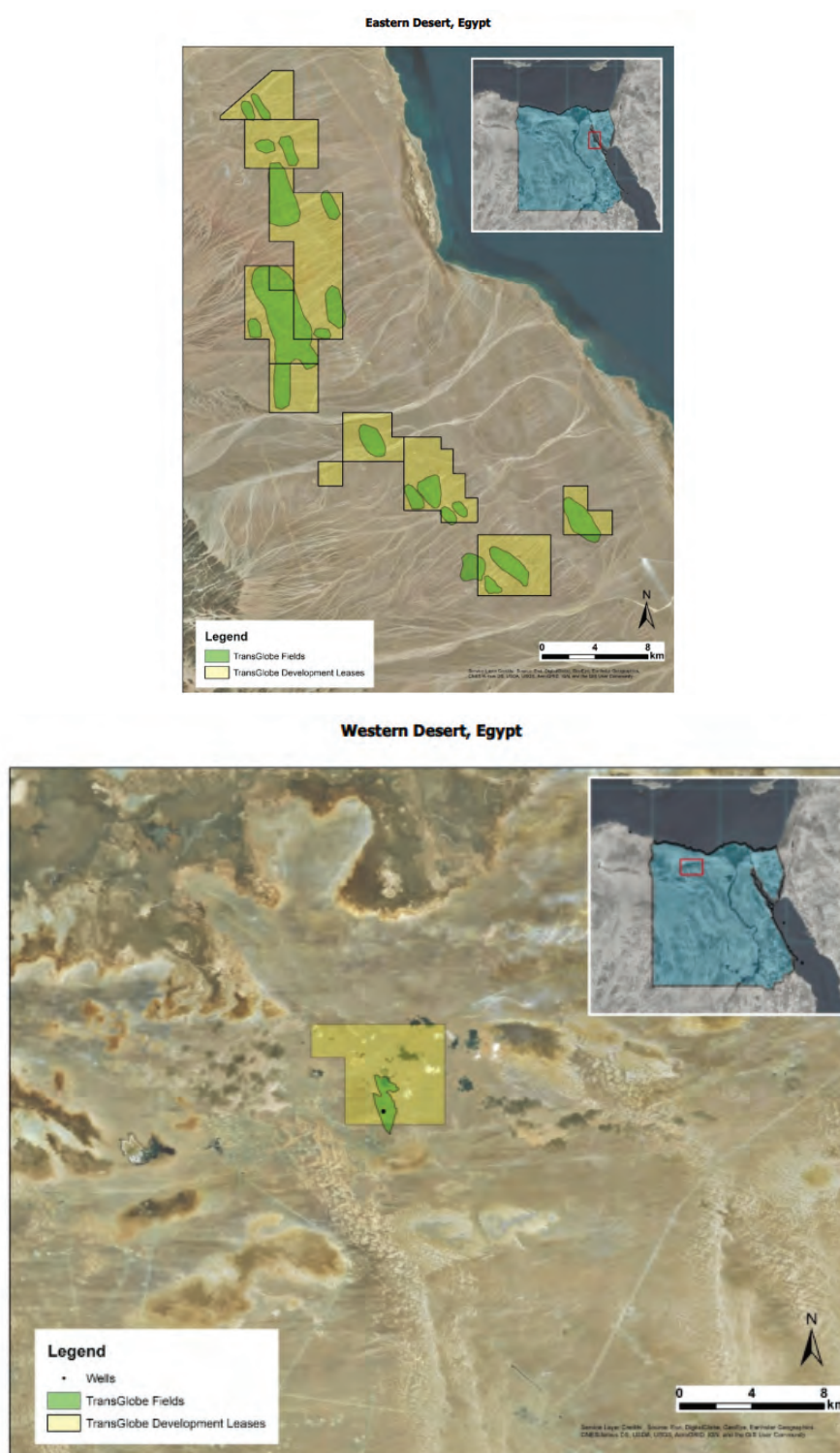
- (a) an experienced and respected senior management team with a strong track record in development drilling and reservoir management;
- (b) a diversified production base;
- (c) reserves base of 46.1 MMBOE of gross proved plus probable reserves as at 31 December 2021, based on TransGlobe's reserves report as of 31 December 2021;
- (d) high working interests and operatorship of oil-focused assets;
- (e) a work programme for both the Egyptian and Canadian assets; and
- (f) a capital plan funded from operating cash flows.

#### **5. Egyptian Assets**

As at 31 December 2021, TransGlobe held interests in four production sharing concessions: West Gharib, West Bakr, North West Gharib and South Ghazalat. In December 2021, TransGlobe announced that the proposal to merge the West Gharib, West Bakr and North West Gharib concessions had been ratified by Egypt's Parliament and signed into law by President El-Sisi. On 19 January 2022, the West Gharib, West Bakr and North West Gharib concessions were merged into the Merged Concession Agreement. This agreement extended the primary term of the merged agreement and amended its fiscal terms. As at the date of this Prospectus, TransGlobe's interests are spread across two regions: the Eastern Desert, which contains the Merged Concession, and the Western Desert, which contains the South Ghazalat concession. In advance of the Minister executing the Merged Concession Agreement with TransGlobe, TransGlobe paid the first modernisation payment (\$15,000,000) and signature bonus (\$1,000,000). Upon finalisation of the agreement, TransGlobe recognised the amounts due from the effective date to closing of \$67,500,000 based on historical pricing at the time of production. This amount is still under discussion with the EGPC and is expected to be received through normal EGPC receivables collections. On 1 February 2022, TransGlobe paid the second modernisation payment (\$10,000,000). In accordance with the Merged Concession Agreement, TransGlobe will make a further four annual equalisation payments of \$10,000,000 each on 1 February 2023, 2024, 2025 and 2026. TransGlobe also has minimum financial work commitments of \$50,000,000 per each five-year period of the primary development term, the first of which commenced on 1 February 2020.

Over the course of 2021, TransGlobe's Egyptian assets produced at an average rate of 10,578 BBLs/d, including heavy crude oil production of 9,528 BBLs/d and light and medium crude oil production of 1,050 BBLs/d.

Maps showing the location of these assets are shown below:



### 5.1 *Production Asset Portfolio*

TransGlobe's core producing assets are the Merged concession located at sites southeast of Cairo in the Eastern Desert, which constitutes predominantly heavy oil production (with an approximately 21 degree API gravity) with six per cent light/medium oil from Hana/Hana West. All production is sent by pipelines to coastal storage facilities pending periodic liftings, with crude oil being sold to both third parties and the Egyptian government (payments are received in US\$ and offsets, being EGPC-owned services and supply companies). These are 100 per cent operated working interest sites with additional incremental production also coming from interests in the Western Desert.

(a) *The Merged Concession*

(i) History of the Merged Concession

TransGlobe, through its subsidiaries TransGlobe West Bakr Inc., TransGlobe West Gharib Inc. and TG NW Gharib Inc., holds 100 per cent. of the working interest and operatorship of the West Bakr, West Gharib and North West Gharib concessions. These concessions were merged under the Merged Concession issued by virtue of the Egyptian Law 159/2021.

Prior to the merger, the operating company for: (i) West Bakr concession was West Bakr Petroleum Company; (ii) West Gharib concession was Dara Petroleum Company (Petro Dara); and (iii) North West Gharib concession was North West Gharib Petroleum Company. These companies were merged to establish Petrobakr Petroleum as the operating company for the Merged Concession. According to the Merged Concession Agreement, once the three operating companies dissolve:

- (A) all employees of these companies, with all their rights and commitments, will be transferred to Petrobakr Petroleum;
- (B) all rights, obligations and assets which are in the possession of these companies will also be transferred to Petrobakr Petroleum; and
- (C) the capital of these companies will be returned to their shareholders.

All of the development leases concluded under the West Bakr, West Gharib and North West Gharib concessions have been transferred to the Merged Concession Agreement.

(ii) Development leases, wells and production

Brief details of the three concessions which now comprise the Merged Concession Agreement are as follows:

(A) **West Gharib area under the Merged Concession**

TransGlobe, through its subsidiary TransGlobe West Gharib Inc., first acquired a 50 per cent working interest and operatorship of West Gharib before acquiring a further 30 per cent and the final 20 per cent in January 2010. The West Gharib concession is comprised of five development leases which are West Gharib, Hoshia, West Hoshia, Arta and East Arta. These properties produce predominantly heavy oil from a combination of the early-to-mid Miocene Nukhul, Rudeis and Kareem Formations. Over the course of 2021, the West Gharib wells were producing at an average rate of 2,919 BBLs/d.

(B) **West Bakr area under the Merged Concession**

The West Bakr concession is located in the same vicinity as West Gharib and was acquired by TransGlobe in December 2011. The concession consists of two blocks, the H Block and K Block development leases. These leases contain multiple fields and include 85 existing wells targeting the mid-Miocene Rudeis Group. During 2021, the West Bakr concession produced at an average rate of 6,703 BBLs/d.

As part of TransGlobe's 2021 development programme, TransGlobe drilled seven development wells (HW-08, K-62, K-64, K-65, K-66, K-68, HE-2) and six recompletions in West Bakr.

(C) **North West Gharib area under the Merged Concession**

The concession, acquired by TransGlobe in November 2013, is located in the same vicinity as TransGlobe's core West Gharib/West Bakr areas. North West

Gharib is comprised of four development leases (NWG DL 1,2,3 and 4). These existing wells have penetrated the Eocene Thebes Formation and the Miocene Upper Nukhul, Lower Nukhul/Red Bed and Rudeis Formations. North West Gharib produced at an average rate of 476 BBLs/d in 2021.

As part of TransGlobe's 2021 development programme, TransGlobe drilled one Red Bed appraisal well in North West Gharib (NWG-3B-2).

(b) *South Ghazalat*

South Ghazalat is an early production concession located in the Abu Gharadig basin. TransGlobe acquired a 100 per cent working interest in the South Ghazalat concession in November 2013. During 2021, the South Ghazalat concession produced at an average rate of 480 BBLs/d.

As part of TransGlobe's 2021 development programme, TransGlobe drilled an oil exploration well at South Ghazalat on the SGZ-7B prospect to the east of SGZ-6X. The well was suspended pending further evaluation of options to improve productivity on the lower Bahariya reservoir, and to assess the commercial potential of the gas-bearing upper Bahariya reservoir. A recompletion of SGZ-6X well to the lower Bahariya reservoir and expansion of the South Ghazalat early production facility was also completed.

The South Ghazalat concession is currently being reviewed for either disposal or relinquishment (back to EGPC) due to the commercial and economic outlook of the concession. TransGlobe expects to make a decision on this concession within the next year.

## 5.2 *Summary of Egyptian Assets*

All of TransGlobe's Egyptian producing assets are held in two PSCs between the Egyptian government, the EGPC and the contractor. The government takes their share of production based on the terms and conditions of the respective concessions. The contractors' share of all taxes and royalties are paid out of the government's share of production. TransGlobe is the contractor in all of its Egypt PSCs.

Located onshore, current gross acreage for the Egyptian blocks is 76,205 with expected production (NRI) for 2022 being 6.6 – 7.2 MBOPD. 1P Reserves (NRI) are at 12.4 MMBBL and 2P Reserves (NRI) at 17.4 MMBBL; this includes South Ghazalat 2P reserves (NRI) of 0.2 MMBBL and 1P reserves (NRI) of 0.2 MMBBL. The three prior PSCs were merged into one concession which was ratified in early 2022 and referred to herein as the Merged Concession, benefitting from a 20-year contract period (15-year primary period with a five-year extension option to the contractor) and improved fiscal terms to support future growth. Expected total financial obligations for the exploration and development expenditures of the Merged Areas is, as per the Merged Concession, \$500,000,000. The minimum investment for each five-year period for the 15-year primary term is set at \$50,000,000, with the cost of the modernisation payments and the signature bonus under the Merged Concession being \$66,000,000. An amount of \$26,000,000 was paid in 2022, with four annual payments of \$10,000,000 remaining. The Merged Concession also provides for several technical commitments during the first five years. Details of these are set out in paragraph 19.3.3 of Part 26 (*Additional information*) of this Prospectus.

Upon execution of the Merged Concession Agreement, there was an effective date adjustment owed to TransGlobe for the difference between the historic and Merged Concession Agreement commercial terms applied against the Eastern Desert production figures from the effective date of 1 February 2020. As a result of an adjustment of the effective date, there is a \$67,500,000 receivable due to TransGlobe as at 31 March 2022, which represents the amount expected to be received from the EGPC based on historical realised prices. The quantum of the effective date adjustment is undergoing finalisation with the EGPC and the final amount may be in the form of volume and/or value. The schedule for realising value from the effective date adjustment is yet to be finalised and likely to materialise over time in the form of: (i) offsets for materials and services provided to TransGlobe from



EGPC-owned and/or sister companies; (ii) the receipt of Egyptian pounds; and (iii) possible additional volumes allocated from ongoing operations, rather than a one-off payment by the EGPC. The entire balance of the \$67,500,000 has been captured in the valuation analysis relative to the Enlarged Group and the implied Exchange Ratio, with TransGlobe Shareholders receiving the full and appropriate benefit of this value item.

Over 250 wells have been drilled at the Egyptian sites in the past 10 years, and the sites are in position for long-term value creation through new fiscal terms allowing the assets to remain investable at lower oil prices. Advancing primary, secondary and tertiary development programmes are envisaged to increase recoveries and production (which could support profitability over a 20-year period), with a portfolio of incremental projects identified for maturation.

The 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. Unutilised 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 PSCs. None of the Egyptian PSCs contain minimum production or sales requirements, and there are no restrictions with respect to pricing of TransGlobe's sales volumes.

As at the date of this Prospectus, TransGlobe's PSCs include the Merged Concession and the western desert South Ghazalat concession.

The following tables summarise TransGlobe's international PSC terms for the first tranche(s) of production for each block. The two 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. TransGlobe is the operator of, and has a 100 per cent working interest in, all PSCs. TransGlobe's oil entitlement is the sum of cost oil, profit oil and excess cost oil (if any). Taxes are captured in the Egyptian government's net entitlement oil due (and therefore there is no additional burden to TransGlobe).

## Eastern Desert – Gulf of Suez Basin, Egypt

Block	As at the last Practicable Date		As at 31 December 2021	
	Merged Concession	West Gharib	West Bakr	North West Gharib
Year acquired	2020	2007	2011	2013
Block Area (acres)	45,067	22,725	11,143	11,199
Expiry date	2035	2024-2026	2025	2036-2037
Extensions				
Exploration	N/A	N/A	N/A	N/A
Development	+ 5 years	+ 5 years	N/A	+ 5 years
Production Tranche (MBOPD)	0-25	0-5	0-50	0-5
Max. cost oil	40%	30%	30%	25%
Excess cost oil				
Contractor	15%	30%	0%	5%
Depreciation per quarter				
Operating	100%	100%	100%	100%
Capital	6%	6%	5%	5%
Government's royalty	10%	10%	10%	10%
Production Sharing Oil:				
Contractor	Dependent on average Brent price and production*	Dependent on average Brent price and production*	Dependent on average Brent price and production*	Dependent on average Brent price and production*
EGPC				

\* 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	
	EGPC	Contractor	EGPC	Contractor	EGPC	Contractor	EGPC	Contractor	EGPC	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

## Western Desert – Western Desert Basin, Egypt

	<i>As at the Last Practicable Date</i>
Block	South Ghazalat
Year acquired	2013
Block Area (acres)	7,340
Expiry date	2039
Extensions	
Exploration	N/A
Development	20 + 5 years
Production Tranche (MBOPD)	0-5
Max. cost oil	25%
Excess cost oil	
Contractor	5%
Depreciation per quarter	
Operating	100%
Capital	5%
Government's royalty	10%
Production Sharing Oil:	
Contractor	Dependent on average Brent price and production*
Government	

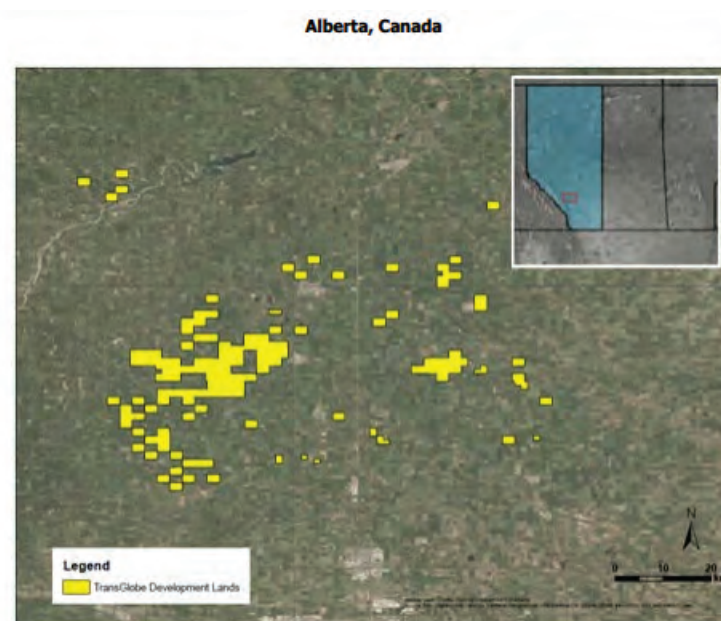
\* South Ghazalat concession production sharing oil table

<i>Crude oil produced (MBOPD)</i>					
<i>Less than 5 MBOPD</i>		<i>5 MBOPD and less than 10 MBOPD</i>		<i>10 MBOPD and above</i>	
<i>EGPC %</i>	<i>Contractor %</i>	<i>EGPC %</i>	<i>Contractor %</i>	<i>EGPC %</i>	<i>Contractor %</i>
83	17	83.5	16.5	84	16

## 6. Canadian Assets

In Canada, TransGlobe owns production and working interests in certain facilities in the Cardium light oil and Mannville liquids-rich gas assets in the Harmattan area of west central Alberta. Oil and gas production is primarily from the Upper Cretaceous Cardium Formation, with additional production from the Lower Cretaceous Viking and Mannville and Mississippian Elkton Formations. Over the course of 2021, TransGlobe's Canadian assets produced at an average rate of 2,276 BOE/d including 758 BBLs/d of light and medium crude oil, 740 BBLs/d of natural gas liquids and 4,667 MCF/d of conventional natural gas.

A map showing the location of TransGlobe's Canadian assets is shown below:



In 2021, TransGlobe completed the two-mile horizontal South Harmattan well drilled in the first quarter of 2020. TransGlobe also successfully drilled one two-mile and two one-mile horizontal wells in the northern area of the Cardium reservoir extension at South Harmattan, first identified by the 2-20 well in 2019. These three wells were successfully put on production in the fourth quarter of 2021. There is significant near-term growth potential through a large drilling inventory, with drilling, completion and unconventional technologies having potential application across the broader Enlarged Group portfolio.

In the first quarter of 2022, two 100 per cent working interest (one two-mile, and one one-mile) Harmattan horizontal Cardium reservoir wells were drilled in the South Harmattan area of TransGlobe's Canada land holdings. In the second quarter of 2022, two 100 per cent working interest two-mile Harmattan horizontal Cardium reservoir wells were drilled in the South Harmattan area, completing the four well winter drill campaign.

The majority of TransGlobe's licences are held directly by TransGlobe. The Harmattan site represents a 94.5 per cent operated working interest, with gross acreage of 52,245. Production (NRI) in the first quarter of 2022 was 2.1 MBOEpd and expected production (NRI) for 2022 is 2.1 – 2.3 MBOEpd. 1P Reserves (NRI) are at 8.4 MMBOE (9.8 MMBOE relative to the working interest) with 2P Reserves (NRI) at 16.9 MMBOE (19.4 MMBOE relative to the working interest). These reserves comprise approximately 70 per cent light oil and liquids on a BOE basis.

## **7. Operations Review – 2021 and second quarter of 2022**

In Egypt, total capital expenditures in 2021 were \$14,561,000 (2020: \$5,256,000).

In Egypt, during the year 2021, TransGlobe drilled eight development wells and one exploration well.

In Canada, total capital expenditures in 2021 were \$12,222,000 (2020: \$2,067,000).

In Canada, during the year 2021, TransGlobe completed the two-mile horizontal South Harmattan well and successfully drilled one two-mile and two one-mile horizontal wells in the northern area of the Cardium reservoir extension at South Harmattan.

TransGlobe produced an average of 12,854 BOE/d in 2021 and 12,763 BOE/d during the fourth quarter. Egypt production was 10,578 BBLs/d in 2021 (in the fourth quarter of 2021: 10,065 BBLs/d) and Canada production was 2,276 BOE/d (in the fourth quarter of 2021: 2,698 BOE/d). Annual production was within 2021 full-year guidance (12,000 – 13,000 BOE/d). Corporate production increased by 3 per cent in the fourth

quarter of 2021 over the previous quarter due to the three wells brought online in South Harmattan in September and October 2021. Production was down by 4 per cent from the previous year primarily due to natural declines.

In the second quarter of 2022 production averaged 12,132 BOE/d (Egypt 10,338 BBLs/d, Canada 1,794 BOE/d), a decrease of 314 BOE/d (3 per cent) from the previous quarter, primarily due to planned maintenance at a third-party processing facility in Canada. This was partially offset by an increase in production in the Eastern desert from the first quarter of 2022 resulting from new development wells drilled in 2022, partially offset by natural declines. Further information regarding the TransGlobe Group's operations in the second quarter of 2022 is available in TransGlobe's second quarter of 2022 financial and operating results for the three months ended 30 June 2022.

## **8. Capital Expenditure and Exploration Work Programme Commitments**

### **8.1 2022 Capital Budget**

TransGlobe's 2022 capital programme of CA\$74,900,000 (before capitalised G&A) includes CA\$45,200,000 for Egypt and CA\$29,700,000 for Canada. The 2022 drilling programme includes 18 Egypt wells and seven Canadian Cardium wells in South Harmattan.

#### **(a) Egypt**

The 2022 CA\$45,200,000 Egypt capital programme is predominantly weighted towards 16 development wells within the Eastern Desert, including two Arta Nukhul horizontal multi-stage completion wells. Additionally, two exploration wells are planned for the second half of the year along with a further two water injection wells, bringing the total planned number of wells in Egypt to 18. The Egypt capital programme includes CA\$7,500,000 of other spending, of which approximately half relates to materials, including long-lead capital items which are expected to provide continuity into 2023. With the finalisation of the Merged Concession Agreement, the primary focus of the 2022 Egypt plan is to accelerate the exploitation of TransGlobe's Eastern Desert acreage while optimising the potential of modern, horizontal multi-stage completion wells in accessing TransGlobe's contingent resource base.

The 13 well development programme consists of nine vertical development wells in K-field, the two previously mentioned horizontal wells in Arta field, and two further vertical wells in Arta field.

Egypt production is expected to average between 10.0 and 10.8 MBBL/d for the year.

#### **(b) Canada**

The CA\$29,700,000 Canada programme consists of drilling seven (seven net) horizontal wells all targeting the Cardium light oil resource at South Harmattan along with additional maintenance/development capital. The Cardium drilling programme in 2022 consists of three one-mile and four two-mile wells. All of the wells are expected to be drilled, completed and brought on-stream in late summer to early fall 2022. Beyond 2023, production focus will be on maintenance and free cash flow growth across the Harmattan sites. There is potential to drill in excess of 80 locations over the next four to six years, while aiming to realise synergies through a centralised oil facility, owned gas infrastructure and a sales oil pipeline to reduce trucking.

Canada production is expected to average between 2.4 and 2.6 MBOE/d for the year.



The approved 2022 capital programme is summarised in the following table:

<i>Concession</i>	<i>TransGlobe 2022 Capital (CA\$MM)</i>				<i>Gross Well Count</i>			
	<i>Development</i>		<i>Exploration</i>		<i>Drilling</i>			
	<i>Wells</i>	<i>Other<sup>1</sup></i>	<i>Wells</i>	<i>Total<sup>2</sup></i>	<i>Development</i>	<i>Exploration</i>	<i>Injection</i>	<i>Total</i>
Eastern Desert	25.9	17.4	1.8	45.1	14	2	2	18
South Ghazalat	–	0.1	–	0.1	–	–	–	–
Egypt	25.9	17.5	1.8	45.2	12	2	2	18
Canada	29.2	0.5	0.0	29.7	7	–	–	7
<b>2022 Total</b>	<b>55.1</b>	<b>18.0</b>	<b>1.8</b>	<b>74.9</b>	<b>20</b>	<b>2</b>	<b>2</b>	<b>25</b>

1 Other includes completions, workovers, recompletions and equipping.

2 Table may not total due to rounding.

## 8.2 Exploration Work Programme Commitments

### (a) Egypt: Eastern Desert

In the Merged Concession, all work commitments have been fulfilled.

### (b) Egypt: Western Desert

Pursuant to the approved South Ghazalat development lease, TransGlobe is committed to drill one exploration well during the initial four year period of the 20 year development lease. TransGlobe had issued a production guarantee in the amount of \$1,000,000 which was met subsequent to the commitment well being drilled in 2021.

### (c) Canada

All work commitments have been fulfilled in relation to TransGlobe's Canadian assets.

## 9. Current Trading

TransGlobe received an average price of \$101.29 per barrel in Egypt during the second quarter of 2022. In Canada, TransGlobe received an average of \$106.68 per barrel of oil, \$44.38 per barrel of NGLs and \$5.14 per thousand cubic feet ("Mcf") of natural gas during the quarter.

During the second quarter of 2022, TransGlobe had funds flow from operations of \$42,500,000 and ended the quarter with positive working capital of \$78,600,000, including cash of \$61,200,000. TransGlobe had net earnings in the quarter of \$32,100,000, inclusive of a \$600,000 unrealised derivative gain on commodity contracts which represents a fair value adjustment on TransGlobe's hedging contracts at 30 June 2022.

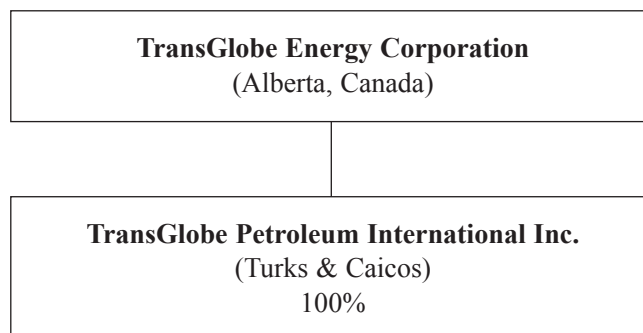
In Egypt, TransGlobe sold one cargo lifting of 451.0 Mbbls of entitlement crude oil during the second quarter of 2022 for proceeds of \$46,300,000, which were collected in May and June 2022. TransGlobe also sold 104.0 Mbbls of inventoried entitlement crude oil to the EGPC for proceeds of \$11,800,000 during the second quarter of 2022. All Canadian production was sold during the quarter.

TransGlobe is projecting an additional capital increase of \$4,400,000 for 2022 to \$74,900,000 (before capitalised G&A). In Canada, the increase is primarily the result of increased tie-in costs (\$3,200,000). In Egypt, the increase is due to the drilling of one additional well and performing two additional recompletions in the Eastern Desert.

Further information regarding the TransGlobe Group's operations in the second quarter of 2022 is available in TransGlobe's second quarter 2022 financial and operating results for the three months ended 30 June 2022.

## 10. The TransGlobe Structure

The following organisation chart and table present the name and jurisdiction of incorporation of TransGlobe's material subsidiaries as at the date of this Prospectus. The chart and table do not include all of the subsidiaries of TransGlobe. The assets and revenues of excluded subsidiaries did not individually exceed 10 per cent and in aggregate exceed 20 per cent, of the total consolidated assets or total consolidated revenues of TransGlobe as at the date of this Prospectus.



TransGlobe's Canadian properties are owned by TransGlobe Energy Corporation and TransGlobe's interest in the concessions in Egypt are held by TransGlobe Petroleum International Inc. and its subsidiaries. The following table sets out the name and jurisdiction of incorporation of the subsidiaries beneficially owned, controlled or directed, directly or indirectly, by TransGlobe Petroleum International Inc. Unless otherwise indicated, TransGlobe owns, directly or indirectly, 100 per cent of the voting securities of all the subsidiaries below.

### *Name of TransGlobe*

### *Petroleum International Inc.*

<i>Subsidiary</i>	<i>Purpose</i>	<i>Jurisdiction</i>	<i>Ownership</i>
TransGlobe West Gharib Inc.	Owens part of TransGlobe's interest in the Merged Concession in Egypt.	Turks & Caicos Islands, B.W.I.	100%
TransGlobe West Bakr Inc.	Owens part of TransGlobe's interest in the Merged Concession in Egypt.	Turks & Caicos Islands, B.W.I.	100%
TG NW Gharib Inc.	Owens part of TransGlobe's interest in the Merged Concession in Egypt.	Turks & Caicos Islands, B.W.I.	100%
TG S Ghazalat Inc.	Owens TransGlobe's interest in the South Ghazalat concession in Egypt.	Turks & Caicos Islands, B.W.I.	100%

## 11. Environmental and social

As summarised in Part 2 (*Risk Factors*) of this Prospectus, the oil and natural gas industry is subject to extensive and varying environmental regulations in each of the jurisdictions in which the TransGlobe Group operates. Environmental regulations establish standards respecting health, safety and environmental matters and place restrictions and prohibitions on emissions of oil and natural gas and various substances produced concurrently with oil and natural gas. These regulations can have an impact on the selection of drilling locations and facilities, potentially resulting in increased capital expenditures. In addition, environmental legislation may require those wells and production facilities to be abandoned and sites reclaimed to the satisfaction of local authorities. TransGlobe is committed to complying with environmental and operation legislation wherever the TransGlobe Group operates.

Between 2018 and 2021 there was a total recordable case frequency reduction from 2.1 to 1.0. TransGlobe is currently assessing venting elimination and pump/heater power options, and has established health & safety and environmental services and an integrity management system. TransGlobe has also supported the purchase of 50 new houses for families affected by floods, as well as the purchase and delivery of Covid relief packages in Egypt.

## PART 11

### MARKET OVERVIEW

*The following information relating to certain of the oil and gas markets in the countries in which the VAALCO Group, the TransGlobe Group and, following Completion, the Enlarged Group operates has been provided for background purposes only. The information has been extracted from a variety of sources released by public and private organisations. The information has been accurately reproduced and, as far as VAALCO is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

#### 1. Industry value chain

The oil and gas industry value chain consists of two key segments, namely the E&P or upstream segment, and the refining and processing or downstream segment. In the upstream segment, E&P operating companies extract oil and gas resources and conduct basic processing, allowing for the resources to be transported and stored. Downstream, operating companies refine and process the produced resources into products usable in a wide range of applications, such as transportation, power generation, and chemicals.

Three primary types of companies operate within the upstream segment: (i) operating companies, (ii) oilfield services companies, and (iii) equipment manufacturers. Operating companies acquire oil and gas resource exploration leases with the objective of finding and extracting oil and gas. Operating companies can also be roughly classified into three different categories: (i) national oil companies, which are majority state-owned oil companies that have grown out of large domestic reserves; (ii) international oil companies (“IOCs”), which are typically large, North American and European listed oil companies usually participating across the oil and gas value chain; and (iii) independents, which are typically exploration and production focused companies. Oilfield services companies provide operating companies with a wide range of specialised services and technologies across the life cycle of an oil and gas field. Equipment manufacturers build equipment to support operating companies and oilfield service providers.

#### 2. Field lifecycle

The oil and gas field lifecycle consists of three stages, namely (i) exploration, (ii) development, and (iii) production. Each presents its own set of challenges, risks and cost structure, and therefore each has different implications in terms of financial profitability and sustainability for operating companies and oilfield services companies. The exploration stage requires significant capital investments by the operating company and the chance of declaring commercial fields at this stage is low. Consequently, exploration activity is highly sensitive to oil prices and return on capital calculations. The development stage involves building the infrastructure to produce the resource. The production stage involves producing the resource and maintaining the infrastructure.

#### 3. Industry global trends

The oil and gas industry has been subject to high pricing volatility between 2020 and 2022, where the price of Brent fell to a low of \$9.12/BBL in April 2020 but recovered to a high of \$133.18/BBL in March 2022. WTI fell even further to a low of -\$36.68/BBL in April 2020 and then recovered to a high of \$123.64/BBL in March 2022. Oil prices as of the Last Practicable Date were \$98.45/BBL for Brent and \$92.64/BBL for WTI.

The negative pricing in early 2020 was the first time in history the price of U.S. oil turned negative, and oil producers were paying buyers to take the commodity over concerns that storage capacity could run out in May 2020. The demand for oil was heavily depleted as Covid-19 lockdowns across the world kept people inside. As a result, oil firms resorted to renting tankers to store the surplus supply and that forced the price into negative territory. The severe drop was driven in part by a technicality of the global oil market, May 2020 oil futures contracts were due to expire the following day and traders wanted to offload those holdings to avoid having to take delivery of the oil and incur storage costs.

The significant rally in the oil price to over \$100/BBL in 2022 was caused by Russia's invasion of Ukraine in February 2022, where the market remained short of supply following sanctions on Moscow and a number of divestments from Russian oil assets by major companies. A price cap on Russian oil could further increase oil prices, even if OPEC+ countries increase production. OPEC+ recently announced a small output hike of 100,000 barrels per day in September 2022, however this is widely viewed as a modest increase and not enough to fill the gaps in the absence of Russian supply.

Oil demand is also at risk due to economic slowdown in the longer term, but in the short term, could be compressed, as record-high prices for jet fuel, gasoline, and diesel may eventually translate into a negative demand impact as consumers are either forced economically to travel less, choose to travel less due to price considerations, or are incentivised by governments to take more public transit, as is already the case in many parts of Europe with subsidy schemes to reduce fuel consumption amid the energy crisis.

In 2019 the total approved conventional greenfield capex was around \$190 billion, and Rystad Energy expected the FID activity to increase in 2020. However, with the collapse in oil prices, activity fell dramatically and only \$60 billion of new greenfield capex got the green light.

In 2021, sanctioning activity doubled compared to 2020 levels, with around \$123 billion in greenfield investments estimated to have been approved. The Middle East contributed around \$45 billion as the Qatar Gas LNG project was sanctioned on 8 February 2021.

In 2022, Rystad Energy expects around \$106 billion in greenfield investments to be approved. North America is estimated to contribute around \$32 billion, with key contributions from LNG expansion projects in the United States. Additionally, around \$18 billion in greenfield investments are expected in the Middle East with the expansion of the Zuluffield sanctioned in June 2022.

Offshore rig contracting activity has increased in 2022 as global demand for drilling units recovers from the lows during Covid-19, with the number of rigs on contract rising in key rig markets such as China, the Middle East, West Africa, Brazil and the Gulf of Mexico. As global liquids demand rises and major petroleum consuming nations look to avoid Russian supplies over the country's invasion of Ukraine in February 2022 and resultant sanctions and ongoing war, the offshore sector must contribute extra volumes to help fill the supply gap.

Total rig contract volumes awarded increased significantly in the jackup market in the first half of 2022, driven largely by Saudi Aramco's large offshore rig expansion. Contract volumes secured in the deepwater floater market recovered in 2021 but have disappointed so far in 2022. Demand in 2023 is expected to increase by 10 per cent and it is likely the second half of 2022 will also have significant contracting activity.

South America is supporting growing activity in 2022, driven by contracts in Guyana and recent long-term contracts in Brazil. An example is the recent 5.8-year contract from Brazilian state oil company Petrobras for Transocean for its ultra-deepwater drillship Petrobras 10000 starting in October 2023 and running through August 2029. Contracting activity in 2022 also points to sustained activity in Western Europe and Australia and lower activity levels in other floater regions.

Rystad Energy expects investment in deepwater exploration and production to grow almost 30 per cent in 2022, with Brazil, Guyana, West Africa and Australia driving most of this growth. Around \$31 billion in deepwater greenfield capex investments are expected by Rystad Energy to be approved in 2022. Rystad Energy expects overall offshore (shelf and deepwater) investment to increase around 22 per cent in 2022.

#### **4. Recent oil and gas developments in Gabon**

Gabon is a small country with a long history of oil exploration and production. According to Energy Capital Power, it is the seventh largest producer of oil in Africa, with production of approximately 195 MBOPD so far in 2022 (181 MBOPD in 2021), with the oil industry accounting for approximately 80 per cent of exports, 45 per cent of GDP and 60 per cent of fiscal revenue on average over the past five years to 2021 (according to the World Bank). According to OPEC, in 2021, Gabon had proven crude oil reserves of 2 BBBL, proven natural gas reserves of 918 BCF and petroleum exports of \$4.6 billion.

## **5. Recent oil and gas developments in Equatorial Guinea**

According to OPEC, Equatorial Guinea, is a key producer and net exporter of oil in Africa, with production of approximately 88 MBOPD so far in 2022 (93 MBOPD in 2021) and \$2.4 billion in petroleum exports in 2021, accounting for 54 per cent of total exports. In 2021 Equatorial Guinea had 1.1 BBBL of proven crude oil reserves. In addition to the key role of oil in the country, and despite its relatively small size, Equatorial Guinea is considered to be in the top three gas producers in West Africa according to Rystad Energy, with 249 BCF marketed production of natural gas in 2021 and proven natural gas reserves of 1,377 BCF.

Energy Camber notes that, with the hydrocarbon sector contributing approximately 90 per cent of Equatorial Guinea's GDP, the country remains focused in what is known as the Gas Mega Hub initiative, designed to position the country as a regional and international hydrocarbons hub. In line with this initiative and in an effort to promote investments and maximise exploration, exploitation and monetisation of the country's hydrocarbon resources, most recently the Ministry of Mines and Hydrocarbons of Equatorial Guinea approved the extension of the production sharing contract (PSC) for Block G, offshore Equatorial Guinea, operated by Trident Energy to December 2040.

## **6. Recent oil and gas developments in Egypt**

According to statements by the Minister of Petroleum and Mineral Resources, Egypt launched 10 international bid rounds during the period from July 2014 to June 2022, including onshore and offshore areas in the Gulf of Suez, Red Sea, the Delta, the Western and Easter Deserts and the Mediterranean. As per the news reports, nine of the bid rounds resulted in awarding 39 oil and gas exploration areas with minimum investments of approximately \$2.2 billion. Eight more blocks were awarded in January 2022 to Eni, BP, Apex, United Energy. The bid rounds managed to attract new and returning international oil and gas companies like ExxonMobil and Chevron. New discoveries are reported to be around 401, with 281 of that crude oil and 120 gas discoveries, believed to have added reserves of about 503 million barrels of oil and condensate and about 39.9 trillion cubic feet of natural gas. The sector also attracted some new regional players such as Mubadala and Qatar Petroleum. The petroleum sector average share from total foreign direct investment inflows over financial years (2016/17 – 2020/21) is 57.08 per cent.

Egypt is actively implementing an Energy diversification programme. This saw the introduction of several renewables' projects. Egypt has also recently announced signing preliminary agreements pertaining to the production of hydrogen and carbon credit exchanges. After a few years of importing natural gas, Egypt managed to resume natural gas importation primarily through its two LNG facilities. During 2022, Egypt announced signing agreements to export gas to Europe and to Lebanon. Egypt aims to maximise its benefits from existing oil and gas pipelines connecting it to several of its neighbours and announced plans to build a pipeline with Cyprus.

For more information, please refer to paragraph 3.2 of Part 14 (*Egypt legal and regulatory framework*) of this Prospectus.

## **7. Recent oil and gas developments in Canada**

According to Natural Resources Canada, Canada is the fourth largest producer of oil and the fifth largest producer of natural gas in the world, producing, according to the U.S. Energy Information Administration, an average of approximately 4.5 MMBBL of crude oil and condensate per day and 16,885 MMCF of natural gas per day in the first quarter of 2022, and an average of 4.44 MMBBL of crude oil and condensate per day and 16,112 MMCF of natural gas per day in 2021. The oil and gas sector is a major contributor to the Canadian economy, making up 5.7 per cent of Canada's GDP in 2020 according to Natural Resources Canada.

According to Natural Resources Canada, Canada's total proven oil reserves are estimated at 171.0 billion BBLs, of which 166.3 billion BBLs are located in Alberta's oil sands. Canada's reserves are the third largest of any nation, representing over 10 per cent of global oil reserves. Approximately 80 per cent of oil produced in Canada comes from Alberta.



Canada's oil and gas industry is largely focused on the exploration, production and transportation of crude oil and natural gas, less so on the refining, distribution and retail of oil and gas products, most of which is concentrated in the United States. In 2020, Canada exported 82 per cent of its crude oil production, approximately 97 per cent of which was exported to the United States. According to the Canada Energy Regulator, 58 per cent of crude exports to the United States in 2020 were shipped to the US Midwest, while 20 per cent were shipped to the US Gulf Coast. Approximately 88 per cent of crude oil exports are moved by pipeline.

For more information, please refer to Part 15 (*Canada legal and regulatory framework*) of this Prospectus.

## PART 12

### GABON LEGAL AND REGULATORY FRAMEWORK

#### 1. Petroleum law regime of Gabon

##### 1.1 *Overview*

The Ministère du Pétrole, du Gaz et des Hydrocarbures regulates the upstream oil and gas industry in Gabon, while the Directeur Générale des Hydrocarbures is responsible for the upstream sector on a day-to-day basis.

Two separate types of contract have been used by the State of Gabon for the exploration and production of hydrocarbons.

Older fields operate under the terms of a concession agreement and an establishment convention, where the tax terms were agreed between the State of Gabon and the signatory. Since 2014, however, establishment conventions have been expressly prohibited.

The second type of contract is a PSC, which was first introduced in Gabon in 1977. Since the adoption of Law No. 14/82 of 24 January 1983, any new contracts to be entered into between independent contractors and the State of Gabon for the exploration and production of hydrocarbons are required to be structured through a PSC or service contract. In practice, however, only PSCs have been signed.

##### (a) *2014 Hydrocarbons Law*

Since 1982 and up until 2014, the fiscal and regulatory framework governing the exploration and production of hydrocarbons in Gabon was mainly unregulated. Successive model contracts issued by the State of Gabon acted as guidelines; most fiscal aspects of each contract were negotiable between the State of Gabon and private parties, including work commitments and exploration costs for each PSC.

In September 2014, Law No. 11/2014, of 28 August 2014, came into force in Gabon (“**2014 Hydrocarbons Law**”). The 2014 Hydrocarbons Law was not exhaustive; it sought to provide a framework of governing principles and rules, applicable to both the exploration and extracting industry of hydrocarbons, as well as the downstream sector, to be complemented by implementing regulations.

Under the Gabonese Civil Code (“**Civil Code**”), laws will not have retroactive effects unless they expressly or tacitly provide otherwise. The Civil Code further provides that former laws continue to govern the effects of existing contracts, save in case of express or tacit derogation by the legislator and that, in any event, the application of a new law to existing contracts cannot modify the effects already produced by existing contracts under a former law, except via express derogation by the legislator.

The 2014 Hydrocarbons Law explicitly provided that establishment conventions, petroleum contracts, petroleum titles, mining concessions and exploitation permits concluded or granted by the State of Gabon prior to the date of its publication remained in force until their expiration date.

However, the 2014 Hydrocarbons Law further provided that unless such arrangements became consistent with the requirements of the 2014 Hydrocarbons Law, establishment conventions, mining concessions and exploitation permits in effect could not be extended or renewed. Furthermore, the 2014 Hydrocarbons Law prohibited establishment conventions and mining concessions, and provided that the exploitation of new discoveries in areas covered by existing conventions and concessions would be required to be made in accordance with the 2014 Hydrocarbons Law.

(b) *2019 Hydrocarbons Law*

The 2014 Hydrocarbons Law was repealed in its entirety by Law No. 002/2019, of 16 July 2019, (“**2019 Hydrocarbons Law**”). As with the 2014 Hydrocarbons Law, the 2019 Hydrocarbons Law contains provisions applicable to both the upstream and downstream segments. However, to date, there are still various issues and matters yet to be fully enacted by implementing regulations. In reality, only two main regulations were adopted: Decree No. 00232/PR/MPGM of 9 September 2021, implementing local content measures, with particular emphasis on the employment and training of Gabonese nationals and the use of local goods and services; and Decree No. 0021/PR/MPGM of 20 January 2020 detailing the procedure for the exercise of the pre-emption rights of the State and the National Oil Company (“**GOC**”) in connection with direct or indirect PSC interest transfers.

Under the transitory provision contained in the 2019 Hydrocarbons Law, existing PSCs and other petroleum contracts, permits and authorisations remain in full force and effect until their expiration and their renewal or extension are subject to the provisions of the 2019 Hydrocarbons Law, and its implementing regulations.

The 2019 Hydrocarbons Law also provides for obligations for immediate application, irrespective of the date of signature of existing petroleum contracts or granting of the corresponding permits and authorisations. These include (i) the requirement for foreign producers and explorers applying for an exclusive development and production authorisation to conduct their operations in Gabon through a company incorporated in Gabon rather than through branches of entities incorporated in other jurisdictions; and (ii) the obligation for all companies undertaking hydrocarbon activities to domicile their site rehabilitation funds with the Bank of Central African States (**BEAC**), or a Gabonese bank or financial institution within one year after the entry into force of the 2019 Hydrocarbons Law.

Since the 2019 Hydrocarbons Law, PSCs must include a clause providing that participation by the State of Gabon cannot exceed a 10 per cent participating interest in the operations, to be carried by the contractor. It also entitles the Gabon Oil Company to acquire a maximum 15 per cent stake at market value in all PSCs as of the date of signature.

In addition, the 2019 Hydrocarbons Law provides that the State of Gabon may acquire an equity stake of up to 10 per cent, at market value, in an operator applying for or already holding an exclusive development and production authorisation.

(c) *Exclusive exploration permits*

The 2019 Hydrocarbons Law provides that the exploration period has a duration of eight years and that the duration of each of its phases is determined by the relevant contract. The exploration period can only be extended by a period of up to one year.

The 2019 Hydrocarbons Law further provides that each separate exploration phase can be extended by a period of up to 12 months and that the entire duration of the exploration period, including its extension and the extension of any of its phases, cannot exceed 10 years in aggregate.

(d) *Exclusive development and production authorisations*

Under the 2019 Hydrocarbons Law, the duration of development and production authorisation periods varies according to the respective area and type of hydrocarbons concerned as follows:

- (i) in the case of liquid hydrocarbons:
  - (A) in conventional areas: 10 years, plus three renewals, each of five years; and
  - (B) in deep offshore or ultradeep offshore areas: 15 years, with a first renewal of eight years and a second of seven years.

- (ii) in the case of gaseous hydrocarbons:
  - (A) in conventional areas: 15 years, plus three renewals, each of five years; and
  - (B) in deep offshore or ultra-deep offshore areas: 20 years, with a first renewal of eight years and a second of seven years.
- (e) *Downstream licences*  
 The 2019 Hydrocarbons Law provides that the duration of downstream authorisations and conditions for renewal of those authorisations is set out in the administrative document granting them. There is no prescribed minimum or maximum duration provided for in the 2019 Hydrocarbons Law.

## 1.2 ***Foreign Exchange regime***

Since Gabon is a member State of the Economic and Monetary Community of Central Africa (CEMAC), its regulations are directly and immediately applicable in the country prevailing over any prior or subsequent domestic laws, but until recently the CEMAC foreign exchange (“FX”) rules had not been fully nor consistently enforced in any of the CEMAC countries especially in the oil and gas sector.

However, Regulation No. 02/18/CEMAC/UMAC/CM, laying down the general FX within the CEMAC space, which gave direct enforcement powers to the Central Bank (BEAC), was adopted on 21 December 2018, and entered into force on 1 March 2019.

Oil and mining companies were granted a moratorium by the BEAC so that negotiations would be conducted to adapt the general FX rules to their specificities and in December 2021 and February 2022 a first set of CEMAC regulations and instructions adapted some of those general rules to the extractive industry, which is now endeavouring to get compliant and applying for BEAC authorisations to open, keep and use offshore accounts and bank accounts in CEMAC countries in foreign currency. In addition, through Instruction No. 005/GR/2022, of 20 July 2022, the BEAC detailed the rules for repatriation of site restoration funds, which must be kept in accounts open with the BEAC in the name of each operator and the State concerned. In September 2022, extractive companies and the BEAC are to meet to discuss a draft triparty agreement for BEAC site restoration accounts.

## 2. **Environmental law regime of Gabon**

### (a) ***Overview***

Oil and gas exploration and production activities are currently regulated by the 2019 Hydrocarbons Law, which states that general legislation currently in force stipulating obligations pertaining to environmental matters shall apply to the hydrocarbons sector, including, notably, as regards to the (i) preservation of the environment and waste management; (ii) pollution prevention; (iii) conduct of impact studies, and the related environmental and social management; and (iv) site abandonment and rehabilitation plans.

### (b) ***Environment Law***

The primary environmental legislation in Gabon is Law No. 007-2014, of 1 August 2014, relating to the Protection of the Environment (“**Gabon Environmental Law**”).

The Gabon Environmental Law aims to foster a sustainable use of resources and development, limit pollution and nuisances, and improve the environment. The implementation of these principles under the Gabon Environmental Law is the responsibility of the Minister of Environment. Implementing regulations adopted under the previous Law No. 16/93, of 26 August 1993, relating to the Protection and Improvement of the Environment are applied in practice.

Under the Gabon Environmental Law, any works carried out by private companies which may have a negative impact on the environment are subject to an EIS, and require authorisation from the Minister of Environment. Additional studies, audits and risk assessment studies may also be required.

Under the Gabon Environmental Law, the discharge of any substances which may harm the maritime environment is subject to the prior authorisation of the Minister of Environment. In addition, any special facilities (including facilities the operation of which may harm the environment or public health) are subject to (i) the prior notification to the Minister of Environment if the operation of the facility does not present material risks but must be carried out in compliance with the environmental regulations in force; and (ii) the prior approval from the Minister of Environment if the operation of the facility presents material risks to human health, the environment or the well-being of communities.

The Gabon Environmental Law provides for a strict (civil) liability regime, according to which regardless of fault or negligence, whoever causes environmental damages or injury, as a result of its activities, will be liable for repairing such damages. This is applicable to national parks as well. In addition, the standard liability regime for tortious and contractual liability under the Civil Code will also apply. The 2019 Hydrocarbons Law clarifies that the statute of limitations for a liability claim is 30 years counted as of the damage becoming known.

(c) ***Other environmental laws***

Decree No. 541, of 15 July 2005, regulates the elimination of wastes and requires from all waste producers and owners to dispose of these wastes if they are potentially harmful to the environment. Decree No. 542, of 15 July 2005, regulates the dumping of some products in superficial, underground and marine waters and Decree No. 543, of 15 July 2005, determines classified installations subject to either a declaration or an authorisation. Oil and gas extractive installations, in particular, are subject to an authorisation.

Decree No. 545, of 15 July 2005, regulates the recovery of used oil, its collection and recycling, while oil spill risks and relative emergency response arrangements are governed by Law No.21/04, of 2 February 2004, and Decree No. 653, of 21 May 2003; offshore response measures are the responsibility of the Merchant Navy, whereas onshore response measures are to be coordinated by the “Ministère de l’Intérieur” via the “Direction de la Protection Civile”, although other State agencies can also be involved.

Order No.000937/MEFEDD/SG/DGFAP, of 11 July 2018, also established a Fauna Protection Plan on Petroleum Sites.

Law No. 003/2007, of 27 August 2007, on National Parks, as amended, prohibits activities likely to negatively impact National Parks’ environments within their boundaries and a buffer and peripheral zones, which limits are to be specified in implementing regulations. Only human activities not impacting the environment can be authorised. This authorisation must be provided by the relevant minister after consultation with the organism in charge of the National Park. The beneficiary of the authorisation must pay a fee according to applicable modalities and rates.

Decree No. 0020/PR/MEFMEPCPAT, published on 20 January 2022, sets the legal regime and establishes the nomenclature of facilities classified for environmental protection, including petroleum structures. Classified facilities that may present serious dangers or inconveniences must be authorised by the Minister in charge of the Environment prior to being operated, while others have to be declared to the Ministry.

Also, in preparation for the COP-26 summit, the President enacted Ordinance No. 019/2021, of 13 September 2021, relating to climate change, which sets out several requirements and constraints aimed at enabling Gabon to meet its climate change commitments under the Paris Agreement and trade on carbon credits. To that end, the Ordinance provides that oil and gas companies must perform an annual emissions diagnostic, obtain an emission authorisation every four years and open an account in the National Greenhouse Gases Registry. This Registry, however, has not become



operational yet and in the meantime the Ordinance may have lapsed for lack of parliamentary ratification.

### **3. State of Gabon**

Gabon gained independence from France on 17 August 1960. The constitution of 21 February 1961, adopted under the first President, Mr. Leon Mb'a, established a presidential regime. Following Mr. Mb'a's death in 1967, his Vice-President, Mr. Omar Bongo Ondimba, became and remained President up until his death in 2009. Following political and civil unrest in Gabon in the 1990s, a multiparty regime was established.

Gabon is currently a multiparty republic, with a president elected by popular vote for a seven-year term. After presidential elections, the President appoints the Prime-Minister and the Council of Ministers. The current President of Gabon is Mr. Ali Bongo Ondimba, of the majority party, Parti Démocratique Gabonais ("PDG"), who is currently serving his second term, which began in 2016.

The latest presidential elections were held on 27 August 2016, and then-incumbent President, Mr. Bongo Ondimba, presented himself as a candidate against his principal opponent, the former African Union Commission Chairman and ex-minister, Mr. Jean Ping. 59.5 per cent of voters cast their ballot. Mr. Bongo Ondimba was declared the winner with 49.8 per cent of the votes, but allegations of fraud surfaced soon after, especially in Mr. Bongo Ondimba's home province, where turnout was calculated at 99.93 per cent and Mr. Bongo Ondimba won 98 per cent of the votes.

The announcement of the election results by the interior minister was followed by acts of unrest, notably the arson of the Lower House of Parliament, damage of private property and the military assault on the election headquarters of the presidential candidate, Mr. Jean Ping. Curfews and lockdowns were common during the month of September until the constitutional court validated the election results on 23 September 2016. However, unlike the 2009 elections, where crowds stormed private offices in Port-Gentil, no such incidents were reported this time, and although most non-essential expatriate staff left the country during this period, essential operations were not disrupted.

To resolve the resulting political fallout from the elections, the State of Gabon organised a National Dialogue from March to May 2017 bringing together members from the PDG and the opposition as well as members of the civil society and non-governmental organisations to discuss their concerns. This political dialogue led to a constitutional revision through the adoption of Law No. 001/2018 of 12 January 2018. The legislative elections were held in November 2018, and were resoundingly won by members of the majority party PDG.

Mr. Bongo Ondimba suffered from a stroke on 24 October 2018 while on an official trip to Saudi Arabia. There were calls for the constitutional court to rule on a temporary power vacancy, which would have led to the President of the Senate assuming power in the interim, and since a petition was filed for the President's health condition to be examined. On 7 January 2019, an armed uprising was even attempted by five Gabonese soldiers through the takeover of the Gabon Télévision headquarters. The subsequent counterattack by government forces resulted in two deaths and multiple arrests. Business was disrupted on the day of the uprising and foreign embassies asked their nationals to stay home. However, oil operations still continued offshore. A peaceful state of affairs resumed the next day.

Gabonese will vote again to elect their president and lawmakers in 2023 and President Bongo Ondimba is expected to run for a third term in office. Although part of the population is doubtful about his physical ability to govern, and while the opposition is preparing for this election, there is no indication of popular uprisings comparable to those of the past few years.

The Gabonese administration has experienced a succession of large-scale strikes since 2021, including the judges strikes which paralysed the justice system in December. Recently, unlimited strikes were initiated by workers in the oil sector, by agents of the Ministry of Foreign Affairs, by air traffic controllers of the Agency for the Safety of Air Navigation, or by collectors of financial regimes. These strikes will stop the operation of the affected services.

Gabon had a 40-year border dispute with Equatorial Guinea concerning the Mbanié, Cocotiers and Congas islands, which was forwarded to the International Court of Justice through the signature of an agreement on 15 November 2016. Gabon also has other border disputes with Congo and Cameroon.

No wars have taken place on Gabonese territory, although Gabon, among other African countries, was involved in the Congolese civil war of 1997. Gabon is also involved in missions abroad of the African Union.

The Gulf of Guinea, covering Gabon, is often presented as a high risk zone for piracy. In August 2018, a tanker went missing for a week off the coast of Gabon but was subsequently found. A new maritime centre for piracy monitoring has been built for Gabon by the U.S. Navy and was inaugurated in May 2019.

The 2016 Gallup Poll of the most dangerous countries in the world ranked Gabon in the seventh position. Gabon is ranked 113th in press freedom by Reporters Without Borders. The latter have criticised the suspension of several online media sites by the Haute Autorité de la Communication (HAC) in recent years.

Since January 2022, Gabon serves as a non-permanent member of the UN Security Council for a term ending in 2024. Also, Gabon has recently formalised its accession to the Commonwealth. According to President Ali Bongo, *“Gabon’s accession (...) is the recognition of the increasingly important role played by this state on the international scene, especially on the issue of climate where it is in the front line”*.

According to the corruption perception index established by Transparency International, Gabon is a particularly corrupt country, the non-governmental association having awarded Gabon a score of 31/100 in 2021 and ranking it as the 56th most corrupt country out of 180.

On 28 July 2021, the International Monetary Fund (IMF) approved an extended three-year agreement under the Extended Fund Facility mechanism, consisting in a loan of \$553,200,000, with immediate disbursement of \$115,250,000. For the loan to be granted, the government communicated to the IMF a memorandum on economic and financial policies, which provides for several commitments aiming at stabilising the Gabonese economy and increasing transparency in the public budget management and key economic sectors. In this context, the government undertook to audit the five major oil and gas sector companies: Perenco, Total Gabon, Assala, Maurel & Prom, and VAALCO Gabon. The main purpose of this audit was to evaluate the agreements with them and establish the level of cross-debt between the government, public enterprises, and private oil companies. In this perspective, the auditor’s mission will be to provide traceability and transparency on the costs of petroleum products in force in Gabon and to verify whether these companies have actually honored their payment obligations towards the State.

The government also committed to submit an admission request to the Extractives Industries Transparency Initiative (EITI), which was accepted on 21 October 2021. As a member, Gabon must satisfy two requirements: to deliver the first EITI report by 24 April 2023 and to be able to initiate the first Validation by 1 July 2024. The EITI Interest Group in Gabon held its first ordinary session on 21 April 2022 in Libreville to address several topics, including the development of the 2022 action plan and the production of the first EITI report.

## PART 13

### EQUATORIAL GUINEA LEGAL AND REGULATORY FRAMEWORK

#### 1. Petroleum law regime of Equatorial Guinea

##### 1.1 *Hydrocarbons Law and Petroleum Regulations*

Until 2006, the legal framework governing the upstream petroleum industry in Equatorial Guinea was set out in Decree Law No. 7/1981, dated 16 June 1981, which was amended by Law No. 6/2000, of 20 March 2000.

This legislation was superseded by Law No. 8/2006, dated 3 November 2006<sup>1</sup> (“**Hydrocarbons Law**”), which incorporates not only the regime applicable to the exploration, appraisal, development and production of hydrocarbons, but also rules on the transportation, distribution, storage, preservation, decommissioning, refining, marketing, sale and other disposal of hydrocarbons. In addition, the Hydrocarbons Law contains provisions on a number of aspects concerning upstream operations and contracts, such as national content obligations, unitisation, transfers and abandonment.

The Hydrocarbons Law was complemented by the Petroleum Regulations, approved by Ministerial Order No. 4/2013, of 20 June 2013, which was superseded by Regulation No. 2/2020, of 15 June 2020. The Petroleum Regulations contain provisions for the implementation of the Hydrocarbons Law and address in further detail a broad range of matters concerning upstream, midstream and downstream activities.

On 26 September 2014, the Ministry of Mines, Industry and Energy also approved Order No. 1/2014, containing the National Content Regulations, and, in 2018, the EG MMH issued Order No. 1/2018, dated 18 May 2018, on authorisations for companies performing activities in the mining and hydrocarbons sectors in Equatorial Guinea. While these orders were not published in the State Official Gazette, as required, provisions from each of these have been enforced in Equatorial Guinea, although not exhaustively.

##### 1.2 *Ministries of Equatorial Guinea*

The Hydrocarbons Law grants the ministry responsible for petroleum operations (“**Ministry**”) significantly broad regulatory, inspective and auditing powers concerning the performance of petroleum operations. These include the powers to negotiate, sign, amend and perform all contracts entered into between the State of Equatorial Guinea and independent contractors, as well as the right to access all data and information required for the control of contractors and their activities, including free access to the locations and facilities where petroleum operations are conducted.

In addition, the Ministry can also order (i) the suspension of petroleum operations; (ii) the evacuation of persons from locations; (iii) the suspension of the use of any machine or equipment; and/or (iv) any other action it deems necessary or appropriate when the Ministry determines that a given petroleum operation may cause injury to or death of persons, damage properties, or harm the environment, or whenever the national interest so requires.

Until June 2016, the Ministry responsible for petroleum operations was the Ministry of Mines, Industry and Energy, whose organisation and authority was laid down in Decree No. 170/2005, of 15 August 2005.

In June 2016, the President of Equatorial Guinea appointed the EG MMH and the Minister of Industry and Energy, effectively splitting the Ministry of Mines, Industry and Energy into two Ministries. However, no legislation on the organisation and authority of each Ministry has been enacted, and, in effect, the EG MMH has been exercising the powers contained within the Hydrocarbons Law to the Ministry responsible for petroleum operations.

All contracts signed with the State of Equatorial Guinea for the exploration and production of hydrocarbons have taken the form of PSCs. A model PSC, approved along with the Hydrocarbons Law, must be used as the basis for any negotiation between independent contractors and the State of Equatorial Guinea. Over time, however, revised copies of the model PSC, reflecting changes made during negotiations of certain PSCs, have been used for the negotiation of subsequent PSCs.

The Hydrocarbons Law and Petroleum Regulations provide the Ministry responsible for petroleum operations with the power to award contracts for the exploration and production of hydrocarbons, and decide whether the award is made by means of competitive international public tender or direct negotiation. These contracts, however, which are to be negotiated by the Ministry, shall only become effective after they have been ratified by the President of Equatorial Guinea and on the date of delivery to the contractor of a written notice of the President's ratification. In practice, however, this notification to operators has been provided by the Ministry.

Tax and customs matters fall under the authority of the Ministry of Finance, Economy and Planning ("**Ministry of Finance**"). Other Ministries with which oil companies need to interact with some regularity include the Ministries of Labor, Commerce and Environment.

### 1.3 *GEPetrol and Sonagas*

GEPetrol, established in 2001, is the national oil company of Equatorial Guinea and Sociedad Nacional de Gas de Guinea Ecuatorial ("**Sonagas**"), established in 2005, is the national gas company of Equatorial Guinea.

The Hydrocarbons Law provides that these national companies are exclusively owned by the State of Equatorial Guinea, and must be supervised by the Ministry responsible for petroleum operations.

Under the applicable laws, the State of Equatorial Guinea may elect to have, either directly or through a national company, a minimum interest of 20 per cent in a PSC, although, to VAALCO's knowledge, Sonagas does not hold any participating interest in a PSC in effect in Equatorial Guinea.

The State of Equatorial Guinea's interest (through GEPetrol or otherwise) may be, and typically is, carried. No costs are paid by the State of Equatorial Guinea or GEPetrol with respect to a carried interest. The Hydrocarbons Law provides that the State of Equatorial Guinea (through GEPetrol or otherwise) will only be required to contribute to any cost for petroleum operations that it has a carried interest in from the period where it notifies the contractor that it no longer wants its interest carried. In effect, however, the carry normally ends with the approval of the development and production of the asset subject to the PSC.

The terms and effects of the carry of an interest of the State of Equatorial Guinea (through GEPetrol or otherwise) are not clearly established in the Hydrocarbons Law or the Petroleum Regulations; the contractor that carries the State of Equatorial Guinea's interest is given the right to a percentage of the cost recovery oil pertaining to that interest, as agreed in each PSC.

### 1.4 *Exploration and production periods*

As prescribed by the Hydrocarbons Law, activities related with petroleum operations are divided into two different phases: (i) the exploration period (which includes the exploration phase and the appraisal phase); and (ii) the production period (which includes both the development and the production phases).

The exploration period is further divided into: (i) an initial exploration period, which is delineated into two sub-periods, with a duration between four and five years; and (ii) a maximum of two extension periods, of one year each. However, the Hydrocarbons Law and Petroleum Regulations entitle the Ministry responsible for petroleum operations to change the duration of such periods in the contract if the Ministry deems it appropriate.

The Hydrocarbons Law does not define the duration of the development and production phases; it states that the phase shall be specified in the relevant contract, while the Petroleum Regulations state

that the duration of the development and production period shall be 25 years from the date of approval of the field development and production plan.

The Petroleum Regulations further allow the Ministry to grant an extension of up to five years, and extensions beyond this five year period, in the Ministry's sole discretion, if it serves the State of Equatorial Guinea's interest.

### 1.5 ***Taxation***

Equatorial Guinea taxes and taxation rules are currently addressed in the General Tax Law (Law No. 4/2004, of 28 October 2004 – “**GTL**”), which has been in force since 1 January 2005, as subsequently amended. The Hydrocarbons Law contains a non-limited list of the taxes and equivalent charges which apply or may apply in connection with petroleum operations, and also refers to a windfall profit tax. This tax, however, is not set forth in the GTL and has not been established to date.

The GTL compiles the general and basic taxation principles applicable in Equatorial Guinea and is aimed at regulating all taxes currently applicable in the country. In addition to setting forth a common tax regime, the GTL contains a separate chapter specifically describing the tax regime applicable to the hydrocarbons sector, which contains specific rules on costs' qualification and tax deduction, reporting obligations, audits, withholding tax obligations, among others.

Some PSCs also contain specific tax rules (e.g. on applicable taxes and tax exemptions, tax treatment of the transfer of participating interests, etc.) and/or provisions on applicable law. For instance, certain older PSCs do state that taxes should be paid in accordance with Decree-Law No. 1/1986, of 10 February 1986 (“**1986 Tax Law**”), which was GTL's predecessor. This is usually the case for those executed while this was the tax law in force. In some cases, issues around the applicable law have led to disputes with Equatorial Guinea authorities, notably because different corporate income tax rates would apply.

Combining the tax provisions set forth in PSCs with the GTL provisions is not always straightforward and may generate some uncertainties. A careful analysis is therefore required to determine which specific taxes do apply in each case.

### 1.6 ***Foreign Exchange***

Since Equatorial Guinea is a member State of the Economic and Monetary Community of Central Africa (**CEMAC**), its regulations are directly and immediately applicable in the country prevailing over any prior or subsequent domestic laws, but until recently the CEMAC foreign exchange (“**FX**”) rules had not been fully nor consistently enforced in any of the CEMAC countries especially in the oil and gas sector.

However, Regulation No. 02/18/CEMAC/UMAC/CM, laying down the general FX within the CEMAC space, which gave direct enforcement powers to the Central Bank (**BEAC**), was adopted on 21 December 2018, and entered into force on 1 March 2019. Oil and mining companies were granted a moratorium by the BEAC so that negotiations would be conducted to adapt the general FX rules to their specificities and in December 2021 and February 2022 a first set of CEMAC regulations and instructions adapted some of those general rules to the extractive industry, which is now endeavoring to get compliant and applying for BEAC authorisations to open, keep and use offshore accounts and bank accounts in CEMAC countries in foreign currency. In addition, through Instruction No. 005/GR/2022, of 20 July 2022, the BEAC detailed the rules for repatriation of site restoration funds, which must be kept in accounts open with the BEAC in the name of each operator and the State concerned. In September 2022, extractive companies and the BEAC are to meet to discuss a draft triparty agreement for BEAC site restoration accounts.



## **2. Environmental law regime of Equatorial Guinea**

### **2.1 *Environmental Law***

Law No. 7/2003, of 27 November 2003 (“**Equatorial Guinea Environmental Law**”) incorporates primarily general principles, rules and guidelines which are to be complemented by and implemented through ancillary legislation covering specific provisions in respect of, for example, environmental protected areas, endangered species, atmosphere protection and soil pollution controls.

While the only legislation enacted to date for implementation of the law is Decree No. 173/2005, of 8 September 2005, on environmental inspections, the provisions of the Equatorial Guinea Environmental Law on environmental licensing and related obligations are sufficiently clear to be enforceable and have been enforced to a certain extent by the Ministry in charge of environment.

There are also environmental-related obligations and rules contained in the Water and Coasts Law (Law No. 3/2007, of 23 July 2007), the Merchant Navy Law (Law No. 2/2020, dated 8 July 2020) and the Equatorial Guinea Ports and Maritime Terminals Law (Law No. 5/2020, dated 23 November 2020).

### **2.2 *Environmental conventions***

Equatorial Guinea is a member of the International Maritime Organisation (**IMO**) and party to a number of conventions adopted that impact petroleum activities. These conventions include: (i) the 1974 International Convention for the Safety of Life at Sea and Protocols 78 and 88 thereto (**SOLAS**); (ii) the 1973 International Convention for the Prevention of Pollution from Ships, as modified by the 1978 Protocol (MARPOL 73/78); (iii) the 1972 London International Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter; (iv) the 1969 International Convention relating to Intervention on the High Seas in Cases of Oil Pollution Casualties; (v) the 1969 International Convention on Civil Liability for Oil Pollution Damage (“**CLC Convention**”); and (vi) the 1976 International Convention on Limitation of Liability for Maritime Claims.

