

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2021

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

For the transition period from _____ to _____

Commission file number 1-32167

VAALCO Energy, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

77042
(Zip code)

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

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

Title of each class
Common Stock
Common Stock

Trading symbol(s)
EGY
EGY

Name of each exchange on which registered
New York Stock Exchange
London Stock Exchange

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

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

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

As of October 26, 2021, there were outstanding 58,611,072 shares of common stock, \$0.10 par value per share, of the registrant.

VAALCO ENERGY, INC. AND SUBSIDIARIES

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Unless the context otherwise indicates, references to "VAALCO," "the Company," "we," "our," or "us" in this Quarterly Report on Form 10-Q are references to VAALCO Energy, Inc., including its wholly-owned subsidiaries.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

VAALCO ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	As of September 30, 2021	As of December 31, 2020
	<i>(in thousands)</i>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 52,839	\$ 47,853
Restricted cash	81	86
Receivables:		
Accounts with joint venture owners, net of allowance of \$0.0 million in both periods presented	1,050	3,587
Foreign income taxes receivable	2,056	—
Other	86	4,331
Crude oil inventory	2,556	3,906
Prepayments and other	5,416	4,215
Total current assets	<u>64,084</u>	<u>63,978</u>
Crude oil and natural gas properties, equipment and other - successful efforts method, net	74,102	37,036
Other noncurrent assets:		
Restricted cash	1,752	925
Value added tax and other receivables, net of allowance of \$5.8 million and \$2.3 million, respectively	5,670	4,271
Right of use operating lease assets	12,984	22,569
Deferred tax assets	24,211	—
Abandonment funding	22,281	12,453
Other long-term assets	1,176	—
Total assets	<u>\$ 206,260</u>	<u>\$ 141,232</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 8,433	\$ 16,690
Accounts with joint venture owners	2,325	4,945
Accrued liabilities and other	39,857	17,184
Operating lease liabilities - current portion	12,671	12,890
Foreign income taxes payable	—	860
Current liabilities - discontinued operations	7	7
Total current liabilities	<u>63,293</u>	<u>52,576</u>
Asset retirement obligations	33,077	17,334
Operating lease liabilities - net of current portion	312	9,671
Other long-term liabilities	—	193
Total liabilities	<u>96,682</u>	<u>79,774</u>
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Preferred stock, \$25 par value; 500,000 shares authorized, none issued	—	—
Common stock, \$0.10 par value; 100,000,000 shares authorized, 69,528,100 and 67,897,530 shares issued, 58,588,777 and 57,531,154 shares outstanding, respectively	6,953	6,790
Additional paid-in capital	76,346	74,437
Less treasury stock, 10,939,323 and 10,366,376 shares, respectively, at cost	(43,847)	(42,421)
Retained earnings	70,126	22,652
Total shareholders' equity	<u>109,578</u>	<u>61,458</u>
Total liabilities and shareholders' equity	<u>\$ 206,260</u>	<u>\$ 141,232</u>

See notes to condensed consolidated financial statements.

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

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	2021	2020	2021	2020
	<i>(in thousands, except per share amounts)</i>			
Revenues:				
Crude oil and natural gas sales	\$ 55,899	\$ 18,256	\$ 142,696	\$ 54,619
Operating costs and expenses:				
Production expense	25,208	8,984	57,760	30,859
Exploration expense	479	16	1,286	16
Depreciation, depletion and amortization	6,970	2,212	16,928	8,116
Impairment of proved crude oil and natural gas properties	—	—	—	30,625
General and administrative expense	2,940	2,178	12,221	5,951
Bad debt expense and other	318	151	814	1,140
Total operating costs and expenses	<u>35,915</u>	<u>13,541</u>	<u>89,009</u>	<u>76,707</u>
Other operating income (expense), net	46	(37)	(440)	(883)
Operating income (loss)	<u>20,030</u>	<u>4,678</u>	<u>53,247</u>	<u>(22,971)</u>
Other income (expense):				
Derivative instruments gain (loss), net	(5,147)	—	(21,070)	6,583
Interest income, net	3	23	9	150
Other, net	(328)	147	4,088	163
Total other income (expense), net	<u>(5,472)</u>	<u>170</u>	<u>(16,973)</u>	<u>6,896</u>
Income (loss) from continuing operations before income taxes	<u>14,558</u>	<u>4,848</u>	<u>36,274</u>	<u>(16,075)</u>
Income tax expense (benefit)	<u>(17,183)</u>	<u>(2,759)</u>	<u>(11,272)</u>	<u>28,470</u>
Income (loss) from continuing operations	<u>31,741</u>	<u>7,607</u>	<u>47,546</u>	<u>(44,545)</u>
Income (loss) from discontinued operations, net of tax	<u>(20)</u>	<u>11</u>	<u>(72)</u>	<u>(41)</u>
Net income (loss)	<u>\$ 31,721</u>	<u>\$ 7,618</u>	<u>\$ 47,474</u>	<u>\$ (44,586)</u>
Basic net income (loss) per share:				
Income (loss) from continuing operations	\$ 0.53	\$ 0.13	\$ 0.81	\$ (0.77)
Loss from discontinued operations, net of tax	0.00	0.00	0.00	0.00
Net income (loss) per share	<u>\$ 0.53</u>	<u>\$ 0.13</u>	<u>\$ 0.81</u>	<u>\$ (0.77)</u>
Basic weighted average shares outstanding	<u>58,586</u>	<u>57,456</u>	<u>58,102</u>	<u>57,628</u>
Diluted net income (loss) per share:				
Income (loss) from continuing operations	\$ 0.53	\$ 0.13	\$ 0.80	\$ (0.77)
Loss from discontinued operations, net of tax	0.00	0.00	0.00	0.00
Net income (loss) per share	<u>\$ 0.53</u>	<u>\$ 0.13</u>	<u>\$ 0.80</u>	<u>\$ (0.77)</u>
Diluted weighted average shares outstanding	<u>58,916</u>	<u>57,741</u>	<u>58,654</u>	<u>57,628</u>

See notes to condensed consolidated financial statements.

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

	Common Shares Issued	Treasury Shares	Common Stock	Additional Paid- In Capital	Treasury Stock	Retained Earnings	Total
	<i>(in thousands)</i>						
Balance at January 1, 2021	67,897	(10,366)	\$ 6,790	\$ 74,437	\$ (42,421)	\$ 22,652	\$ 61,458
Shares issued - stock-based compensation	431	(155)	43	304	—	—	347
Stock-based compensation expense	—	—	—	323	—	—	323
Treasury stock	—	—	—	—	(403)	—	(403)
Net income	—	—	—	—	—	9,869	9,869
Balance at March 31, 2021	68,328	(10,521)	6,833	75,064	(42,824)	32,521	71,594
Shares issued - stock-based compensation	1,092	(314)	109	597	—	—	706
Stock-based compensation expense	—	—	—	117	—	—	117
Treasury stock	—	—	—	—	(765)	—	(765)
Net income	—	—	—	—	—	5,884	5,884
Balance at June 30, 2021	69,420	(10,835)	6,942	75,778	(43,589)	38,405	77,536
Shares issued - stock-based compensation	108	(104)	11	241	—	—	252
Stock-based compensation expense	—	—	—	327	—	—	327
Treasury stock	—	—	—	—	(258)	—	(258)
Net income	—	—	—	—	—	31,721	31,721
Balance at September 30, 2021	69,528	(10,939)	\$ 6,953	\$ 76,346	\$ (43,847)	\$ 70,126	\$ 109,578

	Common Shares Issued	Treasury Shares	Common Stock	Additional Paid- In Capital	Treasury Stock	Retained Earnings	Total
	<i>(in thousands)</i>						
Balance at January 1, 2020	67,674	(9,649)	\$ 6,767	\$ 73,549	\$ (41,429)	\$ 70,833	\$ 109,720
Shares issued - stock-based compensation	125	—	13	(13)	—	—	—
Stock-based compensation expense	—	—	—	145	—	—	145
Treasury stock	—	(517)	—	—	(652)	—	(652)
Net loss	—	—	—	—	—	(52,800)	(52,800)
Balance at March 31, 2020	67,799	(10,166)	6,780	73,681	(42,081)	18,033	56,413
Shares issued - stock-based compensation	20	—	2	(2)	—	—	—
Stock-based compensation expense	—	—	—	60	—	—	60
Treasury stock	—	(197)	—	—	(338)	—	(338)
Net income	—	—	—	—	—	596	596
Balance at June 30, 2020	67,819	(10,363)	6,782	73,739	(42,419)	18,629	56,731
Shares issued - stock-based compensation	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	322	—	—	322
Treasury stock	—	—	—	—	—	—	—
Net income	—	—	—	—	—	7,618	7,618
Balance at September 30, 2020	67,819	(10,363)	\$ 6,782	\$ 74,061	\$ (42,419)	\$ 26,247	\$ 64,671

See notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2021	2020
	<i>(in thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 47,474	\$ (44,586)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Loss from discontinued operations, net of tax	72	41
Depreciation, depletion and amortization	16,928	8,116
Bargain purchase gain	(7,651)	—
Impairment of proved crude oil and natural gas properties	—	30,625
Other amortization	—	181
Deferred taxes	(24,211)	26,972
Unrealized foreign exchange gain	(342)	(60)
Stock-based compensation	2,098	(2,097)
Cash settlements paid on exercised stock appreciation rights	(3,051)	—
Derivative instruments (gain) loss, net	21,070	(6,583)
Cash settlements received (paid) on matured derivative contracts, net	(10,189)	7,216
Bad debt expense and other	814	1,140
Other operating loss, net	440	83
Operational expenses associated with equipment and other	835	1,418
Cash advance for other long-term assets	(1,176)	—
Change in operating assets and liabilities:		
Trade receivables	11,156	8,255
Accounts with joint venture owners	(19)	8,642
Other receivables	94	1,333
Crude oil inventory	4,059	291
Prepayments and other	1,081	(1,153)
Value added tax and other receivables	(1,339)	(919)
Accounts payable	(9,686)	(9,318)
Foreign income taxes receivable/payable	(2,916)	(6,875)
Accrued liabilities and other	1,252	(3,285)
Net cash provided by continuing operating activities	<u>46,793</u>	<u>19,437</u>
Net cash used in discontinued operating activities	<u>(72)</u>	<u>(376)</u>
Net cash provided by operating activities	<u>46,721</u>	<u>19,061</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment expenditures	(8,459)	(22,317)
Acquisition of crude oil and natural gas properties	(22,505)	—
Net cash used in continuing investing activities	<u>(30,964)</u>	<u>(22,317)</u>
Net cash used in discontinued investing activities	<u>—</u>	<u>—</u>
Net cash used in investing activities	<u>(30,964)</u>	<u>(22,317)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuances of common stock	1,305	—
Treasury shares	(1,426)	(990)
Net cash used in continuing financing activities	<u>(121)</u>	<u>(990)</u>
Net cash used in discontinued financing activities	<u>—</u>	<u>—</u>
Net cash used in financing activities	<u>(121)</u>	<u>(990)</u>
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	15,636	(4,246)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	61,317	59,124
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	\$ 76,953	\$ 54,878

See notes to condensed consolidated financial statements.

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

	<u>Nine Months Ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
	<i>(in thousands)</i>	
Supplemental disclosure of cash flow information:		
Income taxes paid in-kind with crude oil	<u>\$ 20,103</u>	<u>\$ 8,738</u>
Supplemental disclosure of non-cash investing and financing activities:		
Property and equipment additions incurred but not paid at end of period	<u>\$ 4,607</u>	<u>\$ 1,360</u>
Recognition of right-of-use operating lease assets and liabilities	<u>\$ —</u>	<u>\$ 1,478</u>
Asset retirement obligations	<u>\$ 14,564</u>	<u>\$ 359</u>

See notes to condensed consolidated financial statements.

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

1. ORGANIZATION AND ACCOUNTING POLICIES

VAALCO Energy, Inc. (together with its consolidated subsidiaries “we”, “us”, “our”, “VAALCO,” or the “Company”) is a Houston, Texas based independent energy company engaged in the acquisition, exploration, development and production of crude oil. As operator, the Company has production operations and conducts exploration activities in Gabon, West Africa. The Company also has opportunities to participate in development and exploration activities in Equatorial Guinea, West Africa. As discussed further in Note 3 below, the Company has discontinued operations associated with activities in Angola, West Africa.

VAALCO’s consolidated subsidiaries are VAALCO Gabon (Etame), Inc., VAALCO Production (Gabon), Inc., VAALCO Gabon S.A., VAALCO Angola (Kwanza), Inc., VAALCO Energy (EG), Inc., VAALCO Energy Mauritius (EG) Limited and VAALCO Energy (USA), Inc.

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

These condensed consolidated financial statements have been prepared in accordance with rules of the Securities and Exchange Commission (“SEC”) and do not include all the information and disclosures required by accounting principles generally accepted in the United States (“GAAP”) for complete financial statements. They should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020, which includes a summary of the significant accounting policies.

With respect to the novel strain of coronavirus (“COVID-19”), the World Health Organization declared a global pandemic on March 11, 2020. The adverse economic effects of the COVID-19 outbreak 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 led to a significant global oversupply of crude oil and consequently a substantial decrease in crude oil prices in 2020.

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, between July 2020 and April 2021, the Company temporarily reduced production from the Etame Marin block. Currently, the Company’s production is not impacted by OPEC+ curtailments. In July 2021, OPEC+ agreed to increase production beginning in August 2021 and to gradually phase out prior production cuts by September 2022.

The Company considered the impact of the COVID-19 pandemic and the substantial decline in crude oil prices on the assumptions and estimates used for preparation of the financial statements. As a result, the Company recognized a number of material charges during the three months ended March 31, 2020, including impairments to its capitalized costs for proved crude oil and natural gas properties and valuation allowances on its deferred tax assets. These are discussed further in the following notes. For the three and nine months ended September 30, 2021, crude oil prices have improved, there have been no disruptions to operations since the beginning of the pandemic, global economic activity has steadily increased, and oil demand has stabilized over multiple quarters removing much of the uncertainty and instability in the industry. Therefore, no additional charges or impairments were required in the three or nine months ended September 30, 2021. The continued spread of COVID-19, including vaccine-resistant strains, or repeated deterioration in crude oil and natural gas prices could result in additional adverse impacts on the Company’s results of operations, cash flows and financial position, including further asset impairments.

Restricted cash and abandonment funding – Restricted cash includes cash that is contractually restricted. Restricted cash is classified as a current or non-current asset based on its designated purpose and time duration. Current amounts in restricted cash at September 30, 2021 and 2020 each include an escrow amount representing bank guarantees for customs clearance in Gabon. Long-term amounts at September 30, 2021 and 2020 include a charter payment escrow for the floating, production, storage and offloading vessel (“FPSO”) offshore Gabon as discussed in Note 10 and amounts set aside for the future abandonment of the Etame Marin block. The Company invests restricted and excess cash in readily redeemable money market funds.

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The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets to the amounts shown in the condensed consolidated statements of cash flows:

	As of September 30,	
	2021	2020
	<i>(in thousands)</i>	
Cash and cash equivalents	\$ 52,839	\$ 41,986
Restricted cash - current	81	82
Restricted cash - non-current	1,752	925
Abandonment funding	22,281	11,885
Total cash, cash equivalents and restricted cash	\$ 76,953	\$ 54,878

The Company conducts abandonment studies from time to time to update the estimated costs to abandon the offshore wells, platforms and facilities on the Etame Marin block. This cash funding is reflected under “Other noncurrent assets” as “Abandonment funding” in the condensed consolidated balance sheets. Future changes to the anticipated abandonment cost estimate could change the asset retirement obligation and the amount of future abandonment funding payments. See Note 12 for further discussion.

On February 28, 2019, the Gabonese branch of an international commercial bank holding the abandonment funds in a U.S. dollar denominated account advised that the bank regulator required transfer of the funds to the Central Bank (“Central Bank”) for the Economic and Monetary Community of Central Africa (“CEMAC”), of which Gabon is one of the six member states, for conversion to local currency with a credit back to the Gabonese branch in local currency. The Company’s production sharing contract related to the Etame Marin block located offshore Gabon (“Etame Marin block PSC”) provides that these payments must be denominated in U.S. dollars. The new CEMAC foreign currency regulations provide for the establishment of a U.S. dollar account with the Central Bank. Although the Company requested establishment of such account, the Central Bank did not comply with its requests until February 2021. As a result, the Company was not able to make the annual abandonment funding payments in 2019 and 2020 totaling \$2.9 million. In February of 2021, the Central Bank authorized the Company to apply for a U.S. dollar denominated escrow account for the abandonment fund at Citibank Gabon (“Citibank”). The Company, working with Citibank, filed the application to open the account on March 12, 2021 and currently is awaiting the approval of the account from the Central Bank. Amendment No. 5 to the Etame Marin block PSC also provides that in the event the Gabonese bank fails for any reason to reimburse all of the principal and interest due, the Company and other joint interest owners shall no longer be held liable for the resulting shortfall in funding the obligation to remediate the sites.

Accounts Receivable and Allowance for Doubtful Accounts – The Company’s accounts receivable results from sales of crude oil production and joint interest billings to its joint interest owners for their share of expenses on joint venture projects for which the Company is the operator, as well as from the government of Gabon for reimbursable Value-Added Tax (“VAT”). Collection efforts, including remedies provided for in the contracts, are pursued to collect overdue amounts owed to the Company. Portions of the Company’s costs in Gabon (including the Company’s VAT receivable) are denominated in the local currency of Gabon, the Central African CFA Franc (“XAF”). Most of these receivables have payment terms of 30 days or less. The Company monitors the creditworthiness of the counterparties. Joint interest owner receivables are secured through cash calls and other mechanisms for collection under the terms of the joint operating agreements.

The Company routinely assesses the recoverability of all material receivables to determine their collectability. The Company accrues a reserve on a receivable when, based on management’s judgment, it is probable that a receivable will not be collected and the amount of such reserve may be reasonably estimated. When collectability is in doubt, the Company records an allowance against the accounts receivable and a corresponding income charge for bad debts, which appears in the “Bad debt expense and other” line item of the condensed consolidated statements of operations.

As of September 30, 2021 and December 31, 2020, the outstanding VAT receivable balance, excluding the allowance for bad debt, was approximately \$14.4 million (\$9.6 million, net to VAALCO) and \$13.4 million (\$4.5 million, net to VAALCO), respectively. The exchange rate was XAF 566.0 = \$1.00 and XAF 534.8 = \$1.00 at September 30, 2021 and December 31, 2020 respectively. The receivable amount, net of allowances, is reported as a non-current asset in the “Value added tax and other receivables” line item in the condensed consolidated balance sheets. Because both the VAT receivable and the related allowances are denominated in XAF, the exchange rate revaluation of these balances into U.S. dollars at the end of each reporting period also has an impact on the Company’s results of operations. Such foreign currency gains (losses) are reported separately in the “Other, net” line item of the condensed consolidated statements of operations.

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The following table provides a roll forward of the aggregate allowance for bad debt:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(in thousands)			
Allowance for bad debt				
Balance at beginning of period	\$ (5,575)	\$ (1,904)	\$ (2,273)	\$ (1,508)
Bad debt charge	(318)	(151)	(814)	(1,140)
Adjustment associated with reversal of allowance on Mutamba receivable	—	—	—	593
Adjustment associated with Sasol Acquisition	—	—	(2,879)	—
Foreign currency gain (loss)	117	—	190	—
Balance at end of period	<u>\$ (5,776)</u>	<u>\$ (2,055)</u>	<u>\$ (5,776)</u>	<u>\$ (2,055)</u>

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

The Company records balances resulting from commodity risk management activities in the condensed consolidated balance sheets as either assets or liabilities measured at fair value. Gains and losses from the change in the fair value of derivative instruments and cash settlements on commodity derivatives are presented in the “Derivative instruments gain (loss), net” line item located within the “Other income (expense)” section of the condensed consolidated statements of operations. See Note 8 for further discussion.

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

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

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

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

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

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

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

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

Unless the awards contain a market condition, previously recognized expense related to forfeited awards is reversed in the period in which the forfeiture occurs. For awards containing a market condition, previously recognized stock-based compensation expense is not reversed when the awards are forfeited. See Note 14 for further discussion.

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Fair value of financial instruments – The Company’s assets and liabilities include financial instruments such as cash and cash equivalents, restricted cash, accounts receivable, derivative assets, accounts payable, SARs and guarantees. As discussed above, derivative assets and liabilities are measured and reported at fair value each period with changes in fair value recognized in net income. With respect to the Company’s other financial instruments included in current assets and liabilities, the carrying value of each financial instrument approximates fair value primarily due to the short-term maturity of these instruments. There were no transfers between levels for the nine months ended September 30, 2021 and 2020.

		As of September 30, 2021			
<u>Balance Sheet Line</u>		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
(in thousands)					
Liabilities					
SARs liability	Accrued liabilities	\$ —	\$ 761	\$ —	\$ 761
Derivative liability - crude oil swaps	Accrued liabilities	—	10,881	—	10,881
		<u>\$ —</u>	<u>\$ 11,642</u>	<u>\$ —</u>	<u>\$ 11,642</u>

		As of December 31, 2020			
<u>Balance Sheet Line</u>		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
(in thousands)					
Liabilities					
SARs liability	Accrued liabilities	\$ —	\$ 2,289	\$ —	\$ 2,289
SARs liability	Other long-term liabilities	—	193	—	193
		<u>\$ —</u>	<u>\$ 2,482</u>	<u>\$ —</u>	<u>\$ 2,482</u>

Crude Oil and natural gas properties, equipment and other – The Company uses the successful efforts method of accounting for crude oil and natural gas producing activities. Management believes that this method is preferable, as the Company has focused on exploration activities wherein there is risk associated with future success and as such earnings are best represented by drilling results. See Note 7 for further discussion.

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

Depreciation, depletion and amortization – Depletion of wells, platforms, and other production facilities are calculated on a block level basis under the unit-of-production method based upon estimates of proved developed reserves. Depletion of developed leasehold acquisition costs are calculated on a block level basis under the unit-of-production method based upon estimates of proved reserves. Support equipment (other than equipment inventory) and leasehold improvements related to crude oil and natural gas producing activities, as well as property, plant and equipment unrelated to crude oil and natural gas producing activities, are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets, which are typically five years for office and miscellaneous equipment and five to seven years for leasehold improvements. See Note 7 for further discussion.

