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

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 25, 2021

VAALCO Energy, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	001-32167 (Commission File Number)	76-0274813 (IRS Employer Identification No.)

9800 Richmond Avenue, Suite 700 Houston, Texas (Address of principal executive offices)	77042 (Zip Code)

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

Not Applicable
(Former name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.10	EGY	New York Stock Exchange
Common Stock, par value $0.10	EGY	London Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933(§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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

EXPLANATORY NOTE

On March 1, 2021, VAALCO Energy, Inc. (the "Company") filed a Current Report on Form 8-K (the "Initial Form 8-K") to report the completion of the purchase by VAALCO Gabon S.A. ("VAALCO Gabon"), a wholly-owned subsidiary of the Company, of the working interests of Sasol Gabon S.A. ("Sasol") in certain oil and gas producing properties in the Etame Marin block offshore Gabon (the "Sasol Acquisition Properties").

The Initial Form 8-K also stated that the required financial statements and pro forma financial information related to the Sasol Acquisition Properties would be filed by an amendment to the Initial Form 8-K. This amendment on Form 8-K/A amends and supplements the Initial Form 8-K to include the financial statements and pro forma financial information as described in Items 9.01(a) and 9.01(b). No other amendments are being made to the Initial Form 8-K. This Current Report on Form 8-K/A should be read in conjunction with the Initial Form 8-K, which provides a more complete description of the transaction.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The audited Statements of Revenues and Direct Operating Expenses of the Sasol Acquisition Properties for the years ended December 31, 2020 and 2019 and related notes and the related unaudited supplementary disclosure for oil and gas activities are attached as Exhibit 99.1 hereto and incorporated herein by reference.

(b) Pro Forma Financial Information.

The Unaudited Pro Forma Consolidated Financial Statements of the Company as of and for the year ended December 31, 2020 and the related notes showing the pro forma effects of acquiring the Sasol Acquisition Properties are attached hereto as Exhibit 99.2 and incorporated herein by reference.

(d) Exhibits

Exhibit No.	Description of Exhibit
23.1	Consent of BDO USA, LLP.
99.1	Audited Statements of Revenues and Direct Operating Expenses of the Sasol Acquisition Properties for the years ended December 31, 2020 and 2019 and related notes and the related unaudited supplementary disclosure for crude oil and natural gas activities.
99.2	Unaudited Pro Forma Consolidated Financial Statements of the Company as of and for the year ended December 31, 2020 and the related notes showing the pro forma effects of acquiring the Sasol Acquisition Properties.
104	The cover page from this Current Report on Form 8-K, formatted in Inline XBRL

SIGNATURE

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

VAALCO Energy, Inc.
(Registrant)

Date: May 11, 2021

By: /s/ Jason Doornik
Name: Jason Doornik
Title: Chief Accounting Officer and Controller

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

VAALCO Energy, Inc.
Houston, Texas

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-239424, 333-218824 and 333-197180) of VAALCO Energy, Inc. ("VAALCO") of our report dated May 11, 2021, relating to the statements of revenues and direct operating expenses of the Sasol Acquired Properties, which appear in VAALCO's Current Report on Form 8-K dated May 11, 2021.

/s/ BDO USA, LLP

Houston, Texas
May 11, 2021

Exhibit 99.1

Independent Auditor's Report

VAALCO Energy, Inc.
Houston, Texas

Opinion

We have audited the accompanying statements of revenues and direct operating expenses of the Sasol Acquired Properties as defined in Note 1, for the years ended December 31, 2020 and 2019, and the related notes to the statements of revenues and direct operating expenses.

In our opinion, the statements of revenues and direct operating expenses present fairly, in all material respects, the revenues and direct operating expenses of the Sasol Acquired Properties for the years ended December 31, 2020 and 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

The accompanying statements of revenues and direct operating expenses were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and are not intended to be a complete presentation of the results of operations of the Sasol Acquired Properties. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the statements of revenues and direct operating expenses in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statements of revenues and direct operating expenses that are free from material misstatement, whether due to fraud or error.