Equatorial Guinea is not bound by certain provisions of the CLC Convention and is also not a party to the 1990 International Convention on Oil Pollution Preparedness, Response and Co-Operation (“**OPRC**”). However, certain requirements and provisions of the CLC Convention and the OPRC have been incorporated by reference into the CEMAC’s Merchant Navy Code, of which Equatorial Guinea is a signatory. While the treaties and conventions have not, to VAALCO’s knowledge, been published in the Official Gazette, the enforceability of such provisions has not been publically challenged.

### **2.3 *Hydrocarbons Law and Petroleum Regulations***

The Hydrocarbons Law contains few provisions on environmental matters. However, the Petroleum Regulations address these matters with some detail; it specifies that contractors shall undertake a comprehensive EIS prior to, during and after major drilling operations. An EIS must also be completed prior to undertaking any seismic work in any areas of particular environmental sensitivity specified by the State of Equatorial Guinea.

The Petroleum Regulations further provide that contractors shall take all prudent and necessary steps in accordance with (a) the Equatorial Guinea Environmental Law; (b) the Hydrocarbons Law and its regulations; (c) generally accepted practices in the international petroleum industry; and (d) the terms of their contracts with the State of Equatorial Guinea to (i) prevent pollution and protect the environment and living resources; (ii) ensure that hydrocarbons discovered or produced are handled in a manner that is safe for the environment; (iii) avoid damage to formations trapping hydrocarbon reserves; (iv) prevent the ingress of water through wells into strata containing hydrocarbon reservoirs; and (v) ensure prompt, fair and full compensation for injury to persons or property caused by the effects of exploration and production operations.

Additionally, the Petroleum Regulations provide that if a contractor’s actions result in any pollution or damage to the environment, any person, living resources, property or otherwise, the contractor shall

immediately take all prudent and necessary measures to remedy such damages and consequences and/or any additional measures as may be directed by the Ministry responsible for petroleum operations. If the pollution or damage is caused as a result of the negligence or wilful misconduct of the contractor, its subcontractors or any persons acting on their behalf, all related costs incurred shall not be cost recoverable nor tax deductible. Furthermore, if the contractor does not act promptly so as to control or clean-up pollution, or make good any damage caused, the Ministry may, after giving the contractor reasonable notice, carry out the actions which are prudent or necessary and all reasonable costs and expenses of such actions shall be borne by the contractor and shall not be cost recoverable.

If the Ministry determines that any works or installations built by a contractor or any of its activities threatens the safety of any person or property or the environment, the Ministry can require the contractor to take all appropriate mitigating measures consistent with generally accepted practices in the international petroleum industry, to repair any damage and to suspend totally or partially the affected operations until the measures are taken or the damage is repaired.

With respect to liability, the Petroleum Regulations state that a contractor shall indemnify, hold harmless and compensate any person, including the State of Equatorial Guinea, for any damage or loss which the contractor, its affiliates, its subcontractors and their respective directors, officers, employees, agents or consultants and any other person acting on their behalf may cause in the conduct of exploration and production operations, regardless of whether or not any environmental authorisations have been obtained. In the case of negligence or wilful misconduct, costs shall not be recoverable nor tax deductible.

### **3. State of Equatorial Guinea**

Equatorial Guinea became independent from Spain in 1968. Since its independence, and until 1979, the country was ruled by President Francisco Macias Nguema, who was deposed by his nephew, Teodoro Obiang Nguema Mbasogo. President Obiang has been the Head of State since 1979, having won all presidential elections held in the country (1996, 2002, 2009 and 2016).

Equatorial Guinea is a constitutional multiparty presidential republic. Since its adoption in 1968, the constitution has been amended numerous times, most notably in 1973, 1982 and 1991 and more recently in 2012.

Pursuant to the constitution, the President is the Head of State and of the executive branch, and is responsible for defining the nation's policies. The President can be elected for a maximum of two consecutive seven-year terms. The same person can only be elected for a third term after a seven-year break. Although it could be considered that President Obiang is currently serving his second term after the 2012 revision of the constitution, which will end in 2023. At the end of 2021, the PDGE, the party in power in Equatorial Guinea surprised everyone by not choosing during its Congress its candidate for the presidential elections of 2023. President Obiang had been on the sidelines for several months in favour of his son Teodoro Nguema Obiang Mangue, nicknamed Teodorin, who has long been presented as his successor, has been the Vice-President of the Republic and Vice-President of the PDGE. According to the press, regime veterans had presented the current president as "the right man for the job," suggesting that he would continue in office. Apparently, the 80-year-old President looks set to run for another term after deciding not to pass the reins of power to his son, supposedly considering that the term starting in 2023 will be his second one.

Under the constitution, the Vice President will assume the powers of the President in case of his removal, permanent physical or mental disability, or death until elections are held. Currently Mr. Teodoro Nguema Obiang Mangue, the current President's eldest son, holds the office of Vice President.

In April 2016, President Obiang was re-elected with 93.7 per cent of the votes. In November 2017, the country held legislative and municipal elections. The ruling PDGE party (the Democratic Party founded by the President in 1991) and its 14 coalition parties won 92 per cent of the vote, taking all 70 seats in the Senate, 99 of 100 seats in the lower chamber, and all except one seat in the municipal councils. In 2018, the President and the ruling PDGE further solidified their position after a court dissolved the political party that

held the sole seat belonging to the opposition in the 170 member bicameral parliament. No civil unrest was noted during the elections or the days that followed.

There have been several attempted coups in Equatorial Guinea in the past 20 years, notably in 2002, 2004 and 2009, when the Presidential Palace allegedly came under attack. Several arrests, deportations and the exile of opposition members, mercenaries and foreigners allegedly involved in the coups have followed each occasion. In January 2018, the authorities reported an attempted coup in December 2017. In May 2018, the Supreme Court upheld a ban on the country's main opposition party, the CI Party, which was accused of involvement in acts of violence ahead of last year's elections.

In 2006 and 2008, mass resignation of the Government of Equatorial Guinea was accepted by the President on the basis of corruption and mismanagement. In subsequent years, the Government of Equatorial Guinea has been changed by the President after intervals of two or three years. In August 2020, the Prime Minister and cabinet resigned after criticism of mismanagement of the economy and other shortcomings. However, most of the ministers, including the Prime Minister himself, were reappointed days later. The Prime Minister has held his post since 2016.

There are no unions in the country, demonstrations are very rare and there have been no strikes in recent years.

The Government has taken steps to fight corruption. In 2018, Equatorial Guinea ratified the UN Convention against Corruption and, in 2019, the African Union's (AU) Convention on Preventing and Combating Corruption. In 2020, a new Decree-Law on measures for the prevention and fight against corruption was approved. This statute was revoked and replaced by a Law with similar content in 2021. The new law created the National Commission for the Prevention and Combatting of Corruption ("**NCPCC**") and its members have been recently appointed.

Equatorial Guinea has had generally cordial relations with its neighbours. It is a member of the CEMAC, the Organisation for the Harmonisation of Corporate Law in Africa (OHADA), the African Union, the Community of Portuguese Language Countries (CPLP) and other organisations. It had a minor border dispute with Cameroon that was resolved by the International Court of Justice in 2002 and a dispute with Gabon over the Corisco border, which was solved by an agreement signed with the help of United Nations mediation, in January 2004. Equatorial Guinea had a 40-year border dispute with Gabon concerning the Mbanié, Cocotiers and Congas islands, which was forwarded to the International Court of Justice through the signature of an agreement on 15 November 2016.

## PART 14

### EGYPT LEGAL AND REGULATORY FRAMEWORK

#### 1. Petroleum law regime of Egypt

##### 1.2 *Legislative structure of the Egyptian oil and gas industry*

The Egyptian government has restructured the energy sector to cope with the expanding activities of oil, gas and petrochemicals in Egypt. The Egyptian Ministry of Petroleum (“**MOP**”) is the governmental authority responsible for the regulation and development of the oil and gas industry in Egypt. Certain government agencies, including the Egyptian General Petroleum Company (“**EGPC**”), the Egyptian Natural Gas Holding Company (“**EGAS**”) and the Ganoube El-Wadi Petroleum Holding Company (“**GANOPE**”) have been set up to help the MOP achieve its objectives.

The following laws predominantly regulate the oil and gas industry in Egypt:

- (a) The Egyptian Constitution of 2014 as amended in 2019;
- (b) Fuel Materials Law No. 66/1953 as amended and its Executive Regulations (“**ER**”) issued by Minister of Industry Decree No. 758/1972 as amended (the “**Fuel Materials Law**”);
- (c) Law No. 167/1958 as amended, and Law No. 20/1976, concerning the establishment and regulation of EGPC;
- (d) Presidential Decree No. 409/1973 (concerning the formation of ministries) and Decree No. 1451/1973 (concerning competencies of the Ministry of Petroleum);
- (e) Prime Minister (“**PM**”) Decree No. 1009/2001, concerning the establishment of EGAS, as amended by PM Decree No. 1580/2003;
- (f) PM No. 1755/2002, concerning the establishment of GANOPE. Law No. 4/1988 and its ER issued by the Ministry of Petroleum Decree No. 292/1988 concerning oil pipelines;
- (g) The Gas Activities Law No. 196/2017 as amended, and its ER issued by PM Decree No. 196/2017 (for commercial gas activities) (the “**Gas Activities Law**”); and
- (h) Law No. 4/1994 and its ER issued by PM Decree No. 338/1995 (“**Environmental Law**”).

##### 1.3 *The right to explore and develop oil and gas*

Under the constitution of Egypt (the “**Egyptian Constitution**”), all oil and gas resources are under the control of the State of Egypt (the “**State**”). Accordingly, only the State can grant rights for exploration and exploitation of oil and gas resources for interested investors.

The Egyptian Constitution provides that concessions for the exploitation of such resources shall be issued by virtue of a law for a period not exceeding 30 years.

The mechanism for granting a contractor the right to carry out oil and gas exploration and development activities in Egypt is the concession agreement (also referred to as a production sharing contract). The Egyptian government usually first grants rights to exploration and exploitation licences through a competitive international bidding process, where opportunities are as of recent accessible through the Egypt Upstream Gateway (“**EUG**”). The successful bidder is then required to enter into individual concession agreements with EGPC, EGAS or GANOPE (as applicable) and the Government of Egypt represented by the Minister of Petroleum and Mineral Resources (the “**Minister**”) for each concession area acquired. First, however, a law will be issued allowing the Minister on behalf of the Government of Egypt, to enter into the concession agreement with the relevant government entity and the contractor. Such particular concession law will govern all aspects related to the concession.

Concession agreements have the force and privileges of law in Egypt, meaning each agreement is considered to be an Egyptian Act of Parliament that requires Parliamentary approval. The concession agreement overrides any contradictory Egyptian laws but not the Egyptian Constitution. The exploration and exploitation licences granted under the concession agreement are deemed the main licences for the exploration and exploitation of oil and gas resources. In the absence of any legal rule under the relevant concession agreement, the exploration and exploitation operations will be subject to the rules of the Fuel Materials Law, its ER and related ministerial decrees, where applicable. References may be made to other laws in Egypt, such as certain environmental regulations (discussed below), and these other laws will apply to the particular aspects of the concession, in so far as they do not contradict with the provisions of the concession agreement.

#### 1.4 *The Concession Agreement*

Concession agreements usually follow a standard format which may be updated by the MOP and the relevant government entity from time to time, with slight variations. The commercial terms of concession agreements are open to negotiation, but each concession agreement will typically set out certain factors such as:

- (a) minimum work and financial commitments associated with each exploration and development programme;
- (b) any bonus payment(s) to be paid by the contractor to the relevant government agency upon triggering events (usually tied to certain production milestones);
- (c) royalties payable to the government in cash or in kind (10 per cent for any quantity of oil or gas produced and saved from the area covered by the concession during the development period);
- (d) exploration and development periods and extensions of each;
- (e) rules concerning the contractor's recovery of its costs and expenses in association with exploration, development and related operations;
- (f) production sharing valuations;
- (g) priority right to the relevant government entity to offtake the production for domestic needs;
- (h) relinquishment obligations and the associated triggering events;
- (i) and requirements and procedures to convert an area to a development and to obtain a development lease, conclude sales and offtake agreement, and to dispose of the contractor's share of production.

Under the exploration phase of a concession agreement, the contractor will be granted the right to carry out exploration activities in the area defined under the concession agreement. The exploration phase duration is determined under each concession on a case-by-case basis and is usually a seven-year term which is generally divided into two or three terms: the initial term of two to five years and up to two potential extensions of one to three years each. If no commercial discovery is made at the end of the exploration phase, the concession agreement will terminate. Even if a commercial discovery is made, the contractor will have to relinquish certain areas not associated with the commercial discovery over time intervals provided in the concession. The contractor may also voluntarily relinquish exploration areas at any time before the end of the exploration phase.

After a commercial discovery is made, the contractor and the relevant government agency will decide whether to develop the area. If the parties decide to proceed, and if the MOP approves, then the parties will designate the development area (within the concession area) that will become subject to a development lease. The terms of the development lease are set out in the concession agreement, with the length of the development lease usually being between 15-20 years with options to extend (usually in five-year increments, provided that a development lease may not be extended beyond 30 years from



the date of commercial discovery, in compliance with the limitation in the Egyptian Constitution). After the development lease is granted, the parties will agree on a development and production plan and endeavour to find markets capable of absorbing the production, and the relevant government agency will advise the contractor of the potential outlets for the production with respect to local markets. The contractor will still have the right to explore the concession areas that are not subject to the development lease (and not otherwise subject to relinquishment) on the exploration terms in the concession agreement as outlined above. The concession provides for a priority right to the relevant government agency over the production of crude or gas to meet domestic need. The relevant government agency would typically exercise such priority right and conclude offtake agreements with the contractor in this regard.

#### 1.5 *Joint operating company*

The contractor and the relevant government agency will be required to form a joint operating company (“**JOC**”) to operate the commercial discovery/ies that is subject to the development lease(s). JOCs are established and are equally owned by the relevant government agency and the contractor in the form of a joint-stock company, and the charter of the JOC is typically annexed to the concession agreement. If there is more than one contractor that is a shareholder in the JOC, then each contractor member will be responsible among the group of contractor members for its share of the operating costs of the JOC in proportion to its participating interest in the concession agreement. The object of the JOC is essentially to act as an agent through which the contractor and the relevant government agency carry out the operations under the concession agreement. The JOC does not own any right, title or interest in the concession and does not make any profit. The shares of the JOC are not tradable and may not be transferred except due to an assignment of a contractor stake under the concession itself. Therefore, whenever it is indicated in the concession agreement that the JOC shall decide, take action or make a proposal, it is understood that such decision or judgment is taken by the relevant government agency and the contractor jointly. The JOC is fully funded by the contractor against cost recovery under the cost recovery regime of the concession. In case of common contractors in two or more concessions, it is common practice to hold one of the JOCs without employees or active operations and subcontract its work entirely to the other JOC, with both sharing the same owner.

The contractor and the JOC are exempt from custom duties, effective taxes, levies and fees related to the import of machinery, appliances, vehicles, hardware, software and most other items used in operations. However, such exemption does not apply where items of the same or substantially similar kind and quality are manufactured locally and can be procured at comparable prices. Generally, the contractor is subject to Egyptian income tax at the rate of 40.55 per cent and must file returns, assessment of tax and bookkeeping, which are to be grossed up as set out in the concession agreement. In any event, the relevant government agency assumes, pays and discharges, in the name of the contractor, its Egyptian income tax out of its share of the petroleum produced except as set out in the concession agreement.

#### 1.6 *Cost recovery and production allocation*

The concession agreement will set out in detail the distribution of cost recovery for the contractor, including a dedicated annex outlining the accounting procedures for treatment of costs, expenses and taxes under the concession agreement. Typically, the contractor bears all the risks until a commercial discovery is made, and, following which, the JOC is formed. The contractor will then be entitled to recover a certain percentage of its costs related to its previous and ongoing exploration and development activities (usually 25 per cent to 40 per cent) in proportion to its working interest in the concession agreement. These costs may be recovered from the total petroleum production at a rate set out under the concession agreement on a quarterly basis. If the recoverable expenditures exceed the amount recoverable from petroleum production in any period, the unrecovered portion of the expenditures can usually be carried forward to subsequent periods.

Full title to fixed and movable assets that are charged to cost recovery will usually pass from the contractor to the relevant government agency when its total costs have been recovered in accordance

with the concession agreement, or at the time of relinquishment of the concession agreement with respect to all assets chargeable to the operations whether recovered or not, whichever occurs earlier.

### **1.7 *Ownership of assets***

Under the model concession agreements, the movable and immovable assets (other than lands, which become GANOPE/EGAS/EGPC's property as of the purchase thereof) are transferred automatically and gradually from the contractor to GANOPE/EGAS/EGPC, as they become subject to cost recovery pursuant to the cost recovery provisions of the concession. The contractor (through the JOC) only has the right to use such assets for the purpose of petroleum operations under the concession agreement.

### **1.8 *Termination and revocation of concession***

The concession agreement is terminated by the lapse of its term, unless terminated prematurely. In addition, the Government has the right to prematurely terminate the concession agreement in several instances set out in the concession. The Government may, among other things, terminate the concession in the event of a misrepresentation by the contractor, an assignment of the contractor's rights without obtaining the required approvals, or the contractor being declared bankrupt, or committing any material breach under the concession or the Fuel Materials Law. If the Government deems that one of these causes (other than force majeure events) exists, it will give the contractor 90 days' written notice to remedy and remove the cause. If, at the end of the 90-day notice period, the cause has not been remedied and removed, the concession agreement may be terminated by a presidential decree.

## **2. *Environmental law regime of Egypt***

### **2.1 *Fuel Materials Law and Environment Law***

All persons working in concession areas are legally obligated to comply with health and safety requirements and industry standards in the course of carrying out their work. The ER of the Fuel Materials Law sets out examples of the measures that must be taken to this effect, including the required maintenance of operation facilities and machinery equipment, as well as the prevention of accidents such as oil spills.

Environmental issues in Egypt are also governed by Environment Law and its ER, which provides for the creation of the Egyptian Environment Affairs Agency ("EEAA"). The EEAA formulates general policies and implements plans for the protection of the environment. Such protections include mandatory environmental reviews to be undertaken by the competent administrative authority as part of the approval process for all proposed projects. Non-compliance with environmental obligations will subject the contractor to fines which are criminal in nature, ranging from 300,000 to 1,000,000 Egyptian pounds and potentially imprisonment in particular situations. The EEAA is tasked with enforcing these obligations.

Decommissioning of petroleum wells is addressed under the Fuel Materials Law and not under the concession. The contractor will need to prepare a decommissioning programme for non-producing wells, in accordance with the technical due principles, good oil field practices and accepted petroleum engineering principles and present it to the EGPC for approval. Once the relevant government agency (and EGPC as may be the case) approves the proposed decommissioning programme in writing, the contractor may start the decommission process in accordance with such approved decommissioning programme. In relation to petroleum wells, the production from which is not economical, the contract will have to prove to the relevant government agency, from a technical and operational perspective, that the production from the relevant well is not economical. If EGPC acknowledges that the production from the relevant well is not in fact economical, the contractor may start the decommissioning process after obtaining the approval of the relevant government agency in relation to the decommissioning programme. The relevant government agency, at its own discretion, has the right to request from the contractor to leave the well as is and not to decommission it if the relevant government agency is of the opinion that such well may be used for any purpose. The concession agreement form does not include provisions dealing with handover of the concession area upon

termination/relinquishment to the relevant government agency. The Fuel Materials Law and its ER include a handful of provisions in this regard. However, the matter is entirely in practice dependent on the discretion of the relevant government agency. Some recent models of the concession agreement particularly with EGAS, require the contractor to submit an abandonment plan of the development area along with the development plan, which will include for example the abandonment procedures, estimated cost and cost recovery mechanism.

Except as disclosed above, there are no explicit statutory provisions or standards set out in the concession agreement form, the Fuel Materials Law or its ER in relation to timing, cost expectation or provisions for the abandonment and decommissioning duties of the contractor. Such duties are subject to the general obligation on the contractor to perform its duties under the concession agreement in a diligent, safe and efficient manner in accordance with such good and prudent petroleum industry practices and field conservation principles as are generally followed in the international petroleum industry under similar circumstances.

## 2.2 ***Other Environmental Laws***

Other relevant environmental laws include:

- (a) Law 59/1960 and its ER 630/1962 regulating work with ionising radiation, licensing and preventing its dangers, Law 7/2010 and its ER 1326/2011 regulating nuclear and radiological activities, and PM Decree 1767/2014 on protection against ionising radiation and regulates licensing and use of radiation sources;
- (b) Law 93/1962 and its ER 649/1962 promulgating disposal of liquid waste, protection of public sewer networks and the licensing of establishment of private sewer networks;
- (c) Law 48/1982 and its ER 402/2009 on protecting the Nile River and waterways from pollution;
- (d) Law 147/2021 regulating irrigation and the protection of water resources. The law stipulates general rules to protect the water resources;
- (e) Minister of Environment decree 75 for 2017 determining the fees for reviewing the environmental impact assessment study;
- (f) Waste Management Law 202/2020 and its ER 722/2022;
- (g) Law 102/1983 regulating the protection of the natural reserves;
- (h) Minister of Environment decree 125 for 2021 regarding the collection of fees for approvals and permits issued by the EEA to approve the export or release of substances subject to Montreal Protocol;
- (i) ER 758/1972 of Law 66/1953 regulating security, protection requirements, waste management and protection of sea water in relation to oil and gas activities; and
- (j) Minister of Petroleum Decree 673/1999 and Decree 1352/2007 specifying petroleum materials and hazardous waste that are prohibited to be used without a licence obtained from EGPC.

## 2.3 ***Environmental Conventions***

Egypt is party to the following conventions and treaties pertaining to environmental matters:

- (a) Barcelona convention for the Protection of the Mediterranean Sea Against Pollution;
- (b) Bamako Convention prohibiting the import, dumping or incineration of all hazardous and radioactive wastes in all ocean and inland water in the African continent and aiming to minimise and control transboundary movements of hazardous wastes within the African continent. The convention aims to ensure that disposal of waste is conducted in an environmentally sound manner;

- (c) International Convention on Civil Liability for Oil Pollution Damage. The convention applies to fixed or floating offshore installations or structures engaged in gas production activities;
- (d) The International Convention for the Prevention of Pollution from Ships, 1973 as modified by the Protocol of 1978 (MARPOL 73/78);
- (e) The Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter (London Convention, 1972);
- (f) Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal;
- (g) UNESCO Convention on the Protection of the Underwater Cultural Heritage;
- (h) Convention concerning the Protection of the World Cultural and Natural Heritage;
- (i) African convention on the conservation of nature and natural resources;
- (j) Montreal Protocol regulating the protection of the ozone layer by phasing out the production and consumption of ozone-depleting substances;
- (k) United Nation Framework Convention on Climate Change UNFCCC, Kyoto Protocol and Paris Agreement commits state parties to reduce greenhouse gas emissions by stabilising greenhouse gas concentrations in the atmosphere;
- (l) Convention on Biological Diversity. The convention purpose is the conservation of biological diversity, the sustainable use of its components and the fair and equitable sharing of benefits arising from genetic resources;
- (m) Convention on the Conservation of Migratory Species of Wild Animals;
- (n) Radiation Protection Convention, 1960 aiming to restrict workers from exposure of ionising radiation and to prohibit persons under 16 from engaging in work that causes such exposure;
- (o) Working Environment (Air Pollution, Noise and Vibration) Convention, 1977. It aims to protect workers against occupational hazards in the working environment due to air pollution, noise and vibration; and
- (p) Stockholm Convention on Persistent Organic Pollutants.

### **3. State of Egypt**

#### **3.1 Overview**

The Unilateral Declaration of Egyptian Independence on 28 February 1922 was the formal legal instrument by which the United Kingdom recognised Egypt as an independent sovereign state. The military-led revolution that began on 23 July 1952 led to a republic being declared on 18 June 1953 and all British troops withdrawn on 18 June 1956.

The current Egyptian Constitution was passed by a referendum in January 2014 and was amended in 2019. Egypt is a presidential republic. Pursuant to the Constitution, the President is the Head of State, the Supreme Commander in Chief of the Armed Forces and heads the executive authority. The President also chairs the Supreme Council for the Judiciary Authorities since 2019.

Egypt has a bicameral parliamentary system made of the Parliament (House of Representatives) and the Senate (Shura Council). The Senate's role is advisory, while only the Parliament has the legislative power to enact laws.

The modern Egyptian legal system is based on a combination of Napoleonic Code and Islamic Shariah law. The Egyptian legal system is considered and is categorised as a civil law system and is based upon an established system of codified laws. Judicial precedents of higher courts are not binding but provide moral guidance for the courts.

Besides court litigation, Law 27/1994 governs domestic and international arbitration (“**Arbitration Law**”). Arbitration is well established as a prominent method for dispute resolution for investment and business disputes.

### 3.2 *Membership of relevant organisations, treaties and initiatives*

Egypt is a member of several international organisations including; the East Mediterranean Gas Forum (“**EMGF**”), Organisation of Arab Petroleum Exporting Countries (OAPEC), International Energy Forum, Gas Exporting Countries Forum, World Petroleum Council, African Petroleum Producers Organisation, World Energy Council, International Union for Conservation of Nature, The United Nations, The International Monetary Fund, The World Trade Organisation, The International Labour Organisation, The International Maritime Organisation, The World Customs Organisation, The International Organisation for Standardisation, The African Union, Common Market for Eastern and Southern Africa (COMESA), and The Arab League. Egypt concluded several bilateral investment treaties (“**BIT**”) such as Canada – Egypt BIT (1996), Egypt – United States BIT (1986), and Egypt – United Kingdom BIT (1975).

Egypt initiated the efforts to gather countries producing gas in the Eastern Mediterranean region under one forum to align and enhance joint commercial opportunities. EMGF was established by Egypt, Palestine, Greece, Cyprus, Israel, France, Italy and Jordan and has its headquarters in Egypt by Presidential Decree No. 471 of 2021. Egypt also has memorandums of understanding with the EU and the US in the energy field. Egypt and Cyprus signed in 2019 an agreement to build a direct sub-sea gas pipeline. In March 2022, Egypt announced at the World Economic Forum (WEF) that construction of the pipeline connecting Cyprus’ Aphrodite natural gas field to Egypt will begin by the end of 2022 and is planned to become operational by 2025. The planned pipeline will allow natural gas from Cyprus to flow to Egypt’s liquefaction facilities at Idku and Damietta for processing and shipment onward to Europe and the World. In addition, Egypt established Hub Development projects for trading and storage of crude oil and petroleum products (SUMED & Sonkar). In June 2022, Egypt and Israel signed a framework agreement with the EU, to supply the EU with gas. Egypt signed a similar agreement with Lebanon and Syria in June 2022 to supply Lebanon with natural gas. Egypt has declared plans to become a hub for commercial activities for the Eastern Mediterranean Gas and is the host of the East Med Gas Forum. Egypt is also implementing plans pertaining to energy resources diversification, decreasing carbon emission and expanding on hydrogen production projects. In this regard, Egypt recently signed several preliminary agreements for green and ammonia project and carbon credits projects. Egypt is set to host the COP27 climate conference in November 2022, and it is expected that it will announce during the event further partnerships particularly for hydrogen production.

### 3.3 *Court System*

The judiciary consists mainly of the Civil Courts, the Economic Courts, the State Council (i.e., the administrative courts) and the Supreme Constitutional Court.

The Egyptian court system adopts a two-tier litigation process, where matters of fact and law are litigated before first instance courts and can be reviewed before Appeal Courts, which exercise a full review of the facts, merits and verdict of the case. The Court of Cassation poses a third tier of litigation, but its remit excludes any matters of fact and is limited to the application of law. Over time, the Court of Cassation became the central unit for providing a uniform interpretation and application of the law.

Economic courts are Civil Courts with special jurisdiction over commerce, banking and finance related cases. Economic Courts are divided into First Instance Courts and Courts of Appeal.

The State Council has jurisdiction over disputes involving administrative bodies in connection with administrative decisions and contracts and is divided into First Instance Courts, Courts of Appeal and the Higher Administrative Court.



The Supreme Constitutional Court examines whether a legislation violates the Constitution. If any legislation contradicts the Constitution, the Supreme Constitutional Court holds it unconstitutional and such law becomes null and void.

Generally, save for the Economic Courts, the courts in Egypt are slow and unfamiliar with complex commercial transactions and structures. Seeking redress through the courts could therefore be a lengthy process with uncertain outcomes. Accordingly, resorting to commercial arbitration is always the recommended approach.

#### 3.4 ***Enforcement of Arbitration***

Egypt is a signatory to the New York Convention. A valid arbitral award is enforceable without retrial of the merits if it fulfils the conditions of the New York Convention and the Arbitration Law, which includes the following:

- a. the arbitral award does not contradict a judgment previously rendered by the Egyptian Courts on the subject disputed;
- b. the arbitral award does not contravene Egyptian public policy; and
- c. the arbitral award was properly notified to the party against whom it was rendered.

An arbitral award presented to an Egyptian Court for enforcement must be accompanied by an official Arabic translation of the arbitration agreement and the arbitral award.

#### 3.5 ***Enforcement of Foreign Court Judgement***

Egyptian courts will not recognise a judgment of any foreign court in the absence of a reciprocal recognition of judgments. Without such explicit bilateral treaty, a judgement by a foreign court is unlikely to be enforceable in Egypt without retrial of the merits.

In addition, submission by the parties to the exclusive jurisdiction of any foreign courts will not ban or block the jurisdiction of Egyptian courts. Accordingly, Egyptian courts will retain jurisdiction to review and decide upon any dispute irrespective of the parties' submission to the exclusive jurisdiction of certain foreign courts. Only valid submission to arbitration would block Egyptian courts from assuming jurisdiction.

## PART 15

### CANADA LEGAL AND REGULATORY FRAMEWORK

Companies operating in the Canadian oil and gas industry are subject to extensive regulation and control of operations (including with respect to land tenure, exploration, development, production, refining and upgrading, transportation, and marketing) as a result of legislation enacted by various levels of government as well as with respect to the pricing and taxation of petroleum and natural gas through legislation enacted by, and agreements among, the federal and provincial governments of Canada, all of which should be carefully considered by investors in the Western Canadian oil and gas industry. All current legislation is a matter of public record and neither VAALCO nor TransGlobe are unable to predict what additional legislation or amendments governments may enact in the future.

TransGlobe's assets and operations are, and following Completion the Enlarged Group's assets will be, regulated by administrative agencies that derive their authority from legislation enacted by the applicable level of government. Regulated aspects of the oil and natural gas business include all manner of activities associated with the exploration for and production of oil and natural gas, including, among other matters: (i) permits for the drilling of wells and construction of related infrastructure; (ii) technical drilling and well requirements; (iii) permitted locations and access of operation sites; (iv) operating standards regarding conservation of produced substances and avoidance of waste, such as restricting flaring and venting; (v) minimising environmental impacts, including by reducing emissions; (vi) storage, injection and disposal of substances associated with production operations; and (vii) the abandonment and reclamation of impacted sites. In order to conduct oil and natural gas operations and remain in good standing with the applicable federal or provincial regulatory scheme, producers must comply with applicable legislation, regulations, orders, directives and other directions (all of which are subject to governmental oversight, review and revision, from time to time). Compliance in this regard can be costly and a breach of the same may result in fines or other sanctions.

The discussion below outlines some of the principal aspects of the legislation, regulations, agreements, orders, directives and a summary of other pertinent conditions that impact the oil and gas industry in Western Canada, specifically in the province of Alberta where TransGlobe's assets are primarily located. While these matters do not affect TransGlobe's operations in any manner that is materially different than the manner in which they affect other similarly-sized industry participants with similar assets and operations, investors should consider such matters carefully.

#### **1. Petroleum law regime of Canada**

##### **1.1 Pricing and marketing in Canada**

###### **(a) Crude oil**

Oil producers are entitled to negotiate sales contracts directly with purchasers. As a result, macroeconomic and microeconomic market forces determine the price of oil. Worldwide supply and demand factors are the primary determinant of oil prices, but regional market and transportation issues also influence prices. The specific price that a producer receives will depend, in part, on oil quality, prices of competing products, distance to market, availability of transportation, value of refined products, supply/demand balance and contractual terms of sale.

Global oil markets have recovered significantly from price drops resulting from the COVID-19 pandemic. In the first quarter of 2022, oil prices have risen to the highest levels since 2014 due to tight supply and a resurgence in demand. OPEC forecasts robust growth in world oil demand in 2022, despite newly emerging COVID-19 variants, expected interest rate increases in major economies and other uncertainties with respect to the world economy.

###### **(b) Natural gas**

Negotiations between buyers and sellers determine the price of natural gas sold in intra-provincial, interprovincial and international trade. The price received by a natural gas

producer depends, in part, on the price of competing natural gas supplies and other fuels, natural gas quality, distance to market, availability of transportation, length of contract term, weather conditions, supply/demand balance and other contractual terms of sale.

(c) *Natural Gas Liquids (“NGLs”)*

The pricing of condensates and other NGLs such as ethane, butane and propane sold in intra-provincial, interprovincial and international trade is determined by negotiation between buyers and sellers. The profitability of NGLs extracted from natural gas is based on the products extracted being of greater economic value as separate commodities than as components of natural gas and therefore commanding higher prices. Such prices depend, in part, on the quality of the NGLs, price of competing chemical stock, distance to market, access to downstream transportation, length of contract term, supply/demand balance and other contractual terms of sale.

1.2 *Transportation constraints and market access*

Under the constitution of Canada (the “**Canadian Constitution**”), the development and operation of interprovincial and international pipelines fall within the federal government’s jurisdiction and, under the Canadian Energy Regulator Act (the “**CERA**”), new interprovincial and international pipelines require a federal regulatory review and Cabinet approval before they can proceed. However, recent years have seen a perceived lack of policy and regulatory certainty in this regard such that, even when projects are approved, they often face delays due to actions taken by provincial and municipal governments and legal opposition related to issues such as Indigenous rights and title, the government’s duty to consult and accommodate Indigenous peoples and the sufficiency of all relevant environmental review processes. Export pipelines from Canada to the United States face additional unpredictability as such pipelines also require approvals from several levels of government in the United States.

Producers negotiate with pipeline operators to transport their products to market on a firm or interruptible basis depending on the specific pipeline and the specific substance. Transportation availability is highly variable across different jurisdictions and regions. This variability can determine the nature of transportation commitments available, the number of potential customers and the price received.

(a) *Oil pipelines – specific pipeline updates*

The Enbridge Inc. Line 3 Replacement from Hardisty, Alberta to Superior, Wisconsin came into service in October 2021. The Line 3 Replacement, originally expected to be in-service in late 2019, faced significant permitting difficulties in the United States, resulting in the two-year delay. The pipeline provides an incremental 370,000 BBLs/d of export capacity from Western Canada into the United States.

The Trans Mountain Pipeline expansion received Cabinet approval in November 2016. Following a period of political opposition in British Columbia, the federal government acquired the Trans Mountain Pipeline in August 2018. Following the resolution of a number of legal challenges and a second regulatory hearing, construction on the Trans Mountain Pipeline expansion commenced in late 2019. Earlier estimated at \$12.6 billion, the project budget has risen to \$21.4 billion as of February 2022. The pipeline is expected to be in service in the third quarter of 2023, an extension from Trans Mountain’s December 2022 estimate. The budget increase and in-service date delay have been attributed to, among other things, the ongoing effects of the COVID-19 pandemic and the widespread flooding in British Columbia in late 2021.

In November 2020, the Attorney General of Michigan filed a lawsuit to terminate an easement that allows the Enbridge Line 5 pipeline system to operate below the Straits of Mackinac, attempting to force the lines comprising this segment of the pipeline system to be shut down. Enbridge filed a federal complaint in late November 2020 in the United States District Court

for the Western District of Michigan and is seeking an injunction to prevent the termination of the easement. Enbridge stated in January 2021 that it intends to defy the shut down order, as the dual pipelines are in full compliance with U.S. federal safety standards. The Government of Canada invoked a 1977 treaty with the United States on 4 October 2021, triggering bilateral negotiations over the pipeline. On 15 December 2021, Enbridge moved to transfer the Attorney General's lawsuit from Michigan State Court to United States Federal Court. The Michigan Public Service Commission ordered Enbridge to file additional engineering and safety information related to its proposed oil pipeline tunnel in early July 2022, creating further delays for the project.

(b) *Marine tankers*

The Oil Tanker Moratorium Act, which was enacted in June 2019, imposes a ban on tanker traffic transporting crude oil or persistent crude oil products in excess of 12,500 metric tonnes to and from ports located along British Columbia's north coast. The ban may prevent pipelines being built to, and export terminals being located on, the portion of the British Columbia coast subject to the moratorium.

(c) *Natural gas and LNG*

Natural gas prices in Western Canada have been constrained in recent years due to increasing North American supply, limited access to markets and limited storage capacity. Companies that secure firm access to infrastructure to transport their natural gas production out of Western Canada may be able to access more markets and obtain better pricing. Companies without firm access may be forced to accept spot pricing in Western Canada for their natural gas, which is generally lower than the prices received in other North American markets.

Required repairs or upgrades to existing pipeline systems in Western Canada have also led to reduced capacity and apportionment of access, the effects of which have been exacerbated by storage limitations. In October 2020, TC Energy received federal approval to expand the NGTL System and the expanded NGTL System is expected to be fully operational by April 2022.

(i) *Specific pipeline and proposed LNG export terminal updates*

While a number of LNG export plants have been proposed in Canada, regulatory and legal uncertainty, social and political opposition and changing market conditions have resulted in the cancellation or delay of many of these projects. Nonetheless, in October 2018, the joint venture partners of the LNG Canada export terminal announced a positive final investment decision. Once complete, the project will allow producers in northeastern British Columbia to transport natural gas to the LNG Canada liquefaction facility and export terminal in Kitimat, British Columbia via the Coastal GasLink pipeline (the "**CGL Pipeline**"). Pre-construction activities on the LNG Canada facility began in November 2018, with a completion target of 2025.

In May 2020, TC Energy sold a 65 per cent equity interest in the CGL Pipeline to investment companies KKR & Co Inc. and Alberta Investment Management Corporation while remaining the pipeline operator. Despite its approval, the CGL Pipeline has faced legal and social opposition. For example, protests involving the Hereditary Chiefs of the Wet'suwet'en First Nation and their supporters have delayed construction activities on the CGL Pipeline, although construction is proceeding. As of December 2021, construction of the CGL Pipeline is approximately 60 per cent complete.

In addition to LNG Canada and the CGL Pipeline projects, a number of other LNG projects are underway at varying stages of progress, though none have reached a positive final investment decision.

### 1.3 ***Land tenure***

#### (a) *Mineral rights*

With the exception of Manitoba, each provincial government in Western Canada owns most of the mineral rights to the oil and natural gas located within their respective provincial borders. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences and permits (collectively, “**leases**”) for varying terms, and on conditions set forth in provincial legislation, including requirements to perform specific work or make payments in lieu thereof. The provincial governments in Western Canada conduct regular land sales where oil and natural gas companies bid for the leases necessary to explore for and produce oil and natural gas owned by the respective provincial governments. These leases generally have fixed terms, but they can be continued beyond their initial terms if the necessary conditions are satisfied.

All of the provinces of Western Canada have implemented legislation providing for the reversion to the Crown of mineral rights to deep, non-productive geological formations at the conclusion of the primary term of a disposition. In addition, Alberta has a policy of “shallow rights reversion” which provides for the reversion to the Crown of mineral rights to shallow, non-productive geological formations for new leases and licences. British Columbia has a policy of “zone specific retention” that allows a lessee to continue a lease for zones in which they can demonstrate the presence of oil or natural gas, with the remainder reverting to the Crown.

In addition to Crown ownership of the rights to oil and natural gas, private ownership of oil and natural gas (i.e. freehold mineral lands) also exists in Western Canada. Rights to explore for and produce privately owned oil and natural gas are granted by a lease or other contract on such terms and conditions as may be negotiated between the owner of such mineral rights and companies seeking to explore for and/or develop oil and natural gas reserves.

An additional category of mineral rights ownership includes ownership by the Canadian federal government of some legacy mineral lands and within Indigenous reservations designated under the Indian Act (Canada). Indian Oil and Gas Canada manages subsurface and surface leases in consultation with applicable Indigenous peoples, for the exploration and production of oil and natural gas on Indigenous reservations through An Act to Amend the Indian Oil and Gas Act and the accompanying regulations. TransGlobe does not have operations on Indigenous reserve lands.

#### (b) *Surface rights*

To develop oil and natural gas resources, producers must also have access rights to the surface lands required to conduct operations. For Crown lands, surface access rights can be obtained directly from the government. For private lands, access rights can be negotiated with the landowner. Where an agreement cannot be reached, however, each province has developed its own process that producers can follow to obtain and maintain the surface access necessary to conduct operations throughout the lifespan of a well, including notification requirements and providing compensation to affected persons for lost land use and surface damage. Similar rules apply to facility and pipeline operators.

### 1.4 ***Royalties and incentives***

#### (a) *General*

Each province has legislation and regulations in place to govern Crown royalties and establish the royalty rates that producers must pay in respect of the production of Crown resources. The royalty regime in a given province is in addition to applicable federal and provincial taxes and is a significant factor in the profitability of oil sands projects and natural gas and NGL production. Royalties payable on production from lands where the Crown does not hold the



mineral rights are negotiated between the mineral freehold owner and the lessee, though certain provincial taxes and other charges on production or revenues may be payable.

Producers and working interest owners of oil and natural gas rights may create additional royalties or royalty-like interests, such as overriding royalties, net profits interests and net carried interests, through private transactions, the terms of which are subject to negotiation.

Occasionally, the provincial governments in Western Canada create incentive programs for the oil and gas industry. These programs often provide for volume-based incentives, royalty rate reductions, royalty holidays or royalty tax credits and may be introduced when commodity prices are low to encourage exploration and development activity. Governments may also introduce incentive programs to encourage producers to prioritise certain kinds of development or utilise technologies that may enhance or improve recovery of oil, natural gas and NGLs, or improve environmental performance. In addition, from time-to-time, including during the COVID-19 pandemic, the federal government creates incentives and other financial aid programmes intended to assist businesses operating in the oil and gas industry as well as other industries in Canada.

(b) *Alberta*

(i) Crown royalties

In Alberta, oil and natural gas producers are responsible for calculating their royalty rate on an ongoing basis. The Crown's royalty share of production is payable monthly and producers must submit their records showing the royalty calculation.

In 2016, the Government of Alberta adopted a modernised Crown royalty framework (the “**Modernised Framework**”) that applies to all conventional oil (i.e., not oil sands) and natural gas wells drilled after 31 December 2016 that produce Crown-owned resources. The previous royalty framework (the “**Old Framework**”) will continue to apply to wells producing Crown-owned resources that were drilled prior to 1 January 2017 until 31 December 2026, following which time they will become subject to the Modernised Framework. The Royalty Guarantee Act (Alberta), came into effect on 18 July 2019, and provides that no major changes will be made to the current oil and natural gas royalty structure for a period of at least 10 years.

Royalties on production from wells subject to the Modernised Framework are determined on a “revenue-minus-costs” basis. The cost component is based on a drilling and completion cost allowance formula that relies, in part, on the industry's average drilling and completion costs, determined annually by the Alberta Energy Regulator (the “**AER**”), and incorporates information specific to each well such as vertical depth and lateral length.

Under the Modernised Framework, producers initially pay a flat royalty of five per cent on production revenue from each producing well until payout, which is the point at which cumulative gross revenues from the well equals the applicable drilling and completion cost allowance. After payout, producers pay an increased royalty of up to 40 per cent that will vary depending on the nature of the resource and market prices. Once the rate of production from a well is too low to sustain the full royalty burden, its royalty rate is gradually adjusted downward as production declines, eventually reaching a floor of five per cent.

Under the Old Framework, royalty rates for conventional oil production can be as high as 40 per cent and royalty rates for natural gas production can be as high as 36 per cent. Similar to the Modernised Framework, these rates vary based on the nature of the resource and market prices. The natural gas royalty formula also provides for a reduction based on the measured depth of the well, as well as the acid gas content of the produced gas.

In addition to royalties, producers of oil and natural gas from Crown lands in Alberta are also required to pay annual rentals to the Government of Alberta.

- (ii) Freehold royalties and taxes  
Royalty rates for the production of privately owned oil and natural gas are negotiated between the producer and the resource owner.

The Government of Alberta levies annual freehold mineral taxes for production from freehold mineral lands. On average, the tax levied in Alberta is 4 per cent of revenues reported from freehold mineral title properties and is payable by the registered owner of the mineral rights.

## 1.5 *Exports from Canada*

The Canada Energy Regulator (the “CER”) regulates the export of oil, natural gas and NGLs from Canada through the issuance of short-term orders and longer-term licences pursuant to its authority under CERA. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts continue to meet certain criteria prescribed by the CER and the federal government. TransGlobe does not directly enter into contracts to export its production outside of Canada.

## 2. **Environmental law regime of Canada**

### 2.1 *Environmental Regulation*

#### (a) *General*

The Canadian oil and gas industry is subject to environmental regulation under a variety of Canadian federal, provincial, territorial, and municipal laws and regulations, all of which are subject to governmental review and revision from time to time. Such regulations provide for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. The regulatory regimes set out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well, facility and pipeline sites. Compliance with such regulations can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licences and authorisations, civil liability, and the imposition of material fines and penalties. In addition, future changes to environmental legislation, including legislation related to air pollution and greenhouse gas (“GHG”) emissions (typically measured in terms of their global warming potential and expressed in terms of carbon dioxide equivalent (“CO<sub>2e</sub>”)), may impose further requirements on operators and other companies in the oil and gas industry.

#### (b) *Federal*

Canadian environmental regulation is the responsibility of both the federal and provincial governments. While provincial governments and their delegates are responsible for most environmental regulation, the federal government can regulate environmental matters where they impact matters of federal jurisdiction or when they arise from projects that are subject to federal jurisdiction, such as interprovincial transportation undertakings, including pipelines and railways, and activities carried out on federal lands. Where there is a direct conflict between federal and provincial environmental legislation in relation to the same matter, the federal law prevails.

The CERA and the Impact Assessment Act (the “IAA”) provide a number of important elements to the regulation of federally regulated major projects and their associated environmental assessments. The CERA separates the CER’s administrative and adjudicative functions. The CER has jurisdiction over matters such as the environmental and economic regulation of pipelines, transmission infrastructure and certain offshore renewable energy projects. In its adjudicative role, the CERA tasks the CER with reviewing applications for the

development, construction and operation of many of these projects, culminating in their eventual abandonment.

The IAA relies on a designated project list as a trigger for a federal assessment. Designated projects that may have effects on matters within federal jurisdiction will generally require an impact assessment administered by the Impact Assessment Agency (the “**IA Agency**”) or, in the case of certain pipelines, a joint review panel comprised of members from the CER and the IA Agency. The impact assessment requires consideration of the project’s potential adverse effects and the overall societal impact that a project may have, both of which may include a consideration of, among other items, environmental, biophysical and socio-economic factors, climate change, and impacts to Indigenous rights. It also requires an expanded public interest assessment. Designated projects specific to the oil and gas industry include pipelines that require more than 75km of new rights of way and pipelines located in national parks, large scale *in situ* oil sands projects not regulated by provincial GHG emissions caps and certain refining, processing and storage facilities.

The federal government has stated that an objective of the legislative changes was to improve decision certainty and turnaround times. Once a review or assessment is commenced under either the CERA or IAA, there are limits on the amount of time the relevant regulatory authority will have to issue its report and recommendation. Designated projects will go through a planning phase to determine the scope of the impact assessment, which the federal government has stated should provide more certainty as to the length of the full review process.

In May 2022, the Alberta Court of Appeal released its decision in response to the Government of Alberta’s submission of a reference question regarding the constitutionality of the IAA. The Court found the IAA to be unconstitutional in its entirety, stating that the legislation effectively granted the federal government a veto over projects that were wholly within provincial jurisdiction. Shortly after the decision was released, the Government of Canada announced its intention to appeal the decision to the Supreme Court of Canada.

(c) *Alberta*

The AER is the principal regulator responsible for all energy resource development in Alberta. It derives its authority from the Responsible Energy Development Act and a number of related statutes including the Oil and Gas Conservation Act (the “**OGCA**”), the Oil Sands Conservation Act, the Pipeline Act, and the Environmental Protection and Enhancement Act. The AER is responsible for ensuring the safe, efficient, orderly and environmentally responsible development of hydrocarbon resources, including allocating and conserving water resources, managing public lands, and protecting the environment. The AER’s responsibilities exclude the functions of the Alberta Utilities Commission and the Surface Rights Board, as well as the Alberta Ministry of Energy’s responsibility for mineral tenure.

The Government of Alberta relies on regional planning to accomplish its resource development goals. Its approach to natural resource management provides for engagement and consultation with stakeholders and the public and examines the cumulative impacts of development on the environment and communities. While the AER is the primary regulator for energy development, several other governmental departments and agencies may be involved in land use issues, including the Alberta Ministry of Environment and Parks, the Alberta Ministry of Energy, the Aboriginal Consultation Office and the Land Use Secretariat.

The Government of Alberta’s land-use policy sets out an approach to manage public and private land use and natural resource development in a manner that is consistent with the long-term economic, environmental and social goals of the province. It calls for the development of seven region-specific land-use plans in order to manage the combined impacts of existing and future land use within a specific region and the incorporation of a cumulative effects management approach into such plans.

The AER monitors seismic activity across Alberta to assess the risks associated with, and instances of, earthquakes induced by hydraulic fracturing. Hydraulic fracturing involves the injection of water, sand or other proppants and additives under pressure into targeted subsurface formations to fracture the surrounding rock and stimulate oil and natural gas production. TransGlobe routinely conducts hydraulic fracturing in its drilling and completion programs. In recent years, hydraulic fracturing has been linked to increased seismicity in the areas in which hydraulic fracturing takes place, prompting regulatory authorities to investigate the practice further.

The AER has developed monitoring and reporting requirements that apply to all oil and natural gas producers working in certain areas where the likelihood of an earthquake is higher, and implemented the requirements in Subsurface Order Nos. 2, 6, and 7. The regions with seismic protocols in place are Fox Creek, Red Deer, and Brazeau (the “**Seismic Protocol Regions**”). TransGlobe does not have operations in the Seismic Protocol Regions.

## 2.2 *Liability Management*

The AER administers the Liability Management Framework (the “**AB LM Framework**”) and the Liability Management Rating Program (the “**AB LMR Program**”) to manage liability for most conventional upstream oil and natural gas wells, facilities and pipelines in Alberta. The AER is in the process of replacing the AB LMR Program with the AB LM Framework. This change was effected under key new AER directives in 2021, and further updates released in 2022. Broadly, the AB LM Framework is intended to provide a more holistic approach to liability management in Alberta, as the AER found that the more formulaic approach under the AB LMR Program did not necessarily indicate whether a company could meet its liability obligations. New developments under the AB LM Framework include a new Licencee Capability Assessment System (the “**AB LCA**”), a new Inventory Reduction Program (the “**AB IR Program**”), and a new Licencee Management Program (“**AB LM Program**”). Meanwhile, some programmes under the AB LMR Program remain in effect, including the Oilfield Waste Liability Program (the “**AB OWL Program**”), the Large Facility Liability Management Program (the “**AB LF Program**”) and elements of the Licencee Liability Rating Program (the “**AB LLR Program**”). The mix between active programmes under the AB LM Framework and the AB LMR Program highlights the transitional and dynamic nature of liability management in Alberta. While the province is moving towards the AB LM Framework and a more holistic approach to liability management, the AER has noted that this will be a gradual process that will take time to complete. In the meantime, the AB LMR Program continues to play an important role in Alberta’s liability management scheme.

Complementing the AB LM Framework and the AB LMR Program, Alberta’s OGCA establishes an orphan fund (the “**Orphan Fund**”) to help pay the costs to suspend, abandon, remediate and reclaim a well, facility or pipeline included in the AB LLR Program and the AB OWL Program if a licensee or working interest participant becomes insolvent or is unable to meet its obligations. Licensees in the AB LLR Program and the AB OWL Program fund the Orphan Fund through a levy administered by the AER. However, given the increase in orphaned oil and natural gas assets, the Government of Alberta has loaned the Orphan Fund approximately \$335,000,000 to carry out abandonment and reclamation work. In response to the COVID-19 pandemic, the Government of Alberta also covered \$113,000,000 in levy payments that licensees would otherwise have owed to the Orphan Fund, corresponding to the levy payments due for the first six months of the AER’s fiscal year. A separate orphan levy applies to persons holding licences subject to the AB LF Program. Collectively, these programmes are designed to minimise the risk to the Orphan Fund posed by the unfunded liabilities of licensees and to prevent the taxpayers of Alberta from incurring costs to suspend, abandon, remediate and reclaim wells, facilities or pipelines.

The Supreme Court of Canada’s decision in *Orphan Well Association v Grant Thornton* (also known as the “Redwater” decision), provides the backdrop for Alberta’s approach to liability management. As a result of the Redwater decision, receivers and trustees can no longer avoid the AER’s legislated authority to impose abandonment orders against licensees or to require a licensee to pay a security

deposit before approving a licence transfer when any such licensee is subject to formal insolvency proceedings. This means that insolvent estates can no longer disclaim assets that have reached the end of their productive lives (and therefore represent a net liability) in order to deal primarily with the remaining productive and valuable assets without first satisfying any abandonment and reclamation obligations associated with the insolvent estate's assets. In April 2020, the Government of Alberta passed the Liabilities Management Statutes Amendment Act, which places the burden of a defunct licensee's abandonment and reclamation obligations first on the defunct licensee's working interest partners, and second, the AER may order the Orphan Fund to assume care and custody and accelerate the clean-up of wells or sites which do not have a responsible owner. These changes came into force in June 2020.

One important step in the shift to the AB LM Framework has been amendments to Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals ("**Directive 067**"), which deals with licensee eligibility to operate wells and facilities. All licence transfers and granting of new well, facility and pipeline licences in Alberta are subject to AER approval. Previously under the AB LMR Program, as a condition of transferring existing AER licences, approvals and permits, all transfers required transferees to demonstrate that they had a liability management rating of 2.0 or higher immediately following the transfer. If transferees did not have the required rating, they would have to otherwise prove to the satisfaction of the AER that they could meet their abandonment and reclamation obligations, through means such as posting security or reducing their existing obligations. However, amendments from April 2021 to Directive 067 expanded the criteria for assessing licensee eligibility. Notably, the recent amendments increase requirements for financial disclosure, detail new requirements for when a licensee poses an "unreasonable risk" of orphaning assets, and adds additional general requirements for maintaining eligibility.

Alongside changes to Directive 067, the AER also introduced Directive 088: Licensee Life-Cycle Management ("**Directive 088**") in December 2021 under the AB LM Framework. Directive 088 replaces, to an extent, the AB LLR Program with the AB LCA. Whereas the AB LLR Program previously assessed a licensee based on a liability rating determined by the ratio of a licensee's deemed asset value relative to the deemed liability value of its oil and gas wells and facilities, the AB LCA now considers a wider variety of factors and is intended to be a more comprehensive assessment of corporate health. Such factors are wide reaching and include: (i) a licensee's financial health; (ii) its established total magnitude of liabilities, (iii) the remaining lifespan of its mineral resources; (iv) the management of its operations; (v) the rate of closure activities for its liabilities; and (vi) and its compliance with administrative and regulatory requirements. These various factors then feed into a broader holistic assessment of a licensee under the AB LM Framework. In turn, that holistic assessment provides the basis for assessing risk posed by licence transfers, as well as any security deposit that the AER may require from a licensee in the event that the regulator deems a licensee at risk of not being able to meet its liability obligations. However, the liability management rating under the AB LLR Program is still in effect for other liability management programs such as the AB OWL Program and the AB LF Program, and will remain in effect until a broadened scope of Directive 088 is phased in over time.

In addition to the AB LCA, Directive 088 also implemented other new liability management programmes under the AB LM Framework. These include the AB LM Program and the AB IR Program. Under the AB LM Program the AER will continuously monitor licensees over the life-cycle of a project. If, under the AB LM Program, the AER identifies a licensee as high risk, the regulator may employ various tools to ensure that a licensee meets its regulatory and liability obligations. In addition, under the AB IR Program the AER sets industry wide spending targets for abandonment and reclamation activities. Licensees are then assigned a mandatory licensee specific target based on the licensee's proportion of provincial inactive liabilities and the licensee's level of financial distress. Certain licensees may also elect to provide the AER with a security deposit in place of their closure spend target. The AER has also indicated that it will implement a closure nomination programme (the "**CN Program**") in late 2022. Under the programme, those who qualify may nominate certain oil and gas sites for closure. Details regarding the CN Program are forthcoming.



The Government of Alberta followed the announcement of the AB LM Framework with amendments to the Oil and Gas Conservation Rules and the Pipeline Rules in late 2020. The changes to these rules fall into three principal categories: (i) they introduce “closure” as a defined term, which captures both abandonment and reclamation; (ii) they expand the AER’s authority to initiate and supervise closure; and (iii) they permit qualifying third parties on whose property wells or facilities are located to request that licencees prepare a closure plan.

To address abandonment and reclamation liabilities in Alberta, the AER also implements, from time to time, programmes intended to encourage the decommissioning, remediation and reclamation of inactive or marginal oil and natural gas infrastructure. In 2018, for example, the AER announced a voluntary area-based closure (“ABC”) programme. The ABC programme is designed to reduce the cost of abandonment and reclamation operations through industry collaboration and economies of scale. Parties seeking to participate in the program must commit to an inactive liability reduction target to be met through closure work of inactive assets. TransGlobe is not participating in the voluntary ABC programme.

## 2.3 *Climate change regulation*

Climate change regulation at each of the international, federal and provincial levels has the potential to significantly affect the future of the oil and gas industry in Canada. These impacts are uncertain and it is not possible to predict what future policies, laws and regulations will entail. Any new laws and regulations (or additional requirements to existing laws and regulations) could have a material impact on TransGlobe’s operations and cash flow.

### (a) *Federal*

Canada has been a signatory to the United Nations Framework Convention on Climate Change (the “UNFCCC”) since 1992. Since its inception, the UNFCCC has instigated numerous policy changes with respect to climate governance. On 22 April 2016, 197 countries, including Canada, signed the Paris Agreement, committing to prevent global temperatures from rising more than 2° Celsius above pre-industrial levels and to pursue efforts to limit this rise to no more than 1.5° Celsius. To date, 189 of the 197 parties to the UNFCCC have ratified the Paris Agreement, including Canada. In 2016, Canada committed to reducing its emissions by 30 per cent below 2005 levels by 2030. In 2021, Canada updated its original commitment by pledging to reduce emissions by 40-45 per cent below 2005 levels by 2030, and to net-zero by 2050.

During the course of the 2021 United Nations Climate Change Conference in Glasgow, Scotland, Canada’s Prime Minister Justin Trudeau made several pledges aimed at reducing Canada’s GHG emissions and environmental impact, including: (i) reducing methane emissions in the oil and gas sector to 75 per cent of 2012 levels by 2030; (ii) ceasing export of thermal coal by 2030; (iii) imposing a cap on emissions from the oil and gas sector; (iv) halting direct public funding to the global fossil fuel sector by the end of 2022; and (v) committing that all new vehicles sold in the country will be zero-emission on or before 2040.

In line with the Prime Minister’s pledge to impose a cap on emissions from the oil and gas sector, the federal government published a discussion paper on 18 July 2022 that outlines two potential regulatory options for such a cap. Those proposed options are either to: (i) implement a new cap-and-trade system that would set a limit on emissions from the sector; or (ii) modify the existing pollution pricing benchmark (as discussed below) to limit emissions from the sector. These options are currently under review and interested parties may make submissions regarding the proposed cap until 30 September 2022. As such, the form of emissions cap on the oil and gas sector and the overall effect of such a cap remain uncertain.

The Government of Canada released the Pan-Canadian Framework on Clean Growth and Climate Change in 2016, setting out a plan to meet the federal government’s 2030 emissions reduction targets. On 21 June 2018, the federal government enacted the Greenhouse Gas

Pollution Pricing Act (the “**GGPPA**”), which came into force on 1 January 2019. This regime has two parts: an output-based pricing system (“**OBPS**”) for large industry (enabled by the Output-Based Pricing System Regulations) and a fuel charge (enabled by the Fuel Charge Regulations), both of which impose a price on CO<sub>2</sub>e emissions. This system applies in provinces and territories that request it and in those that do not have their own equivalent emissions pricing systems in place that meet the federal standards and ensure that there is a uniform price on emissions across the country. Originally under the federal plans, the price was set to escalate by \$10 per year until it reaches a maximum price of \$50/tonne of CO<sub>2</sub>e in 2022; however, on 11 December 2020, the federal government announced its intention to continue the annual price increases beyond 2022, such that, commencing in 2023, the benchmark price per tonne of CO<sub>2</sub>e will increase by \$15 per year until it reaches \$170/tonne of CO<sub>2</sub>e in 2030. Starting 1 April 2022, the minimum price permissible under the GGPPA is \$50/tonne of CO<sub>2</sub>e.

While several provinces challenged the constitutionality of the GGPPA following its enactment, the Supreme Court of Canada confirmed its constitutional validity in a judgment released on 25 March 2021.

On 26 April 2018, the federal government passed the Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds (Upstream Oil and Gas Sector) (the “**Federal Methane Regulations**”). The Federal Methane Regulations seek to reduce emissions of methane from the oil and natural gas sector, and came into force on 1 January 2020. By introducing a number of new control measures, the Federal Methane Regulations aim to reduce unintentional leaks and the intentional venting of methane and ensure that oil and natural gas operations use low-emission equipment and processes. Among other things, the Federal Methane Regulations limit how much methane upstream oil and natural gas facilities are permitted to vent. The federal government anticipates that these actions will reduce annual GHG emissions by about 20 megatonnes by 2030.

The federal government has enacted the Multi-Sector Air Pollutants Regulation under the authority of the Canadian Environmental Protection Act, 1999, which regulates certain industrial facilities and equipment types, including boilers and heaters used in the upstream oil and gas industry, to limit the emission of air pollutants such as nitrogen oxides and sulphur dioxide.

In the 23 November 2021 Speech from the Throne, the federal government restated its commitment to achieve net-zero emission by 2050. In pursuit of this objective, the government’s proposed actions include: (i) moving to cap and cut oil and gas sector emissions; (ii) investing in public transit and mandating the sale of zero-emission vehicles; (iii) increasing the federally imposed price on pollution; (iv) investing in the production of cleaner steel, aluminum, building products, cars, and planes; (v) addressing the loss of biodiversity by continuing to strengthen partnerships with First Nations, Inuit, and Métis, to protect nature and the traditional knowledge of those groups; (vi) creating a Canada Water Agency to safeguard water as a natural resource and support Canadian farmers; (vii) strengthening action to prevent and prepare for floods, wildfires, droughts, coastline erosion, and other extreme weather worsened by climate change; and (viii) helping build back communities impacted by extreme weather events through the development of Canada’s first-ever National Adaptation Strategy.

The Canadian Net-Zero Emissions Accountability Act (the “**CNEAA**”) received royal assent on 29 June 2021, and came into force on the same day. The CNEAA binds the Government of Canada to a process intended to help Canada achieve net-zero emissions by 2050. It establishes rolling five-year emissions-reduction targets and requires the government to develop plans to reach each target and support these efforts by creating a Net-Zero Advisory Body. The CNEAA also requires the federal government to publish annual reports that describe how departments and crown corporations are considering the financial risks and opportunities of climate change in their decision-making. A comprehensive review of the Act is required every five years from the date the Act came into force.

The Government of Canada introduced its 2030 Emissions Reduction Plan (the “**2030 ERP**”) on 29 March 2022. In the 2030 ERP, the Government of Canada proposes a roadmap for Canada’s reduction of GHG emissions to 40-45 per cent below 2005 levels by 2030. As the first emissions reduction plan issued under the CNEAA, the 2030 ERP aims to reduce emissions by incentivising electric vehicles and renewable electricity, and capping emissions from the oil and gas sector, among other measures.

On 8 June 2022 the Canadian Greenhouse Gas Offset Credit System Regulations were published in the Canada Gazette. The regulations establish a regulatory framework to allow certain kinds of projects to generate and sell offset credits for use in the federal OBPS through Canada’s Greenhouse Gas Offset Credit System. The system enables project proponents to generate federal offset credits through projects that reduce GHG emissions under a published federal GHG offset protocol. Offset credits can then be sold to those seeking to meet limits imposed under the OBPS or those seeking to meet voluntary targets.

On June 20 2022, the Clean Fuel Regulations came into force, establishing Canada’s Clean Fuel Standard. The Clean Fuel Standard will replace the former Renewable Fuels Regulation, and aims to discourage the use of fossil fuels by increasing the price of those fuels when compared to lower-carbon alternatives. Coming into force in 2023, the Clean Fuel Standard will impose obligations on primary suppliers of transportation fuels in Canada and require fuels to contain a minimum percentage of renewable fuel content and meet emissions caps calculated over the life cycle of the fuel. The Clean Fuel Regulations also establish a market for compliance credits. Compliance Credits can be generated by primary suppliers, among others, through carbon capture and storage, producing or importing low-emission fuel, or through end-use fuel switching (for example, operating an electric vehicle charging network).

The Government of Canada is also in the midst of developing a carbon capture utilisation and storage (“**CCUS**”) strategy. CCUS is a technology that captures carbon dioxide from facilities, including industrial or power applications, or directly from the atmosphere. The captured carbon dioxide is then compressed and transported for permanent storage in underground geological formations or used to make new products such as concrete. Beginning in 2022, the federal government plans to spend \$319,000,000 over seven years to ramp up CCUS in Canada, as this will be a critical element of the plan to reach net-zero by 2050.

(b) *Alberta*

In December 2016, the Oil Sands Emissions Limit Act came into force, establishing an annual 100 megatonne limit for GHG emissions from all oil sands sites, but the regulations necessary to enforce the limit have not yet been developed. The delay in drafting these regulations has been inconsequential thus far, as Alberta’s oil sands emit roughly 70 megatonnes of GHG emissions per year, well below the 100 megatonne limit.

In June 2019, the fuel charge element of the federal backstop program took effect in Alberta. On 1 April 2022, the carbon tax payable in Alberta will increase from \$40 to \$50 per tonne of CO<sub>2</sub>e, and will continue to increase at a rate of \$15 per year until it reaches \$170 per tonne in 2030. In December 2019, the federal government approved Alberta’s Technology Innovation and Emissions Reduction (“**TIER**”) regulation, which applies to large emitters. The TIER regulation came into effect on 1 January 2020 and replaces the previous Carbon Competitiveness Incentives Regulation. The TIER regulation meets the federal benchmark stringency requirements for emissions sources covered in the regulation, but the federal backstop continues to apply to emissions sources not covered by the regulation.

The TIER regulation applies to emitters that emit more than 100,000 tonnes of CO<sub>2</sub>e per year in 2016 or any subsequent year. The initial target for most TIER-regulated facilities is to reduce emissions intensity by 10 per cent as measured against that facility’s individual benchmark, with a further 1 per cent reduction in each subsequent year. The facility-specific benchmark does not apply to all facilities, such as those in the electricity sector, which are compared

against the good-as-best-gas standard. Similarly, for facilities that have already made substantial headway in reducing their emissions, a different “high-performance” benchmark is available. Under the TIER regulation, certain facilities in high-emitting or trade exposed sectors can opt-in to the programme in specified circumstances if they do not meet the 100,000 tonne threshold. To encourage compliance with the emissions intensity reduction targets, TIER-regulated facilities must provide annual compliance reports. Facilities that are unable to achieve their targets may either purchase credits from other facilities, purchase carbon offsets, or pay a levy to the Government of Alberta.

The Government of Alberta aims to lower annual methane emissions by 45 per cent by 2025. The Government of Alberta enacted the Methane Emission Reduction Regulation on 1 January 2020, and in November 2020, the Government of Canada and the Government of Alberta announced an equivalency agreement regarding the reduction of methane emissions such that the Federal Methane Regulations will not apply in Alberta.

### **3. State of Canada**

#### **3.1 General**

Canada became a nation on 1 July 1867 upon the passing of the British North America Act by the British Parliament. The Constitution of Canada is the supreme law of the nation, and is made up of written documents and unwritten conventions. The primary written texts making up the Constitution of Canada are the Constitution Act, 1867, which established Canada as a parliamentary democracy and outlined the division of powers between the provinces and the federal government, and the Constitution Act, 1982, which formally effected Canada’s legislative independence from the United Kingdom, established an amending formula for the Canadian constitution, and brought into law the Canadian Charter of Rights and Freedoms.

Canada is a parliamentary democracy and a constitutional monarchy. The Prime Minister of Canada is the head of government, and is appointed by the Governor General, who represents the monarch and serves as the head of state. In the most recent federal election in 2021, five parties won seats in Parliament: the Liberal Party, the Conservative Party, the New Democratic Party, the Bloc Québécois and the Green Party of Canada. Justin Trudeau, the head of the Liberal Party, is Canada’s current Prime Minister. The Liberal Party presently leads a minority government in Parliament, and has formed an agreement with the New Democratic Party to work together in certain key areas including healthcare, climate change and affordability.

The Canadian economy is the eighth-largest in the world, with Canadians earning the 24th highest nominal per capita global income. Canada is a member of several international organisations including the United Nations, the North Atlantic Treaty Organisation, the Group of Ten, the G20, the Organisation for Economic Co-operation and Development, the World Trade Organisation, the Commonwealth of Nations, the Arctic Council, the Organisation Internationale de la Francophonie, the Asia-Pacific Economic Cooperation forum, and the Organisation of American States.