Impairment – The Company reviews the crude oil and natural gas producing properties for impairment on a block level basis whenever events or changes in circumstances indicate that the carrying amount of such properties may not be recoverable. If the sum of the expected undiscounted future cash flows from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment charge is recorded based on the fair value of the asset. This may occur if the block contains lower than anticipated reserves or if commodity prices fall below a level that significantly effects anticipated future cash flows. The fair value measurement used in the impairment test is generally calculated with a discounted cash flow model using several Level 3 inputs that are based upon estimates; the most significant of which is the estimate of net proved reserves. There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of development expenditures, including many factors beyond the Company’s control. Reserve engineering is a subjective process of estimating

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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. Capitalized equipment inventory is reviewed regularly for obsolescence. When undeveloped crude oil and natural gas leases are deemed to be impaired, exploration expense is charged. Unproved property costs consist of acquisition costs related to undeveloped acreage in the Etame Marin block in Gabon and in Block P in Equatorial Guinea. See Note 7 for further discussion.

Purchase Accounting – On February 25, 2021, VAALCO Gabon S.A., a wholly owned subsidiary of the Company, completed the acquisition of Sasol Gabon S.A.’s (“Sasol’s”) 27.8% working interest in the Etame Marin block offshore Gabon pursuant to the sale and purchase agreement (“SPA”) dated November 17, 2020 (the “Sasol Acquisition”). The Company made various assumptions in determining the fair values of acquired assets and liabilities assumed. In order to allocate the purchase price, the Company developed fair value models with the assistance of outside consultants. These fair value models were used to determine the fair value associated with the reserves and applied discounted cash flows to expected future operating results, considering expected growth rates, development opportunities, and future pricing assumptions. The fair value of working capital assets acquired and liabilities assumed were transferred at book value, which approximates fair value due to the short-term nature of the assets and liabilities. The fair value of the fixed assets acquired was based on estimates of replacement costs and the fair value of liabilities assumed was based on their expected future cash outflows. See Note 3 for further discussion.

Lease commitments – The Company leases office space, marine vessels and helicopters, warehouse and storage facilities, equipment and corporate housing under leasing agreements that expire at various times. All leases are characterized as operating leases and the expense is included in either “production expense” or “general and administrative expense” in the condensed consolidated financial statements. See Note 11 for further discussion.

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

A liability for ARO is recognized in the period in which the legal obligations are incurred if a reasonable estimate of fair value can be made. The ARO liability reflects the estimated present value of the amount of dismantlement, removal, site reclamation, and similar activities associated with the crude oil and natural gas properties. The Company uses retirement costs to estimate the expected cash outflows for retirement obligations. Inherent in the present value calculation are numerous assumptions and judgments including the ultimate settlement amounts, inflation factors, credit-adjusted discount rates, timing of settlement, and changes in the legal, regulatory, environmental, and political environments. Initial recording of the ARO liability is offset by the corresponding capitalization of asset retirement cost recorded to crude oil and natural gas properties. To the extent these or other assumptions change after initial recognition of the liability, the fair value estimate is revised and the recognized liability is adjusted, with a corresponding adjustment made to the related asset balance or income statement, as appropriate. Depreciation of the capitalized asset retirement costs and accretion of asset retirement obligations are recorded over time. Depreciation is generally determined on a units-of-production basis for crude oil and natural gas production facilities. The Company accrues a liability with respect to these obligations based on its estimate of the timing and amount to replace, remove or retire the associated assets. After initial recording, the liability is increased for the passage of time, with the increase being reflected as “Depreciation, depletion and amortization” in the Company’s condensed consolidated statements of operations. See Note 12 for disclosures regarding the asset retirement obligations. Where there is a downward revision to the ARO that exceeds the net book value of the related asset, the corresponding adjustment is limited to the amount of the net book value of the asset and the remaining amount is recognized as a gain. See Note 12 for further discussion.

Revenue recognition – Revenues from contracts with customers are generated from sales in Gabon pursuant to crude oil sales and purchase agreements (“COSPA”). 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 PSC. The Etame Marin block PSC is not a customer contract. The Etame Marin block 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” (as defined in the Etame Marin block PSC) 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 Marin block PSC provides that the government of Gabon may settle these obligations in-kind, i.e. taking crude oil barrels, rather than with cash payments. See Note 6 for further discussion.

Income taxes – The Company’s tax provision is based on expected taxable income, statutory rates and tax planning opportunities available to the Company in the various jurisdictions in which the Company operates. The determination and evaluation of the Company’s tax provision and tax positions involves the interpretation of the tax laws in the various jurisdictions in which the Company operates and requires significant judgment and the use of estimates and assumptions regarding significant future events such as the amount, timing and character of income, deductions and tax credits. Changes in tax laws, regulations, agreements and tax treaties or the Company’s level of operations or profitability in each jurisdiction impact the Company’s tax liability in any given year.

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The Company also operates in foreign jurisdictions where the tax laws relating to the crude oil and natural gas industry are open to interpretation, which could potentially result in tax authorities asserting additional tax liabilities. While the Company's income tax provision (benefit) is based on the best information available at the time, a number of years may elapse before the ultimate tax liabilities in the various jurisdictions are determined. The Company also records as income tax expense the increase or decrease in the value of the government of Gabon's allocation of Profit Oil, which results due to change in value from the time the obligation is originally produced to the time the obligation is actually paid or satisfied through lifting.

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

In certain jurisdictions, the Company may deem the likelihood of realizing deferred tax assets as remote where the Company expects that, due to the structure of operations and applicable law, the operations in such jurisdictions will not give rise to future tax consequences. For such jurisdictions, the Company has not recognized deferred tax assets. Should the Company's expectations change regarding the expected future tax consequences, it may be required to record additional deferred taxes that could have a material effect on the Company's financial position and results of operations. See Note 15 for further discussion.

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

2. NEW ACCOUNTING STANDARDS

Not Yet Adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASU") No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13") related to the calculation of credit losses on financial instruments. All financial instruments not accounted for at fair value will be impacted, including the Company's trade and joint venture owners' receivables. Allowances are to be measured using a current expected credit loss ("CECL") model as of the reporting date that is based on historical experience, current conditions and reasonable and supportable forecasts. This is significantly different from the current model that increases the allowance when losses are probable. Initially, ASU 2016-13 was effective for all public companies for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years and will be applied with a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The FASB subsequently issued ASU No. 2019-04 ("ASU 2019-04"): *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives, and Topic 825, Financial Instruments and ASU No. 2019-05 ("ASU 2019-05"): Financial Instruments—Credit Losses (Topic 326) - Targeted Transition Relief*. ASU 2019-04 and ASU 2019-05 provide certain codification improvements related to implementation of ASU 2016-13 and targeted transition relief consisting of an option to irrevocably elect the fair value option for eligible instruments. In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*. This amendment deferred the effective date of ASU No. 2016-13 from January 1, 2020 to January 1, 2023 for calendar year end smaller reporting companies, which includes the Company. The Company plans to defer the implementation of ASU 2016-13, and related updates, until January 2023.

Adopted

In December 2019, the Financial Accounting Standards Board ("FASB") issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which removes certain exceptions to the general principles in Topic 740. ASU 2019-12 is effective for the fiscal years beginning after December 15, 2020, with early adoption permitted. The adoption of this guidance did not have a material impact on the Company's financial statements.

3. ACQUISITIONS AND DISPOSITIONS

Acquisition of Sasol Gabon S.A.'s Interest in Etame

On February 25, 2021, VAALCO Gabon S.A. completed the acquisition of Sasol's 27.8% working interest in the Etame Marin block offshore Gabon pursuant to the SPA. The effective date of the transaction was July 1, 2020. Prior to the Sasol Acquisition, the Company owned and operated a 31.1% working interest in Etame. The Sasol Acquisition increased the Company's working interest to 58.8%. As a result of the Sasol Acquisition, the net portion of production and costs relating to the Company's Etame operations

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increased from 31.1% to 58.8%. Reserves, production and financial results for the interests acquired in the Sasol Acquisition have been included in VAALCO's results for periods after February 25, 2021.

The following amounts represent the preliminary allocation of the purchase price to the assets acquired and liabilities assumed in the Sasol Acquisition. The final determination of fair value for certain assets and liabilities will be completed as soon as the information necessary to complete the analysis is obtained. These amounts will be finalized as soon as possible, but no later than one year from the date of the acquisition. The final determination of fair value for certain assets and liabilities (VAT and accrued liabilities) could differ materially from the amounts set forth below:

	February 25, 2021	
	(in thousands)	
Purchase Consideration		
Cash	\$	33,959
Fair value of contingent consideration		4,647
Total purchase consideration	\$	38,606
	February 25, 2021	
	(in thousands)	
Assets acquired:		
Wells, platforms and other production facilities	\$	37,176
Equipment and other		5,568
Value added tax and other receivables		1,234
Abandonment funding		11,781
Accounts receivable - trade		11,220
Other current assets		3,963
Liabilities assumed:		
Asset retirement obligations		(14,564)
Accrued liabilities and other		(10,121)
Bargain purchase gain		(7,651)
Total purchase price	\$	38,606

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. The Company used estimated future crude oil prices as of the closing date, February 25, 2021, to apply to the estimated reserve quantities acquired and market participant assumptions to the estimated future operating and development costs to arrive at the estimates of future net revenues. The future net revenues were discounted using the Company's weighted average cost of capital to determine the fair value at closing. The valuations to derive the purchase price included the use of both proved and unproved categories of reserves, expectation for timing and amount of future development and operating costs, projections of future rates of production, expected recovery rates, and risk adjusted discount rates. Other significant estimates were used by the Company to determine the fair value of assets acquired and liabilities assumed. The Company has one year from the date of closing to record purchase price adjustments as a result of changes in such estimates. 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 recognized. A bargain purchase gain of \$5.5 million is included in "Other, net" under "Other income (expense)" in the condensed consolidated statements of operations. An income tax benefit of \$2.2 million, related to the bargain purchase gain, is also included in the condensed consolidated statements of operations. The bargain purchase gain is primarily attributable to the increase in crude oil price forecasts from the date the SPA was signed, November 17, 2020, to the closing date, February 25, 2021, when the fair value of the reserves associated with the Sasol Acquisition were determined.

The impact of the Sasol Acquisition was an increase to "Crude oil and natural gas sales" in the condensed consolidated statement of operations of \$26.4 million and \$58.0 million for the three and nine months ended September 30, 2021, respectively, and \$10.2 million and \$20.1 million increase to "Net income" in the condensed consolidated statements of operations for the three and nine months ended September 30, 2021, respectively.

The unaudited pro forma results presented below have been prepared to give the effect to the Sasol Acquisition discussed above on the Company's results of operations for three and nine months ended September 30, 2021 and 2020, as if the Sasol Acquisition had been consummated on January 1, 2020. The unaudited pro forma results do not purport to represent what the Company's actual results operations would have been if the Sasol Acquisition had been completed on such date or to project the Company's results of operations for any future date or period.

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(in thousands)			
Pro forma (unaudited)				
Crude oil and natural gas sales	\$ 55,899	\$ 34,568	\$ 160,469	\$ 103,422
Operating income (loss)	20,030	7,750	63,929	(12,481)
Net income (loss)	31,721	9,136	49,341 (a)	(36,316) (b)
Basic net income (loss) per share:				
Income (loss) from continuing operations	\$ 0.53	\$ 0.16	\$ 0.85	\$ (0.63)
Loss from discontinued operations, net of tax	0.00	0.00	0.00	0.00
Net income (loss) per share	\$ 0.53	\$ 0.16	\$ 0.85	\$ (0.63)
Basic weighted average shares outstanding	58,586	57,456	58,102	57,628
Diluted net income (loss) per share:				
Income (loss) from continuing operations	\$ 0.53	\$ 0.16	\$ 0.84	\$ (0.63)
Loss from discontinued operations, net of tax	0.00	0.00	0.00	0.00
Net income (loss) per share	\$ 0.53	\$ 0.16	\$ 0.84	\$ (0.63)
Diluted weighted average shares outstanding	58,916	57,741	58,654	57,628

- (a) The pro forma net income for the nine months ended September 30, 2021 excludes nonrecurring pro forma adjustments directly attributable to the Sasol Acquisition, consisting of a bargain purchase gain of \$7.7 million and transaction costs of \$1.0 million.
- (b) The pro forma net loss for the nine months ended September 30, 2020 includes nonrecurring pro forma adjustments directly attributable to the Sasol Acquisition, consisting of a bargain purchase gain of \$7.7 million and transaction costs of \$1.0 million.

Under the terms of the SPA, a contingent payment of \$5.0 million was 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. 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 April 29, 2021, the Company paid the \$5.0 million contingent amount to Sasol in accordance with the terms of the SPA.

Discontinued Operations - Angola

In November 2006, the Company signed a production sharing contract for Block 5 offshore Angola ("Block 5 PSA"). The Company's working interest was 40%, and the Company carried Sonangol P&P, for 10% of the work program. On September 30, 2016, the Company notified Sonangol P&P that it was withdrawing from the joint operating agreement effective October 31, 2016. On November 30, 2016, the Company notified the national concessionaire, Sonangol E.P., that it was withdrawing from the Block 5 PSA and reduced its activities in Angola. As a result of this strategic shift, the Company classified all the related assets and liabilities as those of discontinued operations in the condensed consolidated balance sheets. The operating results of the Angola segment have been classified as discontinued operations for all periods presented in the Company's condensed consolidated statements of operations. The Company segregated the cash flows attributable to the Angola segment from the cash flows from continuing operations for all periods presented in the Company's condensed consolidated statements of cash flows. During three and nine months ended September 30, 2021 and 2020, the Angola segment did not have a material impact on the Company's financial position, results of operations, cash flows and related disclosures.

4. SEGMENT INFORMATION

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

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Segment activity of continuing operations for the three and nine months ended September 30, 2021 and 2020 as well as long-lived assets and segment assets at September 30, 2021 and December 31, 2020 are as follows:

<i>(in thousands)</i>	Three Months Ended September 30, 2021			
	Gabon	Equatorial Guinea	Corporate and Other	Total
Revenues-crude oil and natural gas sales	\$ 55,899	\$ —	\$ —	\$ 55,899
Depreciation, depletion and amortization	6,953	—	17	6,970
Operating income (loss)	22,834	(271)	(2,533)	20,030
Derivative instruments loss, net	—	—	(5,147)	(5,147)
Income tax expense (benefit)	436	—	(17,619)	(17,183)
Additions to crude oil and natural gas properties and equipment – accrual	6,696	—	—	6,696

<i>(in thousands)</i>	Nine Months Ended September 30, 2021			
	Gabon	Equatorial Guinea	Corporate and Other	Total
Revenues-crude oil and natural gas sales	\$ 142,696	\$ —	\$ —	\$ 142,696
Depreciation, depletion and amortization	16,860	—	68	16,928
Bad debt expense and other	814	—	—	814
Other operating expense, net	(440)	—	—	(440)
Operating income (loss)	64,933	(505)	(11,181)	53,247
Derivative instruments loss, net	—	—	(21,070)	(21,070)
Other, net	7,207	(2)	(3,117)	4,088
Income tax expense (benefit)	8,396	1	(19,669)	(11,272)
Additions to crude oil and natural gas properties and equipment – accrual	10,993	—	—	10,993

<i>(in thousands)</i>	Three Months Ended September 30, 2020			
	Gabon	Equatorial Guinea	Corporate and Other	Total
Revenues-crude oil and natural gas sales	\$ 18,256	\$ —	\$ —	\$ 18,256
Depreciation, depletion and amortization	1,946	—	266	2,212
Bad debt expense and other	151	—	—	151
Operating income (loss)	6,957	(95)	(2,184)	4,678
Income tax expense (benefit)	(2,464)	1	(296)	(2,759)
Additions to crude oil and natural gas properties and equipment – accrual	(306)	—	(9)	(315)

<i>(in thousands)</i>	Nine Months Ended September 30, 2020			
	Gabon	Equatorial Guinea	Corporate and Other	Total
Revenues-crude oil and natural gas sales	\$ 54,619	\$ —	\$ —	\$ 54,619
Depreciation, depletion and amortization	7,790	—	326	8,116
Impairment of proved crude oil and natural gas properties	30,625	—	—	30,625
Bad debt expense and other	1,140	—	—	1,140
Other operating expense, net	(883)	—	—	(883)
Operating loss	(17,622)	(289)	(5,060)	(22,971)
Derivative instruments gain, net	—	—	6,583	6,583
Income tax expense	19,302	1	9,167	28,470
Additions to crude oil and natural gas properties and equipment – accrual	10,305	—	(9)	10,296

<i>(in thousands)</i>	Long-lived assets from continuing operations:			
	Gabon	Equatorial Guinea	Corporate and Other	Total
As of September 30, 2021	\$ 63,966	\$ 10,000	\$ 136	\$ 74,102
As of December 31, 2020	\$ 26,832	\$ 10,000	\$ 204	\$ 37,036

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	Gabon	Equatorial Guinea	Corporate and Other	Total
Total assets from continuing operations:				
As of September 30, 2021	\$ 149,188	\$ 10,430	\$ 46,642	\$ 206,260
As of December 31, 2020	\$ 101,399	\$ 10,267	\$ 29,566	\$ 141,232

Information about the Company's most significant customers

The Company currently sells crude oil production from Gabon under term contracts with pricing based upon an average of Dated Brent in the month of lifting, adjusted for location and market factors. From February 2019 to January 2020, crude oil sales were to Mercuria Energy Trading SA ("Mercuria"). The Company signed a new contract with ExxonMobil Sales and Supply LLC ("Exxon") that covers sales from February 2020 through January 2022 with pricing based upon an average of Dated Brent in the month of lifting, adjusted for location and market factors. During the three and nine months ended September 30, 2021, revenues from sales of crude oil to Exxon were 100% of the Company's total revenues from customers.

5. EARNINGS PER SHARE

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	<i>(in thousands)</i>			
Net income (loss) (numerator):				
Income (loss) from continuing operations	\$ 31,741	\$ 7,607	\$ 47,546	\$ (44,545)
Income from continuing operations attributable to unvested shares	(404)	(121)	(755)	—
Numerator for basic	31,337	7,486	46,791	(44,545)
(Income) loss from continuing operations attributable to unvested shares	—	—	—	—
Numerator for dilutive	\$ 31,337	\$ 7,486	\$ 46,791	\$ (44,545)
Income (loss) from discontinued operations, net of tax	\$ (20)	\$ 11	\$ (72)	\$ (41)
(Income) loss from discontinued operations attributable to unvested shares	—	—	1	—
Numerator for basic	(20)	11	(71)	(41)
(Income) loss from discontinued operations attributable to unvested shares	—	—	—	—
Numerator for dilutive	\$ (20)	\$ 11	\$ (71)	\$ (41)
Net income (loss)	\$ 31,721	\$ 7,618	\$ 47,474	\$ (44,586)
Net income attributable to unvested shares	(404)	(121)	(754)	—
Numerator for basic	31,317	7,497	46,720	(44,586)
Net (income) loss attributable to unvested shares	—	—	—	—
Numerator for dilutive	\$ 31,317	\$ 7,497	\$ 46,720	\$ (44,586)
Weighted average shares (denominator):				
Basic weighted average shares outstanding	58,586	57,456	58,102	57,628
Effect of dilutive securities	330	285	552	—
Diluted weighted average shares outstanding	58,916	57,741	58,654	57,628
Stock options and unvested restricted stock grants excluded from dilutive calculation because they would be anti-dilutive	138	1,801	282	3,465

6. REVENUE

Revenues from contracts with customers are generated from sales in Gabon pursuant to COSPAs. The COSPAs have been and will be renewed or replaced from time to time either with the current buyer or another buyer. The current COSPA with Exxon is scheduled to expire on January 31, 2022. See Note 4 under “*Information about the Company’s most significant customers*” for further discussion.

COSPAs with customers are renegotiated near the end of the contract term and may be entered into with a different customer or the same customer going forward. Except for internal costs, which are expensed as incurred, there are no upfront costs associated with obtaining a new COSPA.

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

The Company accounts for production imbalances as a reduction in reserves. The volumes sold may be more or less than the volumes that the Company is entitled based on the ownership interest in the property, and the Company would recognize a liability if the existing proved reserves were not adequate to cover an imbalance.

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

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

In addition to revenues from customer contracts, the Company has other revenues related to contractual provisions under the Etame Marin block PSC. The Etame Marin block PSC is not a customer contract, and therefore the associated revenues are not within the scope of ASC 606. The terms of the Etame Marin block PSC include 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 Marin block PSC provides that the government of Gabon may settle these obligations in-kind, i.e. taking crude oil barrels, rather than with cash payments.

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

With respect to the government’s share of Profit Oil, the Etame Marin block PSC provides that the corporate income tax liability is satisfied through the payment of Profit Oil. In the condensed consolidated statements of operations, the government’s share of revenues from Profit Oil is reported in revenues with a corresponding amount reflected as current income tax expense. These sales are not considered revenues under a customer contract as the Company is not a party to the contracts with the buyers of this crude oil. However, consistent with the reporting of Profit Oil in prior periods, the amount associated with the Profit Oil under the terms of the Etame Marin block PSC is reflected as revenue with an offsetting amount reported as a current income tax expense. Payments of the income tax expense will be reported in the period that the government takes its Profit Oil in-kind, i.e. the period in which it lifts the crude oil. An in-kind payment of \$20.1 million was made with the September 2021 lifting. With the September lifting, the government lifted more oil in-kind than what was owed to it in foreign taxes. Therefore, the Company has a \$2.1 million foreign income tax receivable as of September 30, 2021. As of December 31, 2020, the foreign taxes payable attributable to this obligation was \$0.9 million.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue from customer contracts:	<i>(in thousands)</i>			
Sales under the COSPA	\$ 42,056	\$ 13,797	\$ 136,693	\$ 53,057
Other items reported in revenue not associated with customer contracts:				
Gabonese government share of Profit Oil taken in-kind	20,103	6,883	20,103	8,738
Carried interest recoupment	1,794	280	5,948	1,273
Royalties	(8,054)	(2,704)	(20,048)	(8,449)
Crude oil and natural gas sales	\$ 55,899	\$ 18,256	\$ 142,696	\$ 54,619

7. CRUDE OIL AND NATURAL GAS PROPERTIES AND EQUIPMENT

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

	As of September 30, 2021		As of December 31, 2020	
	<i>(in thousands)</i>			
Crude oil and natural gas properties and equipment - successful efforts method:				
Wells, platforms and other production facilities	\$ 480,872	\$ 441,879		
Work-in-progress	2,278	169		
Undeveloped acreage	23,735	21,476		
Equipment and other	18,694	9,276		
	525,579	472,800		
Accumulated depreciation, depletion, amortization and impairment	(451,477)	(435,764)		
Net crude oil and natural gas properties, equipment and other	\$ 74,102	\$ 37,036		

Extension of Term of Etame Marin Block PSC

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

The PSC Extension extended the term for each of the three exploitation areas in the Etame Marin block for a period of ten years with effect from September 17, 2018, the effective date of the PSC Extension. The PSC Extension also granted the Consortium the right for two additional extension periods of five years each. The PSC Extension further allows the Consortium to explore the potential for resources within the area of each Exclusive Exploitation Authorization as defined in the PSC Extension.