In preparing the statements of revenues and direct operating expenses, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the statements of revenues and direct operating expenses are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the statements of revenues and direct operating expenses as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statements of revenues and direct operating expenses, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statements of revenues and direct operating expenses.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statements of revenues and direct operating expenses.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/BDO USA, LLP

May 11, 2021

SASOL ACQUISITION PROPERTIES
STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	Sasol Acquisition Properties For the Year Ended December 31,	
	2020	2019
	(in thousands)	
Revenues	$ 60,023	$ 75,521
Direct operating expenses		
Production expense	33,944	34,342
Exploration expense	3,206	—
Total direct operating costs and expenses	37,150	34,342
Excess of revenues over direct operating expenses	$ 22,873	$ 41,179

See accompanying notes to the Statements of Revenues and Direct Operating Expenses

1. PROPERTIES AND BASIS OF PRESENTATION

On February 25, 2021, VAALCO Gabon S.A. (“VAALCO Gabon”), a wholly-owned subsidiary of VAALCO Energy, Inc. (the “Company”) completed its acquisition of Sasol Gabon S.A.’s (“Sasol’s”) 27.8% working interest in the Etame Marin block offshore Gabon (the “Sasol Acquisition Properties”) pursuant to the sale and purchase agreement (“SPA”) dated November 17, 2020 (the “Sasol Acquisition”). The effective date of the transaction was July 1, 2020. The aggregate purchase price was $44 million, less working capital adjustments from the effective date to the closing date. At closing the amount paid to Sasol included $4.3 million paid at the signing of the SPA, $29.6 million representing the remining purchase consideration at closing, and $5 million contingent payment earned as the average Dated Brent price over a consecutive 90-day period from July 1, 2020 to June 30, 2022 exceeded $60.00 per barrel. The contingent payment was paid on April 29, 2021.

Prior to the Sasol Acquisition, the Company owned and operated a 31.1% working interest in Etame. The Sasol Acquisition Properties increased the Company’s working interest to 58.8%, almost doubling the Company’s total production and reserves. As a result of the acquisition, the net portion of production and costs relating to the Company’s Etame operations increased from 31.1% to 58.8% on February 25, 2021.

The accompanying statements of revenues and direct operating expenses represent the acquired net working and net revenue interests of the Sasol Acquisition Properties. The accompanying statements of revenues and direct operating expenses vary from a complete income statement in accordance with accounting principles generally accepted in the United States of America in that they do not reflect certain expenses incurred in connection with the ownership and operation of the Sasol Acquisition Properties, including but not limited to depreciation, depletion and amortization, accretion of asset retirement obligations, general and administrative expenses, interest expense and income taxes. Furthermore, no balance sheet has been presented for the Sasol Acquisition Properties because the acquired properties were not accounted for as or operated as a separate subsidiary or division by Sasol and complete historical financial statements are not available, nor has information about the Sasol Acquisition Properties’ operating, investing and financing cash flows been provided for similar reasons. Accordingly, the historical statements of revenues and direct operating expenses of the Sasol Acquisition Properties are presented in lieu of complete financial statements required by the Securities and Exchange Commission. The accompanying statements of revenues and direct operating expenses are presented on the accrual basis of accounting and were derived from the historical accounting records of the Company as operator of the Sasol Acquisition Properties. Such amounts may not be representative of future operations.

With respect to the novel strain of coronavirus (“COVID-19”), a global pandemic was declared by the World Health Organization on March 11, 2020. As a result of the pandemic, many companies have experienced disruptions in their operations and in markets served. The Company has instituted some and may take additional temporary precautionary measures intended to help ensure the well-being of its employees and minimize business disruption. Such measures include social distancing measures and actively screening and monitoring employees and contractors that come on to the Company’s facilities. The adverse economic effects of the COVID-19 outbreak have materially decreased demand for crude oil based on the restrictions in place by governments trying to curb the outbreak and changes in consumer behavior. This has led to a significant global oversupply of crude oil and consequently a substantial decrease in crude oil prices.

In response to the oversupply of crude oil, global crude oil producers, including the Organization of Petroleum Exporting Countries and other oil producing nations ("OPEC+"), reached agreement in April 2020 to cut crude oil production. Further, in connection with the OPEC+ agreement, the Minister of Hydrocarbons in Gabon requested that the Company reduce its production. In response to such request from the Minister of Hydrocarbons, beginning in July 2020 and continuing through June 30, 2021, the Company has temporarily reduced production from the Etame Marin block.