#### **3.2 International Trade Agreements**

Canada is party to a number of international trade agreements with other countries around the world that generally provide for, among other things, preferential access to various international markets for certain Canadian export products. Examples of such trade agreements include the Comprehensive Economic and Trade Agreement, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and, most prominently, the United States Mexico Canada Agreement (the “USMCA”), which replaced the former North American Free Trade Agreement (“NAFTA”) on 1 July 2020. Because the United States remains Canada’s primary trading partner and the largest international market for the export of oil, natural gas and NGLs from Canada, the implementation of the USMCA could impact Western Canada’s oil and gas industry at large, including TransGlobe’s business.

While the proportionality rules in Article 605 of NAFTA previously prevented Canada from implementing policies that limit exports to the United States and Mexico relative to the total supply

produced in Canada, the USMCA does not contain the same proportionality requirements. This may allow Canadian producers to develop a more diversified export portfolio than was possible under NAFTA, subject to the construction of infrastructure allowing more Canadian production to reach eastern Canada, Asia and Europe.

### 3.3 *Indigenous Rights*

Constitutionally mandated government-led consultation with and, if applicable, accommodation of, the rights of Indigenous groups impacted by regulated industrial activity, as well as proponent-led consultation and accommodation or benefit sharing initiatives, play an increasingly important role in the Western Canadian oil and gas industry. In addition, Canada is a signatory to the United Nations Declaration of the Rights of Indigenous Peoples (“**UNDRIP**”) and the principles set forth therein may continue to influence the role of Indigenous engagement in the development of the oil and gas industry in Western Canada. For example, in November 2019, the Declaration on the Rights of Indigenous Peoples Act (“**DRIPA**”) became law in British Columbia. The DRIPA aims to align British Columbia’s laws with UNDRIP. In June 2021, the United Nations Declaration on the Rights of Indigenous Peoples Act (“**UNDRIP Act**”) came into force in Canada. Similar to British Columbia’s DRIPA, the UNDRIP Act requires the Government of Canada to take all measures necessary to ensure the laws of Canada are consistent with the principles of UNDRIP and to implement an action plan to address UNDRIP’s objectives. On 21 June 2022, the Minister of Justice and Attorney General issued the First Annual Progress Report on the implementation of the UNDRIP Act (the “**Progress Report**”). The Progress Report provides that, as of June 2022, the federal government has sought to implement the UNDRIP Act by, among other things, creating a Secretariat within the Department of Justice to support Indigenous participation in the implementation of UNDRIP, consulting with Indigenous peoples to identify their priorities, drafting an action plan to align federal laws with UNDRIP, and implementing efforts to educate federal departments on UNDRIP principles.

Continued development of common law precedent regarding existing laws relating to Indigenous consultation and accommodation as well as the adoption of new laws such as DRIPA and UNDRIP Act are expected to continue to add uncertainty to the ability of entities operating in the Canadian oil and gas industry to execute on major resource development and infrastructure projects, including, among other projects, pipelines. The Government of Canada has expressed that implementation of the UNDRIP Act has the potential to make meaningful change in how Indigenous peoples collaborate in impact assessment moving forward, but has confirmed that the current IAA already establishes a framework that aligns with UNDRIP and does not need to be changed in light of the UNDRIP Act.



## PART 16

### OPERATING AND FINANCIAL REVIEW RELATING TO THE VAALCO GROUP

The following discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in the VAALCO Group's results of operations and financial condition during the Historical Financial Information Period. Historical results may not be indicative of future financial performance. Forward-looking statements contained in this review that reflect the current view of the Directors and Executive Officers involve risks and uncertainties and are subject to a variety of factors that could cause actual results to differ materially from those contemplated by such statements. Factors that may cause such a difference include, but are not limited to, those discussed in Part 3 (*Presentation of financial and other information*) and Part 2 (*Risk factors*) of this Prospectus.

In this Prospectus the consolidated financial statements presented for VAALCO are those of the VAALCO Group. This discussion is based on the audited annual consolidated financial statements of the VAALCO Group for the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019 and the unaudited condensed interim financial statements of the VAALCO Group for the six months ended 30 June 2022 and 30 June 2021, and should be read in conjunction with its consolidated financial statements and the accompanying notes referred to in Part 21 (*Historical Financial Information of the VAALCO Group*) of this Prospectus, and with the information relating to the business of the VAALCO Group included elsewhere in this Prospectus. Unless otherwise indicated, all of the financial data and discussions set out in this Prospectus are based upon financial statements prepared in accordance with U.S. GAAP. Investors should read the whole of this Prospectus and not rely just on summarised information.

#### **1. Key highlights for the six months ended 30 June 2022 and 30 June 2021**

Production for the first six months of 2022 was higher by 31 per cent at 1,563 MBBLS net crude oil compared to 1,196 MBBLS net crude oil production in the first six months of 2021. The increase was driven by production from new wells from the 2021/2022 drilling campaign and by the additional production associated with the Sasol Acquisition completed in February 2021. The first half of 2022 saw sales volume increase 25 per cent to 1,574 MBBLS net crude oil compared to 1,261 MBBLS for the first half of 2021. Crude oil sales are a function of the number and size of crude oil liftings in each quarter and do not always coincide with volumes produced in any given period.

The average realised crude oil price for the first six months of 2022 was \$111.92 per barrel, representing an increase of 71 per cent from \$65.54 realised in the first six months of 2021. This sharp increase in crude oil price reflects the strong recovery in 2022 following downward pressure resulting from the COVID pandemic as well as supply and demand imbalances that occurred in 2020 and into 2021.

VAALCO reported net income for the six months ended 30 June 2022 of \$27.3 million, which compares to \$15.8 million for the same period of 2021. The meaningful increase in operating results for the six months ended 30 June 2022 compared to the same period in 2021 was primarily due to increased sales volumes and higher oil prices in the first half of 2022 partially offset by higher production costs, higher DD&A, higher losses on derivatives and higher tax expense.

#### **2. Key highlights for financial years ended 31 December 2021, 31 December 2020 and 31 December 2019**

##### ***Etame Operational Updates***

In September 2019, VAALCO commenced its 2019/2020 drilling campaign. VAALCO contracted the Vantage Drilling International Topaz jackup drilling rig, and in September 2019, VAALCO spudded the Etame 9P appraisal wellbore at the Etame field offshore Gabon. In October 2019, the Etame 9P, targeting the subcropping Dentale reservoir, was successfully drilled to a total depth of 10,260 feet and encountered both Gamba and Dentale crude oil sands. VAALCO did not encounter hydrogen sulphide (" $H_2S$ ") in either the Gamba or Dentale reservoirs, which could impact the safety and marketability of production from those

wells. In December 2019, VAALCO reached total depth of approximately 8,900 feet in drilling the Etame 9H development well and completed approximately 1,000 feet of the horizontal section within the Gamba reservoir as planned. The horizontal section of the Etame 9H development well is at the top of the Gamba structure where the high-quality reservoir is approximately 45 feet thick. After installing production equipment, the Etame 9H development well was brought online at an initial rate of 5,500 BOPD gross (1,500 BOPD net to VAALCO) with no H<sub>2</sub>S.

Shortly after completion of the Etame 9H development well, VAALCO began drilling the Etame 11H horizontal development well from the Etame platform, targeting the same Gamba reservoir at a different location in the Etame field. VAALCO reached a total measured depth of approximately 9,022 feet in the Etame 11H development well and completed approximately 860 feet of horizontal section within the Gamba reservoir. Similar to Etame 9H well, the initial development well in the 2019/2020 program, the horizontal section of the Etame 11H well is at the top of the Gamba structure but at a different location. After installing production equipment, the Etame 11H well was brought online at an initial flow rate of approximately 5,200 BOPD gross (1,400 BOPD net to VAALCO) in early January 2020 with no H<sub>2</sub>S.

VAALCO drilled the Southeast Etame 4P appraisal wellbore to evaluate a Gamba step out area in Southeast Etame field during the first quarter of 2020. With the drilling of the Southeast Etame 4P appraisal wellbore, VAALCO has satisfied the drilling commitment as part of the PSC Extension that VAALCO signed in late 2018. The Southeast Etame 4P appraisal wellbore indicated the presence of approximately 1.0 to 2.0 MMBBLs of hydrocarbons in the Gamba reservoir, and VAALCO began drilling a third development well, the Southeast Etame 4H as part of the ongoing 2019/2020 drilling campaign. VAALCO successfully completed drilling the Southeast Etame 4H development well and brought the well onto production on 21 March 2020.

VAALCO began its 2021/2022 drilling campaign in December 2021 with the drilling of the Etame 8H-ST development well, which came online in February 2022 and had an initial rate of approximately 5,000 gross BOPD, which was reduced to approximately 4,200 gross BOPD for reservoir management purposes. The Avouma 3H-ST development well was drilled, completed and brought online in April 2022 with an initial rate of approximately 3,100 gross BOPD. The third well drilled and completed was the South Tchibala 1HB-ST, which discovered two potential Dentale producing zones, the Dentale D1 sand and the Dentale D9. The first completion was in the shallower D1 which included a hydraulic fracture treatment to increase both the production flow rate and recovery from the D1 interval. The additional Dentale D9 (15 meters net hydrocarbons) interval can be tested and completed in the future and has an estimated original oil in place range of four to 15 MMBO.

Following the South Tchibala 1HB-ST well, the rig was mobilised to the SEENT platform to drill the ETBSM 2H-ST well, which is targeting the Dentale formation, which is productive in other areas in the Etame license. VAALCO exercised its options to extend the contract for the rig. As a result, VAALCO plans to add two additional wells to the programme, the Ebouri 4H development well targeting the Gamba formation and a Northeast Avouma well that is a near-field exploration well also targeting the Gamba formation and if successful is expected to be tied into the Avouma platform at a later date.

VAALCO estimates the total cost of the 2021/2022 drilling campaign at Etame to be between \$174 million and \$213 million gross, or between \$111 million and \$135 million net to VAALCO's 63.6 per cent participating interest.

### ***Seismic Acquisition***

In December 2020, VAALCO completed the acquisition of approximately 1,000 square kilometres of new dual-azimuth proprietary 3-D seismic data over the entire Etame Marin block and have now processed the new 3-D seismic which has allowed VAALCO to optimise drilling locations for the 2021/2022 drilling campaign. The seismic data enhanced sub-surface imaging by merging legacy data with newly acquired seismic data allowing for the first continuous 3-D seismic over the entire block. In conjunction with the 2021/2022 drilling programme, that began in December 2021, VAALCO executed a contract with Borr Jack-Up XIV Inc., an affiliate of Borr Drilling Limited, to drill a minimum of three wells with options to

drill additional wells. On 14 October 2021, VAALCO novated the Borr Jack-Up XIV Inc. contract to Borr West Africa Assets, Inc.

### ***Provisional Award of Two Offshore Blocks in Gabon***

In October 2021, the BWE Consortium of VAALCO, BW Energy and Panoro Energy were provisionally awarded two blocks in the 12th Offshore Licensing Round in Gabon. The award is subject to concluding the terms of production sharing contracts (“PSCs”) with the Gabonese government. BW Energy will be the operator with a 37.5 per cent working interest, with VAALCO (37.5 per cent working interest) and Panoro Energy (25 per cent working interest) as non-operating joint owners. The two blocks, G12-13 and H12-13, are adjacent to VAALCO’s Etame PSC as well as BW Energy and Panoro’s Dussafu PSC offshore Southern Gabon, and cover an area of 2,989 square kilometres and 1,929 square kilometres, respectively. Over the past 20 years, approximately 250 MMBBL has been discovered between Etame and Dussafu.

### ***Charter Agreement for the Floating Storage and Offloading Unit***

VAALCO is party to an FPSO charter for the storage of all of the crude oil that VAALCO produce. VAALCO’s ability to produce to the FPSO under this contract expired on 4 October 2022. In August 2021, VAALCO and its co-venturers at Etame approved the Bareboat Charter and Operating Agreement (collectively, the “FSO Agreements”) with World Carrier Offshore Services Corp. (“World Carrier”) to replace the FPSO with an FSO. The FSO Agreements require a prepayment of \$2 million gross (\$1.2 million net) in 2021 and \$5 million gross (\$3.2 million net) in 2022 of which \$6 million is recoverable against future rentals. Current total capital conversion estimates are \$40 million to \$50 million gross (\$26 million to \$32 million net to VAALCO).

### ***Workovers***

In October 2021, VAALCO completed two workovers on the Ebouri 2-H and the Etame 12-H wells. The workover on the Ebouri 2-H well increased production from about 500 gross barrels of oil per day (“BOPD”) (255 BOPD, net) prior to the workover to approximately 1,400 gross BOPD (715 BOPD, net). For the Etame 12-H well, VAALCO replaced both the upper and lower electrical submersible pumps (“ESP”) and reconfigured the ESP design resulting in restored production of about 1,800 gross BOPD (920 BOPD, net).

### ***Acquisition of Additional Working Interest at Etame Marin Block***

In November 2020, VAALCO signed a sale and purchase agreement to acquire Sasol’s 27.8 per cent working interest in the Etame Marin block offshore Gabon. On 25 February 2021, VAALCO completed the acquisition of Sasol’s 27.8 per cent working interest in the Etame Marin block offshore Gabon pursuant to the SPA. The effective date of the transaction was 1 July 2020. Prior to the Sasol Acquisition, VAALCO owned and operated a 31.1 per cent working interest in Etame. The Sasol Acquisition increased VAALCO’s working interest to 58.8 per cent. As a result of the Sasol Acquisition, the net portion of production and costs relating to VAALCO’s Etame operations increased from 31.1 per cent to 58.8 per cent. Reserves, production and financial results for the interests acquired have been included in the results of the VAALCO Group for periods after 25 February 2021. All assets and liabilities associated with Sasol’s interest in Etame Marin block, including crude oil and natural gas properties, asset retirement obligations and working capital items were recorded at their fair value. As a result of comparing the purchase price to the fair value of the assets acquired and liabilities assumed, a \$7.7 million bargain purchase gain was recognised. A bargain purchase gain of \$5.2 million is included in “Other, net” under “Other income (expense)” in the consolidated statements of operations. An income tax benefit of \$2.5 million related to the bargain purchase gain, is also included in the consolidated statements of operations. The reason for the bargain purchase gain is mainly due to the lower crude oil price outlook used when the SPA was signed, 17 November 2020, and the higher oil price outlook on 25 February 2021, when the fair value of the reserves associated with the Sasol Acquisition were determined.

The actual impact of the Sasol Acquisition was an increase to “Crude oil and natural gas sales” in the condensed consolidated statement of operations of \$84.6 million for the year ended 31 December 2021 and a \$29.3 million increase to “Net income” in the condensed consolidated statement of operations. Under the

terms of the SPA, a contingent payment of \$5 million was payable to Sasol should the average Dated Brent price over a consecutive 90-day period from 1 July 2020 to 30 June 2022 exceed \$60.00 per barrel. Included in the purchase consideration was the fair value, at closing, of the contingent payment due to Sasol. The conditions related to the contingent payment were met and on 29 April 2021, VAALCO paid the \$5 million contingent amount to Sasol in accordance with the terms of the SPA.

### **Reserves**

At 31 December 2019, VAALCO had estimated net proved reserves of 5.0 MMBBLs. For 2019, VAALCO's proved reserve additions of 0.9 MMBBLs were equal to 68 per cent of VAALCO's 2019 Gabon production. VAALCO added 1.1 MMBBLs of reserves through reservoir performance additions offset by downward revisions of proved reserves as a result of lower average crude oil prices of 0.2 MMBBLs.

In comparing the net proved reserves of 5.0 MMBBLs at 31 December 2019 to the 3.2 MMBBLs at 31 December 2020, VAALCO added 0.5 MMBBLs of reserves through extensions and discoveries primarily as a result of the successful Southeast Etame 4P appraisal well. This change between periods was offset by downward revisions of proved reserves of (0.5) MMBBLs, which was due to (1.6) MMBBLs in negative revisions reflecting the decrease in crude oil prices and a 1.1 MMBBLs increase due to improvements in well performance.

The decrease in the average of the first-day-of-the-month prices for each of the twelve months of the year, adjusted for quality, transportation fees and market differentials required by SEC rules to determine reserves, was from \$63.60 for the 2019 year-end report to \$42.46 for the 2020 year-end report.

In comparing the net proved reserves of 11.2 MMBBLs at 31 December 2021 to the 3.2 MMBBLs at 31 December 2020, VAALCO added 2.6 MMBBLs of reserves due to the acquisition of Sasol's interest in the Etame Marin block and 8.0 MMBBLs of reserves through positive revisions of previous estimates. 3.0 MMBBLs of the positive revisions were due to price of and 5.0 MMBBLs of positives revision through performance and PUDS. The increase of 63 per cent in the average of the first-day-of-the-month prices for each of the twelve months of the year, adjusted for quality, transportation fees and market differentials required by SEC rules to determine reserves, was \$69.10 for the 2021 year-end report from \$42.46 for the 2020 year-end report.

### **3. Highlights and selected financial information for the six months ended 31 June 2022 and 30 June 2021**

The following table sets forth, as of the dates and for the periods indicated, selected financial information. The financial information for each of the six months ended 30 June 2022 and 30 June 2021 has been derived from VAALCO's unaudited financial statements for each of the six months ended 30 June 2022 and 30 June 2021, filed with the SEC in the quarterly report on Form 10-Q for each quarter.

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	<i>(in thousands except per Share amounts)</i>	
Total revenues	\$179,641	\$86,797
Income (loss) from continuing operations	27,300	15,805
Basic income (loss) from continuing operations per Share attributable to Shareholders	0.46	0.27
Diluted income (loss) from continuing operations per Share attributable to Shareholders	0.45	0.27
<b>Balance Sheet Data:</b>		
Net property, plant and equipment	151,718	74,202
Total assets	369,564	181,503
Total long-term liabilities	36,472	35,601

#### 4. Highlights and selected financial information for financial years ended 31 December 2021, 31 December 2020 and 31 December 2019

The following table sets out, as of the dates and for the periods indicated, selected financial information. The financial information for each of the three financial years ended 31 December 2021, 31 December 2020 and 31 December 2019 has been derived from VAALCO's audited annual consolidated financial statements, filed in the annual report with the SEC on Form 10-K for each year.

	<i>Year Ended 31 December</i>		
	<i>2021<sup>(1)</sup></i>	<i>2020<sup>(2)</sup></i>	<i>2019</i>
	<i>(in thousands, except per Share amounts)</i>		
Total revenues	\$199,075	\$67,176	\$84,521
Income (loss) from continuing operations	81,934	(48,083)	(2,848)
Basic income (loss) from continuing operations per Share attributable to Stockholders	1.38	(0.83)	(0.05)
Diluted income (loss) from continuing operations per Share attributable to Stockholders	1.37	(0.83)	(0.05)
<b>Balance Sheet Data:</b>			
Net property, plant and equipment	94,324	37,036	68,258
Total assets	263,090	141,232	211,537
Total long-term liabilities	34,536	27,198	38,067

(1) Financial results for the interests acquired in the Sasol Acquisition have been included in VAALCO's results for periods after 25 February 2021.

(2) Includes a \$30.6 million impairment loss due to declining forecasted crude oil prices and a \$41.6 million charge to the deferred tax valuation account to fully reserve VAALCO's deferred tax assets.

#### 5. Liquidity, financing and capital resources

##### 5.1 Cash flows for the six months ended 30 June 2022 and 30 June 2021

	<i>Six months ended 30 June</i>		
	<i>2022</i>	<i>2021</i>	<i>Increase (Decrease)</i>
	<i>(in thousands)</i>		
Net cash provided by operating activities before change in operating assets and liabilities	\$65,969	\$26,856	\$39,113
Net change in operating assets and liabilities	3,076	(13,644)	16,720
Net cash provided by continuing operating activities	69,045	13,212	55,833
Net cash used in discontinued operating activities	(38)	(52)	14
Net cash provided by operating activities	69,007	13,160	55,847
Net cash used in investing activities	(60,278)	(26,806)	(33,472)
Net cash used in financing activities	(5,922)	(115)	(5,807)
Net change in cash, cash equivalents and restricted cash	\$2,807	\$(13,761)	\$16,568

The \$39.1 million increase in net cash provided by the VAALCO Group's operating activities, before changes in operating assets was due to more crude oil sold along with higher prices realised in 2022 compared to the same period in 2021 partially offset by higher production costs and general and administrative expense. Also contributing to the change are positive contributions from deferred taxes. The net increase in changes provided by operating assets and liabilities of \$16.7 million for the six months ended 30 June 2022 compared to the same period of 2021 was primarily related to changes in prepayments and other, increases in foreign income taxes payable, and accrued liabilities which was partially offset by increases in receivables, and crude oil inventory.



The \$33.5 million increase in net cash used in investing activities during the six months ended 30 June 2022 was due to increases in capital spending in 2022 for the Etame 8-H well, the Avouma 3H-ST well, ETBSM 1HB-ST well, the Etame field reconfiguration and other items to support the 2021/2022 drilling campaign. For the six months ended 30 June 2021, cash used in investing activities was mainly due to cash used in the purchase of Sasol's interest in the Etame Block.

Net cash used in financing activities during the six months ended 30 June 2022 included \$3.9 million for dividend distributions, \$0.8 million for treasury stock repurchases, as a result of tax withholding on options exercised and vested restricted stock, \$1.5 million of costs capitalised associated with the VAALCO Group's credit facility and \$0.1 million of principal payments on our finance leases partially offset by \$0.3 million in proceeds from options exercised. For the six months ended 30 June 2021, cash used in financing activities was mainly due to cash used in the purchase of treasury shares partially offset by proceeds received from options exercised.

## 5.2 **Cash flows for financial years ended 31 December 2021, 31 December 2020 and 31 December 2019**

VAALCO's cash flows for the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019 were as follows:

	Year Ended 31 December			Increase (Decrease) in the Year	
				2021 Over (Under) 2020	2020 Over (Under) 2019
	2021	2020	2019		
	(in thousands)				
Net cash provided by operating activities					
before changes in operating assets and liabilities	\$61,622	\$20,468	\$24,213	\$41,154	\$(3,745)
Net change in operating assets and liabilities	(11,413)	7,423	6,945	(18,836)	478 <sup>(1)</sup>
Net cash provided by continuing operating activities	50,209	27,891	31,158	22,318	(3,267)
Net cash used in discontinued operating activities	(92)	(441)	(4,686)	349	4,245
Net cash provided by operating activities	50,117	27,450	26,472	22,667	978
Net cash used in investing activities	(39,063)	(24,328)	(10,348)	(14,735)	(13,980)
Net cash used in financing activities	(57)	(929)	(3,655)	872	2,726
Net change in cash, cash equivalents and restricted cash	\$10,997	\$2,193	\$12,469	\$8,804	\$(10,276)

### Notes

- (1) The increase in cash resulting from the net change in operating assets and liabilities of \$0.5 million for the year ended 31 December 2020 reflects decreases of \$22.8 million in trade and other receivables offset by increases of \$2.6 million in "Crude oil inventory" as well as decreases of \$6.9 million in accounts payable, decreases of \$5.5 million in "Accrued liabilities and other" and a \$7.3 million decrease in "Foreign taxes payable".

The increase in net cash provided by the VAALCO Group's operating activities for the year ended 31 December 2021 compared to the year ended 31 December 2020 was \$22.3 million higher than the net cash provided by operating activities for 2020, and included a \$41.2 million increase in cash generated by continuing operations before change in operating assets and liabilities, which was mainly due to higher revenue.

The increase in net cash provided by the VAALCO Group's operating activities for the year ended 31 December 2020 was \$3.3 million lower than the net cash provided by operating activities for the year ended 31 December 2019 including a \$3.7 million decrease in cash generated by continuing operations before changes in operating assets and liabilities, which was mainly due to lower revenue which was more than offset by a \$4.2 million decrease in cash used in discontinued operations.

The net change in operating assets and liabilities for the year ended 31 December 2021 compared to the same period of 2020 resulted in a cash reduction of \$18.8 million for the year ended 31 December 2020, reflecting an increase of \$25.6 million in trade receivables and an increase of \$11.1 million in other receivables partially offset by increases in foreign income taxes payable and accrued liabilities of \$10.2 million. The additional \$7.7 million in cash reduction resulted from changes in other operating assets and liabilities.

The increase in cash for the year ended 31 December 2020 compared to the same period of 2019 resulting from the net change in operating assets and liabilities of \$500,000 reflects decreases of \$22.8 million in trade and other receivables offset by increases of \$2.6 million in "Crude oil inventory" as well as decreases of \$6.9 million in accounts payable, decreases of \$5.5 million in "Accrued liabilities and other" and a \$7.3 million decrease in "Foreign taxes payable".

Property and equipment expenditures have historically been the VAALCO Group's most significant use of cash in investing activities. Net cash used in investing activities during the year ended 31 December 2021 included \$22.5 million paid for the completion of the Sasol Acquisition. In addition, during the year ended 31 December 2021, the VAALCO Group incurred on a cash basis \$16.6 million for property and equipment primarily related to equipment and enhancements as well as expenditures related to the 2021/2022 drilling program. For the year ended 31 December 2020, the \$20 million cash basis expenditures consisted of \$19.7 million related to the 2019/2020 drilling programme and \$300,000 paid for equipment and enhancements. In addition to property and equipment expenditures, \$4.3 million of cash was used in the year ended 31 December 2020 in investing activities related to the Sasol Acquisition. For the year ended 31 December 2019, the \$10.3 million in cash basis expenditures consisted of \$8 million related to the 2019/2020 drilling programme and \$2.3 million paid for equipment and enhancements.

For the year ended 31 December 2021, net cash used in financing activities included \$1.4 million for treasury shares as a result of tax withholding on options exercised and vested restricted shares, partially offset by \$1.3 million in proceeds from options exercised. Net cash used in financing activities during the year ended 31 December 2020 included \$1.1 million for treasury share purchases primarily made under VAALCO's share repurchase plan. Net cash used in financing activities during the year ended 31 December 2019 included \$3.9 million for treasury share purchases primarily made under VAALCO's share repurchase plan.

### 5.3 *Capital expenditures*

At 31 December 2018, pursuant to the PSC Extension, the VAALCO Group had commitments for capital expenditures related to the drilling of two wells and two appraisal wellbores by 16 September 2020. In February 2020, these commitments were fully met as a result of drilling the Etame 9P and Southeast Etame 4P appraisal wellbores in 2019 and 2020, respectively, as well as the completion of the Etame 9H and Etame 11H development wells in 2019 and 2020, respectively.

For the six months ended 30 June 2022, the VAALCO Group had accrual basis capital expenditures attributable to continuing operations of \$69.9 million compared to \$4.3 million accrual basis capital expenditures in 2021, excluding the Sasol acquisition. For the six months ended 30 June 2022, the VAALCO Group's efforts were focused on spending related to the 2021/2022 drilling campaign and Etame field reconfigurations and FSO projects. During the same time in 2021, the VAALCO Group's spending was concentrated on the Sasol acquisition and obtaining certain long lead items for the 2021/2022 drilling campaign.

During the year ended 31 December 2021, the VAALCO Group had accrual basis capital expenditures attributable to continuing operations of \$79.2 million, that includes the Sasol Acquisition. Capital expenditures for the financial year ended 31 December 2021 are attributable to expenditures related to the 2021/2022 drilling program and Sasol acquisition.

During the year ended 31 December 2020, the VAALCO Group had accrual basis capital expenditures attributable to continuing operations of \$10.5 million. The capital expenditures for the year ended 31 December 2020 were attributable to expenditures related to the 2019/2020 drilling program, a portion of seismic acquisition costs and equipment and enhancements.

During the year ended 31 December 2019, the VAALCO Group had accrual basis capital expenditures attributable to continuing operations of \$22.2 million. Capital expenditures in 2019 were attributable to expenditures related to the 2019/2020 drilling programme, seismic acquisition costs, equipment and enhancements.

#### 5.4 *Capital resources*

##### (a) *Credit facility*

On 16 May 2022, VAALCO Gabon (Eteme), Inc. (the “Borrower”) entered into a facility agreement (the “Facility Agreement”) with VAALCO, 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 in the Facility Agreement (the “Lenders”), providing for a senior secured reserve-based revolving credit facility (the “Facility”) in an initial aggregate maximum principal amount of up to \$50 million. The Facility has not yet been drawn.

##### (b) *Cash on hand*

At 30 June 2022, the VAALCO Group had unrestricted cash of \$53.1 million. At 31 December 2021, the VAALCO Group had unrestricted cash of \$48.7 million, compared to \$47.9 million at 31 December 2020 and \$45.9 million at 31 December 2019.

The VAALCO Group invests cash not required for immediate operational and capital expenditure needs in short-term money market instruments primarily with financial institutions where it determines its credit exposure is negligible. As operator of the Eteme Marin block in Gabon, the VAALCO Group enters into project-related activities on behalf of its working interest joint venture owners. The VAALCO Group generally obtains advances from joint venture owners prior to significant funding commitments.

In connection with the entry into the Facility Agreement, the VAALCO Group entered into a crude oil sales and marketing agreement on 16 May 2022 (“COSMA” or “COSMAs”) with Glencore Energy UK Ltd (“Glencore”) pursuant to which VAALCO agreed to make Glencore the exclusive offtaker and marketer of all of the crude oil produced from the Eteme G4-160 Block, offshore Gabon during the period from 1 August 2022 until the Final Maturity Date of the Facility (as defined in the Facility Agreement), provided, however that if VAALCO Gabon elects to voluntarily repay the Facility in full before the Final Maturity Date, the contract period of the COSMA shall end following a specified period after the voluntary repayment date. Pursuant to the COSMA, Glencore agreed to buy and market VAALCO’s crude oil with pricing based upon an average of Dated Brent in the month of lifting, adjusted for location and market factors.

The VAALCO Group’s contract with Exxon Mobil Sales and Supply LLC 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.

The VAALCO Group’s contract with Mercuria Energy Trading SA (“Mercuria”) covered sales from February 2019 through January 2020 with pricing based upon an average of Dated Brent in the month of lifting, adjusted for location and market factors.

From August 2015 through January 2018, the VAALCO Group sold its crude oil to Glencore with pricing based upon an average of Dated Brent in the month of lifting, adjusted for location and market factors.

## 5.5 Liquidity

Historically, the VAALCO Group's primary source of liquidity has been cash flows from operations and its primary use of cash has been to fund capital expenditures for development activities in the Etame Marin block. The VAALCO Group continually monitors the availability of capital resources, including equity and debt financings that could be utilised to meet its future financial obligations, planned capital expenditure activities and liquidity requirements including those to fund opportunistic acquisitions. The VAALCO Group's future success in growing proved reserves, production and balancing the long-term development of its assets with a focus on generating attractive corporate-level returns will be highly dependent on the capital resources available to it.

VAALCO expects any capital expenditures during the 12 months from the date of this Prospectus to be funded by cash on hand and cash flow from operations. VAALCO believes that at current prices, cash generated from continuing operations, together with cash on hand at 30 June 2022, are adequate to support its operations and cash requirements during 2022 and through to October 2023.

## 6. Results of operations for the six months ended 30 June 2022 and 30 June 2021

**Net income for the six months ended 30 June 2022 was \$27.3 million compared to net income of \$15.8 million for the same period of 2021.**

	Six Months Ended 30 June		Increase/ (Decrease)
	2022	2021	
	(in thousands except per bbl information)		
Net crude oil sales volume (MBbls)	1,574	1,261	313
Average crude oil sales price (per Bbl)	\$111.92	\$65.54	\$46.38
Net crude oil revenue	\$179,641	\$86,797	\$92,844
<b>Operating costs and expenses:</b>			
Production expense	43,835	32,552	11,283
Exploration expense	194	807	(613)
Depreciation, depletion and amortisation	12,864	9,958	2,906
General and administrative expense	8,528	9,281	(753)
Bad debt expense	1,063	496	567
Total operating costs and expenses	66,484	53,094	13,390
Other operating expense, net	(5)	(486)	481
Operating income (loss)	\$113,152	\$33,217	\$79,935

The revenue changes in the six months ended 30 June 2022 compared to the same period in 2021 identified as related to changes in price or volume, are shown in the table below:

	YTD (in thousands)
Price <sup>(1)</sup>	\$73,002
Volume	20,514
Other	(672)
	<u>\$92,844</u>

<sup>(1)</sup> The price in the table above excludes revenues attributable to carried interests

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

	<i>Six months ended</i> <i>30 June</i>	
	<i>2022</i>	<i>2021</i>
Gabon net crude oil production (MBbls)	1,563	1,196
Gabon net crude oil sales (MBbls)	1,574	1,261
Average realised crude oil price (\$/Bbl)	\$111.92	\$65.54
Average Dated Brent spot price* (\$/Bbl)	107.59	64.95

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

#### 6.1 ***Crude oil revenues***

Crude oil and natural gas revenues increased \$92.8 million, or approximately 107.0 per cent, during the six months ended 30 June 2022 compared to the same period of 2021. The increase in revenue is attributable to more crude oil sold and higher sales prices and Sasol's additional working interest for the full six months ended 30 June 2022.

Crude oil sales are a function of the number and size of crude oil liftings in each quarter from the FPSO, and thus, crude oil sales do not always coincide with volumes produced in any given quarter. The VAALCO Group made six liftings during the six months ended 30 June 2022 and five liftings during the six months ended 30 June 2021. The six months ended 30 June 2022 includes Sasol's interest for the entire period while during the same period in 2021, Sasol's interest was included after the acquisition date, 25 February 2021. The VAALCO Group's share of crude oil inventory aboard the FPSO, excluding royalty barrels, was approximately 45,794 barrels and 133,704 barrels at 30 June 2022 and 30 June 2021, respectively.

#### 6.2 ***Production expenses***

Production expenses increased \$11.3 million, or approximately 34.7 per cent, for the six months ended 30 June 2022 compared to the same period in 2021. The increase in expense was primarily related to higher FPSO costs, boat expense, chemical costs, personnel costs, and domestic market obligation ("DMO") costs. On a per barrel basis, production expense, excluding workover expense, for the six months ended 30 June 2022 increased to \$27.85 per barrel from \$25.52 per barrel for the six months ended 30 June 2021 primarily as a result of higher costs experienced in 2022. While the VAALCO Group has not experienced any material operational disruptions associated with the current worldwide COVID-19 pandemic, it has incurred approximately \$1.4 million for the six months ended 30 June 2022 and \$1.4 million in higher costs for the six months ended 30 June 2021 related to the proactive measures taken in response to the pandemic.

#### 6.3 ***Exploration expense***

Exploration expense decreased \$0.6 million due to incurring minimal amounts for seismic reprocessing costs for the six months ended 30 June 2022 while the VAALCO Group incurred seismic processing costs prior to the start of the 2021/2022 drilling campaign during the same period in 2021.

#### 6.4 ***Depreciation, depletion and amortisation costs***

Depreciation, depletion and amortisation costs increased \$2.9 million, or approximately 29.2 per cent due to the higher depletable base as a result of capital expenditures related to the 2021/2022 drilling programme.

#### 6.5 ***General and administrative expenses***

General and administrative expenses decreased \$0.8 million, or approximately 8.1 per cent in the six months ended 30 June 2022 compared to the same period of 2021. The decrease in expense was primarily related to lower corporate salary and wages of \$2.7 million, lower legal fees of \$0.5 million and lower SARSs expense of \$0.4 million. These decreases were partially offset by higher



professional fees of \$1.2 million, higher travel costs of \$0.3 million, higher IT and office expenses of \$0.3 million and higher equity expense of \$0.6 million. SARs liability awards are measured at fair value. The primary driver of changes in the fair value of these awards is changes in the VAALCO stock price.

**6.6 *Bad debt expense***

Bad debt expense increased by \$0.6 million, or 114.3 per cent, to \$1.1 million for the six months ended 30 June 2022 compared to the same period of 2021. The increase is a result of increased spending as a result of the 2021/2022 drilling campaign. The bad debt expense and related allowance account associated with the TVA balance has also increased as we have received no payments related to these balances in 2022.

**6.7 *Other operating expense, net***

Other operating expense, net for the six months ended 30 June 2022 was not material to the VAALCO Group's results and for the six months ended 30 June 2021 the \$0.5 million in Other, net included the \$0.4 million difference between the fair value of the contingent consideration paid to Sasol in April 2021, \$5.0 million, and the fair value of the contingent consideration on the closing date of the Sasol acquisition, \$4.6 million.

**6.8 *Derivative instruments loss, net***

Derivative instruments loss, net is attributable to the VAALCO Group's swaps. Derivative losses increased \$25.4 million to a loss of \$41.3 million for the six months ended 30 June 2022 compared to the same period of 2021. Derivative losses 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 six months ended 30 June 2022 and 30 June 2021, respectively. Every quarter in 2021 and continuing in 2022 Dated Brent crude oil prices have increased. Since VAALCO owes the counterparty for any Dated Brent price over the initial per barrel value and continued to place on additional hedges in 2021 and 2022, the loss associated with the derivatives have increased.

**6.9 *Interest (expense) income, net***

Interest (expense) income, net decreased \$0.1 million to an expense of \$0.1 million for the six months ended 30 June 2022 from income of \$0.0 million during the same period in 2021. Net interest expense for the six months ended 30 June 2022, includes commitment fees incurred on the Facility, amortisation of debt issue costs related to the Facility and interest associated with our financial leases partially offset by interest income.

**6.10 *Other (expense) income, net***

Other (expense) income, net for the six months ended 30 June 2022 decreased \$7.2 million to an expense of \$2.8 million for the six months ended 30 June 2022 compared to \$4.4 million of income in the same period of 2021. Other (expense) income, net normally consists of foreign currency losses. For the six months ended 30 June 2022, the \$2.8 million of expense includes \$1.2 million of transactions costs associated with the Arrangement with TransGlobe. For the six months ended 30 June 2021, the \$4.4 million of income in Other (expense) income, net, is primarily attributable to \$7.7 million for the bargain purchase gain and expenses of \$2.2 million for the difference in book to tax basis caused by the bargain purchase gain associated with the acquisition of Sasol's interest and \$1.0 million for an acquisition success fee.

**6.11 *Income tax expense***

Income tax expense for the six months ended 30 June 2022 was an expense of \$41.6 million. This is comprised of current tax expense of \$26.1 million and \$15.5 million of deferred tax expense. Income tax expense for the six months ended 30 June 2021 was \$5.9 million of expense. This is comprised of \$3.7 million of deferred tax benefit and a current tax expense of \$9.6 million.

**7. Results of operations for financial years ended 31 December 2021, 31 December 2020 and 31 December 2019**

VAALCO's results of operations for the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019 was as follows:

	<i>Year Ended 31 December</i>		
	<i>2021</i>	<i>2020</i>	<i>2019</i>
	<i>(in thousands, except per Share amounts)</i>		
Revenues:			
Oil and natural gas sales	\$199,075	\$67,176	\$84,521
Operating costs and expenses:			
Production expense	81,255	37,315	37,689
Exploration expense	1,579	3,588	—
Depreciation, depletion and amortisation	21,060	9,382	7,083
General and administrative expense	14,766	10,695	14,855
Impairment of proved properties	—	30,625	—
Gain on revision of asset retirement obligations	—	—	(379)
Bad debt (recovery) expense and other	875	1,165	(341)
Total operating costs and expenses	119,535	92,770	58,907
Other operating income (expense), net	(440)	(1,669)	(4,421)
Operating income (loss)	79,100	(27,263)	21,193
Other income (expense):			
Derivative instruments gain (loss), net	(22,826)	6,577	(446)
Interest expense, net	10	155	733
Other, net	3,494	129	(438)
Total other income (expense)	(19,322)	6,861	(151)
Income (loss) from continuing operations before income taxes	59,778	(20,402)	21,042
Income tax expense (benefit)	(22,156)	27,681	23,890
Income (loss) from continuing operations	81,934	(48,083)	(2,848)
Loss from discontinued operations	(98)	(98)	5,411
Net income (loss)	\$81,836	\$(48,181)	\$2,563
Basic net income (loss) per Share:			
Income (loss) from continuing operations	\$1.38	\$(0.83)	\$(0.05)
Loss from discontinued operations	—	—	(0.09)
Net income (loss) per Share	\$1.38	\$(0.83)	\$0.04
Basic weighted average Shares outstanding	58,230	57,594	59,143
Diluted net income (loss) per Share:			
Income (loss) from continuing operations	\$1.37	\$(0.83)	\$(0.05)
Loss from discontinued operations	—	—	(0.09)
Net income (loss) per Share	\$1.37	\$(0.83)	\$(0.04)
Diluted weighted average Shares outstanding	58,755	57,594	59,143

VAALCO reported net income for the year ended 31 December 2021 of \$81.8 million, compared to a net loss of \$48.2 million for the year ended 31 December 2020, compared to a net income of \$2.6 million for the year ended 31 December 2019. The year-over-year increase in earnings during the financial year ended 31 December 2021 was mainly due to increases in sales volumes and prices received and no impairment and deferred tax valuation adjustments in 2021. The year-over-year decrease in earnings during the financial year ended 31 December 2019 was mainly due to a \$30.6 million impairment and lower revenues as a result of receiving lower crude oil prices. Substantially all of the VAALCO Group's operations are attributable to its Gabon segment.

The revenue changes between financial year ended 31 December 2021 and financial year ended 31 December 2020 and changes between financial year ended 31 December 2020 and financial year ended 31 December 2019 identified as related to changes in price or volume are shown in the table below.

	<i>Change from 2020 to 2021</i>	<i>Change from 2019 to 2020</i>
	<i>(in thousands)</i>	
Price <sup>(1)</sup>	\$82,333	\$(40,529)
Volume	43,674	24,515
Other	5,892	(1,331)
	<u>\$131,899</u>	<u>\$(17,345)</u>

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

VAALCO's net production, sales volumes and realised prices for the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019 was as follows:

	<i>Year Ended 31 December</i>		
	<i>2021</i>	<i>2020</i>	<i>2019</i>
	<i>(in thousands, except prices)</i>		
Gabon net oil production (MBBL)	<u>2,599</u>	<u>1,776</u>	<u>1,269</u>
Net oil sales (MBBL)	<u>2,711</u>	<u>1,627</u>	<u>1,251</u>
Average realised oil price (\$/BBL)	\$70.66	\$40.29	\$65.20
Average Dated Brent spot* (\$/BBL)	70.86	41.96	64.65

Notes

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

## 7.1 **Crude oil revenues**

Crude oil revenues increased \$131.9 million, or approximately 196.3 per cent, during the year ended 31 December 2021 compared to the year ended 31 December 2020, and decreased \$17.3 million, or approximately 20.5 per cent, during the year ended 31 December 2020 compared to the year ended 31 December 2019. The average crude sales price achieved by the VAALCO Group was \$70.66, \$40.29 and \$65.20 for the years ended 31 December 2021, 31 December 2020 and 31 December 2019, respectively. The total barrels lifted for the year ended 31 December 2021 was more than the barrels lifted during the year ended 31 December 2020, mainly due to the VAALCO Group's increased working interest as a result of the Sasol Acquisition partially offset by natural declines in production. Production volumes for the year ended 31 December 2020 were higher than the comparable 2019 period due to new development wells brought onto production. The increase from new wells was partially offset by production curtailments. Sales volumes were higher in 2020 as compared to 2019 due to the new development wells brought onto production.

The crude oil sales are a function of the number and size of crude oil liftings in each quarter and thus crude oil sales do not always coincide with volumes produced in any given quarter. The VAALCO Group made 11 liftings during both years ended 31 December 2021 and 31 December 2020, respectively, and made 15 liftings during the year ended 31 December 2019. The VAALCO Groups'

share of crude oil inventory, excluding royalty barrels, was approximately 75,680, 172,276 and 38,476 barrels at 31 December 2021, 31 December 2020 and 31 December 2019, respectively. The crude oil inventory was higher at 31 December 2020 due to the scheduled December 2020 lifting being delayed to January 2021.

## 7.2 *Production expenses*

Production expenses increased \$43.9 million, or approximately 117.8 per cent, in the year ended 31 December 2021 compared to the same period in 2020. The increase in expense was primarily related to costs as a result of the VAALCO Group's increased working interest as a result of the Sasol Acquisition, increased workover costs and higher marine and personnel costs. On a per barrel basis, production expense, excluding workover expense, for the year ended 31 December 2021 increased to \$26.77 per barrel from \$21.38 per barrel for the year ended 31 December 2020 primarily as a result of a natural decline in oil production and higher marine and personnel costs.

Production expenses decreased \$400,000, or approximately 1.0 per cent, in the year ended 31 December 2020 compared to the same period in 2019. The decrease in expense was associated with an increase in crude inventory levels offset by higher workover expense related to two workovers. On a per barrel basis, production expense, excluding workover expense, for the year ended 31 December 2020 decreased to \$21.38 per barrel from \$29.70 per barrel for the year ended 31 December 2019 primarily as a result of an increase in sales volumes.

While the VAALCO Group has not experienced any significant operational disruptions associated with the worldwide COVID-19 pandemic, it has incurred approximately \$2.9 million, net to VAALCO, for the year ended 31 December 2021 and \$1.6 million, net to VAALCO, for the year ended 31 December 2020, in higher costs related to the proactive measures taken in response to the pandemic.

## 7.3 *Exploration expenses*

Exploration expenses decreased \$2 million or approximately 56.0 per cent, in the year ended 31 December 2021 compared to the same period of 2020, and decreased \$3.6 million or approximately 100 per cent in the year ended 31 December 2020 compared to the same period of 2019. The exploration expenses in 2021 were due to seismic processing costs, in 2020 were related to seismic acquisition costs, related to the acquisition of proprietary 3-D seismic data over the entire Etame Marin block.

## 7.4 *Depreciation, depletion and amortisation*

Depreciation, depletion and amortisation increased \$11.7 million, or approximately 124.5 per cent, in the year ended 31 December 2021 compared to the same period of 2020 due to higher depletable costs associated with the Sasol Acquisition. Partially offset by an increase in reserve base associated with the positive revisions in reserves.

Depreciation, depletion and amortisation increased \$2.3 million, or approximately 32.5 per cent, in the year ended 31 December 2020 compared to the same period of 2019 due to higher sales volumes and higher depletable costs associated with the new development wells.

(\$000s, except per BOE amounts)	2021		2020		2019	
	\$	\$/BOE	\$	\$/BOE	\$	\$/BOE
Gabon	20,972	7.74	9,028	5.55	6,825	5.46
Corporate	88	N/A	354	N/A	270	N/A
<b>Total \$</b>	<b>21,060</b>	<b>7.77</b>	<b>9,382</b>	<b>5.77</b>	<b>7,083</b>	<b>5.66</b>

**7.5 *Impairment of proved crude oil and natural gas properties***

The impairment of proved crude oil and natural gas properties for the year ended 31 December 2020 of \$30.6 million was the result of declining forecasted crude oil prices primarily due to the COVID-19 pandemic. No impairment was recorded for the year ended 31 December 2021 or 31 December 2019.

**7.6 *Gain on revision of asset retirement obligations***

The gain on revision of asset retirement obligations for the year ended 31 December 2019 resulted from a downward revision of \$400,000. No gains on revision of asset retirement obligations were recorded for the year ended 31 December 2021 or 31 December 2020.

**7.7 *General and administrative expenses***

General and administrative expenses increased \$4.1 million, or approximately 38.1 per cent in the year ended 31 December 2021 compared to the same period of 2020. The increase in expense was in part related to a \$2.3 million increase in stock-based compensation expense. The change in expense related to stock appreciation rights (“SARs”) expense was an increase of \$2.1 million. SARs liability awards are fair valued. The primary driver to changes in the fair value of these awards is changes in VAALCO’s share price. In addition, wages and salaries increased \$1.1 million due to severance costs associated with changes in key personnel and legal fees increased \$300,000 due to more legal activity in the current year.

General and administrative expenses decreased \$4.2 million, or approximately 28.0 per cent in the year ended 31 December 2020 compared to the same period of 2019. The decrease in expense was in part related to a \$3.3 million decrease in SARs expense. Other expense categories that decreased during the year ended 31 December 2020 compared to the same period in 2019 were accounting and audit fees and travel costs, which were higher in the prior year as a result of the listing of the Common Shares on the London Stock Exchange in September 2019.

**7.8 *Bad debt (recovery) expense***

Bad debt (recovery) expense and other reflected bad debt expense associated with the VAT allowance for the year ended 31 December 2021. Bad debt expense decreased \$300,000, or approximately 24.9 per cent in the year ended 31 December 2021 compared to the same period of 2020 mainly due to receipt of \$500,000, net to VAALCO, in 2021 partially offset by increases in the allowance for bad debt.

Bad debt expense increased \$1.5 million, to an expense of \$1.2 million of expense for the year ended 31 December 2020, from a benefit of \$400,000 for the year ended 31 December 2019. The reason for the increase in expense is VAALCO did not receive any VAT payments in the year ended 31 December 2020.

**7.9 *Other operating expenses***

Other operating income (expense), net decreased \$1.2 million, or approximately 73.6 per cent, in the year ended 31 December 2021 compared to the same period of 2020 and decreased \$2.8 million, or approximately 62.2 per cent in the year ended 31 December 2020 compared to the same period of 2019.

The \$400,000 balance for the year ended 31 December 2021 is primarily comprised of the difference between the fair value of the contingent consideration paid to Sasol in April 2021, \$5 million, and the fair value of the contingent consideration on the closing date of the Sasol Acquisition, \$4.6 million. For the year ended 31 December 2020 other operating income (expense) is primarily related to a \$800,000 payment to resolve claims made by one of the Etame Marin block joint venture owners related to audits for the years 2017 and 2018 as well as \$900,000 in inventory obsolescence. During the year ended 31 December 2019, the VAALCO Group incurred costs related to a \$4.4 million agreement to resolve a legacy issue related to findings from Etame joint ventures owners’ audits for the periods from 2007 through 2016.



**7.10 *Derivative instruments gain (loss), net***

Derivative instruments gain (loss), net is attributable to the VAALCO Group's commodity swaps.

The \$22.8 million loss for the year ended 31 December 2021 is a result of the increase in the price of Dated Brent crude oil above the weighted average swap price of the VAALCO Group's derivative instruments during the year ended 31 December 2021 as compared to a decrease in the price of Dated Brent crude oil that resulted in a \$6.6 million gain during the comparable period in 2020.

The \$6.6 million gain in the year ended 31 December 2020 is a result of a decrease in the price of Dated Brent crude oil during the year as compared to an increase in the price of Dated Brent crude oil that resulted in a \$400,000 loss during the comparable period in 2019.

**7.11 *Interest expense***

Interest expense for financial years ended 31 December 2021, 31 December 2020 and 31 December 2019 related to interest income on cash balances.

**7.12 *Other, net***

Other, net normally consists of foreign currency gain and losses incurred in any given period.

Other, net for the year ended 31 December 2021 is primarily attributable to \$5.2 million for the bargain purchase gain offset by \$1 million for an acquisition success fee and foreign currency losses. Other, net for the years ended 31 December 2020 and 31 December 2019 consists primarily of foreign currency gains (losses).

**7.13 *Income tax expense (benefit)***

Income tax expense (benefit) for the year ended 31 December 2021 was \$(22.1 million). This was comprised of \$42.4 million of deferred tax benefit and a current tax provision of \$20.3 million.

The income tax expense for the year ended 31 December 2020 was \$27.7 million. This was comprised of \$24.2 million of deferred tax expense and a current tax provision of \$3.5 million. The deferred income tax expense for the year ended 31 December 2020 included a \$41.6 million charge to increase the valuation allowances on U.S. and Gabon deferred tax assets due to a decrease in future estimated taxable earnings primarily as a result of lower crude oil prices as well as the overall economic conditions of the industry.

The income tax expense of \$23.9 million for the year ended 31 December 2019 is comprised of \$14.5 million of deferred income tax expense and a current tax provision of \$9.4 million. The deferred income tax expense for the year ended 31 December 2019 included a \$3.1 million benefit to decrease the valuation allowances on deferred tax assets due to a decrease in future estimated taxable earnings primarily as a result of lower crude oil prices.

The current tax provision in all three periods is primarily attributable to the VAALCO Group's operations in Gabon.

**7.14 *Loss from discontinued operations***

Income (loss) from discontinued operations, net of tax for the years ended 31 December 2021 and 31 December 2020 are attributable to the VAALCO Group's Angola segment. The loss from discontinued operations for the year ended 31 December 2021 and 31 December 2020, respectively, was related to Angola administration costs. The gain from discontinued operations for the year ended 31 December 2019 is primarily related to recording a \$5.7 million after tax gain on the finalised Angola settlement.

## PART 17

### OPERATING AND FINANCIAL REVIEW RELATING TO THE TRANSGLOBE GROUP

The following discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in the TransGlobe Group's results of operations and financial condition during the Historical Financial Information Period. Historical results may not be indicative of future financial performance. Forward-looking statements contained in this review that reflect the current view of the TransGlobe directors and TransGlobe executive officers involve risks and uncertainties and are subject to a variety of factors that could cause actual results to differ materially from those contemplated by such statements. Factors that may cause such a difference include, but are not limited to, those discussed in Part 3 (*Presentation of financial and other information*) and Part 2 (*Risk factors*) of this Prospectus.

In this Prospectus the consolidated financial statements presented for TransGlobe are those of the TransGlobe Group. This discussion is based on the audited annual consolidated financial statements of the TransGlobe Group for the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019 and the unaudited condensed interim financial statements of the TransGlobe Group for the six months ended 30 June 2022 and 30 June 2021, and should be read in conjunction with its consolidated financial statements and the accompanying notes referred to in Part 22 (*Historical Financial Information of the TransGlobe Group*) of this Prospectus, and with the information relating to the business of the TransGlobe Group included elsewhere in this Prospectus. Unless otherwise indicated, all of the financial data and discussions set out in this Prospectus are based upon financial statements prepared in accordance with IFRS and TransGlobe adheres to GAAP. However, TransGlobe also employs certain non-GAAP and other financial measures to analyse financial performance, financial position, and cash flow. These non-GAAP and other financial measures do not have any standardised meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other companies. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS as indicators of TransGlobe's performance.

Investors should read the whole of this Prospectus and not rely just on summarised information.

#### **1. Key highlights for the six months ended 30 June 2022**

On 20 January 2022, TransGlobe announced the execution of the Merged Concession Agreement with the EGPC. This arrangement merges TransGlobe's three existing Eastern Desert concessions into a single concession with a 15-year primary term and improved economics for TransGlobe.

TransGlobe continued to develop its operations in Egypt and Canada during the period, drilling three 100 per cent working interest horizontal Cardium reservoir development wells (two two-mile, and one one-mile) in the South Harmattan area in Canada. Another one-mile 100 per cent working interest horizontal Cardium reservoir development well was spud in June 2022 with rig release in early July 2022. Stimulation and equipping of these wells commenced in July 2022, with first production in August 2022. In addition, TransGlobe drilled and cased five development wells in the Eastern Desert of Egypt during the period. The capital budget for the year was increased by \$4.4 million to \$74.9 million (before capitalised G&A), due to increased tie-in costs in Canada and the drilling of one additional well and performance of two additional recompletions in the Eastern Desert in Egypt.

TransGlobe produced an average of 12,132 BOE/d during the second quarter of 2022 (Egypt 10,338 BBLs/d, Canada 1,794 BOE/d) which reflected a decrease of 314 BOE/d (3 per cent) from the previous quarter, primarily due to planned maintenance at a third-party processing facility in Canada. This was partially offset by an increase in production in the Eastern desert from the first quarter of 2022 resulting from new development wells drilled in 2022 and partially offset by natural declines.

## 2. Key highlights for financial years ended 31 December 2021, 31 December 2020 and 31 December 2019

### 2021

In anticipation of the approval of the Merged Concession Agreement and its associated 1 February 2020 effective date along with commodity price improvements, TransGlobe moved forward to re-start investment in Egypt and Canada in 2021. In Egypt, the 2021 development programme focused on the Eastern Desert and included: seven development wells in West Bakr, one Red Bed appraisal well in North West Gharib, six recompletions in West Bakr, and development/maintenance projects in the Eastern Desert. In the Western Desert, TransGlobe drilled an oil exploration well at South Ghazalat. The well was suspended pending further evaluation of options to improve productivity on the lower Bahariya reservoir, and to assess the commercial potential of the gas-bearing upper Bahariya reservoir. A recompletion of SGZ-6X well to the lower Bahariya reservoir and expansion of the South Ghazalat early production facility was also completed.

The 2021 capital programme in Canada consisted of drilling three (three net) horizontal wells and completing one (one net) standing well, all targeting the Cardium light oil resource at Harmattan, and additional maintenance/development capital. The Cardium drilling programme in 2021 consisted of one two-mile and two one-mile development wells in South Harmattan. The 2-mile horizontal well drilled in South Harmattan in 2020 was completed and brought on production.

TransGlobe produced an average of 12,854 BOE/d in 2021. In Egypt, average production was 10,578 BBLs/d, including heavy crude oil production of 9,528 BBLs/d and light and medium crude oil production of 1,050 BBLs/d. In Canada, average production was 2,276 BOE/d, including 758 BBLs/d of light and medium crude oil, 740 BBLs/d of natural gas liquids and 4,667 MCF/d of conventional natural gas.

2P reserves at year-end 2021 were up 18 per cent from 2020, primarily due to the successful drilling programme in Canada at South Harmattan and the term extension resulting from the Merged Concession Agreement in Egypt.

In December 2021, TransGlobe announced that the Merged Concession Agreement was ratified by Egypt's Parliament and signed into law by President El-Sisi, which merged TransGlobe's three producing Eastern Desert concessions into one agreement, extended the primary term of the merged agreement and amended its fiscal terms.

### 2020

In early 2020, TransGlobe reduced its capital programme (before capitalised G&A) from \$37.1 million to \$7.1 million and suspended its dividend in order to preserve cash. These decisions were made in response to global reactions to the initial spread of COVID-19 and the related economic fallout which created significant volatility, uncertainty, and turmoil in the oil and gas industry. Oil demand significantly deteriorated in 2020 as a result of the pandemic and corresponding preventative measures taken globally to mitigate the spread of the virus. In addition to this, in the first quarter of 2020 OPEC+ were initially unable to reach an agreement on production levels for crude oil, at which point Saudi Arabia and Russia initiated efforts to aggressively increase production. These events in early 2020 compounded the impact of a material decline in oil demand and the supply increase from OPEC+ members attempting to capture market share at the onset of the pandemic. The TransGlobe board determined that it would evaluate its decision on future dividend payments on a semi-annual basis going forward.

TransGlobe's reduced capital programme in 2020 focused only on those investments that were critical to Health, Safety and the Environment ("HSE") and value preservation during the low commodity price environment. TransGlobe drilled one Yusr development well in Egypt at West Bakr (HW-2A) and performed four recompletions. In Canada, TransGlobe drilled one two-mile horizontal Cardium oil well in the South Harmattan area. TransGlobe stimulated and equipped this well for production in early 2021.

TransGlobe produced an average of 13,425 BOE/d in 2020. Egypt average production was 11,147 BBLs/d, including heavy crude oil production of 10,271 BBLs/d and light and medium crude oil production of 876 BBLs/d. In Canada, average production was 2,278 BOE/d including 711 BBLs/d of light and medium crude oil, 785 BBLs/d of natural gas liquids and 4,686 MCF/d of conventional natural gas.

2P reserves at year-end 2020 were down 14 per cent from 2019, primarily due to 5.7 MMBOE of negative economic factors due to depressed commodity prices and 4.9 MMBOE of production, partially offset by 2.3 MMBOE of positive technical revisions and 1.9 MMBOE of extensions and improved recovery.

In December 2020, TransGlobe announced that it reached an agreement with EGPC for its Merged Concession Agreement. The Merged Concession Agreement has a new 15-year development term and a five-year extension option. The modernised financial concession terms are expected to promote increased investment and the implementation of new technology in TransGlobe's mature fields. The effectiveness of the Merged Concession Agreement was subject to a customary Egyptian Parliamentary ratification and the satisfaction of other closing conditions.

On 31 December 2020, TransGlobe Common Shares were transferred from the NASDAQ Global Select Market to the NASDAQ Capital Market.

## **2019**

TransGlobe's 2019 drilling programme included drilling six development wells in Egypt (five in West Bakr and one in North West Gharib) and two exploration wells (one in West Bakr and one in North West Gharib). Facilities were also installed at South Ghazalat 6X. In Canada, TransGlobe successfully drilled three one-mile horizontal development oil wells and one two-mile outpost appraisal well on lands acquired in 2018, located south of the Harmattan area and north of the Lochend area, which TransGlobe refers to as South Harmattan.

TransGlobe produced an average of 16,041 BOE/d in 2019. Egypt average production was 13,713 BBLs/d, including heavy crude oil production of 12,840 BBLs/d and light and medium crude oil production of 873 BBLs/d. In Canada, average production was 2,328 BOE/d including 814 BBLs/d of light and medium crude oil, 582 BBLs/d of natural gas liquids and 5,594 MCF/d of conventional natural gas.

2P reserves at year-end 2019 were up 4 per cent from 2018 primarily due to 2P reserves replacement of 135 per cent (excluding economic factors) against 5.8 MMBOE of production. Production outperformed forecasts, primarily at West Bakr, which led to positive 2P technical revisions of 4.4 MMBOE.

In 2019, TransGlobe relinquished the South Alamein and NW Sitra concessions and received approval for the South Ghazalat development lease from EGPC and the Ministry of Petroleum, with first oil produced at the end of December 2019.

Throughout 2019, TransGlobe engaged in constructive negotiations with EGPC to amend, extend and consolidate its Eastern Desert concession agreements.

TransGlobe paid two dividends in 2019 of \$0.035 per share.

	Three months to		Three months to	
	30 June	30 June	31 March	21 March
Average reference prices and exchange rates	2022	2021	2022	2021
<b>Crude oil</b>				
Dated Brent average oil price (\$/BBL)	113.54	68.83	100.30	60.82
Edmonton Sweet index (\$/BBL)	106.68	63.07	92.64	52.54
<b>Natural gas</b>				
AECO (\$/MMBtu)	5.42	2.48	3.68	2.30
US/Canadian Dollar average exchange rate	1.28	1.23	1.27	1.27
<b>Operations</b>				
<b>Average production volumes</b>				
Crude oil (BBLs/d)	10,908	11,414	10,911	10,802
NGLs (BBLs/d)	624	857	768	710
Natural gas (MCF/d)	3,600	4,834	4,598	4,259
Total (BOE/d)	12,132	13,077	12,466	12,221
<b>Average sales volume</b>				
Crude oil (BBLs/d)	11,385	14,879	10,429	8,271
NGLs (BBLs/d)	624	857	768	710
Natural gas (MCF/d)	3,600	4,834	4,598	4,259
Total (BOE/d)	12,609	16,542	11,964	9,691
<b>Average realised sales prices</b>				
Crude oil (\$/BBL)	101.56	60.39	82.09	53.26
NGLs (\$/BBL)	44.38	27.03	41.75	26.42
Natural gas (\$/MCF)	5.14	2.58	3.79	2.46
Total oil equivalent (\$/BOE)	95.37	56.48	75.70	48.47
			Six months to	
			30 June	30 June
			2022	2021
<b>Inventory (MBBLs)</b>			–	140.9
Petroleum and natural gas sales			190,937	127,295
Petroleum and natural gas sales, net of royalties			127,644	68,647
Cash flow generated by operating activities			18,388	19,892
Funds flow from operations			69,596	17,181
Funds flow from operations per share:				
Basic			0.95	0.24
Diluted			0.94	0.24
Net earnings (loss)			80,943	(3,302)
Net earnings (loss) per share:				
Basic			1.11	(0.05)
Diluted			1.09	(0.05)
Capital expenditures			24,585	6,504
Total assets			354,836	208,479
Cash and cash equivalents			61,175	43,639
Working capital			78,642	17,136
Total long-term debt, including current portion			3,102	16,951



During the first half of 2022, TransGlobe reported a decrease in production volumes of 3 per cent compared to the second half of 2021 (first half of 2021: decrease of 14 per cent on the first half of 2020). The decrease was primarily attributable to a shut-in during planned maintenance at a major processing plant in Canada, partially offset by an increase in production in the Eastern desert driven by the ongoing 2022 drilling programme.

In the same period, TransGlobe sold 104.0 MBBLS of entitlement crude oil to the EGPC (30 June 2021: 366.3 MBBLS) and sold one cargo lifting of 451.0 MBBLS (30 June 2021: one cargo lifting of 498.6 MBBLS), ending the quarter with no crude oil inventory, (30 June 2021: 140.3 MBBLS). TransGlobe collected a total of \$12.8 million of accounts receivable from the EGPC during the quarter (30 June 2021: \$17.7 million).

In addition, TransGlobe reported positive funds flow from operations of \$42.5 million (30 June 2021: \$17.1 million), inclusive of a \$0.7 million realised derivative loss on commodity contracts (30 June 2021: \$3.6 million realised derivative loss).

Petroleum and natural gas sales increased by 29 per cent compared to the same quarter in 2021 (30 June 2021: 246 per cent on the second quarter of 2020), primarily due to a 69 per cent increase in realised prices (30 June 2021: 161 per cent increase), partially offset by a 24 per cent decrease in sales volumes (30 June 2021: 33 per cent increase).

TransGlobe reported net earnings of \$32.1 million (30 June 2021: \$7.7 million), inclusive of a \$0.6 million unrealised derivative gain on commodity contracts (30 June 2021: \$1.2 million unrealised derivative loss) and spent \$15.7 million on capital expenditures (30 June 2021: \$3.6 million).

TransGlobe ended the second quarter of 2022 with positive working capital of \$78.6 million (30 June 2021: \$17.1 million), including \$61.2 million in cash (30 June 2021: \$43.6 million).

#### **4. Highlights and selected financial information for financial years ended 31 December 2021, 31 December 2020 and 31 December 2019**

<i>Average reference prices and exchange rates</i>	<i>2021</i>	<i>2020</i>	<i>2019</i>
<b>Crude oil</b>			
Dated Brent average oil price (\$/BBL)	70.68	41.76	64.36
Edmonton Sweet index (\$/BBL)	63.66	34.04	52.11
<b>Natural gas</b>			
AECO (\$/MMBtu)	2.91	1.68	1.29
US/Canadian Dollar average exchange rate	1.25	1.34	1.33
<b>Operations</b>			
<b>Average production volumes</b>			
Crude oil (BBLs/d)	11,336	11,858	14,527
NGLs (BBLs/d)	740	785	582
Natural gas (MCF/d)	4,667	4,686	5,594
Total (BOE/d)	<u>12,854</u>	<u>13,425</u>	<u>16,041</u>
<b>Average sales volume</b>			
Crude oil (BBLs/d)	11,960	13,871	13,441
NGLs (BBLs/d)	740	785	582
Natural gas (MCF/d)	4,667	4,686	5,594
Total (BOE/d)	<u>13,478</u>	<u>15,437</u>	<u>14,954</u>
<b>Average realised sales prices</b>			
Crude oil (\$/BBL)	63.12	35.80	55.31
NGLs (\$/BBL)	32.16	14.59	22.93
Natural gas (\$/MCF)	2.93	1.64	1.32
Total oil equivalent (\$/BOE)	<u>58.79</u>	<u>33.41</u>	<u>51.10</u>

<i>Average reference prices and exchange rates</i>	<i>2021</i>	<i>2020</i>	<i>2019</i>
<b>Inventory (MBBLs)</b>	–	227.9	964.5
Petroleum and natural gas sales	303,956	188,771	278,929
Petroleum and natural gas sales, net of royalties	169,006	114,675	140,096
Cash flow generated by operating activities	44,962	31,709	44,836
Funds flow from operations	44,831	30,443	46,871
Funds flow from operations per share:			
Basic	0.62	0.42	0.65
Diluted	0.61	0.42	0.65
Net earnings (loss)	40,338	(77,397)	(3,995)
Net earnings (loss) per share:			
Basic	0.56	(1.07)	(0.06)
Diluted	0.55	(1.07)	(0.06)
Capital expenditures	26,822	7,498	36,932
Dividends declared	–	–	5,078
Dividends declared per share	–	–	0.07
Total assets	<u>239,095</u>	<u>201,147</u>	<u>308,325</u>
Cash and cash equivalents	37,929	34,510	33,251
Working capital	<u>21,032</u>	<u>15,349</u>	<u>32,194</u>
Total long-term debt, including current portion	<u>3,040</u>	<u>21,464</u>	<u>37,041</u>

## **2021**

The TransGlobe Group reported a 4 per cent decrease in production volumes compared to 2020. This was primarily attributable to natural declines in Egypt, partially offset by the re-commencement of Eastern Desert drilling and well optimisation activities.

The TransGlobe Group ended 2021 with nil crude oil inventory, a decrease of 227.9 MBBLS over inventoried crude oil levels at 31 December 2020. This was primarily due to annual sales volumes exceeding production volumes and the third quarter of 2021 cargo lifting that resulted in an overlift.

The TransGlobe Group reported positive funds flow from operations of \$44.8 million. The increase in funds flow from operations from 2020 is primarily due to higher commodity prices, partially offset by lower production and excess cost oil in West Bakr.

The TransGlobe Group petroleum and natural gas sales increased by 61 per cent, primarily due to a 76 per cent increase in average realised sales prices, partially offset by a 13 per cent decrease in sales volumes in 2021.

The TransGlobe Group reported net earnings of \$40.3 million inclusive of a \$100,000 unrealised derivative loss on commodity contracts and a combined \$31.5 million non-cash impairment reversal on TransGlobe's petroleum and natural gas ("PNG") assets.

The TransGlobe Group ended the year with positive working capital of \$21 million, including \$37.9 million in cash as at 31 December 2021.

The TransGlobe Group spent \$26.8 million on capital expenditures, funded entirely from cash flow from operations and cash on hand.

The TransGlobe Group repaid \$18.9 million of long-term debt with cash on hand.