In consideration for the PSC Extension, the Consortium agreed to a signing bonus of \$65.0 million (\$21.8 million, net to VAALCO) payable to the government of Gabon (the "signing bonus"). The Consortium paid \$35.0 million (\$11.8 million, net to VAALCO) in cash on September 26, 2018 and paid \$25.0 million (\$8.4 million, net to VAALCO) through an agreed upon reduction of the VAT receivable owed by the government of Gabon to the Consortium as of the effective date. An additional \$5.0 million (\$1.7 million, net to VAALCO) was paid in cash in February 2020 by the Consortium following the end of the drilling activities described below.

As required under the PSC Extension, the Consortium completed drilling two development wells and two appraisal wellbores during the 2019/2020 drilling campaign with the last appraisal wellbore completed in February 2020. During September 2020, the Consortium completed the two technical studies at a cost of \$1.5 million gross (\$0.5 million, net to VAALCO).

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

Proved Properties

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

There was no triggering event in the three and nine months ended September 30, 2021 that would cause the Company to believe the value of crude oil and natural gas producing properties should be impaired. Factors considered included higher future strip prices for the third quarter of 2021 compared to the second quarter of 2021, and that the Company incurred no significant capital expenditures in the period related to the Etame Marin block.

There was no triggering event in the third quarter of 2020 that would cause the Company to believe the value of crude oil and natural gas producing properties should be impaired. Factors considered included higher future strip prices for the third quarter of 2020 compared to the second quarter of 2020, and that the Company incurred no significant capital expenditures in the period related to the Etame Marin block. Declining forecasted oil prices in the first quarter of 2020 caused the Company to perform an impairment review during this period. The impairment test was performed using the year end 2019 independently prepared reserve report, estimated reserves for the South East Etame 4H well completed in March 2020 and forward price curves. The Company performed a recoverability test as defined under ASC 932 and ASC 360, noting that the undiscounted cash flows related to the Etame Marin block were less than the book value for the block, resulting in the Company recording a \$30.6 million impairment loss to write down the Company's investment to its fair value of \$15.6 million.

Undeveloped Leasehold Costs

VAALCO acquired a 31% working interest in an undeveloped portion of a block ("Block P") offshore Equatorial Guinea in 2012. The Ministry of Mines and Hydrocarbons ("EG MMH") approved our appointment as operator for Block P on November 12, 2019. The Company acquired an additional working interest of 12% from Atlas Petroleum, thereby increasing its working interest to 43% in 2020, in exchange for a potential future payment of \$3.1 million in the event that there is commercial production from Block P. On August 27, 2020, the amendment to the production sharing contract to ratify the Company's increased working interest and appointment as operator was approved by the EG MMH. On April 12, 2021, the majority of non-defaulting parties assigned the defaulting party's interest to the non-defaulting parties. As a result, VAALCO's working interest will increase to 45.9% once the EG MMH approves a new amendment to the production sharing contract. As of September 30, 2021, the Company had \$10.0 million recorded for the book value of the undeveloped leasehold costs associated with the Block P license. The Company has completed a feasibility study of a standalone production development opportunity of the Venus discovery on Block P. VAALCO is now proceeding to a field development concept and will work closely with the other joint venture owners to complete this over the coming months. 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.

As a result of the PSC Extension discussed above, the exploitation area for the Etame Marin block was expanded to include previously undeveloped acreage. The Company allocated \$6.7 million of the share of the signing bonus and \$7.1 million of the \$18.6 million resulting from the deferred tax impact for the difference between book basis and tax basis to unproved leasehold costs using the acreage attributable to the previous exploitation areas and the additional acreage in the expanded exploitation areas. Exploitation of this additional area is permitted throughout the term of the Etame Marin block PSC. As a result of discovering reserves in connection with drilling the South East Etame 4H development well in March 2020, \$2.3 million of costs were transferred to proved leasehold costs leaving a remaining \$11.5 million in unproved leasehold costs. In connection with the Sasol Acquisition discussed under Note 3, \$2.2 million of reserves were attributed to undeveloped properties. The balance of undeveloped leasehold costs related to the Etame Marin block at September 30, 2021 was \$13.7 million.

Capitalized Equipment Inventory

Capitalized equipment inventory is reviewed regularly for obsolescence. Adjustments for inventory obsolescence are recorded in the "Other operating income (expense), net" line item of the condensed consolidated statements of operations but were not material for the three and nine months ended September 30, 2021 and 2020.

8. DERIVATIVES AND FAIR VALUE

The Company uses derivative financial instruments from time to time to achieve a more predictable cash flow from crude oil production by reducing the Company's exposure to price fluctuations.

Commodity swaps – On May 6, 2019, the Company entered into commodity swaps at a Dated Brent weighted average price of \$66.70 per barrel for the period from and including July 2019 through June 2020 for an approximate quantity of 500,000 barrels. On January 22, 2021, the Company entered into commodity swaps at a Dated Brent weighted average price of \$53.10 per barrel for the period from and including February 2021 through January 2022 for a quantity of 709,262 barrels. On May 6, 2021, the Company

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entered into commodity swaps at a Dated Brent weighted average price of \$66.51 per barrel for the period from and including May 2021 through October 2021 for a quantity of 672,533 barrels. On August 6, 2021, the Company entered into additional commodity swaps at a Dated Brent weighted average price of \$67.70 per barrel for the period from and including November 2021 through February 2022 for a quantity of 314,420 barrels. On September 24, 2021, the Company entered into additional commodity swaps at a Dated Brent weighted average price of \$72.00 per barrel for the period from and including March 2022 to June 2022 for a quantity of 460,000 barrels. See the table below for the unexpired barrels as of September 30, 2021.

Settlement Period	Type of Contract	Index	Barrels	Weighted Average Price	
October 2021 to January 2022	Swaps	Dated Brent	236,421	\$	53.10
October 2021	Swaps	Dated Brent	108,882	\$	66.00
November 2021 to February 2022	Swaps	Dated Brent	314,420	\$	67.70
March 2022 to June 2022	Swaps	Dated Brent	460,000	\$	72.00
			<u>1,119,723</u>		

While these commodity swaps are intended to be an economic hedge to mitigate the impact of a decline in crude oil prices, the Company has not elected hedge accounting. The contracts are being measured at fair value each period, with changes in fair value recognized in net income. The Company does not enter into derivative instruments for speculative or trading purposes.

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

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

The following table sets forth the gain (loss) on derivative instruments on the Company's condensed consolidated statements of operations:

Derivative Item	Statement of Operations Line	Three Months Ended September 30,		Nine Months Ended September 30,	
		2021	2020	2021	2020
		<i>(in thousands)</i>			
Crude oil swaps	Realized gain (loss) - contract settlements	\$ (4,186)	\$ —	\$ (10,189)	\$ 7,216
	Unrealized loss	(961)	—	(10,881)	(633)
	Derivative instruments gain (loss), net	\$ (5,147)	\$ —	\$ (21,070)	\$ 6,583

9. ACCRUED LIABILITIES AND OTHER

Accrued liabilities and other balances were comprised of the following:

	As of September 30, 2021		As of December 31, 2020	
	<i>(in thousands)</i>			
Accrued accounts payable invoices	\$	12,447	\$	4,070
Gabon DMO, PID and PIH obligations		8,531		3,960
Derivative liability - crude oil swaps		10,881		—
Capital expenditures		2,475		435
Stock appreciation rights – current portion		761		2,289
Accrued wages and other compensation		2,411		2,108
Other		2,351		4,322
Total accrued liabilities and other	\$	<u>39,857</u>	\$	<u>17,184</u>

10. COMMITMENTS AND CONTINGENCIES

Abandonment funding

Under the terms of the Etame Marin block PSC, the Company has a cash funding arrangement for the eventual abandonment of all offshore wells, platforms and facilities on the Etame Marin block. As a result of the PSC Extension, annual funding payments are spread over the periods from 2018 through 2028. The amounts paid will be reimbursed through the Cost Account and are non-

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refundable. The abandonment estimate used for this purpose is approximately \$61.8 million (\$36.4 million net to VAALCO) on an undiscounted basis. Through September 30, 2021, \$37.9 million (\$22.3 million net to VAALCO) on an undiscounted basis has been funded. This cash funding is reflected under “Other noncurrent assets” in the “Abandonment funding” line item of the condensed consolidated balance sheet. Future changes to the anticipated abandonment cost estimate could change the asset retirement obligation and the amount of future abandonment funding payments.

On March 5, 2019, in accordance with certain foreign currency regulatory requirements, the Gabonese branch of an international commercial bank holding the abandonment funds in a U.S. dollar denominated account transferred the funds to the Central Bank for CEMAC, of which Gabon is one of the six member states. The U.S. dollars were converted to local currency with a credit back to the Gabonese branch. During the three months ended September 30, 2021, the foreign currency loss associated with the abandonment funding account was \$0.6 million. During the nine months ended September 30, 2021, the Company recorded \$1.1 million in foreign currency losses associated with the abandonment funding account. Amendment No. 5 to the Etame Marin block PSC provides that in the event that the Gabonese bank fails for any reason to reimburse all of the principal and interest due, the Company and the other joint venture owners shall no longer be held liable for the resulting shortfall in funding the obligation to remediate the sites.

FPSO charter

In connection with the charter of the FPSO, the Company, as operator of the Etame Marin block, guaranteed all of the charter payments under the charter through its contract term. At the Company’s election, the charter could be extended for two one-year periods beyond September 2020. These elections have been made, and the charter has been extended through September 2022. The Company obtained guarantees from each of the Company’s joint venture owners for their respective shares of the payments. The Company’s net share of the charter payment is 58.8%, or approximately \$19.4 million per year. Although the Company believes the need for performance under the charter guarantee is remote, the Company recorded a liability of \$0.1 million as of September 30, 2021 and \$0.4 million as of December 31, 2020 representing the guarantee’s estimated fair value. The guarantee of the offshore Gabon FPSO charter has \$32.1 million in remaining gross minimum obligations as of September 30, 2021.

Regulatory and Joint Interest Audits and Related Matters

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

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

Between 2019 and 2021, the government of Gabon conducted an audit of the operations in Gabon, covering the years 2015 and 2016. The Company has not yet received the findings from this audit.

In 2019, the Etame joint venture owners conducted audits for the years 2017 and 2018. In June 2020, the Company agreed to a \$0.8 million payment to resolve claims made by one of the Etame Marin block joint venture owners, Addax Petroleum Gabon S.A. There are now no unresolved matters related to the joint venture owner audits for these years.

FSO

On August 31, 2021, VAALCO and its co-venturers at Etame approved the Bareboat Contract and Operating Agreement (collectively, the “FSO Agreements”) with World Carrier Offshore Services Corp. to replace the existing FPSO with a Floating Storage and Offloading unit (“FSO”). The FSO Agreements require a prepayment of \$2 million gross (\$1.3 million net) in 2021 and \$5 million gross (\$3.2 million net) in 2022 of which \$6 million will be recovered against future rentals. Current total field level capital conversion estimates are \$40 to \$50 million gross (\$26 to \$32 million net to VAALCO) with about \$5 million net expected in 2021 and the remainder in 2022. No other prepayments are required under the FSO Agreements until the vessel is accepted by the Company at the Etame Marin Block location. The Bareboat Contract contains purchase provisions and termination provisions. The Company does not expect to utilize the terminations provision under the FSO Agreements.

Dividend Policy

On August 2, 2021, the Company announced a cash dividend policy beginning in the first quarter of 2022. Additional details of the initial record date and payable date will be announced in early 2022.

Other contractual commitments

In August 2020, the Company entered into an agreement to acquire approximately 1,000 square kilometers of 3-D seismic data in the Company’s Etame Marin block. The acquisition was completed in the fourth quarter of 2020 and the processing of the seismic data began in January 2021. The cost, net to VAALCO, is estimated to be approximately \$2.2 million or \$3.4 million gross.

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In June 2021, the Company entered into a short-term agreement with an affiliate of Borr Drilling Limited to drill a minimum of three wells with options to drill additional wells. The drilling rig is expected to be delivered after December 1, 2021 and before January 1, 2022.

11. LEASES

Under ASC 842, *Leases*, there are two types of leases: finance and operating. Regardless of the type of lease, the initial measurement of the lease results in recording a Right-of-Use (“ROU”) asset and a lease liability at the present value of the future lease payments.

Practical Expedients –The Company elected to use these practical expedients, effectively carrying over its previous identification and classification of leases that existed as of January 1, 2019. Additionally, a lessee may elect not to recognize ROU assets and liabilities arising from short-term leases provided there is no purchase option the entity is likely to exercise. The Company has elected this short-term lease exemption. The adoption of ASC 842 resulted in a material increase in the Company’s total assets and liabilities on the Company’s condensed consolidated balance sheet as certain of its operating leases are significant. In addition, adoption resulted in a decrease in working capital as the ROU asset is noncurrent, but the lease liability has both long-term and short-term portions. There was no material overall impact on results of operations or cash flows. In the statement of cash flows, operating leases remain an operating activity.

The Company is currently a party to several lease agreements for the rental of marine vessels and helicopters, warehouse and storage facilities, equipment and the FPSO. The duration for these agreements range from 12 to 26 months. In some cases, the lease contracts require the Company to make payments both for the use of the asset itself and for operations and maintenance services. Only the payments for the use of the asset related to the lease component are included in the calculation of ROU assets and lease liabilities. Payments for the operations and maintenance services are considered non-lease components and are not included in calculating the ROU assets and lease liabilities. For leases on ROU assets used in joint operations, generally the operator reflects the full amount of the lease component, including the amount that will be funded by the non-operators. As operator for the Etame Marin block, the ROU asset recorded for the FPSO, the marine vessels, helicopter, certain equipment and warehouse and storage facilities used in the joint operations includes the gross amount of the lease components.

For all other leases that contain an option to extend, the Company has concluded that it is not reasonably certain it will exercise the renewal option and the renewal periods have been excluded in the calculation for the ROU assets and liabilities. During the third quarter of 2019, the Company notified the lessor of the FPSO of its intent to extend the lease term by the first option that extends the FPSO lease to September 2021. Similarly, during the third quarter of 2020, the Company gave notification to extend the FPSO lease to September 2022.

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

In August 2021, the Company signed the FSO agreements to lease a FSO to replace the current FPSO whose term will end in September 2022. Under the terms of the Bareboat Contract, a third party is expected to improve the leased vessel in order to comply with the Company’s crude-oil production requirements. The vessel is expected to arrive on location in the Etame Marin Block in September 2022 at which time control of the vessel will transfer to the Company.

The discount rate used to calculate ROU assets and lease liabilities represents the Company’s incremental borrowing rate. The Company determined this by considering the term and economic environment of each lease, and estimating the resulting interest rate the Company would incur to borrow the lease payments.

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For the three and nine months ended September 30, 2021 and 2020, the components of the lease costs and the supplemental information were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Lease cost:	<i>(in thousands)</i>			
Operating lease cost	\$ 4,386	\$ 4,519	\$ 13,266	\$ 13,044
Short-term lease cost	585	457	1,828	908
Variable lease cost	1,584	1,715	4,645	5,779
Total lease expense	6,555	6,691	19,739	19,731
Lease costs capitalized	—	11	—	3,470
Total lease costs	\$ 6,555	\$ 6,702	\$ 19,739	\$ 23,201
Other information:				
Cash paid for amounts included in the measurement of lease liabilities:			2021	2020
Operating cash flows attributable to operating leases			\$ 18,018	\$ 20,564
Weighted-average remaining lease term			1.0 years	2.0 years
Weighted-average discount rate			6.09%	6.09%

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	<i>(in thousands)</i>			
Production expense	\$ 3,827	\$ 2,063	\$ 10,328	\$ 6,082
General and administrative expense	49	49	145	147
Lease costs billed to the joint venture owners	2,679	4,586	9,266	15,807
Total lease expense	6,555	6,698	19,739	22,036
Lease costs capitalized	—	4	—	1,165
Total lease costs	\$ 6,555	\$ 6,702	\$ 19,739	\$ 23,201

The following table describes the future maturities of the Company's operating lease liabilities at September 30, 2021:

Year	Lease Obligation
	<i>(in thousands)</i>
2021	\$ 3,489
2022	9,685
2023	179
	13,353
Less: imputed interest	370
Total lease liabilities	\$ 12,983

Under the joint operating agreements, other joint venture owners are obligated to fund \$5.5 million of the \$13.4 million in future lease liabilities.

12. ASSET RETIREMENT OBLIGATIONS

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

<i>(in thousands)</i>	As of September 30, 2021		As of December 31, 2020	
Beginning balance	\$	17,334	\$	15,844
Accretion		1,179		893
Additions		14,564		359
Revisions		—		238
Ending balance	\$	33,077	\$	17,334

Accretion is recorded in the line item "Depreciation, depletion and amortization" on the Company's condensed consolidated statements of operations.

The Company is required under the Etame Marin block PSC to conduct regular abandonment studies to update the estimated costs to abandon the offshore wells, platforms and facilities on the Etame Marin block. The current abandonment study was completed in November 2018. In 2020, the Company recorded \$0.4 million in additions associated with the South East Etame 4H development well and \$0.2 million in revisions associated with a U.S. property. In connection with the Sasol Acquisition, as discussed in Note 3, the Company added \$14.6 million of asset retirement obligations as a result of it increasing its interest in the Etame Marin block.

13. SHAREHOLDERS' EQUITY

Preferred stock – Authorized preferred stock consists of 500,000 shares with a par value of \$25 per share. No shares of preferred stock were issued and outstanding as of September 30, 2021 or December 31, 2020.

Treasury stock – On June 20, 2019, the Board of Directors authorized and approved a share repurchase program for up to \$10.0 million of the currently outstanding shares of the Company's common stock over a period of 12 months. Under the stock repurchase program, the Company could repurchase shares through open market purchases, privately-negotiated transactions, block purchases or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended ("Exchange Act"). The Board of Directors also authorized the Company to enter into written trading plans under Rule 10b5-1 of the Exchange Act.

From commencement of the plan in June 2019 through April 13, 2020, the Company purchased 2,740,643 shares of common stock at an average price of \$1.70 per share for an aggregate purchase price of \$4.7 million under the plan. On April 13, 2020, the Board of Directors approved the termination of the share repurchase program; consequently, no further shares can be repurchased pursuant to the plan.

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

Although these withheld shares are not issued or considered common stock repurchases under the Company's stock repurchase program, they are treated as common stock repurchases in our financial statements as they reduce the number of shares that would have been issued upon vesting. See Note 14 for further discussion.

14. STOCK-BASED COMPENSATION AND OTHER BENEFIT PLANS

The Company's stock-based compensation has been granted under several stock incentive and long-term incentive plans. The plans authorize the Compensation Committee of the Company's Board of Directors to issue various types of incentive compensation. The Company had previously issued stock options and restricted shares under the 2014 Long-Term Incentive Plan ("2014 Plan") and stock appreciation rights under the 2016 Stock Appreciation Rights Plan. On June 25, 2020, the Company's stockholders approved the 2020 Long-Term Incentive Plan (as amended, the "2020 Plan") under which 5,500,000 shares are authorized for grants. In June 2021, the Company's stockholders approved an amendment to the 2020 Plan pursuant to which an additional 3,750,000 shares were authorized for issuance pursuant to awards under the 2020 Plan. At September 30, 2021, 7,558,975 shares were available for future grants under the 2020 Plan.

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

As referenced in the table below, the Company records compensation expense related to stock-based compensation as general and administrative expense associated with the issuance of stock options, restricted stock and stock appreciation rights. During the nine months ended September 30, 2021, the Company settled in cash \$3.1 million for stock appreciation rights and received \$1.3 million for stock option exercises. During the nine months ended September 30, 2020, the Company did not settle any stock-based

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compensation. Because the Company does not pay significant United States federal income taxes, no amounts were recorded for future tax benefits.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(in thousands)			
Stock-based compensation - equity awards	\$ 327	\$ 322	\$ 767	\$ 527
Stock-based compensation - liability awards	(302)	(570)	1,331	(2,624)
Total stock-based compensation	\$ 25	\$ (248)	\$ 2,098	\$ (2,097)

Stock options and performance shares

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

In March 2021, the Company granted options to certain employees of the Company that are considered performance stock options to purchase an aggregate of 401,759 shares at an exercise price of \$3.14 per share and a life of ten years. For each performance stock option award, one-third of the underlying shares vest on the later of the first anniversary of the grant date and the date on which the Company's stock price, determined using a 30-day average, exceeds \$3.61 per share; performance stock options with respect to one-third of the underlying shares vest on the later of the second anniversary of the grant date and the date on which the Company's stock price, determined using a 30-day average, exceeds \$4.15 per share; and performance stock options with respect to the remaining one-third of the underlying shares vest on the later of the third anniversary of the grant date and the date on which the Company's stock price, determined using a 30-day average, exceeds \$4.78 per share. These awards are option awards that contain a market condition. Compensation cost for such awards is recognized ratably over the derived service period and compensation cost related to awards with a market condition will not be reversed if the Company does not believe it is probable that such performance criteria will be met or if the service provider (employee or otherwise) fails to meet such performance criteria.

The Company used the Monte Carlo simulation to calculate the grant date fair value of performance stock option awards. The fair value of these awards will be amortized to expense over the derived service period of the option. During the three and nine months ended September 30, 2021, no performance stock option awards issued under the 2020 Plan were exercised.

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

Because the Company has not historically paid cash dividends, no expected dividend yield was input to the Black-Scholes or Monte Carlo models. During the nine months ended September 30, 2021 and 2020, the weighted average assumptions shown below were used to calculate the weighted average grant date fair value of option grants under the Monte Carlo model in 2021 and Black-Scholes models.