The full extent of the future impacts of COVID-19 on the Company's operations is uncertain. A prolonged outbreak may have a material adverse impact on financial results and business operations of the Company, including the timing and ability of the Company to complete future drilling campaigns and other efforts required to advance the development of its crude oil and natural gas properties.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of the accompanying statements of revenues and direct operating expenses in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and direct operating expenses during the reporting periods. The estimates include oil and gas revenue accruals and reserve quantities. It is emphasized that reserve estimates are inherently imprecise and that estimates of new discoveries and undeveloped locations are more imprecise than estimates of established proved producing oil and natural gas properties. Actual results could materially differ from these estimates.

Revenue recognition

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

Direct operating expenses

Direct operating expenses are recognized when incurred and consist of direct expenses of operating the Sasol Acquisition Properties. The direct operating expenses include production expense and exploration expense. Production expenses include lifting costs, the costs to operate and maintain wells and related equipment and facilities and include:

(1) Costs of labor to operate the wells and related equipment and facilities.
(2) Repairs and maintenance.
(3) Materials, supplies, and fuel consumed and supplies utilized in operating the wells and related equipment and facilities. Property taxes and insurance applicable to proved properties and wells and related equipment and facilities.
(4) Severance taxes.

3. COMMITMENTS AND CONTINGENCIES

Under a Joint Operating Agreement, Sasol was responsible for the timely payment of cash calls by the operator of the Etame Marin Block and the other co-owners to pay for 27.75% of operating costs and 30% of capital costs.

4. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 11, 2021, the date the statements of revenues and direct operating expenses were available to be issued, and has concluded that no events need to be reported in relation to these periods.

5. SUPPLE MENTAL OIL AND GAS RESERVE INFORMATION (Unaudited)

The reserve estimates were developed pursuant to procedures prescribed under generally accepted accounting principles (“GAAP”) and uses reserve and production data based on internal estimates by Company’s management using historical data and other information from the records as operator of the Sasol Acquisition Properties.

There are numerous uncertainties inherent in estimating quantities of proved oil and natural gas reserves. Oil and natural gas reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be precisely measured and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, testing and production subsequent to the date of the estimate may justify revision of such estimate. Accordingly, reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered.

The following table sets forth the estimated net proved developed crude oil and natural gas reserves and the changes during the respective periods related to the Sasol Acquisition Properties, which are located offshore Gabon at December 31, 2020 and December 31, 2019:

Estimated Quantities of Proved Reserves

	Sasol Acquisition Properties Oil (MBbls)
Proved reserves:	
Balance at January 1, 2019	4,798
Production	(1,134)
Revisions of previous estimates	773
Balance at December 31, 2019	4,437
Production	(1,587)
Extensions and discoveries	444
Revisions of previous estimates	(421)
Balance at December 31, 2020	2,873
Proved developed reserves:	
Balance at January 1, 2019	3,027
Balance at December 31, 2019	4,437
Balance at December 31, 2020	2,873
Proved undeveloped reserves:	
Balance at January 1, 2019	1,771
Balance at December 31, 2019	-
Balance at December 31, 2020	-

Standardized Measure of Discounted Future Net Cash Flows

The information that follows has been developed pursuant to procedures prescribed under GAAP and uses reserve and production data estimated by independent petroleum consultants using historical data and other information from the records of the of the Company as operator of the Sasol Acquisition Properties.

The standardized measure of discounted future net cash flows are based on the unweighted average, first-day-of-the-month price. The projections should not be viewed as realistic estimates of future cash flows, nor should the "standardized measure" be interpreted as representing current value to the Sasol Acquisition Properties. Material revisions to estimates of proved reserves may occur in the future; development and production of the reserves may not occur in the periods assumed; actual prices realized are expected to vary significantly from those used; and actual costs may vary.

The standardized measure of discounted future net cash flows represents the present value of estimated future net cash flows from net proved oil and natural gas reserves, less estimated future development, production, plugging and abandonment costs, and estimated future income tax expenses, discounted at 10% per annum to reflect timing of future cash flows. Production costs do not include depreciation, depletion and amortization of capitalized acquisition, exploration and development costs.