## **2020**

The TransGlobe Group reported a 16 per cent decrease in production volumes compared to 2019. In Egypt, the decrease was primarily attributable to the curtailed 2020 capital program, deferred well interventions and natural declines.

The TransGlobe Group ended 2020 with inventoried crude oil of 227.9 MBBLs, a decrease of 736.6 MBBLs over inventoried crude oil levels at 31 December 2019, primarily due to annual sales volumes exceeding production volumes.

The TransGlobe Group reported positive funds flow from operations of \$30,400,000. The decrease in funds flow from operations from 2019 is primarily due to lower production and lower commodity prices.

The TransGlobe Group petroleum and natural gas sales decreased by 32 per cent, primarily due to a 35 per cent decrease in average realised sales prices.

The TransGlobe Group reported a net loss of \$77.4 million inclusive of a \$200,000 unrealised derivative loss on commodity contracts and a combined \$73.5 million non-cash impairment loss on TransGlobe's PNG and E&E assets.

The TransGlobe Group ended the year with positive working capital of \$15.3 million, including \$34.5 million in cash and cash equivalents as at 31 December 2020.

The TransGlobe Group spent \$7.5 million on capital expenditures, funded entirely from cash flow from operations and cash on hand.

The TransGlobe Group repaid \$16.5 million of long-term debt with cash on hand.

## **2019**

The TransGlobe Group reported an 11 per cent increase in production volumes compared to 2018. In Egypt, the increase was primarily due to new wells and successful well optimisation projects in West Bakr, offset by natural declines. In Canada, production was higher primarily due to new production from both the 2018 and 2019 drilling program, partially offset by natural declines.

The TransGlobe Group ended 2019 with the inventoried crude oil of 964.5 MBBLs, an increase of 396.4 MBBLs over inventoried crude oil levels at 31 December 2018.

The TransGlobe Group reported positive funds flow from operations of \$46.9 million (2018 – \$63.3 million). The decrease in funds flow from operations from 2018 is primarily due to excess cost oil in West Bakr and lower commodity prices.

The TransGlobe Group ended the year with positive working capital of \$32.2 million, including \$33.3 million in cash and cash equivalents as at 31 December 2019.

The TransGlobe Group petroleum and natural gas sales decreased by 7 per cent mainly due to a 6 per cent decrease in average realised sales prices.

The TransGlobe Group reported a net loss of \$4 million (2018 – net earnings of \$15.7 million). The 2019 net loss was inclusive of a \$7.9 million non-cash impairment loss on TransGlobe's exploration and evaluation assets, primarily attributable to the South Alamein concession, and a \$1.6 million unrealised derivative loss on commodity contracts. Before impairment and the unrealised loss on derivative commodity contracts, TransGlobe had net earnings of \$5.5 million.

## **5. Liquidity, financing and capital resources for the six months to 30 June 2022 and 30 June 2021**

As at 30 June 2022, TransGlobe had a working capital surplus of \$78.6 million (2021: \$17.1 million). The increase in working capital was primarily due to an increase in receivables as a result of the effective date adjustment on the Merged Concession Agreement in Egypt and an increase in cash due to improved commodity prices. These increases were partially offset by an increase in accounts payable driven primarily by the 2022 capital programme, an increase in the current portion of sharebased compensation liabilities and an increase in the current portion of modernisation payment liabilities.

As at 30 June 2022 all of TransGlobe's cash was on deposit with high credit-quality financial institutions.

In Egypt, TransGlobe sold 104.0 MBBLS of entitlement crude oil to the EGPC in the second quarter of 2022 (2021: 366.3 MBBLS) for proceeds of \$11.8 million (2021: \$22.2 million) and sold one cargo lifting of 451.0 MBBLS of entitlement crude oil for proceeds of \$46.3 million (collected in May and June 2022) (2021: one cargo lifting of 498.6 MBBLS for \$29.1 million). TransGlobe generally incurs a 30-day collection cycle on cargo lifting sales. Depending on TransGlobe's assessment of the credit of crude oil purchasers, they may be required to post irrevocable letters of credit to support the sales prior to the cargo lifting. As at 30 June 2022, TransGlobe held no crude oil as inventory (2021: 140.3 MBBLS).

As at 30 June 2022, TransGlobe had a revolving Canadian reserves-based lending facility with ATB totaling \$17.4 million (C\$22.5 million), of which \$3.1 million (C\$4.0 million) was drawn and outstanding. During the six months ended 30 June 2022, TransGlobe had average drawings of \$0.1 million (C\$0.1 million) on this facility.

## 5.1 *Capital expenditures*

<i>(U.S.\$000s)</i>	<i>Six months ended June 30</i>	
	<i>2022</i>	<i>2021</i>
Egypt	11,895	3,528
Canada	12,690	2,966
Corporate	—	10
<b>Total</b>	<b>24,585</b>	<b>6,504</b>

Capital expenditures in the first six months of 2022 were \$24.6 million (2021: \$6.5 million).

In Egypt, TransGlobe incurred \$11.9 million in capital expenditures during the six months ended 30 June 2022 (2021: \$3.5 million) associated with drilling and casing nine development oil wells in the Eastern Desert.

In Canada, TransGlobe incurred \$12.7 million in capital expenditures during the six months ended 30 June 2022 (2021: \$3.0 million) associated with drilling five horizontal Cardium reservoir wells (three two-mile, and two one-mile) in the South Harmattan area. Another one-mile horizontal Cardium reservoir well was spud in June 2022 with rig release in early July.

## 5.2 *Capital resources*

### *Cash on hand*

The table below represents an abbreviated summary of TransGlobe's consolidated statements of cash flows for the six months ended 30 June 2022 and 30 June 2021.

<i>\$ (in thousands)</i>	<i>Six months ended June 30</i>	
	<i>2022</i>	<i>2021</i>
Net cash generated by operating activities	18,388	19,892
Net cash used in investing activities	(18,681)	(4,157)
Net cash (used in) generated financing activities	23,747	(6,439)
Currency translation differences relating to cash	(208)	(167)
Net increase (decrease) in cash and cash equivalents	23,246	9,129
Cash, beginning of period	37,929	34,510
<b>Cash and cash equivalents, end of year</b>	<b>61,175</b>	<b>43,639</b>

**6. Liquidity, financing and capital resources for financial years ended 31 December 2021, 31 December 2020 and 31 December 2019**

**2021**

As at 31 December 2021, TransGlobe had a working capital surplus of \$21 million. The increase in working capital is primarily due to an increase in cash resulting from collections on accounts receivable during the year, an increase in accounts receivable due to increased sales, and a decrease in the current portion of long-term debt with full repayment of the Mercuria prepayment agreement occurring in 2021. These increases were partially offset by a decrease in crude oil inventory and an increase in accounts payable driven by the 2021 capital programme.

As at 31 December 2021, all of TransGlobe's cash was on deposit with high credit-quality financial institutions.

In Egypt, TransGlobe sold 1,120.0 MBBLS of entitlement crude oil to EGPC in 2021 for net proceeds of \$63.5 million. During the year, TransGlobe collected a total of \$63.1 million of accounts receivable from EGPC, an additional \$6.6 million has been collected subsequent to the year end. TransGlobe incurs a 30-day collection cycle on sales to third-party international buyers. Depending on TransGlobe's assessment of the credit of crude oil purchasers, they may be required to post irrevocable letters of credit to support the sales prior to the cargo lifting. As at 31 December 2021, TransGlobe held no crude oil inventory.

As at 31 December 2021, TransGlobe has a revolving Canadian reserves-based lending facility with ATB totalling CA\$22.5 million (U.S.\$17.7 million), of which CA\$3.9 million (U.S.\$3 million) was drawn and outstanding. During 2021, TransGlobe repaid CA\$5 million (U.S.\$3.9 million) and had drawings of CA\$500,000 (U.S.\$400,000) on this facility. During 2021, the \$15 million outstanding under the prepayment agreement with Mercuria was repaid in full.

**2020**

As at 31 December 2020, TransGlobe had a working capital surplus of \$15.3 million. The decrease in working capital is primarily due to the \$15 million outstanding balance of the Mercuria prepayment agreement being reclassified as current during the year, a decrease in cash resulting from repayments on long-term debt, payments on accounts payable during the year, a decrease in crude oil inventory due to increased sales to EGPC in 2020, partially offset by a decrease in accounts payable.

In Egypt, TransGlobe completed a second crude oil sale in the fourth quarter of 2020 for total proceeds of \$16.2 million, which were collected in December 2020. TransGlobe incurs a 30-day collection cycle on sales to third-party international buyers. Depending on TransGlobe's assessment of the credit of crude oil purchasers, it may be required to post irrevocable letters of credit to support the sales prior to the cargo lifting. As at 31 December 2020, TransGlobe held 227.9 MBBLS of entitlement oil as inventory.

As at 31 December 2020, TransGlobe had \$86 million of revolving credit facilities with \$21.5 million drawn and \$64.5 million available. TransGlobe has a prepayment agreement with Mercuria that allows for a revolving balance of up to \$75 million, of which \$15 million was drawn and outstanding as at 31 December 2020. During 2020, TransGlobe repaid \$15 million of this prepayment agreement. TransGlobe also has a revolving Canadian reserves-based lending facility with ATB that was renewed and reduced as at 30 June 2020 from CA\$25 million (U.S.\$19.2 million) to CA\$15 million (U.S.\$11 million). The reduction in the ATB facility is a result of lower forecasted commodity prices and the associated impact on asset value. During 2020, TransGlobe repaid CA\$2 million (U.S.\$1.5 million) and had drawings of CA\$500,000 (U.S.\$400,000) on this facility, leaving CA\$8.3 million (U.S.\$6.6 million) drawn and outstanding.

**2019**

As at 31 December 2019, TransGlobe had a working capital surplus of \$32.2 million. The decrease in working capital is primarily the result of a decrease in cash from repayments on long-term debt,



dividend payments, and lower income in 2019 principally due to lower commodity prices, and funding of the 2019 capital programme.

In Egypt, TransGlobe completed a fourth crude oil sale in the fourth quarter of 2019 for total proceeds of \$22.6 million, which were collected in December 2019. TransGlobe incurs a 30-day collection cycle on sales to third-party international buyers. Depending on TransGlobe's assessment of the credit of crude oil purchasers, it may be required to post irrevocable letters of credit to support the sales prior to the cargo lifting, which has significantly reduced TransGlobe's credit risk profile. As at 31 December 2019, TransGlobe held 964.5 MBBLs of entitlement oil as inventory.

As at 31 December 2019, TransGlobe had \$94.2 million of revolving credit facilities with \$37.5 million drawn and \$56.7 million available. TransGlobe has a prepayment agreement with Mercuria that allows for a revolving balance of up to \$75 million, of which \$30 million was drawn and outstanding. During 2019, TransGlobe repaid \$15 million of this prepayment agreement. TransGlobe also has a revolving Canadian reserves-based lending facility with ATB totalling CA\$25 million (U.S.\$19 million), of which CA\$9.8 million (U.S.\$7.5 million) was drawn and outstanding. During 2019, TransGlobe had drawings of CA\$600,000 (U.S.\$500,000) and repayments of CA\$2 million (U.S.\$1.5 million) on this facility.

TransGlobe paid a dividend of \$0.035 per share (\$2.5 million) on 18 April 2019 to shareholders of record on 29 March 2019, and \$0.035 per share (\$2.5 million) on 13 September 2019 to shareholders of record on 30 August 2019.

#### 6.1 *Capital expenditures*

<i>(U.S.\$000s)</i>	<i>2021</i>	<i>2020</i>	<i>2019</i>
Egypt	14,561	5,256	27,239
Canada	12,222	2,067	9,525
Corporate	39	175	168
Total	<u>26,822</u>	<u>7,498</u>	<u>36,932</u>

##### *2021*

Capital expenditures in 2021 were \$26.8 million.

In Egypt, TransGlobe incurred \$14.6 million in capital expenditures during 2021 primarily associated with drilling seven development wells in West Bakr, one development well in North West Gharib, performing six recompletions in West Bakr, and completing development/maintenance projects in the Eastern Desert. In the Western Desert, TransGlobe drilled an oil exploration well at South Ghazalat, recompleted the SGZ-6X well to the lower Bahariya reservoir, and expanded the South Ghazalat early production facility in 2021.

In Canada, TransGlobe incurred \$12.2 million in capital expenditures during 2021 associated with drilling and completing three horizontal Cardium oil wells in the Harmattan area. TransGlobe also stimulated, equipped and tied in the Cardium oil well that was drilled, but not completed in 2020.

##### *2020*

Capital expenditures in 2020 were \$7.5 million.

In Egypt, TransGlobe incurred \$5.3 million in capital expenditures during 2020 primarily associated with drilling and completing one development oil well and performing four recompletions.

In Canada, TransGlobe incurred \$2.1 million in capital expenditures during 2020 associated with drilling one horizontal Cardium oil well in the Harmattan area.

##### *2019*

Capital expenditures in 2019 were \$36.9 million.

In Egypt, TransGlobe incurred \$27.2 million in capital expenditures during 2019 associated with drilling eight wells, performing twelve completions and workovers, and facility construction and expansion.

In Canada, TransGlobe incurred \$9.5 million in capital expenditures during 2019 associated with drilling four horizontal Cardium oil wells in the Harmattan area and stimulating, equipping and tying in these four wells along with six Cardium oil wells that were drilled in 2018.

## 6.2 *Capital resources*

### (a) *Credit Facility*

#### 2021

During 2021, TransGlobe repaid the remaining \$15 million outstanding on the Mercuria prepayment. This agreement expired on 31 December 2021.

As at 31 December 2020, TransGlobe had in place a revolving Canadian reserves-based lending facility with ATB Financial totalling CA\$15 million (U.S.\$11 million). On 4 June 2021, the ATB facility was renewed and increased to CA\$22.5 million (U.S.\$17.7 million), of which CA\$3.9 million (U.S.\$3 million) was drawn at 31 December 2021 (31 December 2020 – CA\$8.3 million/U.S.\$6.6 million). Under the renewed agreement, TransGlobe is required to enter into hedging arrangements based on its debt utilisation. If utilisation is below 50 per cent, TransGlobe is required to hedge 25 per cent of its annual forecasted average daily Canadian production of oil and natural gas volumes (net of royalties); utilisation of between 50-69 per cent requires a hedge of 50 per cent; utilisation of 70 per cent and above requires a hedge of 60 per cent. There were no other changes to the key terms of the agreement from 31 December 2020. During the year ended 31 December 2021, TransGlobe repaid CA\$5 million (U.S.\$3.9 million) and drew CA\$500,000 (U.S.\$400,000) on the revolving facility.

As at 30 June 2022, TransGlobe has a revolving Canadian reserves-based lending facility with ATB totalling CA\$22.5 million (U.S.\$17.4 million), of which CA\$4.0 million (U.S.\$3.1 million) was drawn and outstanding. During the six months ended 30 June 2022, TransGlobe had average drawings of CA\$0.1 million (U.S.\$0.1 million) on this facility.

#### 2020

As at 31 December 2020, TransGlobe had a prepayment agreement with Mercuria that allows for a revolving balance of up to \$75 million, of which \$15 million is outstanding. During 2020, TransGlobe made repayments of \$15 million on this prepayment balance.

As at 31 December 2019, TransGlobe had in place a revolving Canadian reserves-based lending facility with ATB totalling CA\$25 million (U.S.\$19.2 million). As at 30 June 2020, the ATB facility was renewed for CA\$15 million (U.S.\$11 million), of which CA\$8.3 million (U.S.\$6.6 million) was drawn (31 December 2019 – CA\$9.8 million/U.S.\$7.5 million). The facility bears interest at a rate of either ATB Prime or Canadian Dollar Offered Rate (“CDOR”) plus applicable margins that vary from 2.25 per cent to 4.25 per cent (31 December 2019: 1.25 per cent to 3.25 per cent) depending on TransGlobe’s net debt to trailing cash flow ratio. There were no other changes to the key terms of the agreement from 31 December 2019. During the year ended 31 December 2020, TransGlobe repaid CA\$2 million (U.S.\$1.5 million) and drew CA\$500,000 (U.S.\$400,000) on the revolving facility.

#### 2019

As at 31 December 2019, TransGlobe had a prepayment agreement with Mercuria that allows for a revolving balance of up to U.S.\$75 million, of which U.S.\$30 million is outstanding. During 2019, TransGlobe made repayments of U.S.\$15 million on this loan.

As at 31 December 2019, TransGlobe had a revolving Canadian reserves-based lending facility with ATB Financial (“**ATB**”) totalling CA\$25 million (U.S.\$19.2 million), of which CA\$9.8 million (U.S.\$7.5 million) was outstanding. During 2019, TransGlobe made repayments of CA\$2 million (U.S.\$1.5 million) on this loan. Additionally, in 2019 the borrowing base of the ATB facility was decreased from CA\$30 million (U.S.\$23.1 million) to CA\$25 million (U.S.\$19.2 million) as a result of ATB’s annual assessment of TransGlobe’s reserves base.

(b) *Cash on hand*

The table below represents an abbreviated summary of TransGlobe’s Consolidated Statements of Cash Flows for the years ending 31 December 2021, 31 December 2020 and 31 December 2019.

	2021	2020	2019
		\$ (in thousands)	
Net cash generated by operating activities	44,962	31,709	44,836
Net cash used in investing activities	(19,221)	(11,042)	(37,109)
Net cash used in financing activities	(22,015)	(19,558)	(26,387)
Net increase (decrease) in cash and cash equivalents	3,419	1,259	(18,454)
<b>Cash and cash equivalents, end of year</b>	<b>37,929</b>	<b>34,510</b>	<b>33,251</b>

### 6.3 *Liquidity*

Companies operating in the upstream oil and gas industry require sufficient cash in order to fund capital programs that maintain and increase production and reserves, to acquire strategic oil and gas assets, to repay current liabilities and debt and ultimately to provide a return to shareholders. TransGlobe’s capital programmes are funded by existing working capital and cash provided from operating activities. TransGlobe’s cash flow from operations varies significantly from quarter to quarter, depending on the timing of oil sales from cargoes lifted in Egypt, and these fluctuations in cash flow impact TransGlobe’s liquidity. Refer to details in paragraph 3 of this Part 17 (*Operating and Financial Review relating to the TransGlobe Group*).

## 7. **Results of operations for the six months ended 30 June 2022 and 30 June 2021**

### 7.1 *Crude oil revenues*

Petroleum and natural gas sales increased by 50 per cent compared to the first half of 2021, primarily due to a 60 per cent increase in realised prices, partially offset by a 6 per cent decrease in sales volumes.

In Egypt, oil sales increased by 48 per cent, for the six months ended 30 June 2022 compared to the same period in 2021. The increase was primarily due to a 59 per cent or \$34.19/BBL increase in realised sales prices, partially offset by a decrease in sales volumes of 7 per cent compared to the same period in 2021. The difference between the average selling price and Dated Brent is due to a gravity/quality adjustment and is also impacted by the specific timing of direct sales.

In Canada, petroleum and natural gas sales increased by 66 per cent to \$20.8 million, for the six month period ended 30 June 2022 compared to the same period in 2021. This increase was primarily due to an increase in realised prices, partially offset by a decrease in sales volumes of 4 per cent, for the six months ended 30 June 2022, compared with the same period in 2021.

## 7.2 *Production expenses*

In Egypt, production and operating expenses decreased by 6 per cent (\$1.7 million) in the six months ended 30 June 2022 compared with the same period in 2021. The decrease was primarily related to a decrease in sales volumes resulting in less operating costs being expensed from inventory (\$1.9 million). The decrease was also driven by a decrease in G&A allocated to operating expenses due to increased capital activity in the period, partially offset by an increase in workovers and an increase in diesel and fuel costs as a result of improved commodity prices and inflation. The 1 per cent increase in production and operating expenses per BBL for the six months ended 30 June 2022 was primarily due to a comparative 7 per cent decrease in sales volumes, partially offset by a decrease in production and operating expenses in Egypt when compared to the same period in 2021.

Selling costs increased by 59 per cent, for the six months ended 30 June 2022, compared with the same period in 2021. The higher costs incurred on the second quarter of 2022 cargo lifting when compared to the second quarter of 2021 cargo lifting contributed to the increase for the six months ended 30 June 2022, compounded with TransGlobe selling two cargo liftings in the period compared to one cargo lifting during the same period in 2021.

Production and operating expenses in Canada increased by 18 per cent (\$0.6 million), for the six months ended 30 June 2022 compared with the same period in 2021. This increase was primarily due to an increase in chemical costs, power and utilities, and transportation costs attributable to increased commodity prices and inflationary pressures.

## 7.3 *Depreciation, depletion and amortisation (DD&A)*

	Six months ended June 30			
	2022		2021	
(\$000s, except per BOE amounts)	\$	\$/BOE	\$	\$/BOE
Egypt	10,454	5.65	7,803	3.93
Canada	3,559	9.48	3,730	9.51
Corporate	156	—	241	—
<b>Total</b>	<b>14,169</b>	<b>6.37</b>	<b>11,774</b>	<b>4.95</b>

In Egypt, gross DD&A fluctuates periodically due to changes in inventory volumes as the DD&A per barrel associated with capitalised inventory barrels is also capitalised and subsequently expensed when sold. During the six months ended 30 June 2022, DD&A increased by 34 per cent (\$2.7 million), compared to the same period in 2021. This increase was primarily due to an increase in capital activity and a higher depletable cost base, partially offset by a decrease in production.

In Canada, gross DD&A decreased by 5 per cent (\$0.2 million) during the six months ended 30 June 2022, compared with the same period in 2021. This decrease was primarily due to a decrease in production as a result of planned maintenance at a major processing plant in the second quarter of 2022, partially offset by an increase in capital activity and a higher depletable cost base.

## 7.4 *Impairment of proved crude oil and natural gas properties*

In the second quarter of 2022, TransGlobe determined that there were no indicators of impairment or impairment reversal and therefore did not record an impairment charge for any of PNG assets. During the first quarter of 2022, TransGlobe recorded a non-cash impairment reversal on its PNG assets in the Eastern Desert CGU based on the calculation of fair value less costs to sell, using estimated after-tax discounted cash flows on proved plus probable reserves. Based on the results of the impairment reversal calculations completed, recoverable amounts were determined to be greater than the carrying values of the CGU tested resulting in \$26.0 million of impairment reversal being recorded. The impairment reversal was limited to total accumulated historical impairments less subsequent depletion. There were no indicators of impairment or impairment reversal on TransGlobe's intangible exploration and evaluation assets during the second quarter of 2022.

## 7.5 *Asset retirement obligations*

As at 30 June 2022, TransGlobe had an asset retirement obligation (“ARO”) of \$11.3 million (30 June 2021: \$13.9 million) for the future abandonment and reclamation costs of the Canadian assets. The estimated ARO liability 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 inflation factors in order to calculate the undiscounted total future liability. TransGlobe calculated the present value of the obligations using discount rates between 3.10 per cent and 3.23 per cent (30 June 2021 – rates between 0.45 per cent and 1.84 per cent) to reflect the market assessment of the time value of money as well as risks specific to the liabilities that have not been included in the cash flow estimates. The inflation rate used in determining the cash flow estimate was 2.00 per cent per annum (30 June 2021 – 2.00 per cent).

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 TransGlobe 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 TransGlobe's financial condition. For petroleum wells, under good oilfield practices, the contractor is responsible for decommissioning nonproducing wells under a decommissioning plan approved by the EGPC during the life of the concession agreement. If the 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. The 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 the EGPC has discretion on decommissioning wells, there is a risk that TransGlobe could incur well decommissioning costs. In accordance with the respective concession agreements, expenses approved by the EGPC are recoverable through the cost recovery mechanism.

As at 30 June 2022 there is no ARO associated with the Egypt PSCs.

## 7.6 *General and administrative expenses (“G&A”)*

<i>General and administrative expenses (\$000s, except per BOE amounts)</i>	<i>Six months ended June 30</i>			
	<i>2022</i>		<i>2021</i>	
	<i>\$</i>	<i>\$/BOE</i>	<i>\$</i>	<i>\$/BOE</i>
Gross G&A	9,217	4.14	5,471	2.30
Stock-based compensation	6,231	2.80	3,587	1.51
Capitalised G&A	(506)	(0.23)	(351)	(0.15)
<b>Net G&amp;A</b>	<b>14,942</b>	<b>6.71</b>	<b>8,707</b>	<b>3.66</b>

Gross G&A increased by 68 per cent for the six months ended 30 June 2022, compared with the same period in 2021. The increase was primarily due an increase in business development expenses, inflationary impacts to TransGlobe's base cost structure and an increase in employee compensation payments driven by improved performance.

Stock-based compensation expense increased by 74 per cent for the six months ended 30 June 2022, compared with the same period in 2021. This increase was primarily due to an increase in TransGlobe's share price at the end of the second quarter of 2022 and the associated revaluation of TransGlobe's potential obligations, partially offset by a large number of outstanding units being released.

Capitalised G&A increased by 44 per cent for the six months ended 30 June 2022, compared to the same period in 2021. This increase was primarily due to increased capital activity when compared to the same period in 2021.



## 7.7 Interest expense

	<i>Six months ended June 30</i>	
<i>(\$000s)</i>	2022	2021
Interest on long-term debt	–	431
Interest on borrowing base facility	78	156
Amortisation of deferred financing costs	–	103
Interest on modernisation payment liabilities	1,148	–
Interest on lease obligations	45	113
<b>Finance costs</b>	<b>1,271</b>	<b>803</b>
<b>Interest paid</b>	<b>78</b>	<b>584</b>

Finance costs for the six months ended 30 June 2022 increased to \$1.3 million from \$0.8 million for the same period in 2021. This increase was primarily due to interest on modernisation payment liabilities, partially offset by a lower balance of long-term debt outstanding.

## 8. Results of operations for financial years ended 31 December 2021, 31 December 2020 and 31 December 2019

The table below represents the key financial information of TransGlobe's Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss) for the years ending 31 December 2021, 31 December 2020 and 31 December 2019.

<i>(U.S.\$000s)</i>	2021	2020	2019
Petroleum and natural gas sales, net of royalties	169,006	114,675	140,096
Finance revenue	9	106	471
Other revenue	32	641	–
Production and operating	61,430	64,462	50,626
Overlift	14,723	–	–
Selling costs	3,921	2,111	1,287
General and administrative	20,353	11,990	16,611
Foreign exchange loss (gain)	47	24	(147)
Finance costs	1,141	2,520	4,256
Depletion, depreciation and amortisation	25,434	31,049	34,948
Asset retirement obligation accretion	207	259	215
Loss (gain) on financial instruments	10,563	(6,621)	2,845
Impairment (reversal) loss	(31,521)	73,495	7,937
Gain on disposition of assets	–	–	(114)
Income tax expense – current	22,411	13,530	26,098
<b>Net earnings (loss)</b>	<b>40,338</b>	<b>(77,397)</b>	<b>(3,995)</b>

### 8.1 Crude oil revenues

#### 2021

Petroleum and natural gas sales increased by 61 per cent compared to 2020, primarily due to a 76 per cent increase in average realised sales prices, partially offset by a 13 per cent decrease in sales volumes in 2021.

In Egypt, petroleum and natural gas sales increased by \$84.3 million to \$257.3 million from 2020. This was primarily due to an increase in realised prices, partially offset by a decrease in sales volumes from the prior year. The realised sales price for the year ended 31 December 2021 was \$62.94/BBL, which was \$7.74/BBL lower than the average Dated Brent oil price of \$70.68/BBL for 2021. The difference between the average selling price and Dated Brent is due to a gravity/quality adjustment and is also impacted by the specific timing of direct sales.

In Canada, petroleum and natural gas sales increased by \$16.2 million to \$31.9 million from 2020. This was primarily due to an increase in realised prices, partially offset by a decrease in sales volumes from the prior year.

#### *2020*

Petroleum and natural gas sales decreased by 32 per cent compared to 2019, primarily due to a 35 per cent decrease in average realised sales prices.

In Egypt, the average selling price for the year ended 31 December 2020 was \$35.94/BBL, which was \$5.82/BBL lower than the average Dated Brent oil price of \$41.76/BBL for 2020. The difference between the average selling price and Dated Brent is due to a gravity/quality adjustment and is also impacted by the specific timing of direct sales.

#### *2019*

Petroleum and natural gas sales decreased by seven per cent compared to 2018, mainly due to a six per cent decrease in average realised sales prices.

In Egypt, the average selling price for the year ended 31 December 2019 was \$55.59/BBL, which was \$8.77/BBL lower than the average Dated Brent oil price of \$64.36/BBL for 2019. The difference between the average selling price and Dated Brent is due to a gravity/quality adjustment and is also impacted by the specific timing of direct sales.

### **8.2 *Production expenses***

#### *2021*

In Egypt, production and operating expenses decreased by seven per cent (\$3.9 million) in 2021 compared with 2020. The decrease was primarily due to a decrease in crude oil sales in 2021 compared to 2020, resulting in less operating costs previously capitalised to inventory being expensed in 2021 compared to 2020 (\$2.2 million). The decrease was also due to lower production handling fees. These decreases were partially offset by an increase in manpower cost and workovers. The increase in production and operating expenses per BBL from \$12.11/BBL in 2020 to \$13.30/BBL in 2021 was primarily due to a comparative five per cent decrease in production in Egypt.

In Canada, production and operating expenses increased by 15 per cent (\$900,000) in 2021 compared with 2020. The increase was primarily due to an increase in chemical costs and power and utilities due to an increase in commodity prices and the strengthening of the Canadian dollar in 2021. This was partially offset by a decrease in transportation costs and gas processing fees.

#### *2020*

In Egypt, production and operating expenses increased by 35 per cent (\$15.1 million) in 2020 compared with 2019. The increase was primarily related to a decrease in crude oil inventory through sales to both EGPC and Mercuria, where operating costs previously capitalised to inventory were expensed in the period of sale (\$14 million). The increase was also caused by higher manpower costs as well as operating expenses related to the South Ghazalat concession which began operating in 2020, partially offset by a decrease in workovers and production handling fees. The increase in production and operating expenses per barrel from \$9.38/BBL in 2019 to \$12.11/BBL in 2020 was due to a 19 per cent decrease in production primarily attributed to the curtailed 2020 capital programme, deferred well interventions and natural declines.

In Canada, production and operating expenses decreased by 15 per cent compared with 2019. The decrease was primarily due to a decrease in transportation costs.

#### *2019*

In Egypt, production and operating expenses decreased by five per cent (\$2.3 million) in 2019 compared with 2018. The decrease was primarily related to the lower workover costs (\$1.5 million)

and the impact of the adoption of IFRS 16 (\$1.5 million). This was partially offset by higher service and fuel costs due to higher production and diesel prices.

In Canada, the year-over-year decrease in production and operating expenses for 2019 was primarily due to a facilities maintenance program which was completed in 2018, and generally occurs every five years. Additionally, certain costs historically recorded as operating expenses were recorded as depletion, depreciation and amortisation in 2019 due to the adoption of IFRS 16.

### 8.3 *Exploration expenses*

N/A.

### 8.4 *Depreciation, depletion and amortisation*

(\$000s, except per BOE amounts)	2021		2020		2019	
	\$	\$/BOE	\$	\$/BOE	\$	\$/BOE
Egypt	17,120	4.19	22,927	4.76	26,345	5.72
Canada	7,905	9.52	7,320	8.78	7,790	9.17
Corporate	409	—	802	—	813	—
Total	<u>25,434</u>	<u>5.17</u>	<u>31,049</u>	<u>5.50</u>	<u>34,948</u>	<u>6.40</u>

#### *2021*

In Egypt, gross DD&A fluctuates periodically due to changes in inventory volumes as the DD&A per barrel associated with capitalised inventory barrels is also capitalised and subsequently expensed when sold. In 2021, DD&A decreased by 25 per cent (\$5.8 million) for the year ended 31 December 2021, compared to 2020. This decrease was primarily due to a lower depletable base and a decrease in production.

In Canada, gross DD&A increased by eight per cent (\$600,000) during the year ended 31 December 2021, compared to 2020. The increase was primarily attributable to an increase in depletable base as a result of higher expected future development costs, partially offset by a decrease in production.

#### *2020*

In Egypt, gross DD&A fluctuates periodically due to changes in inventory volumes as the DD&A per barrel associated with capitalised inventory barrels is also capitalised and subsequently expensed when sold. During 2020, DD&A decreased by 13 per cent (\$3.4 million) for the year ended 31 December 2020, compared to 2019. This decrease was primarily due to a lower depletable base from the first quarter of 2020 impairment losses and a decrease in production, partially offset by a decrease in crude oil inventory during the first quarter of 2020.

In Canada, gross DD&A decreased by six per cent (\$400,000) during the year ended 31 December 2020, compared to 2019. The decrease was primarily attributable to a lower depletable base from impairment losses recognised in the first quarter of 2020 and a decrease in production.

#### *2019*

In Egypt, gross DD&A fluctuates periodically due to changes in inventory volumes as a portion of DD&A is capitalised and expensed when sold. During 2019 DD&A remained flat compared to 2018. This was due to a build in inventory (\$2.1 million), and was offset by increased production (\$1 million) and additional depreciation from the adoption of IFRS 16 (\$1.1 million).

In Canada, gross DD&A increased by one per cent (\$100,000) during 2019 due to a slight increase in production in 2019.

## 8.5 *Impairment of proved crude oil and natural gas properties*

### *2021*

In the third quarter of 2021, TransGlobe determined that there were indicators of impairment reversal present on its PNG assets in the West Gharib, West Bakr, North West Gharib and Canada cash-generating units (“CGU”) due to an increase and stabilisation in forecasted commodity prices. Based on the results of the impairment reversal calculations completed, recoverable amounts were determined to be greater than the carrying values of the CGUs tested, resulting in \$31.5 million of impairment reversal being recorded. This was comprised of a \$20.5 million impairment reversal on the West Gharib concession, a \$4.6 million impairment reversal on the West Bakr concession, a \$3 million reversal on the North West Gharib concession and a \$3.4 million reversal on the Canadian assets. The impairment reversal for all CGUs was limited to total accumulated impairments adjusted for depletion.

### *2020*

The disruption to the oil and gas industry experienced during the first quarter of 2020 and the resulting downward pressure on commodity prices led to an assessment of impairment indicators present on both TransGlobe’s PNG assets that required it to perform an assessment of the recoverability of these assets as at 31 March 2020.

TransGlobe recorded a non-cash impairment loss of \$40 million on its PNG assets during the first quarter of 2020. This was comprised of a \$24.7 million impairment loss on the West Gharib concession, a \$6.6 million impairment loss on the West Bakr concession, a \$4.6 million impairment loss on the North West Gharib concession and a \$4.1 million impairment loss on the Canadian assets. These impairment losses were recorded to reduce the carrying value of these PNG assets to their projected recoverable amounts, which was \$23.8 million in West Gharib, \$55 million in West Bakr, \$0 in North West Gharib and \$60 million in Canada. No further impairment losses were recognised in 2020.

### *2019*

At 31 December 2019, TransGlobe’s market capitalisation was less than its net asset value. Negative revisions due to economic factors were also noted in the Canadian CGU. These factors were identified as indicators of impairment and as a result, TransGlobe completed impairment tests on all of its CGUs in accordance with IAS 36. It was determined that the carrying amounts of the CGUs did not exceed their fair value less costs to sell.

## 8.6 *Gain on revision of asset retirement obligations*

N/A.

## 8.7 *General and administrative expenses*

### *General and administrative expenses*

<i>(\$000s, except per BOE amounts)</i>	<i>2021</i>		<i>2020</i>		<i>2019</i>	
	<i>\$</i>	<i>\$/BOE</i>	<i>\$</i>	<i>\$/BOE</i>	<i>\$</i>	<i>\$/BOE</i>
Gross G&A	11,760	2.39	11,893	2.10	15,784	2.89
Stock-based compensation	9,267	1.88	857	0.15	2,237	0.41
Capitalised G&A	(674)	(0.14)	(760)	(0.13)	(1,410)	(0.26)
<b>Net G&amp;A</b>	<b>20,353</b>	<b>4.13</b>	<b>11,990</b>	<b>2.12</b>	<b>16,611</b>	<b>3.04</b>

## 2021

Gross G&A decreased by one per cent in 2021 compared with 2020. This decrease was primarily due to lower salary expense in 2021 resulting from one-time restructuring charges, partially offset by higher professional fees and increased corporate travel.

Share-based compensation increased significantly in 2021 compared to 2020. This increase was primarily due to an increase in TransGlobe's average share price in 2021 and the associated revaluation of TransGlobe's potential obligations.

Capitalised G&A decreased by 11 per cent from the prior year due to less staff time allocated to capital projects as a result of reduced headcounts, partially offset by increased capital activity in 2021. The increase in capitalised G&A and overhead recoveries per BOE is primarily due the decrease in sales volumes in 2021, partially offset by the decrease in capitalised G&A and overhead recoveries noted from the prior year.

## 2020

G&A (gross) decreased by 25 per cent in 2020 compared with 2019. This decrease was primarily due to lower salaries, short term incentive payments, business development costs, reduced corporate travel and professional fees, partially offset by non-recurring restructuring charges.

Stock-based compensation expense decreased by 62 per cent in 2020 compared to 2019. This decrease is primarily due to a decrease in TransGlobe's average share price in 2020 and the associated revaluation of TransGlobe's potential obligations.

Capitalised G&A decreased by 46 per cent from the prior year due to reduced capital activity in 2020 due to the COVID-19 pandemic.

## 2019

G&A (gross) decreased by three per cent in 2019 compared with 2018. The decrease is primarily due to non-recurring costs in 2018 related to the AIM listing.

Stock-based compensation expense decreased by 37 per cent in 2019 compared to 2018. This decrease is primarily due to a decrease in TransGlobe's average share price in 2019 and the associated revaluation of TransGlobe's potential obligations.

Capitalised G&A increased by 22 per cent from the prior year due to increased activity relating to capital projects in Egypt.

### 8.8 *Bad debt (recovery) expense*

N/A.

### 8.9 *Other operating expenses*

N/A.

### 8.10 *Derivative instruments gain (loss), net*

The nature of TransGlobe's operations exposes it to fluctuations in commodity prices, interest rates and foreign currency exchange rates. TransGlobe monitors and, when appropriate, uses derivative financial instruments to manage its exposure to these fluctuations. All transactions of this nature entered into by TransGlobe are related to future crude oil and natural gas production. TransGlobe does not use derivative financial instruments for speculative purposes. TransGlobe has elected not to designate any of its derivative financial instruments as accounting hedges and thus accounts for changes in fair value in net earnings (loss) at each reporting period. TransGlobe has not obtained collateral or other security to support its financial derivatives as management reviews the creditworthiness of its counterparties prior to entering into derivative contracts. The derivative financial instruments are initiated within the guidelines of TransGlobe's corporate hedging policy.



This includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions.

In conjunction with the prepayment agreement, TransGlobe entered into a marketing contract with Mercuria to market nine million barrels of TransGlobe's Egyptian entitlement oil production. The pricing of the crude oil sales was based on market prices at the time of sale. TransGlobe was committed to hedge 60 per cent of its forecasted 1P entitlement production. The prepayment agreement matured on 31 December 2021.

In conjunction with the revolving Canadian reserves-based lending facility with ATB, TransGlobe is required to enter into hedging arrangements based on its debt utilisation. If utilisation is below 50 per cent, TransGlobe is required to hedge 25 per cent of its annual forecasted average daily Canadian production of oil and natural gas volumes (net of royalties); utilisation of between 50-69 per cent requires a hedge of 50 per cent; utilisation of 70 per cent and above requires a hedge of 60 per cent.

(\$000s)	2021	2020	2019
Realised derivative loss (gain) on derivative commodity contracts during the year	10,475	(6,801)	1,259
Unrealised derivative loss on commodity contracts outstanding at year end	88	180	1,586
<b>Loss (gain) on financial instruments</b>	<b>10,563</b>	<b>(6,621)</b>	<b>2,845</b>

#### 8.11 *Interest expense*

(\$000s)	2021	2020	2019
Interest on long-term debt	536	1,597	3,211
Interest on borrowing base facility	320	317	427
Amortisation of deferred financing costs	103	395	368
Interest on lease obligations	182	211	250
<b>Finance costs</b>	<b>1,141</b>	<b>2,520</b>	<b>4,256</b>

#### 2021

Finance costs decreased by 55 per cent to \$1.1 million in 2021, primarily due to a lower balance of long-term debt outstanding in the year when compared to 2020.

#### 2020

Finance costs decreased to \$2.5 million in 2020 from \$4.3 million in 2019. This decrease was due to a lower balance of long-term debt and decreases to LIBOR and ATB Prime rates.

#### 2019

Finance costs decreased to \$4.3 million in 2019 from \$5.1 million in 2018. This decrease is due to a lower balance of long-term debt, partially offset by an increase in LIBOR and the ATB Prime rate and additional interest expense from the adoption of IFRS 16.

#### 8.12 *Other, net*

N/A.

8.13 ***Income tax expense (benefit)***

Income tax expense incurred in financial years ended 31 December 2021, 31 December 2020 and 31 December 2019 were related to TransGlobe's operations in Egypt. TransGlobe's contractual arrangements in Egypt stipulate that income taxes are paid by the government out of its entitlement share of production sharing oil. Such amounts are included in current income tax expense at the statutory rate in effect at the time of production.

No income tax expenses (benefits) were incurred in Canada in financial years ended 31 December 2021, 31 December 2020 and 31 December 2019.

8.14 ***Loss from discontinued operations***

N/A.

## **PART 18**

### **CREST AND DEPOSITARY SHARES**

1. VAALCO has established arrangements to enable investors to settle interests in the VAALCO Common Shares through the CREST system. TransGlobe also has established arrangements to enable investors to settle interests in the TransGlobe Common Shares through the CREST system. Following Completion, the admission to trading of TransGlobe's Common Shares on AIM will be cancelled, and TransGlobe's depositary interests will be cancelled in CREST as promptly as practicable. Those TransGlobe investors who hold their investment through TransGlobe depositary interests will receive VAALCO Depositary Interests following Completion.
2. CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another without the need to use share certificates or written instruments of transfer. Securities issued by non-UK companies, such as VAALCO, cannot be held or transferred electronically in the CREST system. However, Depositary Interests allow such securities to be dematerialised and settled electronically through CREST. Where investors choose to settle interests in the Common Shares through the CREST system, and pursuant to depositary arrangements established by VAALCO, the Custodian will hold the Common Shares and issue dematerialised Depositary Interests representing the underlying Common Shares, which will be held on trust for the holders of the Depositary Interests. The Depositary Interests will be independent securities constituted under English law which may be held and transferred through the CREST system. Investors should note that it is the Depositary Interests which will be admitted to and settled through CREST and not the Common Shares.
3. The Bylaws are consistent with CREST membership in respect of Depositary Interests and the holding and transfer of Depositary Interests in uncertified form. Under the DGCL, companies are not prohibited from issuing shares in book-entry form, but stockholders have the right to require the companies to issue physical certificates. The Board has passed a resolution authorising the issuance of Shares in book-entry form.
4. VAALCO and the DI Depositary entered into a depositary agreement on 10 September 2019, the principal terms of which are summarised below.
5. The Depositary Interests have been created pursuant to and issued on the terms of a deed poll that was executed on 9 September 2019 by the DI Depositary in favour of the holders of the Depositary Interests from time to time. Holders of Depositary Interests should note that they will have no rights against Euroclear UK & International Limited (the operators of CREST) or its subsidiaries in respect of the underlying Common Shares or the Depositary Interests representing them.
6. If a holder of Common Shares so requests, its Common Shares will be transferred to an account of the DI Depositary or the Custodian maintained on VAALCO's share register via Cede & Co, a nominee of DTC, in accordance with the applicable DTC rules, and the DI Depositary will issue Depositary Interests to participating CREST members.
7. Each Depositary Interest will be treated as one Common Share for the purposes of determining, for example, eligibility for any dividends. The DI Depositary will pass on to holders of Depositary Interests any share or cash benefits received by it as holder of Common Shares on trust for such Depositary Interest holder. Depositary Interest holders, through the DI Depositary, will also be able to receive notices of meetings of holders of Common Shares and other notices issued by VAALCO to its Stockholders.
8. The Depositary Interests have the same security code (ISIN) as the underlying Common Shares and will not require a separate admission to the Main Market. The Depositary Interests can then be traded and settled within the CREST system in the same way as any other CREST securities.

9. If a holder wishes to cancel its Depositary Interest, it will either directly or through its broker instruct the applicable CREST participant to initiate a CREST withdrawal (where such withdrawal is sent to the DI Depositary) for the name that appears on the Register. The Depositary Interest will then be cancelled by the DI Depositary and the related Common Shares will be credited to the account on the Register by the Transfer Agent. The Transfer Agent will then send the holder a new Common Share certificate.
10. The information included within this section relating to the obtaining and cancellation of Depositary Interests by a holder is intended to be a summary only and is not to be construed as legal, business or tax advice. Each investor should consult its or their own lawyer, financial adviser, broker or tax adviser for legal, financial or tax advice in relation to Depositary Interests.

### **Deed Poll**

The Deed Poll executed by the DI Depositary contains the following provisions:

11. The DI Depositary holds (itself or through the Custodian), as bare trustee, the underlying Common Shares in its DTC account (which will be maintained on VAALCO's share register via Cede & Co, a nominee of DTC) and all and any rights and other securities, property and cash attributable to the underlying Common Shares pertaining to the Depositary Interests for the benefit of the holders of the relevant Depositary Interests as tenants in common. The DI Depositary will re-allocate securities or Depositary Interests distributions allocated to the DI Depositary or Custodian *pro rata* to the Common Shares held for the respective accounts of the holders of Depositary Interests, but will not be required to account for fractional entitlements arising from such re-allocation.
12. Holders of Depositary Interests agree to give such warranties and certifications to the DI Depositary as the DI Depositary may reasonably require. In particular, holders of Depositary Interests warrant, among other things, that the securities in VAALCO transferred or issued to the DI Depositary or Custodian on behalf of the DI Depositary for the account of the Depositary Interest holder are free and clear of all liens, charges, encumbrances or third-party interests and that such transfers or issues are not in contravention of VAALCO's constitutional documents or any contractual obligation, or applicable law or regulation binding or affecting such holder, and holders of Depositary Interests agree to indemnify the DI Depositary against any liability incurred as a result of any breach of such warranty.
13. The DI Depositary and any Custodian shall pass on to the Depositary Interest holders and, so far as they are reasonably able, exercise on behalf of the Depositary Interest holders all rights and entitlements received or to which they are entitled in respect of the underlying Common Shares which are capable of being passed on or exercised. Rights and entitlements to cash distributions, to information, to make choices and elections and to call for, attend and vote at meetings shall, subject to the Deed Poll, be passed on in the form in which they are received, together with amendments and additional documentation necessary to effect such passing-on, or, as the case may be, exercised in accordance with the Deed Poll. If arrangements are made which allow a holder to take up rights in VAALCO's securities requiring further payment, the holder must put the DI Depositary in cleared funds before the relevant payment date or other date notified by the DI Depositary if it wishes the DI Depositary to exercise such rights.
14. The DI Depositary will be entitled to cancel Depositary Interests and treat the holders of Depositary Interests as having requested a withdrawal of the underlying securities in certain circumstances, including where a Depositary Interest holder fails to furnish to the DI Depositary with such certificates or representations as to material matters of fact, including their identity, as the DI Depositary deems appropriate.
15. The DI Depositary warrants that it is an authorised person under the FSMA and is duly authorised to carry out custodian and other activities under the Deed Poll. It also undertakes to maintain that status and authorisation.

16. The Deed Poll contains provisions excluding and limiting the DI Depositary's liability. For example, the DI Depositary shall not be liable to any Depositary Interest holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or fraud or that of any person for whom it is vicariously liable, provided that the DI Depositary shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent. Except in the case of personal injury or death, any liability incurred by the DI Depositary to a holder under the Deed Poll is limited to the lesser of:
- (a) the value of the Common Shares that would have been properly attributable to the Depositary Interests to which the liability relates; and
  - (b) that proportion of £5,000,000 which corresponds to the portion which the amount the DI Depositary would otherwise be liable to pay to the holder bears to the aggregate of the amounts the DI Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission or event which gave rise to such liability or, if there are no such amounts, £5,000,000.
17. The DI Depositary is entitled to charge holders of Depositary Interests fees and expenses for the provision of its services under the Deed Poll.
18. Each holder of Depositary Interests is liable to indemnify the DI Depositary and any Custodian (and their agents, officers and employees), and hold each of them harmless, from and against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the property held for the account of that holder, other than those caused by or resulting from the wilful default, negligence or fraud of: (i) the DI Depositary; or (ii) the Custodian or any agent if such Custodian or agent is a member of the DI Depositary's group or if, not being a member of the same group, the DI Depositary shall have failed to exercise reasonable care in the appointment and continued use of such Custodian or agent.
19. The DI Depositary is entitled to make deductions from the deposited property or any income or capital arising therefrom, or to sell such deposited property and make deductions from the sale proceeds, in order to discharge the indemnification obligations of Depositary Interest holders.
20. The DI Depositary may terminate the Deed Poll by giving not less than 30 days' notice. During such notice period, Depositary Interest holders may cancel their Depositary Interests and withdraw their deposited property and, if any Depositary Interests remain outstanding after termination, the DI Depositary shall, as soon as reasonably practicable and amongst other things: (i) deliver the deposited property in respect of the Depositary Interests to the relevant Depositary Interest holder; or at the DI Depositary's discretion; (ii) sell all or part of such deposited property. It shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the DI Depositary, together with any other cash held by it under the Deed Poll, *pro rata* to the Depositary Interest holders in respect of their Depositary Interests.
21. The DI Depositary or VAALCO may require from any holder: (i) information as to the capacity in which Depositary Interests are owned or held by such holders and the identity of any other person with any interest of any kind in such Depositary Interests or the underlying Common Shares and the nature and amounts of such interests; (ii) evidence or declaration of nationality or residence of the legal or beneficial owner(s) of Depositary Interests and such information as is required to transfer the relevant Depositary Interests or Common Shares to the holder; and (iii) such information as is necessary or desirable for the purposes of the Deed Poll or CREST system, and holders are bound to provide such information requested. The holders of Depositary Interests consent to the disclosure of such information by the DI Depositary, Custodian or VAALCO to the extent necessary or desirable to comply with their respective legal or regulatory obligations.



22. Furthermore, to the extent that VAALCO's constitutional documents, applicable laws or regulations, the Ground Rules for the management of the FTSE UK Index Series (if applicable), or any court or legal or regulatory authority may require or VAALCO deems it necessary or desirable in connection therewith (including in response to requests for information), the disclosure to VAALCO of, or limitations in relation to, beneficial or other ownership of, or interests of any kind whatsoever in VAALCO's securities, the Depositary Interest holders are to comply with such provisions and with VAALCO's instructions with respect thereto, and consent to the disclosure of such information for such purposes.
23. It should also be noted that holders of Depositary Interests may not have the opportunity to exercise all of the rights and entitlements available to holders of Common Shares, including, for example, the ability to vote on a show of hands. In relation to voting, it will be important for holders of Depositary Interests to give prompt instructions to the DI Depositary or its nominated Custodian, in accordance with any voting arrangements made available to them, to vote the underlying Common Shares on their behalf or, to the extent possible, to take advantage of any arrangements enabling holders of Depositary Interests to vote such Common Shares as a proxy of the DI Depositary or its nominated Custodian.

### **Depositary Agreement**

The Depositary Agreement entered into between VAALCO and the DI Depositary contains the following provisions:

24. Under the Depositary Agreement, VAALCO appoints the DI Depositary to constitute and issue from time to time, upon the terms of the Deed Poll, a series of Depositary Interests representing Common Shares and to provide certain other services (including depositary services, custody services and dividend services) in connection with such Depositary Interests.
25. The DI Depositary agrees that it will comply with the terms of the Deed Poll and that it will perform its obligations with reasonable skill and care. The DI Depositary assumes certain specific obligations, including, for example, to arrange for the Depositary Interests to be admitted to CREST as participating securities and provide copies of, and access to, the register of Depositary Interests.
26. VAALCO acknowledges that it shall be its responsibility and undertakes to advise the DI Depositary promptly of any securities laws or other applicable laws, rules or regulations in the State of Delaware, U.S. with which the DI Depositary must comply in providing the services.
27. VAALCO agrees to provide such assistance, information and documentation to the DI Depositary as is reasonably required by the DI Depositary for the purposes of performing its duties, responsibilities and obligations under the Depositary Agreement.
28. The DI Depositary is to indemnify VAALCO and its officers and employees from and against any loss (excluding indirect, consequential or special loss) which any of them may incur in any way as a result of or in connection with the fraud, negligence or wilful default of the DI Depositary (or its officers, employees, agents or sub-contractors).
29. Subject to earlier termination, the appointment of the DI Depositary shall continue for a fixed period of one year and thereafter until terminated in accordance with the terms of the Depositary Agreement by providing six months' prior written notice. Should the Depositary Agreement be terminated for any reason, other than arising from the DI Depositary's fraud, negligence, wilful default or material breach of a term of the Depositary Agreement, VAALCO shall within 30 days of termination pay to the DI Depositary the DI Depositary's reasonable costs and expenses of transferring the Depositary Interest register to its new registrar/transfer agent. Either party may terminate the Depositary Agreement by giving not less than three months' notice in writing. Either party may terminate the Depositary Agreement with immediate effect by notice in writing if the other party: (i) shall be in persistent or material breach of any material term (of the Depositary Agreement) and such breach is not remedied within 21 days of a request for such remedy; (ii) goes into insolvency or liquidation or administration or a receiver is appointed over any part of its undertaking or assets, subject to certain provisos; or

- (iii) shall cease to have the appropriate authorisations which permit it lawfully to perform its obligations under the Depositary Agreement.
30. The DI Depositary will be entitled to employ agents for the purposes of carrying out certain of its obligations under the Depositary Agreement which the DI Depositary reasonably considers to be of a specialist nature.
  31. VAALCO is to pay to the DI Depositary an annual fee for the services. VAALCO shall pay a fixed fee for the deposit, cancellation and transfer of the Depositary Interests and the compilation of the initial Depositary Interests register. VAALCO shall in addition reimburse the DI Depositary within 30 days of the DI Depositary's invoice for all network charges, CREST charges, money transmission and banking charges and other out-of-pocket expenses incurred by it in connection with the provision of the services under the Depositary Agreement.
  32. VAALCO will indemnify the DI Depositary from and against all loss suffered by the DI Depositary as a result of or in connection with the performance of its obligations under the Depositary Agreement.
  33. The aggregate liability of the DI Depositary to VAALCO over any 12-month period under the Depositary Agreement will not exceed twice the amount of the Fees (as defined in the Depositary Agreement) payable in any 12-month period in respect of a single claim or in the aggregate.

## PART 19

### CAPITALISATION AND INDEBTEDNESS OF THE VAALCO GROUP

The tables below set out the VAALCO Group's unaudited capitalisation and indebtedness as of 30 June 2022 and its unaudited net current financial indebtedness and noncurrent financial indebtedness as of 30 June 2022. The capitalisation and indebtedness figures as of 30 June 2022 have been extracted from the VAALCO Group's unaudited condensed interim financial statements for the six months ended 30 June 2022, which are incorporated by reference into this Prospectus as described in Part 21 (*Historical Financial Information relating to the VAALCO Group*) of this Prospectus.

#### Capitalisation and Indebtedness

The table below sets out the VAALCO Group's total capitalisation and indebtedness as of 30 June 2022.

	30 June 2022 (in thousands)
Total current debt	—
Guaranteed	—
Secured	—
Unguaranteed/Unsecured <sup>(1)</sup>	326
Total current debt	326
Total noncurrent debt (excluding current portion of long-term debt)	—
Guaranteed <sup>(1)</sup>	—
Secured	—
Unguaranteed/Unsecured <sup>(1)</sup>	1,331
Total noncurrent debt	1,331
Total debt	1,657
Shareholders' equity	
Share capital	7,013
Share premium	77,919
Other reserves	83,249
Total shareholders' equity	168,181

(1) Both the current portion and long-term portion of debt included in the table above relates to financial leases associated with VAALCO Gabon's lease of generators in the Etame Marin Operations.

There has been no significant change in VAALCO's total capitalisation and indebtedness since 30 June 2022 to the date of this Prospectus.

### Net financial indebtedness

The table below sets out the VAALCO Group's total net current financial indebtedness and noncurrent financial indebtedness as of 30 June 2022.

	<i>30 June 2022 (in thousands)</i>
A. Cash	53,062
B. Cash equivalent	—
C. Trading securities	—
<b>D. Liquidity (A) + (B) + (C)</b>	53,062
E. Current financial receivable	70,274
F. Current bank debt	—
G. Current portion of noncurrent debt	326
H. Other current financial debt	—
<b>I. Current financial debt (F) + (G) + (H)</b>	326
<b>J. Net current financial indebtedness (D) + (E) – (I)</b>	123,010
K. Noncurrent bank loans	—
L. Bonds issued	—
M. Other noncurrent loans	1,331
N. Noncurrent financial debt (K) + (L) + (M)	1,331
<b>O. Net financial indebtedness (J) + (N)</b>	121,679

There has been no significant change in VAALCO's total net current financial indebtedness since 30 June 2022 to the date of this Prospectus.

## PART 20

### CAPITALISATION AND INDEBTEDNESS OF THE TRANSGLOBE GROUP

The tables below set out the TransGlobe Group's unaudited capitalisation and indebtedness as of 30 June 2022 and its unaudited net current financial indebtedness and noncurrent financial indebtedness as of 30 June 2022. The capitalisation and indebtedness figures as of 30 June 2022 have been extracted from the TransGlobe Group's unaudited condensed interim financial statements for the six months ended 30 June 2022, which are incorporated by reference into this Prospectus as described in Part 22 (*Historical Financial Information relating to the TransGlobe Group*) of this Prospectus.

#### Capitalisation and indebtedness

The table below sets out the TransGlobe Group's total capitalisation and indebtedness as of 30 June 2022.

	30 June 2022 (in thousands)
Total current debt	
Guaranteed	—
Secured	—
Unguaranteed/Unsecured	10,800 <sup>(1)</sup>
Total current debt	10,800
Total noncurrent debt (excluding current portion of long-term debt)	—
Guaranteed	—
Secured	3,102
Unguaranteed/Unsecured	36,960 <sup>(2)</sup>
Total noncurrent debt	40,062
Total debt	50,862
Shareholders' Equity	
Share capital	153,118
Share premium	23,905
Other reserves	73,208
Total TransGlobe Shareholders' equity	250,231

(1) Includes short term modernisation payment liabilities and short term lease obligations (\$1,245,000).

(2) Includes asset retirement obligations, long term modernisation payment liabilities and long term lease obligations (\$1,005,000).

There has been no significant change in TransGlobe's total capitalisation and indebtedness since 30 June 2022 to the date of this Prospectus.



### Net financial indebtedness

The table below sets out the TransGlobe Group's total net current financial indebtedness and noncurrent financial indebtedness as of 30 June 2022.

	<i>30 June 2022 (in thousands)</i>
A. Cash	61,175
B. Cash equivalent	—
C. Trading securities	—
<b>D. Liquidity (A) + (B) + (C)</b>	61,175
E. Current financial receivable	80,118
F. Current bank debt	—
G. Current portion of noncurrent debt	19,086
H. Other current financial debt	43,565
<b>I. Current financial debt (F) + (G) + (H)</b>	62,651
<b>J. Net current financial indebtedness (D) + (E) – (I)</b>	78,642
K. Noncurrent bank loans	3,102
L. Bonds issued	—
M. Other noncurrent loans	38,852
N. Noncurrent financial debt (K) + (L) + (M)	41,954
<b>O. Net financial indebtedness (J) + (N)</b>	120,596

There has been no significant change in TransGlobe's total net current financial indebtedness since 30 June 2022 to the date of this Prospectus.

## PART 21

### HISTORICAL FINANCIAL INFORMATION RELATING TO THE VAALCO GROUP

#### 1. Basis of financial information

The audited, consolidated financial statements of the VAALCO for the years ended 31 December 2021, 31 December 2020 and 31 December 2019, together with the audit reports thereon, are incorporated by reference into this Prospectus. All of these financial statements were prepared in accordance with U.S. GAAP, were audited and the audit report for each such year was unqualified.

In addition, the unaudited condensed consolidated interim financial statements of the VAALCO Group for the six months ended 30 June 2022 and 30 June 2021 are incorporated by reference into this Prospectus. The accounting policies that applied to the unaudited condensed interim financial statements are consistent with those of the audited consolidated financial statements of the VAALCO Group for the year ended 31 December 2021.

#### 2. Documents incorporated by reference

Certain sections, as set out below, of the financial statements of the VAALCO Group are incorporated by reference into this Prospectus.

The following cross-reference list is intended to enable investors to identify easily specific items of information that have been incorporated by reference into this Prospectus.

The sections of the documents listed below that are not incorporated by reference are either not relevant to investors or are superseded by information elsewhere in this Prospectus.

These documents are also available on VAALCO's website at <https://www.vaalco.com/investors/financialinformation>.

##### 2.1 *Unaudited condensed consolidated interim financial statements of the VAALCO Group for the six month period ended 30 June 2022*

The page numbers below refer to the relevant pages of the unaudited condensed consolidated interim financial statements of the VAALCO Group for the six month period ended 30 June 2022:

- (a) Consolidated balance sheets – page 2;
- (b) Consolidated statements of operations – page 3;
- (c) Consolidated statements of shareholders' equity – page 4; and
- (d) Consolidated statements of cash flows – page 5.

##### 2.2 *Unaudited condensed consolidated interim financial statements of the VAALCO Group for the six month period ended 30 June 2021*

The page numbers below refer to the relevant pages of the unaudited condensed consolidated interim financial statements of the VAALCO Group for the six month period ended 30 June 2021:

- (a) Consolidated balance sheets – page 2;
- (b) Consolidated statements of operations – page 3;
- (c) Consolidated statements of shareholders' equity – page 4; and
- (d) Consolidated statements of cash flows – page 5.

**2.3 *Audited consolidated financial statements of the VAALCO Group for the year ended 31 December 2021***

The page numbers below refer to the relevant pages of the audited consolidated financial statements of the VAALCO Group for the year ended 31 December 2021:

- (a) Report of independent registered public accounting firm – pages F-1 to F-3;
- (b) Consolidated balance sheets – page F-4;
- (c) Consolidated statements of operations – page F-5;
- (d) Consolidated statements of shareholders' equity – page F-6;
- (e) Consolidated statements of cash flows – page F-7; and
- (f) Notes to the consolidated financial statements – pages F-9 to F-33.

**2.4 *Audited consolidated financial statements of the VAALCO Group for the year ended 31 December 2020***

The page numbers below refer to the relevant pages of the audited consolidated financial statements of the VAALCO Group for the year ended 31 December 2020:

- (a) Report of independent registered public accounting firm – pages F-1 to F-2;
- (b) Consolidated balance sheets – page F-3;
- (c) Consolidated statements of operations – page F-4;
- (d) Consolidated statements of shareholders' equity – page F-5;
- (e) Consolidated statements of cash flows – page F-6; and
- (f) Notes to the consolidated financial statements – pages F-8 to F-30.

**2.5 *Audited consolidated financial statements of the VAALCO Group for the year ended 31 December 2019***

The page numbers below refer to the relevant pages of the audited consolidated financial statements of the VAALCO Group for the year ended 31 December 2019:

- (a) Report of independent registered public accounting firm – page F-1;
- (b) Consolidated balance sheets – page F-2;
- (c) Consolidated statements of operations – page F-3;
- (d) Consolidated statements of shareholders' equity – page F-4;
- (e) Consolidated statements of cash flows – page F-5; and
- (f) Notes to the consolidated financial statements – pages F-7 to F-31.

## PART 22

### HISTORICAL FINANCIAL INFORMATION RELATING TO THE TRANSGLOBE GROUP

#### 1. Basis of financial information

The audited, consolidated financial statements of the TransGlobe Group for the years ended 31 December 2021, 31 December 2020 and 31 December 2019, together with the audit reports thereon, are incorporated by reference into this Prospectus. All of these financial statements were prepared in accordance with IFRS, were audited and the audit report for each such year was unqualified.

In addition, the unaudited condensed consolidated interim financial statements of the TransGlobe Group for the six months ended 30 June 2022 and 30 June 2021 are incorporated by reference into this Prospectus. The accounting policies that applied to the unaudited condensed interim financial statements are consistent with those of the audited consolidated financial statements of the TransGlobe Group for the year ended 31 December 2021.

#### 2. Documents incorporated by reference

Certain sections, as set out below, of the financial statements of the TransGlobe Group are incorporated by reference into this Prospectus.

The following cross-reference list is intended to enable investors to identify easily specific items of information that have been incorporated by reference into this Prospectus.

The sections of the documents listed below that are not incorporated by reference are either not relevant to investors or are superseded by information elsewhere in this Prospectus.

These documents are also available on TransGlobe's website at <https://www.transglobe.com/investors/financials/default.aspx>.

##### 2.1 *Unaudited condensed consolidated interim financial statements of the TransGlobe Group for the six month period ended 30 June 2022*

The page numbers below refer to the relevant pages of the unaudited condensed consolidated interim financial statements of the TransGlobe Group for the six month period ended 30 June 2022:

- (a) Condensed consolidated interim statements of earnings (loss) and comprehensive income (loss) – page 23;
- (b) Condensed consolidated interim balance sheets – page 24;
- (c) Condensed consolidated interim statements of changes in TransGlobe Shareholders' equity – page 25;
- (d) Condensed consolidated interim statement of cash flows – page 26; and
- (e) Notes to the condensed consolidated interim financial statements – pages 27 to 37.

##### 2.2 *Unaudited condensed consolidated interim financial statements of the TransGlobe Group for the six month period ended 30 June 2021*

The page numbers below refer to the relevant pages of the unaudited condensed consolidated interim financial statements of the TransGlobe Group for the six month period ended 30 June 2021:

- (a) Condensed consolidated interim statements of earnings (loss) and comprehensive income (loss) – page 21;
- (b) Condensed consolidated interim balance sheets – page 22;

- (c) Condensed consolidated interim statements of changes in TransGlobe Shareholders' equity – page 23;
- (d) Condensed consolidated interim statement of cash flows – page 24; and
- (e) Notes to the condensed consolidated interim financial statements - pages 25 to 35.

**2.3 *Audited consolidated financial statements of the TransGlobe Group for the year ended 31 December 2021***

The page numbers below refer to the relevant pages of the audited consolidated financial statements of the TransGlobe Group for the year ended 31 December 2021:

- (a) Report of independent registered public accounting firm – pages 35 to 37;
- (b) Consolidated statements of earnings (loss) and comprehensive income (loss) – page 38;
- (c) Consolidated balance sheets – page 39;
- (d) Consolidated statement of changes in TransGlobe Shareholders' equity – page 40;
- (e) Consolidated statement of cash flows – page 41; and
- (f) Notes to the consolidated financial statements – pages 42 to 62.

**2.4 *Audited consolidated financial statements of the TransGlobe Group for the year ended 31 December 2020***

The page numbers below refer to the relevant pages of the audited consolidated financial statements of the TransGlobe Group for the year ended 31 December 2020:

- (a) Report of independent registered public accounting firm – pages 31 to 32;
- (b) Consolidated statements of earnings (loss) and comprehensive income (loss) – page 33;
- (c) Consolidated balance sheets – page 34;
- (d) Consolidated statement of changes in TransGlobe Shareholders' equity – page 35;
- (e) Consolidated statement of cash flows – page 36; and
- (f) Notes to the consolidated financial statements – pages 37 to 58.

**2.5 *Audited consolidated financial statements of the TransGlobe Group for the year ended 31 December 2019***

The page numbers below refer to the relevant pages of the audited consolidated financial statements of the TransGlobe Group for the year ended 31 December 2019:

- (a) Report of independent registered public accounting firm – pages 24 to 25;
- (b) Consolidated statements of earnings (loss) and comprehensive income (loss) – page 26;
- (c) Consolidated balance sheets – page 27;
- (d) Consolidated statement of changes in TransGlobe Shareholders' equity – page 28;
- (e) Consolidated statement of cash flows – page 29; and
- (f) Notes to the consolidated financial statements – pages 30 to 50.



## PART 23

### UNAUDITED PRO-FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

#### Section A: Unaudited pro-forma financial information relating to the Enlarged Group

On 13 July 2022, VAALCO, AcquireCo and TransGlobe entered into the Arrangement Agreement whereby AcquireCo, an indirect wholly-owned subsidiary of VAALCO, will acquire all of the issued and outstanding TransGlobe Common Shares with TransGlobe continuing as a direct wholly-owned subsidiary of AcquireCo and an indirect wholly-owned subsidiary of VAALCO. Upon Completion, TransGlobe Shareholders will receive 0.6727 of a share of VAALCO Common Stock for each TransGlobe Common Share.

The unaudited pro forma combined financial information of VAALCO is comprised of (i) the unaudited pro forma combined balance sheet as of 30 June 2022, after giving effect to the Arrangement as if it had occurred on 30 June 2022; (ii) the unaudited pro forma combined statements of operations for the six months ended 30 June 2022, and for the year ended 31 December 2021, after giving effect to the arrangement as if it had occurred on 1 January 2021; and (iii) the accompanying notes (collectively, the “**Unaudited Pro Forma Combined Financial Information**”).

The Unaudited Pro Forma Combined Financial Information has been derived from the (i) historical unaudited condensed consolidated financial statements and the related notes of VAALCO and TransGlobe, respectively as of and for the six months ended 30 June 2022, and (ii) the historical audited consolidated financial statements and the related notes of VAALCO and TransGlobe respectively for the year ended 31 December 2021. The consolidated financial statements of VAALCO were prepared in accordance with U.S. GAAP. The consolidated financial statements of TransGlobe were prepared in accordance with IFRS.