	Nine Months Ended September 30,	
	2021	2020
Weighted average exercise price - (\$/share)	\$ 3.14	\$ 1.23
Expected life in years	6.0	6.0
Average expected volatility	75 %	74 %
Risk-free interest rate	0.95 %	0.42 %
Weighted average grant date fair value - (\$/share)	\$ 2.07	\$ 0.79

Stock option activity associated with the Monte Carlo model for the nine months ended September 30, 2021 is provided below:

	Number of Shares Underlying Options (in thousands)	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2021	644	\$ 1.23		
Granted	402	3.14		
Exercised	—	—		
Unvested shares forfeited	(687)	1.96		
Vested shares expired	—	—		
Outstanding at September 30, 2021	359	\$ 1.96	9.00	\$ 378
Exercisable at September 30, 2021	74	\$ 1.23	8.74	\$ 126

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Stock option activity associated with the Black-Scholes model for the nine months ended September 30, 2021 is provided below:

	<u>Number of Shares Underlying Options</u> <i>(in thousands)</i>	<u>Weighted Average Exercise Price Per Share</u>	<u>Weighted Average Remaining Contractual Term</u> <i>(in years)</i>	<u>Aggregate Intrinsic Value</u> <i>(in thousands)</i>
Outstanding at January 1, 2021	1,804	\$ 1.38		
Granted	—	—		
Exercised	(1,088)	1.20		
Unvested shares forfeited	(64)	2.33		
Vested shares expired	—	—		
Outstanding at September 30, 2021	<u>652</u>	\$ 1.60	1.73	\$ 876
Exercisable at September 30, 2021	<u>555</u>	\$ 1.47	1.61	\$ 816

During the nine months ended September 30, 2021, 504,813 shares were added to treasury as a result of tax withholding on options exercised. During the nine months ended September 30, 2020, no shares were added to treasury as a result of tax withholding on options exercised.

Restricted shares

Restricted stock granted to employees will vest over a period determined by the Compensation Committee that is generally a three-year period, vesting in three equal parts on the anniversaries following the date of the grant. Restricted stock granted to directors will vest on the earlier of (i) the first anniversary of the date of grant and (ii) the first annual meeting of stockholders following the date of grant (but not less than fifty (50) weeks following the date of grant). In March 2021, the Company issued 526,147 shares of service-based restricted stock to employees, with a grant date fair value of \$3.14 per share. In June 2021, the Company issued 78,432 shares of service-based restricted stock to directors, with a grant date fair value of \$3.06 per share. The vesting of these shares is dependent upon, among other things, the employees' and directors' continued service with the Company.

The following is a summary of activity for the nine months ended September 30, 2021:

	<u>Restricted Stock</u> <i>(in thousands)</i>	<u>Weighted Average Grant Date Fair Value</u>
Non-vested shares outstanding at January 1, 2021	1,155	\$ 1.30
Awards granted	605	3.13
Awards vested	(543)	1.28
Awards forfeited	(462)	2.00
Non-vested shares outstanding at September 30, 2021	<u>755</u>	\$ 2.36

During the nine months ended September 30, 2021, 68,134 shares were added to treasury as a result of tax withholding on the vesting of restricted shares. During the nine months ended September 30, 2020, 40,432 shares were added to treasury as a result of tax withholding on the vesting of restricted shares.

Stock appreciation rights ("SARs")

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

During the nine months ended September 30, 2021 and 2020, the Company did not grant SARs to employees or directors.

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SAR activity for the nine months ended September 30, 2021 is provided below:

	<u>Number of Shares Underlying SARs</u> <i>(in thousands)</i>	<u>Weighted Average Exercise Price Per Share</u>	<u>Term</u> <i>(in years)</i>	<u>Aggregate Intrinsic Value</u> <i>(in thousands)</i>
Outstanding at January 1, 2021	2,940	\$ 1.33		
Granted	—	—		
Exercised	(2,306)	1.16		
Unvested SARs forfeited	(125)	2.33		
Vested SARs expired	—	—		
Outstanding at September 30, 2021	<u>509</u>	\$ 1.83	2.23	\$ 567
Exercisable at September 30, 2021	<u>338</u>	\$ 1.69	2.10	\$ 423

Other Benefit Plans

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

15. INCOME TAXES

The income tax provision for VAALCO consists primarily of Gabonese and United States income taxes. The Company's operations in other foreign jurisdictions have a 0% effective tax rate because the Company has incurred losses in those countries and has full valuation allowances against the corresponding net deferred tax assets. The Company files income tax returns in all jurisdictions where such requirements exist, with Gabon and the United States being its primary tax jurisdictions.

For interim reporting periods, the Company determines its tax expense by estimating an annual effective income tax rate based on current and forecasted business results and enacted tax laws on a quarterly basis and applies this tax rate to the Company's ordinary income or loss to calculate its estimated tax expense or benefit. The tax effect of discrete items is recognized in the period in which they occur at the applicable statutory tax rate.

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Provision for income tax expense (benefit) related to income from continuing operations consists of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
U.S. Federal:	<i>(in thousands)</i>			
Current	\$ —	\$ 147	\$ —	\$ (378)
Deferred	(17,619)	(442)	(19,668)	9,546
Foreign:				
Current	5,516	2,393	15,099	1,876
Deferred	(5,080)	(4,857)	(6,703)	17,426
Total	\$ (17,183)	\$ (2,759)	\$ (11,272)	\$ 28,470

The Company's effective tax rate for the nine months ended September 30, 2021 and 2020, excluding the impact of discrete items, was 37.5% and (53%), respectively. For the nine months ended September 30, 2021, the Company's overall effective tax rate was impacted by non-deductible items associated with operations, the impact of deducting foreign taxes rather than crediting them, and a change in valuation allowance. Prior to September 30, 2021, the valuation allowance was necessary due to the decline in crude oil prices caused by declining global economic activity and excess oil supply, which impacted the Company's expected ability to utilize its deferred tax assets. However, the Company's observation of the increasing crude oil prices over a sustained period of time, lack of disruption in operations due to the pandemic, steady increase in global economic activity and oil supply demand over multiple quarters has removed much of the uncertainty and instability in the industry. The Company's forecasts show these factors as having a positive impact on future taxable income. On the basis of these factors, the Company determined it was more likely than not that it will realize a portion of our deferred tax assets. Accordingly, the Company reversed \$22.3 million of the valuation allowance based on estimated future earnings, which was treated as a discrete item for the three and nine months ended September 30, 2021. Should these factors continue to strengthen, further recognition of additional deferred tax assets may be warranted. The total change in valuation allowances for the nine months ended September 30, 2021 was \$(15.8) million. For the three months ended September 30, 2021, the current tax expense of \$5.5 million includes a \$0.2 million unfavorable oil price adjustment as a result of the change in value of the government's allocation of Profit Oil between the time it was produced and the time it was taken in-kind. After excluding the impact, current income taxes were \$5.3 million for the period. For the nine months ended September 30, 2021, the current tax expense of \$15.1 million includes a \$1.7 million unfavorable oil price adjustment as a result of the change in value of the government's allocation of Profit Oil between the time it was produced and the time it was taken in-kind. After excluding the impact, current income taxes were \$13.4 million for the period.

As of September 30, 2021, the Company had no material uncertain tax positions. The Company's policy is to recognize potential interest and penalties related to unrecognized tax benefits as a component of income tax expense.

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- ⊕ the impact of the coronavirus ("COVID-19") pandemic, including its impact on global demand for crude oil and crude oil prices, potential difficulties in obtaining additional liquidity when and if needed, disruptions in global supply chains, quarantines of our workforce or workforce reductions and other matters related to the pandemic;
- ⊕ the impact of any future production quotas imposed by Gabon, as a member of the Organization of the Petroleum Exporting Countries ("OPEC"), as a result of agreements among OPEC, Russia and other allied producing countries (collectively, "OPEC+") with respect to crude oil production levels;
- ⊕ volatility of, and declines and weaknesses in crude oil and natural gas prices, as well as our ability to offset volatility in prices through the use of hedging transactions;
- ⊕ the discovery, acquisition, development and replacement of crude oil and natural gas reserves;
- ⊕ impairments in the value of our crude oil and natural gas assets;
- ⊕ future capital requirements;
- ⊕ our ability to maintain sufficient liquidity in order to fully implement our business plan;
- ⊕ our ability to generate cash flows that, along with our cash on hand, will be sufficient to support our operations and cash requirements;
- ⊕ the ability of the consortium to successfully execute its business plan;
- ⊕ our ability to attract capital or obtain debt financing arrangements;
- ⊕ our ability to pay the expenditures required in order to develop certain of our properties;
- ⊕ operating hazards inherent in the exploration for and production of crude oil and natural gas;
- ⊕ difficulties encountered during the exploration for and production of crude oil and natural gas;
- ⊕ the impact of competition;
- ⊕ our ability to identify and complete complementary opportunistic acquisitions;
- ⊕ our ability to effectively integrate assets and properties that we acquire into our operations;
- ⊕ weather conditions;
- ⊕ the uncertainty of estimates of crude oil and natural gas reserves;
- ⊕ currency exchange rates and regulations;
- ⊕ unanticipated issues and liabilities arising from non-compliance with environmental regulations;
- ⊕ the ultimate resolution of our abandonment funding obligations with the government of Gabon and the audit of our operations in Gabon currently being conducted by the government of Gabon;
- ⊕ the availability and cost of seismic, drilling and other equipment;
- ⊕ difficulties encountered in measuring, transporting and delivering crude oil to commercial markets;
- ⊕ our ability to effectively replace the floating, production, storage and offloading vessel ("FPSO");
- ⊕ timing and amount of future production of crude oil and natural gas;
- ⊕ hedging decisions, including whether or not to enter into derivative financial instruments;
- ⊕ general economic conditions, including any future economic downturn, disruption in financial markets and the availability of credit;
- ⊕ our ability to enter into new customer contracts;

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- ⊕ changes in customer demand and producers' supply;
- ⊕ actions by the governments of and events occurring in the countries in which we operate;
- ⊕ actions by our joint venture owners;
- ⊕ compliance with, or the effect of changes in, governmental regulations regarding our exploration, production, and well completion operations including those related to climate change;
- ⊕ the outcome of any governmental audit; and
- ⊕ actions of operators of our crude oil and natural gas properties.

The information contained in this Quarterly Report and the information set forth under the heading "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020 ("2020 Form 10-K"), identifies additional factors that could cause our results or performance to differ materially from those we express in forward-looking statements. Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of these assumptions and therefore also the forward-looking statements based on these assumptions, could themselves prove to be inaccurate. In light of the significant uncertainties inherent in the forward-looking statements that are included in this Quarterly Report and the 2020 Form 10-K, our inclusion of this information is not a representation by us or any other person that our objectives and plans will be achieved. When you consider our forward-looking statements, you should keep in mind these risk factors and the other cautionary statements in this Quarterly Report.

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

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

INTRODUCTION

VAALCO is a Houston, Texas based independent energy company engaged in the acquisition, exploration, development and production of crude oil. As operator, we have production operations and conduct exploration activities in Gabon, West Africa. We also have opportunities to participate in development and exploration activities in Equatorial Guinea, West Africa. As discussed further in Note 3 to the condensed consolidated financial statements included in this Quarterly Report, we have discontinued operations associated with our activities in Angola, West Africa.

A significant component of our results of operations is dependent upon the difference between prices received for our offshore Gabon crude oil production and the costs to find and produce such crude oil. Historically, crude oil and natural gas prices have been volatile and subject to fluctuations based on a number of factors beyond our control. In 2020, crude oil and natural gas prices experienced an unprecedented decline due to a combination of factors, including a substantial decline in global demand for crude oil caused by the COVID-19 pandemic and subsequent mitigation efforts. For the three and nine months ended September 30, 2021, crude oil prices have improved, there have been no disruptions to operations since the beginning of the pandemic, global economic activity has steadily increased, and oil demand has stabilized over multiple quarters, removing much of the uncertainty and instability in the industry. The continued spread of COVID-19, including vaccine-resistant strains, or repeated deterioration in crude oil and natural gas prices could result in additional adverse impacts on the Company's results of operations, cash flows and financial position, including further asset impairments. Despite these challenges, we remain committed to generating long-term value for our stockholders by focusing on exploration and development of existing properties, adding value with accretive acquisitions, controlling costs and optimizing production.

RECENT DEVELOPMENTS

Provisional Award of Two Offshore Blocks in Gabon

The 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% working interest, with VAALCO (37.5% working interest) and Panoro Energy (25% working interest) as non-operating joint owners. The two blocks, G12-13 and H12-13, are adjacent to our Etame PSC as well as BW Energy and Panoro's Dussafu PSC offshore Southern Gabon, and cover an area of 2,989 square kilometers and 1,929 square kilometers, respectively.

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The two blocks will be held by the consortium and the PSCs over the blocks will have two exploration periods totaling eight years which may be extended by a further two years. During the first exploration period, the joint owners intend to reprocess existing seismic and carry out a 3-D seismic campaign on these two blocks and have also committed to drilling one exploration well on each of the two blocks. In the event the consortium elects to enter the second exploration period, the consortium will be committed to drilling at least another exploration well on each of the awarded blocks.

Charter Agreement for the Floating Storage and Offloading Unit

We and our co-venturers at Etame approved the Bareboat Contract and Operating Agreement (collectively, the “FSO Agreements”) with World Carrier Offshore Services Corp. to replace the existing Floating Production, Storage and Offloading unit (“FPSO”) with a Floating Storage and Offloading unit (“FSO”). The FSO Agreements require a prepayment of \$2 million gross (\$1.3 million net) in 2021 and \$5 million gross (\$3.2 million net) in 2022 of which \$6 million will be recovered against future rentals. Current total field level capital conversion estimates are \$40 to \$50 million gross (\$26 to \$32 million net to VAALCO) with about \$5 million net expected in 2021 and the remainder in 2022.

Impact on Operations of COVID-19 Pandemic and the Current Crude Oil Pricing Environment

On March 11, 2020, the World Health Organization classified the outbreak of a new strain of coronavirus (“COVID-19”) as a pandemic, based on the rapid increase in global exposure. The COVID-19 pandemic and related economic repercussions have created significant volatility, uncertainty, and turmoil in the oil and gas industry. The adverse economic effects of the COVID-19 outbreak 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 led to a significant global oversupply of oil and consequently a substantial decrease in crude oil prices in 2020. In April 2020, countries within OPEC+, which includes Gabon, reached an agreement to cut crude oil production to reduce the gap between excess supply and demand, in an effort to stabilize the international oil market. Gabon has undertaken measures to comply with such OPEC+ production quota agreement and, as a result, the Minister of Hydrocarbons in Gabon requested that we reduce our production. In response to such request from the Minister of Hydrocarbons, beginning in July 2020 and continuing through April 2021, we temporarily reduced production from the Etame Marin block. Currently, our production is not impacted by OPEC+ curtailments. Reductions in production have significantly improved the demand/supply imbalance, and crude oil prices have improved from the lows seen in March and April of 2020. As a result, in July 2021, OPEC+ agreed to increase production beginning in August 2021 to phase out a portion of the prior production cuts. See “*Liquidity*” below for discussion of the unexpired commodity swaps we have in place.

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

Further, the impacts of a potential worsening of global economic conditions and the continued disruptions to, and volatility in, the credit and financial markets as well as other unanticipated consequences remain unknown. In addition, we cannot predict the impact that COVID-19 will have on our customers, vendors and contractors; however, any material effect on these parties could adversely impact our business. The situation surrounding COVID-19 remains fluid and unpredictable, and we are actively managing our response and assessing potential impacts to our financial position and operating results, as well as any adverse developments that could impact our business.

In response to the COVID-19 outbreak and the current pricing environment, we took the following measures:

- ① put in place social distancing measures at our work sites;
- ② actively screened and monitored employees and contractors that come on to our facilities including testing and quarantines with onsite medical supervision;
- ③ engaged in regular company-wide COVID-19 updates to keep employees informed of key developments;
- ④ implemented sharing certain costs, such as supply vessels, helicopter, and personnel with other operators in the region.

We expect to continue to take proactive steps to manage any disruption in our business caused by COVID-19 and to protect the health and safety of our employees. However, the health and safety measures we and our vendors have taken have resulted in us incurring higher costs. As a result of these factors and the conditions described above, 2020 was one of the most uncertain and disruptive years that the industry has ever seen and while the business environment in 2021 appears to be improving, the situation remains fluid. Accordingly, the results presented herein are not necessarily indicative of future operating results.

Recent Operational Updates

In December 2020, we completed the acquisition of approximately 1,000 square kilometers 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 us to optimize drilling locations for the 2021/2022 drilling campaign. The seismic data enhanced sub-surface imaging by merging legacy data with newly acquired seismic allowing for the first continuous 3-D seismic over the entire block. In conjunction with the 2021/2022 drilling program, expected to begin in December 2021, we have executed a contract with Borr Jack-Up XIV Inc., an affiliate of Borr Drilling

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Limited, to drill four wells with options to drill additional wells. We expect to spud the Etame 8H side track, the first well of the 2021/2022 drilling program, in early December.

We estimate the range of cost of the 2021/2022 drilling program with four wells to be between \$117.0 million to \$143.0 million gross, or \$74.0 million to \$91.0 million, net to VAALCO's 63.6% participating interest with about \$26 million to about \$31 million gross expected in 2021, or about \$16 million to \$20 million net to VAALCO.

Workovers

In October 2021, we 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, we 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, we signed a sale and purchase agreement ("SPA") to acquire Sasol Gabon S.A.'s ("Sasol's") 27.8% working interest in the Etame Marin block offshore Gabon (the "Sasol Acquisition"). On February 25, 2021, we completed the acquisition of Sasol's 27.8% working interest in the Etame Marin block offshore Gabon pursuant to the SPA. The effective date of the transaction was July 1, 2020. Prior to the Sasol Acquisition, we owned and operated a 31.1% working interest in Etame. The Sasol Acquisition increased our working interest to 58.8%. As a result of the Sasol Acquisition, the net portion of production and costs relating to our Etame operations increased from 31.1% to 58.8%. Reserves, production and financial results for the interests acquired have been included in our results for periods after February 25, 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 recognized. A bargain purchase gain of \$5.5 million is included in "Other, net" under "Other income (expense)" in the condensed consolidated statements of operations. An income tax benefit of \$2.2 million, related to the bargain purchase gain, is also included in the condensed 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, November 17, 2020, and the higher oil price outlook on February 25, 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 \$26.4 million and \$58.0 million for the three and nine months ended September 30, 2021, respectively, and a \$10.2 million and \$20.1 million increase to "Net income" in the condensed consolidated statement of operations for the three and nine months ended September 30, 2021, respectively. Under the terms of the SPA, a contingent payment of \$5.0 million was 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. 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 April 29, 2021, we paid the \$5.0 million contingent amount to Sasol in accordance with the terms of the SPA.

ACTIVITIES BY ASSET

Gabon

Offshore – Etame Marin Block

Development and Production

We operate the Etame Marin Block on behalf of a consortium of companies. As of September 30, 2021, production operations in the Etame Marin block included eleven 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 the crude oil from a leased FPSO anchored to the seabed on the block. We currently have fourteen producing wells. The FPSO has production limitations of approximately 25,000 barrels of oil per day and 30,000 barrels of total fluids per day. During the three months ended September 30, 2021 and 2020, production from the block was 1,384 MBbls (708 MBbls net) and 1,500 MBbls (405 MBbls net), respectively, as discussed below in "Results of Operations". During the nine months ended September 30, 2021 and 2020, production from the Etame Marin block was 4,063 MBbls (1,904 MBbls net) and 4,987 MBbls (1,347 MBbls net), respectively, as discussed below in "Results of Operations".

Equatorial Guinea

Our working interest will increase to 45.9% once the EG MMH approves a new amendment to the production sharing contract. As of September 30, 2021, we had \$10.0 million recorded for the book value of the undeveloped leasehold costs associated with the Block P license. We have completed a feasibility study of a standalone production development opportunity of the Venus discovery on Block P. We are now proceeding to a field development concept and will work closely with the other joint venture owners to complete this over the coming months. 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.

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Discontinued Operations - Angola

The Angola segment has been classified as discontinued operations in the condensed consolidated financial statements for all periods presented. See Note 3 to the condensed consolidated financial statements for further discussion.

CAPITAL RESOURCES AND LIQUIDITY

Cash Flows

Our cash flows for the nine months ended September 30, 2021 and 2020 are as follows:

	Nine Months Ended September 30,		
	2021	2020	Increase (Decrease) in 2021 over 2020
		(in thousands)	
Net cash provided by operating activities before changes in operating assets and liabilities	\$ 43,111	\$ 22,466	\$ 20,645
Net change in operating assets and liabilities	3,682	(3,029)	6,711
Net cash provided by continuing operating activities	46,793	19,437	27,356
Net cash used in discontinued operating activities	(72)	(376)	304
Net cash provided by operating activities	46,721	19,061	27,660
Net cash used in investing activities	(30,964)	(22,317)	(8,647)
Net cash used in continuing financing activities	(121)	(990)	869
Net cash used in financing activities	(121)	(990)	869
Net change in cash, cash equivalents and restricted cash	\$ 15,636	\$ (4,246)	\$ 19,882

The \$20.6 million increase in net cash provided by our operating activities before changes in operating assets and liabilities for the nine months ended September 30, 2021 compared to the same period of 2020, was mainly due to higher crude oil prices in 2021 partially offset by changes in impairment, deferred taxes and derivatives. The net increase in operating assets and liabilities of \$6.7 million for the nine months ended September 30, 2021 compared to the same period of 2020 was primarily related to changes in foreign taxes payable as a result of the in-kind lifting tax payment valued at \$20.1 million in September 2021 and accrued liabilities as a result of starting the 2021/2022 drilling campaign.

Net cash used in investing activities during the nine months ended September 30, 2021 included \$22.5 million paid for the completion of the Sasol Acquisition as discussed in Note 3 to our condensed consolidated financial statements. In addition, we incurred on a cash basis \$8.5 million for property and equipment primarily related to equipment and enhancements as well as expenditures related to the next drilling program as discussed in “Recent Operational Updates” above. During the nine months ended September 30, 2020, we incurred on a cash basis \$22.3 million for expenditures related to the 2019/2020 drilling campaign and equipment purchases. See “Capital Expenditures” below for further discussion.

Net cash used in financing activities during the nine months ended September 30, 2021 included \$1.4 million for treasury stock as a result of tax withholding on options exercised and vested restricted stock as discussed in Note 14 to our condensed consolidated financial statements, partially offset by \$1.3 million in proceeds from options exercised. Net cash used in financing activities during the nine months ended September 30, 2020 included \$1.0 million for treasury stock purchases primarily made under the Company’s stock repurchase plan.

Capital Expenditures

During the nine months ended September 30, 2021, we incurred accrual basis capital expenditures of \$11.0 million. These expenditures were primarily related to equipment and enhancements, as well as expenditures related to the next drilling program. The difference between capital expenditures and the property and equipment expenditures reported in the condensed consolidated statements of cash flows is attributable to changes in accruals for costs incurred but not yet invoiced or paid on the report dates. Capital expenditures in 2020 were attributable to expenditures related to the 2019/2020 drilling program and equipment and enhancements. As discussed above, we anticipate beginning a drilling program late in 2021 that will continue into 2022, at an estimated cost of \$117.0 million to \$143.0 million gross, or \$74.0 million to \$91.0 million, net to VAALCO’s 63.6% participating interest with about \$26 million to about \$31 million gross expected in 2021, or about \$16 million to \$20 million net to VAALCO. In April 2021, we purchased a workover unit to have on site for approximately \$1.9 million for future maintenance work.