The following table sets forth the standardized measure of discounted future net cash flows attributable to the Sasol Acquisition Properties proved oil and natural gas reserves as of December 31, 2020 and December 31, 2019:

	Sasol Acquisition Properties As of December 31,	
	2020	2019
	(in thousands)	
Future cash inflows	$ 123,599	$ 285,653
Future production costs	(88,832)	(173,009)
Future development costs [(1)]	(9,476)	(11,400)
Future income tax expense	(12,438)	(32,219)
Future net cash flows	12,853	69,025
Discount to present value at 10% annual rate	311	(6,094)
Standardized measure of discounted future net cash flows	$ 13,164	$ 62,931

(1) Includes costs expected to be incurred to abandon the properties

Future income taxes represent amounts payable to the Government of Gabon on Profit Oil as final payment of corporate income taxes, and domestic income taxes (including other expenses treated as taxes).

In accordance with the current guidelines of the Securities and Exchange Commission ("SEC"), estimates of future net cash flow from the Sasol Acquisition Properties and the present value thereof are made using an unweighted, arithmetic average of the first-day-of-the-month price for each of the 12 months of the year adjusted for quality, transportation fees and market differentials. Such prices are held constant throughout the life of the properties except where such guidelines permit alternate treatment, including the use of fixed and determinable contractual price escalations. For 2020, the average of such prices was $42.46 per Bbl for crude oil from Gabon.

Changes in Standardized Measure of Discounted Future Net Cash Flows

The following table sets forth the changes in standardized measure of discounted future net cash flows attributable to the Sasol Acquisition Properties proved oil and natural gas reserves for the years ended December 31, 2020 and 2019.

	Sasol Acquisition Properties For the Year Ended December 31,	
	2020	2019
	(in thousands)	
Balance at beginning of period	$ 62,931	$ 71,531
Sales of crude oil and natural gas, net of production costs	(26,697)	(41,882)
Net changes in prices and production costs	(47,703)	(4,573)
Extensions and discoveries	8,988	—
Revisions of previous quantity estimates	(9,726)	25,842
Changes in estimated future development costs	1,068	(3,604)
Development costs incurred during the period	653	6,420
Accretion of discount	9,012	9,985
Net change of income taxes	15,758	1,135
Change in production rates (timing) and other	(1,120)	(1,923)
Balance at end of period	$ 13,164	$ 62,931

Exhibit 99.2

VAALCO ENERGY, INC AND SUBDIDIARIES
UAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

On February 25, 2021, VAALCO Gabon S.A. ("VAALCO Gabon"), a wholly-owned subsidiary of VAALCO Energy, Inc, (the "Company"), completed the acquisition of Sasol Gabon S.A.'s ("Sasol's") 27.8% working interest in the Etame Marin block offshore Gabon (the "Sasol Acquisition Properties") pursuant to the sale and purchase agreement ("SPA") dated November 17, 2020 (the "Sasol Acquisition"). The effective date of the transaction was July 1, 2020. The aggregate purchase price was $44 million, less working capital adjustments from the effective date to the closing date. At closing the amount paid to Sasol included $4.3 million paid at the signing of the SPA, $29.6 million representing the remining purchase consideration at closing, and $5.0 million contingent payment earned as the average Dated Brent price over a consecutive 90-day period from July 1, 2020 to June 30, 2022 exceeded $60.00 per barrel. The contingent payment was paid on April 29, 2021.

Prior to the Sasol Acquisition, the Company owned and operated a 31.1% working interest in Etame. The Sasol Acquisition Properties increased the Company's working interest to 58.8%, almost doubling the Company's total production and reserves. As a result of the acquisition, the net portion of production and costs relating to the Company's Etame operations increased from 31.1% to 58.8% on February 25, 2021.

The following unaudited pro forma condensed combined financial information and related notes are based on the historical consolidated financial statements of VAALCO Energy, Inc. (the "Company" and also referred to as "we," "us," or "our"), adjusted on a pro forma basis to give effect to its acquisition of Sasol's 27.8% working interest in the Etame Marin block offshore Gabon as described above. For purposes of the pro forma financial information, the Sasol Acquisition was assumed to be funded from cash on hand and the accrual of contingent purchase consideration as described above.