The Unaudited Pro Forma Combined Financial Information has been prepared on a basis consistent with the accounting policies adopted by VAALCO in preparing its audited historical financial information for the year ended 31 December 2021.

The Unaudited Pro Forma Combined Financial Information has been prepared by VAALCO management for illustrative purposes only. The Unaudited Pro Forma Combined Financial Information does not purport to represent what the actual results of operations of VAALCO or the combined entity would have been had the arrangement occurred on the respective dates assumed, nor is it indicative of the future results of VAALCO. The Unaudited Pro Forma Combined Financial Information and underlying pro forma adjustments are based upon currently available information and include certain estimates and assumptions made by VAALCO management; accordingly, actual results could differ materially from the Unaudited Pro Forma Combined Financial Information.

The Unaudited Pro Forma Combined Financial Information does not reflect any cost savings, operating synergies or revenue enhancements that the combined entity may achieve as a result of the arrangement. The pro forma adjustments reflected in the accompanying Unaudited Pro Forma Combined Financial Information reflect estimates and assumptions made by our management that we believe to be reasonable. Significant estimates and assumptions include, but are not limited to, the timing of close of the arrangement, and the preliminary purchase price allocation.

The Unaudited Pro Forma Combined Financial Information does not constitute financial statements within the meaning of section 434 of the Companies Act 2006.

The Unaudited Pro Forma Combined Financial Information should be read together with VAALCO’s and TransGlobe’s Historical Financial Information.

Investors should read the whole of the Prospectus and not rely solely on the Unaudited Pro Forma Combined Financial Information in this Part 23 (*Unaudited pro-forma financial information of the Enlarged Group*). BDO USA LLP’s report on the unaudited pro-forma financial information is set out in Section B of this Part 23 (*Unaudited pro-forma financial information of the Enlarged Group*).

**VAALCO Energy, Inc.**  
**Pro Forma Combined Balance Sheet (Unaudited)**  
**As of 30 June 2022**

	<i>VAALCO (U.S. GAAP, Historical) Note 1</i>	<i>TransGlobe (IFRS, Reclassified) Note 2.1</i>	<i>Transaction Accounting Adjustments U.S. GAAP Note 2.2</i>	<i>Pro Forma Adjustments Note 3 and 4 (in thousands)</i>	<i>Notes</i>	<i>Total Pro Forma Combined Balance Sheet</i>
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$53,062	\$61,175	\$—	\$(13,682) (2,694)	3(a) 4(d)(ii)	\$97,861
Restricted cash	216	—	—	—		216
Receivables:						
Trade, net	70,274	74,554	—	—		144,828
Accounts with joint venture owners	692	236	—	—		928
Other, net	10,699	—	—	—		10,699
Crude oil inventory	13,867	—	—	—		13,867
Prepayments and other	8,064	5,328	—	—		13,392
Total current assets	<u>156,874</u>	<u>141,293</u>	—	<u>(16,376)</u>		<u>281,791</u>
Crude oil and natural gas properties, equipment and other – successful efforts method, net	151,718	211,291	—	70,309	3(a)	433,318
<b>Other noncurrent assets</b>						
Restricted cash	1,752	—	—	—		1,752
Value added tax and other receivables	5,723	—	—	—		5,723
Right of use operating lease assets	3,435	2,252	—	—		5,687
Right of use finance lease assets	1,713	—	—	—		1,713
Deferred tax assets	24,447	—	—	—		24,447
Abandonment funding	20,091	—	—	—		20,091
Other long-term assets	3,811	—	—	—		3,811
Goodwill	—	—	—	—		—
<b>Total assets</b>	<u>369,564</u>	<u>354,836</u>	—	<u>53,933</u>		<u>778,333</u>

	VAALCO (U.S. GAAP, Historical) Note 1	TransGlobe (IFRS, Reclassified) Note 2.1	Transaction Accounting Adjustments U.S. GAAP Adjustments Note 2.2		Pro Forma Adjustments Note 3 and 4	Notes	Total Pro Forma Combined Balance Sheet
(in thousands)							
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>							
<b>Current liabilities:</b>							
Accounts payable	\$19,151	\$8,381	\$—	\$—			\$27,532
Accounts with joint venture owners	13,863	—	—	—			13,863
Accrued liabilities and other	99,220	53,025	—	1,736	3(a)		164,653
				10,672	3(b)(i)		
Operating lease liabilities – current portion	3,123	1,245	—	—			4,368
Finance lease liabilities – current portion	326	—	—	—			326
Foreign income taxes payable	29,221	—	—	—			29,221
Current liabilities – discontinued operations	7	—	—	—			7
<b>Total current liabilities</b>	<u>164,911</u>	<u>62,651</u>	<u>—</u>	<u>12,408</u>			<u>239,970</u>
Asset retirement obligations	34,809	11,335	—	—			46,144
Operating lease liabilities – net of current portion	332	1,005	—	—			1,337
Finance lease liabilities – current portion	1,331	—	—	—			1,331
Long-term debt	—	3,102	—	—			3,102
Other long-term liabilities	—	26,512	—	—			26,512
<b>Total liabilities</b>	<u>201,383</u>	<u>104,605</u>	<u>—</u>	<u>12,408</u>			<u>318,396</u>
<b>Shareholders' equity</b>							
Preferred stock	—	—					—
Common stock	7,013	153,118	—	4,932	3(a)		11,945
				(153,118)	3(b)(ii)		
Additional paid-in capital	77,919	23,905	—	(3,286)	4(d)		365,425
				287,506	3(a)		
				(20,619)	3(b)(ii)		
Less treasury stock	(44,635)	—	—	—			(44,635)
Retained earnings	127,884	72,453	—	(7,666)	4(d)(i)		127,202
				(4,418)	3(a)		
				12,684	3(a)		
				(10,672)	3(b)(i)		
				(60,369)	3(b)(ii)		
				(2,694)	4(d)(ii)		
Accumulated other comprehensive income	—	755	—	(755)	3(b)(ii)		—
<b>Total shareholders' equity</b>	<u>168,181</u>	<u>250,231</u>	<u>—</u>	<u>41,525</u>			<u>459,937</u>
<b>Total liabilities and shareholders' equity</b>	<u>369,564</u>	<u>354,836</u>	<u>—</u>	<u>53,933</u>			<u>778,333</u>

The Unaudited Pro Forma Combined Financial Information should be read in conjunctions with the accompanying notes.

## Six Months Ended 30 June 2022

The Unaudited Pro Forma Combined Financial Information should be read in conjunction with the accompanying notes.

**Pro Forma Combined Statement of Operations (Unaudited)**

**Year Ended 31 December 2021**

	<i>VAALCO (U.S. GAAP, Historical)</i>	<i>TransGlobe (IFRS, Reclassified) Note 2.1</i>	<i>Transaction Accounting Adjustments U.S. GAAP Note 2.2</i>	<i>Pro Forma Adjustments Note 3 and 4</i>	<i>Notes</i>	<i>Total Pro Forma Combined Income Statement</i>
<i>(in thousands, except per share amounts)</i>						
<b>Revenues:</b>						
Crude oil and natural gas sales	\$199,075	\$169,006	\$–	\$–		\$368,081
<b>Operating costs and expenses:</b>						
Production expense	81,255	76,153	1,606	–	2.2(b)	159,014
Exploration expense	1,579	–				1,579
Depreciation, depletion and amortisation	21,060	25,641	(1,754)	16,826	2.2(b) 4(a)	61,773
General and administrative expense	14,766	24,274	330	7,666	4(d)(i)	49,730
				2,694	4(d)(ii)	
Bad debt expense and other	875	–	–	–		875
Impairment reversal	–	(31,521)	31,521	–	2.2(a)	–
Total operating costs and expenses	119,535	94,547	31,703	27,186		272,971
Other operating expense, net	(440)	–	–	–		(440)
<b>Operating income (loss)</b>	<u>79,100</u>	<u>74,459</u>	<u>(31,703)</u>	<u>(27,186)</u>		<u>94,670</u>
<b>Other income (expense):</b>						
Derivative instruments loss, net	(22,826)	(10,563)	–	–		(33,389)
Interest (expense) income, net	10	(1,132)	182	–	2.2(b)	(940)
Gain on acquisition	–	–	–	12,684	3(a)	12,684
Other income (expense), net	3,494	(15)	–	(15,090)	4(c)	(11,611)
<b>Total other (expense) income, net</b>	<u>(19,322)</u>	<u>(11,710)</u>	<u>182</u>	<u>(2,406)</u>		<u>(33,256)</u>
Income (loss) from continuing operations before income taxes	59,778	62,749	(31,521)	(29,592)		61,414
Income tax (benefit) expense	(22,156)	22,411	–	–	4(b)	255
Income (loss) from continuing operations	81,934	40,338	(31,521)	(29,592)		61,159
Loss from discontinued operations, net of tax	(98)	–	–	–		(98)
<b>Net income (loss)</b>	<u>\$81,836</u>	<u>\$40,338</u>	<u>\$(31,521)</u>	<u>\$(29,592)</u>		<u>\$61,061</u>

The Unaudited Pro Forma Combined Financial Information should be read in conjunctions with the accompanying notes.



## **Notes to Unaudited Pro Forma Combined Financial Statements**

### **1. Basis of Preparation**

This Unaudited Pro Forma Combined Financial Information has been derived from the unaudited condensed consolidated financial statements of VAALCO and TransGlobe as of and for the six months ended 30 June 2022, and the audited consolidated financial statements of VAALCO and TransGlobe as of and for the year ended 31 December 2021. The unaudited pro forma statement of operations for the year ended 31 December 2021 has been prepared on a basis consistent with the accounting policies adopted by VAALCO in preparing its audited Historical Financial Information for the year ended 31 December 2021, included in Part 21 (*Historical Financial Information of the VAALCO Group*) of this Prospectus, in accordance with Annex 20 of the Prospectus Regulation and on the basis set out in the notes below.

The unaudited pro forma combined balance sheet as of 30 June 2022, gives effect to the Arrangement as if it had occurred on 30 June 2022. The unaudited pro forma combined statements of operations for the six months ended 30 June 2022, and for the year ended 31 December 2021, give effect to the Arrangement as if it had occurred on 1 January 2021.

The consolidated financial statements of VAALCO were prepared in accordance with U.S. GAAP. The consolidated financial statements of TransGlobe were prepared in accordance with IFRS. As such, the Unaudited Pro Forma Combined Financial Information includes adjustments to align the accounting policies of TransGlobe to those of VAALCO.

The Unaudited Pro Forma Combined Financial Information and underlying pro forma adjustments are based upon currently available information and include certain estimates and assumptions made by management; accordingly, actual results could differ materially from the pro forma information. Management believes the assumptions provide a reasonable and supportable basis for presenting the estimated significant effects of the arrangement. Further, the unaudited pro forma statement of operations is not necessarily indicative of the results of operations that may be obtained in the future.

### **2. Application of U.S. GAAP and Reclassification Adjustments**

The consolidated financial statements of TransGlobe were prepared in accordance with IFRS. For purposes of preparing the Unaudited Pro Forma Combined Financial Information, the financial information of TransGlobe has been adjusted to give effect to the material differences between IFRS and U.S. GAAP, to the extent that such historical IFRS and U.S. GAAP differences are not affected by the adjustments relating to preliminary purchase price allocation described in Note 3 below. Other differences impacted by the preliminary purchase price allocation are included as other “pro forma adjustments” as described in Note 3 and 4 below. Further, certain adjustments to TransGlobe’s financial information are required to conform TransGlobe’s presentation and classification policies to those of VAALCO, as described below.

2.1 ***Reclassification of TransGlobe financial statement line items to align with VAALCO's financial statements***

**Balance sheet as of 30 June 2022**

	<i>TransGlobe (IFRS, Historical)</i>	<i>Reclassification (in thousands)</i>	<i>Notes</i>	<i>TransGlobe (IFRS, Reclassified)</i>
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash	\$61,175	\$(61,175)	(A)	\$–
Cash and cash equivalents	–	61,175	(A)	61,175
Accounts receivable balances	74,790	(74,790)	(B)	–
Receivables:				
Trade, net	–	74,554	(B)	74,554
Accounts with joint venture owners	–	236	(B)	236
Prepays and other	5,328	(5,328)	(C)	–
Prepayments and other		5,328	(C)	5,328
<b>Total current assets</b>	<u>141,293</u>	<u>–</u>		<u>141,293</u>
<b>Other non-current assets:</b>				
Property and equipment				
Petroleum and natural gas assets	208,510	(206,620)	(D)	–
		(1,890)	(F)	
Other	2,296	(1,934)	(D)	–
		(362)	(F)	
Crude oil and natural gas properties, equipment and other-successful efforts method, net	–	211,291	(D)(E)	211,291
Intangible exploration and evaluation assets	2,737	(2,737)	(E)	–
Right of use operating lease assets	–	2,252	(F)	2,252
<b>Total assets</b>	<u>354,836</u>	<u>–</u>		<u>354,836</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$42,707	\$(8,381)	(G)	\$–
		(34,326)	(H)	
Accounts payable		8,381	(G)	8,381
Current portion of share-based compensation liabilities	8,286	(8,286)	(I)	–
Modernisation payment liabilities	9,555	(9,555)	(J)	–
Derivative commodity contracts	858	(858)	(K)	–
Accrued liabilities and other	–	53,025	(H)(I)	53,025
			(J)(K)	
Current portion of lease obligations	1,245	(1,245)	(L)	–
Operating lease liabilities – current portion		1,245	(L)	1,245
<b>Total current liabilities</b>	<u>62,651</u>	<u>–</u>		<u>62,651</u>

	<i>TransGlobe (IFRS, Historical)</i>	<i>Reclassification (in thousands)</i>	<i>Notes</i>	<i>TransGlobe (IFRS, Reclassified)</i>
<b>Non-current liabilities:</b>				
Asset retirement obligations	11,335	–		11,335
Share-based compensation liabilities	1,892	(1,892)	(M)	–
Lease obligations	1,005	(1,005)	(N)	–
Operating lease liabilities – net of current portion	–	1,005	(N)	1,005
Long-term debt	3,102	–		3,102
Modernisation payment liabilities	24,620	(24,620)	(O)	–
Other long-term liabilities	–	26,512	(M)(O)	26,512
<b>Total liabilities</b>	<b>104,605</b>	<b>–</b>		<b>104,605</b>
<b>Shareholders' equity</b>				
Share capital	153,118	(153,118)	(P)	–
Common stock	–	153,118	(P)	153,118
Additional paid-in capital	–	23,905	(Q)	23,905
Accumulated other comprehensive income	755	–		755
Deficit	72,453	–		72,453
Contributed surplus	23,905	(23,905)	(Q)	–
<b>Total shareholders' equity</b>	<b>250,231</b>	<b>–</b>		<b>250,231</b>
<b>Total liabilities and shareholders' equity</b>	<b>354,836</b>	<b>–</b>		<b>354,836</b>

- (A) Cash of \$61,175 thousand were reclassified to cash and cash equivalents as of 30 June 2022.
- (B) Disaggregated Accounts receivable balances and reclassified \$74,554 thousand and \$236 thousand to Trade, net and Accounts with joint venture owners, respectively as of 30 June 2022.
- (C) Prepaids and other of \$5,328 thousand were reclassified to Prepayments and other as of 30 June 2022.
- (D) Tangible fixed assets of \$206,620 thousand and \$1,934 thousand of Petroleum and natural gas assets and Other reclassified to Crude oil and natural gas properties, equipment and other-successful efforts method, net as of 30 June 2022.
- (E) Intangible exploration and evaluation assets of \$2,737 thousand were reclassified to Crude oil and natural gas properties, equipment and other- successful efforts method, net as of 30 June 2022.
- (F) Right-of-use asset of \$1,890 thousand and \$362 thousand previously included within Petroleum and natural gas assets and Other, respectively reclassified to Right of use operating lease assets as of 30 June 2022.
- (G) Accounts payable and accrued liabilities of \$8,381 thousand were reclassified to Accounts payable as of 30 June 2022.
- (H) Accounts payable and accrued liabilities of \$34,326 thousand were reclassified to Accrued liabilities and other as of 30 June 2022.
- (I) Share-based compensation liabilities of \$8,286 thousand reclassified to Accrued liabilities and other as of 30 June 2022.
- (J) Modernisation payment liabilities (current portion) of \$9,555 thousand were reclassified to Accrued liabilities and other as of 30 June 2022.
- (K) Derivative commodity contracts of \$858 thousand reclassified to Accrued liabilities and other as of 30 June 2022.
- (L) Lease obligations of \$1,245 thousand were reclassified to Operating lease liabilities – current portion as of 30 June 2022.
- (M) Share-based compensation liabilities of \$1,892 thousand reclassified to Other long-term liabilities as of 30 June 2022.
- (N) Lease obligations of \$1,005 thousand were reclassified to Operating lease liabilities – net of current portion as of 30 June 2022.
- (O) Modernisation payment liabilities of \$24,620 thousand reclassified to Other long-term liabilities as of 30 June 2022.
- (P) Share capital of \$153,118 thousand were reclassified to Common stock as of 30 June 2022.
- (Q) Contributed surplus of \$23,905 thousand were reclassified to Additional paid-in capital as of 30 June 2022.

**Statement of operations for the six months ended 30 June 2022**

	<i>TransGlobe (IFRS, Historical)</i>	<i>Reclassification (in thousands)</i>	<i>Notes</i>	<i>TransGlobe (IFRS, Reclassified)</i>
<b>Revenues</b>				
Petroleum and natural gas sales,				
net of royalties	\$127,644	\$(127,644)	(A)	\$—
Crude oil and natural gas sales	—	127,644	(A)	127,644
Finance revenue	3	(3)	(B)	—
Other revenue	1	(1)	(C)	—
<b>Expenses</b>				
Production and operating	28,109	—		28,109
Selling costs	2,493	(2,493)	(D)	—
General and administrative	14,942	2,493	(D)	17,435
Foreign exchange loss	5	(5)	(E)	—
Finance costs	1,271	(1,271)	(F)	—
Depletion, depreciation and amortisation	14,169	159	(G)	14,328
Asset retirement obligation accretion	159	(159)	(G)	—
Gain on concession merger	(7,953)	—		(7,953)
Loss (gain) on financial instruments	1,554	(1,554)	(H)	—
Impairment reversal	(25,983)	—		(25,983)
<b>Earnings (loss) before income taxes</b>	<u>98,882</u>	<u>2,826</u>		<u>101,708</u>
Income tax expense – current	17,939	(17,939)	(I)	—
<b>Net Earnings</b>	<u>80,943</u>	<u>20,765</u>		<u>101,708</u>
<b>Other expense</b>				
Derivative instruments loss, net	—	1,554	(H)	1,554
Interest expense, net	—	1,268	(B)(F)	1,268
Other, net	—	4	(C)(E)	4
<b>Total other expense, net</b>	<u>—</u>	<u>2,826</u>		<u>2,826</u>
<b>Income from continuing operations</b>				
<b>before income taxes</b>	<u>80,943</u>	<u>17,939</u>		<u>98,882</u>
Income tax expense	—	17,939	(I)	17,939
<b>Net income</b>	<u>\$80,943</u>	<u>\$—</u>		<u>\$80,943</u>

(A) Petroleum and natural gas sales, net of royalties of \$127,644 thousand reclassified to Crude Oil and natural gas sales for the six months ended 30 June 2022.

(B) Finance revenue of \$3 thousand reclassified to Interest expense, net for the six months ended 30 June 2022.

(C) Other revenue of \$1 thousand reclassified to Other, net for the six months ended 30 June 2022.

(D) Selling costs of \$2,493 thousand reclassified to General and administrative expense for the six months ended 30 June 2022.

(E) Foreign exchange loss of \$5 thousand reclassified to Other, net for the six months ended 30 June 2022.

(F) Finance costs of \$1,271 thousand reclassified to Interest expense, net for the six months ended 30 June 2022.

(G) Asset retirement obligation accretion of \$159 thousand reclassified to Depletion, depreciation and amortisation for the six months ended 30 June 2022.

(H) Loss (gain) on financial instruments of \$1,554 thousand reclassified to Derivative instruments loss, net for the six months ended 30 June 2022.

(I) Income tax expense – current of \$17,939 thousand reclassified to Income tax expense for the six months ended 30 June 2022.

# Statement of operations for the year ended 31 December 2021

	<i>TransGlobe (IFRS, Historical)</i>	<i>Reclassification (in thousands)</i>	<i>Notes</i>	<i>TransGlobe (IFRS, Reclassified)</i>
<b>Revenues</b>				
Petroleum and natural gas sales, net of royalties	\$169,006	\$(169,006)	(A)	\$—
Crude oil and natural gas sales	—	169,006	(A)	169,006
Finance revenue	9	(9)	(B)	—
Other revenue	32	(32)	(C)	—
<b>Expenses</b>				
Production and operating	61,430	14,723	(D)	76,153
Overlift	14,723	(14,723)	(D)	—
Selling costs	3,921	(3,921)	(E)	—
General and administrative	20,353	3,921	(E)	24,274
Foreign exchange loss	47	(47)	(F)	—
Finance costs	1,141	(1,141)	(G)	—
Depletion, depreciation and amortisation	25,434	207	(H)	25,641
Asset retirement obligation accretion	207	(207)	(H)	—
Loss (gain) on financial instruments	10,563	(10,563)	(I)	—
Impairment reversal	(31,521)	—		(31,521)
<b>Earnings before income taxes</b>	<u>62,749</u>	<u>11,710</u>		<u>74,459</u>
Income tax expense – current	22,411	(22,411)	(J)	—
<b>Net Earnings (Loss)</b>	<u>40,338</u>	<u>34,121</u>		<u>74,459</u>
<b>Other expense</b>				
Derivative instruments loss, net	—	10,563	(I)	10,563
Interest expense, net	—	1,132	(B)(G)	1,132
Other, net	—	15	(C)(F)	15
<b>Total other expense, net</b>	<u>—</u>	<u>11,710</u>		<u>11,710</u>
Income from continuing operations before income taxes	40,338	22,411		62,749
Income tax expense	—	22,411	(J)	22,411
<b>Net Income</b>	<u>40,338</u>	<u>—</u>		<u>40,338</u>

(A) Petroleum and natural gas sales, net of royalties of \$169,006 thousand reclassified to Crude Oil and natural gas sales for the year ended 31 December 2021.

(B) Finance revenue of \$9 thousand reclassified to Interest expense, net for the year ended 31 December 2021.

(C) Other revenue of \$32 thousand reclassified to Other, net for the year ended 31 December 2021.

(D) Overlift expense of \$14,723 thousand reclassified to Production expense for the year ended 31 December 2021.

(E) Selling costs of \$3,921 thousand reclassified to General and administrative expense for the year ended 31 December 2021.

(F) Foreign exchange loss of \$47 thousand reclassified to Other, net for the year ended 31 December 2021.

(G) Finance costs of \$1,141 thousand reclassified to Interest expense, net for the year ended 31 December 2021.

(H) Asset retirement obligation accretion \$207 thousand reclassified to Depletion, depreciation and amortisation for the year ended 31 December 2021.

(I) Loss (gain) on financial instruments of \$10,563 thousand reclassified to Derivative instruments loss, net for the year ended 31 December 2021.

(J) Income tax expense – current of \$22,411 thousand reclassified to Income tax expense for the year ended 31 December 2021.



**2.2 U.S. GAAP adjustments to the unaudited pro forma combined statement of operations for the six months ended 30 June 2022, and for the year ended 31 December 2021**

- (a) Adjustment to derecognise the impairment reversal previously recognised in accordance with IFRS. Under U.S. GAAP, the reversal of an impairment loss for assets to be held and used is prohibited.
- (b) Adjustment to reflect differences between accounting for leases between IFRS and U.S. GAAP. Under IFRS, the amortisation of the right of use asset relating to all leases are recognised on a straight-line basis and accounted for as “amortisation” expense within Depreciation, depletion and amortisation. Under U.S. GAAP, leases are classified as either finance leases or operating leases; for operating leases, the amortisation is treated a “lease costs” and classified as part of Production cost or General and administrative expense depending on the type of lease. The impact of treating such leases as operating leases under U.S. GAAP on interest cost are insignificant.

**3. Preliminary Acquisition Accounting and Other Pro Forma adjustments and Assumptions**

**(a) Consideration for the Combination and Purchase Price Allocation**

The arrangement will be accounted for using the acquisition method of accounting for business combinations in accordance with ASC 805, Business Combinations. VAALCO will be treated as the acquirer for accounting purposes based on the evaluation of the following facts and circumstances:

- VAALCO’s stockholders will hold a majority of the voting power of the combined company
- VAALCO’s directors are expected to comprise a majority of the governing body of the combined company
- VAALCO’s senior management will comprise the senior management of the combined company
- Under the terms of the arrangement, VAALCO is expected to pay a premium over the pre-combination fair value of the equity interest acquired from TransGlobe stockholders.

The purchase consideration for the arrangement will be determined based on the number of VAALCO shares issued in exchange for TransGlobe common shares on the date of the arrangement. VAALCO will allocate the purchase consideration based on the TransGlobe assets acquired, including identifiable intangible assets, and liabilities assumed from TransGlobe at their respective preliminary estimated fair values at the date of completion of the arrangement.

VAALCO’s allocation of the preliminary estimated purchase consideration with respect to the arrangement is based on estimate of, and assumptions related to, the fair value of assets to be acquired and liabilities to be assumed as of 30 June 2022, using current available information. The preliminary purchase price allocation is subject to change due to several factors, including but not limited to:

- Changes in the estimated fair value of VAALCO’s common stock consideration transferred depending on its market price at the date of closing; and
- Changes in the estimated fair value of TransGlobe’s assets acquired and liabilities assumed as of the date of the arrangement, which could result from changes in future oil and natural gas commodity prices, reserve estimates, interest rates, discount rates as well as other factors.

Because the Unaudited Pro Forma Combined Financial Information has been prepared based on these preliminary estimates, the resulting effect on the financial position and results of operation of the combined business may be materially different from the pro forma amounts included herein.

VAALCO expects to finalise the purchase price allocation as soon as reasonably practicable after completing the Arrangement, and upon consideration of any incremental information as part of the finalisation of the measurement process. The finalisation of the purchase price allocation will not extend beyond the one-year measurement period provided under ASC 805.

The following is a preliminary estimate of the consideration expected to be paid to effect the combination with TransGlobe:

### **Purchase Consideration**

#### **Estimate of share consideration expected to be transferred to TransGlobe shareholders**

Number of TransGlobe common shares outstanding as of 29 July 2022	73,309,064
Multiplied by the Exchange ratio	0.6727
VAALCO shares expected to be issued	49,315,007
Closing price of VAALCO shares on 29 July 2022	\$5.93
Estimated fair value of share consideration <sup>1</sup>	\$292,437,994

1 Resulting in \$4,932 thousand in common shares and \$287,506 thousand of additional paid-in capital as of 30 June 2022.

For the purposes of these unaudited pro forma combined financial statements, the fair value of share consideration to be transferred is estimated using the closing price of VAALCO shares of \$5.93 per share as of 29 July 2022, the latest practicable date before the publication of VAALCO's proxy statement. Since that date, the share price of VAALCO has fluctuated and, as at 4 October 2022, the closing price was \$5.15, a decrease of approximately 13 per cent. A number of illustrative scenarios showing the effect of using differing VAALCO share prices are shown in the following paragraph, although the actual impact will depend both on the VAALCO closing share price on the Effective Date and the final purchase price allocation, including the valuation of TransGlobe's oil and natural gas properties.

The estimated consideration for VAALCO's combination with TransGlobe reflected in these unaudited pro forma combined financial statements does not purport to represent the actual consideration when the proposed combination with TransGlobe is consummated. In accordance with ASC 805, the fair value of any equity securities issued as part of the consideration paid will be measured on the closing date of the combination at the then-current market price. This requirement will likely result in a per share equity component different from the \$5.93 assumed in these unaudited pro forma combined financial statements, and that difference may be material. An increase or decrease in the price per VAALCO share assumed in these unaudited pro forma combined financial statements by 5 per cent will increase or decrease the estimated purchase price by approximately \$14,622 thousand; an increase or decrease in the price per VAALCO share of 10 per cent will increase or decrease the estimated purchase price by \$29,244 thousand; and an increase or decrease in the price per VAALCO share of 25 per cent will increase or decrease the estimated purchase price by \$73,109 thousand. Such increases or decreases would be reflected in these unaudited pro forma combined financial statements as an increase or decrease in gain on acquisition or goodwill may be recognised as shown in the table below:

	<i>Increase in price per VAALCO share</i>			<i>Decrease in price per VAALCO share</i>		
	<i>(in thousands)</i>					
<b>% Increase/Decrease</b>	5%	10%	25%	5%	10%	25%
<b>Share price</b>	6.23	6.52	7.41	5.63	5.34	4.45
<b>Purchase</b>						
<b>Consideration</b>	307,060	321,682	365,547	277,816	263,194	219,328
<b>Change in purchase consideration</b>	14,622	29,244	73,109	(14,622)	(29,244)	(73,109)
<b>Gain on acquisition</b>	—	—	—	(27,306)	(41,928)	(85,794)
<b>Goodwill recognised</b>	1,938	16,560	60,425	—	—	—

Assuming a closing date of 30 June 2022, the following table sets forth a preliminary estimate of the fair value of the assets acquired and liabilities assumed by VAALCO, reconciled to the total estimated consideration transferred:

	<i>As of 30 June 2022</i>			
	<i>(In thousands)</i>			
	<i>Carrying amount</i>	<i>PPA adjustments</i>	<i>Total Purchase Price Allocation</i>	<i>Note</i>
Cash and cash equivalents	\$61,175	\$(13,682)	\$47,493	(A)
Receivables:				
Trade, net	74,554	–	74,554	
Accounts with joint venture owners	236	–	236	
Prepayments and other	5,328	–	5,328	
Crude oil and natural gas properties, equipment and other-successful efforts method, net	211,291	70,309	281,600	(B)
Right of use operating lease assets	2,252	–	2,252	
Deferred tax asset	–	–	–	
Accounts payable	(8,381)	–	(8,381)	
Accrued liabilities and other	(53,025)	2,682	(54,761)	(A)
		(4,418)		(C)
Operating lease liabilities – current portion	(1,245)	–	(1,245)	
Asset retirement obligations	(11,335)	–	(11,335)	
Operating lease liabilities – net of current portion	(1,005)	–	(1,005)	
Deferred tax liability	–	–	–	
Other long-term liabilities	(26,512)	–	(26,512)	
Long-term debt	(3,102)	–	(3,102)	
Gain on acquisition	–	–	(12,684)	(D)
<b>Purchase consideration</b>			<b>\$292,438</b>	

(A) Adjustment to reflect the settlement of TransGlobe's stock options, RSUs and PSUs following the pre-combination acceleration of vesting on change of control under the terms of the original awards and the arrangement agreement as though the arrangement occurred on 30 June 2022. Such awards will be cash settled by TransGlobe prior to the closing of the arrangement.

(B) Adjustment to reflect the fair value of TransGlobe's Crude oil and natural gas properties, equipment and other successful efforts method, net as of the arrangement date as though the arrangement occurred on 30 June 2022.

(C) Adjustment to reflect accrued liabilities for transaction costs directly attributable to the arrangement deemed to be incurred by TransGlobe of \$4,418 thousand as though the acquisition occurred on 30 June 2022.

(D) Gain on acquisition results from the difference between the purchase consideration and the fair value of the assets acquired less the fair value of liabilities assumed.

(b) ***Other Impacts of the arrangement on the unaudited pro forma combined balance sheet as of 30 June 2022***

- (i) Adjustment to reflect the recognition of transaction costs directly attributable to the arrangement deemed to be incurred by VAALCO of \$10,672 thousand as though the acquisition occurred as of 30 June 2022.
- (ii) Adjustment to remove TransGlobe's pre-acquisition equity balances on consolidation.

**4. Impact of the Arrangement on the unaudited pro forma combined statements of operations for the six months ended 30 June 2022, and for the year ended 31 December 2021**

(a) ***Depreciation, depletion and amortisation***

Represents the incremental depreciation, depletion and amortisation related to the assets acquired in the arrangement, which is based on the preliminary purchase price allocation. Depletion of petroleum and natural gas assets was calculated using the unit-of-production method, adjusted to reflect a) the fair value of TransGlobe's Crude oil and natural gas properties, equipment and other – successful efforts method, net as of the arrangement date as though the arrangement occurred on 1 January 2021; and b) estimates of TransGlobe's proved reserves following the methodology required by SEC regulations.

(b) ***Income Tax***

There is no impact of the Arrangement on taxes. TransGlobe recorded a full valuation allowance on its deferred tax assets as of 31 December 2021, and 30 June 2022. The position on the valuation allowance has not changed resulting from the Arrangement.

(c) ***Transaction costs***

Adjustment to reflect the recognition of transaction costs directly attributable to the arrangement deemed to be incurred by VAALCO of \$10,672 thousand and TransGlobe of \$4,418 thousand as though the acquisition occurred on 1 January 2021.

Transaction costs expensed by TransGlobe of \$1,582 thousand in the statement of operations for the six months ended 30 June 2022, has been reclassified from General and administrative expense to Other (expense) income, net in the unaudited pro forma statement of operations for the six months ended 30 June 2022.

(d) ***Stock-based compensation and severance expense***

- (i) Adjustment to reflect the recognition of pre-combination stock-based compensation expense under U.S. GAAP by TransGlobe upon the acceleration of vesting on change of control for TransGlobe's stock options, RSUs and PSUs under the terms of the original awards and the arrangement agreement as though the acquisition occurred on 1 January 2021. Such awards will be cash settled by TransGlobe prior to the closing of the arrangement.
- (ii) Adjustment to reflect the recognition of severance expense and the corresponding adjustment to cash and cash equivalent in relation to payment on termination of certain executives of TransGlobe pursuant to the terms of their executive employment arrangement.

**5. Continuing impact**

Apart from the adjustments set out in note 3 and notes 4(b), 4(c) and 4(d), all of the adjustments set out above are expected to have a continuing impact on VAALCO.

## Section B: Accountants' report on the unaudited pro-forma financial information



BDO USA, LLP  
2929 Allen Parkway,  
20th Floor Houston, TX 77019-7100

The Directors  
VAALCO Energy, Inc.  
9800 Richmond Avenue, Suite 700  
Houston, Texas

11 October 2022

Dear Sir or Madam,

### VAALCO Energy, Inc. (the "Company")

#### Pro forma financial information

We report on the unaudited pro forma combined balance sheet and combined statements of operations (the "Pro Forma Financial Information") set out in Part 23 (*Unaudited pro-forma financial information of the Enlarged Group*) of the prospectus dated 11 October 2022 (the "**Prospectus**").

#### Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

#### Responsibilities

It is the responsibility of the Company's management to prepare the Pro Forma Financial Information in accordance with item 18.4.1 of Annex 1 of the Prospectus Delegated Regulation.

It is our responsibility to form an opinion, as required by section 3 of Annex 20 of the Prospectus Delegated Regulation, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed at the date of their issue.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 3 of the Prospectus Delegated Regulation, consenting to its inclusion in the Prospectus.

#### Basis of preparation

The Pro Forma Financial Information has been prepared on the basis described, for illustrative purposes only, to provide information about how the transaction between the Company and TransGlobe Energy Corporation might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 December 2021.

This report is required by item 11.5 of Annex 3 of the Prospectus Delegated Regulation and is given for the purpose of complying with that item and for no other purpose.



**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council of the United Kingdom. We are independent in accordance with the Financial Reporting Council's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Company's management.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Declaration**

For the purposes of Prospectus Regulation Rule 5.3.2R(2)(f) we are responsible for this report as part of the Prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and makes no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 3 of the Prospectus Delegated Regulation.

Very truly yours,

BDO USA, LLP

## PART 24

### TAXATION

The information set out below describes the principal UK and U.S. tax consequences of the acquisition, holding and disposal of the Common Shares and is included for general information only. It is not intended to be, nor should it be construed to be, legal or tax advice to any prospective investors. This section does not take into account the individual circumstances of any prospective investors and should not be relied upon by any prospective investor or any other person. Each prospective investor should obtain, and only rely upon, their own professional tax advice regarding the tax consequences of acquiring, holding and disposing of the Common Shares under the laws of their country and/or state of citizenship, domicile or residence. This summary is based on tax legislation in force as at the Last Practicable Date, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.

#### 1. UK taxation

The following statements are intended only as a general guide to current UK tax legislation and to the current practice of HMRC and may not apply to certain Stockholders, such as dealers in securities, insurance companies and collective investment schemes. They relate (except where stated otherwise) to persons who are resident, and in the case of individuals, domiciled in (and only in) the UK for UK tax purposes, who are beneficial owners of Common Shares (and any dividends paid on them) and who hold their Common Shares as an investment (and not as employment-related securities and other than via an individual savings account). They are based on current UK legislation and what is understood to be the current practice of HMRC as at the Last Practicable Date, both of which may change, possibly with retroactive effect. The tax position of certain categories of Stockholders who are subject to special rules (such as persons acquiring their Common Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes or those who are non-UK domiciled individuals) is not considered. Any person who is in any doubt as to his or her tax position, or who is subject to taxation in any jurisdiction other than that of the UK, should consult his or her own professional advisers immediately.

##### 1.1 *Taxation of dividends – individual Stockholders*

UK resident individual Stockholders will be liable to income tax in respect of dividends or other income distributions of VAALCO. A UK resident individual Stockholder will generally benefit from an allowance in the form of an exemption from tax for the first £2,000 of total dividend income received from all sources in the 2022/23 tax year (“**Dividend Allowance**”). Any dividends above the Dividend Allowance will be taxable at 8.75 per cent (to the extent it falls within an individual’s basic rate band), 33.75 per cent (to the extent it falls within an individual’s higher rate band) or 39.35 per cent (to the extent it falls within an individual’s additional rate band) for the 2022/23 tax year. Generally, when allocating income to the various tax bands, dividend income is always treated as the top slice of an individual’s income.

To the extent non-UK tax is withheld from dividends, individual UK resident Stockholders may be able to obtain relief or partial relief for the non-UK tax withheld against their UK tax liability. The UK has complex double tax relief provisions where UK resident individuals receive dividends from non-UK resident companies and therefore UK resident individual Stockholders should seek further advice on these issues.

##### 1.2 *Taxation of dividends – corporate Stockholders*

Dividends paid to a UK resident corporate Stockholder will be taxable income of the UK corporate Stockholder unless the dividends fall within an exempt class and certain other conditions are met. Typically dividends paid to UK resident corporate Stockholders would fall within one or more of the classes of dividend qualifying for exemption from UK corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules.

To the extent that dividends are not exempt, UK resident corporate Stockholders may be able to obtain credit for any withholding tax, subject to certain conditions. The UK has complex double tax relief provisions where UK resident companies receive dividends from non-UK resident companies and therefore UK resident corporate Stockholders should seek further advice on these issues.

### 1.3 *Taxation of dividends – trustees*

The annual dividend allowance available to individuals is generally not available to UK resident trustees. Generally, dividends received by UK resident trustees of a discretionary trust are liable to income tax at a rate of 39.35 per cent (save the first £1,000 (the “standard rate band”) of total trust income from all sources which may attract a lower rate of 8.75 per cent). The standard rate band for discretionary trustees must be divided by the total number of trusts settled by the same settlor. However, if the settlor has settled five or more trusts, the standard rate band for each trust is £200. UK trusts which are treated as interest in possession trusts for UK income tax purposes, will be liable to income tax on dividends at a rate of 8.75 per cent. All rates and bands noted above are in respect of the 2022/23 tax year.

To the extent non-UK tax is withheld from dividends, UK resident trustee Stockholders may be able to obtain relief or partial relief for the non-UK tax withheld against their UK tax liability. The UK has complex double tax relief provisions where UK resident trustees receive dividends from non-UK resident companies and therefore UK resident trustee Stockholders should seek further advice on these issues.

The taxation of UK trusts is complex and certain types of trusts may have a different tax treatment to that noted above and trustees should seek further advice.

### 1.4 *Taxation of dividends – UK pension funds and charities*

UK pension funds and charities are generally exempt from tax on dividends, which they receive. Other Stockholders who are not resident in the UK for tax purposes should consult their own advisers concerning their tax liabilities on dividends received.

### 1.5 *Chargeable gains*

Stockholders who are resident in the UK for tax purposes and who dispose of their Common Shares at a gain will ordinarily be liable to UK taxation on chargeable gains, subject to any available exemptions, reliefs and allowable losses. The gain will be calculated as the difference between the sale proceeds and any allowable costs and expenses, including the original acquisition cost of the Common Shares. Stockholders who are not resident in the UK for tax purposes but who carry on business in the UK through a branch, agency or permanent establishment with which their investment in VAALCO is connected may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains. If an individual Stockholder ceases to be resident in the UK and subsequently disposes of Common Shares, in certain circumstances any gain on that disposal may be liable to UK capital gains tax upon that Stockholder becoming once again resident in the UK. For UK resident individual Stockholders, capital gains tax at the current rate of 10 per cent (for basic rate taxpayers) or 20 per cent (for higher or additional rate tax payers) will be payable on any gain. UK resident individual Stockholders may benefit from certain reliefs and allowances (including a personal annual exemption allowance, which for the 2022/23 tax year exempts the first £12,300 of total gains from all sources from tax) depending on their circumstances. For UK resident corporate Stockholders any chargeable gain will be within the charge to UK corporation tax. UK corporate Stockholders can benefit from indexation allowance up to 31 December 2017 (which, in general terms, increases the chargeable gains tax base cost of an asset in accordance with the rise in the retail prices index up to 31 December 2017), but indexation allowance for corporate Stockholders no longer applies post 1 January 2018. Accordingly, any new (post 1 January 2018) UK tax resident corporate Stockholders holding any rolled over tax base cost pre 1 January 2018 may claim indexation allowance on a subsequent disposal on the Common Shares, but such indexation allowance will only be up to 1 January 2018. For UK resident trustee Stockholders any chargeable gain will generally be taxable

at a current rate of 20 per cent. UK resident trustees may have an annual exemption of up to £6,150 for the 2022/23 tax year. Where available, the annual exemption for trustees is divided by the number of trusts settled by the same settlor, subject to a minimum exemption of £1,230.

**1.6 *Stamp duty and stamp duty reserve tax (“SDRT”)***

The statements below are intended as a general guide to the current position under UK tax law. They do not apply to certain intermediaries who may be eligible for relief from stamp duty or SDRT, or to persons connected with depositary arrangements or clearance services (or, in either case, their nominees or agents), who may be liable to stamp duty or SDRT at a higher rate.

**1.7 *Treatment of the transfer of Common Shares into CREST and the trading of Depositary Interests within CREST***

Admission of the Common Shares to the standard segment of the Official List should not give rise to a liability to stamp duty or SDRT on the basis that the Admission does not involve a change in title or beneficial ownership in the Common Shares for consideration. Where there is a transfer of Common Shares into CREST (where Depositary Interests are issued) there should be no SDRT or stamp duty provided that there is no change in beneficial ownership of the Common Shares.

Where there is a transfer of Common Shares into CREST (where Depositary Interests are issued) and there is a change in beneficial ownership of the Common Shares, no charge to SDRT should arise on the basis that:

- (a) the central management and control of VAALCO currently takes place, and will continue to take place outside the UK;
- (b) the register of members of VAALCO is, and will be, maintained outside the UK; and
- (c) the underlying Common Shares are, and will continue to be, listed on a recognised stock exchange (such as the NYSE).

Assuming that no document of transfer is executed for such a transfer there should be no stamp duty either. Where Depositary Interests are traded (wholly within CREST), no charge to SDRT should arise on the basis that:

- (a) the central management and control of VAALCO currently takes place and will continue to take place outside the UK;
- (b) the register of members of VAALCO is, and will be, maintained outside the UK; and
- (c) the underlying Common Shares are, and will continue to be, listed on a recognised stock exchange (such as the NYSE).

Since any transfer of the Depositary Interests will be wholly within CREST, and no documents of transfer will be executed, no charge to stamp duty should arise on the transfer of Depositary Interests (wholly within CREST).

**1.8 *Treatment of the transfer of Common Shares out of CREST and trading of the underlying Common Shares***

Where there is a transfer of Common Shares out of CREST (which may involve a collapse of the Depositary Interests) and there is a change in beneficial ownership of the Common Shares, no charge to SDRT should arise, provided that:

- (a) the register of members of VAALCO continues to be maintained outside the UK; and
- (b) the Common Shares are not paired with shares or marketable securities in UK-incorporated companies.

Provided that the register of members of VAALCO continues to be maintained outside the UK, and the Common Shares are not paired with shares or marketable securities in UK incorporated companies, there should be no SDRT on any agreement to transfer the Common Shares themselves.

However, any document transferring title to the Common Shares will be technically within the scope of UK stamp duty (at the rate of 0.5 per cent, rounded to the nearest £5) if it is executed in the UK or relates (wheresoever executed) to any matter or thing done or to be done in the UK. Where stamp duty arises, this is generally payable by the purchaser.

Stamp duty is not a directly enforceable tax. As such, any stamp duty which may arise should not generally be required to be paid in respect of transfers of Common Shares, unless the document of transfer is required to be relied upon as evidence in a UK court or for other official purpose in the UK. However, where the stamp duty is paid late, interest and penalties may arise.

### 1.9 *Inheritance tax*

If any individual Stockholder is regarded as domiciled in the UK for inheritance tax purposes, inheritance tax may be payable in respect of the Common Shares on the death of the Stockholder or on certain gifts of the Common Shares during their lifetime, subject to any allowances, exemptions or reliefs.

Non-UK domiciled individual Stockholders may be regarded as deemed domiciled for inheritance tax purposes following a period of longer-term residence in the UK. Further advice should be sought in these circumstances.

Individual Stockholders who are in any doubt about the impact of their domicile on their tax position should obtain detailed tax advice from their own professional advisers. UK inheritance tax is a complex area and individuals should obtain their own advice in respect of this.

## 2. **U.S. taxation**

The following is a summary of the material U.S. federal income and estate tax consequences to non-U.S. holders (as defined below) of their ownership and disposition of the Common Shares, but does not purport to be a complete analysis of all the potential U.S. tax considerations relating thereto. This summary is based upon the provisions of the Code, Treasury regulations promulgated thereunder, administrative rulings and judicial decisions, all as of the date hereof. These authorities may be changed, possibly retroactively, so as to result in U.S. federal income and estate tax consequences different from those set forth below. VAALCO has not obtained, and does not intend to obtain, any opinion of counsel or ruling from the IRS with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions.

Moreover, this discussion does not address all of the tax considerations that may be relevant to non-U.S. holders in light of their particular circumstances, nor does it discuss special tax provisions, which may apply to holders subject to special treatment under U.S. federal income tax laws, such as certain financial institutions or financial services entities, insurance companies, tax-exempt entities, dealers in securities, entities or arrangements that are treated as partnerships for U.S. federal income tax purposes, “controlled foreign corporations,” “passive foreign investment companies,” former U.S. citizens or long-term residents, persons owning, directly, indirectly or constructively, 10 per cent or more of VAALCO’s equity by vote or value and persons that hold the Common Shares as part of a straddle, conversion transaction, or other integrated investment. Furthermore, this discussion does not address any tax considerations arising under the Medicare contribution tax or the alternative minimum tax, nor does it address any tax considerations arising under the laws of any state, local or foreign jurisdiction, or under any U.S. federal laws other than those pertaining to income or estate taxes.



## 2.1 *Non-U.S. holder definition*

For purposes of this discussion, a Non-U.S. holder is a Stockholder other than:

- (a) a partnership or other entity or arrangement classified as a partnership for U.S. federal income tax purposes; or
- (b) an individual citizen or resident of the United States (for tax purposes); or
- (c) a corporation or other entity taxable as a corporation created or organised in the United States or under the laws of the U.S. or any political subdivision thereof; or
- (d) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- (e) a trust: (i) whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons (within the meaning of section 7701(a) (3) of the Code) who have the authority to control all substantial decisions of the trust; or (ii) which has made a valid election to be treated as a U.S. person.

If a partnership holds Common Shares, the tax treatment of a partner generally will depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that hold Common Shares, and partners in such partnerships, should consult their tax advisers.

## 2.2 *Taxation of dividends*

VAALCO does not anticipate paying any cash dividends or other distributions on its Common Shares in the foreseeable future. However, if VAALCO does make distributions on the Common Shares, those payments will constitute dividends for U.S. tax purposes to the extent paid from VAALCO's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions exceed both VAALCO's current and VAALCO's accumulated earnings and profits, the excess will constitute a return of capital and will first reduce a holder's basis in their Common Shares, but not below zero, and then will be treated as a gain from the sale of Shares as described below.

Subject to the discussions below on effectively connected income and the Foreign Account Tax Compliance Act ("FATCA"), any dividend paid to a Non-U.S. holder generally will be subject to U.S. withholding tax either at a rate of 30 per cent of the gross amount of the dividend or such lower rate as may be specified by an applicable income tax treaty. Under the U.S.-UK income tax treaty, subject to certain conditions applying, the maximum withholding tax rate is 15 per cent.

In order to receive a reduced treaty rate, a Non-U.S. holder must provide VAALCO with an IRS Form W-8BEN, IRS Form W-8BEN-E or other appropriate version of IRS Form W-8 (or successor form), which may require a U.S. taxpayer identification number, certifying qualification for the reduced rate. A Non-U.S. holder of Common Shares eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

Dividends received by a Non-U.S. holder that are effectively connected with a Non-U.S. holder's conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, that are attributable to a permanent establishment or a fixed base maintained by a Non-U.S. holder in the United States), are exempt from such withholding tax if the Non-U.S. holder satisfies certain certification and disclosure requirements. In order to obtain this exemption, a Non-U.S. holder must provide VAALCO with an IRS Form W-8ECI (or successor form) or other applicable IRS Form W-8 (or successor form) properly certifying such exemption. Such effectively connected dividends, although not subject to withholding tax, generally are taxed at the same graduated U.S. federal income tax rates applicable to U.S. persons, net of certain deductions and credits. In addition, if a Non-U.S. holder is a corporate Non-U.S. holder, dividends they receive that are effectively connected with the Non-U.S. holder's conduct of a U.S. trade or business may also be subject to a branch profits tax at a

rate of 30 per cent or such lower rate as may be specified by an applicable income tax treaty. Each Non-U.S. holder should consult their own tax adviser regarding any applicable tax treaties that may provide for different rules.

### 2.3 *Taxation of capital gains*

Subject to the discussion below regarding backup withholding and foreign accounts, a Non-U.S. holder generally will not be required to pay U.S. federal income tax on any gain realised upon the sale, exchange or other disposition of Common Shares unless:

- (a) the gain is effectively connected with the Non-U.S. holder's conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, the gain is attributable to a permanent establishment or a fixed base maintained by the Non-U.S. holder in the United States); or
- (b) the Non-U.S. holder is an individual who is present in the United States for a period or periods aggregating 120 days or more during the calendar year in which the sale or disposition occurs and certain other conditions are met; or
- (c) the Common Shares constitute a U.S. real property interest by reason of VAALCO's status as a "United States real property holding corporation", or USRPHC, for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the Non-U.S. holder's disposition of, or the Non-U.S. holder's holding period for, VAALCO's Common Shares.

VAALCO believes that it is not currently, was not in the past five years and will not become a USRPHC and the remainder of this discussion so assumes.

If a Non-U.S. holder is described in (a) above, the Non-U.S. holder will be required to pay tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates, and a corporate Non-U.S. holder described in (a) above also may be subject to the branch profits tax at a 30 per cent rate, or such lower rate as may be specified by an applicable income tax treaty. If an individual Non-U.S. holder is described in (b) above, the Non-U.S. holder will be required to pay a flat 20 per cent tax (or such lower rate specified by an applicable income tax treaty) on the gain derived from the sale, which gain may be offset by U.S.-source capital losses for the year (provided the Non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses). A Non-U.S. holder should consult the Non-U.S. holder's own tax adviser regarding any applicable income tax or other treaties that may provide for different rules.

### 2.4 *U.S. federal estate tax*

Common Shares beneficially owned by an individual who is not a citizen or resident of the United States (as defined for U.S. federal estate tax purposes) at the time of their death will generally be includable in the decedent's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise. Investors are urged to consult their own tax advisers regarding the U.S. federal estate tax consequences of the ownership or disposition of Common Shares.

### 2.5 *Backup withholding and information reporting*

Generally, VAALCO must report annually to the IRS the amount of dividends paid to Non-U.S. holders, the Non-U.S. holder's name and address, and the amount of tax withheld, if any. Pursuant to applicable income tax treaties or other agreements, the IRS may make these reports available to tax authorities in a Non-U.S. holder's country of residence.

Payments of dividends on or of proceeds from the disposition of Common Shares made to a Non-U.S. holder may be subject to additional information reporting and backup withholding at a current rate of 30 per cent unless they establish an exemption, for example, by properly certifying their non-U.S. status on an IRS Form W-8BEN, IRS Form W-8BEN-E or another appropriate version of IRS Form W-8 (or successor form). Notwithstanding the foregoing, backup withholding and information reporting may apply if either VAALCO or the VAALCO's paying agent has actual knowledge, or reason to know, that they are a U.S. person.

Backup withholding is not an additional tax; rather, the U.S. income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may generally be obtained from the IRS, provided that the required information is furnished to the IRS in a timely manner.

## 2.6 ***FATCA***

FATCA imposes a U.S. federal withholding tax of 30 per cent on dividends on Common Shares that are paid to a “foreign financial institution” (as specifically defined under these rules), unless such institution enters into an agreement with the U.S. government to, among other things, withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding the U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) or otherwise establishes an exemption. FATCA also generally imposes a U.S. federal withholding tax of 30 per cent on dividends on Common Shares that are paid to a “non-financial foreign entity” (as specifically defined for purposes of these rules) unless such entity provides the withholding agent with a certification identifying certain substantial direct and indirect U.S. owners of the entity, certifies that there are none or otherwise establishes an exemption. Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes. An intergovernmental agreement between the U.S. and an applicable foreign country may modify the requirements described in this paragraph 2.6 of this Part 24 (*Taxation*). Prospective investors are encouraged to consult with their own tax advisers regarding the possible implications of these rules on their investment in Common Shares.

## PART 25

### DIRECTORS, PROPOSED DIRECTORS, EMPLOYEES AND CORPORATE GOVERNANCE

#### 1. Directors and Proposed Directors

The Board is responsible for, and has the authority to determine, all matters relating to the strategic direction, policies, practices, goals for the Executive Officers and the operations of the Group.

The following table lists the names, positions and ages of the current Directors and Proposed Directors and the date that they were each appointed. They will continue to hold office until the next annual meeting.

<i>Name</i>	<i>Age</i>	<i>Position</i>	<i>Appointment</i>
George Maxwell	56	Chief Executive Officer and Director	25 June 2020
Andrew L. Fawthrop	70	Chairman and Director	1 November 2014
Cathy Stubbs	56	Director	25 June 2020
Fabrice Nze-Bekale	49	Director	28 January 2022
David Cook	59	Director	On Completion
Edward LaFehr	63	Director	On Completion
Timothy Marchant	71	Director	On Completion

The management expertise and experience of each of the Directors and the Proposed Directors is set out below. Further information on the Directors and the Proposed Directors, including the companies of which each Director and Proposed Director has been a director at any time in the past five years, is set out in paragraph 10 of Part 26 (*Additional information*) of this Prospectus.

##### 1.1 **George Maxwell** (*Chief Executive Officer and Director*)

Mr. Maxwell joined the Board of VAALCO in June 2020. Mr. Maxwell has over 25 years of experience in the oil and gas industry, including in both the producing and service/manufacturing arenas. Mr. Maxwell founded Eland Oil & Gas Plc in 2009 and served as Eland Oil & Gas Plc's Chief Executive Officer from September 2014 to December 2019, Chief Financial Officer from 2010 to 2014, and as a member of the board of directors from 2009 to 2019 until Eland Oil & Gas Plc was acquired by Seplat Petroleum Development Company Plc on 17 December 2019. Prior to founding Eland Oil & Gas Plc, Mr. Maxwell served as the business development manager for Addax Petroleum and, prior to this, commercial manager in Geneva. Mr. Maxwell joined Addax Petroleum in 2004 and held the general manager position in Nigeria, where he was responsible for finance, and fiscal and commercial activities. Prior to this, Mr. Maxwell worked with ABB Oil & Gas as vice president of finance based in the UK with responsibilities for Europe and Africa. He held a similar position in Houston, from where the organisation ran its operations in ten countries. George was finance director in Singapore for Asia Pacific and Middle East, handling currency swaps and minimising exposures during the Asian financial crisis of the late 1990s. George is a Fellow of the Energy Institute in the UK and has formerly served on the boards of directors of Elcrest Exploration and Production Nigeria Ltd. and Westport Oil Limited.

Education: Mr. Maxwell graduated from Robert Gordon University in Aberdeen with a Masters in Business Administration.

##### 1.2 **Andrew L. Fawthrop** (*Chairman and Director*)

Mr. Fawthrop has served on the Board of VAALCO since October 2014 and as the Chairman of the Board since December 2015. Mr. Fawthrop has deep and broad-based experience in the oil and gas industry, including in West Africa, having served for 37 years with Unocal Corporation and Chevron Corporation (following its acquisition of Unocal in 2005) in a vast number of international leadership positions, most recently, from January 2009 until 2014, Mr. Fawthrop served as Chairman and

Managing Director for Chevron Nigeria. Prior to his assignment in Nigeria, Mr. Fawthrop served as President and Managing Director for Unocal/Chevron Bangladesh from 2003 until 2007.

In his professional career, Mr. Fawthrop held various positions of increasing responsibility for exploration activities around the world in geographies including China, Egypt, Indonesia, South America, Africa, Latin America and Europe. Mr. Fawthrop served as a Member of the Advisory Board of Eurasia Group. He served as a Director of Hindustan Oil Exploration Co. Ltd. from 2003 to 2005. He was an active member of the U.S. Azerbaijan Chamber of Commerce, the Asia Society of Texas and the Houston World Affairs Council.

Education: Mr. Fawthrop holds a Bachelor of Science in Geology and Chemistry and a Masters degree in Marine Geology from the University of London.

### 1.3 **Cathy Stubbs** (*Director*)

Ms. Stubbs has served on the Board of VAALCO since June 2020. Ms. Stubbs has over 30 years of experience in the energy industry, most recently serving 17 years with Aspire Holdings, LLC (formerly Endeavour International Corporation), an independent international oil and gas exploration and production company focused in the North Sea and U.S. Ms. Stubbs held numerous roles at Aspire Holdings, LLC, including director and President and Chief Financial Officer from 2015 to 2021, Senior Vice President and Chief Financial Officer from 2013 to 2015, Vice President, Finance and Treasury, and other Corporate Development and Accounting roles from 2004 to 2013.

Prior to joining Aspire Holdings, LLC she served as Assistant Controller, Financial Reporting and Corporate Accounting at Devon Energy, Inc. (formerly Ocean Energy, Inc.) from 1997 to 2004. Ms. Stubbs began her career in public accounting with KPMG, an international audit and business strategy consulting firm, where she rose to the title of Audit Manager.

Education: Ms. Stubbs is a Certified Public Accountant in the State of Texas and she currently serves on the board of directors of various charity and educational institutions. Ms. Stubbs holds a Bachelor of Business Administration and a Master in Professional Accounting from the University of Texas at Austin.

### 1.4 **Fabrice Nze-Bekale** (*Director*)

Mr. Nze-Bekale joined the Board of VAALCO in January 2022. Mr. Nze-Bekale has over 25 years of experience in mining, banking, telecoms, M&A and international finance. Mr. Nze-Bekale has served on numerous boards and as a senior executive across his career. He currently serves as an independent director on the Board of Orabank Gabon, where he is also the Chairman of the Audit Committee and serves on the Risk Committee. From 2012 to 2020, he was a member of the Board of the Fonds Gabonais D'Investissements Stratégiques, Gabon's sovereign wealth fund.

Since 2017, Mr. Nze-Bekale has served as Chief Executive Officer of ACT Afrique based in Dakar, Senegal, providing strategic advisory and investment banking expertise to governments as well as to public and private entities in West Africa. Prior to joining ACT Afrique, he served as Chief Executive Officer of Société Équatoriale Des Mines, and prior to that, he was Director of Investment Banking for Standard Bank PLC based in London from 2008 to 2011.

Education: Mr. Nze-Bekale is a Gabonese national and holds a Master's Degree in Finance and Financial Engineering from the University of Paris-Dauphine (France) with an MBA from the London Business School (UK).

### 1.5 **David Cook** (*Director*)

It is proposed that David Cook joins Board of VAALCO with effect from Completion. Mr. Cook was appointed to TransGlobe's Board of Directors in August 2014 and was elected Chairman in May 2019. Previously, Mr. Cook was the Chief Executive Officer of Noreco (Norwegian Energy Company). Prior to Noreco, Mr. Cook was the Head of Strategy at INEOS Oil & Gas and, prior thereto, the Chief



Executive Officer of INEOS DeNoS. Prior to INEOS, Mr. Cook was the Chief Executive Officer of the Danish upstream company DONG Oil and Gas, owned by what is today Orsted. He possesses more than 30 years' experience in the energy business having held senior positions at Noreco, INEOS, DONG Energy (now Orsted), the Abu Dhabi National Energy Company PJSC ("TAQA"), BP, TNK-BP and Amoco. Mr. Cook has previously served on the Board of WesternZagros Ltd., in addition to previously serving as a Director for three BP/Rosneft joint ventures.

Education: Mr. Cook holds a BSc in Geophysics and a PhD in Geological Sciences from Michigan State University.

#### 1.6 **Edward LaFehr** (*Director*)

It is proposed that Mr. LaFehr joins the Board of VAALCO with effect from Completion. Mr. LaFehr was appointed to TransGlobe's Board of Directors in March 2019. Mr. LaFehr is the Chair of the Reserves, Health, Safety, Environment and Social Responsibility Committee and a member of the Audit Committee. Mr. LaFehr is the Chief Executive Officer of Baytex Energy Corporation, a mid-sized oil and gas company based in Calgary. Mr. LaFehr has 35 years of experience in the oil and gas industry working with Amoco, BP, Talisman and TAQA, holding senior positions in North America, Europe and the Middle East regions. Prior to joining Baytex, he was President of TAQA's North American oil and gas business based in Calgary and subsequently Chief Operating Officer for TAQA, globally. Prior to this, he served as Senior Vice President for Talisman Energy in Calgary. From 2009 to 2011, Mr. LaFehr was Managing Director of Pharaonic Petroleum Company in Cairo, Egypt. In this capacity he served on BP Egypt's executive team and represented BP's interests on the Board of Directors of Pharaonic and ENI's Petrobel JV companies with the Egyptian Government.

Education: Mr. LaFehr holds Masters degrees in geophysics and mineral economics from Stanford University and the Colorado School of Mines, respectively.

#### 1.7 **Timothy Marchant** (*Director*)

It is proposed that Dr. Marchant joins the Board of VAALCO with effect from Completion. Dr. Marchant was appointed to TransGlobe's Board of Directors on 20 March 2020. Dr. Marchant is Chair of the Compensation, Human Resources and Governance Committee and a member of the Reserves, Health, Safety, Environment and Social Responsibility Committee. Dr. Marchant has 40 years of oil and gas industry experience in Canada and international locations, with extensive experience in exploration, foreign growth strategies, sustainability and international operations. Currently, he is the Adjunct Professor of Strategy and Energy Geopolitics at the Haskayne School of Business, University of Calgary where he teaches energy, corporate social responsibility and sustainability strategies; he also lectures on board environment, social and governance strategies for the Institute of Corporate Directors Education Program. Dr. Marchant has served in a variety of senior executive positions with British Petroleum and Amoco in Egypt, Saudi Arabia, Abu Dhabi and Kuwait. Prior to his international assignments, he spent 17 years with Amoco Canada.

Education: Dr. Marchant has a Ph.D. in Geology from Trinity College, University of Dublin, Ireland. He completed the Executive Program at the Ivey School of Business, University of Western Ontario in 1994 and the Institute of Corporate Directors Education Program in 2011.

## 2. Executive Officers

The Chief Executive Officer and the other Executive Officers are responsible for the day-to-day management of the business, operations and implementation of the Group's strategy.

The following table lists the names, positions and ages of the Executive Officers in addition to the Chief Executive Officer and the date that they were each appointed:

<i>Name</i>	<i>Age</i>	<i>Position</i>	<i>Appointment</i>
George Maxwell	56	Chief Executive Officer	12 April 2021
Ronald Bain	55	Chief Financial Officer	21 June 2021
Jason J. Doornik	53	Chief Accounting Officer and Controller	6 June 2019
David A. DesAutels <sup>(1)</sup>	67	Executive Vice President of Corporate Development	1 April 2019
Michael G. Silver <sup>(2)</sup>	58	Executive Vice President, Company Secretary and Secretary, General Counsel and Chief Compliance Officer	1 April 2019

### Notes

- (1) David A. DesAutels served as Vice President for Exploration and Development from his appointment in July 2017 until April 2019.
- (2) Michael G. Silver first joined VAALCO in November 2018 in non-executive capacity. On 30 August 2022, Michael Silver notified VAALCO of his intention to resign from VAALCO. Michael Silver has agreed to remain with VAALCO for a transitional period to facilitate Completion, and VAALCO has launched an executive search to find a replacement for the position.

The management expertise and experience of each of the Executive Officers is set out below. Further information on the Executive Officers, including the companies of which each Executive Officer has been a director at any time in the past five years, is set out in paragraph 10.2 of Part 26 (*Additional information*) of this Prospectus.

### 2.1 Ronald Bain (*Chief Financial Officer*)

Mr. Bain joined VAALCO in June 2021 as Chief Financial Officer. Mr. Bain has over 25 years of oil industry experience including capital markets and statutory reporting, taxation and compliance in numerous African countries. Prior to VAALCO, Mr. Bain served as Finance Director of Subsea Services as well as Chief Financial Officer and a member of the board of Eland Oil & Gas Plc from July 2017 until VAALCO was acquired by Seplat Petroleum Development Plc in December 2019. Mr. Bain began his career at Vetco Gray in 1987 then moved to Donside Paper Company in January 1990 and over a period of nine years served in the Finance Department in roles of increasing responsibility including Financial Director. From August 1999 to June 2017, Mr. Bain worked at BJ Services and Baker Hughes in a variety of Regional Accounting Directorship and Controller roles. He led the financial integration planning for Baker Hughes during the GE Oil & Gas merger.

Education: Mr. Bain holds a Scottish Higher National Certificate in Accounting from Aberdeen College of Commerce. He qualified as a Chartered Accountant in 1993 with the Association of Certified Chartered Accountants and holds certifications in Financial Modelling & Valuation Analysis (Corporate Financial Institute CFI) and International Financial Reporting (ACCA).

### 2.2 Jason J. Doornik (*Chief Accounting Officer and Controller*)

Mr. Doornik joined VAALCO on 11 June 2019 as Chief Accounting Officer and Controller. Mr. Doornik has over twenty years of diversified accounting and finance experience, balanced among large companies and emerging companies as well as public accounting and industry experience.

Prior to joining VAALCO, Mr. Doornik served as Chief Accounting Officer and Controller of Fairway Energy, a Houston based midstream company, as Corporate Controller for BPZ Resources, Inc. and as a consultant for Sirius Solutions. Mr. Doornik has held a variety of other senior finance roles such as Financial Reporting Manager of Grant Prideco, Inc. and its successor company, National Oilwell Varco, Inc. and Senior Associate for The Siegfried Group. Mr. Doornik began his career with Ernst & Young in the Assurance and Advisory practice starting as a staff level associate and ending as a

manager in the assurance practice. From 1987 through 1991, Mr. Doornik served as a Unit Supply Specialist in the U.S. Army.

Education: Mr. Doornik holds a Bachelor's degree in Business Administration and a Master's degree in Professional Accountancy from the University of Texas at Austin and is a certified public accountant in the State of Texas.

### 2.3 **David A. DesAutels** (*Executive Vice President of Corporate Development*)

Mr. DesAutels joined VAALCO in July 2017 as Vice President for Exploration and Development and assumed the role of Executive Vice President for Corporate Development on 1 April 2019.

Mr. DesAutels is an oil and gas industry executive with over 40 years upstream experience in development and exploration. He has worked on over 100 development projects worldwide, both conventional and unconventional. Mr. DesAutels gained senior executive experience by working for Noble Energy (Director, Development Geoscience, 2008 to 2016) and Occidental Oil and Gas (Chief of Production Geoscience and Vice President of Geoscience, 2000 to 2007) and founding Synertia Energy, LLC and Seregon Energy, LLC, two oil and gas consulting companies. In addition, he has international experience from working in Colombia, Indonesia, Equatorial Guinea, Qatar, Oman, Argentina, Israel, UK, Ecuador, Peru, Russia, Canada, and the UAE. Mr. DesAutels is also a published author of two books, one fiction and one non-fiction.

Education: Mr. DesAutels holds an MS and BA in Geology from the University of Minnesota-Twin Cities.

### 2.4 **Michael G. Silver** (*Executive Vice President, Company Secretary, General Counsel and Chief Compliance Officer*)

Mr. Silver joined VAALCO in November 2018 and has served as Executive Vice President and General Counsel since 1 April 2019. He has nearly 30 years of experience in the energy industry.

Prior to joining VAALCO, from 2009 to 2018, Mr. Silver served as Managing Counsel for the Petroleum Division of BHP Group plc where he supported VAALCO's international upstream activities, including major acquisitions and divestments. From 2007 to 2009, Mr. Silver held the position of Senior Counsel at Constellation Energy Commodities Group, Inc. with responsibilities for U.S. upstream and LNG operations. Mr. Silver began his career with ExxonMobil Corporation in the law department in 1990 and during the next 17 years served in multiple roles of increasing responsibility.