Contractual Obligations

See Notes 10 and 11 to the condensed consolidated financial statements in this quarterly report as well as Notes 12 and 13 to our 2020 Form 10-K for discussion of our contractual obligations.

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Regulatory and Joint Interest Audits

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

ESG and Climate Change Effects

Environmental, social and governance (“ESG”) matters continue to attract considerable public and scientific attention. In particular, we expect continued regulatory attention on climate change issues and emissions of greenhouse gases (“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 us. For example, numerous proposals have been made and are likely to continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of GHGs. These efforts have included consideration of cap-and-trade programs, carbon taxes, GHG reporting and tracking programs and regulations that directly limit GHG emissions from certain sources. In addition, institutional investors, proxy advisory firms and other industry participants continue to focus on ESG matters, including climate change. We expect that this heightened focus will continue to drive ESG efforts across our industry and influence investors’ investment and voting decisions, which for some investors may lead to less favorable sentiment towards carbon assets and diversion of investment to other industries. Consistent with the increased attention on ESG matters and climate change, we have prioritized and are committed to responsible environmental practices by monitoring our adherence to ESG standards, including the reduction of our carbon footprint and measurement of GHG emissions.

Capital Resources

Cash on Hand

At September 30, 2021, we had unrestricted cash of \$52.8 million. The unrestricted cash balance includes \$2.3 million of cash attributable to non-operating joint venture owner advances. As operator of the Etame Marin block in Gabon, we enter into project related activities on behalf of our working interest joint venture owners. We generally obtain advances from the joint venture owners prior to significant funding commitments.

We currently sell our crude oil production from Gabon under a term contract that began in February 2020 and, after contract extensions, ends on January 31, 2022. Pricing under the contract is based upon an average of Dated Brent in the month of lifting, adjusted for location and market factors. See Note 8 to the condensed consolidated financial statements for further discussion.

Liquidity

Historically, our primary source of liquidity has been cash flows from operations and our primary use of cash has been to fund capital expenditures for development activities in the Etame Marin block. As a result of completing the Sasol Acquisition on February 25, 2021, our obligations with respect to development activities in the Etame have increased based on the increase in our working interest in the Etame from 31.1 % at December 31, 2020, to 58.8%. We expect that part of this increase will be offset by an increase in our operating cash flows based on our increased portion of the Etame production. We continually monitor the availability of capital resources, including equity and debt financings that could be utilized to meet our future financial obligations, planned capital expenditure activities and liquidity requirements including those to fund opportunistic acquisitions.

Our future success in growing proved reserves, production and balancing the long-term development of our assets with a focus on generating attractive corporate-level returns will be highly dependent on the capital resources available to us. In 2020, crude oil prices experienced a significant decline as a result of the substantial decline in the global demand for crude oil caused by the COVID-19 pandemic and subsequent mitigation efforts. Reductions in production have significantly improved the demand/supply imbalance and crude oil prices have improved from the lows seen in March and April of 2020. Between July 2020 and April 2021, we temporarily reduced production from the Etame Marin block. Currently, our production is not impacted by OPEC+ curtailments. 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 \$77 per barrel as of September 30, 2021. On January 22, 2021, we entered into commodity swaps at a Dated Brent weighted average price of \$53.10 per barrel for the period from and including February 2021 through January 2022 for 709,262 barrels. On May 6, 2021, we entered into commodity swaps at a Dated Brent weighted average price of \$66.51 per barrel for the period from and including May 2021 through October 2021 for a quantity of 672,533 barrels. On August 6, 2021, the Company entered into additional commodity swaps at a Dated Brent weighted average price of \$67.70 per barrel for the period from and including November 2021 through February 2022 for a quantity of 314,420 barrels. Again, on September 24, 2021, the Company entered commodity swaps at a Dated Brent weighted average price of \$72.00 per barrel for the period from and including March 2022 to June 2022 for a quantity of 460,000 barrels.

Based on current expectations, we believe we have sufficient liquidity through our existing cash balances and cash flow from operations to support our cash requirements, including those related to our 2021/2022 drilling program and our efforts to secure an alternative to the FPSO charter, through December 2022. However, our ability to generate sufficient cash flow from operations or fund any potential future acquisitions, consortiums, joint ventures or other similar transactions depends on operating and economic conditions, some of which are beyond our control. If additional capital is needed, we may not be able to obtain debt or equity

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financing on terms favorable to us, or at all. We are continuing to evaluate all uses of cash, including opportunistic acquisitions, and whether to pursue growth opportunities.

Cash Requirements

Our material cash requirements generally consist of operating leases, purchase obligations, capital projects and 3D seismic processing, the Sasol Acquisition and abandonment funding. For a discussion of these cash requirements, see the information in Part II, Item 7. “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” in our 2020 Form 10-K, as well as the following updates.

In connection with the 2020/2021 drilling program, we estimate the range of costs for four wells to be between \$117.0 million to \$143.0 million gross, or \$74.0 million to \$91.0 million, net to VAALCO’s 63.6% participating interest with about \$26 million to about \$31 million gross expected in 2021, or about \$16 million to \$20 million net to VAALCO.

In connection with the FSO Agreements, we are required to make a prepayment of \$2 million gross (\$1.3 million net) in 2021 and \$5 million gross (\$3.2 million net) in 2022 of which \$6 million will be recovered against future rentals. Current total field level capital conversion estimates are \$40 to \$50 million gross (\$26 to \$32 million net to VAALCO) with about \$5 million net expected in 2021 and the remainder in 2022.

On August 2, 2021, we approved the adoption of a cash dividend policy whereby we intend to authorize the payment of quarterly cash dividends of \$0.0325 per common share per quarter (full year 2022 annualized of \$0.13 per share) beginning in the first quarter of 2022. The declaration of any cash dividends in the future pursuant to VAALCO’s dividend policy will be made at the sole discretion of our Board of Directors each quarter and will depend on a number of factors, including our financial performance and available cash resources, our capital requirements, amount of legally available funds and alternative uses of cash, as well as general business conditions and legal, contractual, tax and regulatory restrictions and other factors our Board of Directors deems relevant at the time it determines to declare such dividends. Our Board of Directors expects to reassess the payment of dividends as appropriate from time to time. For these reasons, as well as others, there can be no assurance that dividends in the future will be equal or similar in amount to that described in this press release or that the Board of Directors will not decide to suspend or discontinue the payment of cash dividends in the future.

Based on current expectations, we believe we have sufficient liquidity through our existing cash balances and cash flow from operations to support these cash requirements

At December 31, 2020, we had 3.2 MMBbls of estimated net proved reserves, all of which are related to the Etame Marin block offshore Gabon. In February 2021, we increased our working interest in the Etame Marin block from 31.1% to 58.8%. The current term for exploitation of the reserves in the Etame Marin block ends in September 2028 with rights for two five-year extension periods. Except to the extent that we conduct successful exploration or development activities or acquire properties containing proved reserves, our estimated net proved reserves will generally decline as reserves are produced. While both short-term and long-term liquidity are impacted by crude oil prices, our long-term liquidity also depends upon our ability to find, develop or acquire additional crude oil and natural gas reserves that are economically recoverable.

OFF-BALANCE SHEET ARRANGEMENTS

None.

CRITICAL ACCOUNTING POLICIES

There have been no material changes to our critical accounting policies subsequent to December 31, 2020.

NEW ACCOUNTING STANDARDS

See Note 2 to the condensed consolidated financial statements.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2021 Compared to the Three Months Ended September 30, 2020

Net income for the three months ended September 30, 2021 was \$31.7 million compared to net income of \$7.6 million for the same period of 2020. See discussion below for changes in revenue and expense.

Crude oil and natural gas revenues increased \$37.6 million, or approximately 206.2%, during the three months ended September 30, 2021 compared to the same period of 2020. The increase in revenue is attributable to higher sales prices and higher volumes as a result of the Sasol Acquisition. Further discussion of results by significant line item follows.

	Three Months Ended September 30,		Increase/(Decrease)
	2021	2020	
	<i>(in thousands except per bbl information)</i>		
Net crude oil sales volume (MBbls)	741	412	329
Average crude oil sales price (per Bbl)	\$ 73.02	\$ 43.63	\$ 29.39
Net crude oil revenue	\$ 55,899	\$ 18,256	\$ 37,643
Operating costs and expenses:			
Production expense	25,208	8,984	16,224
Exploration expense	479	16	463
Depreciation, depletion and amortization	6,970	2,212	4,758
General and administrative expense	2,940	2,178	762
Bad debt expense	318	151	167
Total operating costs and expenses	35,915	13,541	22,374
Other operating income (expense), net	46	(37)	83
Operating income	\$ 20,030	\$ 4,678	\$ 15,352

The revenue changes in the three months ended September 30, 2021 compared to the same period in 2020 identified as related to changes in price or volume, are shown in the table below:

<i>(in thousands)</i>	
Price	\$ 21,778
Volume	14,354
Other	1,511
	\$ 37,643

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

	Three Months Ended September 30,	
	2021	2020
Gabon net crude oil production (MBbls)	708	405
Gabon net crude oil sales (MBbls)	741	412
Average realized crude oil price (\$/Bbl)	\$ 73.02	\$ 43.63
Average Dated Brent spot price* (\$/Bbl)	73.51	42.91

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

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. We made three liftings during the three months ended September 30, 2021 and three liftings during the three months September 30, 2020. The increase in lifting volumes is due to our increased working interest as a result of the Sasol Acquisition partially offset by natural declines in production. Our share of crude oil inventory aboard the FPSO, excluding royalty barrels, was approximately 98,031 barrels and 36,299 barrels at September 30, 2021 and 2020, respectively.

Production expenses increased \$16.2 million, or approximately 180.6%, in the three months ended September 30, 2021 compared to the same period in 2020. The increase in expense was primarily related to higher costs as a result of our increased working interest as a result of the Sasol Acquisition, increased workover costs and higher marine costs. On a per barrel basis, production expense, excluding workover expense, for the three months ended September 30, 2021 increased to \$28.85 per barrel from \$22.21 per barrel for the three months ended September 30, 2020 primarily as a result of higher marine costs in 2021. While we have not experienced any material operational disruptions associated with the current worldwide COVID-19 pandemic, we have incurred approximately \$0.9

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million and \$0.4 million in higher costs related to the proactive measures taken in response to the pandemic for each of the three months ended September 30, 2021 and 2020, respectively.

Depreciation, depletion and amortization costs increased \$4.8 million, or approximately 215.1% due to higher depletable costs associated with the Sasol Acquisition.

General and administrative expenses increased \$0.8 million, or approximately 35.0% in the three months ended September 30, 2021 compared to the same period of 2020. The increase in expense was primarily related to a \$0.3 million decrease in SARs benefit related to SARs liability awards that are measured at fair value. The primary driver of changes in the fair value of these awards is changes in our stock price.

Bad debt expense was higher between the three months ended September 30, 2021 and 2020 primarily due to issues of collectability associated with the Value-Added Tax ("VAT") receivable in Gabon.

Other operating income (expense), net for the three months ended September 30, 2021 and for the three months ended September 30, 2020 was not material to our results.

Derivative instruments loss, net is attributable to our swaps as discussed in Note 8 to the condensed consolidated financial statements. The \$5.1 million loss for the three months ended September 30, 2021 is the result of the continued increase in the price of Brent Crude above the weighted average swap price of our derivative instruments. For the three months ended September 30, 2020 we had no swaps in place. Our current derivative instruments cover a portion of our production through June 2022.

Other, net for the three months ended September 30, 2021 and 2020 primarily consists of foreign currency gains (losses) as discussed in Note 1 to the condensed consolidated financial statements.

Income tax expense (benefit) for the three months ended September 30, 2021 was a benefit of \$(17.2) million. This is comprised of \$ (22.7) million of deferred tax benefit and a current tax expense of \$5.5 million. The deferred income tax benefit for the three months ended September 30, 2021 included a \$22.3 million deferred tax benefit from the reversal of the valuation allowance. See Note 15 to the condensed consolidated financial statements. Income tax benefit for the three months ended September 30, 2020 was a benefit of \$(2.8) million and included \$(5.3) million of deferred tax benefit and a current tax expense of \$2.5 million. For both the three months ended September 30, 2021 and 2020, our overall effective tax rate was impacted by non-deductible items associated with operations and deducting foreign taxes rather than crediting them for United States tax purposes.

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Nine Months Ended September 30, 2021 Compared to the Nine Months Ended September 30, 2020

Net income for the nine months ended September 30, 2021 of \$47.5 million compared to a net loss of \$(44.6) million for the same period of 2020. See the discussion below for changes in revenue and expense.

Crude oil and natural gas revenues increased \$88.1 million, or approximately 161.3% during the nine months ended September 30, 2021 compared to the same period of 2020. The increase in revenue is attributable to higher sales prices and to a lesser degree, higher volumes. Further discussion of results by significant line item follows.

	Nine Months Ended September 30,		Increase/(Decrease)
	2021	2020	
	<i>(in thousands except per bbl information)</i>		
Net crude oil sales volume (MBbls)	2,002	1,337	665
Average crude oil sales price (per Bbl)	\$ 68.31	\$ 39.90	\$ 28.41
Net crude oil revenue	\$ 142,696	\$ 54,619	\$ 88,077
Operating costs and expenses:			
Production expense	57,760	30,859	26,901
Exploration expense	1,286	16	1,270
Depreciation, depletion and amortization	16,928	8,116	8,812
Impairment of proved crude oil and natural gas properties	—	30,625	(30,625)
General and administrative expense	12,221	5,951	6,270
Bad debt expense	814	1,140	(326)
Total operating costs and expenses	89,009	76,707	12,302
Other operating expense, net	(440)	(883)	443
Operating income (loss)	\$ 53,247	\$ (22,971)	\$ 76,218

The revenue changes in the nine months ended September 30, 2021 compared to the same period in 2020 identified as related to changes in price or volume, are shown in the table below:

<i>(in thousands)</i>	
Price	\$ 56,877
Volume	26,534
Other	4,666
	<u>\$ 88,077</u>

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

	Nine Months Ended September 30,	
	2021	2020
Gabon net crude oil production (MBbls)	1,904	1,347
Gabon net crude oil sales (MBbls)	2,002	1,337
Average realized crude oil price (\$/Bbl)	\$ 68.31	\$ 39.90
Average Dated Brent spot price* (\$/Bbl)	67.89	41.15

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

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. We made eight liftings during the nine months ended September 30, 2021 and nine liftings during the nine months ended September 30, 2020. However, the total barrels lifted in the nine months ended September 30, 2021 was more than the barrels lifted during the same period in 2020, mainly due to our increased working interest as a result of the Sasol Acquisition partially offset by natural declines in production. Our share of crude oil inventory aboard the FPSO, excluding royalty barrels, was approximately 98,031 and 36,299 barrels at September 30, 2021 and 2020, respectively.

Production expenses increased \$26.9 million, or approximately 87.2%, in the nine months ended September 30, 2021 compared to the same period in 2020. The increase in expense was primarily related to costs as a result of our 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 nine months ended September 30, 2021 increased to \$26.75 per barrel from \$21.10 per barrel for the nine months ended September 30, 2020 primarily as a result of a natural decline in oil production and higher marine and personnel costs. While we have not experienced any material operational disruptions associated with the current worldwide COVID-19 pandemic, we have incurred approximately \$2.3 million and \$1.2 million, respectively, in higher costs related to the proactive measures taken in response to the pandemic for the nine months ended September 30, 2021 and 2020.

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Exploration expenses was \$1.3 million for the nine months ended September 30, 2021 as a result of the processing of seismic data acquired at the end of 2020. Exploration costs were not significant for the nine months ended September 30, 2020.

Depreciation, depletion and amortization costs increased \$8.8 million, or approximately 108.6%, in the nine months ended September 30, 2021 compared to the same period in 2020 due to higher depletable costs associated with the Sasol Acquisition.

General and administrative expenses increased \$6.3 million, or approximately 105.4% in the nine months ended September 30, 2021 compared to the same period of 2020. The increase in expense was primarily related to an additional \$4.0 million in SARs expense and an increase of \$1.2 million in severance costs associated with changes in key personnel. SARs liability awards are measured at fair value. The primary driver of changes in the fair value of these awards is changes in our stock price. See Note 14 to our condensed consolidated financial statements for further discussion.

Bad debt expense was lower between the nine months ended September 30, 2021 and 2020 primarily due to bad debt expense associated with the VAT allowance.

Other operating expense, net for the nine months ended September 30, 2021 decreased by \$0.4 million in expense. The \$0.4 million balance for the nine months ended September 30, 2021 is primarily comprised of the 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. The balance of other operating expense for the nine months ended September 30, 2020 relates to an \$0.8 million charge for the settlement of a joint venture audit.

Derivative instruments gain (loss), net is attributable to our swaps as discussed in Note 8 to the condensed consolidated financial statements. The \$(21.1) million loss for the nine months ended September 30, 2021 is a result of the increase in the price of Dated Brent crude oil above the weighted average swap price of our derivative instruments during the nine months ended September 30, 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 prior year period. Our derivative instruments currently cover a portion of our production through June 2022.

Other, net for the nine months ended September 30, 2021 is primarily attributable to \$5.5 million for the bargain purchase gain offset by \$1.0 million for an acquisition success fee. Other, net was not significant for the nine months ended September 30, 2020.

Income tax expense (benefit) for the nine months ended September 30, 2021 was a benefit of \$ (11.3) million. This is comprised of \$ (26.4) million of deferred tax benefit and a current tax expense of \$15.1 million. The deferred income tax expense for the nine months ended September 30, 2021 included a \$(22.3) million deferred tax benefit from the reversal of the valuation allowance. See Note 15 to the condensed consolidated financial statements. Income tax expense for the nine months ended September 30, 2020 was \$28.5 million. This is comprised of \$27.0 million of deferred tax expense and a current tax expense of \$1.5 million. The deferred income tax expense for the nine months ended September 30, 2020 included a \$37.4 million charge to increase the valuation allowances on U.S. and Gabonese deferred tax assets offset by a \$(10.5) million deferred tax benefit. For both the nine months ended September 30, 2021 and 2020, our overall effective tax rate was impacted by non-deductible items associated with operations and deducting foreign taxes rather than crediting them for United States tax purposes.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK

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

FOREIGN EXCHANGE RISK

Our results of operations and financial condition are affected by currency exchange rates. While crude oil sales are denominated in U.S. dollars, portions of our costs in Gabon are denominated in the local currency (the "Central African CFA Franc", or "XAF"), and our VAT receivable as well as certain liabilities in Gabon are also denominated in XAF. A weakening U.S. dollar will have the effect of increasing costs while a strengthening U.S. dollar will have the effect of reducing costs. For our VAT receivable in Gabon, a strengthening U.S. dollar will have the effect of decreasing the value of this receivable resulting in foreign exchange losses, and vice versa. The Gabon local currency is tied to the Euro. The exchange rate between the Euro and the U.S. dollar has historically fluctuated in response to international political conditions, general economic conditions and other factors beyond our control. As of September 30, 2021, we had net monetary assets of \$7.3 million (XAF 4,155.5 million) (net to VAALCO) denominated in XAF. A 10% weakening of the CFA Franc relative to the U.S. dollar would have a \$ (0.7) million reduction in the value of these net assets. For the three and nine months ended September 30, 2021, we had expenditures of approximately \$10.7 million and \$20.4 million (net to VAALCO), respectively, denominated in XAF.

COUNTERPARTY RISK

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

COMMODITY PRICE RISK

Our major market risk exposure continues to be the prices received for our crude oil production. Sales prices are primarily driven by

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the prevailing market prices applicable to our production. Market prices for crude oil and natural gas have been volatile and unpredictable in recent years, and this volatility may continue.

Sustained low crude oil prices could have a material adverse effect on our financial condition, the carrying value of our proved reserves, our undeveloped leasehold interests and our ability to borrow funds and to obtain additional capital on attractive terms. If crude oil sales were to remain constant at the most recent quarterly sales volumes of 741 MBbls, a \$5 per Bbl decrease in crude oil price would be expected to cause a \$3.7 million and \$14.8 million decrease per quarter and annualized, respectively, in revenues and operating income and a \$3.3 million and \$13.3 million decrease per quarter and annualized in net income, respectively.

As of September 30, 2021, we had crude oil swaps outstanding. From time to time, we use derivative instruments as an economic hedge against declines in crude oil prices; however, such instruments are not designated as hedges for accounting purposes. Our derivative instruments only cover a portion of our production through June 2022. See Note 8 to our condensed consolidated financial statements for further discussion.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We performed an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. The evaluation was performed with the participation of senior management, under the supervision of the principal executive officer and principal financial officer. Based on their evaluation as of September 30, 2021, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The internal control environment was impacted by the stay-at-home requirements for our Houston and Gabon staff which began in mid-March 2020 and was voluntary through September 1 of 2021. From September 1, 2021 through the date of this report the Company has adopted a hybrid schedule where employees are required to be in the office on certain days and allowed to work from home on certain days. While modifications were made to the manner in which controls were performed, these changes did not have a material effect on our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act), and there were no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

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

For a discussion of our potential risks and uncertainties, see the information in Item 1A. "Risk Factors" in our 2020 Form 10-K. Except as set forth below, there have been no material changes in our risk factors from those described in our 2020 Form 10-K.

If we are not able to timely implement the transition to the FSO unit before the expiration of the FPSO contract in September 2022, our results of operations could be materially adversely affected.

As an offshore producer, we depend on our FPSO to store all of the crude oil we produce prior to sale to our customers. Our current FPSO contract expires in September 2022. On August 31, 2021, we entered into a Bareboat Contract and Operating Agreement for a Floating Storage and Offloading ("FSO") unit at the Etame Marin field offshore Gabon for up to eight years with additional option periods available upon the expiration of the current FPSO contract in September 2022. The transition to the FSO unit will require a significant lead time and may require a capital investment due to the specialized nature of such vessels. To become operational, significant engineering studies, platform modifications, mooring and pipeline surveys as well as installation must be completed. If we are not able to timely implement the transition to the FSO unit as our alternative method of storing the crude oil we produce, then we will not be able to sell crude oil to our customers. Consequently, we would be required to shut in production until such time that we could offload the oil, and our results of operations would be materially adversely affected.

We may not enter into definitive agreements with the consortium to explore and exploit new properties, and we 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 consortium or from any non-operated properties we have an interest in.