The unaudited pro forma condensed combined balance sheet has been prepared to reflect the Sasol Acquisition as if it occurred on December 31, 2020. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2020 has been prepared to reflect the acquisition as if it occurred on January 1, 2020.

This unaudited proforma condensed combined financial statements and the accompanying unaudited pro forma notes should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 9, 2021, including the Company's historical financial statements and related notes for the year ended December 31, 2020, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" included therein; and, the audited statements of revenues and direct operating expenses for the Sasol Acquisition Properties for the years ended December 31, 2020 and 2019 as reported in Exhibit 99.1 of this Current Report on Form 8-K/A.

The transaction accounting adjustments for the Sasol Acquisition Properties consist of those necessary to account for the acquisition. The unaudited pro forma condensed combined financial statements presented herein are based on the assumptions and adjustments described in the accompanying unaudited pro forma notes. The unaudited pro forma condensed combined financial statements are presented for illustrative purposes and are not necessarily indicative of what the financial position might have been or what results of operations might have been achieved had the Sasol Properties Acquisition occurred as of the dates indicated or the financial position or results of operations that might be achieved for any future periods.

VAALCO ENERGY, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
December 31, 2020

	VAALCO Historical 2020	Transaction Accounting Adjustments	Notes	VAALCO Pro Forma Combined
ASSETS		*(in thousands)*		
Current assets:				
Cash and cash equivalents	$ 47,853	$ (29,639)	(a)	**$ 18,214**
Restricted cash	86			**86**
Receivables:				
Trade	—	11,156	(a)	**11,156**
Accounts with joint venture owners	3,587	64	(a)	**3,651**
Other	4,331	(4,320)	(a)	**11**
Crude oil inventory	3,906	2,709	(a)	**6,615**
Prepayments and other	4,215	1,254	(a)	**5,469**
Total current assets	63,978	(18,776)		**45,202**
Crude oil and natural gas properties, equipment and other - successful efforts method, net	37,036	42,744	(a)	**79,780**
Other noncurrent assets:				
Restricted cash	925			**925**
Value added tax and other receivables	4,271	1,234	(a)	**5,505**
Right of use operating lease assets	22,569			**22,569**
Abandonment funding	12,453	11,781	(a)	**24,234**
Total assets	$ 141,232	$ 36,983		**$ 178,215**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$ 16,690	$		**$ 16,690**
Accounts with joint venture owners	4,945			**4,945**
Accrued liabilities and other	17,184	4,647	(b)	**21,831**
		10,122	(a)	**10,122**
		950	(c)	**950**
Operating lease liabilities - current portion	12,890			**12,890**
Foreign income taxes payable	860			**860**
Current liabilities - discontinued operations	7			**7**
Total current liabilities	52,576	15,719		**68,295**
Asset retirement obligations	17,334	14,564		**31,898**
Operating lease liabilities - net of current portion	9,671			**9,671**
Other long-term liabilities	193			**193**
Total liabilities	79,774	30,283		**110,057**
Commitments and contingencies				
Shareholders' equity:				
Preferred stock, $25 par value; 500,000 shares authorized, none issued	—			**—**
Common stock, $0.10 par value; 100,000,000 shares authorized, 67,897,530 shares issued, 57,531,154 shares outstanding	6,790			**6,790**
Additional paid-in capital	74,437			**74,437**
Less treasury stock, 10,366,376 shares at cost	(42,421)			**(42,421)**
Retained earnings	22,652	7,650	(a)	**30,302**
		(950)	(c)	**(950)**
Total shareholders' equity	61,458	6,700		**68,158**
Total liabilities and shareholders' equity	$ 141,232	$ 36,983		**$ 178,215**

See accompanying notes to unaudited pro forma condensed combined financial statements

VAALCO EENERGY, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2020
(in thousands, except per share amounts)