On 30 August 2022, Michael Silver notified VAALCO of his intention to resign from VAALCO. Michael Silver has agreed to remain with VAALCO for a transitional period to facilitate Completion, and VAALCO has launched an executive search to find a replacement for the position.

Education: Mr. Silver holds a Bachelor of Arts degree in International Affairs from Lafayette College, an MBA from the Duke University Fuqua School of Business and a JD from the Duke University School of Law. Mr. Silver is a member of the State Bar of Texas.

## 3. **Corporate Governance**

### 3.1 **The Board**

The Board of VAALCO currently comprises four Directors, three of which are non-executive Directors. Following Completion, it is anticipated that the Board will comprise seven Directors, six of which will be non-executive Directors.

It is the policy of the Board that a majority of the members of the Board be independent. The Board has affirmatively determined that, as to each non-executive Director, no material relationship exists that, in the opinion of the Board, would interfere with the exercise of their independent judgement in

carrying out their responsibilities as Director, and that each non-executive Director qualifies as independent in accordance with the Corporate Governance Principles.

Any Director appointed to the Board by the Directors will be subject to election by the Stockholders at the next annual meeting of Stockholders after their appointment.

The composition of the Board will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience. The Certificate of Incorporation provides that the number of Directors serving on the Board cannot be fewer than three or greater than 15.

The Board is responsible for the corporate governance of VAALCO, and has developed policies to ensure that an appropriate level of corporate governance is in place. VAALCO's corporate governance system is reviewed regularly by the Board to ensure that it fulfils the needs of Stockholders.

The Common Shares are quoted on the NYSE and VAALCO is therefore required to comply with the NYSE Listed Company Manual, which is the comprehensive rulebook for listed companies, including publishing an annual confirmation statement. Section 303A.09 of the NYSE Listed Company Manual requires issuers to adopt and disclose corporate governance guidelines covering certain issues including director qualifications and responsibilities, director compensation, responsibilities of key board committees, management succession and evaluation of the board's performance. VAALCO is also required to consider the corporate governance guidelines that apply to companies listed on the standard segment of the Main Market of the London Stock Exchange as it has been listed on the Main Market of the London Stock Exchange since 26 September 2019. In accordance with these requirements and guidelines, the Corporate Governance Policies are available under the 'Governance' link on VAALCO's website at [www.vaalco.com](http://www.vaalco.com). The information on the website is not incorporated by reference into this Prospectus. VAALCO will disclose any amendments to the Corporate Governance Policies on its website at [www.vaalco.com](http://www.vaalco.com).

### 3.2 ***Committees***

VAALCO's committees are constituted as follows:

<i>Name of committee</i>	<i>Constitution</i>
Audit committee	Cathy Stubbs – Chair Andrew L. Fawthrop – Member Fabrice Nze-Bekale – Member
Compensation committee	Andrew L. Fawthrop – Chair Cathy Stubbs – Member Fabrice Nze-Bekale – Member
Nominating and corporate governance committee	Fabrice Nze-Bekale – Chair Cathy Stubbs – Member Andrew L. Fawthrop – Member
Strategic Committee	Andrew L. Fawthrop – Chair George Maxwell – Member Fabrice Nze-Bekale – Member Cathy Stubbs – Member

The deliberations of the various committees do not reduce the individual and collective responsibilities of the Directors with regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgement in accordance with their statutory obligations.

### 3.3 ***Audit Committee***

The Audit Committee is principally responsible for (1) the integrity of the financial statements of VAALCO; (2) the independent auditor's qualifications and independence; (3) the performance of VAALCO's internal audit function and independent auditors; and (4) the compliance by VAALCO with legal and regulatory requirements. The Audit Committee shall oversee the appointment, qualification, independence and performance of VAALCO's independent auditors and the

performance of VAALCO's internal auditing function and shall prepare the report required by the SEC Rules to be included in VAALCO's annual proxy statement.

The Audit Committee is comprised of no fewer than three Directors, all of whom are required to meet certain independence and experience requirements of the NYSE and the Exchange Act.

The Audit Committee must meet at least quarterly and shall meet periodically in separate executive sessions with management, internal auditors and the independent auditor. The Audit Committee has the sole authority to appoint or replace the independent auditor; pre-approves all auditing services, internal control related services and permitted non-audit services; and is empowered to conduct any investigation appropriate to fulfilling its responsibilities.

The Audit Committee must make regular reports to the Board, including an annual review of the Audit Committee's own performance and the adequacy of the Audit Committee's charter.

### **3.4 *Compensation Committee***

The Compensation Committee is responsible for (1) reviewing and approving the corporate goals and objectives relevant to the compensation for the CEO and the Executive Officers; (2) evaluating the CEO's and Executive Officers' performance in light of their goals and objectives; (3) determining and approving the CEO's and Executive Officers' incentive compensation plans and equity based plans; (4) overseeing VAALCO's compensation philosophy, incentive compensation plans, equity based plans for Executive Officers and the senior management of VAALCO; (5) preparing an annual report on executive compensation to be included in VAALCO's annual proxy statement; and (6) reviewing VAALCO's compensation discussion & analysis, required by the SEC Rules to be included in VAALCO's annual proxy statement.

The Compensation Committee must be comprised of three or more independent Directors, in accordance with, among other things, the NYSE and the Exchange Act.

The Compensation Committee must meet at least twice a year or in accordance with the NYSE. The Compensation Committee annually reviews all Director, Executive Officer, CEO and non-executive Employee compensation, and administers VAALCO's incentive compensation plans which the CEO and Executive Officers may participate in. The Compensation Committee at least annually reviews incentive compensation arrangements to confirm that such arrangements do not encourage unnecessary risk-taking and reports the results to the Board.

### **3.5 *Nominating and Corporate Governance Committee***

The Nominating and Corporate Governance Committee is responsible for (1) identifying, evaluating, recruiting and recommending to the Board individuals qualified to be nominated for election to the Board; (2) recommending to the Board the members and chairperson for each of the committees; (3) periodically reviewing and assessing the Corporate Governance Principles and the Code of Business Conduct and Ethics and making recommendations for changes thereto to the Board; (4) overseeing the annual self-evaluation of the performance of the Board and the evaluation of VAALCO's management; (5) assisting the Board in succession planning; and (6) considering any other corporate governance issues that arise and discharging all other duties and responsibilities imposed on the Nominating and Corporate Governance Committee by the Board from time to time.

The Nominating and Corporate Governance Committee must consist of three or more Directors, all of whom shall meet the independence requirements of the NYSE and the SEC.

The Nominating and Corporate Governance Committee must meet as often as is necessary to carry out its responsibilities. The Nominating and Corporate Governance Committee annually self-assesses its performance and the adequacy of its charter and reports the results to the Board. The Nominating and Corporate Governance Committee oversees an assessment of the Board's and management's performance and is responsible for establishing the evaluation criteria and implementing the process for such evaluation.



### 3.6 ***Strategic Committee***

VAALCO formed the Strategic Committee in January 2016 to explore a range of strategic alternatives to further enhance Stockholder value. The strategic alternatives process explores options for the future of VAALCO including, but not limited to, securing additional investment to support growth opportunities, joint ventures, asset sales or farm outs, mergers or acquisitions or continuing to pursue VAALCO's existing operation plan.

### 3.7 ***Corporate governance policies***

#### *Corporate governance principles*

VAALCO is committed to good corporate governance practices, which promote the long-term interests of Stockholders and strengthens the Board and management accountability. VAALCO is subject to the governance rules and guidelines for public companies established by securities regulators in the U.S., including the NYSE. All Directors, Executive Officers and Employees are subject to the Code of Business Conduct and Ethics, which sets out VAALCO's expectations and standards of behaviour. No waivers from the Code of Business Conduct and Ethics have been granted to date. In addition, the governance practices of VAALCO are set out in the Corporate Governance Principles, which establish good governance practices including (i) establishing the functions reserved to the Board and setting out the composition of the Board; (ii) setting the frequency of meetings of the Board; (iii) establishing VAALCO Committees and the responsibility for such committees' charters; and (iv) communicating with security holders.

#### *Code of business conduct and ethics*

VAALCO has a formal written code of business conduct and ethics. The purpose of the Code of Business Conduct and Ethics is to maintain the highest level of integrity in all corporate dealings and is applicable to all Directors, Executive Officers, contractors, consultants and employees. The Code of Business Conduct and Ethics provides an explanation as to VAALCO's position on matters such as confidentiality, fair disclosure, environmental concerns and conflicts of interest. All new employees are required to read and sign a copy of the Code of Business Conduct and Ethics.

#### *Code of ethics for the Chief Executive Officer and senior financial officers*

VAALCO has a formal written code of ethics for the CEO, chief financial officer and senior financial officers that is supplemental to the Code of Business Conduct and Ethics and applies to the CEO and senior financial officers. The code details the standards that the CEO and applicable Executive Officers are expected to conduct their roles with respect to VAALCO. Each of the CEO and the applicable Executive Officers are required to read and sign a copy of the code.

### 3.8 ***Insider trading policy***

VAALCO has an insider trading policy which applies to all PDMRs and their associates, Employees and consultants of VAALCO, and the family members of all such individuals. The insider trading policy outlines the U.S. federal laws which prohibit insider trading and VAALCO's policy on (i) securities trading; (ii) the blackout period; (iii) short sales and options trading; and (iv) the compliance programme for officers and directors. VAALCO's insider trading policy is also compliant with MAR and the DTR.

The insider trading policy prohibits any Employees or parties retained by VAALCO (and their family members) from buying or selling Common Shares in VAALCO when such person has or is aware of material, non-public information relating to VAALCO. Under U.S. federal securities law, material non-public information is information about a company which is not known by the general public and which could or may affect the market price of a security, or is of a nature which a reasonable investor would attach importance in deciding whether to buy, sell or hold a security.

VAALCO further restricts trading in its Common Shares during the quarterly blackout period, which begins on the fifteenth day of the third calendar month in any fiscal quarter (i.e. 15 March, 15 June, 15 September and 15 December), and ends after the second full trading day following the public

release of such earnings. VAALCO may also determine that additional blackout periods exist where a material event occurs; however, such blackout period shall only be known by, and apply to, such persons as have awareness of the event. Cash exercise of vested Options are permitted during a blackout period, as the purchase price is fixed.

The insider trading policy outlines the prohibited and limited transactions in Common Shares, in addition to the compliance programme operated by VAALCO which is applicable only to Directors, Executive Officers and certain designated Employees, whereby such persons can only trade in Common Shares during specified window periods and by following VAALCO's procedure.

### 3.9 ***Information disclosure policy***

VAALCO has an information disclosure policy to ensure that VAALCO complies with its continuous disclosure obligations under U.S. securities laws, MAR and the DTR. The policy sets out the procedures for how VAALCO will treat material, non-public information, as well as providing Stockholders and the market with timely, direct and equal access to information issued by VAALCO; and promoting investor confidence in the integrity of VAALCO and Common Shares.

### 3.10 ***Anti-bribery and anti-tax avoidance policy***

VAALCO has an anti-bribery and anti-tax avoidance policy. VAALCO has developed its anti-bribery and anti-tax avoidance policy to be consistent with the FCPA, all applicable U.S. tax laws, the UK Bribery Act and the UK Criminal Finance Act 2017 (the "UK CFA"). The policy is designed to ensure that the Directors, Executive Officers, Employees and agents understand the requirements of the UK Bribery Act, UK CFA, the FCPA and applicable U.S. tax laws and adhere to VAALCO's policy to comply with the FCPA, applicable U.S. tax laws, the UK Bribery Act and the UK CFA and all anti-bribery and anti-tax avoidance legislation wherever VAALCO conducts its business.

The policy specifically addresses facilitation payments or gifts and hospitality, dealings with public officials, political donations, lobbying and advocacy and charitable donations, and includes provisions dealing with notification, as well as provisions regarding disciplinary action in the event that any part of the anti-bribery and anti-tax avoidance policy has been breached. New and existing staff are required under the policy to be trained and VAALCO's approach to anti-bribery and anti-tax avoidance must be communicated to its business partners.

## PART 26

### ADDITIONAL INFORMATION

#### 1. Responsibility Statement

VAALCO and each of the Directors and Proposed Directors, whose names appear in Part 7 (*Directors, secretary, registered and head office and advisers*) of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge of VAALCO, the Directors and the Proposed Directors, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

#### 2. VAALCO

On 28 February 1989, Gladstone Resources Limited was registered and incorporated in the State of Delaware, U.S. under the DGCL with registration file number 2188793. On 15 September 1997, the certificate of incorporation of Gladstone was restated under the name VAALCO Energy, Inc. and was subsequently amended on 24 June 1998. The certificate of incorporation of VAALCO Energy, Inc. was further restated and amended on 3 June 2009 and filed with the SEC on 7 May 2014.

VAALCO Energy, Inc. is a public company, incorporated in the State of Delaware, U.S. with registration file number 2188793 and having its registered office, and business address for all of the Directors and Executive Officers, at 9800 Richmond Avenue, Suite 700, Houston, Texas 77042, where it will remain headquartered as a Delaware corporation post-Completion. VAALCO's telephone number is +1 713 623 0801.

The principal legislation under which VAALCO operates with conformity is the DGCL.

VAALCO operates in conformity with its Bylaws and Certificate of Incorporation and is duly authorised by its Bylaws and Certificate of Incorporation in respect of Admission.

VAALCO has all necessary statutory consents in connection with Re-admission and Admission.

#### 3. Share Capital of VAALCO

As at the Last Practicable Date, VAALCO had an:

- (a) authorised share capital of 100,000,000 Common Shares, par value \$0.10 per Common Share and 500,000 Preferred Shares, par value \$25.00 per Preferred Share; and
- (b) issued and outstanding share capital of 59,826,544 Common Shares (including 758,440 unvested Common Shares that are subject to forfeiture) and 11,057,521 Treasury Shares, all of which are validly issued as fully-paid and non-assessable shares of VAALCO.

Immediately following Re-admission and Admission, VAALCO is expected to have an:

- (a) authorised share capital of 160,000,000 Common Shares, par value \$0.10 per Common Share and 500,000 Preferred Shares, par value \$25.00 per Preferred Share; and
- (b) issued and outstanding share capital of up to 109,141,551 Common Shares (including unvested Common Shares that are subject to forfeiture) and 11,057,521 Treasury Shares, all of which are validly issued as fully-paid and non-assessable shares of VAALCO.

Immediately following Re-admission and Admission, it is expected that approximately 99.3 per cent of the Common Shares will be held in public hands (within the meaning of Rule 14.2.2(4) of the Listing Rules).

The Existing Common Shares are, and the Consideration Shares will be, registered, and may be held in either certificated or uncertificated form (by way of Depositary Interests) on the London Stock Exchange.

During the Historical Financial Information Period, there have been the following changes to VAALCO's issued share capital (excluding the unvested Common Shares that are subject to forfeiture):

	<i>Common Shares Issued</i>	<i>Treasury Shares</i>	<i>Common Shares Outstanding</i>
Balance at 1 January 2019	67,168,000	7,572,000	59,596,000
Shares issued – Share-based compensation	506,000	10,000	496,000
Treasury Shares acquired	–	2,067,000	(2,067,000)
Balance at 31 December 2019	67,674,000	9,649,000	58,025,000
Shares issued – Share-based compensation	224,000	44,000	180,000
Treasury Shares acquired	–	673,000	(673,000)
Balance at 31 December 2020	67,898,000	10,366,000	57,532,000
Shares issued – Share-based compensation	1,665,000	573,000	1,092,000
Treasury Shares acquired	–	–	–
Balance at 31 December 2021	69,563,000	10,939,000	58,624,000
Shares issued – Share-based compensation	563,000	119,000	444,000
Treasury Shares acquired	–	–	–
Balance at 30 June 2022	70,126,000	11,058,000	59,068,000
Shares issued – Share-based compensation	–	–	–
Treasury Shares acquired	–	–	–
Balance as at Last Practicable Date	70,126,000	11,058,000	59,068,000

VAALCO is authorised to issue up to 500,000 Preferred Shares. For the Historical Financial Information Period and as at the Last Practicable Date, there were no Preferred Shares issued.

In the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019, VAALCO withheld 573,000, 44,000, and 72,235 Treasury Shares, respectively. In 2019, 62,235 of the Treasury Shares were issued to settle an equity award to an employee. This withholding was in connection with cashless Option exercises and Restricted Shares vesting to satisfy withholding obligations related to Option exercises.

On 20 June 2019, VAALCO announced that the Board had authorised a share repurchase programme, pursuant to which VAALCO could repurchase up to \$10,000,000 of the outstanding Common Shares over a period of 12 months, through open market purchases, privately-negotiated transactions or otherwise in compliance with Rule 10b-18 of the SEC Rules. In conjunction, the Board resolved to establish a Rule 10b5-1 trading plan, allowing VAALCO to repurchase Common Shares at times when it might otherwise be prevented from doing so by securities laws or because of self-imposed trading blackout periods. Under the Rule 10b5-1 trading plan, VAALCO's third-party broker, subject to SEC Rules regarding certain price, market, volume and timing constraints, would have authority to purchase Common Shares in accordance with the terms of the plan. During the period from the implementation of the programme through 13 April 2020, VAALCO purchased 2,740,643 Common Shares at an average price of \$1.70 per Common Share. The Rule 10b5-1 trading plan was cancelled by the Board on 13 April 2020.

VAALCO has also announced its intention to effect, and the VAALCO Board has approved, share buybacks in an aggregate amount of up to \$30,000,000, or approximately \$0.27 per share equivalent, subject to Completion.

The Common Shares are in registered, book-entry form and Computershare Trust Company, N.A is responsible for keeping the Corporation's stock transfer records. As at the Last Practicable Date, VAALCO had an authorised share capital of 100,000,000 Common Shares. 59,826,544 Common Shares are issued and outstanding (including 758,440 unvested Common Shares that are subject to forfeiture) and 11,057,521 are Treasury Shares, giving a total issued share capital of 70,884,065. 7,632,373 shares are reserved for issuance of future awards and the remaining 21,483,562 shares are unissued and unreserved.

#### **4. Information about the Consideration Shares**

##### **4.1 *Description and type of securities being offered***

The Consideration Shares will be issued credited and fully paid with a par value of \$0.10. When admitted to trading, the Consideration Shares will be registered with ISIN US91851C2017. The Consideration Shares will trade under ticker symbol EGY.

Existing Stockholders will suffer an immediate dilution as a result of Admission, following which, assuming that no further Common Shares are issued between the date of this Prospectus and Readmission/Admission and that 49,315,007 Consideration Shares are issued, they will hold, approximately 54.5 per cent of the Enlarged Share Capital of VAALCO (excluding Treasury Shares and unvested VAALCO shares that are subject to forfeiture).

##### **4.2 *Legislation under which the Consideration Shares will be created***

The Consideration Shares will be created under the laws of Delaware.

##### **4.3 *Confirmations***

As at the Latest Practicable Date and save as otherwise disclosed in this Part 26 (*Additional information*):

- (a) no share or loan capital of VAALCO has, since the incorporation of VAALCO, been issued or agreed to be issued, or is now proposed to be issued, fully or partly paid, either for cash or for consideration other than cash, to any person;
- (b) no commission, discounts, brokerages or other special terms have been granted by VAALCO in connection with the issue or sale of any share or loan capital; and
- (c) other than in respect of the Options, no share or loan capital of VAALCO is under option or agreed, conditionally or unconditionally, to be put under option.

##### **4.4 *Listing***

Listing Applications have been made to the FCA for the Existing Common Shares to be readmitted and the Consideration Shares to be admitted to the standard segment of the Official List and to the London Stock Exchange for the Existing Common Shares to be readmitted and the Consideration Shares to be admitted to trading on the London Stock Exchange's Main Market for listed securities.

##### **4.5 *Currency***

The Existing Common Shares are priced in dollars, and the Consideration Shares will be quoted and traded in dollars. The Existing Common Shares are, and the Consideration Shares will be, freely transferable and there are no restrictions on transfer in the UK.

##### **4.6 *Rights attached to the Consideration Shares***

The rights attaching to the Consideration Shares are summarised in paragraph 9.3 of this Part 26 (*Additional Information*).

#### **5. Takeover provisions**

##### **5.1 *U.S. takeover provisions***

Tender offers in the U.S. are subject to federal rules and regulations under the Exchange Act that require a bidder to comply with detailed disclosure and procedural requirements (including withdrawal rights for the target company stockholders through the offer period and certain timing and offer extension requirements). A bidder must also comply with general anti-fraud and anti-manipulation rules that apply to all tender offers in the U.S. These rules prohibit the use of materially misleading statements or omissions in the conduct of any offer, prohibit market purchases of the target company's securities outside the offer, and mandate a minimum offer period of at least 20 business days in the U.S.



Acquisitions completed by merger are governed by the law of the state of incorporation of the target company, which in VAALCO's case is the DGCL. The solicitation of votes to approve a merger by the target company stockholders must comply with the rules and regulations on proxy statements under the Exchange Act and the law of the state of incorporation of the target company. If a bidder offers securities as consideration to the target company stockholders, the registration requirements of the Securities Act will also apply, unless an exemption is available.

## 5.2 *Canadian takeover provisions*

Upon Completion, VAALCO will be subject to the Canadian take-over bid regime pursuant to applicable Canadian securities laws. In general, a take-over bid is an offer to acquire voting or equity securities of a class made to persons in a Canadian jurisdiction (being a person located in any Canadian province or territory or whose last address as shown on the books of VAALCO is in any Canadian province) where the securities subject to the bid, together with securities beneficially owned, or over which control or direction is exercised, by a bidder, its affiliates and joint actors, constitute 20 per cent or more of the outstanding securities of that class of securities. Subject to the availability of an exemption, take-over bids in Canada are subject to prescribed rules that govern the conduct of a bid by requiring a bidder to comply with detailed disclosure obligations and procedural requirements. Among other things, a take-over bid must be made to all holders of the class of voting or equity securities being purchased; a bid is required to remain open for a minimum of 105 days subject to certain limited exceptions; a bid is subject to a mandatory, non-waivable minimum tender requirement of more than 50 per cent of the outstanding securities of the class that are subject to the bid, excluding securities beneficially owned, or over which control or direction is exercised, by a bidder, its affiliates and joint actors; and following the satisfaction of the minimum tender requirement and the satisfaction or waiver of all other terms and conditions, a bid is required to be extended for at least an additional 10-day period.

There are a limited number of exemptions from the formal take-over bid requirements. In general, certain of these exemptions include the following: (A) the normal course purchase exemption permits the holder of more than 20 per cent of a class of equity or voting securities to purchase up to an additional five per cent of the outstanding securities in a 12-month period (when aggregated with all other purchases in that period), provided there must be a published market and the purchaser must pay not more than the "market price" of the securities (as defined) plus reasonable brokerage fees or commissions actually paid; (B) the private agreement exemption exempts private agreement purchases that result in the purchaser exceeding the 20 per cent take-over bid threshold, provided the agreement must be made with not more than five sellers and the sellers may not receive more than 115 per cent of the "market price" of the securities (as defined); and (C) the foreign take-over bid exemption exempts a bid from the formal take-over bid requirements if, among other things, less than 10 per cent of the outstanding securities of the class are held by Canadian residents and the published market on which the greatest volume of trading in securities of the class occurred in the 12 months prior to the bid was not in Canada.

Take-over bid regulation exists in Canada to ensure the fair treatment of target company shareholders and to provide a framework within which take-over bids can proceed in an open and even-handed environment, in accordance with a set of rules understood by all Canadian capital market participants. Given the regulatory requirements of the takeover-bid regime, including the requirement for target shareholders to be given adequate disclosure, the requirement that sufficient time be given to target shareholders to allow them to assess a bid and make an informed tendering decision, the requirement that shareholders be treated equally, and the mandatory minimum tender requirement, it is possible that the Canadian take-over bid regime could have the effect of limiting the likelihood of an unsolicited take-over bid being made for VAALCO.

## 6. **Minority Stockholders**

- 6.1 VAALCO is incorporated and registered in the State of Delaware, U.S. and is subject to the DGCL. Section 253 of the DGCL permits a parent company that owns at least 90 per cent of the outstanding shares of each class of the voting shares of a Delaware corporation to merge the subsidiary

corporation with the parent company without the approval of such subsidiary's stockholders. Section 262 of DGCL generally permits stockholders who do not vote to approve a merger, if stockholder approval is required for the merger, and hold their shares until the effective time of the merger to request an appraisal of the fair value of their shares from the Delaware Chancery Court. A stockholder is accordingly entitled to dissent from, and request payment of the fair value of such stockholder's share in the event of, among other things, a merger or consolidation.

- 6.2 Notwithstanding the foregoing, other than a merger under Section 253 of the DGCL, the DGCL does not confer appraisal rights on a stockholder receiving shares that are either (i) listed on a national securities exchange; or (ii) held of record by more than 2,000 stockholders, provided that the consideration received by such stockholder in the merger or consolidation for which such stockholder is seeking appraisal consists solely of shares in the acquiring corporation (other than cash paid in lieu of fractional stock).

## **7. Substantial holdings**

- 7.1 Sections 13(d) and 13(g) of the Exchange Act require any person or group of persons who directly or indirectly acquires or has beneficial ownership of more than 5 per cent of a class of an issuer's securities to report such beneficial ownership on Schedule 13D or Schedule 13G, as appropriate.
- 7.2 These reports are filed with the SEC electronically on EDGAR. Both Schedule 13D and Schedule 13G require, among other things, background information about the reporting persons, including the name, address and citizenship or place of organisation of each reporting person, the amount of the securities beneficially owned and aggregate beneficial ownership percentage, and whether voting and investment power is held solely by the reporting persons or shared with others.

## **8. Disclosure requirements**

### **8.1 NYSE disclosure requirements**

In addition to the numerous ongoing reporting requirements for reporting issuers pursuant to applicable corporate and securities laws in the U.S., the NYSE imposes certain disclosure and notification requirements on listed companies. Under the NYSE's immediate release policy, a listed company is required to quickly disclose to the public any information that might reasonably be expected to materially affect the market for its securities, with limited exceptions for confidentiality.

### **8.2 Canadian reporting issuer disclosure requirements**

Upon Completion, VAALCO will become a reporting issuer in each of the provinces of Canada and will be subject to Canadian continuous disclosure and other reporting obligations under applicable Canadian securities laws. Most Canadian continuous disclosure requirements are codified in National Instrument 51-102 – Continuous Disclosure Obligations (“**NI 51-102**”) of the Canadian Securities Administrators. The application of these requirements to VAALCO is modified by various rules providing exemptions for non-Canadian issuers in certain circumstances, including National Instrument 71-101 – The Multijurisdictional Disclosure System (“**NI 71-101**”) and National Instrument 71-102 – Continuous Disclosure and Other Exemptions Relating to Foreign Issuers (“**NI 71-102**”). NI 51-102 generally requires that issuers file audited annual financial statements and unaudited interim financial statements meeting certain requirements, management's discussion and analysis relating to its annual and interim financial statements, an annual information form, material change reports and other disclosure items at prescribed times and/or upon the occurrence of certain specified events. VAALCO will be able to satisfy most of its Canadian reporting obligations under Canadian securities laws by filing certain of its U.S. disclosure documents in accordance with the exemptions codified in NI 71-101 and NI 71-102 on the System for Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com). Nonetheless, VAALCO will be required to prepare and disclose its reserves information in accordance with the COGEH and NI 51-101, and such disclosure standards differ from the SEC's applicable disclosure requirements. These additional reporting obligations will cause VAALCO to incur increased compliance costs and place increased demands on VAALCO management, administrative, operational and accounting resources and on VAALCO's audit

committee. As a general matter, VAALCO will not be able to cease to be a Canadian reporting issuer unless and until residents of Canada do not: (i) directly or indirectly beneficially own more than two per cent of each class or series of outstanding securities (including debt securities) of VAALCO worldwide; and (ii) directly or indirectly comprise more than two per cent of the total number of security holders of VAALCO worldwide.

## **9. Certificate of Incorporation and Bylaws**

The following is a non-exhaustive summary of the provisions of the Certificate of Incorporation and Bylaws that will be adopted prior to Re-admission and Admission. Please see paragraph 30 of this Part 26 (*Additional information*) for details on how to obtain a full copy of the Certificate of Incorporation and Bylaws.

### **9.1 Purpose**

Pursuant to the Certificate of Incorporation, the purpose of VAALCO is to engage in any lawful act or activity for which corporations may be organised under the DGCL.

### **9.2 Authorised Share Capital**

VAALCO is authorised to issue up to 160,500,000 Shares consisting of (a) 160,000,000 Common Shares (of which up to 49,315,007 Consideration Shares will be issued on Admission); and (b) 500,000 Preferred Shares.

### **9.3 Rights attaching to Common Shares**

#### **(a) Voting rights**

Unless otherwise provided by the Certificate of Incorporation, each outstanding Common Share entitles the Stockholder to one vote on each matter properly submitted to Stockholders for their vote. Cumulative voting is not permitted for the election of individuals to the Board or for any other matters brought before any meeting of Stockholders, regardless of the nature of this Prospectus.

Each Stockholder may vote in person or by proxy, but no proxy shall be voted after three years from its date, unless such proxy provides for a longer period. A Stockholder may revoke any proxy that is not irrevocable. A proxy is irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power.

#### **(b) Dividends, redemption and preferences**

The Board may from time to time declare, and VAALCO may pay, dividends on its outstanding Common Shares in the manner and on the terms and conditions provided by law.

All Common Shares have the same rights and preferences.

All Common Shares when issued shall be fully paid and non-assessable.

Stockholders shall not be entitled to any pre-emptive or preferential rights to acquire additional Common Shares.

Generally, under Delaware law, the State of Delaware has the right to take custody of property, such as a cash dividend, that is not claimed for five years. The State of Delaware then holds the property in perpetuity until the rightful owner claims the property. Under applicable U.S. law, unclaimed property escheats to the state of the last known address of the property owner that is indicated on the books and records of the person holding the property for the owner. Accordingly, an unclaimed dividend of a Delaware corporation would be transferred to the custody of the state where the owner's last known address is located, based on the corporation's books and records. If the last known address of the owner is located in a foreign country, the unclaimed dividend would escheat to the State of Delaware.

#### 9.4 ***Transfer of Common Shares***

Neither the Certificate of Incorporation nor the Bylaws contain any restrictions on the free transferability of the Common Shares. The Common Shares are transferable upon VAALCO's books by holders of the Common Shares in person or by their duly authorised attorney or legal representatives and upon such transfer, the old certificates (in the case of certificated shares) shall be surrendered to VAALCO.

#### 9.5 ***Rights attaching to Preferred Shares***

Preferred Shares may be issued from time to time in one or more series, and Shares of each series will have such designations, powers, preferences, rights, qualifications, limitations and restrictions as may be fixed by the Board in the resolution(s) authorising the issuance of that particular series.

In designating any series of Preferred Shares, the Board has the authority, without further action by the holders of Common Shares, to fix the voting rights, dividend rate, conversion rights, rights and terms of redemption (including any sinking fund provisions), and the liquidation preferences of that series of the Preferred Shares.

The Board will make any determination to issue such Shares based on its judgement as to VAALCO's best interests and the best interests of Stockholders.

If Preferred Shares are issued, the Preferred Shares will fully be paid and non-assessable and will not have, or be subject to, any pre-emptive or similar rights.

#### 9.6 ***Amendment of the Certificate of Incorporation and Bylaws***

VAALCO has reserved the right to amend, alter, change or repeal any provision in the Certificate of Incorporation in any manner prescribed by the laws of the State of Delaware. The affirmative vote of the holders of at least 66<sup>23</sup> per cent of the voting power of all the outstanding Shares is required to alter, amend, adopt any provision inconsistent with, or repeal the provisions of the Certificate of Incorporation relating to the election, removal and classification of directors and amendment of the Bylaws. The Certificate of Incorporation and Bylaws further provide that the Board has the power to make, alter, amend and repeal the Bylaws, except so far as Bylaws adopted by VAALCO's Stockholders otherwise provide. Notwithstanding the foregoing, the Bylaws may not be altered, amended or repealed, and no provision inconsistent therewith may be adopted, by action of the Stockholders without the affirmative vote of at least 66<sup>23</sup> per cent of the voting power of all the outstanding Shares.

#### 9.7 ***Stockholder meetings***

##### (a) ***Annual meetings and special meetings of Stockholders***

Annual meetings of Stockholders may be held at such place, either within or outside of the State of Delaware, and at such time and date as the Board may by resolution determine and as set forth in the notice of meeting. The Board may, in its sole discretion, determine that a meeting of Stockholders will be held solely by means of remote communication as authorised by Section 211(a)(2) of the DGCL, as amended from time to time. At each annual meeting, the Stockholders entitled to vote shall elect a Board and may transact such other corporate business as stated in the notice of meeting.

A special meeting of Stockholders may be called by the chairman of the Board or president and shall be called by the chairman, president or secretary at the request of a majority of the Directors or by the secretary upon the written request of holders of record owning a majority of the outstanding Common Shares.

##### (b) ***Notice of meeting***

Written notice of Stockholder meetings shall be delivered by VAALCO not less than 10 days nor more than 60 days before the date of the meeting to each Stockholder of record entitled to vote at such meeting. Only such business shall be conducted at a special meeting of Stockholder as shall have been

brought before the meeting pursuant to VAALCO's notice of meeting and as shall have been accompanied by a timely notice setting forth the information required by the Bylaws.

(c) *Quorum*

The holders of a majority of the issued Shares and outstanding and entitled to vote there at, 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 statute or by the Certificate of Incorporation.

(d) *Action without a meeting*

Unless otherwise provided in the Certificate of Incorporation, any action required to be taken at any annual or special meeting of Stockholders, 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 Stockholders 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 Stockholders to take the action were properly delivered to VAALCO.

9.8 ***Directors***

The business and affairs of VAALCO shall be managed by or under the direction of the Board. In addition to the powers and authorities conferred on the Board by the Bylaws, the Board may exercise all such powers of VAALCO and do all such lawful acts and things as are not by the DGCL, the Certificate of Incorporation or the Bylaws required to be exercised or done by the Stockholders.

(a) *Number and qualifications*

Except as otherwise fixed pursuant to the provisions of article four of the Certificate of Incorporation relating to the rights of Stockholders of any class or series of Shares having a preference over the Common Shares as to dividends or upon liquidation to elect additional Directors under specified circumstances, the number of Directors 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 15. Directors are elected at each annual meeting for a one-year term expiring at the next annual meeting.

Nominations of persons for election to the Board and the proposal of other business to be considered by the Stockholders may be made at an annual meeting of Stockholders:

- (i) as specified by VAALCO's notice of meeting by or at the direction of the Board; or
- (ii) by or at the direction of the Board; or
- (iii) by any Stockholder who:
  - (A) was a Stockholder of record at the time of giving of notice provided for in the Bylaws and at the time of the annual meeting;
  - (B) is entitled to vote at the meeting; and
  - (C) complies with the notice procedures set forth in the Bylaws as to such business or nomination,

with (iii) being the exclusive means for a Stockholder to make nominations or submit other business (other than matters properly brought under Rule 14a-8 under the Exchange Act and included in VAALCO's notice of meeting) before an annual meeting of Stockholders.



Without qualification, for any nominations or any other business to be properly brought before an annual meeting by a Stockholder, the Stockholder must have given timely notice of that nomination or business in writing to the secretary and such other business must otherwise be a proper matter for Stockholder action. 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 of an adjournment or proposal 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 must:

- (i) 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):
  - (A) the name and address of such Stockholder, as they appear on VAALCO's books;
  - (B) and of such beneficial owner, if any:
    - (1) the class or series and number of Shares 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);
    - (2) any Option, Warrant, convertible security, SAR 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 or with a value derived in whole or in part from the value of any class or series of stock, whether or not such instrument or right shall be subject to settlement in the underlying class or series of Shares of VAALCO or otherwise ("**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 stock;
    - (3) any proxy, contract, arrangement, understanding or relationship pursuant to which such Stockholder and such beneficial owner, if any, has a right to vote any Shares or any security of VAALCO;
    - (4) any short interest of such Stockholder or beneficial owner, if any, in any security of VAALCO (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);

- (5) any rights to dividends on the Common Shares owned beneficially by such Stockholder or beneficial owner, if any, that are separated or separable from the underlying Shares;
  - (6) any proportionate interest in Shares 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
  - (7) any performance-related fees (other than an asset-based fee) that such Stockholder or beneficial owner, if any, is entitled to, based on any increase or decrease in the value of Shares 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,
- (C) 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
- (D) a representation:
  - (1) that the Stockholder is a holder of record of the Common Shares 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
  - (2) whether the Stockholder or the beneficial owner, if any, intends or is part of a group which intends:
    - (I) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of VAALCO's outstanding Shares required to approve or adopt the proposal or elect the nominee; and/or
    - (II) otherwise to solicit proxies from Stockholders in support of such proposal or nomination;
- (ii) if the Stockholder notice relates to any business other than a nomination of a Director or Directors that the Stockholder proposes to bring before the meeting, the notice must set forth:
  - (A) 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;
  - (B) the text of the proposal or business (including the text of any resolutions proposed for consideration); and
  - (C) 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

- (iii) set forth or provide, as to each person, if any, whom the Stockholder proposes to nominate for election or re-election to the Board:
  - (A) the name, age, business address and residence address of such person;
  - (B) the principal occupation or employment of such person (present and for the past five years);
  - (C) the class or series and number of Shares which are owned beneficially and of record by such person;
  - (D) a completed and signed questionnaire, and written representation and agreement, each as required by article II, section 12(A)(4) of the Bylaws;
  - (E) 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
  - (F) 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 its or their 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 of it or them or person acting in concert with it or them, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant.

(b) *Tenure*

Directors shall be elected by a plurality of the votes cast at a meeting of Stockholders at which a quorum is present. Directors shall hold office until the next meeting of Stockholders for the purposes of electing the Board or until their successors have been duly elected and qualified or until a Director's prior death, resignation or removal.

Generally, any Director may be removed from office with or without cause, by the holders of a majority of voting power of the shares then entitled to vote at an election of directors. Except as may otherwise be provided by law, cause for removal shall be construed to exist only if:

- (i) 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;
- (ii) such Director has been adjudicated by a court of competent jurisdiction to be liable for gross negligence, recklessness or misconduct in the performance of their duty to VAALCO in a manner of substantial importance to VAALCO and such adjudication is no longer subject to direct appeal; or
- (iii) such Director has been adjudicated by a court of competent jurisdiction to be mentally incompetent, which mental incompetency directly affects their ability as a director of VAALCO, and such adjudication is no longer subject to direct appeal,

with any action for removal having to be brought within three months of the date on which such conviction or adjudication is no longer subject to direct appeal.

Any Director may resign at any time upon written notice to VAALCO. Between successive annual meetings, the Directors shall have the power to fill any vacancies occurring for any reason. A Director so appointed shall hold office until the next following annual meeting of VAALCO or until their successor is duly elected and qualified.

(c) *Quorum*

A whole number of Directors equal to at least a majority of Directors then in office shall constitute a quorum for the transaction of business. The act of the majority of directors present at a meeting at which a quorum is present shall be the act of the Board.

(d) *Committees*

The Board may, by resolution adopted by a majority of Directors then in office, designate one or more committees to exercise, subject to applicable law, the powers of the Board in the management of the business and affairs of VAALCO. However, no such committee has the power or authority in reference to:

- (i) amending the Certificate of Incorporation;
- (ii) adopting an agreement of merger or consolidation;
- (iii) recommending to the Stockholders the sale, lease or exchange of all or substantially all property and assets of the corporation;
- (iv) recommending to the Stockholders a dissolution of the corporation or a revocation of a dissolution;
- (v) amending the bylaws of the corporation; or
- (vi) the declaration of a dividend or the authorisation of the issuance of shares or adoption of a certificate of ownership and merger, unless the resolution or the Certificate of Incorporation or Bylaws provide as such.

(e) *Compensation*

The Board has 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 and may be paid a fixed sum for attendance at each meeting of the Board 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.

(f) *Exculpation*

Under the Certificate of Incorporation, no Director shall personally be liable to VAALCO or the stockholders for monetary damages for any breach of such director's fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to VAALCO or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under provisions of the DGCL imposing liability for unlawful payment of dividends, or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL or other applicable law is subsequently amended to authorise corporate action further eliminating or limiting the personal liability of directors, then the liability of a Director shall be eliminated or limited to the fullest extent permitted by the DGCL or such other applicable law, as so amended. Any repeal or modification by the stockholders of these exculpatory provisions of the Certificate of Incorporation shall not adversely affect any right or protection of a Director existing at the time of such repeal or modification.

#### 9.9 *Forum for adjudication of disputes*

Pursuant to the Bylaws, to the fullest extent permitted by law and, unless VAALCO consents in writing to the selection of an alternative forum, the federal district courts of the U.S. 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, whilst 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:

- (a) any derivative action or proceeding brought in the name or right of VAALCO or on its behalf; or
- (b) any action asserting a claim for breach of a fiduciary duty owed by any director, officer, employee, Stockholder or other agent of VAALCO to VAALCO or its Stockholders; or
- (c) any action arising or asserting a claim arising pursuant to any provision of the DGCL, the Certificate of Incorporation or the Bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware; or
- (d) 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 the Bylaws.

Notwithstanding the foregoing, this provision of the Bylaws 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. Any person or entity purchasing or otherwise acquiring any interest in Common Shares shall be deemed to have notice of and consented to these provisions of the Bylaws.

#### 9.10 *Major transactions*

In addition to any affirmative vote required by law or the Certificate of Incorporation, unless approved by a majority of the Continuing Directors (as defined below), the affirmative vote of the holders of at least 80 per cent of the voting power of all the outstanding Common Shares, voting together as a single class, shall be required for the approval or authorisation of:

- (a) any merger or consolidation of VAALCO with or into another company;
- (b) any share exchange with VAALCO;
- (c) the adoption of any plan or proposal for the liquidation, dissolution or reorganisation of VAALCO; and
- (d) 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.

“**Continuing Directors**” means:

- (a) any member of the Board as of 31 December 1992;
- (b) any new director who is proposed to be a Director by a majority of the Continuing Directors then on the Board; and
- (c) any successor of a Continuing Director who is recommended to succeed a Continuing Director by majority of the Continuing Directors then on the Board.

Notwithstanding any other provision of the Certificate of Incorporation or the Bylaws (and notwithstanding the fact that a lesser percentage may be specified by law, the Certificate of



Incorporation or the Bylaws), the affirmative vote of the holders of 80 per cent or more of the voting power of all the outstanding Common Shares, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with these provisions.

# **10. Information on the Directors, Proposed Directors and Executive Officers**

10.1 The Directors, Proposed Directors and Executive Officers, their functions within the Group and brief biographies are set out in Part 25 (*Directors, Proposed Directors, employees and corporate governance*) of this Prospectus.

10.2 Details of the names of companies and partnerships (excluding directorships in the Group) of which the Directors, Proposed Directors and Executive Officers are or have been members of the administrative, management or supervisory bodies or partners at any time in the five years preceding the date of this Prospectus are set out below:

<i>Name</i>	<i>Current Partnerships/Directorships</i>	<i>Past Partnerships/Directorships</i>
<b>Directors</b>		
Andrew L. Fawthrop	Municipal Utility District #10 Travis Country Geordie LLC	–
George Maxwell	Rising Stag Investments Limited Pet Comforts Limited Hirola Energy Limited	Eland Oil & Gas plc
Cathy Stubbs	Amazing Place Memorial Villages Water Authority	Aspire Holdings LLC Endeavour Energy UK Limited Endeavour North Sea Limited
Fabrice Nze-Bekale	Orabank Gabon SA Airtel Money SA ACT Afrique SA Salam Financial Exchanges AL Khaldiya Mining Exploration Akebe Ventures ACT Afrique Togo ACT Afrique Communication Arcade Holdings SAS Akebe Ventures West Africa ACTCON ENERGY	COMILOG SA Comptoir Gabonais de Collecte de l'Or SA Resources Golden Gram SA Fonds Gabonais d'Investissements Strategiques Gabon Manganese & Ferro-Alloys SA
<b>Proposed Directors</b>		
David Cook	TransGlobe Energy Corporation	Noreco INEOS Oil & Gas INEOS DeNoS DONG Oil & Gas
Edward LaFehr	TransGlobe Energy Corporation Baytex Energy Corporation	–
Timothy Marchant	TransGlobe Energy Corporation Vermilion Energy Inc. Valeura Energy Inc. Cub Energy Inc.	–

<i>Name</i>	<i>Current Partnerships/Directorships</i>	<i>Past Partnerships/ Directorships</i>
<b>Executive Officers</b>		
Ronald Bain	—	Eland Oil & Gas Plc Westport Oil Limited
Jason J. Doornik	—	—
Michael Silver	—	—
David DesAutels	DesAutels Holdings LLC Seregon Energy LLC	Synertia Energy

10.3 None of the Directors, Proposed Directors or Executive Officers:

- (a) have any convictions in relation to fraudulent offences for at least the previous five years;
- (b) have been associated with any bankruptcy, receivership or liquidation while acting in the capacity of a member of the administrative, management or supervisory body or of a senior manager of any company for at least the previous five years;
- (c) have been subject to any official public incriminations and/or sanctions by any statutory or regulatory authority (including designated professional bodies) for at least the previous five years; or
- (d) have ever been disqualified by a court from acting as a director of a company, or from acting as a member of the administrative, management or supervisor bodies of a company, or from acting the management or conduct of the affairs of any company for at least the previous five years.

10.4 There are no family relationships between any of the Directors, Proposed Directors or Executive Officers.

10.5 There are no potential or actual conflicts of interest between any duties owed by the Directors, Proposed Directors or the Executive Officers to VAALCO and their private interests and/or other duties, save for their interest as holders of securities of VAALCO.

**11. Directors', Proposed Directors' and Executive Officers' interests**

11.1 As at the Last Practicable Date, the Common Shares held by the Directors, Proposed Directors and Executive Officers (all of which are held beneficially unless otherwise stated) are as follows:

<i>Name</i>	<i>Number of Common Shares</i>	<i>Percentage of issued and outstanding share capital</i>
<b>Directors</b>		
George Maxwell <sup>(1)</sup>	108,840	—
Andrew L. Fawthrop <sup>(2)</sup>	465,643	—
Cathy Stubbs <sup>(3)</sup>	101,414	—
Fabrice Nze-Bekale <sup>(4)</sup>	10,229	—
<b>Proposed Directors</b>		
David Cook <sup>(5)</sup>	—	—
Edward LaFehr <sup>(6)</sup>	—	—
Timothy Marchant <sup>(7)</sup>	—	—
<b>Executive Officers</b>		
Ronald Bain <sup>(8)</sup>	20,558	—
Jason J. Doornik <sup>(9)</sup>	62,875	—
Michael Silver <sup>(10)</sup>	229,714	—
David DesAutels <sup>(11)</sup>	269,765	—

**Note:**

- (1) Includes 108,840 Common Shares directly held by Mr. Maxwell and 0 Common Shares that may be acquired subject to Options exercisable within 60 days.
- (2) Includes 342,788 Common Shares directly held by Mr. Fawthrop and 122,855 Common Shares that may be acquired subject to Options exercisable within 60 days at a weighted-average exercise price of \$1.51.
- (3) Includes 101,414 Common Shares directly held by Ms. Stubbs and no Common Shares that may be acquired subject to Options exercisable within 60 days.
- (4) Includes 10,229 Common Shares directly held by Mr. Nze-Bekale and no Common Shares that may be acquired subject to Options exercisable within 60 days.
- (5) Mr. Cook will receive approximately 69,871 Consideration Shares on Completion of the Arrangement.
- (6) Mr. LaFehr will receive approximately 20,812 Consideration Shares on Completion of the Arrangement.
- (7) Mr. Marchant will receive approximately 27,596 Consideration Shares on Completion of the Arrangement.
- (8) Includes 20,558 Common Shares directly held by Mr Bain and no Common Shares that may be acquired subject to Options exercisable within 60 days.
- (9) Includes 62,875 Common Shares directly held by Mr. Doornik and no Common Shares that may be acquired subject to Options exercisable within 60 days.
- (10) Includes 111,511 Common Shares directly held by Mr. Silver and 118,203 Common Shares that may be acquired subject to Options exercisable within 60 days at a weighted-average exercise price of \$1.91.
- (11) Includes 201,488 Common Shares directly held by Mr. DesAutels and 68,277 Common Shares that may be acquired subject to Options exercisable within 60 days at a weighted-average exercise price of \$1.78.

## 11.2 Details of outstanding Incentive Awards granted to the Directors, Proposed Directors and Executive Officers as at the Last Practicable Date are set out below.

- (a) As at the Last Practicable Date, the number of Options held by the Directors, Proposed Directors and Executive Officers was as follows:

<i>Name</i>	<i>Total Number Options</i>	<i>Number of Vested Options</i>	<i>Number of Unvested Options</i>	<i>Option Exercise Price (\$)</i>	<i>Option Expiration Date</i>	<i>Aggregate Exercise Price of Options (\$)</i>
<b>Directors</b>						
Andrew L. Fawthrop	58,548	58,548	—	1.60	9 May 2023	93,677
	64,307	64,307	—	1.43	6 June 2024	91,959
Cathy Stubbs	—	—	—	—	—	—
Fabrice Nze-Bekale	—	—	—	—	—	—
George Maxwell	84,831	—	84,831	6.41	11 March 2032	543,767
<b>Proposed Directors</b>						
David Cook	—	—	—	—	—	—
Edward LaFehr	—	—	—	—	—	—
Timothy Marchant	—	—	—	—	—	—
<b>Executive Directors</b>						
Ronald Bain	46,432	—	46,432	6.41	11 March 2032	297,629
Jason J. Doornik	—	—	—	—	—	—
Michael Silver	44,163	44,163	—	2.29	1 April 2024	101,133
	84,677	56,451	28,126	1.23	25 June 2030	104,153
	52,764	17,588	35,176	3.14	3 March 2031	165,679
	46,221	—	46,221	6.41	11 March 2032	296,277
David DesAutels	10,455	10,455	—	2.33	28 February 2024	24,360
	66,129	44,086	22,043	1.23	25 June 2030	81,339
	41,206	13,736	27,470	3.14	3 March 2031	129,387
	30,849	—	30,849	6.41	11 March 2032	197,742

- (b) As at the Last Practicable Date, the following unvested Restricted Shares held by the Directors, Proposed Directors and Executive Officers was as follows:

<i>Name</i>	<i>Total Number of Unvested Restricted Shares</i>	<i>Restricted Shares Grant Price (\$)</i>	<i>Restricted Shares Awarded Date</i>
<b>Directors</b>			
Andrew L. Fawthrop	10,229	8.31	2 June 2022
Cathy Stubbs	10,299	8.31	2 June 2022
Fabrice Nze-Bekale	10,229	8.31	2 June 2022
George Maxwell	43,799	6.41	11 March 2022
<b>Proposed Directors</b>			
David Cook	—	—	—
Edward LaFehr	—	—	—
Timothy Marchant	—	—	—
<b>Executive Officers</b>			
Ronald Bain	20,558	6.41	11 March 2022
Jason J. Doornik	13,134	1.23	25 June 2020
	16,730	3.14	3 March 2021
	13,198	6.41	11 March 2022
Michael Silver	17,500	1.23	25 June 2020
	22,292	3.14	3 March 2021
	20,464	6.41	11 March 2022
David DesAutels	13,667	1.23	25 June 2020
	17,410	3.14	3 March 2021
	13,658	6.41	11 March 2022

- (c) As at the Last Practicable Date, the SARs held by the Directors, Proposed Directors and Executive Officers was as follows:

<i>Name</i>	<i>Total of Number SARs</i>	<i>Number of Vested SARs</i>	<i>Number of Unvested SARs</i>	<i>SAR Exercise Price (\$)</i>	<i>SAR Expiration Date</i>	<i>Aggregate Exercise Price of SARs (\$)</i>
<b>Directors</b>						
Andrew L. Fawthrop	—	—	—	—	—	—
Cathy Stubbs	—	—	—	—	—	—
Fabrice Nze-Bekale	—	—	—	—	—	—
George Maxwell	—	—	—	—	—	—
<b>Proposed Directors</b>						
David Cook	—	—	—	—	—	—
Edward LaFehr	—	—	—	—	—	—
Timothy Marchant	—	—	—	—	—	—
<b>Executive Officers</b>						
Ronald Bain	—	—	—	—	—	—
Jason J. Doornik	—	—	—	—	—	—
Michael Silver	—	—	—	—	—	—
David DesAutels	20,910	20,910	—	2.33	28 February 2024	48,720

- 11.3 As at the Last Practicable Date, the outstanding awards under the TransGlobe Share Unit Plans granted to the Proposed Directors are as follows:

<i>Name</i>	<i>Total Number of unvested TDSUs</i>	<i>TDSUs Grant Price (\$)</i>	<i>TDSUs Awarded Date</i>
David Cook	414,086	0.00	14 August 2014 – 18 August 2022
Edward LaFehr	150,609	0.00	21 May 2019 – 18 August 2022
Timothy Marchant	118,944	0.00	22 May 2020 – 18 August 2022

There are no outstanding awards under the TRSUs or TPSUs granted to the Proposed Directors as at the Last Practicable Date.

## 12. Major Stockholders

- 12.1 Save as set out below, as at the Last Practicable Date, VAALCO is not aware of any person who, directly or indirectly, is interested in five per cent or more of VAALCO's capital or voting rights:

<i>Name</i>	<i>Number of Common Shares</i>	<i>Percentage of issued and outstanding share capital</i>
State Street Corporation	4,121,516	6.9 per cent
BlackRock, Inc.	3,701,213	6.2 per cent
Wilén Investment Management Corp.	3,042,526	5.1 per cent

- 12.2 None of the Stockholders named in paragraph 12 of this Part 26 (*Additional information*) has different voting rights from other Stockholders.
- 12.3 VAALCO is not aware of any person who, directly or indirectly, owns or controls VAALCO. VAALCO is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of VAALCO.

## 13. Directors, Proposed Directors' and Executive Officers' service agreements

### 13.1 Overview

VAALCO has not entered into a service agreement with any of Andrew L. Fawthrop, Cathy Stubbs or Fabrice Nze-Bekale. VAALCO is not proposing to enter into a service agreement with any of David Cook, Edward LaFehr and Timothy Marchant who will join the VAALCO board with effect from Completion.

The Directors are appointed at each annual meeting of the Stockholders and may also be appointed at a special meeting of Stockholders. Once appointed, Directors hold office until the close of the next annual meeting of the Stockholders following their appointment, or until a successor is duly elected or appointed or their office is earlier vacated in accordance with the Certificate of Incorporation and Bylaws. Further details on the appointment and terms of office of the Directors is described at paragraphs 13.2 – 13.4 of this Part 26 (*Additional information*).

Directors who are not officers or employees of VAALCO or any of its subsidiaries are compensated for their services as Directors through annual retainer fees and Incentive Awards, issuable from time to time under the 2020 LTIP and 2016 SAR Plan, based on recommendations of the Compensation Committee.

The Directors, Proposed Directors and Executive Officers and their functions are set out in Part 25 (*Directors, Proposed Directors, employees and corporate governance*) of this Prospectus.



### 13.2 *George Maxwell, Chief Executive Officer*

VAALCO entered into an amended executive employment agreement with George Maxwell, effective 19 April 2021, in connection with his appointment as CEO ("**CEO Employment Agreement**"), pursuant to which Mr. Maxwell was entitled to receive an annual base salary of \$450,000 (which has since been increased to \$481,500).

The CEO Employment Agreement also provides that Mr. Maxwell will be eligible to receive an annual cash bonus with a target percentage equal to one hundred per cent (100 per cent) of his base salary and stock options and other long-term Incentive Awards up to one hundred per cent (100 per cent) of his base salary.

Pursuant to the CEO Employment Agreement, VAALCO will pay Mr. Maxwell \$22,000 per year for health benefits and \$17,000 per year for pension benefits, as well as provide other customary employment benefits including paid vacation and sick leave.

The CEO Employment Agreement also provides Mr. Maxwell with entitlement to severance benefits if his employment is terminated in the form of an additional payment. This provides for an additional compensation payment of an amount equal to 50 per cent (in the event of a Regular Severance Payment Event), or 150 per cent (in the event of a CIC Severance Payment Event), multiplied by the aggregate sum of the following compensation items, such as:

- (a) Mr Maxwell's base salary as in effect of the termination date; plus
- (b) An amount equal to the greater of (i) the average of Executive's annual bonus (or other cash incentive bonus) paid or payable to Mr Maxwell by VAALCO for the two calendar years immediately preceding the calendar year in which the termination date occurs or (ii) Mr Maxwell's target annual bonus for the full calendar year in which the termination date occurs; provided, however, in the event that the termination date occurs before the end of the calendar year, Executive shall be entitled to a pro-rata portion of the greater of (i) or (ii) above (based on the number of days in which he was employed during that year divided by 365).

### 13.3 *Ronald Bain, Chief Financial Officer*

VAALCO entered into an amended executive employment agreement with Ronald Bain, effective 21 June 2021, in connection with his appointment as CFO ("**CFO Employment Agreement**"), pursuant to which Mr. Bain was entitled to receive an annual base salary of \$330,000 (which has since been increased to \$351,400).

The CFO Employment Agreement also provides that Mr. Bain will be eligible to receive an annual cash bonus with a target percentage equal to 75 per cent of his base salary.

Pursuant to the CFO Employment Agreement, VAALCO will pay Mr. Bain \$22,000 per year for health benefits and \$17,000 per year for pension benefits, as well as provide other customary employment benefits including paid vacation and sick leave.

The CFO Employment Agreement also provides Mr. Bain with entitlement to severance benefits if his employment is terminated in the form of an additional payment. This provides for an additional compensation payment of an amount equal to 50 per cent (in the event of a Regular Severance Payment Event), or 100 per cent (in the event of a CIC Severance Payment Event), multiplied by the aggregate sum of the following compensation items, such as:

- (a) Mr Bain's base salary as in effect of the termination date; plus
- (b) An amount equal to the greater of (i) the average of Executive's annual bonus (or other cash incentive bonus) paid or payable to Mr Bain by VAALCO for the two calendar years immediately preceding the calendar year in which the termination date occurs or (ii) Mr Bain's

target annual bonus for the full calendar year in which the termination date occurs; provided, however, in the event that the termination date occurs before the end of the calendar year, Executive shall be entitled to a pro-rata portion of the greater of (i) or (ii) above (based on the number of days in which he was employed during that year divided by 365).

13.4 *Michael Silver, Executive Vice President, General Counsel, Corporate Secretary and Chief Compliance Officer*

VAALCO entered into an amended executive employment agreement with Michael Silver, effective 25 May 2021, in connection with his appointment as Executive Vice President, General Counsel, Chief Compliance Officer, and corporate secretary of VAALCO (the “**MS Employment Agreement**”), pursuant to which Mr. Silver was entitled to receive an annual base salary of \$330,000 (which has since been increased to \$349,800).

The MS Employment Agreement provided that Mr. Silver would be eligible to receive an annual cash bonus with a target percentage equal to 75 per cent of his base salary. It also provided Mr. Silver with entitlement to severance benefits if his employment was terminated in the form of an additional payment. This provided for an additional compensation payment of an amount equal to 50 per cent (in the event of a Regular Severance Payment Event), or 100 per cent (in the event of a CIC Severance Payment Event), multiplied by the aggregate sum of the following compensation items, such as:

On 30 August 2022, Mr. Silver notified VAALCO of his intention to resign from VAALCO. Mr. Silver has agreed to remain with VAALCO for a transitional period to facilitate Completion. The MS Employment Agreement was amended on 30 August 2022 (“**Amended MS Employment Agreement**”) to provide for a retention bonus payable to Mr. Silver subject to his remaining employed by VAALCO until the date (the “**Retention Date**”) that is five calendar days after the earlier of (i) Completion; (ii) the termination of the Arrangement Agreement in accordance with its terms; or (iii) a date as may be mutually agreed by VAALCO and Mr. Silver. The retention bonus is a cash amount equal to 50 per cent of Mr. Silver’s base salary prorated for the period from 1 January 2022 to the Retention Date.

#### 14. **Change of Control Agreements**

VAALCO has entered into the Change of Control Agreements with certain of the Executive Officers of VAALCO to provide severance benefits in connection with a change in control of VAALCO. Under the terms of the respective Change of Control Agreements, upon a termination of a participant’s employment by VAALCO 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, the participant will be entitled to receive a cash amount equal to (i) one-hundred per cent of the participant’s base salary; (ii) reimbursement of costs incurred by the employee in the course of their employment; and (iii) the participant will also be entitled to receive a cash amount equal to VAALCO’s group health plans for the participant and their eligible spouse and other dependents for six months.

For those Change of Control Agreements entered into between VAALCO and each of (1) David A. DesAutels; and (2) Jason Doornik, each respective Executive Officer will receive 75 per cent of their target bonus. Any payments under a Change of Control Agreement are subject to the participant’s execution and non-revocation of a general waiver and release of claims against VAALCO.

## 15. Directors', Proposed Directors' and Executive Officers' remuneration and benefits

15.1 A summary of the amount of remuneration paid by the VAALCO Group to the Directors (including any contingent or deferred compensation) and benefits in kind for financial year ended 31 December 2021 for their services, in all capabilities, to the VAALCO Group is set out below:

Name	Fees (\$)	Common Share Awards	Options and SARs Awards	Non-Equity Incentive		Total (\$)
				Plan Compensation (\$)	All Other Compensation (\$)	
George Maxwell	289,220	—	—	—	19,500	308,720
Andrew L. Fawthrop	178,505	80,001	—	—	—	258,506
Cathy Stubbs	133,000	80,001	—	—	—	213,001
Fabrice Nze-Bekale	—	—	—	—	—	—

15.2 A summary of the amount of remuneration paid by the VAALCO Group to the Executive Officers (including any contingent or deferred compensation) and benefits in kind for financial year ended 31 December 2021 for their services, in all capabilities, to the VAALCO Group is set out below:

Name	Fees (\$)	Common Share Awards	Options and SARs Awards <sup>(1)</sup> (\$)	Non-Equity Incentive		Total (\$)
				Plan Compensation (\$)	All Other Compensation (\$)	
Ronald Bain	175,000	—	—	—	20,682	195,682
David DesAutels	334,600	82,001	85,461	130,806	17,400	650,268
Michael G. Silver	317,500	104,998	109,433	146,580	13,005	691,516
Jason J. Doornik	201,425	78,801	—	77,100	15,348	372,674

(1) The amount in this column represents the number of awards granted in the current year multiplied by the grant date fair value of \$2.07 per share. The grant date fair value was determined using a Monte Carlo simulation. The actual value that can be realised from the exercise of stock options depends on the increase of VAALCO's stock price above the exercise price, of \$3.14, between the vesting date and the exercise date. The options granted in 2021 vest in three equal installments on the first, second and third anniversaries of the date of grant, subject to VAALCO's stock price appreciating 15 per cent, 32.5 per cent and 52.5 per cent, respectively, using a 30-day average stock price from the stock price on the date of the grant. The options granted in 2021 expire on the tenth anniversary of the date of grant.

15.3 Following Completion, each of the Proposed Directors will be entitled to an annual fee for their role as Directors, currently set at \$50,000, and may also be entitled to annual equity awards.

15.4 Directors are not entitled to any benefits upon termination of their services, other than those described at paragraphs 13.2 – 13.4 of this Part 26 (*Additional information*).

15.5 Non-executive Directors are not entitled to any benefits upon termination of their services.

15.6 VAALCO maintains directors' and officers' insurance and agrees to indemnify its Directors and Executive Officers to the full extent allowed under the DGCL.

## 16. Pension arrangements

VAALCO does not have a pension plan or a deferred compensation plan.

## 17. Incentive Plans

### 17.1 Overview

VAALCO has provided share-based compensation pursuant to (i) the 2014 LTIP, (ii) the 2016 SAR Plan and (iii) the 2020 LTIP. The 2014 LTIP has now been superseded by the 2020 LTIP, although certain awards made under the 2014 LTIP are still outstanding. Awards under these plans help align the participants' interests with the performance of VAALCO as reflected in the market price of its Common Shares.

The 2014 LTIP, 2016 SAR Plan and 2020 LTIP are the only incentive plans operated by VAALCO as at the date of this Prospectus.

In addition, as part of the Arrangement, certain awards granted by TransGlobe under its incentive plans will continue. These awards will be satisfied in cash, although the amounts payable will be determined by reference to the price of a Common Share at the relevant time, rather than a TransGlobe Common Share.

The 2014 LTIP was adopted by the Compensation Committee on 4 March 2014, with an effective date of 16 April 2014. It was approved by the Stockholders on 4 June 2014. As the 2014 LTIP has now been superseded, no further awards will be made under it.

The 2016 SAR Plan was adopted by the Compensation Committee, with immediate effect, on 10 March 2016. It permits the grant of cash-settled SARs.

The 2020 LTIP was adopted by the Board on 27 April 2020 on the recommendation of the Compensation Committee, and was approved by the Stockholders on 25 June 2020. The 2020 LTIP permits the grant of incentive stock options, nonqualified Options, SARs, restricted stock, restricted stock units, performance awards, dividend equivalent rights and other awards, which may be granted singly, in combination or in tandem, and which may be paid in cash or Common Shares.

## 17.2 **2014 LTIP**

### *Types of awards*

The awards outstanding under the 2014 LTIP are in the form of Options and Restricted Shares. No further awards will be granted under the plan.

### *Administration*

The 2014 LTIP is administered by the Compensation Committee which had the power to select the persons eligible to receive Incentive Awards, the type and amount of Incentive Awards to be awarded, and the terms and conditions of such awards.

### *Eligibility*

Any employee of a company in the Group, any Director and certain consultants to the Group or affiliated companies were eligible to participate in the 2014 LTIP.

### *Options*

The exercise price of Options must be at least equal to the fair market value of the Common Shares on the date of grant. Options must have a term of not more than five years from the date of grant. VAALCO has awarded Options with vesting periods of three or five years. In addition, vesting may be subject to performance criteria as specified in the award agreement.

### *Restricted Shares*

The award agreement for Restricted Share will specify the time or times within which such award may be subject to forfeiture and any performance goals which must be met in order to remove any restrictions on the award. To date, VAALCO has issued Restricted Shares to employees that generally vests over a three-year period, vesting in three equal parts on the first three anniversaries following the date of grant. The Compensation Committee has granted Restricted Shares to Directors that vests immediately and are not restricted. Except for the limitations on transfer or other limitations as set forth in the award agreement, holders of Restricted Shares have all of the rights of a Stockholder, including, if provided in the award agreement, the right to vote on the Common Shares and to receive any dividends thereon.

#### *Termination of employment, death, disability and retirement*

The 2014 LTIP states that, unless otherwise provided in an award agreement, or otherwise agreed to, upon the termination of a participant's employment, the non-vested portions of all outstanding awards will terminate immediately. The award agreements do, however, provide for full vesting of the awards in the case of retirement, death or disability.

Subject to different provisions in an award agreement, the period during which a vested Option or other vested Incentive Award may be exercised following termination of the participant's employment depends upon the circumstances of the termination of employment:

- (a) if a participant's employment is terminated for any reason other than as a result of death, disability, retirement or for cause, the vested portion of such award is exercisable until the earlier of (1) the expiration date set forth in the applicable award agreement; or (2) 120 days after the date of termination (three months in the case of Options);
- (b) in the event of the termination of participant's employment for cause, all awards immediately expire;
- (c) upon a participant's retirement, any vested award will expire on the earlier of (1) the expiration date set forth in the award agreement for such award; or (2) six months after the date of retirement (three months in the case of Options); or
- (d) upon the death or disability of a participant, any vested award will expire on the earlier of (1) the expiration date set forth in the award agreement; or (2) the one year anniversary date of the participant's termination of employment due to death or disability.

#### *Change in control*

Unless provided otherwise in the applicable award agreement, in the event of a change in control of VAALCO:

- (a) all Options will become 100 per cent vested and all restrictions and conditions of any Restricted Share Awards shall be deemed satisfied and the restricted period shall be deemed to have expired; and
- (b) all performance-based awards shall become fully vested. Awards shall be payable as of the day immediately preceding the date of the change in control event.

A "**change in control**" of VAALCO generally means the occurrence of any one or more of the following events:

- (a) the acquisition by any individual, entity or group of beneficial ownership of 50 per cent or more of the Common Shares or combined voting power; or
- (b) individuals who constitute the Board as of the effective date of the plan, or successors to such members approved by the Board, cease for any reason to constitute at least a majority of the Board; or
- (c) the consolidation, merger or the sale or other disposition of at least 50 per cent of the assets of VAALCO or the adoption of any plan or proposal for the liquidation of VAALCO.

### **17.3 2016 SAR Plan**

The 2016 SAR Plan is administered by the Compensation Committee, except that awards granted to non-executive Directors must be approved by the Board. Employees and Directors are eligible to participate in the 2016 SAR Plan. The terms and conditions of each SAR will be evidenced by an award agreement. The SAR price per Share must not be less than 100 per cent of the fair market value of a Common Share on the date of grant of the SAR. The term of the SAR may not be greater than ten years from the date of grant.

### *Exercise*

SARs are exercisable subject to such terms and conditions as the Compensation Committee may specify in the award agreement for the SAR Award. A SAR Award may be exercised by the delivery of a signed written notice of exercise to VAALCO, which must be received and accepted by VAALCO as of a date set by VAALCO in advance of the effective date of the proposed exercise.