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On October 11, 2021 we announced our entry into a consortium with BW Energy and Panoro Energy and that the consortium has 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% working interest and we and Panoro Energy will have a 37.5% working interest and 25% working interest, respectively, as non-operating joint owners. The joint owners in the 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. Our obligations within the 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 our joint interest owners. There is no assurance that we 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 consortium. If we are unable to negotiate and enter into definitive agreements with each party, we may not be able to explore, develop and exploit new properties, and our results of operations could be materially adversely affected.

With respect to crude oil and natural gas projects that we do not operate or may not operate in the future, including properties operated by the consortium, we have or will have limited ability to exercise influence over the operations of the non-operated properties and their associated costs, including limited control over the maintenance of safety and environmental standards. Our dependence on the operator and other non-operating joint owners, and our limited ability to influence operations and associated costs of properties operated by others, could prevent the realization of anticipated results in drilling or acquisition activities. In addition, the operator of these properties may act in ways that are not in our best interest. The success and timing of development and exploitation activities on properties operated by others, including those operated by the consortium, depends upon a number of factors that could be largely outside of our control, including:

- ① the timing and amount of capital expenditures;
- ① the availability of suitable offshore drilling rigs, drilling equipment, support vessels, production and transportation infrastructure and qualified operating personnel;
- ① the operator's expertise, financial resources and willingness to initiate exploration or development projects;
- ① approval of other participants in drilling wells;
- ① risk of other a non-operator's failure to pay its share of costs, which may require us to pay our proportionate share of the defaulting party's share of costs;
- ① selection of technology;
- ① delays in the pace of exploratory drilling or development;
- ① the rate of production of the reserves; and/or
- ① the operator's desire to drill more wells or build more facilities on a project than we can afford, whether on a cash basis or through financing, which may limit our participation in those projects or limit the percentage of our revenues from those projects.

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

Our operations are subject to risks associated with climate change and potential regulatory programs meant to address climate change; these programs may impact or limit our business plans, result in significant expenditures or reduce demand for our product.

Climate changes 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 GHG emissions. These efforts have included or may include cap-and-trade programs, carbon taxes, GHG reporting obligations and other regulatory programs that limit or require control of GHG's from certain sources. These programs may limit our ability to produce crude oil and natural gas, limit our ability to explore in new areas, or may make it more expensive to produce. In addition, these programs may reduce demand for our product either by incentivizing or mandating the use of other alternative energy sources, by prohibiting the use of our product, by requiring equipment using our product to shift to alternative energy sources, or by directly increasing the cost of fossil fuels to consumers.

An increased societal and governmental focus on ESG and climate change issues may adversely impact our business, impact our access to investors and financing, and decrease demand for our product.

An increased expectation that companies address environmental (including climate change), social and governance ("ESG") matters may have a myriad of impacts to our business. Some investors and lenders are factoring these issues into investment and financing

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decisions. They may rely upon companies that assign ratings to a company's ESG performance. Unfavorable ESG ratings, as well as recent activism around fossil fuels, may dissuade investors or lenders from us to toward other industries, which could negatively impact our stock price or our access to capital.

Moreover, while we 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.

In addition, ESG and climate change issues may cause consumer preference to shift toward other alternative sources of energy, lowering demand for our products. In some areas these concerns have caused governments to adopt or consider adopting regulations to transition to a lower-carbon economy. These measures may include adoption of cap-and-trade programs, carbon taxes, increased efficiency standards, prohibitions on the manufacture of certain types of equipment (such as new automobiles with internal combustion engines), and requirements for the use of alternate energy sources such as wind or solar. These types of programs may reduce the demand for our product.

Approaches to climate change and transition to a lower-carbon economy, including government regulation, company policies, and consumer behavior, are continuously evolving. At this time, we cannot predict how such approaches may develop or otherwise reasonably or reliably estimate their impact on our 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 our financial condition, results of operations and cash flows.

ITEM 6. EXHIBITS

(a) Exhibits

3.1	Certificate of Incorporation as amended through May 7, 2014 (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on November 10, 2014 and incorporated herein by reference).
3.2	Third Amended and Restated Bylaws (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on August 4, 2020 and incorporated herein by reference).
3.3	Certificate of Elimination of Series A Junior Participating Preferred Stock of VAALCO Energy, Inc., dated as of December 22, 2015 (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed on December 23, 2015, and incorporated herein by reference).
10.1(a)**	Bareboat Charter, by and between VAALCO Energy, Inc. and World Carrier Offshore Services Corp, dated August 31, 2021.
10.2(a)**	Operating Agreement, by and between VAALCO Energy, Inc. and World Carrier Offshore Services Corp, dated August 31, 2021.
10.3(a)	Deed of Guarantee and Indemnity, by and between VAALCO Energy, Inc. and VAALCO Gabon S.A., dated [August 31, 2021].
10.4(a)	Deed of Guarantee and Indemnity, by and between VAALCO Energy, Inc. and VAALCO Gabon S.A., dated [August 31, 2021].
31.1(a)	Sarbanes-Oxley Section 302 certification of Principal Executive Officer.
31.2(a)	Sarbanes-Oxley Section 302 certification of Principal Financial Officer.
32.1(b)	Sarbanes-Oxley Section 906 certification of Principal Executive Officer.
32.2(b)	Sarbanes-Oxley Section 906 certification of Principal Financial Officer.
101.INS(a)	Inline XBRL Instance Document.
101.SCH(a)	Inline XBRL Taxonomy Schema Document.
101.CAL(a)	Inline XBRL Calculation Linkbase Document.
101.DEF(a)	Inline XBRL Definition Linkbase Document.
101.LAB(a)	Inline XBRL Label Linkbase Document.
101.PRE(a)	Inline XBRL Presentation Linkbase Document.
104	Cover Page Interactive Data File (Formatted as Inline XBRL and contained in Exhibit 101).

(a) Filed herewith

(b) Furnished herewith

* Management contract or compensatory plan or arrangement.

** Information in this exhibit (indicated by asterisks) is confidential and has been omitted pursuant to Item 601(b)(10) of Regulation S-K. Additionally, exhibits and schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted exhibit or schedule will be furnished supplementally to the SEC or its staff upon request.

SIGNATURE

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

VAALCO ENERGY, INC.
(Registrant)

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

Dated: November 3, 2021

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED AT THE APPROPRIATE PLACE WITH FIVE ASTERISKS [*****], HAS BEEN OMITTED BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED.

Bareboat Charter

World Carrier Offshore Services Corp.
as Owner

and

VAALCO Gabon SA
as Charterer

of the Floating Storage and Offloading System named 'Cap
Diamant'

2021

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THIS BAREBOAT CHARTER is made on _____ 2021

BETWEEN:

- (1) **WORLD CARRIER OFFSHORE SERVICES CORP.**, a company incorporated in the Marshall Islands and having its principal office at Trust Company Complex, Ajeltake Road, Ajeltake Islands, Majuro, MH96960, Marshall Islands (the "**Owner**"); and
- (2) **VAALCO GABON SA**, a company incorporated in the Gabonese Republic and having its registered office at Zone Industrielle OPRAG – Nouveau Port, the Gabonese Republic (the "**Charterer**").

Owner and Charterer shall be individually referred to as "**Party**" and together referred to as "**Parties**".

WHEREAS

- (A) The Owner has agreed to perform the Work (as defined below) in relation to the adaptation and fit out of its vessel FSO'Cap Diamant', in compliance with the Charterer's specifications set out in schedule 2 – Technical Specifications, for use by the Charterer as a floating storage and offloading facility to store and offload Crude Oil (as hereinafter defined) at the Etame Marin Block offshore the Gabonese Republic ("**Field**").
- (B) The Owner represents and warrants to the Charterer that it has all the management, supervision, skilled and experienced workforce, facilities, plant and equipment and other resources required to execute and complete the Work, and is able to supply the FSO in accordance with the terms of this Charter.
- (C) The Charterer wishes to charter the FSO for use in, and in connection with, its operations at the Field and in respect of hydrocarbons produced from the Field and any other field, on the terms set out in this Charter.
- (D) Contemporaneously with the execution of this Charter, the Charterer and the Operator have entered into the Operating Agreement, pursuant to which the Operator shall operate and maintain the FSO on the terms as described therein.

NOW, THEREFORE, IT IS AGREED that the Owner shall let and the Charterer shall hire the FSO by way of bareboat charter on the following terms and conditions:

1. **DEFINITIONS AND CONSTRUCTION**

1.1 In this Charter, each of the following terms shall have the meaning given in this clause unless the context otherwise requires:

"Affiliate" means, in relation to a person, a company, partnership or other legal entity which controls, is controlled by, or which is under common control with, that person, and "control" means the ownership, directly or indirectly, of fifty per cent (50%) or more of the voting rights in a company, partnership or other legal entity;

"Applicable Codes and Standards" means:

- (a) the codes and standards referred to in this Charter, together with any codes, standards, or requirements addressed in any Applicable Law;
- (b) all requirements of a Classification Society from time to time; and
- (c) the terms of this Charter,

all of which shall collectively govern (i) the performance of the Work and (ii) the service of the FSO under this Charter. In the event of any inconsistency or conflict between Applicable

Codes and Standards, the strictest requirement shall govern, unless the Charterer instructs otherwise in writing;

"Applicable Laws" means all international (including region-wide), national, federal, state, provincial, and local laws including statutes, decrees, edicts, codes, orders, judgments, judicial decisions, rules, ordinances, proclamations, by-laws, regulations, and executive orders of, and the terms of any licenses, leases, rights of way, Permits, or authorizations issued by, any international (including region-wide), national, federal, state, provincial or local or other duly constituted Governmental Authority that are applicable to the Work, the Site, the FSO, and the persons in relation to whom the term is used

"Business Day" means a day throughout which banks are open for business in New York, London and the Gabonese Republic;

"Change" means an instruction given by the Charterer to provide additional goods, or equipment, or to make a modification to the FSO or the manner in which the FSO system is employed; or a change in any or all of the Work;

"Change in Law" shall have the meaning given to it in clause 15;

"Change Order" shall have the meaning given to it in clause 9.2;

"Change Order Proposal" shall have the meaning given to it in clause 9.1;

"Charter" means this Bareboat Charter, together with the schedules;

"Charterer Group" means the Charterer, each of the Co-venturers, its and their Affiliates, and its and their subcontractors at all levels but shall not include any member of the Owner Group;

"Charterer Facilities" has the meaning given to it in clause 18.3(a);

"Charterer Performance Security" has the meaning given to it in clause 30.1;

"Classification Society" means DNV, the American Bureau of Shipping, Nippon Kaiji Kyokai (ClassNK), Lloyd's Register, or such other body as may from time to time act as the provider of relevant technical and classification services in connection with the FSO and the operations contemplated in this Charter;

"Code of Business Conduct and Ethics" means the policies of the Charterer and the Owner set out in schedule 13 – Code of Business Conduct and Ethics;

"Compulsory Acquisition" shall have the meaning given to it in clause 24.2;

"Co-venturer" means each party from time to time to the Etame Marin JOA (including the Charterer, as the context so requires) or any other person with an interest in the Field which at the date of this Charter means VAALCO Gabon SA, Addax Petroleum Holdings Ltd, PetroEnergy Resources Corporation and Tullow Oil Gabon SA, and **"Co-venturers"** shall mean all of them;

"Crude Oil" means crude oil produced from the Field having the characteristics set out in the Technical Specifications;

"Custody Transfer Metering System" means the custody transfer metering system for the metering of Crude Oil, as described in schedule 2 - Technical Specifications;

"Delay LDs" means liquidated damages payable by the Owner in accordance with clause 3.2;

"**Demobilisation Plan**" means the plan prepared by the Owner and approved by the Charterer for demobilisation of the FSO as set out in schedule 2 - Technical Specifications;

"**Early Termination Payment**" has the meaning given in schedule 6 – Schedule of Rates;

"**Environmental Law**" means all international (including region-wide), national, federal, state, provincial, and local laws (including statutes, decrees, edicts, codes, orders, judgments, judicial decisions, rules, ordinances, proclamations, by-laws, regulations, and executive orders pertaining to prevention of pollution, protection of the environment (including natural resources), remediation of contamination or restoration of environmental quality, or occupational health and workplace safety, that apply with respect to any obligation or activities related to this Charter;

"**Etame Marin JOA**" means the joint operating agreement in respect of the Etame Marin field, offshore the Republic of Gabon, dated 4 April 1997 as amended, restated or novated from time to time;

"**Extended Term**" shall have the meaning set out in clause 6.2;

"**Field**" shall have the meaning set out in recital (A);

"**Flag**" means the flag of Panama, or any other country agreed between the Parties, being the flag under which the FSO is registered;

"**Force Majeure**" has the meaning given to it in clause 26.2;

"**Force Majeure Rate**" has the meaning set out in schedule 6 – Schedule of Rates;

"**FSO**" means the floating storage and offloading facility, and the associated Mooring System, to be delivered to the Charterer (and installed, in the case of the Mooring System) following the Work by the Owner;

"**FSO Delivery Window**" means [*****];

"**FSO Final Acceptance**" means that the Owner has successfully fulfilled the criteria set out in this Charter with respect to (i) completion of the Work, (ii) delivery to Charterer of all final documentation and other deliverables specified in this Charter, (iii) arrival of the FSO at the Site and (iv) FSO has received oil for a continuous period of 24 hours (the 24 Hour Performance Test);

"**FSO Final Acceptance Certificate**" means the certificate issued by the Charterer substantially in the form set out in schedule 9 – Form of Certificates to document the Owner's representation and the Charterer's acceptance that FSO Final Acceptance has been achieved;

"**FSO Final Acceptance Window**" means [*****];

"**FSO Provisional Acceptance**" means the delivery of the FSO to the Charterer and issuance, actual or deemed, of the FSO Provisional Acceptance Certificate in accordance with clause 2;

"**FSO Provisional Acceptance Certificate**" means the certificate issued by the Owner and accepted by the Charterer substantially in the form set out in schedule 9 – Form of Certificates to document the Owner's representation and the Charterer's acceptance that FSO Provisional Acceptance has been achieved;

"**FSO Ready for Sailaway**" means that the Owner has successfully fulfilled the conditions detailed in this Charter with respect to FSO Ready for Sailaway;

"FSO Sail Away Certificate" means the certificate issued by the Owner and countersigned by representation and the Charterer's acceptance that FSO Ready for Sallaway has been achieved;

"Gabon Government" means the Government of the Gabonese Republic or any ministry, bureau, agency, department, office or other organisation of such Government or any local Governmental authority of the Gabonese Republic that has jurisdiction or authority over the Site or the Field;

"Good Engineering and Construction Practices" means the generally accepted practices, methods, skill, care, techniques, and standards employed by reputable and professional engineering and construction contractors with respect to: (i) engineering, procurement, and construction activities; (ii) personnel and property safety and health and environmental protection; and (iii) the exercise of the degree of expertise, expedition, diligence, integrity, knowledge, and foresight which would be expected of such contractors when undertaking performance of work similar in nature to the Work addressed in this Charter;

"Good Oilfield Practice" means the generally accepted practices, methods, skill, care, techniques, and standards employed by reputable and professional offshore oilfield operators and contractors with respect to: (i) technical, maritime, engineering, production and construction activities; (ii) personnel and property safety and health and environmental protection; and (iii) the exercise of the degree of expertise, expedition, diligence, integrity, knowledge, and foresight which would be expected when undertaking activity addressed in this Charter;

"Governmental Authority" means the Government of any country, province, region, state, or territory, or any political subdivision thereof, claiming, having, or exercising jurisdiction over Charterer, any of the members of Owner Group, any Worksite, or the Work, the Gabon Government and including all agencies, instrumentalities, and political subdivisions of, and entities controlled or commissioned by, any such Government; any judicial, executive, legislative, administrative, or regulatory body of any Government or political subdivision thereof; and any official of any of the foregoing;

"Group" means the Owner Group or the Charterer Group, as the case may be;

"Hazardous Materials" means (a) petroleum or petroleum products and any fractions or derivatives thereof, natural or synthetic gas and any fractions or derivatives thereof (including condensate), asbestos and polychlorinated biphenyls; (b) any substances defined as or included in the definition of "hazardous wastes", "hazardous materials", "hazardous substances", "extremely hazardous substances", "restricted hazardous wastes", "special wastes", "toxic substances", "toxic chemicals", "toxic pollutants", "contaminants" or "pollutants" or words of similar import under any Environmental Law; (c) radioactive materials, substances and waste; and (d) any other substance the handling, disposal, storage and/or transportation of, or exposure to, which is regulated under any Environmental Law;

"Hire" shall refer to the period set out in clause 13.2;

"Hire Rate" shall have the meaning given to it in clause 13.1;

"Hire Payment Date" means the date on which a payment in respect of Hire falls due under clause 13.3;

"HSE Requirements" has the meaning in clause 37.1(a);

"Initial Term" shall have the meaning set out in clause 6.1;

"Instruction to Proceed" means a written instruction given by Charterer in accordance with clause 9.7 instructing Owner to proceed with performance of Work in the manner specified by Charterer in the Instruction to Proceed;

"Key Personnel" has the meaning in clause 36.5;

"Letter of Quiet Enjoyment" means a Letter of Quiet Enjoyment in substantially the same form as attached inschedule 7 – Letter of Quiet Enjoyment hereto;

"Milestones" means the key, identifiable stages in the progress of the Work that are prescribed as "milestones" inschedule 1 – Project Schedule;

"Milestone Completion Dates" means the dates set out in schedule 1 – Project Schedule by which a particular Milestone must have been achieved;

"Mooring System" means the mooring system for use by the FSO (as more particularly described in schedule 2 – Technical Specifications), as installed by the Owner prior to the firstday of the FSO Delivery Window in accordance with clause 2.2;

"Notice of Readiness" means the notice issued to the Charterer, during or in respect of the FSO Delivery Window, that the FSO is ready for hook-up to the Mooring System and the Charterer's Riser Systems pursuant to clause 2.4;

"O&M Rate" means the Operating Fee as referred to in the Operating Agreement

"Operator" means World Carrier Offshore Services Corp., or its nominated Affiliate, who has been appointed by the Charterer and approved by theOwner to operate the FSO under the Operating Agreement, or any replacement thereof appointed in accordance with the terms of this Charter and/or the Operating Agreement

"Operating Agreement" means the agreement to be entered into between the Charterer and the Operator prior to or contemporaneous with the execution of this Charter, for the operation and maintenance of the FSO;

"Owner Group" means the Owner, its Affiliates and subcontractors at all levels, but shall not include any member of the Charterer Group;

"Owner HSE Policy" has the meaning in clause 37.1(b);

"Owner Performance Security" means the guarantee provided by or on behalf of the Owner in favour of the Charterer, substantially in the form set out inschedule 8 – Form of Guarantee or such other form of collateral as the Charterer agrees to in writing;

"Performance Standards" means (a) the export pumping rate; (b) the functioning of the Custody Transfer Metering System; (c) the requirement relating to the heating of the cargo of the FSO; (d) loading rates (including associated and upset produced water rates), (e) offloading, (f) sufficient accommodation to house Charterer Group personnel or personnel of the Gabon Government from time to time, and any and all other standards and requirements as set out inschedule 2 – Technical Specifications;

"Permit" means any valid waiver, certificate, approval, consent, licence, exemption, permission, authorisation or similar order or authorisation from any Governmental Authority required to be maintained in connection with the Site or the Work;

"Permitted Encumbrances" means (a) liens for current master's and crew's wages and salvage, and (b) a mortgage in favour of a member of the Owner's Group or a financier to the Owner's Group of the FSO where the relevant lenders have executed a Letter of Quiet Enjoyment pursuant to clause 16.3 and schedule 7 – Letter of Quiet Enjoyment, and any security assignments in favour of those parties;

"Personnel" means the officers, managers, directors, employees, representatives, agents or invitees of the relevant Party;

"Project" means the reconfiguration of the Field for use with an FSO, including the life extension and refurbishment of the FSO for utilisation in the Field and in respect of hydrocarbons produced from the Field and any other field;

"Project Schedule" shall mean a schedule comprising a critical path representation of the total scope of Work in accordance with schedule 1 – Project Schedule, necessary for planning and executing all aspects of the Work and includes any revision thereto that is approved by Charterer and formalised by a Change Order pursuant to clause 9;

"Punchlist" means a list of repairs, updates and other measures agreed by the Parties and to be completed by the Owner following Delivery in order to correct defects and deviations in the FSO;

"Purchase Price" means the purchase price for the FSO set out in schedule 11 – Calculation of Purchase Price Part A – Purchase Option or Part B - Owner's Event of Default, as the context so requires;

"Redelivery" means the redelivery of the FSO by the Charterer to the Owner under clause 19;

"Requisition for Hire" shall have the meaning given to it in clause 24.1;

"Riser Systems" means the Charterer's risers and other subsea equipment;

"Sale and Purchase Agreement" means a sale and purchase agreement in the form set out in schedule 12 – Sale and Purchase Agreement;

"Site" means the location at which the FSO is to be moored in the Field;

"Start Date" means the date of issuance by the Charterer of the FSO Final Acceptance Certificate;

"Subcontractor" means any person to whom either Party has subcontracted any of its obligations under this Charter in accordance with clause 32.1 but shall not include any member of the Owner Group or the Charterer Group nor the Operator;

"Technical Specifications" means the technical specifications of the FSO contained in schedule 2 – Technical Specifications;

"Term" means the period being the date of this Charter first written above until the earlier to occur of (a) the termination of this Charter in accordance with its terms and (b) the expiration of the Initial Term, any Extended Term, and the Redelivery of the FSO;

"Term SOFR" means the forward-looking term rate based on SOFR that has been selected or recommended by the Board of Governors of the Federal Reserve System of the United States and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Board of Governors of the Federal Reserve System of the United States and/or the Federal Reserve Bank of New York or any successor thereto;

"Third Party" means a person who is not part of the Charterer Group or the Owner Group;

"Total Loss" shall mean the actual total loss of the FSO, or any event which, in the opinion of its insurer(s) under the hull and machinery policies, renders the FSO to be a constructive, compromised or arranged total loss for the purposes of such policies;

"US Dollar LIBOR" means (a) the three-month US Dollar LIBOR rate of interest by reference to the Reuters Page LIBOR01 (or on any successor or substitute page of such

service, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such page of such service as reasonably determined by the Owner from time to time for purposes of providing quotations of interest rates applicable to Dollar deposits in the London interbank market) and (b) any evolving or then-prevailing market convention for determining a rate of interest as a replacement for and reasonably approximating the then-current three-month US Dollar LIBOR rate (which may include Term SOFR) that has been reasonably selected by the Charterer as the replacement for the reference the three-month US LIBOR rate;

"US Dollars" and **"US\$"** means the lawful currency of the United States of America;

"Willful Misconduct" means an intentional or reckless disregard by senior managerial personnel of Good Oilfield Practice or any of the terms of this Charter in utter disregard of avoidable and harmful consequences but shall not include any act, omission, error of judgement or mistake made in the exercise in good faith of any function, authority or discretion vested in or exercisable by such senior managerial personnel and which in the exercise of such good faith is justifiable by special circumstances, including safeguarding of life, property or the environment and other emergencies

"Work" means all engineering and design, procurement, construction, installation, refurbishment, adaptation, commissioning, testing and other work in relation to the FSO, including everything, whether or not specifically mentioned in this Charter, that needs to be done by or on behalf of the Owner in order for the Owner to fulfil all its duties, obligations and responsibilities under and in accordance with this Charter;

"Worksite" means any location at which Work is performed;

"Work Product" means all results of Work and any and all documents, plans, drawings specifications, records, or other manifestations of efforts of any member of the Owner's Group prepared pursuant to this Charter; and

"24 Hour Performance Test" has the meaning in schedule 2 – Technical Specifications.