	VAALCO Historical	Sasol Acquisition Properties		Transaction Accounting Adjustments	Notes	VAALCO Pro Forma Combined
		(in thousands, except per share amounts)				
Revenues	$ 67,176	$ 60,023	(aa)			**$ 127,199**
Operating Costs and expenses						
Production expense	37,315	33,944	(aa)			**71,259**
Exploration expense	3,588	3,206	(aa)			**6,794**
Depreciation, depletion and amortization	9,382			12,512	(bb)	**21,894**
Impairment of proved crude oil and natural gas properties	30,625					**30,625**
General and administrative expense	10,695					**10,695**
Bad debt expense and other	1,165					**1,165**
Total operating costs and expenses	92,770	37,150		12,512		**142,432**
Other operating expense, net	(1,669)	-				**(1,669)**
Operating loss	(27,263)	22,873		(12,512)		**(16,902)**
Other income:						
Derivative instruments gain, net	6,577					**6,577**
Interest income, net	155					**155**
Other, net	129			6,044	(cc)	**6,173**
				(751)	(ee)	**(751)**
Total other income, net	6,861	-		5,293		**12,905**
Income (loss) from continuing operations before income taxes	(20,402)	22,873		(7,219)		**(3,997)**
Income tax expense (benefit)	27,681			3,981	(dd)	**31,662**
Loss from continuing operations	(48,083)	22,873		(11,200)		**(35,659)**
Loss from discontinued operations, net of tax	(98)					**(98)**
Net loss	$ (48,181)	$ 22,873		(11,200)		**$ (35,757)**
Basic net income (loss) per share:						
Loss from continuing operations	$ (0.83)					**$ (0.62)**
Loss from discontinued operations, net of tax	0.00					**0.00**
Net loss per share	$ (0.83)					**$ (0.62)**
Basic weighted average shares outstanding	57,594					**57,594**
Diluted net income (loss) per share:						
Loss from continuing operations	$ (0.83)					**$ (0.62)**
Loss from discontinued operations, net of tax	0.00					**0.00**
Net loss per share	$ (0.83)					**$ (0.62)**
Diluted weighted average shares outstanding	57,594					**57,594**

See accompanying notes to unaudited pro forma condensed combined financial statements

1. **DESCRIPTION OF TRANSACTION**

On February 25, 2021, VAALCO Gabon S.A. ("VAALCO Gabon"), a wholly-owned subsidiary of VAALCO Energy, Inc, (the "Company"), completed the acquisition of Sasol Gabon S.A.'s ("Sasol's") 27.8% working interest in the Etame Marin block offshore Gabon(the "Sasol Acquisition Properties") pursuant to the sale and purchase agreement ("SPA") dated November 17, 2020 (the "Sasol Acquisition"). The effective date of the transaction was July 1, 2020. The aggregate purchase price was $44 million, less working capital adjustments from the effective date to the closing date. At closing the amount paid to Sasol included $4.3 million paid at the signing of the SPA, $29.6 million representing the remining purchase consideration at closing, and $5.0 million contingent payment earned as the average Dated Brent price over a consecutive 90-day period from July 1, 2020 to June 30, 2022 exceeded $60.00 per barrel. The contingent payment was paid on April 29, 2021.

Prior to the Sasol Acquisition, the Company owned and operated a 31.1% working interest in Etame. The Sasol Acquisition Properties increased the Company's working interest to 58.8%, almost doubling the Company's total production and reserves. As a result of the acquisition, the net portion of production and costs relating to the Company's Etame operations increased from 31.1% to 58.8% on February 25, 2021.

2. **BASIS OF PRESENTATION**

The unaudited pro forma condensed combined balance sheet gives effect to the Sasol Acquisition Properties as of December 31, 2020. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2020 gives effect to the Sasol Acquisition Properties as if it occurred on January 1, 2020.

The unaudited pro forma condensed combined financial statements were derived by adjusting the Company's historical financial statements for the Sasol Acquisition Properties. The unaudited pro forma condensed combined financial statements are provided for informational purposes only and are not indicative of the Company's financial position or results of operations had the transaction been consummated on the dates indicated or financial position or results of operations for any future period or date.

This unaudited proforma condensed combined financial statements and the accompanying unaudited pro forma notes should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 9, 2021, including the Company's historical financial statements and related notes for the year ended December 31, 2020, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" included therein; and, the audited statements of revenues and direct operating expenses for the Sasol Acquisition Properties for the year ending December 31, 2020 as reported in Exhibit 99.1 of this Amendment No. 1 to Current Report on Form 8-K/A.