The notice must set forth the number of SARs with respect to which the SAR Award is to be exercised. No SAR granted to an Executive Officer, Director or 10 per cent beneficial owner of any class of Shares may be exercised prior to six months from the date of grant, except in the event of the death or disability of such grantee which occurs prior to the expiration of such six month period if so permitted under the award agreement.

### *Settlement*

Upon exercise of a SAR, the grantee will receive an amount equal to the spread. The spread, less applicable withholdings, will be payable only in cash, within 10 calendar days from the exercise date. In no event may any SAR granted under the 2016 SAR Plan be settled in any manner other than by delivery of a cash payment from VAALCO.

### *Form of award agreement*

Each grantee to whom an Incentive Award is granted will be required to enter into an award agreement with VAALCO, in such a form as is provided by the Compensation Committee.

### *Termination of employment*

Unless otherwise expressly provided in the grantee's award agreement, if the grantee's employment is terminated for any reason other than due to their death, disability, retirement or for cause, any non-vested portion of any outstanding SAR Award at the time of such termination will automatically expire and terminate and no further vesting will occur after the termination date. In such event, except as otherwise expressly provided in their award agreement, the grantee will be entitled to exercise their rights only with respect to the portion of the Incentive Award that was vested as of their termination of employment date for a period that will end on the earlier of (i) the expiration date set forth in the award agreement or (ii) ninety days after the date of their termination of employment.

Unless otherwise expressly provided in the grantee's award agreement, in the event of the termination of a grantee's employment for cause, all vested and non-vested SAR Awards granted to such grantee will immediately expire, and will not be exercisable to any extent, as of 12:01 a.m. (CST) on the date of such termination of employment.

Unless otherwise expressly provided in the grantee's award agreement, upon the termination of employment due to the grantee's retirement: any non-vested portion of any outstanding SAR Award will immediately terminate and no further vesting will occur and any vested SAR Award will expire on the earlier of (i) the expiration date set forth in the award agreement; or (ii) the expiration of six months after the date of termination.

Unless otherwise expressly provided in the grantee's award agreement, upon termination of employment as a result of the grantee's disability or death any non-vested portion of any outstanding SAR Award will immediately terminate upon termination of employment and no further vesting will occur and any vested Incentive Award will expire on the earlier of either (i) the expiration date set forth in the award agreement; or (ii) the one year anniversary date of the termination of employment date.

### *Change in control*

SARs will become exercisable upon a change in control (as referred to in paragraph 17.2 of this Part 26 (*Additional information*)) unless provided otherwise by the Compensation Committee.



#### 17.4 **2020 LTIP**

The 2020 LTIP provides for the granting of incentive stock options, non-qualified Options, SARs, restricted stock, restricted stock units, performance awards, dividend equivalent rights, and other awards, which may be granted singly, in combination or in tandem, and which may be paid in cash or Common Shares.

Described below is a summary of certain key provisions of the 2020 LTIP.

##### *Term*

The 2020 LTIP was adopted on 27 April 2020 (the “**Effective Date**”) and will terminate on the tenth anniversary of the Effective Date, i.e. 27 April 2030, unless sooner terminated by the Board. No award may be granted under the 2020 LTIP after its termination date, but awards made prior to the termination date may extend beyond that date in accordance with their terms.

##### *Share Authorisation; Individual Limits; Director Award Limits*

Subject to certain adjustments and to increase by any shares subject to Prior Plan Awards (defined below) that are eligible for reuse, the number of Common Shares that are reserved for delivery pursuant to awards under the 2020 LTIP is 5,500,000 shares, of which up to 1,000,000 shares may be delivered pursuant to incentive stock options. The 2020 LTIP also provides that no more than five per cent of the Common Shares that may be delivered pursuant to an award under the 2020 LTIP may be designated as Exempt Shares. “**Exempt Shares**” are shares subject to awards that are granted with more favourable vesting provisions than the vesting provisions otherwise required by the 2020 LTIP.

The maximum number of Common Shares over which awards may be granted (in the case of Options or SARs) or that may vest (in the case of Full Value Awards (defined below)) with respect to a participant during any calendar year is 2,000,000 shares, and the maximum aggregate cash payout (with respect to any award that is settled in cash) which may be paid to a participant during any calendar year is \$10,000,000.

Outside directors may not be granted awards under the 2020 LTIP in any calendar year that exceed \$500,000 in the aggregate (with the fair market value of any equity awards determined as of the date of grant), other than a one-time award granted to a newly appointed or elected outside director; provided, however, that these limits shall not apply to any awards made pursuant to a deferred compensation arrangement in lieu of all or a portion of cash retainers otherwise payable to an outside director.

“**Prior Plan Awards**” means (i) any awards under the 2014 LTIP that are outstanding on the Effective Date and, that on or after the Effective Date, are forfeited, expire or are cancelled; and (ii) any shares subject to awards under the 2014 LTIP that, on or after the Effective Date, are settled in cash. A “**Full Value Award**” is an award with a net benefit to the participant, without regard to certain restrictions that would otherwise apply to the award, equal to the aggregate fair market value of the total Common Shares subject to the award and may include awards of restricted stock and restricted stock units, but not Options or SARs.

##### *Share Counting and Fungible Pool*

Common Shares to be delivered under awards may be made available from authorised but unissued shares, shares held in treasury or shares purchased by VAALCO on the open market or otherwise. If an award under the 2020 LTIP or a Prior Plan Award is cancelled, forfeited or expires, in whole or in part, the shares subject to that forfeited, expired or cancelled award shall again be available for awards under the 2020 LTIP. Awards that may be satisfied either by the delivery of Common Shares or by cash or other consideration shall be counted against the maximum number of shares that may be delivered under the 2020 LTIP only during the period that the award is outstanding or to the extent the award is ultimately satisfied by the delivery of shares. Common Shares otherwise deliverable pursuant to an award that are withheld upon exercise or vesting of an award for purposes of paying

the exercise price or tax withholdings shall be treated as delivered to the participant and shall be counted against the maximum number of Common Shares that may be delivered under the 2020 LTIP. An award will not reduce the number of shares that may be delivered pursuant to the 2020 LTIP if the settlement of the award will not require the delivery of shares, as, for example, a SAR that can be satisfied only by the payment of cash.

The aggregate number of Common Shares available for the grant of awards under the 2020 LTIP (i) will be reduced by two shares for each share delivered in settlement of awards that are Full Value Awards and by one share for each share delivered in settlement of awards that are not Full Value Awards; and (ii) similarly, where Common Shares again become available for the grant of awards, will be increased by two shares for each share subject to awards that are Full Value Awards and by one share for each share subject to awards that are not Full Value Awards.

#### *Administration*

The 2020 LTIP shall be administered by the Board or a committee of the board as is designated by it to administer the 2020 LTIP (the “**Committee**”). At any time there is no Committee to administer the 2020 LTIP, any reference to the Committee is a reference to the Board. It is anticipated that the Compensation Committee will fulfil the role of the Committee. The Committee will determine the persons to whom awards are to be made; determine the type, size and terms of awards; interpret the 2020 LTIP; establish and revise rules and regulations relating to the 2020 LTIP and any sub-plans (including sub-plans for awards made to participants who do not reside in the U.S.); establish performance goals for awards and certify the extent of their achievement; and make any other determinations that it believes are necessary for the administration of the 2020 LTIP. The Committee may delegate certain of its duties to one or more of VAALCO’s officers as provided in the 2020 LTIP; provided that the Committee’s delegation of duties must comply in all material respects with the requirements of all applicable laws, including, without limitation, Section 152 of the DGCL or any successor provision.

#### *Eligibility*

Employees, contractors, and non-employee directors of VAALCO or any of its subsidiaries, whose judgment, initiative, and efforts contributed to or may be expected to contribute to VAALCO’s successful performance, are eligible to participate in the 2020 LTIP.

#### *Financial Effect of Awards*

VAALCO will receive no monetary consideration for the granting of awards under the 2020 LTIP, unless otherwise provided when granting restricted stock or restricted stock units. VAALCO will receive no monetary consideration other than the exercise price for Common Shares delivered to participants upon the exercise of their Options and VAALCO will receive no monetary consideration upon the exercise of SARs.

#### *Options*

The Committee may grant either Options that are incentive stock options qualifying under Section 422 of the Code, or non-qualified Options, provided that only employees of VAALCO and its subsidiaries (excluding subsidiaries that are not corporations) are eligible to receive incentive stock options. Options may not be granted with an exercise price that is less than 100 per cent of the fair market value of a Common Share on the date the Option is granted. The Committee will determine the terms of each Option at the time of grant, including, without limitation, the methods by or forms in which shares will be delivered to participants or registered in their names. The maximum term of each Option, the times at which each Option will be exercisable, and provisions requiring forfeiture of unexercised Options at or following termination of employment or service generally are fixed by the Committee, except that the Committee may not grant Options with a term exceeding ten years. No dividends or dividend equivalent rights may be paid or granted with respect to any Options granted under the 2020 LTIP.

### *SARs*

The Committee is authorised to grant SARs as a stand-alone award (or freestanding SARs) or in conjunction with Options granted under the 2020 LTIP (or tandem SARs). SARs entitle a participant to receive an amount equal to the excess of the fair market value of a Common Share on the date of exercise over the fair market value of a Common Share on the date of grant. The grant price of a SAR cannot be less than 100 per cent of the fair market value of a Common Share on the date of grant. The Committee will determine the terms of each SAR at the time of the grant, including, without limitation, the methods by or forms in which shares will be delivered to participants or registered in their names. The maximum term of each SAR, the times at which each SAR will be exercisable, and provisions requiring forfeiture of unexercised SARs at or following a termination of employment or service generally are fixed by the Committee, except that no freestanding SARs may have a term exceeding 10 years, and no tandem SARs may have a term exceeding the term of the option granted in conjunction with the tandem SARs. Distributions to the recipient may be made in Common Shares, cash, or a combination of both as determined by the Committee. No dividends or dividend equivalent rights may be paid or granted with respect to any SARs granted under the 2020 LTIP. As at the Last Practicable Date, no SARs have been granted under the 2020 LTIP.

### *Restricted Stock and Restricted Stock Units*

The Committee is authorised to grant restricted stock and restricted stock units. Restricted stock consists of Common Shares that may not be sold, assigned, transferred, pledged, hypothecated, encumbered or otherwise disposed of, and that may be forfeited in the event of certain terminations of employment or service, prior to the end of a restricted period as specified by the Committee. Restricted stock units are the right to receive Common Shares (or the equivalent value in cash) at a future date in accordance with the terms of such grant upon the attainment of certain conditions specified by the Committee, which include a substantial risk of forfeiture and restrictions on their sale or other transfer by the participant. The Committee determines the eligible participants to whom, and the time or times at which, grants of restricted stock or restricted stock units will be made; the number of shares or units to be granted; the price to be paid, if any; the time or times within which the shares covered by such grants will be subject to forfeiture; the time or times at which the restrictions will terminate; and all other terms and conditions of the grants. Restrictions or conditions could include, but are not limited to, the attainment of performance criteria, continuous service with VAALCO, the passage of time, or other restrictions or conditions. Except as otherwise provided in the 2020 LTIP or the applicable award agreement, a participant shall have, with respect to shares of restricted stock, all of the rights of a Stockholder of VAALCO holding the class of Common Shares that is the subject of the restricted stock award, including, if applicable, the right to vote the Common Shares and the right to receive any dividends thereon. Notwithstanding the foregoing, if a restricted stock award includes the right for the participant to receive dividends, (i) any cash or stock dividends with respect to such award shall be withheld by VAALCO for the participant's account, with interest (if applicable) being credited on the amount of any such cash dividends withheld, at a rate and subject to such terms and conditions as determined by the Committee; and (ii) upon the lapse of restrictions on the restricted stock award, any cash or stock dividends so withheld by VAALCO (and earnings thereon, if applicable) shall be distributed to the participant in cash or, at the discretion of the Committee, in Common Shares having a fair market value equal to the amount of withheld dividends and, if an award is forfeited, the participant's rights to the withheld dividends corresponding with the forfeited award shall also be forfeited by the participant.

### *Dividend Equivalent Rights*

The Committee is authorised to grant a dividend equivalent right to any participant, either as a component of another award or as a separate award, conferring on the participant the right to receive credits based on the cash dividends that would have been paid on the Common Shares specified in the award as if such shares were held by the participant. The terms and conditions of the dividend equivalent right shall be specified in the grant. When granted as a component of another award, the dividend equivalent right may contain terms and conditions different from the terms and conditions that apply to the other award; provided, however, that any such dividend equivalent rights shall be

withheld by VAALCO for the participant's account until such other award is vested and shall thereafter be distributed to such participant in cash or, at the discretion of the Committee, in Common Shares having a fair market value equal to the amount of such dividend equivalent rights upon vesting of the other award, and, if such other award is forfeited, the participant will have no right to the corresponding dividend equivalent rights. Dividend equivalents credited to the holder of a dividend equivalent right may be paid currently or may be deemed to be reinvested in additional shares. Any such reinvestment shall be at the fair market value at the time thereof. A dividend equivalent right may be settled in cash, shares or a combination thereof, but no dividend equivalent rights may be paid or granted with respect to any Option or SAR.

#### *Performance Awards*

The Committee may grant performance awards payable at the end of a specified performance period in cash, Common Shares, units or other rights based upon, payable in or otherwise related to Common Shares. Payment will be contingent upon achieving pre-established performance goals by the end of the applicable performance period. The Committee will determine the length of the performance period, the maximum payment value of an award and the minimum performance goals required before payment will be made, so long as such provisions are not inconsistent with the terms of the 2020 LTIP, and to the extent an award is subject to Section 409A of the Code, are in compliance with the applicable requirements of Section 409A of the Code and any applicable regulations or authoritative guidance issued thereunder. In certain circumstances, the Committee may, in its discretion, determine that the amount payable with respect to certain performance awards will be reduced from the maximum amount of any potential awards. If the Committee determines, in its sole discretion, that the established performance measures or objectives are no longer suitable because of a change in VAALCO's business, operations, corporate structure or for other reasons that the Committee deems satisfactory, the Committee may modify the performance measures or objectives and/or the performance period.

#### *Performance Goals*

Awards of restricted stock, restricted stock units, performance awards and other awards under the 2020 LTIP may be made subject to the attainment of performance goals established by the Committee.

#### *Other Awards*

The Committee may grant other forms of awards, based upon, payable in, or that otherwise relate to, in whole or in part, Common Shares, if the Committee determines that such other form of award is consistent with the purpose and restrictions of the 2020 LTIP. The terms and conditions of such other form of award shall be specified in the grant. Such other awards may be granted for no cash consideration, for such minimum consideration as may be required by applicable law, or for such other consideration as may be specified in the grant.

#### *Vesting, Forfeiture and Recoupment and Assignment*

The Committee, in its sole discretion, may establish the vesting terms applicable to an award, subject in any case to the terms of the 2020 LTIP. Except to the extent an award is for Exempt Shares, the Committee must grant all awards in accordance with the following provisions: (i) all awards (and any portion thereof, even on a *pro rata* basis) granted by the Committee must vest no earlier than one year after the date of grant; (ii) the one-year vesting period applied to awards granted to outside directors will be deemed satisfied if such awards vest on the earlier of the first anniversary of the date of grant or the date of the next annual Stockholders' meeting (provided that it is not less than 50 weeks following the date of grant); and (iii) the Committee may not accelerate the date on which all or any portion of an award may vest or waive the restricted period applicable to a Full Value Award except upon a participant's death, "total and permanent disability", "retirement" or "change in control" (as such terms are defined in the 2020 LTIP). Notwithstanding the foregoing, the Committee may, in its sole discretion, grant awards with more favourable vesting provisions, provided that the Common Shares subject to such awards must be Exempt Shares.

The Committee may impose on any award, at the time of grant or thereafter, such additional terms and conditions as the Committee determines, including terms requiring forfeiture of awards in the event of a participant's termination of service (to the extent provided in the award agreement). The Committee will specify the circumstances on which performance awards may be forfeited in the event of a termination of employment or service by a participant prior to the end of a performance period or settlement of such awards. Except as otherwise determined by the Committee, restricted stock will be forfeited upon a participant's termination of employment or service during the applicable restricted period. In addition, VAALCO may recoup all or any portion of any shares or cash paid to a participant in connection with any award in the event of a restatement of VAALCO's financial statements as set forth in VAALCO's clawback policy, if any, as such policy may be approved or modified by the Board from time to time.

Awards granted under the 2020 LTIP generally are not assignable or transferable except by will or by the laws of descent and distribution, except that the Committee may, in its discretion, and pursuant to the terms of an award agreement, permit transfers of nonqualified Options or SARs in certain restricted cases.

#### *Change in control*

In the event of a change in control (as referred to in paragraph 17.2 of this Part 26 (*Additional information*)) and certain similar transactions, the Committee has broad powers to cancel outstanding Awards for a payment or permitting the purchase of Common Shares subject to the awards, and to accelerate the vesting of awards at its discretion.

#### *Adjustments Upon Changes in Capitalisation*

In the event that any dividend or other distribution (whether in the form of cash, Common Shares, other securities or other property), recapitalisation, stock split, reverse stock split, rights offering, reorganisation, merger, consolidation, split-up, spin-off, split-off, combination, subdivision, repurchase or exchange of Common Shares or other securities of VAALCO, issuance of warrants or other rights to purchase Common Shares or other securities of VAALCO, or other similar corporate transaction or event affects the fair market value of an award, then the Committee shall adjust any or all of the following so that the fair market value of the award immediately after the transaction or event is equal to the fair market value of the award immediately prior to the transaction or event: (i) the number and type of shares (or other securities or property) which thereafter may be made the subject of awards; (ii) the number and type of shares (or other securities or property) subject to outstanding awards; (iii) the number and type of shares (or other securities or property) specified as the annual per-participant limitation under the 2020 LTIP; (iv) the exercise price of each outstanding Option; (v) the amount, if any, paid for forfeited shares in accordance with the terms of the 2020 LTIP; and (vi) the number or exercise price of shares then subject to outstanding SARs previously granted and unexercised under the 2020 LTIP, to the end that the same proportion of VAALCO's issued and outstanding Common Shares in each instance shall remain subject to exercise at the same aggregate exercise price; provided, however, that the number of Common Shares (or other securities or property) subject to any award shall always be a whole number. All such adjustments must be made in accordance with the rules of any securities exchange, stock market, or stock quotation system to which VAALCO is subject.

#### *Amendment or Discontinuance of the 2020 LTIP*

The Board may, at any time and from time to time, without the consent of participants, alter, amend, revise, suspend or discontinue the 2020 LTIP in whole or in part; provided, however, that (i) no amendment that requires stockholder approval in order for the 2020 LTIP and any awards under the 2020 LTIP to continue to comply with Sections 421 and 422 of the Code (including any successors to such sections or other applicable law) or any applicable requirements of any securities exchange or inter-dealer quotation system on which Common Shares are listed or traded, shall be effective unless such amendment is approved by the requisite vote of Stockholders entitled to vote on the amendment; and (ii) unless required by law, no action by the Board regarding the amendment or discontinuance of



the 2020 LTIP may adversely affect any rights of any participants or obligations of VAALCO to any participants with respect to any outstanding awards granted under the 2020 LTIP without the consent of the affected participant.

#### *No Repricing of Options or SARs*

The Committee may not, without the approval of the Stockholders, “reprice” any Option or SAR. For purposes of the 2020 LTIP, “reprice” means any of the following or any other action that has the same effect: (i) amending an Option or SAR to reduce its exercise price or grant price; (ii) cancelling an Option or SAR at a time when its exercise price or grant price exceeds the fair market value of a Common Share in exchange for cash or new Options, SARs, restricted stock or other equity awards with an exercise price or grant price that is less than the exercise price or grant price of the original Option or SAR; or (iii) taking any other action that is treated as a repricing under generally accepted accounting principles, provided that nothing shall prevent the Committee from (x) making adjustments to awards upon changes in capitalisation; (y) exchanging or cancelling awards upon a merger, consolidation or recapitalisation; or (z) substituting awards for awards granted by other entities, to the extent permitted by the 2020 LTIP.

### **17.5 Continuing TransGlobe incentive plans**

TransGlobe adopted a restricted share unit plan, a performance share unit plan and a deferred share unit plan in May 2014 (the “**TransGlobe RSU Plan**”, the “**TransGlobe PSU Plan**” and the “**TransGlobe DSU Plan**,” respectively, and together the “**TransGlobe Share Unit Plans**”).

Officers and employees of the TransGlobe Group were eligible for the award of restricted share units under the TransGlobe RSU Plan (“**TRSUs**”). Each TRSU entitled the holder to a cash payment equal to the fair market value of a TransGlobe Common Share on the vesting date. All TRSUs vested annually over a three-year period, and must be settled within 30 days of the vesting date.

Awards of performance share units under the TransGlobe PSU Plan (“**TPSUs**”) are similar to TRSUs, except that the number of TPSUs that ultimately vest is further dependent upon an adjustment based on a performance multiplier. The performance multiplier is based on TransGlobe’s relative total shareholder return performance compared to a defined peer group. The performance multiplier can result in cash compensation issued upon vesting of the TPSUs ranging from 0 per cent to 200 per cent of the original TPSU grant. All TPSUs granted vest on the third anniversary of their grant date, and must be settled within 60 days of their vesting dates.

Awards of deferred share units under the TransGlobe DSU Plan (“**TDSUs**”) were only made to directors of TransGlobe. TDSUs vest at the time of grant, they are not paid until a director departs from the TransGlobe Board, at which time they are paid out in cash equal to the member of TDSUs held, multiplied by the price of the TransGlobe Common Shares at the time of retirement less required withholdings.

Pursuant to the Arrangement, the TransGlobe Share Unit Plans will be amended so that outstanding awards held by participants who will remain with the enlarged group will continue, with the amount to be paid on settlement of the awards to be determined by reference to the share price of a Common Share rather than the price of a TransGlobe Common Share, and the number of share units being adjusted at the appropriate exchange ratio applicable in the Arrangement. For the TDSUs, the awards will only continue if the holder becomes a Director, and will be settled upon the holder ceasing to be a Director.

For the purposes of the TPSUs, the performance multiplier will be determined by reference to the time the Arrangement becomes effective, but is not known at the Last Practicable Date.

Any awards pursuant to the TransGlobe Share Unit Plans held by participants who will not remain with the enlarged group, together with all share options granted by TransGlobe under its incentive plans, will be cashed out in accordance with the terms of the Arrangement.



## 17.6 *Outstanding Incentive Awards*

As at the Last Practicable Date, 6,645,319 Common Shares remained available for the grant of awards pursuant to the 2020 LTIP and the following awards were outstanding under the Incentive Plans:

### *Options*

As at the Last Practicable Date, the following Options granted under the Incentive Plans were outstanding:

	<i>Number of vested Options</i>	<i>Number of unvested Options</i>	<i>Option exercise price</i>	<i>Option expiration date</i>
<i>Total number of Options</i>				
55,101	55,101	–	0.86	28 February 2023
58,548	58,548	–	1.60	9 May 2023
164,266	164,266	–	2.33	28 February 2024
44,163	44,163	–	2.29	1 April 2024
64,307	64,307	–	1.43	6 June 2024
221,371	147,582	73,789	1.23	25 June 2030
137,940	45,979	91,961	3.14	3 March 2031
241,358	–	241,358	6.41	11 March 2032

### *Restricted Shares*

As at the Last Practicable Date, the following unvested Restricted Shares granted under the Incentive Plans were outstanding:

<i>Number of unvested Restricted Shares</i>	<i>Vesting date</i>
145,793	25 June 2023
117,319	3 March 2023
115,775	10 March 2024
115,787	11 March 2023
30,687	2 June 2023
117,313	3 March 2024
115,766	11 March 2025

### *SARs*

As at the Last Practicable Date, the following SARs were outstanding:

	<i>Number of vested shares subject to SARs</i>	<i>Number of unvested shares subject to SARs</i>	<i>SAR exercise price per share</i>	<i>SAR expiration date</i>
<i>Total number of shares subject to SARs</i>				
63,354	63,354	–	0.86	28 February 2023
145,223	145,223	–	2.33	28 February 2024

### 17.7 ***Outstanding awards under the TransGlobe Share Unit Plans***

As at the Last Practicable Date it is anticipated that the following awards under the TransGlobe Share Unit Plans will continue after the Effective Time. All figures relate to the number of Common Shares subject to the awards after the amendment of the TransGlobe Share Unit Plans pursuant to the Arrangement.

#### *TRSU's*

<i>Number of TRSU's</i>	<i>Vesting date</i>
4,890	31 December 2022
111,385	19 March 2023
66,220	25 March 2023
201,005	22 May 2023
1,865	18 August 2023
111,385	19 March 2024
66,219	25 March 2024
1,865	18 August 2024
66,219	25 March 2025
1,864	18 August 2025

#### *TPSU's*

<i>Number of TPSU's (assuming performance multiplier is 100 per cent)</i>	<i>Vesting date</i>
342,536	22 May 2023
154,225	19 March 2024
93,147	25 March 2025

#### *TDSU's*

As at the Last Practicable Date, it is anticipated there will be 683,639 Common Shares subject to TDSUs as at the Effective Time.

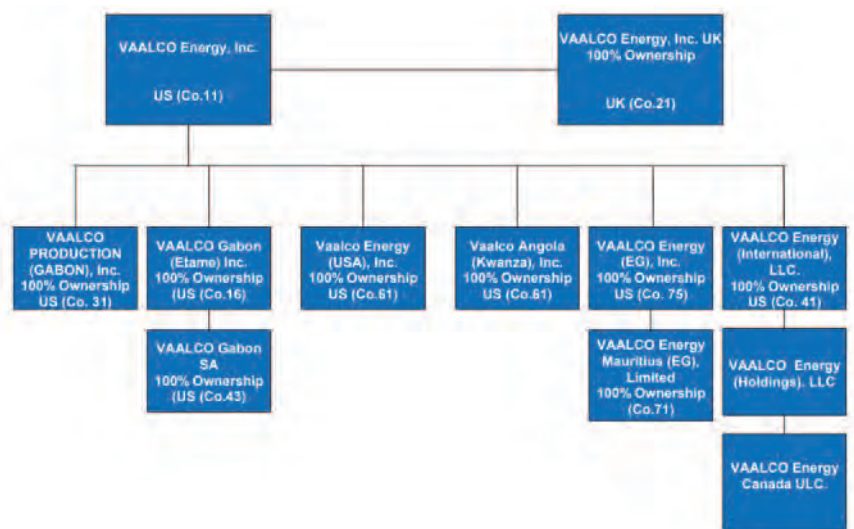
### 17.8 ***401(k)***

VAALCO sponsors a 401(k) plan, with a company match feature, for employees. Costs incurred in financial years ended 31 December 2021, 31 December 2020 and 31 December 2019 for VAALCO's matching contribution and for administering the plan were approximately \$0.3 million, \$0.4 million and \$0.4 million, respectively.

## 18. Subsidiaries

18.1 The VAALCO Group structure as at the date of this Prospectus is as follows:

VAALCO has the following subsidiaries:

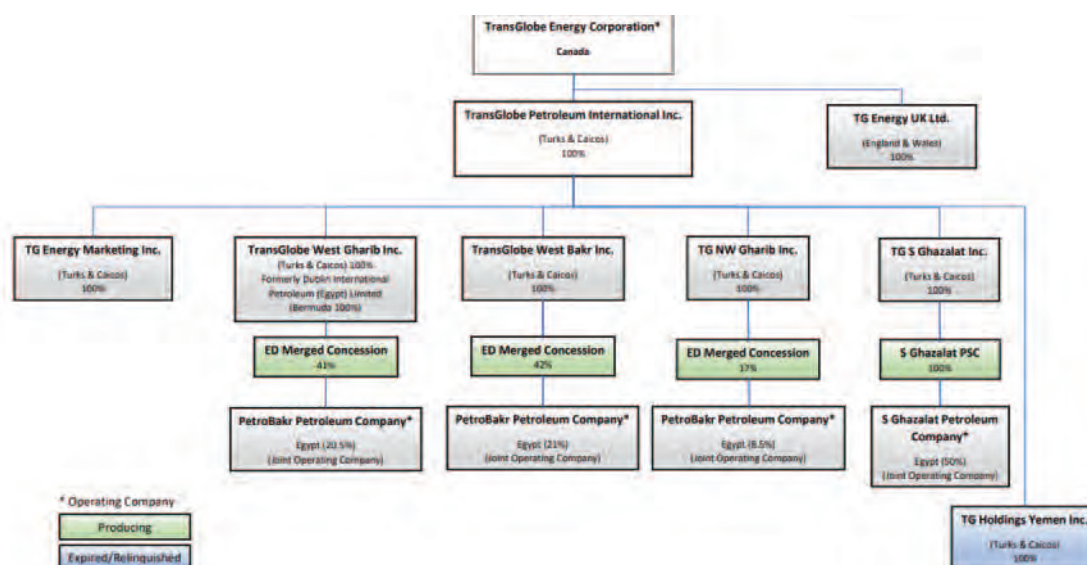


Name	Place of Incorporation	Date of Incorporation	Proportion of Ownership Interest	Nature of Ownership Interest	Principal Activity
VAALCO Energy (U.S.), Inc.	Delaware, U.S.	16 October 1996	100 per cent	Direct	Dormant
VAALCO International, Inc.	Delaware, U.S.	31 July 2002	100 per cent	Direct	Holding company
VAALCO Gabon (Etame), Inc.	Delaware, U.S.	14 June 1995	100 per cent	Indirect (through VAALCO International, Inc.)	Holding company
VAALCO Production (Gabon), Inc.	Delaware, U.S.	14 June 1995	100 per cent	Direct	Dormant
VAALCO Angola (Kwanza), Inc.	Delaware, U.S.	15 May 2006	100 per cent	Direct	Dormant
VAALCO Energy (EG), Inc.	Delaware, U.S.	3 July 2012	100 per cent	Direct	Holding company
VAALCO Energy Mauritius (EG), Limited	Mauritius	23 November 2012*	100 per cent	Indirect (through VAALCO Energy (EG) Limited)	Oil and gas exploration operation company
VAALCO Gabon S.A.	Gabon	4 June 2014	100 per cent	Indirect (through VAALCO Gabon (Etame), Inc.)	Oil and gas exploration operation company
VAALCO Energy (International), LLC	Delaware, U.S.	7 July 2022	100 per cent	Direct	Holding company
VAALCO Energy (Holdings), LLC	Delaware, U.S.	7 July 2022	100 per cent	Indirect (through VAALCO Energy (International), LLC)	Holding company
VAALCO Energy Canada ULC	Alberta, Canada	7 July 2022	100 per cent	Indirect (through VAALCO Energy (Holdings), LLC)	Holding company

Notes

\* Date of certificate of incorporation on change of name.

18.2 The TransGlobe Group structure as at the date of this Prospectus is as follows:



TransGlobe has the following subsidiaries:

Name	Place of Incorporation	Date of Incorporation	Proportion of Ownership Interest	Nature of Ownership Interest	Principal Activity
TG Energy UK Ltd	England & Wales	17 August 2018	100 per cent	Direct	Support activities for petroleum and natural gas extraction
TransGlobe Petroleum International Inc.	Turks & Caicos	6 December 2001	100 per cent	Direct	Support activities for petroleum and natural gas extraction
TG Holdings Yemen, Inc.	Turks & Caicos	23 July 1997	100 per cent	Direct	Petroleum and natural gas extraction
TransGlobe West Bakr Inc.	Turks & Caicos	19 January 2010	100 per cent	Direct	Petroleum and natural gas extraction
TransGlobe West Gharib Inc.	Turks & Caicos	28 October 2008	100 per cent	Direct	Petroleum and natural gas extraction
TG Energy Marketing Inc.	Turks & Caicos	4 November 2014	100 per cent	Direct	Support activities for petroleum and natural gas extraction
TG NW Gharib Inc.	Turks & Caicos	18 May 2011	100 per cent	Direct	Petroleum and natural gas extraction
TG S Ghazalat Inc.	Turks & Caicos	6 December 2011	100 per cent	Direct	Petroleum and natural gas extraction

In addition, the TransGlobe Group has holdings in the following companies which, following Completion, are likely to have a significant effect on the assessment of the Enlarged Group's assets, liabilities, financial position and/or profits and losses:

Name	Place of Incorporation	Date of Incorporation	Proportion of Ownership Interest	Nature of Ownership Interest	Principal Activity
PetroBakr Petroleum	Egypt	19 January 2022	50 per cent	Indirect (through TransGlobe West Bakr Inc., TransGlobe West Gharib Inc. and TG NW Gharib Inc.)	Exploration, development and exploitation of petroleum
S Ghazalat Petroleum Company	Egypt	10 June 2019	50 per cent	Indirect (through TG S Ghazalat Inc.)	Exploration, development and exploitation of petroleum

## 19. Material contracts

The following is a summary of: (i) each material contract, other than contracts entered into in the ordinary course of business to which any member of the VAALCO Group or the TransGlobe Group is a party in the two years immediately preceding the date of this Prospectus; or (ii) any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the VAALCO Group or the TransGlobe Group which contains any provision under which any member of the VAALCO Group or the TransGlobe Group has any obligation or entitlement which is material to the VAALCO Group or the TransGlobe Group as at the date of this Prospectus.

### 19.1 *Material contracts entered into in connection with the Arrangement*

#### 19.1.1 *Arrangement Agreement*

On 13 July 2022, VAALCO, TransGlobe and the AcquireCo entered into the Arrangement Agreement, which constitutes a plan of arrangement between the parties to form the Enlarged Group, subject to the approval of the Court of King's Bench of Alberta.

#### *Consideration*

The consideration being provided by VAALCO for the Arrangement under the Arrangement Agreement is through the issuance of the Consideration Shares, which entitles TransGlobe Shareholders to shares in VAALCO in accordance with the Exchange Ratio.

#### *Conditions to Completion*

Completion is conditional on the satisfaction or waiver of the following mutual conditions on or before the date upon the Effective Time:

- (a) the Arrangement Resolution shall have been duly approved by TransGlobe Shareholders at the TransGlobe Meeting in accordance with the Court's Interim Order and applicable Law;
- (b) the VAALCO Resolutions shall have been duly approved at the VAALCO Meeting in accordance with applicable Law;
- (c) the Court's Interim Order and the Final Order shall each have been obtained on terms consistent with this Agreement and in form and substance acceptable to each of VAALCO and TransGlobe, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to either TransGlobe or VAALCO, each acting reasonably, on appeal or otherwise;
- (d) no Governmental Entity that has a material connection with TransGlobe, VAALCO, AcquireCo or their respective assets shall have enacted, issued, promulgated, enforced or entered any Order or Law which is then in effect and has the effect of making the Arrangement illegal or otherwise preventing or prohibiting Completion;
- (e) the Consideration Shares to be issued pursuant to the Arrangement shall, subject to customary conditions, have been approved for listing on the NYSE;
- (f) the FCA having acknowledged to VAALCO or its agent (and such acknowledgement not having been withdrawn) that the application for Admission has been approved and (after satisfaction of any UK Listing Conditions), Admission will become effective as soon as a dealing notice has been issued by the FCA and any UK Listing Conditions having been satisfied;
- (g) the LSE having acknowledged to VAALCO or its agent (and such acknowledgement not having been withdrawn) that the conditions to the Enlarged Share Capital being admitted to trading on the standard segment of the Main Market have been satisfied; and

- (h) the Consideration Shares to be issued pursuant to the Arrangement shall be exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) thereof or shall be registered under the Securities Act.

Each of VAALCO and TransGlobe are required to complete further specific conditions for the exclusive benefit of the other party, being the truthfulness and correctness of the representations of warranties being given, compliance with covenants and no occurrence of a material adverse effect nor disclosure of such to the public (if previously undisclosed).

#### Representations and warranties

TransGlobe has provided customary warranties for a transaction of this nature to VAALCO (including inter alia with respect to incorporation, capacity, and authority and insolvency), subject to certain limitations.

VAALCO and AcquireCo have also provided customary warranties for a transaction of this nature to TransGlobe (including inter alia with respect to incorporation, capacity, and authority and insolvency), subject to certain limitations.

#### Termination rights

The Arrangement Agreement contains certain termination rights for both TransGlobe and VAALCO, including where (i) the arrangement is not consummated on or before 19 October 2022 (subject to extensions of up to 15 business days if the Final Order has not been received, provided that such extension may not extend this date beyond 31 January 2023); (ii) a law or order comes into effect prohibiting Completion and such law or order has become final and non-appealable; or (iii) the TransGlobe Shareholder approval of the Arrangement or the VAALCO Stockholder approval of the Amendment Proposal and the Share Issuance Proposal is not obtained at TransGlobe's Shareholder meeting or the special meeting, respectively. Additionally, each of VAALCO and TransGlobe has a separate termination right in certain circumstances, including if (i) the board of directors of the other party changes its recommendation at any time prior to such party's Stockholder or TransGlobe Shareholder approval, as the case may be, is obtained; (ii) the other party materially breaches its no solicitation restrictions; (iii) there is or has been a material adverse effect on the other party; or (iv) the other party materially breaches its representations, warranties or covenants resulting in certain conditions to the arrangement not to be fulfilled, which are incapable of being satisfied by the outside date.

The Arrangement Agreement further provides that, upon termination of the Arrangement Agreement under certain circumstances, TransGlobe will be required to pay to VAALCO a termination fee of \$9,150,000 in connection with such termination, or VAALCO will be required to pay to TransGlobe a termination fee of \$9,150,000 in connection with such termination. Under certain circumstances upon termination, the Arrangement Agreement also provides that TransGlobe or VAALCO will be required to reimburse the other party for out-of-pocket expenses incurred up to \$2,000,000.

#### Other provisions

The Arrangement Agreement provides for customary deal protection provisions, including reciprocal non-solicitation covenants and rights to match superior proposals.

#### Governing law

The Arrangement Agreement is governed by the Laws of the Province of Alberta and the Laws of Canada, with each party submitting to the exclusive jurisdiction of the courts of the Province of Alberta in respect of any matters arising under or in relation to the Arrangement Agreement.



#### 19.1.2 *VAALCO Disclosure Letter*

On 13 July 2022, in connection with the signing of the Arrangement Agreement, VAALCO signed a disclosure letter addressed to TransGlobe to disclose the qualifications, exceptions and information relevant to the Arrangement Agreement. The disclosure letter is governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada.

#### 19.1.3 *TransGlobe Disclosure Letter*

On 13 July 2022, in connection with the signing of the Arrangement Agreement, TransGlobe signed a disclosure letter addressed to VAALCO to disclose the qualifications, exceptions and information relevant to the Arrangement Agreement. The disclosure letter is governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada.

#### 19.1.4 *VAALCO Voting Support Agreements*

On 13 July 2022, in connection with the signing of the Arrangement Agreement, the directors and certain members of the executive leadership team of VAALCO entered into support and voting agreements addressed to TransGlobe in their capacity as Stockholders of VAALCO.

The support and voting agreements provide for the agreement of such Stockholders to (a) vote all of their VAALCO Common Shares, options to purchase VAALCO Common Shares granted, and VAALCO RSUs issued, under the VAALCO incentive plans (as defined in the Arrangement Agreement), and any other securities of VAALCO owned or acquired by them during the term of the support and voting agreements in favour of the amendment proposal and share issuance proposal, as well as any other resolutions necessary for Completion and against any resolution, action, proposal, transaction or agreement proposed by any person that could reasonably be expected to adversely affect or reduce the likelihood of the successful Completion or delay or interfere with Completion; (b) if requested, deliver or cause to deliver to the applicable transfer agent duly executed proxies or voting instruction forms completed as specified in the support and voting agreement; (c) not to take any other action of any kind, including voting or not voting and relevant securities, that would reasonably be expected to preclude, delay or interfere with Completion; and (d) not to, directly or indirectly, sell transfer, pledge or assign, or agree to sell transfer, pledge or assign, any of the relevant securities governed by the support and voting agreement (except with consent or pursuant to the Arrangement Agreement or a permitted 10b5-1 plan).

Should the board of directors of VAALCO change its recommendation that the Stockholders of VAALCO approve the amendment proposal and share issuance proposal, such Stockholders subject to support and voting agreements will be entitled to abstain from voting on (a) the approval, consent, ratification and adoption of such resolutions, as applicable, and any other matter necessary for Completion, and (b) any matter that could reasonably be expected to adversely affect or reduce the likelihood of the successful Completion or delay or interfere with, Completion.

The support and voting agreements terminate upon the earliest of (a) mutual written consent of the parties; (b) the termination of the Arrangement Agreement in accordance with its terms; or (c) the effective time.

The support and voting agreements are governed by the laws of the Province of Alberta and the federal laws of Canada.

#### 19.1.5 *TransGlobe Voting Support Agreement*

On 13 July 2022, in connection with the signing of the Arrangement Agreement, the directors and certain members of the executive leadership team of TransGlobe entered into support and voting agreements addressed to VAALCO and AcquireCo in their capacity as shareholders of TransGlobe.

The support and voting agreements provide for the agreement of such stockholders or shareholders, as applicable, to (a) vote all of their TransGlobe Common Shares, options to purchase TransGlobe Common Shares, TransGlobe DSUs, TransGlobe PSUs, TransGlobe RSUs and any other securities of TransGlobe owned or acquired by them during the term of their respective support and voting agreements in favour of the TransGlobe Resolution, as well as any other resolutions necessary for Completion and against any resolution, action, proposal, transaction or agreement proposed by any person that could reasonably be expected to adversely affect or reduce the likelihood of the successful Completion or delay or interfere with Completion; (b) if requested, deliver or cause to deliver to the applicable transfer agent duly executed proxies or voting instruction forms completed as specified in the support and voting agreement; (c) not to take any other action of any kind, including voting or not voting and relevant securities, that would reasonably be expected to preclude, delay or interfere with Completion; and (d) not to, directly or indirectly, sell transfer, pledge or assign, or agree to sell transfer, pledge or assign, any of the relevant securities governed by the support and voting agreement (except with consent or pursuant to the Arrangement Agreement or a permitted 10b5-1 plan). TransGlobe Shareholders also agree not to exercise any rights to dissent or rights of appraisal in connection with the arrangement.

Should the board of directors of TransGlobe change its recommendation that the TransGlobe Shareholders approve the TransGlobe Resolution, such shareholders, subject to support and voting agreements will be entitled to abstain from voting on (a) the approval, consent, ratification and adoption of such resolutions, as applicable, and any other matter necessary for Completion, and (b) any matter that could reasonably be expected to adversely affect or reduce the likelihood of the successful Completion or delay or interfere with, Completion.

The support and voting agreements terminate upon the earliest of (a) mutual written consent of the parties; (b) the termination of the Arrangement Agreement in accordance with its terms; (c) VAALCO or AcquireCo decreases the amount of the consideration or effects a change to the terms of the Arrangement Agreement that is materially adverse to the applicable TransGlobe Shareholder without their consent; or (d) the effective time.

The support and voting agreements are governed by the laws of the Province of Alberta and the federal laws of Canada.

#### 19.1.6 *Exclusivity Agreement*

VAALCO and TransGlobe entered into an exclusivity agreement dated 7 July 2022, under which each of VAALCO and TransGlobe agreed to negotiate in good faith to settle definitive agreements in relation to the Arrangement, which included the Arrangement Agreement and the support and voting agreements.

The period of exclusivity between VAALCO and TransGlobe expired on 11 July 2022.

The exclusivity agreement is governed by English law, with the courts of England having exclusive jurisdiction in respect of any disputes relating to the exclusivity agreement.

#### 19.1.7 *Confidentiality Agreement*

On 16 May 2022, in connection with negotiations relating to the Arrangement, VAALCO and TransGlobe entered into a confidentiality agreement to govern the confidential information being made available by each of VAALCO and TransGlobe to the other during the course of commercial discussions.

The confidentiality agreement contains customary obligations in respect of ensuring information is kept confidential, and provides for remedies of equitable relief in the event of a breach by either party. English law governs the confidentiality agreement, with the courts of England entitled to exclusive jurisdiction over any disputes that may arise pursuant to it.

#### 19.1.8 *Stifel's Engagement Letter*

VAALCO has engaged Stifel, Nicolaus & Company, Incorporated ("**Stifel**") as a financial adviser in connection with the proposed Arrangement, pursuant to an engagement letter dated 10 July 2022.

Under the terms of the engagement with Stifel, VAALCO has agreed to pay Stifel for its services in connection with the proposed Arrangement, an aggregate fee of \$4,727,865, of which \$1,000,000 was payable upon delivery of Stifel's opinion and the remainder is payable contingent upon Completion. In addition, VAALCO has agreed to pay Stifel a monthly advisory fee of \$50,000, which is not contingent upon Completion and will cease upon Stifel ceasing to act as financial adviser to VAALCO. VAALCO has also agreed to reimburse Stifel for its expenses incurred in connection with Stifel's engagement and to indemnify Stifel and its affiliates and their respective officers, directors, employees and agents, and any persons controlling Stifel or any of its affiliates, against certain liabilities. Stifel has served as financial adviser to VAALCO in connection with its potential acquisition of certain assets in West Africa and has been paid a total fee of \$275,268.53 as of the Last Practicable Date, all of which will be credited against the \$4,727,865 advisory fee payable to Stifel by VAALCO in connection with the proposed Arrangement.

The terms of the engagement letter are governed by and construed in accordance with the laws of the state of New York.

#### 19.1.9 *Evercore Engagement Letter*

TransGlobe has engaged Evercore Partners International LLP ("**Evercore**") as a financial adviser in connection with the proposed Arrangement, pursuant to an engagement letter dated 21 June 2022.

Under the terms of the engagement with Evercore, TransGlobe is required to pay a fee of \$3,250,000 payable upon completion of the Arrangement and an additional fee of 0.100 per cent of the implied equity value (should the implied equity value be between \$350,000,000 and \$400,000,000) or 0.125 per cent of the implied equity value (should the implied equity value be greater than \$400,000,000). Further, TransGlobe paid Evercore a fee of \$1,100,000 upon Evercore rendering its fairness opinion. The fee for the fairness opinion is creditable against the total fees described in the first sentence of this paragraph.

The terms of the engagement letters are governed by and construed in accordance with English law.

#### 19.1.10 *Retention Letter with Edward Ok*

On 9 September 2022, Edward Ok entered into a retention agreement with TransGlobe and VAALCO governing the ongoing involvement by Edward Ok in the management of TransGlobe going forward as a wholly-owned subsidiary of VAALCO.

The retention letter provides for Edward Ok to remain continuously employed by TransGlobe for a period of at least six months following the Effective Date of the Arrangement.

#### 19.1.11 *Retention Letter with Geoff Probert*

On 9 September 2022, Geoff Probert entered into a retention agreement with TransGlobe and VAALCO governing the ongoing involvement by Geoff Probert in the management of TransGlobe going forward as a wholly-owned subsidiary of VAALCO.

The retention letter provides for Geoff Probert to remain continuously employed by TransGlobe for a period of at least six months following the Effective Date of the Arrangement.

## 19.2 *Material contracts of the VAALCO Group*

### 19.2.1 *Etame PSC*

#### Overview

On 7 July 1995, (1) VAALCO Etame; (2) VAALCO Energy (Gabon) Inc.; and (3) the State of Gabon entered into the Etame PSC, which was approved by a Presidential Decree of 12 December 1995.

The Etame PSC has been amended and restated six times since the parties entered into the original agreement, on (1) 7 July 2001; (2) 13 April 2006; (3) 26 November 2009; (4) 5 January 2012; (5) 25 April 2016; and (6) 17 September 2018. The Etame PSC Extension was approved by Presidential Decree of 24 September 2018.

VAALCO Etame transferred its interests in the Etame PSC to VAALCO Gabon on 29 December 2016. VAALCO Gabon has a 31.1 per cent interest in the Etame PSC.

#### Etame PSC Extension

The Etame PSC Extension extended the Etame PSC until September 2028 potentially realising a cost recovery of 80 per cent with an option to extend the Etame PSC for two additional five-year periods.

Under the Etame PSC Extension, the Etame Consortium agreed to a signing bonus of \$65,000,000 (\$21,800,000, net to the VAALCO Group) payable to the State of Gabon. The Etame Consortium paid \$35,000,000 (\$11,800,000, net to the VAALCO Group) on 26 September 2018 and paid \$25,000,000 (\$8,400,000, net to the VAALCO Group) through an agreed upon reduction of the VAT receivable owed by the State of Gabon to the Etame Consortium as of the effective date of the Etame PSC Extension. An additional \$5,000,000 was payable to the State of Gabon following completion of the base case work which was paid on 20 February 2020. Pursuant to an agreement entered into in relation to the audit, VAALCO Gabon paid the full \$5,000,000 on behalf of the Etame Consortium on 20 February 2020.

#### Exclusive exploration authorisations and exclusive exploration permits

Pursuant to the Etame PSC, VAALCO Etame was issued an exclusive exploration permit over 3,073 km<sup>2</sup> in the Etame Marin Block on 12 December 1995 (“**EEP Permit**”) (Licence No. Etame G4-160).

Following the issuance of the EEP, which entitled VAALCO Etame to undertake exploration activities in the delimited area, VAALCO Etame was issued three EEAs pursuant to the Etame PSC (“**Etame EEAs**”). The Etame EEAs, which provide the Etame Consortium with the right to produce hydrocarbons in the delimited areas, were issued on (1) 17 July 2001 (Licence No. Etame Marin G5-88); (2) 25 March 2005 (Licence No. Avouma G5-95); and (3) 20 June 2006 (Ebouri G5-98).

The EEP Permit expired in 2014. Pursuant to the Etame PSC Extension, the Etame EEAs expire on 12 September 2028.

#### Profit oil split

The profit oil split under the Etame PSC is as follows:

<i>Profit Oil Split (BOPD)</i>	<i>Contractor</i>	<i>State</i>
0 – 10,000	50%	50%
10,000 – 25,000	45%	55%
25,000 +	40%	60%

#### Development and production period

Under the Etame EEAs and the Etame PSC, the Etame Consortium is entitled to develop and exploit the reservoirs inside each EEA area until 12 September 2028. If, following this period, the commercial exploitation of one or more of the Etame EEAs is still possible, the relevant Etame EEA may be renewed at the request of the Etame Consortium, by order of the relevant minister in charge of hydrocarbons, for a maximum period of five years, provided that the obligations and commitments provided under the Etame PSC have been fulfilled. A second renewal of a renewed Etame EEA for a maximum duration of five years can be granted under the same conditions.

Prior to the Etame PSC Extension, the Etame PSC provided for the State of Gabon to take a 7.5 per cent gross working interest carried by the Etame Consortium following the commencement of production. This working interest could be freely assignable by the State of Gabon, and is currently held by Tullow.

Pursuant to the Etame PSC Extension, the State of Gabon will acquire from the Etame Consortium an additional 2.5 per cent gross working interest carried by the Etame Consortium effective 20 June 2026, to be transferred by each of the Etame Consortium *pro rata* to their respective participating interests in the Etame PSC. VAALCO Gabon's share of this interest to be transferred to the State of Gabon is 1.47 per cent. If the State of Gabon wishes to acquire an additional participation in the Etame PSC or acquire shares in VAALCO Gabon, as operator, the terms of the acquisition will have to be market terms.

The agreement is governed by the laws of Gabon.

#### 19.2.2 *Etame JOA*

##### General

On 4 April 1997, (1) VAALCO Etame; (2) VAALCO Energy (Gabon), Inc.; (3) Western Atlas Afrique, Ltd.; (4) Petrofields Exploration & Development Co., Inc.; and (5) Alcorn Petroleum and Minerals Corporation entered into the Etame JOA to govern the joint venture relationship between the parties in the exploration, development and operation of the Etame Marin Block. Under the terms of the original Etame JOA, VAALCO Etame was designated as operator of the fields.

The Etame JOA has been amended and/or novated seven times since the parties entered into the original agreement, on (1) 15 January 2001; (2) 5 September 2002; (3) 31 December 2004; (4) 12 October 2007; (5) 10 December 2014; (6) 22 November 2016; and (7) 29 December 2016 ("**Seventh Amendment**") (together, "**Amendments**"). In addition to the Amendments, the Etame JOA has been subject to a number of novation and assignments of working party's interest in, and obligations in respect of, the Etame JOA.

Following the Seventh Amendment, entered into between (1) VAALCO Etame; (2) Addax Etame; (3) Sasol; (4) PetroEnergy; and (5) VAALCO Gabon, pursuant to which VAALCO Etame agreed to transfer all of its rights and obligations under the Etame JOA to VAALCO Gabon, the parties to the Etame JOA are the Etame Consortium, with VAALCO Gabon appointed as the operator of the Etame Marin Block.

##### Operator responsibilities

As operator, VAALCO Gabon may enter into agreements with third parties relating to (i) the provision of the facilities used within the context of the Etame Marin Block; and (ii) the supply of goods or services, within certain monetary limits and subject to any limitations on such authority decided by the operating committee.

The operator is also responsible for:

- (a) exclusively representing the Etame Consortium in dealings with the State of Gabon with respect to matters arising under the Etame PSC or Etame JOA;

- (b) preparing the timetable for the work schedules and required budgets;
- (c) hiring and assigning employees;
- (d) preparing financial statements, reports and records as required under the Etame JOA;
- (e) discharging all liability and expenses incurred in connection with operations taken pertaining to the Etame JOA;
- (f) managing payments to the State of Gabon for all periodic payments, taxes, fees and other payment pertaining to the Etame JOA;
- (g) performing the duties for the operating committee; and
- (h) obtaining all permits, consents, approval, surface or other rights that may be required in connection with the conduct of the Etame JOA.

#### Operating committee

The powers of the operating committee include the management, control and supervision of all matters pertaining to joint operations. In particular, the operating committee has the power:

- (a) to authorise and supervise the joint operations to properly explore the Etame Marin Block;
- (b) to approve, revise or reject programmes and budgets;
- (c) to study and approve the recommendations from subcommittees relating to programmes and budgets;
- (d) to ensure that the operator applies the decisions of the operating committee; and
- (e) more generally, to make any decisions on joint operations that do not fall within the operator's remit and exclusive control.

Each member of the Etame Consortium is entitled to one representative and one alternative representative on the operating committee. For the operating committee's decisions to be adopted, they must be approved by the vote of at least two representatives on behalf of the Etame Consortium then having collectively at least a majority of the participating interests in the Etame Marin Block. As operator, VAALCO Gabon has the right to appoint the chairman of the operating committee and all subcommittees.

#### Financing joint operations

Each member of the Etame Consortium contributes to the financing of joint operations in proportion to its participating interest in the Etame Marin Block. All costs, expenses and liabilities in respect of programmes and budgets and all income from the operations are determined, placed into a joint bank account and authorised according to specific procedures set out in the Etame JOA. Each party is also responsible for its pro rata share of the State of Gabon's participating interest of its costs, expenses and liabilities.

If a party fails to make payment further to a call for funds, it will be given notice by the operator and, if necessary, an emergency meeting of the operating committee will be convened. As long as a payment default persists, the defaulting party's portion of the joint account may be used to reimburse the party that has advanced the funds. The non-defaulting party may take recourse against the defaulting party after sixty days by any legal means, or may suspend joint operations related to the interest held by the defaulting party and require that they completely withdraw from the Etame JOA and Etame PSC.



#### Exclusive operations

Each member of the Etame Consortium may decide to undertake performance of an exclusive, sole-risk operation after the operating committee and each other member of the Etame Consortium, having received notice of entitlement to participate, have decided not to pursue or to abandon a given joint operation. Such party will then assume the risks and costs of that operation. If one or more members of the Etame Consortium wish to participate in an exclusive operation, the operator must perform the operation even if it is not a participant. However, the risks, costs, investments and supervision of the exclusive operations are the responsibility of the participating members of the Etame Consortium. An exclusive operation cannot be carried out if it may have a significant negative impact on joint operations or if it is contrary to the existing work programmes.

A non-participating member of the Etame Consortium may subsequently choose to participate in the sole risk operation by paying the participating parties a premium for its delayed participation in the operation, in an amount equal to the expenses and costs committed to the sole-risk operation on the date on which the former decided to contribute, in proportion to its participating interest plus 300 per cent.

The implementation and execution of joint operations take priority over sole risk operations. In addition, any property acquired as part of a sole-risk operation is the exclusive property of the party or parties participating in the sole-risk operation. Facilities for a sole risk operation as well as the resulting oil production are the property of the participating parties until such time as any non-participating parties decide to participate.

The agreement is governed by the laws of the State of Texas, USA, excluding conflict of law rules.

#### 19.2.3 *Etame offshore drilling contract*

On 1 March 2019, (1) VAALCO Gabon; and (2) P2021 Rig Co. (“**P2021 Rig**”), a subsidiary of Vantage Drilling International, entered into an offshore drilling agreement for conducting drilling operations at Etame.

P2021 Rig provides drilling rig services in support of drilling, workover, testing, suspension, completion and/or abandonment operations in Etame. The primary work expected of P2021 Rig involves the drilling of pilot appraisal and horizontal development wells from production platforms. P2021 Rig must also provide the personnel, materials (if required) and onshore technical support necessary for the duration of the contract and for the services above.

The minimum duration of the agreement is the period of time required to drill, complete, abandon or workover two firm development wells (approximately 4 months) with VAALCO Gabon having the option to lengthen the term by electing 4 x 1 single option drill, complete, abandon or workover wells.

The agreement, except for where any matter is necessarily subject to and exclusively governed by Gabonese law, is governed by the general maritime law of the U.S. and, to the extent that such general maritime law and Gabonese law is not applicable, by the laws, excluding conflict of law rules, of the State of Texas, U.S.

#### 19.2.4 *Etame Lifting Agreement*

On 1 November 2017, (1) the Etame Consortium; (2) Tullow; and (3) SNHG entered into a lifting agreement in respect of the Etame Marin Block. The agreement is supplementary to the Etame JOA and provides the procedures for scheduling the parties’ respective entitlements, rights and obligations for the lifting of their share of the liquid hydrocarbons. In accordance with the Etame PSC and Etame JOA, VAALCO Gabon lifts the State of Gabon’s share of the oil that it is entitled to, on its behalf.

As operator, VAALCO Gabon is responsible for, among other things, administering the agreement, determining the allocation of the liquid hydrocarbons, scheduling and coordinating the lifting, notifying the parties of any changes to FPSO Regulations and responding to emergency situations. The costs are borne by the parties in proportion to their respective interests in the Etame PSC and the Etame JOA.

On or before the tenth day of the month which is two months prior to the month of lifting, each party is required to nominate to VAALCO Gabon the quantities of oil it proposes to lift. The final lifting schedule is then confirmed on or before the 16th day of the same month.

All parties to the Etame Lifting Agreement bear the risk of loss for the crude oil when it passes the delivery point. In respect of matters covered by the agreement, there are no liabilities between parties or their subsequent affiliates or successors and their respective relevant parties for any consequential losses. Each party is responsible for all taxes, duties and other fees and charges in relation to the oil.

No party may transfer any interest in this agreement without transferring an identical interest under the Etame JOA and the Contract, as applicable.

The agreement shall continue until the termination of the Etame PSC, unless terminated earlier upon the unanimous agreement of the parties.

The agreement is governed by the laws of England and Wales.

#### 19.2.5 *FPSO Agreement*

On 20 August 2001, (1) VAALCO Etame; and (2) Tinworth Limited (“**Tinworth**”) entered into the FPSO Agreement, pursuant to which VAALCO Etame leased the FPSO Petroleo Nautipa from Tinworth. The FPSO Agreement has been amended and restated from time to time. In March 2016, Tinworth novated its right and obligations under the agreement to each of (1) Tinworth Pte. Limited (as contractor); and (2) Tinworth Gabon S.A. (as operator) and, in June 2017, VAALCO Etame novated its right and obligations under the agreement to VAALCO Gabon (“**2017 Amendment**”).

The duration of the FPSO Agreement was, following the 2017 Amendment, until 20 September 2020, after which VAALCO Gabon had the right to extend the FPSO Agreement for a further two additional terms of one year each. On 12 August 2019, VAALCO Gabon elected to extend the term to 20 September 2021, and on 22 July 2020, VAALCO Gabon elected to extend the term to 20 September 2022.

On 9 September 2022, VAALCO Gabon entered into an addendum (the “**2022 Addendum**”) to the FPSO Agreement with Tinworth Pte. Limited (the “**Contractor**”) and Tinworth Gabon S.A. (the “**Operator**”). The 2022 Addendum extended the FPSO Agreement from 20 September 2022 to provide for VAALCO Gabon to produce to the FPSO up until 23:59 local Gabon time on 4 October 2022. Pursuant to the 2022 Addendum, the parties have set forth their respective rights and obligations in connection with the demobilisation of the FPSO. VAALCO Gabon has agreed to pay the Operator and/or Contractor day rates of \$150,000 from 20 August 2022 through 4 October 2022 and \$108,000 from 4 October 2022 through 2 January 2023 and other demobilisation fees totaling \$5,800,000 on a gross basis (\$3,700,000 net to VAALCO Gabon). The Operator shall invoice VAALCO Gabon \$900,000 of the demobilisation fees no sooner than 4 October 2022 and the remaining \$4,900,000 no sooner than 2 January 2023. As at the Last Practicable Date, no demobilisation fees had been invoiced. Payment is due within thirty (30) calendar days of receipt of an invoice. VAALCO has reaffirmed its guarantee of VAALCO Gabon’s obligations under the FPSO Agreement, as amended by the 2022 Addendum.

The agreement is governed by the laws of England and Wales.

#### 19.2.6 *Bareboat Charter Agreement*

##### Overview

On 25 August 2021, (1) VAALCO; and (2) World Carrier Offshore Services Corp. (“**World Carrier**”) entered into a binding letter of intent in relation to the Bareboat Charter (the “**Bareboat Charter**”), under which World Carrier provides use of the Cap Diamant vessel to VAALCO Gabon for an eight-year period (the “**Term**”), subject to optional two successive one-year extensions. Pursuant to the Bareboat Charter, World Carrier agreed to perform all engineering and design, procurement, construction, installation, refurbishment, adaptation, commissioning, testing and other work in relation to the preparation of the vessel to be used as a FSO, which such preparation to be complete between 15 August 2022 and 1 September 2022, subject to certain extensions if specified conditions are met. Prior to the Start Date (being the date of issuance of a FSO Final Acceptance Certificate pursuant to the Bareboat Charter), VAALCO Gabon and the Etame Parties were required to pay World Carrier (i) a prepayment of \$6,000,000, payable in thirds upon the completion of certain milestones, and being potentially recoverable against future rentals, and (ii) a \$1,000,000 mobilisation fee. In addition, VAALCO Gabon agreed to pay a daily hire rate at certain rates specified therein, with such hire rate being based on the year within the Term. The aggregate amount to be paid to World Carrier under the Bareboat Charter during the Term is approximately \$96,000,000 gross (or \$61,000,000 net to VAALCO based on its interest participating in the Etame block), net of any applicable taxes.

In addition, the Bareboat Charter provides VAALCO Gabon with the option, upon the delivery of notice not less than 30 days prior to the anticipated purchase date, to purchase the Cap Diamant at any time during the Term at purchase prices specified therein (ranging from \$20,000,000 to \$74,000,000 depending on the timing of the purchase date in relation to the Start Date).

##### Termination

The Bareboat Charter may be terminated either (i) at the convenience of VAALCO Gabon by providing World Carrier with 30 days’ written notice, or (ii) in the event of default by either party in accordance with its terms. The Bareboat Charter also contains, among other things, customary provisions related to confidentiality, representations and warranties, indemnification, insurance and limitations on liability.

##### Governing law

The Bareboat Charter is governed by and construed in accordance with English law, with any disputes to be referred and resolved by arbitration in London in accordance with the rules of the London Maritime Arbitrators Association.

#### 19.2.7 *Bareboat Operating Agreement*

##### Overview

On 25 August 2021, (1) VAALCO; and (2) World Carrier Offshore Services Corp. (“**World Carrier**”) entered into a binding letter of intent in relation to the Operating Agreement (the “**Operating Agreement**”, and together with the binding letter of intent and Bareboat Charter, the “**FSO Agreements**”), under which VAALCO Gabon agreed to engage World Carrier for the purposes of maintaining and operating the Floating Storage and Offloading vessel (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 (collectively, the “**Operator Services**”). 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. The aggregate amount to be paid to World Carrier under the Operating Agreement during the Term is approximately \$35,000,000 gross (or \$22,000,000

net to VAALCO based on its participating interest in the Etame block), net of any applicable taxes.

On 31 August 2021, the FSO Agreements came into full force and effect as a result of the satisfaction of the receipt of written approval to entry into the FSO Agreements by VAALCO's co-venturers. In addition, as a condition for World Carrier's obligation to provide services under each of the FSO Agreements, VAALCO executed guarantees related to certain portions of VAALCO Gabon's obligations under each agreement based on VAALCO's participating interest in the Etame field of 63.6 per cent.

#### Termination

The Operating Agreement may be terminated either (i) at the convenience of VAALCO Gabon by providing World Carrier with 30 days' written notice, or (ii) in the event of default by either party in accordance with its terms. The termination of the Bareboat Charter will automatically trigger termination of the Operating Agreement. The Operating Agreement also contains, among other things, customary provisions related to confidentiality, representations and warranties, indemnification, insurance and limitations on liability.

As a condition for World Carrier's obligation to provide services under each of the Bareboat Charter and the Operating Agreement, VAALCO is required to execute a guarantee in favour of VAALCO Gabon in an amount equal to the portion of VAALCO Gabon's obligations under each of the Bareboat Charter and the Operating Agreement based on VAALCO's participating interest in the Etame Field of 63.6 per cent.

#### Governing law

The Bareboat Operating Agreement is governed by and construed in accordance with English law, with any disputes to be referred and resolved by arbitration in London in accordance with the rules of the London Maritime Arbitrators Association.

### 19.2.8 *Marine Construction Agreement*

#### Overview

On 17 March 2022, (1) VAALCO Gabon; and (2) DOF Subsea Canada Corp. ("**DOF Subsea**") , entered into an Agreement for the Provision of Subsea Construction and Installation Services (the "**Marine Construction Agreement**") to support the subsea reconfiguration in connection with the replacement of the existing floating, production, storage and offloading vessel with a Floating Storage and Offloading vessel ("**FSO**") at VAALCO's Etame Marin field offshore Gabon. Pursuant to the Marine Construction Agreement, DOF Subsea agreed to, among other things, provide all personnel, crew and equipment necessary to assist in the reconfiguration of the Etame field subsea infrastructure to accommodate all field production to the flow to the FSO, which is currently under conversion, including (i) assistance with retrieval of over 5,000 meters of new flexible pipelines from a manufacturing facility in the United Kingdom, transporting the pipelines to Gabon and installing the pipelines in the Etame field, (ii) performing the retrieval and relocation of existing in-field flowlines and umbilicals to accommodate the reconfigured field development plan and (iii) assistance in the connection of new risers to the FSO (collectively, the "**Services**"). Pursuant to the Marine Construction Agreement, DOF Subsea agreed to provide an offshore construction vessel to facilitate the performance of the Services. The Marine Construction Agreement provides that the Services will commence in early July 2022 and be completed by the end of September 2022, subject to certain conditions therein. As consideration for the Services being provided, VAALCO agreed to pay DOF Subsea certain fixed fees upon the completion of the achievement of Service-related milestones, as well as a day rate, subject to certain conditions, as set forth in the Marine Construction Agreement.

#### Termination

The Marine Construction Agreement may be terminated by VAALCO Gabon (i) by providing DOF Subsea with written notice, (ii) in the event DOF Subsea fails to mobilise the contracted vessel to load and commence transit of flexible pipe reels within certain specified timeframes, (iii) in the event of liquidation, dissolution or winding up of DOF Subsea or (iv) in the event of default by DOF Subsea in accordance with its terms. The Marine Construction Agreement also contains, among other things, customary provisions related to confidentiality, representations and warranties, indemnification, insurance and limitations on liability.

#### Governing law

The Marine Construction Agreement is governed by English law.

### 19.2.9 *Glencore Facility Agreement*

#### Overview

On 16 May 2022, (1) VAALCO Etame (the “**Borrower**”); (2) VAALCO Gabon; (3) VAALCO (together with VAALCO Etame and VAALCO Gabon, the “**Obligors**”); (4) Glencore Energy UK Ltd., as mandated lead arranger, technical bank and facility agent (“**Glencore**”); and (5) the Law Debenture Trust Corporation P.L.C., as security agent, and the other financial institutions named therein (together with Glencore, the “**Lenders**”), entered into a facility agreement (the “**Facility Agreement**”) providing for a senior secured reserve-based revolving credit facility (the “**Facility**”) in an aggregate maximum principal amount of up to \$50,000,000 (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 \$50,000,000 (any such increase, an “**Additional Commitment**”). Beginning 1 October 2023 and thereafter on 1 April and 1 October of each year during the term of the Facility, the Initial Total Commitment, as increased by any Additional Commitment, will be reduced by \$6,250,000.

Borrowings will be limited to a borrowing base amount calculated pursuant to the Facility Agreement. The borrowing base will be redetermined on 31 March and 30 September of each year. The initial borrowing base under the Facility is \$50,000,000.

As of the Last Practicable Date, the Borrower did not have any borrowings outstanding under the Facility. Subject to certain conditions set forth in the Facility Agreement, the Borrower may borrow, prepay and reborrow under the Facility and terminate or reduce the Lenders’ commitments at any time prior to the Final Maturity Date.

Each loan under the Facility will bear interest at a rate equal to LIBOR plus a margin (the “**Applicable Margin**”) of (i) 6.00 per cent until the third anniversary of the Facility Agreement or (ii) 6.25 per cent from the third anniversary of the Facility Agreement until the Final Maturity Date (as defined below). The Borrower shall pay the accrued interest on each loan on the last day of each interest period, which interest period may be, at the option of the Borrower, one, three or six months or such other period as agreed between the Borrower and Glencore.