1.2 In this Charter:

- (a) references to, or to a provision of, a document or law are references to it as duly amended, amended and restated, modified or supplemented, after the date of this Charter;
- (b) references to, or to a provision of, any law include any amendment, extension, re-enactment or replacement, after the date of this Charter;
- (c) words denoting the singular number shall include the plural and vice versa;
- (d) clause headings shall not affect the interpretation of this Charter;
- (e) all references to **"day"** or **"days"** shall mean calendar days and all references to **"months"** shall mean consecutive calendar months according to the Gregorian Calendar;
- (f) the words **"include"**, **"includes"**, **"including"** **"inclusive of"** shall mean "including but not limited to";
- (g) **"company"** includes any partnership, joint venture and unincorporated association;
- (h) **"person"** includes a natural person, corporation, general partnership, limited partnership, limited liability company, proprietorship, joint venture or any other business organization, trust, union, association, entity or Governmental Authority (including any state, political sub-division of a state, local or municipal authority or any international organisation);

- (i) each Party agrees to conduct the performance of its obligations under this Charter, at all times, in good faith;
- (j) this Charter is the product of arm's length negotiations between the Parties represented by counsel and any rules of construction relating to interpretation against the drafter of an agreement shall not apply to this Charter and are expressly waived.

1.3 **Precedence**

- (a) In the event of any inconsistency, conflict or ambiguity between the terms in the body of this Charter and any schedule attached hereto, the terms in the body of this Charter shall prevail and the terms of each schedule shall take precedence in the order in which such schedules are set out in this Charter, save that as between the schedules the provisions of schedule 13 – Code of Business Conduct and Ethics take precedence.
- (b) If an inconsistency, conflict or ambiguity is discovered within the documents forming this Charter (or in other documents or data referred to within such documents) and this cannot be resolved by applying the order of priority or the highest standard as referred to above, the Party discovering it shall as soon as reasonably practicable notify the other Party. The Charterer shall issue to the Owner an instruction as to how to resolve the inconsistency, conflict or ambiguity, which instruction may give precedence to one provision in the Contract over another where the two are inconsistent.

2. **CONTRACT SCHEDULE AND DELAYED PROGRESS**

2.1 **General Obligations**

- (a) The Owner shall:
 - (i) perform the Work in accordance with the Project Schedule, including achieving each Milestone by the relevant Milestone Completion Date. In advance of and during the course of the Work the Charterer shall be entitled to (A) participate in all planning sessions and meetings relating to the conduct of the Work and (B) have nominees at the Worksite, at the Charterer's cost, at all times; and
 - (ii) at all times comply with the Performance Standards.
- (b) The Owner shall without undue delay notify the Charterer if at any time it should have cause to believe that it will be delayed in achieving completion of any Milestone or any other element of the Work. The Charterer shall also be entitled to notify the Owner that in its reasonable opinion it believes such delay will occur.
- (c) The Owner shall, as soon as possible and in any event within three (3) days of its notification to the Charterer as described in clause 2.1(b), or after receipt of notification from the Charterer that in the Charterer's reasonable opinion it believes such delay will occur, communicate to the Charterer:
 - (i) the cause of the delay; and
 - (ii) its estimated effect on the attainment of the Milestone(s) and/or other element(s) of the Work; and
 - (iii) the measures which the Owner considers appropriate to avoid, recover or limit the delay.
- (d) Such notification shall not release the Owner from any of its obligations under clause 2.1(a).

- (e) If the measures proposed or implemented by the Owner are insufficient to avoid, limit or recover the delay referred to in clause 2.1(a), then the Charterer may instruct the Owner to take such measures as the Charterer considers necessary to avoid, limit and/or recover the delay. Such measures shall be undertaken at the risk of the Owner and at the cost of the Owner, unless and to the extent that the Charterer's instruction amounts to a Change, in which case the provisions of clause 9 apply.

2.2 **Mooring**

- (a) The Owner shall provide and install the Mooring System in accordance with the Project Schedule and the Technical Specifications, including achieving each Milestone by the relevant Milestone Completion Date. The commencement of the installation of the Mooring System will take place on a date mutually agreed between the Parties, with notification of intended lay-date communicated by the Owner to the Charterer at least ninety (90) days in advance of the proposed lay-date. For the avoidance of doubt and without prejudice to the Project Schedule, completion of the installation of the Mooring System will take place on or before the last day of the FSO Delivery Window. The Owner will be ready to access the Site on such date as is necessary for it to complete the installation of the Mooring System on or before the last day of the FSO Delivery Window and, for the avoidance of doubt, a failure to be ready to access the Site in good time shall not entitle the Owner to an extension of time pursuant to this Charter. The Mooring System forms part of the Work. The Owner shall be entitled, upon reasonable prior notice to the Charterer, to request the use of the Charterer's anchor handling vessel in support of the installation of the Mooring System provided that (i) the anchor handling vessel is not otherwise engaged in the Field and (ii) nothing in this clause 2.2(a) shall require the Charterer to procure or provide any such additional support beyond that which it has contracted at the time of request or at such time as is at its disposal in-country nor shall the Charterer be required to procure support of a different nature or specification as compared with that which it usually procures.
- (b) The Charterer will use reasonable endeavours to allow access to the Site to allow for installation of the Mooring System by the Owner prior to the first day of the FSO Delivery Window, provided such access is not required prior to 1 July 2022. In the event of a failure by the Charterer to allow access to the Site to allow for installation of the Mooring System by the Owner, the Owner shall be entitled, strictly in respect of and strictly to the extent of any delay caused as a direct result of such failure to allow access, to (i) a time extension by way of a Change Order to the Project Schedule under clause 9 and (ii) the payment by the Charterer of the Hire Rate and O&M Rate for each full day (pro-rata for a part day) on which access to the Site is not allowed with such sums being payable in addition to the sums otherwise payable by the Charterer under the first invoice issued pursuant to clause 13.3.

2.3 **Sailaway**

- (a) Notwithstanding clause 2.1 the Owner shall achieve FSO Ready for Sailaway by the relevant Milestone Completion Date.
- (b) The Owner shall provide separate written notices to Charterer not less than fifteen (15) and five (5) days prior to the date on which the Owner anticipates that FSO Ready for Sailaway will be achieved, in each case specifying such anticipated date. When the Owner determines that FSO Ready for Sailaway has been achieved, the Owner shall deliver to the Charterer the FSO Sail Away Certificate. Within five (5) Business Days after receipt of the FSO Sail Away Certificate, the Charterer shall either:
- (i) accept the FSO Sail Away Certificate and return a copy to the Owner counter-signed by the Charterer; or

- (ii) notify the Owner of how and in what respect FSO Ready for Sillaway has not occurred.
- (c) If the Charterer delivers to the Owner a notice in accordance with clause 2.3(b)(ii), the Owner shall address all matters to which the notice refers, after which it may deliver a further FSO Sail Away Certificate, and the procedure set out in clause 2.3(b) shall be repeated until the Charterer accepts the FSO Sail Away Certificate in accordance with clause 2.3(b)(i) or any dispute regarding the progress of the Work is settled pursuant to clause 39. The Charterer's issuance of the FSO Sail Away Certificate is not to be unreasonably withheld or delayed.

2.4 **FSO Provisional Acceptance**

- (a) Upon receipt by the Owner of a FSO Sail Away Certificate counter-signed by the Charterer pursuant to clause 2.3(b)(i), the Owner shall at its risk and expense bring the FSO to the Field.
- (b) The Owner shall provide separate written notices to the Charterer not less than twenty-one (21), ten (10) and five (5) days prior to the date on which the Owner anticipates that it will be in a position to issue the Notice of Readiness to the Charterer upon arrival of the FSO at the Field, provided that (A) the FSO shall not unless otherwise agreed in writing arrive at the Field and the Owner shall not issue the Notice of Readiness prior to the relevant Milestone Completion Date (with, for the avoidance of doubt, the Notice of Readiness only being issued in or in respect of the FSO Delivery Window) and (B) for the avoidance of doubt, the FSO shall not be entitled to enter the Site (and therefore seek to commence the connection of the FSO to the Mooring System) earlier than the first day of the FSO Delivery Window. Upon issue of the Notice of Readiness the FSO will be permitted to enter the Field, proceed to the Site and (i) the Owner will commence the connection of the FSO to the Mooring System and (ii) the Charterer will commence the connection of the FSO to the Charterer's Riser Systems. The Owner shall obtain an interim class certificate for the FSO from the Classification Society and shall in a timely manner meet all requirements necessary to achieve:
 - (i) FSO Provisional Acceptance; and
 - (ii) readiness to receive and store Crude Oil in accordance with Good Oilfield Practice.
- (c) The Owner shall (i) complete the connection of the FSO to the Mooring System and (ii) provide all reasonable assistance required to connect the FSO to the Charterer's Riser Systems. If there is any delay in either commencing or completion of the connection of the FSO to the Charterer's Riser Systems that is reasonably attributable to the Charterer, then the FSO Final Acceptance Window shall be extended only by the amount of time that is directly attributable to any delay caused by the Charterer and not, for the avoidance of doubt, in respect of any delay not attributable to the Charterer (whether or not the same is attributable to the Owner). In the event of any qualifying extension, the Owner shall be entitled, strictly in respect of and strictly to the extent of any delay that is directly attributable to the Charterer, to the payment by the Charterer of the Hire Rate and O&M Rate for each full day (pro-rata for a part day) delay that is directly attributable to the Charterer with such sums being payable in addition to the sums otherwise payable by the Charterer under the first invoice issued pursuant to clause 13.3.
- (d) When the Owner has met all the requirements to achieve FSO Provisional Acceptance, it shall issue an FSO Provisional Acceptance Certificate to the Charterer. Within forty-eight (48) running hours after receipt of the FSO Provisional Acceptance Certificate, the Charterer shall either:

- (i) accept the FSO Provisional Acceptance Certificate and return to the Owner a copy counter-signed by the Charterer; or
 - (ii) notify the Owner of how and in what respect the FSO Provisional Acceptance has not occurred.
- (e) If the Charterer delivers to the Owner a notice in accordance with clause 2.4(d)(ii), the Owner shall (i) immediately address all matters relating to safety or Performance Standards and (ii) within one (1) month address all other matters to which the notice refers, and after complying with (i) it may deliver a further FSO Provisional Acceptance Certificate, and the procedure set out in clause 2.4(d) shall (whether or not such matters relate to safety or Performance Standards) be repeated until the Charterer issues an FSO Provisional Acceptance Certificate or any dispute regarding the progress of the Work is settled pursuant to clause 39. The Charterer's issuance of the FSO Provisional Acceptance Certificate is not to be unreasonably withheld or delayed.
- (f) If the FSO is not able to enter the Site for reasons attributable to the Charterer then the FSO Delivery Window and the FSO Final Acceptance Window shall be extended only by the amount of time that is directly attributable to any delay caused by the Charterer and not, for the avoidance of doubt, in respect of any delay not attributable to the Charterer (whether or not the same is attributable to the Owner). In the event of any qualifying extension, the Owner shall be entitled, strictly in respect of and strictly to the extent of any delay that is directly attributable to the Charterer, to the payment by the Charterer of the Hire Rate for each full day (pro-rata for a part day) delay that is directly attributable to the Charterer with such sums being payable in addition to the sums otherwise payable by the Charterer under the first invoice issued pursuant to clause 13.3.
- (g) Without prejudice to the Charterer's rights under clause 2.4, the Owner and Charterer shall cooperate to agree to a Punchlist for the FSO setting out all items requiring resolution or remedy by the Owner, which in the case of any matters relating to safety or Performance Standards shall require resolution or remedy by the Owner prior to issue of the FSO Final Acceptance.

2.5 Final Commissioning and Testing

- (a) Within fourteen (14) days of the Charterer counter-signing the FSO Provisional Acceptance Certificate and in any event no later than the last day of the FSO Final Acceptance Window, the Owner shall:
- (i) perform all remaining commissioning and testing of the FSO as required in order to achieve FSO Final Acceptance as set out in schedule 1 – Project Schedule save that commissioning and testing of the dual fuel boiler conversion and/or the dual fuel power generation may take place not later than the day that is three (3) months after the last day of the FSO Final Acceptance Window;
 - (ii) cooperate with the Charterer to carry out performance tests to demonstrate that the Custody Transfer Metering System has met the requirements of the Government;
 - (iii) provide all manuals and other documents that it is required to provide pursuant to the Technical Specifications; and
 - (iv) complete any Punchlist items relating to safety or Performance Standards, unless the period for completion of the Punchlist items has been extended by the mutual agreement of the Parties.

- (b) When the Owner reasonably considers that:
 - (i) all of the requirements set out in clause 2.5(a) have been achieved;
 - (ii) the Demobilisation Plan has been approved in accordance with schedule 2 – Technical Specifications; and
 - (iii) the FSO meets all the requirements of the Technical Specifications and of this Charter,it shall give notice to the Charterer requesting the Charterer to issue the FSO Final Acceptance Certificate.
- (c) Within seven (7) Business Days after receipt of the notice of request for the FSO Final Acceptance Certificate, the Charterer shall either:
 - (i) countersign and issue the FSO Final Acceptance Certificate to the Owner if the Charterer is satisfied that the requirements for FSO Final Acceptance have been met; or
 - (ii) notify the Owner of how and in what respect FSO Final Acceptance has not been satisfied.
- (d) If the Charterer delivers to the Owner a notice in accordance with clause 2.5(c)(ii), the Owner shall address all matters to which the notice refers, after which it may deliver a further FSO Final Acceptance Certificate, and the procedure set out in clause 2.5(b) shall be repeated until the Charterer issues a FSO Final Acceptance Certificate or any dispute regarding the progress of the Work is settled pursuant to clause 39. The Charterer's issuance of the FSO Final Acceptance Certificate is not to be unreasonably withheld or delayed.
- (e) At the time of FSO Final Acceptance the Charterer shall purchase and reimburse the Owner (at actual cost, evidenced by suppliers' invoices, using a first in / first out inventory method) for all fuel on board the FSO at Delivery and the Owner shall purchase and reimburse the Charterer (at actual cost evidenced by suppliers' invoices) for all fuel on board the FSO at Redelivery.

3. **FSO FINAL ACCEPTANCE WINDOW, START DATE AND DELAYS**

3.1 **Extension of the FSO Final Acceptance Window**

- (a) The Owner may by written notice to the Charterer propose to extend the FSO Final Acceptance Window pursuant to a Change Order if and only to the extent FSO Final Acceptance is delayed by any of the following events:
 - (i) a Change instructed by the Charterer and agreed by the Owner in accordance with clause 9;
 - (ii) an event of Force Majeure, in which case strictly in respect of the period of the Force Majeure and provided that the Owner shall have complied with its obligations under clause 26 (where it is the Party affected by Force Majeure); or
 - (iii) any delay caused by the Charterer Group, in which case only by the amount of time that is directly attributable to any delay or prevention caused by the Charterer Group and not, for the avoidance of doubt, in respect of any delay not attributable to the Charterer Group (whether or not the same is attributable to the Owner),whether occurring before or within the FSO Final Acceptance Window (unextended).

- (b) If events described in clause 3.1(a)(i) or 3.1(a)(iii) result in the Owner incurring any additional costs prior to the Start Date, the Charterer shall either (i) pay the Owner the actual vouched costs incurred by the Owner as a direct result of the delay or (ii) issue a Change Order in accordance with clause 9, provided in each case that as a precondition to the Charterer's obligation to pay or issue a Change Order (as the case may be) the Owner shall have first notified the Charterer at the earliest opportunity (and in any event within three (3) Business Days of the Owner first becoming aware of the same) as to (i) the potential delay, including any impact on agreed timeframes or milestones, (ii) the costs proposed to be incurred by the Owner, and (iii) the reasons for the delay and/or costs proposed to be incurred.

3.2 **Delay LDs**

- (a) Subject to clause 3.2(e), if the Owner fails to achieve the Start Date on or before the last day of the FSO Final Acceptance Window, the Owner shall pay Delay LDs to the Charterer in an amount equal to the aggregate of [*****], such aggregate applying in respect of each day or part thereof that the Start Date occurs after the last day of the FSO Final Acceptance Window, such amounts to be payable monthly in arrears.
- (b) If the Charterer requires payment in respect of Delay LDs pursuant to clause 3.2(a), it shall first serve notice to that effect to the Owner. Provided that a notice has been served, the Charterer shall not be obliged to serve further notices of its requirement where the period for which Delay LDs are payable is ongoing.
- (c) The Parties agree that the Delay LDs are not a penalty and represent an agreed genuine pre-estimate of the losses likely to be suffered by the Charterer in the event of a delay to the Start Date beyond the last day of the FSO Final Acceptance Window.
- (d) Without prejudice to the Charterer's rights generally including its rights to terminate this Charter under clause 27, Delay LDs shall be the only damages payable by the Owner for a failure to achieve the Start Date before the last day of the FSO Final Acceptance Window. The payment or deduction of Delay LDs shall not relieve the Owner from its obligations to achieve the Start Date within the FSO Final Acceptance Window, or from any other of its obligations and liabilities under this Charter.
- (e) [*****].

4. **RECTIFICATION OF DEFECTS**

4.1 For the duration of the Term, the Owner shall repair, replace, rectify or remedy any defects in the Work ("**Guarantee Work**").

4.2 Where the Owner performs Guarantee Work it shall repair, replace, rectify or remedy any defects in the Guarantee Work for the remainder of the Term, as the same may be extended.

5. **SERVICE AND LOCATION**

5.1 The Charterer shall have the full use of the FSO for employment at, or at a safe location in the immediate vicinity of, the Site for the purpose of loading, storing and offloading Crude Oil as contemplated by the Technical Specifications.

5.2 The Charterer undertakes not to employ the FSO or suffer it to be employed otherwise than in conformity with the terms of the insurance policies affecting the FSO (including any warranties expressed or implied therein) without first obtaining the consent to such employment of the insurers and complying with such requirements as to extra premium or otherwise as the insurers may prescribe.

5.3 The Charterer has appointed the Operator to undertake the operation, maintenance and repair of the FSO. The Owner hereby approves the appointment of the Operator under the Operating Agreement. The Charterer shall be entitled to terminate or alter the terms of the

Operating Agreement at any time during the Term without the prior written approval of the Owner

- 5.4 The Owner shall be required to consent to the use of the FSO in respect of hydrocarbons produced from any other field (beyond the Field), such consent not to be unreasonably withheld, conditioned or delayed.

6. DURATIO N OF CHARTER

- 6.1 The initial term of this Charter shall commence on the Start Date and unless terminated earlier in accordance with this Charter, shall end at 00.01 hours local time at Redelivery on the date which is eight (8) years following such date (the "**Initial Term**").

- 6.2 The Initial Term may be extended for two (2) successive periods of one (1) year (the "**Extended Term**"), provided that:

- (a) prior to exercise of each option (if any) the Charterer shall notify the Owner of the extension at least six (6) months in advance of the end of the Initial Term or the Term (as the case may be); and
- (b) the Term of this Charter shall terminate in any event no later than ten (10) years after the Start Date.

- 6.3 Provided that the Operator is not in default under the Operating Agreement, the Charterer shall ensure that the Operating Agreement is extended together with the exercise of each option for a period commensurate to the one (1) year period of each option.

7. REPRESENT ATIONS AND WARRANTIES

- 7.1 The Owner represents and warrants to the Charterer continuously throughout the Term of this Charter, subject to clause 15, that:

- (a) the Owner is a corporation duly organised and in good standing under the laws of the Marshall Islands and has all requisite corporate power and authority and has taken all corporate action required to execute, deliver and perform its obligations under this Charter;
- (b) as at the date and time of Delivery and continuously thereafter until the expiration or termination of this Charter the FSO is seaworthy, fit in all respects for the contemplated service in accordance with this Charter, is in class free of recommendations and conditions affecting class and is in compliance with all Applicable Codes and Standards;
- (c) the execution, delivery and performance of this Charter is not in contravention of laws applicable to the Owner or the constitutional documents of the Owner or any mortgage, indenture, contract, agreement or undertaking to which the Owner is a party or by which the Owner may be bound;
- (d) there is no pending or threatened litigation or claim which would materially impair the Owner's ability to perform its obligations under this Charter;
- (e) each member of Owner Group is, and will remain, well able and qualified, registered, accredited and licensed to the extent required by Applicable Law and Applicable Codes and Standards to perform the Work in accordance with this Charter;
- (f) all Work shall be performed carefully, skilfully, diligently and efficiently in accordance with Good Engineering and Construction Practices, Good Oilfield Practice and the requirements of this Charter;

- (g) performance of all Work and constituents thereof shall be in full compliance with all Applicable Laws and Applicable Codes and Standards; and
- (h) throughout the Term, the Owner will own and will continue to own good and indefeasible title to the FSO, free and clear of liens of encumbrances other than permitted encumbrances that relate to any of the Owner's finance arrangements strictly associated with this Charter.

7.2 The Charterer represents and warrants to the Owner that:

- (a) the Charterer is duly organised and in good standing under the laws of the Gabonese Republic and has all requisite power and authority and has taken all corporate action required to execute, deliver and perform its obligations under this Charter;
- (b) the execution, delivery and performance of this Charter is not in contravention of laws applicable to the Charterer or the constitutional documents of the Charterer or any mortgage, indenture, contract, agreement or undertaking to which the Charterer is a party or by which the Charterer may be bound;
- (c) there is no pending or threatened litigation or claim which would materially impair the Charterer's ability to perform its obligations under this Charter; and
- (d) each member of the Charterer Group is, and will remain, well able and qualified, registered, accredited and licensed to the extent required by Applicable Law and Applicable Codes and Standards to perform its obligations in accordance with this Charter.