3. **PRO FORMA ADJUSTMENTS**

The following pro forma adjustments have been reflected in the unaudited pro forma condensed combined financial statements. Such information does not purport to be indicative of the results of operations or financial position that actually would have resulted had the Sasol Acquisition Properties occurred on the date indicated, nor is it indicative of the results that may be expected in future periods. The pro forma adjustments are based upon information and assumptions available at the time of filing the Current Report on Form 8-K/A to which these unaudited pro forma condensed combined financial statements are an exhibit.

The allocation of the purchase price of the Sasol Acquisition to the fair value of the assets acquired and liabilities assumed is as follows:

		Sasol Acquisition (in thousands)
Purchase Consideration		
Cash	$	33,959
Fair value of contingent consideration		4,647
Total purchase consideration	$	38,606

		Sasol Acquisition (in thousands)
Assets acquired:		
Wells, platforms and other production facilities and equipment and other	$	42,744
Value added tax and other receivables		1,234
Abandonment funding		11,781
Accounts receivable - trade and accounts with joint venture owners		11,220
Other current assets		3,963
Liabilities assumed and other :		
Asset retirement obligations		(14,564)
Accrued liabilities and other		(11,072)
Bargain purchase gain		(6,700)
Total purchase price	$	38,606

The Company made the following adjustments and assumptions in the preparation of the unaudited pro forma condensed combined balance sheet.

(a) The allocation of the purchase price to the assets acquired and liabilities assumed is preliminary and, therefore subject to change.

(b) Included in accrued liabilities and other is the $4.7 million fair value of the contingent consideration assumed as part of the purchase consideration in SPA.

(c) Included in accrued liabilities and as a reduction to retained earnings is the success fee associated with the acquisition.

Cash consideration consisted of (i) a cash deposit of approximately $4.3 million paid on the SPA execution date and (ii) a final cash settlement payment of $29.6 million paid at closing on February 25, 2021.

In addition, under the terms of the SPA, a contingent payment of $5.0 million will be payable to Sasol should the average Dated Brent price over a consecutive 90-day period from July 1, 2020 to June 30, 2022 exceed $60.00 per barrel. The contingent consideration was recognized at fair value and has been classified as a liability in the unaudited pro forma condensed combined balance sheet. The fair value of the contingent consideration was determined using the Monte Carlo simulation valuation method based on Level 2 inputs. The key inputs included the quoted market price for Dated Brent crude oil, market volatility of Brent crude, the risk-free rate based on U.S. dollar overnight indexed swaps and a market discount rate based on the Company's credit rating. The Contingent payment was achieved and paid on April 29, 2021.

All assets acquired and liabilities assumed associated with Sasol's interest in Etame Marin block, including oil and gas properties, asset retirement obligations and working capital items were recorded at their fair value. In determining the fair value of the oil and gas properties, we prepared estimates of oil and natural gas reserves. We used estimated future prices to apply to the estimated reserve quantities acquired and the estimated future operating and development costs to arrive at the estimates of future net revenues. The valuations to derive the purchase price included the use of both proved and unproved categories of reserves, expectation for timing and amount of future development and operating costs, projections of future rates of production, expected recovery rates, and risk adjusted discount rates. Other significant estimates were used by management to calculate fair value of assets acquired and liabilities assumed. We may record purchase price adjustments as a result of changes in such estimates. These assumptions represent Level 3 inputs.

The Company made the following adjustments and assumptions in the preparation of the unaudited pro forma condensed combined statement of operations.

(aa) These pro forma adjustments reflect additional revenues and operating costs and expenses related to the acquisition of Sasol's 27.8% working interest in the Etame Marin block offshore Gabon.

(bb) Reflects depletion, depreciation, accretion and amortization of wells, platforms and other production facilities associated with the Sasol Acquisition using a unit-of-production basis under the successful efforts method of accounting.

(cc) Reflects the bargain purchase gain recognized in the transaction as the pro forma amounts assume the transaction closed as of January 1, 2020. The bargain purchase gain is primarily attributable to the increase in oil price forecast used when the SPA signed, November 17, 2020, and the oil price forecast on the closing date, February 25, 2001, when the fair value of the reserves associated with the acquisition were determined.