The proceeds of the Facility may be used in accordance with the Facility Agreement for, among other things, the Borrower’s general corporate purposes and permitted acquisitions. The Facility will mature on the earlier of (i) the fifth anniversary of the date on which all conditions precedent to the first utilisation of the Facility have been satisfied and (ii) the Reserve Tail Date (as defined in the Facility Agreement) (the “**Final Maturity Date**”).

Pursuant to the Facility Agreement, 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 \$10,000,000.

The Borrower paid an upfront fee of \$750,000 and is required to pay a quarterly commitment fee equal to (i) 35 per cent 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 utilisations under the Facility, plus (ii) 20 per cent 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 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).

The Facility Agreement also contains customary affirmative and negative covenants, including, among other things, as to compliance with laws (including environmental laws and anti-corruption laws), delivery of quarterly and annual financial statements and borrowing base certificates, conduct of business, maintenance of property, maintenance of insurance, entry into certain derivatives contracts, restrictions on the incurrence of liens, indebtedness, asset dispositions, restricted payments, and other customary covenants. These covenants are subject to a number of limitations and exceptions.

Additionally, the Facility Agreement contains customary events of default, including non-payment, breach of financial covenants, insolvency, litigation and the occurrence of a material adverse effect, and contains remedies for credit facilities of this nature. If the Borrower does not comply with the financial and other covenants in the Facility Agreement, the Lenders may, subject to customary cure rights, require immediate payment of all amounts outstanding under the Facility Agreement and any outstanding unfunded commitments may be terminated.

#### Governing law

The Facility Agreement is governed by and construed in accordance with English law, with any disputes to be referred and resolved by arbitration in London under the Arbitration Rules of the London Court of International Arbitration.

### 19.2.10 *Crude Oil Sale and Marketing Agreement*

#### Overview

On 20 May 2022, in connection with the Facility Agreement detailed in this section, (1) VAALCO Gabon; and (2) Glencore entered into a Crude Oil Sale and Marketing Agreement (the “COSMA”) which, among other things, made 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 1 August 2022 until the Final Maturity Date of the Facility; provided, however that if VAALCO Gabon elects to voluntarily repay the Facility in full before the Final Maturity Date, the contract period of the COSMA shall end following a specified period after the voluntary repayment date. Pursuant to the COSMA, VAALCO Gabon agreed to sell, and Glencore agreed to buy, VAALCO Gabon's crude oil produced from the Etame G4-160 Block in accordance with the terms of the COSMA. The COSMA also contains, among other things, customary provisions related to termination rights, confidentiality, representations and warranties, indemnification, insurance and limitations on liability.



Governing law

The COSMA is governed by and construed in accordance with English law, with any disputes to be referred and resolved by arbitration in London under the Arbitration Rules of the London Court of International Arbitration.

#### 19.2.11 *Block P PSC*

Overview

On 3 April 2003, (1) GEPetrol (on behalf of the State of Equatorial Guinea); (2) Petronas Carigali Equatorial Guinea Ltd. (“**PCEG**”) (now known as VAALCO Mauritius); (3) Ocean; (4) DNO; and (5) Atlas entered into the Block P PSC, which was ratified by the State of Equatorial Guinea and became effective on 17 April 2003.

The Block P PSC has been amended on (1) 7 July 2011 (“**First Amendment**”); (2) 14 May 2013 (“**Second Amendment**”); and (3) 27 August 2020 (“**Third Amendment**”) (together the “Amendments”). In addition to the Amendments, the Block P PSC has been subject to a number of novation and assignments of working party’s interest in, and obligations in respect of, the Block P PSC. VAALCO acquired its 31.0 per cent interest in the Block P PSC on 4 July 2012, through the acquisition of PCEG from Petronas Carigali Overseas SDN RHD.

The Block P PSC originally granted exclusive exploration rights to the Block P Consortium for a period of four years from 17 April 2003. This was extended until 31 December 2011 by the First Amendment. Pursuant to the Second Amendment, VAALCO Mauritius was recognised as owning a 31.0 per cent participating interest in the PDA pursuant to the Block P PSC from 14 May 2013.

The Block P PSC was suspended in June 2013. The EG MMH lifted this suspension on 28 September 2018 and granted a two-year extension conditional on: (i), the introduction to the EG MMH of a new investor or joint venture owner in Block P within a term of no more than six months; and (ii) the drilling of an exploration well within one year of the EG MMH approving the new investor or joint venture owner. GEPetrol has completed the first condition and the Block P Consortium are waiting for the EG MMH to approve the new joint owner.

Pursuant to the Third Amendment, VAALCO became the operator of the Block, and the block was extended for 36 months to allow for testing of the SW Grande prospect, and to optimise a plan of development to including SW Grande and the existing Venus Discovery. In addition, the extension requires that a plan of development is progressed for Venus on a stand-alone basis. VAALCO’s working interest increased to 43 per cent when it acquired an additional 12 per cent working interest from Atlas Petroleum.

A fourth amendment to the Block P PSC (the “**Draft Fourth Amendment**”) was drafted in 2021 to recognise a change in the working interests of the parties, with VAALCO’s working interest increasing to 45.87 per cent. All partners have approved the Draft Fourth Amendment, but the approval from the EG MMH is awaited.

On 15 July 2022, VAALCO delivered a plan of development for Venus, on behalf of itself and GEPetrol to EG MMH, fulfilling the obligation to do so set out in the Third Amendment and if approved by the EG MMH, will increase VAALCO’s working interest in the Venus development to 80 per cent, with GEPetrol carrying a 20 per cent interest.

Development and production period

The Block P PSC contemplates that upon the discovery of oil or gas, an exclusive appraisal period of 20 months may be granted by the EG MMH following approval of a work programme and budget for the appraisal. However, the Block P Consortium are required to report and declare a commercial discovery 30 days prior to the expiry of the exploration period and any extension. If upon the expiry of the initial exploration period or an extension,

an appraisal work programme is in progress, a six-month extension of the exploration period to complete the appraisal work can be granted. If the discovery is deemed to be commercial, an exclusive exploitation period of 25 years, which may be renewed for a further five years, may be granted from the date of approval of the plan of development.

As from the date of approval of a development and production plan in respect of a discovery that is deemed to be commercial, the Block P Consortium would be permitted to exploit a targeted field for a 25-year period, which could be extended for an additional five-year period. The plan of development was approved on 16 September 2022.

The royalty payable on volumes produced will range from 10 per cent to 16 per cent, depending on the daily production volume. Bonus payments of \$1,000,000 at first production and \$1,000,000, \$2,000,000, \$4,000,000 and \$10,000,000 are payable when production reaches 10,000, 30,000, 60,000 and 100,000 barrels (respectively) in a continuous 30-day period. The State of Equatorial Guinea also receives annual surface rentals of \$1.00 per hectare of Block P during the initial exploration period and \$1.50 during the development and production period.

The State of Equatorial Guinea also has the right to request that the Block P Consortium sell to the State of Equatorial Guinea a portion of its profit oil for internal consumption, at the market price determined in accordance with the Block P PSC.

#### Other terms

The Block P PSC provides for an abandonment plan (to be fully funded through operations) and budget to be agreed when Block P reaches 50 per cent of its productive capacity or six years prior to the estimated recoverable hydrocarbons from the field development and production area have been produced. The Block P PSC sets out the health and safety standards to be applied, the training, personnel obligations of the parties, dispute resolution mechanics and other standard terms in production sharing contracts.

The agreement is governed by the laws of Equatorial Guinea.

#### 19.2.12 *Block P JOA*

##### General

On 9 August 2004, (1) GEPetrol; (2) Ocean; (3) Petronas Carigali Equatorial Guinea Ltd. (now known as VAALCO Mauritius); (4) DNO; and (5) Atlas entered into the Block P JOA to govern the joint venture relationship between the parties in the exploration, development and operation of Block P. Under the terms of the original Block P JOA, Ocean was designated as operator of the fields.

The Block P JOA has been amended on (1) 31 July 2020 (“**First Amendment**”); and (2) 6 May 2021 (“**Second Amendment**”) (together the “**Amendments**”). In addition to the Amendments, the Block P JOA has been subject to a number of novation and assignments of working party’s interest in, and obligations in respect of, the Block P JOA. VAALCO became the operator of Block P pursuant to the First Amendment.

##### Operator responsibilities

As operator, VAALCO may enter into agreements with third parties relating to (i) the provision of the facilities used within the context of the Block P; and (ii) the supply of goods or services, within certain monetary limits and subject to any limitations on such authority decided by the operating committee.

The operator is also responsible for exclusively representing the Block P Consortium in dealings with the State of Equatorial Guinea with respect to matters arising under the Block P PSC or Block P JOA;

- (a) preparing the timetable for the work schedules and required budgets;

- (b) hiring and assigning employees;
- (c) preparing financial statements, reports and records as required under the Block P JOA;
- (d) discharging all liability and expenses incurred in connection with operations taken pertaining to the Block P JOA;
- (e) managing payments to the State of Equatorial Guinea for all periodic payments, taxes, fees and other payment pertaining to the Block P JOA;
- (f) performing the duties for the operating committee; and
- (g) obtaining all permits, consents, approval, surface or other rights that may be required in connection with the conduct of the Block P JOA.

#### Operating committee

The powers of the operating committee include the management, control and supervision of all matters pertaining to joint operations. In particular, the operating committee has the power:

- (a) to authorise and supervise the joint operations to properly explore and exploit Block P;
- (b) to approve, revise or reject programmes and budgets;
- (c) to study and approve the recommendations from subcommittees relating to programmes and budgets;
- (d) to ensure that the operator applies the decisions of the operating committee; and
- (e) more generally, to make any decisions on joint operations that do not fall within the operator's remit and exclusive control.

Each member of the Block P Consortium is entitled to one representative and one alternative representative on the operating committee. For the committee's decisions to be adopted, they must be approved by a majority and at least two member representatives on behalf of the Block P Consortium. As operator, VAALCO has the right to appoint the chairman of the operating committee and all subcommittees.

#### Financing joint operations

Each of the Block P Consortium contributes to the financing of joint operations in proportion to its participating interest in Block P. All costs, expenses and liabilities in respect of programmes and budgets and all income from the operations are determined, placed into a joint bank account and authorised according to specific procedures set out in the Block P JOA. Each party is also responsible for its *pro rata* share of the State of Equatorial Guinea participating interest of its costs, expenses and liabilities.

If a party fails to make payment further to a call for funds, it will be given notice by the operator and, if necessary, an emergency meeting of the operating committee will be convened. As long as a payment default persists, the defaulting party's portion of the joint account may be used to reimburse the party that has advanced the funds. The non-defaulting party may take recourse against the defaulting party after 60 days by any legal means, or may suspend joint operations related to the interest held by the defaulting party and require that they completely withdraw from the Block P JOA and Block P PSC.

#### Exclusive operations

Each member of the Block P Consortium may decide to undertake performance of an exclusive, sole-risk operation after the operating committee and each other member of the Block P Consortium, having received notice of entitlement to participate, have decided not to pursue or to abandon a given joint operation. Such party will then assume the risks and

costs. If one or more members of the Block P Consortium wish to participate in an exclusive operation, the operator must perform the operation even if it is not a participant. However, the risks, costs, investments and supervision of the exclusive operations are the responsibility of the participating members of the Block P Consortium. An exclusive operation cannot be carried out if it may have a significant negative impact on joint operations or if it is contrary to the existing work programmes.

A non-participating member of the Block P Consortium may subsequently choose to participate in the sole risk operation of certain exclusive operations by paying the participating parties a penalty for its late participation in the operation, in an amount equal to the expenses and costs committed to the sole risk operation on the date on which the former decided to contribute, in proportion to its participating interest plus 500 per cent.

The implementation and execution of joint operations take priority over sole risk operations. In addition, any property acquired as part of a sole-risk operation is the exclusive property of the party or parties participating in the sole-risk operation. Facilities for a sole risk operation as well as the resulting oil production are the property of the participating parties until such time as any non-participating parties decide to participate.

The agreement is governed by the laws of England and Wales.

### **19.3 *Material contracts of the TransGlobe Group***

#### **19.3.1 *Agreements Relating to the Group's Assets in Egypt***

##### **Summary of PSC Terms**

All of the TransGlobe Group's blocks in Egypt are PSCs among EGPC, the host government and the contractor. EGPC and the contractor take their share of production based on the terms and conditions of the respective contracts. The contractor is not required to pay any taxes (excluding income taxes) duties, levies or imposts on petroleum. The PSCs provide for the Egyptian government to receive a 10 per cent gross royalty on gross production of petroleum, which is borne and paid entirely by EGPC from its share of production. The contractor is required to initially bear the costs of exploration, development, and operations. A specified portion of production is then dedicated as cost recovery petroleum which the contractor can recover eligible exploration, development and operation costs. The remainder of production, cost sharing petroleum, is allocated between the parties in the proportion specified in the specific PSC. If the value of cost recovery petroleum exceeds the actual costs to be recovered by the contractor, the excess is shared between EGPC and the contractor as defined in the specific PSCs. Each PSC is treated individually in respect of cost recovery and production sharing purposes.

None of the Egyptian PSCs contain minimum production or sales requirements, and there are no restrictions with respect to pricing of TransGlobe's sales volumes.

The South Ghazalat and Merged Concession PSCs all contain rights on the part of EGPC to take in kind up to 100 per cent of its share of cost recovery petroleum, and EGPC also has a preferential right to purchase the contractor's share of production sharing petroleum in U.S. dollars at the market price to meet the requirements of the Egyptian market.

Further information regarding TransGlobe's Egyptian PSCs is set out below.

#### **19.3.2 *South Ghazalat***

TransGlobe, through its affiliate, TG S Ghazalat Inc. holds a 100 per cent interest, initially acquired by TransGlobe, in a Concession Agreement for Petroleum Exploration and Exploitation dated 7 November 2013 originally among the Arab Republic of Egypt, EGPC and TransGlobe in respect of the South Ghazalat area located in the Western Desert of Egypt.

The South Ghazalat concession had an initial exploration period of three years, which expired on 7 November 2016, with the ability of the contractor to extend it for two additional periods of two years each at the contractor's option. During the initial three-year term, the contractor had a commitment to spend \$8,000,000 on exploration, which was to include the acquisition of 400 square kilometres of 3D seismic data, and drilling two wells. The contractor met its financial commitment in the initial exploration period and was permitted to carry forward its commitment to drill two wells into the first extension period. The contractor has fulfilled all of its financial commitments. Amounts spent and wells drilled by the contractor in excess of the requirements for a period of the exploration phase can be carried over to any succeeding period (if applicable).

The South Ghazalat concession stipulates that if the contractor extends the exploration period for the second extension period, it will be required to provide a letter of guaranty in the amount of \$4,000,000 to guarantee its exploration obligations during the second extension period. As at the Last Practicable Date, no development leases have been granted. If a commercial discovery of petroleum is not made by the end of the seventh year, the South Ghazalat concession will terminate.

The contractor notified EGPC of a commercial discovery on 20 December 2018, and negotiated a 10 block development lease at South Ghazalat that was approved by the Minister of Petroleum and Mineral Resources on 20 May 2019. The development lease approval included a contractor commitment to drill one exploration well, which was fulfilled in October 2021.

After the initial three-year term, the contractor was required to relinquish 25 per cent of the concession area that had not been converted into a development lease. An additional 25 per cent of the concession area that has not been converted into a development lease was required to be relinquished at the end of the first extension period with the remaining area that has not been converted into a development lease to be relinquished at the end of the second extension period. According to the South Ghazalat concession, the contractor will not be required to relinquish any area where a commercial oil or gas well is present. If the contractor is in the process of drilling or testing a well, it will be granted an extension of up to six months to enable it to discover commercial oil or gas.

#### Principal Fiscal Terms

The principal fiscal terms of the South Ghazalat concession are as set out above. Additionally, there are certain bonuses which shall be paid by the contractor to EGPC under the concession, namely:

- (a) signature bonus of \$5,200,000;
- (b) \$100,000 per approved development lease;
- (c) \$5,000,000 upon approval of a five-year development lease extension;
- (d) \$2,000,000 if total average daily production of petroleum reaches 3,000 BBL/d or equivalent for 30 consecutive days;
- (e) \$1,000,000 if total average daily production of petroleum reaches 5,000 BBL/d or equivalent for 30 consecutive days;
- (f) \$2,000,000 per milestone if total average daily production of petroleum reaches milestones of 10,000, 25,000, and 100,000 BBL/d or equivalent for 30 consecutive days;
- (g) \$100,000 at the beginning of every financial year during the exploration period as a training bonus for EGPC employees;

- (h) \$500,000 if the contractor assigns all or a portion of its rights to an affiliate; and
- (i) an assignment bonus shall be payable if the contractor assigns in whole or in part its rights to any assignee, other than an affiliated company of the contractor.

During 2021, the South Ghazalat concession produced at an average rate of 480 BBLs/d.

### 19.3.3 *Merged Concession Agreement*

TransGlobe any, through its subsidiaries: TransGlobe West Gharib Inc., TransGlobe West Bakr Inc., and TG NW Gharib Inc., holds a 100 per cent interest in a Concession Agreement for Petroleum Exploration, Development and Exploitation dated 19 January 2022 between TransGlobe, the Arab Republic of Egypt and EGPC in respect of the merged development areas of the West Bakr, West Gharib and North West Gharib onshore areas located in the Eastern Desert of Egypt.

The merged development areas have an initial fifteen year exploration and development period from the effective date of 1 February 2020, with the ability to extend for an additional five year period at the contractor's option and subject to the approval of the Minister of Petroleum and Mineral Resources. During the primary 15 year term, the contractor has a commitment to spend \$150,000,000 on exploration and development activities and a total financial obligation to exploration and development that is expected to be \$500,000,000. These minimum financial commitments will be secured by three production guarantees of \$50,000,000 due on: one day before the signature date of the Agreement, 1 February 2025 and 1 February 2030. If the contractor spends more than the minimum financial obligation during any five year period, the excess may be subtracted from the minimum financial obligation of any succeeding five year period. During the first five year period that starts from the effective date, TransGlobe, through its operating company shall:

- (a) drill a minimum of ten new wells (horizontal and vertical);
- (b) perform a minimum of 20 well recompletions to increase production from existing wells;
- (c) expend progressive cavity pump ("PCP") usage and move towards a larger percentage of PCP compared to sucker rod artificial lift systems on currently producing or future wells;
- (d) substantially reduce the reliance on diesel generators to the minimum and reduce carbon emissions and operating costs through either, or a combination of, the collection of off-gas fuel for generators, tie-in to electrical grid and use of renewable energy;
- (e) invest in new manifolds at K and H station;
- (f) upgrade facilities to produce more oil;
- (g) upgrade firefighting facilities to comply with Egyptian laws; and
- (h) reduce the trucking of oil and water to the minimum by constructing a new pipeline network.

#### Principal Fiscal Terms

The principal fiscal terms of the Merged Concession Agreement are set out in paragraph 5.2 of Part 10 (*Information on the TransGlobe Group*) of this Prospectus.

Additionally there are certain bonuses which shall be paid by the contractor to EGPC under the concession:

- (a) signature bonus of \$1,000,000;



- (b) modernisation bonus of \$65,000,000 to be paid as follows:
  - (i) \$15,000,000 paid on signature;
  - (ii) the remaining \$50,000,000 paid over five consecutive annual instalments, of \$10,000,000, the first instalment shall be paid on 1 February 2022, and the last instalment shall be paid on 1 February 2026;
- (c) \$1,500,000 as a production bonus when the total average daily production from the Area first reaches the rate of 15,000 BOPD or equivalent for a period of 30 consecutive producing days. Payment will be made within 15 days thereafter;
- (d) \$2,000,000 as a production bonus when the total average daily production from the Area first reaches the rate of 20,000 BOPD or equivalent for a period of 30 consecutive producing days. Payment will be made within 15 days thereafter;
- (e) \$2,500,000 as a production bonus when the total average daily production from the Area first reaches the rate of 30,000 BOPD or equivalent for a period of 30 consecutive producing days. Payment will be made within 15 days thereafter;
- (f) \$3,000,000 as a production bonus when the total average daily production from the Area first reaches the rate of 40,000 BOPD or equivalent for a period of 30 consecutive producing days. Payment will be made within 15 days thereafter;
- (g) \$3,000,000 as a five year period extension bonus on approval at the contractor's request;
- (h) \$100,000 at the beginning of each financial year during the duration of the agreement for the training of EGPC employees;
- (i) \$200,000 if the contractor assigns all or a portion of its rights to an affiliate; and
- (j) an assignment bonus shall be payable if the contractor assigns in whole or in part its rights to any assignee, other than an affiliated company of the contractor.

## 20. Exploration licences and production leases

### 20.1 VAALCO Group leases and licences

The VAALCO Group holds the following leases and licences:

<i>Company</i>	<i>Licence No.</i>	<i>Licence Type</i>	<i>Resources Covered</i>	<i>Area</i>	<i>Date of Grant</i>	<i>Date of Expiry</i>
VAALCO Gabon	Etame Marin	EEA	Liquid and gaseous	94.444km <sup>2</sup>	17 July	12 September
	G5-88		hydrocarbons		2001	2028
	Avouma	EEA	Liquid and gaseous	77.81km <sup>2</sup>	25 March	12 September
VAALCO Mauritius	G5-95 EEA		hydrocarbons		2005	2028
	Ebouri G5-98 EEA	EEA	Liquid and gaseous	14.86km <sup>2</sup>	20 June	12 September
			hydrocarbons		2006	2028
	N/A	Block P PSC (exploration, appraisal and development with a view to production of a field in the PDA)	Gaseous and/or liquid hydrocarbons	PDA	14 May 2013 <sup>(1)</sup>	13 May 2038

Notes

- (1) Date of grant of PDA issued pursuant to the second amendment of the Block P PSC.

## 20.2 *TransGlobe Group leases and licences*

<i>Company</i>	<i>Licence No.</i>	<i>Licence Type</i>	<i>Resources Covered</i>	<i>Area</i>	<i>Date of Grant</i>	<i>Date of Expiry</i>
TransGlobe West Bakr Inc.,	H & K block West Gharib	Development leases	Crude oil	App. 45km <sup>2</sup> App. 9km <sup>2</sup>	1 February 2020	1 February 2035, may be extended by five years to 1 February 2040
TransGlobe West Gharib Inc. and TG NW Gharib Inc.	Hoshia West Hoshia			App. 13.6km <sup>2</sup> App. 3km <sup>2</sup>		
	Arta			App. 21.1km <sup>2</sup>		
	East Arta			App. 45.22km <sup>2</sup>		
	Northwest Gharib-1			App. 18km <sup>2</sup>		
	Northwest Gharib-2			App. 3km <sup>2</sup>		
	Northwest Gharib-3			App. 12km <sup>2</sup>		
	Northwest Gharib-4			App. 12.15km <sup>2</sup>		
TG S Ghazalat Inc	SGZ-6X	Development lease	Crude oil	App. 30km <sup>2</sup>	20 May 2019	19 May 2039, may be extended to 19 May 2044

## 21. **Employees**

### 21.1 *VAALCO Employees*

As at 30 June 2022, VAALCO had 132 full-time employees, 91 of whom were located in Gabon. VAALCO is not subject to any collective bargaining agreements, although some of the national employees in Gabon are members of the National Organization of Petroleum Workers union (NEOP). VAALCO believes relations with the employees are satisfactory.

For the Historical Financial Information Period, the VAALCO Group has employed, on average, the numbers of people as detailed in the table below.

<i>Category of Location</i>	<i>30 June 2022</i>	<i>2021</i>	<i>31 December 2020</i>	<i>2019</i>
Houston, U.S.	41	37	31	37
Gabon – Nationals	83	80	71	74
Gabon – Expatriates	7	6	7	6
Total number of employees	<u>131</u>	<u>123</u>	<u>109</u>	<u>117</u>

As at the Last Practicable Date, VAALCO retained the services of 111 contractors, 15 of whom are located in Houston, 94 of whom are located in Gabon and two of whom are located in Equatorial Guinea.

(2) Earnings before interest, tax, depreciation and amortisation, adjusted to reflect the impact of hedging but before non-cash or unusual items, such as depletion and non-cash income and expenses. Adjusted EBITDA also assumes the Combined Company benefits from certain anticipated cost synergies in 2023.”

## 21.2 **TransGlobe Employees**

As at 30 June 2022, TransGlobe had 57 full-time employees, 27 of whom were located in Egypt and 30 of whom were located in Canada. TransGlobe is not subject to any collective bargaining agreements.

For the Historical Financial Information Period, the TransGlobe Group has employed, on average, the numbers of people as detailed in the table below.

	30 June		31 December	
Category of Location	2022	2021	2020	2019
Egypt	27	26	26	33
Canada (including Cairo expats and executives)	30	27	26	36
Total number of employees	57	53	52	69

As at the Last Practicable Date, TransGlobe retained the services of 11 contractors, 6 of whom are located in Egypt and 5 of whom are located in Canada.

## 22. **Profit forecasts and estimates**

On 8 August 2022, VAALCO announced an update on the proposed Arrangement, which included the following statement: *“There is significant inherent value within the Combined Company’s portfolio, with a large reserve base, substantial upside potential across the enlarged resource base, and strong production, with mid-point guidance of 18.4 thousand barrels of oil equivalent per day (“MBOE/d”) for 2022 and preliminary outlook of 19.5 MBOE/d in 2023. The enlarged production profile of the Combined Company will support enhanced cash flow and shareholder returns going forward and, assuming the Brent oil price is within a range of approximately US\$90 to US\$120/bbl in 2023, the Combined Company could generate Adjusted EBITDA<sup>(2)</sup> of between US\$350 and US\$505 million. This is a substantial increase in Adjusted EBITDA compared to the US\$190 to \$230 million VAALCO standalone estimate for 2022, using the same pricing assumptions for the remainder of 2022.*

This statement is also repeated at paragraph 3.1 of Part 8 (Information about the Arrangement and the Enlarged Group) of this Prospectus.

The statement that *“This is a substantial increase in Adjusted EBITDA compared to the US\$190 to \$230 million VAALCO standalone estimate for 2022”*, when made, constituted a profit estimate for the year ending 31 December 2022 for the purposes of the Prospectus Regulation Rules (the **“FY22 Profit Estimate”**).

The statement that *“assuming the Brent oil price is within a range of approximately US\$90 to US\$120/bbl in 2023, the Combined Company could generate Adjusted EBITDA<sup>(2)</sup> of between US\$350 and US\$505 million”*, when made, constituted a profit forecast for the year ending 31 December 2023 for the purposes of the Prospectus Regulation Rules (the **“FY23 Profit Forecast”**).

### 22.1 **FY22 Profit Estimate**

#### *Overview*

The FY22 Profit Estimate was prepared by VAALCO’s management, on the basis of VAALCO management’s view as to the future performance of the VAALCO Group. The FY22 Profit Estimate relates to the VAALCO Group, without taking into account the effect of the proposed Arrangement or any changes to the VAALCO Group’s operations or strategy that may be implemented after Completion, including any potential synergies released as a result of the proposed Arrangement. As a result, the FY22 Profit Estimate may not be comparable to future results of the Enlarged Group, and is expected to differ significantly from the actual results of VAALCO as part of the Enlarged Group for the year ending 31 December 2022.

Accordingly, in the view of VAALCO, the FY22 Profit Estimate is no longer valid in the context of the proposed Arrangement.

***Principal changes expected to affect the results of the VAALCO Group for the year ending 31 December 2022.***

As set out in Part 5 (*Expected timetable of principal events*) of this Prospectus, Completion is expected to take place on or around 13 October 2022 at 11.00 p.m. (Calgary time). Therefore, there will be approximately two and a half months of the financial year ending 31 December 2022 remaining at the time of Completion. The Directors consider that certain changes to be implemented by VAALCO following Completion (each of which is described in more detail below) will have a significant effect on the VAALCO Group and its financial results for the year ending 31 December 2022, rendering the FY22 Profit Estimate no longer valid in the context of the Proposed Arrangement.

The principal changes expected to affect the financial results of the VAALCO Group for the year ending 31 December 2022 are:

- (a) **Consolidation of the TransGlobe Group**  
Following Completion, the TransGlobe Group will be consolidated by VAALCO, such that the Adjusted EBITDAX reported by VAALCO will include 100 per cent of the results of the TransGlobe Group.
- (b) **Synergies**  
As stated in paragraph 3.1(e) of Part 8 (*Information about the Arrangement and the Enlarged Group*) of this Prospectus, VAALCO management expects immediate cost synergies (with annualised estimated savings of \$3,000,000 to \$5,000,000, representing savings of \$21,000,000 to \$35,000,000 from 2023 to 2030) to occur within the six months post-Completion, as a result of: (i) cancellation of TransGlobe's listings on the TSX, Nasdaq and AIM; (ii) reduction of board and executive positions; (iii) consolidation of advisers; and (iv) extraction of cost savings in service contracts across the business given the combined scale of the Enlarged Group. These synergies are expected to have an impact on the business and the financial results of the VAALCO Group for the year ending 31 December 2022 onwards, assuming Completion takes place on or around 13 October 2022 at 11:00 p.m. (Calgary time) as set out in Part 5 (*Expected timetable of principal events*) of this Prospectus.

## **22.2 FY23 Profit Forecast**

### *Overview*

The FY23 Profit Forecast was prepared by VAALCO's management, on the basis of VAALCO management's view as to the future performance of the Enlarged Group.

### *Assumptions*

- The principal assumptions used for the FY23 Profit Forecast which are outside of the VAALCO management's control are the following:
- The Brent oil price will be within a range of approximately US\$90 to US\$120/bbl in 2023.
- Production for each asset that, following Completion, will be owned by the Enlarged Group will not be materially different to the VAALCO management's expectations of production.
- Cost inflation will not be materially different to that which is expected by the VAALCO management.
- There will be no material change in the availability of oil and gas field services.
- There will be no material change in global, or local, demand for oil and natural gas, or supply side restrictions, for example as a result of OPEC mandated production cuts.
- There will be no unexpected operational, technical or other issues.

- There will be no material changes to the foreign exchange rates that will have a significant impact on the revenue or cost base.
- There will be no strikes that will have a material impact on the Enlarged Group's operations.
- There will be no material adverse events that will have a significant impact on the Enlarged Group's financial performance.
- There will be no OPEC mandated cuts in production or other mandated cuts in production in any country in which the Enlarged Group operates.

The principal assumptions used for the FY23 Profit Forecast which are within VAALCO management's control are the following:

- There will be no material change to the planned executive management of the Enlarged Group.
- There will be no material change in the operational strategy of the Enlarged Group.
- There will be no material changes to the Enlarged Group's hedging strategy.
- There will be no material change in the drilling and operational plans for the assets that, following Completion, will be owned by the Enlarged Group.
- There will be no material acquisitions or disposals.
- There will be no material strategic investments.

The uncertain factors which could materially change the outcome of the FY23 Profit Forecast are:

- Commodity prices.
- Realised production rates.
- Cost inflation and oil and gas service availability.

#### *Basis of preparation*

The Directors confirm that the FY23 Profit Forecast has been compiled and prepared on a basis that is (i) comparable with the VAALCO Historical Financial Information; and (ii) consistent with the VAALCO Group's accounting policies.

### **23. Statutory auditors**

The auditors of the VAALCO Group for financial years ended 31 December 2019, 31 December 2020, and 31 December 2021 have been BDO USA LLP whose address is 2929 Allen Parkway, 20th Floor, Houston, Texas 77019, U.S.

BDO USA LLP has audited the annual consolidated financial statements for the Group for the financial years covered by the Historical Financial Information Period, which have been prepared in accordance with U.S. GAAP.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022 have not been audited by BDO USA LLP.

### **24. Working capital**

In the opinion of VAALCO, taking into account the financing facilities available to the VAALCO Group and the Enlarged Group, the working capital available to the VAALCO Group and the Enlarged Group is sufficient for its present requirements that is for at least the next 12 months following the date of this Prospectus.

## **25. No significant change**

There has been no significant change in the financial performance or financial position of the VAALCO Group since 30 June 2022, being the date to which the VAALCO Group's latest interim financial statements were prepared.

There has been no significant change in the financial performance or financial position of the TransGlobe Group since 30 June 2022, being the date to which the TransGlobe Group's latest interim financial statements were prepared.

## **26. Legal and arbitration proceedings**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which VAALCO is aware), during the 12 months preceding the date of this Prospectus which may have, or have had a significant effect on VAALCO and/or the VAALCO Group's financial position or profitability.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which VAALCO is aware), during the 12 months preceding the date of this Prospectus which may have, or have had a significant effect on TransGlobe and/or the TransGlobe Group's financial position or profitability.

## **27. Related party transactions**

There are no VAALCO related party transactions in the period covered by the Historical Financial Information and up to the Last Practicable Date.

There are no TransGlobe related party transactions in the period covered by the Historical Financial Information and up to the Last Practicable Date.

## **28. Consents**

BDO USA LLP has given and not withdrawn its written consent to the inclusion in this Prospectus of its report included in Section B of Part 23 (*Unaudited pro-forma financial information of the Enlarged Group*) and for the purposes of Rule 5.3.2R(2)(f) of the Prospectus Regulation Rules and the UK Prospectus Regulation has authorised the contents of such parts of this Prospectus that comprise its report.

## **29. Miscellaneous**

The total costs (including fees and commissions, but exclusive of VAT) payable by VAALCO in connection with the Arrangement, Re-admission and Admission are estimated to be approximately \$11 million.

## **30. Documents available for inspection**

Copies of the following documents will be available for inspection during normal business hours on any Business Day on VAALCO's website at <http://www.vaalco.com> for the period of 12 months following Re-admission and Admission:

- (a) this Prospectus;
- (b) the Certificate of Incorporation and Bylaws;
- (c) the audited annual consolidated financial statements of the VAALCO Group for the financial years ended 31 December 2021, 31 December 2020, and 31 December 2019, together with the related audit reports from the independent auditor;
- (d) the unaudited condensed interim financial statements of the VAALCO Group for the six months ended 30 June 2022 and 31 June 2021;



- (e) the audited annual consolidated financial statements of the TransGlobe Group for the financial years ended 31 December 2021, 31 December 2020, and 31 December 2019, together with the related audit reports from the independent auditor;
- (f) the unaudited condensed interim financial statements of the TransGlobe Group for the six months ended 30 June 2022 and 30 June 2021; and
- (g) the letters confirming the consent referred to in paragraph 28 of this Part 26 (*Additional information*).

Dated 11 October 2022

## PART 27

### DEFINITIONS

<b>“2014 LTIP”</b>	means the long-term incentive plan of VAALCO, adopted by the Compensation Committee on 4 March 2014 and approved by Stockholders on 4 June 2014, details of which are set out in paragraph 17.2 of Part 26 ( <i>Additional information</i> ) of this Prospectus;
<b>“2016 SAR Plan”</b>	means the share appreciation right plan, adopted by the Compensation Committee on 10 March 2016, details of which are set out in paragraph 17.3 of Part 26 ( <i>Additional information</i> ) of this Prospectus;
<b>“2020 LTIP or 2020 Long-Term Incentive Plan”</b>	means the long-term incentive plan of VAALCO, adopted by the Board on 27 April 2020 and approved by Stockholders on 25 June 2020, details of which are set out at paragraph 17.4 of Part 26 ( <i>Additional information</i> ) of this Prospectus;
<b>“ABCA”</b>	means the Business Corporations Act (Alberta);
<b>“AcquireCo”</b>	means VAALCO Energy Canada ULC, an Alberta unlimited liability company and an indirect wholly-owned subsidiary of VAALCO;
<b>“Addax”</b>	means Addax Petroleum Oil & Gas Gabon, société anonyme registered to the Registre du Commerce et du Crédit Mobilier under the number 2003B442 with its registered office at Port-Gentil, BP 452;
<b>“Addax Etame”</b>	means Addax Petroleum Etame Inc., a private company incorporated in the British Virgin Islands with company number 561089 and having its registered office at Nemours Chambers, Road Town, Tortola, British Virgin Islands;
<b>“Adjusted EBITDAX”</b>	is a non-GAAP financial measure and as used in this Prospectus represents net income before discontinued operations, interest income net, income tax expense, depletion, depreciation and amortisation, exploration expense, non-cash and other items including stock compensation expense and unrealised commodity derivative loss;
<b>“Adjusted Net Income”</b>	is a non-GAAP financial measure and as used in this Prospectus represents net income before discontinued operations, deferred income tax expense, unrealised commodity derivative loss and non-cash and other items;
<b>“Adjusted Working Capital”</b>	is a non-GAAP financial measure and as used in this Prospectus represents working capital excluding working capital attributable to discontinued operations and current liabilities associated with lease obligations;
<b>“Admission”</b>	means the admission of all the Consideration Shares to the standard segment of the Official List and to trading on the Main Market for listed securities;
<b>“AER”</b>	means the Alberta Energy Regulator;

<b>“AIM”</b>	means the AIM market, a market operated by the LSE;
<b>“Amendment Proposal”</b>	means the proposal to VAALCO’s Stockholders to amend the VAALCO Certificate of Incorporation to increase the number of authorised shares of VAALCO’s Common Shares to 160,000,000;
<b>“Arrangement”</b>	means the business combination transaction of VAALCO and TransGlobe contemplated in the Arrangement Agreement;
<b>“Arrangement Agreement”</b>	means the arrangement agreement, dated 13 July 2022 entered into between VAALCO, AcquireCo and TransGlobe;
<b>“Articles of Arrangement”</b>	means the articles of arrangement of TransGlobe in respect of the Arrangement required under section 193(4.1) of the ABCA to be filed with the Registrar after the Final Order is made to give effect to the Arrangement;
<b>“Atlas”</b>	means Atlas Petroleum (International) Ltd., a corporation organised and existing under the laws of Gibraltar, having its headquarter at 4, Akin Olugbade Street, Victoria Island, Nigeria;
<b>“Audit Committee”</b>	means VAALCO’s audit committee, details of which are set out at paragraph 3.3 of Part 25 ( <i>Directors, Proposed Directors, employees and corporate governance</i> ) of this Prospectus;
<b>“Avouma/South Tchibala Field”</b>	means the field operated by the Etame Consortium known as the Avouma/South Tchibala Field, part of the Etame Marin Block;
<b>“Bareboat Charter”</b>	means the contract dated 31 August 2021 between Vaalco Gabon and World Carrier Offshore Services Corp. in respect of the provision of a floating storage and offloading system on the Etame Marin Permit (Block G4-160) Field, further details of which are set out in paragraph 19.2.6 of Part 26 ( <i>Additional Information</i> ) of this Prospectus;
<b>“BDO USA”</b>	means BDO USA LLP, a limited liability partnership incorporated in the State of Delaware, USA whose address is 2929 Allen Parkway, 20th Floor, Houston, Texas 77019, U.S., the independent auditors to the VAALCO Group;
<b>“Block 5”</b>	means the 1.4 million-acre oil exploration concession off the coast of Angola;
<b>“Block 5 Settlement Agreement”</b>	means the settlement agreement entered into between (1) VAALCO Angola; (2) Sonangol E.P; and (3) Sonangol P&P on 26 February 2019;
<b>“Block P”</b>	means a block offshore Equatorial Guinea known as Block P;
<b>“Block P Consortium”</b>	means the joint venture owners party to the Block P PSC from time to time being (1) VAALO Mauritius; (2) GEPetrol; and (3) Atlas, as at the Last Practicable Date;
<b>“Block P JOA”</b>	means the joint operating agreement entered into on 9 August 2004 between (1) GEPetrol; (2) Ocean; (3) Petronas Carigali Equatorial Guinea Ltd. (now known as VAALCO Mauritius); (4) DNO; and (5) Atlas, further details of which are set out in paragraph 19.2.12 of Part 26 ( <i>Additional information</i> ) of this Prospectus;

<b>“Block P PSC”</b>	means the production sharing contract ratified on 3 April 2003 by the State of Equatorial Guinea between (1) GEPetrol; (2) Petronas Carigali Equatorial Guinea Ltd. (now known as VAALCO Mauritius); (3) Ocean; (4) DNO; and (5) Atlas, further details of which are set out in paragraph 19.2.11 of Part 26 ( <i>Additional information</i> ) of this Prospectus;
<b>“BLR Group”</b>	means each of (1) BLR Partners LP; (2) BLRPart, LP; (3) BLRGP Inc.; (4) Fondren Management, LP; (5) FMLP Inc.; (6) The Radoff Family Foundation; and (7) Bradley L. Radoff;
<b>“Board”</b>	means the board of directors of VAALCO from time to time;
<b>“Business Day”</b>	means a day (not being a Saturday or Sunday) when banks generally are open in the City of London for the transaction of general banking business;
<b>“BWE Consortium”</b>	means the consortium between VAALCO, BW Energy and Panoro Energy;
<b>“Bylaws”</b>	means the bylaws of VAALCO, as amended and restated from time to time;
<b>“Cabinet”</b>	means the Canadian Ministry, being the body of ministerial advisors that sets the federal government’s policies and priorities for Canada;
<b>“CEMAC”</b>	means the Central African Economic and Monetary Community;
<b>“CEO”</b>	means the chief executive officer of VAALCO, who, as at the date of this Prospectus, is George Maxwell;
<b>“Certificate of Incorporation”</b>	means the certificate of incorporation of VAALCO, as amended and restated from time to time;
<b>“Change of Control Agreements”</b>	means the change of control agreements entered into by VAALCO severally with the Executive Officers, details of which are set out at paragraph 14 of Part 26 ( <i>Additional information</i> ) of this Prospectus;
<b>“Closing VWAP”</b>	means the volume weighted average price of a VAALCO Common Share on the NYSE, rounded to four decimal places, and determined without regard to after-hours trading or any other trading outside of the regular trading session trading hours, for the five consecutive trading days ending on the third complete trading day prior to (and excluding) the Effective Date, as reported by Bloomberg;
<b>“Code”</b>	means the Internal Revenue Code of 1986, as amended;
<b>“Code of Business Conduct and Ethics”</b>	means VAALCO’s code of business conduct and ethics policy;
<b>“COGEH”</b>	means the Canadian Oil and Gas Evaluation Handbook;
<b>“Common Shares”</b>	means a common share of \$0.10 par value in VAALCO;
<b>“Compensation Committee”</b>	has the meaning given to it in paragraph 3.4 of Part 25 ( <i>Directors, Proposed Directors, employees and corporate governance</i> ) of this Prospectus;
<b>“Completion”</b>	means the completion of the Arrangement;

<b>“Consideration Shares”</b>	means shares of VAALCO’s Common Shares which serve as the consideration for the Arrangement;
<b>“Corporate Governance Policies”</b>	means VAALCO’s corporate governance policies, details of which are set out at paragraph 3.7 of Part 25 ( <i>Directors, Proposed Directors, employees and corporate governance</i> ) of this Prospectus;
<b>“Corporate Governance Principles”</b>	means VAALCO’s corporate governance principles, details of which are set out at paragraph 3.7 of Part 25 ( <i>Directors, Proposed Directors, employees and corporate governance</i> ) of this Prospectus;
<b>“COSMA”</b>	means Crude Oil Sale and Marketing Agreement;
<b>“Court”</b>	means the Court of King’s Bench of Alberta;
<b>“CREST”</b>	means the relevant system in respect of which Euroclear UK & International Limited is the operator (as defined in the CREST Regulations);
<b>“CREST Regulations”</b>	means the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755);
<b>“Crown Energy”</b>	means Crown Energy Ventures Corporation, a corporation organised and existing under the laws of British Virgin Islands;
<b>“Custodian”</b>	means Computershare Trust Company, N.A. or a subsidiary or third-party appointed by the DI Depositary to provide the custody services;
<b>“Deed Poll”</b>	means the deed poll executed by the DI Depositary in favour of Depositary Interest holders from time to time;
<b>“Dentale Formation”</b>	the hydrocarbon formation known as the Dentale Formation, parts of which are included in the Etame Marin Block;
<b>“Depositary”</b>	means Computershare Investor Services Inc., as depositary in connection with the Arrangement;
<b>“Depositary Agreement”</b>	means the agreement entered into between VAALCO and Computershare Investor Services plc appointing the DI Depositary;
<b>“Depositary Interests”</b>	means the dematerialised depositary interests issued by the Depositary in respect of the underlying Common Shares;
<b>“DGCL”</b>	means the Delaware General Corporation Law;
<b>“DI Depositary”</b>	means Computershare Investor Services plc, acting as depositary in connection with VAALCO’s Depositary Interests;
<b>“Directors”</b>	means the current directors of VAALCO, and <b>“Director”</b> shall mean any one of them;
<b>“Disclosure Guidance and Transparency Rules” or “DTR”</b>	means the disclosure guidance and transparency rules made by the FCA under section 73A of FSMA;
<b>“DNO”</b>	means DNO ASA, a corporation organised and existing under the laws of Gibraltar;

<b>“DRIPA”</b>	means British Columbia’s Declaration on the Rights of Indigenous Peoples Act;
<b>“DSU”</b>	means a deferred share unit issued under the TransGlobe DSU plan, dated 20 May 2014;
<b>“Ebouri Field”</b>	means the field operated by the Etame Consortium known as the Ebouri Field, part of the Etame Marin Block;
<b>“EDGAR”</b>	means the Electronic Data Gathering, Analysis and Retrieval online public database of the SEC;
<b>“Effective Date”</b>	means the date upon which the Arrangement becomes effective, as provided in the Arrangement Agreement;
<b>“Effective Time”</b>	means the time on the Effective Date upon which the Arrangement becomes effective, as provided in the Plan of Arrangement;
<b>“EG MMH”</b>	means the Equatorial Guinea Ministry of Mines and Hydrocarbons;
<b>“Elf”</b>	means Elf Aquitaine S.A.S, the original licence holder to the Etame PSC Employees the employees of VAALCO from time to time;
<b>“Employees”</b>	means the employees of VAALCO from time to time;
<b>“Enlarged Group”</b>	means VAALCO after Completion;
<b>“Enlarged Share Capital”</b>	means all of the VAALCO Common Shares following Completion;
<b>“Etame Consortium”</b>	means the joint venture owners party to the Etame PSC from time to time, being (1) VAALCO Gabon (as field operator); (2) Addax; (3) Sasol; and (4) PetroEnergy, as at the Last Practicable Date;
<b>“Etame Field”</b>	means the field operated by the Etame Consortium known as the Etame Field, part of the Etame Marin Block;
<b>“Etame Fields”</b>	means the (1) Avouma/South Tchibala Field; (2) Ebouri Field; (3) Etame Field; (4) North Tchibala Field; and (5) Southeast Etame Field;
<b>“Etame JOA”</b>	means the joint operating agreement entered into between the Etame Consortium on 4 April 1997, as amended, details of which are set out at paragraph 19.2.2 of Part 26 ( <i>Additional information</i> ) of this Prospectus;
<b>“Etame Lifting Agreement”</b>	the agreement entered into between (1) the Etame Consortium; (2) Tullow; and (3) SNHG on 1 November 2017, details of which are set out at paragraph 19.2.4 of Part 26 ( <i>Additional information</i> ) of this Prospectus;
<b>“Etame Marin Block” or “Etame”</b>	means an area of approximately 46,200 gross acres in the Congo Basin located 20 miles offshore Gabon in depths of approximately 250 feet that contains the Etame Fields;
<b>“Etame PSC”</b>	means the production-sharing contract entered into between (1) the State of Gabon; and (2) the Etame Consortium, dated 7 July 1995 in respect of the Etame Marin Block, as amended, details of which are set out at paragraph 19.2.1 of Part 26 ( <i>Additional information</i> ) of this Prospectus;



<b>“Etame PSC Extension”</b>	means amendment no.6 of the Etame PSC entered into between (1) the State of Gabon; and (2) the Etame Consortium, dated 17 September 2018, extending the term for each of the three EEAs in the Etame Marin Block for a period of ten years with effect from 17 September 2018, with the option for the Etame Consortium to extend for two additional five-year periods;
<b>“Exchange Act”</b>	means the U.S. Securities Exchange Act of 1934 as amended;
<b>“Exchange Ratio”</b>	means 0.6727 of a share of VAALCO’s Common Shares;
<b>“Executive Officers”</b>	means the executive officers of VAALCO from time to time, other than the CEO, whose names, as at the date of this Prospectus, are set out in Part 25 ( <i>Directors, Proposed Directors, employees and corporate governance</i> ) of this Prospectus;
<b>“Existing Common Shares”</b>	means the Common Shares issued (including shares held in treasury and unvested shares which are subject to forfeiture) as at the date of this Prospectus;
<b>“Existing Stockholders”</b>	means the Stockholders as at the date of this Prospectus;
<b>“FASB”</b>	means Financial Accounting Standards Board;
<b>“FCA”</b>	means the Financial Conduct Authority;
<b>“FCPA”</b>	means the U.S. Foreign Corrupt Practices Act 1977;
<b>“Final Order”</b>	means the final order of the Court pursuant to Section 193(4) of the ABCA, in form and substance acceptable to VAALCO and TransGlobe, each acting reasonably, after a hearing upon the procedural and substantive fairness of the terms and conditions of the Arrangement, approving the Arrangement, as such order may be amended, modified, supplemented or varied by the Court (with the consent of VAALCO and TransGlobe, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended on appeal (provided that any such affirmation, amendment, modification, supplement or variation is acceptable to VAALCO and TransGlobe, each acting reasonably);
<b>“FPSO Agreement”</b>	means the agreement entered into between (1) VAALCO Gabon; and (2) Tinworth Limited pursuant to which the Group has leased FPSO Petroleo Nautipa, details of which are set out at paragraph 19.2.5 of Part 26 ( <i>Additional information</i> ) of this Prospectus;
<b>“FPSO Petroleo Nautipa”</b>	means the FPSO previously leased by VAALCO Gabon pursuant to the FPSO Agreement;
<b>“FSMA”</b>	means Financial Services and Markets Act 2000;
<b>“Fuel Materials Law”</b>	means the Egyptian Fuel Materials Law No. 66/1953 as amended and its Executive Regulations issued by Minister of Industry Decree No. 758/1972 as amended;
<b>“FX”</b>	means foreign exchange;
<b>“Gabon”</b>	means Republic of Gabon;

<b>“Gamba Formation”</b>	the hydrocarbon formation known as the Gamba Formation, parts of which are included in the Etame Marin Block;
<b>“GDP”</b>	means gross domestic product;
<b>“GEPetrol”</b>	means Compania Nacional de Petroleos de Guinea Equatorial, a company organised and existing under the laws of Equatorial Guinea, owned by the State of Equatorial Guinea;
<b>“Gladstone Resources”</b>	means Gladstone Resources Limited, a private company incorporated in the State of Delaware, USA under the DGCL, restated as VAALCO on 15 September 1997;
<b>“Group 42”</b>	means each of (1) Group 42, Inc., a corporation incorporated in the State of Delaware, USA with registration file number 2971456 whose address is 312 Pearl Pkwy., Suite 2403, San Antonio, Texas 78215, USA; (2) Paul A. Bell; and (3) Michael Keane;
<b>“Historical Financial Information”</b>	means the consolidated financial statements of the VAALCO Group as referred to in Part 21 ( <i>Historical Financial Information relating to the VAALCO Group</i> ) of this Prospectus and the consolidated financial statements of the TransGlobe Group as referred to in Part 22 ( <i>Historical Financial Information relating to the TransGlobe Group</i> ) of this Prospectus;
<b>“Historical Financial Information Period”</b>	means the period covered by the Historical Financial information;
<b>“HMRC”</b>	means Her Majesty’s Revenue and Customs;
<b>“ICE”</b>	means the Intercontinental Exchange;
<b>“IFC”</b>	means the International Financial Reporting Standards as promulgated by the International Accounting Standards Board in effect from time to time;
<b>“Illustrative Scenarios”</b>	means the hypothetical illustrative scenarios based upon various oil prices that were prepared by VAALCO management following the announcement of its entry into the Arrangement Agreement on 14 July 2022;
<b>“Incentive Award”</b>	means a grant for Options, Restricted Shares, Restricted Share Units, Phantom Shares, SARs or otherwise awarded pursuant to the Incentive Plans;
<b>“Incentive Plans”</b>	means the 2014 LTIP, the 2016 SAR Plan and the 2020 LTIP;
<b>“Interim Order”</b>	means the interim order made after the application to the Court pursuant to subsection 193(4) of the ABCA after being informed of the intention to rely upon the exemption from the registration requirements of the U.S. Securities Act under Section 3(a)(10) thereof with respect to the VAALCO Common Shares issued pursuant to the Arrangement, in form and substance acceptable to VAALCO and TransGlobe, each acting reasonably, providing for, among other things, the calling and holding of the TransGlobe special meeting, as the same may be amended, affirmed, modified, supplemented or varied by the Court with the consent of VAALCO and TransGlobe, each acting reasonably;

<b>“InterOil”</b>	means InterOil Exploration and Production ASA, a public company incorporated and organised under the laws of Norway with company registration access number 988 247 006 and having its main office at c/o Advokatfirmaet Schjødt AS, Ruseløkkveien 14, NO-0251 Oslo, Norway;
<b>“IRS”</b>	means the U. S. International Revenue Service;
<b>“ISIN”</b>	means International Securities Identification Number;
<b>“ISS”</b>	means the Institutional Shareholder Services;
<b>“Last Practicable Date”</b>	means 7 October 2022 being the last practicable date before the date of this Prospectus;
<b>“LEI”</b>	means Legal Entity Identifier;
<b>“LIBOR”</b>	means the London Inter-Bank Offered Rate;
<b>“Listing Rules”</b>	means the listing rules made by the FCA under section 73A of FSMA, as amended from time to time;
<b>“London Stock Exchange” or “LSE”</b>	means London Stock Exchange plc, a public limited company incorporated in England & Wales with company number 02075721 and having its registered office at 10 Paternoster Square, London EC4M 7LS;
<b>“Main Market”</b>	means the Main Market for listed securities of the London Stock Exchange;
<b>“MAR”</b>	means the European Union Market Abuse Regulation (596/2014) which is part of UK law by virtue of the European Union (Withdrawal) Act 2018 as amended by the European Union Withdrawal Act 2020;
<b>“Member State”</b>	means one of the member states of the European Union;
<b>“Mercuria”</b>	means Mercuria Energy Trading SA, a company incorporated under the laws of Switzerland and having its registered office at 50 Rue du Rhone, 1204, Geneva, Switzerland;
<b>“Mercuria COSPA”</b>	means the crude oil sale and purchase agreement entered into between (1) VAALCO Gabon; and (2) Mercuria dated 18 January 2019;
<b>“Merged Concession”</b>	means West Bakr, West Gharib and North West Gharib concessions;
<b>“Merged Concession Agreement”</b>	means the agreement entered into between (1) The Arab Republic of Egypt; (2) The Egyptian General Petroleum Corporation; (3) TransGlobe West Bakr Inc.; (4) TransGlobe West Gharib Inc.; and (5) TG NW Gharib Inc. dated 19 January 2022;
<b>“Nasdaq”</b>	means the Nasdaq Global Select Market;
<b>“Nominating and Corporate Governance Committee”</b>	has the meaning given to it in paragraph 3.5 of Part 25 ( <i>Directors, Proposed Directors, employees and corporate governance</i> ) of this Prospectus;
<b>“North Tchibala Field”</b>	means the field operated by the Etame Consortium known as the North Tchibala Field, part of the Etame Marin Block;

<b>“NYSE”</b>	means the New York Stock Exchange;
<b>“Ocean”</b>	means Ocean Equatorial Guinea Corporation a wholly-owned subsidiary of Devon Energy Corporation and a corporation organised and existing under the laws of the State of Delaware, USA and having its registered office at 1001 Fannin Suite 1600, Houston, Texas 77002, U.S.;
<b>“Official List”</b>	means the official list of the FCA;
<b>“OPEC”</b>	means the Organisation of the Petroleum Exporting Countries;
<b>“Option”</b>	means an option to acquire a Common Share;
<b>“Outside Date”</b>	means 19 October 2022 or such later date as may be agreed to by the parties to the Arrangement Agreement (subject to extension by periods of 15 business days if the Final Order has not been received from the Court, provided that such extensions may not extend the outside date beyond 31 January 2023);
<b>“PDMR”</b>	means person discharging managerial responsibilities, as defined in Article 3(1)(25) of MAR;
<b>“PetroEnergy”</b>	means PetroEnergy Resources Corporation, a public company incorporated in the Republic of the Philippines with having its registered office at 7th Floor, JMT Building, ADB Avenue, Ortigas Center, Pasig City, Metro Manila 1600, Philippines;
<b>“Phantom Share”</b>	means a phantom share in the capital of VAALCO granted to Employees and Directors that will vest over a period determined by the Compensation Committee;
<b>“Plan of Arrangement”</b>	means the plan of arrangement implementing the Arrangement, the form of which is attached as Schedule A to the Arrangement Agreement;
<b>“Preferred Share”</b>	means a preferred share of \$25.00 par value in the capital of VAALCO;
<b>“Premium Listing”</b>	means a listing on the premium segment of the Official List;
<b>“PRMS”</b>	means 2018 Petroleum Resources Management System approved by the Society of Petroleum Engineers;
<b>“Projects”</b>	means VAALCO’s projects at the Etame Marin Block and Block P;
<b>“Proposed Directors”</b>	means David Cook, Edward LaFehr and Timothy Marchant;
<b>“Prospectus”</b>	means this document;
<b>“Prospectus Regulation Rules”</b>	the prospectus regulation rules made by the FCA under section 73A of FSMA;
<b>“PSA”</b>	means a production-sharing agreement;
<b>“PSC”</b>	means a production-sharing contract;
<b>“PSU”</b>	means performance share unit issued under TransGlobe’s PSU plan, dated 16 May 2014 and last amended 8 March 2017;
<b>“Re-admission”</b>	means the readmission of all the Common Shares to the LSE’s main market;

<b>“Register”</b>	means the register of members of VAALCO;
<b>“Restricted Share”</b>	means a restricted share in the capital of VAALCO granted to Employees and Directors that will vest over a period determined by the Compensation Committee;
<b>“Restricted Share Unit”</b>	a promise to deliver a corresponding number of Shares based upon the completion of service, performance conditions, or such other terms and conditions as specified in the award agreement;
<b>“RSU”</b>	means restricted stock unit issued under TransGlobe’s RSU plan, dated 16 May 2014 and last amended 10 May 2016;
<b>“SAR”</b>	means a share appreciation right, being the right to receive a “spread” equal to the excess of the fair market value of a specified number of Common Shares on the date the SAR is exercised over a SAR price specified in the applicable award agreement paid in cash or shares, subject to the provisions of the relevant Incentive Plan under which it is granted and the terms of the applicable agreement;
<b>“SAR Award”</b>	an award for SARs granted pursuant to the 2016 SAR Plan;
<b>“Sasol”</b>	Sasol Gabon S.A., a société anonyme registered to the Registre du Commerce et du Crédit Mobilier de Libreville with company number 2015 B 16969 and having its registered office at 705 Boulevard du Bord de Mer, Immeuble Dumez 6ème Etage, BP 2326 Libreville, Gabon;
<b>“SEC”</b>	means the U.S. Securities and Exchange Commission, an independent agency of the U.S. federal government;
<b>“SEC Rules”</b>	means the rules and regulations of the SEC;
<b>“Securities Act”</b>	means the U.S. Securities Act of 1933, as amended;
<b>“SEENT”</b>	means the Southeast Etame and North Tchibala Fields;
<b>“Share Issuance Proposal”</b>	means the proposal to VAALCO’s Stockholders to approve the issuance of shares of VAALCO’s Common Shares to TransGlobe Shareholders in connection with the Arrangement Agreement;
<b>“Shares”</b>	means a share in the capital of VAALCO;
<b>“SNHG”</b>	means Société Nationale Des Hydrocarbures Du Gabon (Gabon Oil Company);
<b>“Sojitz”</b>	means Sojitz Etame Limited, a private company incorporated in England and Wales with company number 04516702 and having its registered office at 7th Floor, 8 Finsbury Circus, London EC2M 7EA;
<b>“Sonangol E.P.”</b>	means Sociedade Nacional de Combustíveis de Angola – Empresa Pública, a company incorporated in Angola in accordance with Decree No. 52/76, of 9 June 1976, having its headquarters in Rua Rainha Ginga 29-31, Luanda, Republic of Angola;
<b>“Sonangol P&amp;P”</b>	means Sonangol Pesquisa e Produção, SA, a company incorporated in Angola in accordance with Decree No. 52/76, of 9 June 1976, having its with offices in Edifício Torres Atlântico, Av. 4 de Fevereiro No. 197, 12th Floor, Luanda, Angola;

<b>“Southeast Etame Field”</b>	means the field operated by the Etame Consortium known as the Southeast Etame Field, part of the Etame Marin Block;
<b>“Special Meeting”</b>	means the special meeting of Stockholders organised for the purpose of considering and voting on the amendment proposal and the share issuance proposal;
<b>“Standard Listing”</b>	means a listing on the standard segment of the Official List;
<b>“Stockholders”</b>	means the holders of VAALCO shares from time to time;
<b>“Stifel”</b>	means Stifel, Nicolaus & Company, Incorporated as a financial adviser to VAALCO in connection with the Arrangement;
<b>“Strategic Committee”</b>	means VAALCO’s strategic committee, details of which are set out at paragraph 3.6 of Part 25 ( <i>Directors, Proposed Directors, employees and corporate governance</i> ) of this Prospectus;
<b>“SW Grande”</b>	means the Southwest Grande prospect;
<b>“Takeover Panel”</b>	the Panel on Takeovers and Mergers;
<b>“Transfer Agent”</b>	means Computershare Trust Company, N.A. as a transfer agent in connection with the proposed Arrangement;
<b>“TransGlobe”</b>	means TransGlobe Energy Corporation, an Alberta corporation;
<b>“TransGlobe Common Shares”</b>	means the common shares in the authorised share capital of TransGlobe;
<b>“TransGlobe Group”</b>	means TransGlobe and each of the TransGlobe Subsidiaries;
<b>“TransGlobe Option”</b>	means an option to purchase TransGlobe Common Shares granted under the TransGlobe Option Plan;
<b>“TransGlobe Option Plan”</b>	means the TransGlobe Stock Option Plan amended 10 May 2016;
<b>“TransGlobe Resolution”</b>	means the resolution of TransGlobe Shareholders approving the Arrangement;
<b>“TransGlobe Shareholders”</b>	means the holders of a share in the capital of TransGlobe from time to time;
<b>“TransGlobe Subsidiaries”</b>	means the subsidiaries (both direct and indirect) of TransGlobe as at the date of this Prospectus, details of which are set out at paragraph 18.2 of Part 26 ( <i>Additional information</i> ) of this Prospectus;
<b>“Trans Mountain Pipeline”</b>	means the pipeline that carries crude and refined oil from Alberta to the coast of British Columbia in Canada;
<b>“Treasury”</b>	the U.S. Department of the Treasury;
<b>“Treasury Shares”</b>	means the treasury shares in the capital of VAALCO;
<b>“TSX”</b>	means the Toronto Stock Exchange;
<b>“Tullow”</b>	means Tullow Oil Gabon SA, a private company incorporated under the laws of and having its registered office at Rue Louise Charron-Fortin, Batterie 4, BP 9773, Libreville, Gabon, a former participant of the Etame PSC;



<b>“UK”</b>	means the United Kingdom of Great Britain and Northern Ireland;
<b>“UK Bribery Act”</b>	means the UK Bribery Act 2010;
<b>“UK Prospectus Regulation”</b>	Regulation (EU) 2017/1129 of the European Parliament and Council of 14 June 2017 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018;
<b>“UK Takeover Code”</b>	means the City Code on Takeovers and Mergers issued by the Takeover Panel;
<b>“UNDRIP Act”</b>	means the the United Nations Declaration on the Rights of Indigenous Peoples Act which came into force in Canada in June 2021;
<b>“U.S.”</b>	means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
<b>“U.S. GAAP”</b>	means the generally accepted accounting principles in the U.S. in effect from time to time;
<b>“VAALCO”</b>	means VAALCO Energy, Inc.;
<b>“VAALCO Amendment Resolution”</b>	means the resolution of VAALCO’s Stockholders approving the amendment proposal;
<b>“VAALCO Angola”</b>	means VAALCO Angola (Kwanza), Inc., a private company incorporated in the State of Delaware, USA with registration file number 4158022 and having its registered office at 9800 Richmond Avenue, Suite 700, Houston, Texas 77042, U.S.;
<b>“VAALCO Etame”</b>	means VAALCO Gabon (Etame), Inc., a private company incorporated in the State of Delaware, USA with registration file number 2515801 and having its registered office at 9800 Richmond Avenue, Suite 700, Houston, Texas 77042, U.S.;
<b>“VAALCO Gabon”</b>	means VAALCO Gabon S.A., a société anonyme registered to the Registre du Commerce et du Crédit Mobilier de Port-Gentil with company number 2014 B 1487 and having its registered office at Port-Gentil, Zone Industrielle OPRAG – Nouveau Port, Port-Gentil, B.P. 1335 Gabon;
<b>“VAALCO Group”</b>	means VAALCO and each of the VAALCO Subsidiaries;
<b>“VAALCO Mauritius”</b>	means VAALCO Energy (EG) Mauritius Limited., a private company incorporated in Mauritius with company registration number C44133 and having its registered office at 10 Frere Felix de Valois St., Port Louis, Mauritius;
<b>“VAALCO Resolutions”</b>	means the VAALCO Amendment Resolution and the VAALCO Share Issuance Resolution;
<b>“VAALCO Share Issuance Resolution”</b>	means the resolution of VAALCO’s Stockholders approving the share issuance proposal; and
<b>“VAALCO Subsidiaries”</b>	means the subsidiaries (both direct and indirect) of VAALCO as at the date of this Prospectus, details of which are set out at paragraph 18.1 of Part 26 ( <i>Additional information</i> ) of this Prospectus.

## PART 28

### GLOSSARY OF TECHNICAL TERMS

The following provides an explanation of certain technical terms and abbreviations used in this Prospectus. The terms and their assigned meanings may not correspond to standard industry meanings or usage of these terms.

#### Glossary

<b>1C</b>	low estimate scenario of contingent resources;
<b>1P</b>	proved;
<b>1U</b>	low estimate scenario of prospective resources;
<b>2C</b>	best estimate scenario of contingent resources;
<b>2P</b>	proved plus probable;
<b>2U</b>	best estimate scenario of prospective resources;
<b>3C</b>	high estimate scenario of contingent resources;
<b>3P</b>	proved plus probable plus possible;
<b>3U</b>	high estimate scenario of prospective resources;
<b>ANAPGB</b>	Angola National Agency of Petroleum, Gas, and Biofuels;
<b>BBBL</b>	billion barrels;
<b>BBL</b>	barrel, equivalent to 42 U.S. gallons;
<b>BCF</b>	billion cubic feet;
<b>BOE</b>	barrel of oil equivalent;
<b>BOPD</b>	barrels of oil per day;
<b>Brent</b>	Brent crude oil;
<b>contingent resources</b>	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies;
<b>Dated Brent</b>	a cargo of North Sea Brent that has been assigned a date when it will be loaded onto a tanker as published by the Platts Crude Oil Marketwire;
<b>/d</b>	per day;
<b>E&amp;P</b>	exploration and production;
<b>EEA</b>	exclusive exploitation authorisation;
<b>EG MMH</b>	Equatorial Guinea Ministry of Mines;
<b>EGPC</b>	Egyptian General Petroleum Corporation;
<b>EIS</b>	environmental impact study;

<b>ESP</b>	electric submersible pumps;
<b>FB</b>	fault block;
<b>FID</b>	final investment decision;
<b>FPSO</b>	floating, production, storage and offloading vessel;
<b>FSO</b>	floating storage and offloading unit;
<b>H<sub>2</sub>S</b>	hydrogen sulphide;
<b>IOCs</b>	international oil companies;
<b>LNG</b>	liquefied natural gas;
<b>MBBL</b>	thousand barrels;
<b>MBOE</b>	thousands of barrels of oil equivalent;
<b>MBOPD</b>	thousands of barrels of oil per day;
<b>MMBBL</b>	million barrels;
<b>MMBO</b>	million barrels of oil;
<b>MMBOE</b>	millions of barrels of oil equivalent;
<b>NGLs</b>	natural gas liquids;
<b>NRI</b>	net revenue interest;
<b>OTC</b>	over-the-counter;
<b>OPEC+</b>	Organization of Petroleum Exporting Countries and other oil producing nations;
<b>P<sub>g</sub></b>	probability of geological success;
<b>PDA</b>	provisional development area;
<b>possible reserves</b>	those additional reserves that analysis of geoscience and engineering data indicates are less likely to be recoverable than probable reserves;
<b>probable reserves</b>	those additional reserves that analysis of geoscience and engineering data indicates are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves;
<b>Prospect</b>	a project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target;
<b>prospective resources</b>	those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations;
<b>proved reserves</b>	those quantities of petroleum that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from a given date forward from known reservoirs and under defined economic conditions, operating methods, and government regulations;
<b>PSC</b>	production sharing contract;

<b>Rabi Blend</b>	Rabi Blend crude oil;
<b>reserves</b>	those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions;
<b>resources</b>	petroleum quantities that originally existed on or within the earth's crust in naturally occurring accumulations, including discovered and undiscovered (recoverable and unrecoverable) plus quantities already produced, total resources is equivalent to total petroleum initially-in-place;
<b>SEENT</b>	Southeast Etane North Tchibala;
<b>TD</b>	total depth;
<b>WI</b>	working interest; and
<b>WTI</b>	West Texas Intermediate.

### Conversions

The following provides certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

<i>To convert to</i>	<i>From</i>	<i>Multiply by</i>
1,000 cubic metres of gas	MCF	35.494
barrel	cubic metres of oil	0.158
cubic metres of oil	barrel	6.290
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471