(dd) Reflects the estimated incremental income tax provision associated with the additional operating income from the additional Sasol interests acquired and the pro forma adjustments made.

(ee) Reflects the success fee paid at closing to advisors as part of acquiring Sasol's interest in the Etame Marin Block.

4. SUPPLEMENTAL PRO FORMA COMBINED OIL AND GAS RESERVE AND STANDARDIZED MEASURE INFORMATION (UNAUDITED)

The following table sets forth unaudited pro forma information with respect to the Company's estimated proved reserves, including changes therein, and proved developed and proved undeveloped reserves for the year ended December 31, 2020, giving effect to the Sasol Acquisition Properties as if it had occurred on January 1, 2020. There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of development expenditures, including many factors beyond the Company's control. Reserve engineering is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. The quantities of crude oil and natural gas that are ultimately recovered, production and operating costs, the amount and timing of future development expenditures and future crude oil and natural gas sales prices may all differ from those assumed in these estimates. The standardized measure of discounted future net cash flows should not be construed as the current market value of the estimated crude oil and natural gas reserves attributable to the properties. The information set forth in the foregoing tables includes revisions for certain reserve estimates attributable to proved properties included in the preceding year's estimates. Such revisions are the result of additional information from subsequent completions and production history from the properties involved or the result of a decrease (or increase) in the projected economic life of such properties resulting from changes in product prices. Moreover, crude oil amounts shown for Gabon are recoverable under a service contract and the reserves in place at the end of the contract period remain the property of the Gabon government.

Estimated Quantities of Proved Reserves

	VAALCO Historical	**Sasol Acquisition Properties**	**Pro Forma Combined**
	Oil (MBbls)	**Oil (MBbls)**	**Oil (MBbls)**
Proved reserves:		*(in thousands)*	
Balance at January 1, 2020	4,966	4,437	9,403
Production	(1,776)	(1,587)	(3,363)
Extensions and discoveries	497	444	941
Revisions of previous estimates	(471)	(421)	(892)
Balance at December 31, 2020	3,216	2,873	6,089

The following pro forma standardized measure of the discounted net future cash flows and changes applicable to proved reserves reflect the effect of income taxes assuming the Sasol Acquisition had been subject to income taxes payable to the Government of Gabon on Profit Oil as final payment of corporate income taxes, and domestic income taxes (including other expenses treated as taxes) as of December 31, 2020. The future net cash flows are based on a 10% annual discount rate.

Changes in Standardized Measure of Discounted Future Net Cash Flows

	VAALCO Historical	Sasol Acquisition Properties	Pro Forma Combined
		(In thousands)	
Future cash inflows	$ 138,328	$ 123,599	$ **261,927**
Future production costs	(99,418)	(88,832)	**(188,250)**
Future development costs [1]	(10,605)	(9,476)	**(20,081)**
Future income tax expense	(13,921)	(12,438)	**(26,359)**
Future net cash flows	14,385	12,853	**27,238**
Discount to present value at 10% annual rate	348	311	**659**
Standardized measure of discounted future net cash flows	$ 14,733	$ 13,164	$ **27,897**

[1] Includes costs expected to be incurred to abandon the properties.

The changes in the Company's pro forma standardized measure of discounted future net cash flows were as follows for 2020:

Changes in Standardized Measure of Discounted Future Net Cash Flows

	VAALCO Historical	Sasol Acquisition Properties	Pro Forma Combined
		(in thousands)	
Balance at January 1, 2020	$ 70,431	$ 62,931	**$ 133,362**
Sales of crude oil and natural gas, net of production costs	(29,878)	(26,697)	**(56,575)**
Net changes in prices and production costs	(53,388)	(47,703)	**(101,091)**
Extensions and discoveries	10,059	8,988	**19,047**
Revisions of previous quantity estimates	(10,885)	(9,726)	**(20,611)**
Changes in estimated future development costs	1,195	1,068	**2,263**
Development costs incurred during the period	731	653	**1,384**
Accretion of discount	10,086	9,012	**19,098**
Net change of income taxes	17,636	15,758	**33,394**
Change in production rates (timing) and other	(1,254)	(1,120)	**(2,374)**
Balance at December 31, 2020	$ 14,733	$ 13,164	**$ 27,897**