7.3 Each of the Owner and the Charterer agrees to furnish the other, at the other's request, evidence of the due authorization and execution of this Charter (and any guarantees to be furnished pursuant to clause 30), as the other may reasonably request.

8. CHANGES

8.1 Subject always to clause 3.1, Changes may be initiated by the Charterer at any time during the period from the date of this Charter until the FSO Provisional Acceptance Certificate is delivered by the Owner, either by an instruction specifying that such instruction is a Change or by a request for the Owner to submit a proposal, provided that the Charterer may not issue a Change that:

- (a) is impossible to perform; or
- (b) would reduce, limit or interfere with the ability of the Owner to achieve the Performance Standards.

8.2 The Owner may propose in writing to the Charterer modifications to the FSO (or any part thereof) which will improve the quality, efficiency, economy of design, construction or use of the FSO or schedule for completion. If the Charterer approves the Owner's proposal, then the Charterer shall issue a Change Order in accordance with clause 9.2.

8.3 The Owner shall have no obligation to undertake or execute any Change instructed by the Charterer until the Parties have agreed on the cost and schedule impact of such Change as set out in the Change Order, the Owner at all times acting reasonably.

9. CHANGE PROCEDURE

9.1 Charterer may at any time after the execution of this Charter until the end of the Term or earlier termination of this Charter issue an instruction to Change, or request the Owner submit a proposal for a Change to, this Charter. If the Charterer requests a proposal, prior to instructing a Change, the Owner shall respond in writing as soon as practicable and in

any event within fourteen (14) days of Owner's receipt of such request, by submitting a Change Order proposal ("**Change Order Proposal**") to the Charterer setting out:

- (a) a description of the proposed design and/or additional work or services to be performed with a list of all impacts to cost, schedule as well as to the Technical Specifications;
- (b) subject to clause 8, details of the increase or decrease in Hire and other amount(s) payable to the Owner as a result of the proposed Change. Any increase or decrease of the rate will be based on the schedule of rates set out in schedule 6 – Schedule of Rates or where no such rates are provided, the prevailing market prices for the relevant work; and
- (c) the anticipated effect of the Change on the schedule and necessary adjustments to the FSO Delivery Window, if applicable,

and all information in support of the above which is reasonably required in order for the Charterer to assess the Owner's submissions. The Owner shall be entitled to submit a Change Order Proposal in respect of engineering work necessary in order to support the preparation of a Change Order Proposal in respect of a related matter.

- 9.2 On receipt of the Change Order Proposal from the Owner, the Charterer shall, as soon as reasonably practicable and in any event within seven (7) days after receiving the Change Order Proposal, respond with either: (a) its agreement to the cost and schedule adjustments advised by the Owner and an instruction to execute the Change in accordance with such adjustments, as shall be evidenced by an executed agreement between the Parties ("**Change Order**"); (b) rejection of the adjustments to cost and schedule advised by the Owner, in which case the Owner shall not proceed with the Change; or (c) any further comments, questions or requests for clarification, in which case the Owner will prepare a revised Change Order Proposal pursuant to clause 9.1.

Nothing in this clause 9.2 shall be construed to require the Owner to delay or suspend any Work pending the Charterer's acceptance or rejection of a Change Order Proposal.

- 9.3 Payment for a Change shall be at a lump sum amount to be calculated as the total vouched costs actually incurred plus ten percent (10%) (to be invoiced and paid as agreed in the Change Order).
- 9.4 To the extent the Hire Rate is changed in accordance with this Charter, the termination table set forth in schedule 10 - Termination Table for War or Force Majeure shall be correspondingly adjusted in proportion to the change to the Hire Rate.
- 9.5 Where the Owner is entitled to a Change Order, a Change Order Proposal may be requested and initiated by the Owner stating:
- (a) any adjustment which the Owner will reasonably require to the Hire Rate together with details showing the manner of calculation of the adjustment and proposals for the terms of payment thereof;
 - (b) the extent to which the Owner is entitled to an adjustment to the Project Schedule; and
 - (c) any other amendments to this Charter which the Owner reasonably requires.
- 9.6 The Hire Rate and/or Project Schedule (including Milestone Completion Dates) shall be amended to reflect any agreement reached or the outcome of the Charterer's determination. Any such determination shall, however, be without prejudice to the right of the Owner to refer the matter for resolution pursuant to clause 39.

9.7 Pending resolution of any dispute as to whether the Owner is entitled to a Change Order, the Owner shall continue to perform the Work required by this Charter. In addition, pending the resolution of the dispute, if the dispute is based on claims of extra work by the Owner that the Owner maintains is not contemplated by this Charter, the Owner shall nevertheless perform such work upon receipt of an Instruction to Proceed, such performance to be at the Owner's own cost and expense unless and until such dispute is resolved by the Parties, except to the extent that any such Instruction to Proceed indicates the Charterer's agreement that some or all of the subject matter of the Change Order Proposal constitutes a change in the Work and is subject to reasonable interim compensation prior to resolution of the dispute.

10. **MAINTENANCE AND OPERATION**

10.1 The Charterer shall maintain the FSO in its possession and at its disposal from the Start Date for the purposes set out in clause 5, subject to the terms of the Operating Agreement and subject always to the terms and conditions of this Charter. It shall be the Operator's responsibility, in accordance with the Operating Agreement (or any replacement thereof, where relevant), to maintain the FSO, its machinery, appurtenances and spare parts in a good state of repair so as to comply with the Technical Specifications, in efficient operating condition and in accordance with the requirements set out in this Charter. The Owner shall at its own cost keep the FSO with valid, unexpired classification free of recommendations and conditions affecting class, and with other required certificates in force at all times.

10.2 It shall be the Operator's responsibility, in accordance with the Operating Agreement (or any replacement thereof, where relevant), to by its own procurement, man, victual, operate, maintain, supply and repair the FSO during the Term and pay all charges and expenses incidental to the Charterer's use and operation of the FSO under this Charter (excluding any costs that fall under the Charterer's responsibility in accordance with this Charter (and therefore also excluding sums which are the responsibility of the Charterer pursuant to clause 14.2) or the Operating Agreement). As between the Owner and the Operator, the master, officers and crew employed to work onboard the FSO shall be the employees of the Operator under the Operating Agreement or otherwise.

10.3 It shall be the Operator's obligation, in accordance with the Operating Agreement (or any replacement thereof, where relevant), to comply with the regulations regarding master, officers and crew in force in the country of the FSO's flag or other applicable law.

10.4 During the Term, the Charterer shall have the right to change the FSO's name, but any and all costs incurred in relation to such change shall be the responsibility of the Charterer. The FSO shall remain registered under the Flag, provided, however, that the Charterer shall have the liberty to also fly its own house flag.

10.5 The Charterer shall have the use of all outfit, equipment, and appliances on board the FSO at the Start Date.

10.6 Any leased equipment on the FSO at the Start Date or added to the FSO thereafter by agreement between the Parties shall be maintained by the Operator pursuant to the Operating Agreement (or any replacement thereof, where relevant).

10.7 Any Charterer-furnished equipment and materials supplied to the FSO prior to or after the Start Date shall remain in the ownership and at the risk of the Charterer, but available for use on board the FSO, throughout the Term, and shall be redelivered to the Charterer, ordinary wear and tear excepted, at the end of the Term.

10.8 The Charterer shall provide, free of charge to the Owner and upon reasonable notice by the Owner, transportation from the Charterer's shore base to the FSO and back on its regular transits and, to the extent available, accommodation, catering and communication on board for such inspection and/or surveyors.

- 10.9 Without prejudice to clause 27.2(g), and only where the Operator is an Affiliate of the Owner, if the Operating Agreement is terminated as a result of the Operator's default thereunder the Charterer shall have the option to:
- (a) terminate this Charter in accordance with clause 27.3 in respect of an Owner Event of Default; or
 - (b) (without prejudice to the general applicability thereof) exercise its right to purchase the FSO under clause 28 with the Purchase Price being calculated in accordance with schedule 11 – Calculation of Purchase Price, Part B - Owner's Event of Default.
11. **INVENTORY**
- A complete inventory of the FSO's entire outfit, equipment (including vessel equipment and supplies, cabin, crew and galley equipment), furniture, furnishings, appliances, spare and replacement parts and all unbroached consumable stores, fuel and lubricants onboard shall be jointly taken within thirty (30) days following the Start Date by representatives of the Owner and the Charterer or by an independent outside firm as may be mutually agreed upon. A similar inventory shall be taken and mutually agreed upon at the time of Redelivery.
12. **QUALITY MANAGEMENT**
- 12.1 The Owner shall have developed, documented, and implemented and shall maintain (continuously) a workable and duly functioning quality management system conforming to the latest published version of the ISO 9001 standard or an equivalent standard which is accepted on an individual basis by the Charterer. In selecting Subcontractors, the Owner shall ensure that they have quality systems that are of similar standard.
- 12.2 The Owner shall, based on the quality management system referred to in clause 12.1, produce, document, maintain, and operate a quality plan (in accordance with the latest version of ISO 10005 or an equivalent standard acceptable to the Charterer) as required by the Charterer for all Work. Such quality plan shall specifically address the Work and how it is to be performed in order to meet the requirements of this Charter, and shall include or refer to all applicable policies, procedures, activities, qualifications, resources, and other matters relevant to the Work, including any applicable Charterer specifications and requirements and any specific to particular locations at which Work is to be performed. The Owner shall submit the quality plan to the Charterer within thirty (30) days of the date of this Charter. The procedures:
- (a) may be either standard Owner procedures or procedures specific to the Work, but in any case must adequately describe the processes and actions taken to manage the Work;
 - (b) as progressively issued and updated, shall address applicable Charterer specifications and requirements, including any specific to particular locations at which Work is to be performed; and
 - (c) shall be subject to approval by the Charterer and thereafter be implemented by the Owner before Work is commenced.
- 12.3 The Owner shall submit to the Charterer, and keep updated throughout the term of this Charter, controlled electronic versions of the quality manual, the quality plan, and the audit plan.
- 12.4 The Owner shall implement a management of change (MOC) system and promptly inform Charterer of changes in organizational structure, responsibilities, activities, resources, Subcontractors, and events that could have a material influence on the Owner's quality management system or the Work during the term of this Charter.

- 12.5 The Owner shall carry out, as part of the Work, appropriate quality control, inspections, tests, quality surveillance, and quality assurance activities to satisfy itself and the Charterer that the Work conforms to all requirements of this Charter. The Charterer shall have the right to make its own inspections and tests to verify that all Work is being properly performed and to reject and require rectification of any Work not conforming to the requirements of this Charter. The Owner shall provide reasonable assistance requested by the Charterer for the carrying out of such inspections and tests.
- 12.6 Any inspection or lack of inspection by the Charterer shall not in any manner relieve the Owner of any of its liabilities or obligations regarding the Work.
13. **HIRE**
- 13.1 The Charterer shall pay to the Owner by interbank transfer in US Dollars:
- (a) in advance of the Start Date, those sums (and on those dates) as are set out in schedule 6 – Schedule of Rates; and
 - (b) for hire of the FSO at the rate determined in accordance with schedule 6 – Schedule of Rates per calendar day (reduced pro rata for part of a calendar day) ("**Hire Rate**"). The Force Majeure Rate will apply in respect of any period of Force Majeure, in accordance with clause 26.6(a).
- 13.2 Hire shall commence at 00.01 hours local time at the Site on the Start Date and shall continue to accrue and be paid (on a month-to-month basis) until the date and time the Charterer completes Redelivery of the FSO to the Owner in accordance with the terms of this Charter ("**Hire**").
- 13.3 Payment in respect of Hire shall be made in advance in cleared funds, without any discount, adjustment, set off or deduction (except as provided in clauses 13.5 and 13.6). The first payment of Hire shall be made on the Start Date in respect of the remainder of the month in which the Start Date falls and subsequent payments of Hire shall be made on the first day of each calendar month thereafter in respect of the remainder of the relevant month (or, if the Start Date or such a day is not a Business Day, on the next following Business Day). The Owner shall provide invoices to the Charterer covering each payment in respect of Hire no less than thirty (30) days before the payment in respect of Hire is due. The invoice prepared by the Owner shall be in US Dollars and (subject to clause 14.3) net of all taxes and, where relevant, be sent to the Charterer together with supporting vouchers and receipts. Notwithstanding any other provision of this Charter, (i) all invoices issued pursuant to this Charter are to be hand delivered to the Charterer at VAALCO Gabon SA, B.P. 1335, Port Gentil, Gabon and (ii) invoices submitted by email or other electronic means will not be processed and will not be deemed received.
- 13.4 Payment in respect of Hire shall be made to such account or accounts as the Owner may from time to time designate in writing not less than fifteen (15) Business Days prior to the next due payment, provided that the Charterer shall first approve the same in writing, acting reasonably taking account of its internal and external "know your client" obligations. In the absence of agreement as to the account to which to make payment, the Charterer will accrue all payables until such time as it is able, acting reasonably taking account of its internal and external "know your client" obligations, to make payment to a proposed account or accounts.
- 13.5 The Charterer shall be entitled:
- (a) by written notice to Owner on or before the Hire Payment Date to deduct from the payment in respect of Hire any advances or disbursements approved by the Owner in writing and paid by the Charterer for the Owner's account; and/or
 - (b) by written notice to Owner on or before the Hire Payment Date to deduct from the second (2nd) and subsequent payments of Hire any Delay LDs; and/or

- (c) to deduct from the payment in respect of Hire any sums payable by the Owner to the Charterer pursuant to clause 13.9; and/or
- (d) to deduct from the payment in respect of Hire for each of the first thirty (30) months after the Start Date the sum of two hundred thousand US Dollars (US\$200,000), provided that Prepayment of Hire has been paid in full in accordance with schedule 6 – Schedule of Rates.
- 13.6 If the Charterer disputes any amount payable under an invoice it shall, within ten (10) Business Days after receipt, notify the Owner in writing of the amount(s) which the Charterer disputes and why. If the Parties are unable to reach agreement on the disputed amount by the next Hire Payment Date, either Party may refer the matter to arbitration in accordance with this Charter. The Charterer shall pay such part of the disputed amount as is finally agreed or determined by arbitration to be due (if any) within ten (10) Business Days after the date of such agreement or determination, together with interest at the rate of two per cent (2%) per annum above US Dollar LIBOR (as evidenced on the ICE Benchmark Association Limited Interest Settlement Rate at or about 11:00 a.m. London time on the date on which payment became due and quarterly thereafter, failing which as certified by a prime bank in London on such day) from the date of such agreement or determination to the date of actual payment.
- 13.7 Notwithstanding anything contained in this clause 13 to the contrary, if and when a payment in respect of Hire is due hereunder, the Charterer reasonably expects to redeliver the FSO before the next Hire Payment Date, Hire shall be paid prorated to the estimated date of Redelivery. Promptly after Redelivery, any overpayment shall be refunded by the Owner, or any underpayment made good by the Charterer.
- 13.8 Should the FSO be a Total Loss, Hire shall cease from the date and time when it was lost or last heard of.
- 13.9 The Owner shall at all times, and for a period of two (2) years after the end of the Term, maintain and retain all of its books, records, accounts and documents relating to services, costs and related matters under this Charter (save for in respect of the Hire Rate). The Charterer shall have access at all reasonable times and for a period of two (2) years after the end of the Term to inspect the books, records, accounts and documents relating to services, costs and related matters under this Charter (save for in respect of the Hire Rate), and to discuss them with the Owner's Personnel and to verify the same. The Charterer may conduct, or cause accountants selected by the Charterer at its cost to conduct, an annual audit of any charges made for the Charterer's account other than in respect of the Hire Rate. In the event that the Charterer's audit findings identify any discrepancies in the calculations of any charges made for the Charterer's account, the Charterer shall notify the Owner of its findings in writing. The Charterer and the Owner shall endeavour to agree on the discrepancies. If the Charterer and the Owner are unable to reach agreement on the discrepancies within thirty (30) days of the Charterer notifying the Owner, then either Party may refer the matter for determination by an independent chartered accountant nominated by the Parties or, in the absence of agreement between the Parties within fourteen (14) Business Days of a Party notifying the other that it proposes to refer the dispute to an expert, by the President of the Institute of Chartered Accountants in England and Wales. The nominated chartered accountant shall be afforded such access to books, records, accounts and documents in the possession of the Owner as it may reasonably request, and it shall act as expert not as arbitrator. The said accountant shall be requested to give its decision within forty five (45) Business Days of the date of its appointment. The accountant's determination shall, in the absence of fraud or manifest error or bias, be final and binding on the Parties, its fees and disbursements shall be borne one half by the Charterer and one half by the Owner in equal shares and the Parties shall bear their own costs in respect of such reference. If the discrepancies agreed by the Parties or determined by the expert mean that the sums paid by the Charterer were (i) more than should have been paid by the Charterer, an amount equal to such discrepancies shall be deducted from the invoice on the next Hire Payment Date (and any subsequent, where necessary, until

such time as the discrepancies have been rectified) or (ii) less than should have been paid by the Charterer, an amount equal to such discrepancies shall be paid by the Charterer to the Owner within ten (10) Business Days of the amount of such discrepancies being agreed or determined.

14. **TAXES**

14.1 Subject to clause 14.2, the Owner shall be responsible for the payment of all taxes, duties, levies, charges and contributions (and any interest and penalties thereon) arising out of this Charter. The Owner Group shall save, indemnify, defend and hold each member of the Charterer Group harmless against all such levies, charges, contributions and taxes levied against the Owner Group and any interest or penalties payable thereon.

14.2 [*****].

14.3 [*****].

15. **CHANGE IN LAW**

15.1 Where change (including changes in interpretation or application) in law, legislation, rules, treaties or regulations having force of law (save for any such change or change in interpretation or application within the actual knowledge of either Party, which either Party could reasonably have been expected to know or which was in the reasonable contemplation of either of the Parties, in each case prior to or at the date of execution of this Charter) ("**Change in Law**") come into effect following the date of execution of this Charter and which directly and materially affects the Owner's time or cost of performing the Work or Guarantee Work under this Charter, the Owner shall be entitled to a Change Order. For the avoidance of doubt, a Change in Law shall not apply to Owner's or any of its Affiliate's non-Gabonese tax obligations otherwise covered by clause 14.1 .

15.2 In the event of a dispute or difference of opinion as to whether or not the Owner is entitled to a Change Order under this clause 15, in the event that the Parties cannot resolve the same amicably then the Parties shall be entitled to resolve the same pursuant to clause 39, provided that unless and until finally settled pursuant to clause 39 (if applicable) neither Party shall be deemed to be in default of its obligations pursuant to this Charter.

15.3 The Owner shall not be liable for a failure to perform any of its obligations in so far as a Change in Law renders it impossible or impractical for the Owner to perform its obligations under this Charter, provided always that the Owner shall have in each case:

- (a) immediately consulted and cooperated with the Charterer in order to seek to mitigate (including via the Charterer providing reasonable support) to the maximum extent possible; and
- (b) used all reasonable endeavours to resolve,

the basis upon which the Owner alleges that the Change in Law renders it impossible or impractical for the Owner to perform its obligations under this Charter

16. **LIENS AGAINST THE FSO**

16.1 Neither the Charterer nor the master of the FSO nor any other person within the Charterer Group shall have any right, power or authority to create, incur or permit to exist over the FSO any lien, charge or encumbrance other than Permitted Encumbrances.

16.2 The Owner warrants that it has not created and covenants that it will not create or permit to exist any encumbrance over the FSO resulting from the action or inaction of the Owner Group (and not as a result of an Event of Default on the part of the Charterer Group) other than Permitted Encumbrances.

16.3 The Owner shall procure that any mortgagee of the FSO shall prior to the date of this Charter issue to the Charterer a Letter of Quiet Enjoyment (in substantially the same form as attached inschedule 7 - Letter of Quiet Enjoyment) that such mortgagee will not disturb or interfere with the Charterer's quiet and peaceful use, possession and enjoyment of the FSO subject to and upon the terms of this Charter.

17. **INSURANCE**

17.1 To the extent not already maintained by the Operator pursuant to the Operating Agreement throughout the Term, the Owner shall maintain in force from 00:01 London time on the date of this Charter up to Redelivery, insurance with first class underwriters on terms and conditions and with policy limits that are customary for owners of an FSO system in similar circumstances. The Owner's insurance shall include coverage of the following risks and limits:

- (a) at appropriate times during the Work, benefit of shiprepairers' liability, construction all risks and physical damage insurance for an amount of not less than the replacement value of installed cost of the final Work, which coverage shall include risk of physical loss or damage including the cost of debris removal;
- (b) Hull and Machinery Insurance covering, to the extent not covered by shiprepairers' liability, construction all risks and physical damage insurance, full collision liability, tower's liability, removal of wreck and debris, accident or hull damage (and as required, increased value) and war risks, for no less than the FSO system's value on "new for old" conditions;
- (c) from the date of this Charter until Delivery, P&I insurance covering, subject to the conditions, warranties and exclusions set out in a mutual entry with an international group P&I club, crew and personal injury, removal of wreck excess to any coverage provided under the relevant Hull & Machinery coverage and oil pollution risk to the standard scope and limits of P&I insurance cover for a floating oil storage vessel, with pollution coverage of at least [*****]. Coverage shall include any commissioning and performance tests; and
- (d) Third Party Liability Insurance covering, to the extent not covered by the P&I insurance, subject to the conditions, warranties and exclusions set out therein, any liability to third parties for direct damage or destruction of tangible property, including loss of use thereof and/or bodily injury, sickness or disease, including death, arising out of or in any way connected with the performance of this Charter in an amount of not less than [*****] for any claim or series of claims arising out of any one incident. This insurance shall include a "cross liability" clause or "severability of interest" clause with respect to all insured parties.

The Owner shall also maintain any type and amount of insurance coverage that is from time to time required by any Applicable Law. All certificates of insurance must be signed by a duly authorised representative of the insurance company or underwriters issuing the respective policy or policies of insurance. At the Charterer's request, the Owner shall furnish the Charterer with certificates in respect of all policies issued pursuant to this clause 17.1. The policies referred to in clause 17.1 shall include each member of the Charterer's Group as additional insureds and include a waiver of subrogation in favour of the Charterer's Group, its financiers and any of their respective Affiliates. The Owner shall procure that its Subcontractors and suppliers maintain insurance of the types mentioned in clauses 17.1(a) to 17.1(d) above.

17.2 The Owner shall furnish the Charterer with certificates of insurance indicating that the insurance provided for in this Charter is in place.

17.3 With effect from the date of delivery of the Notice of Readiness, the Charterer shall maintain in force charterers' liability insurance in respect of the FSO. The Owner hereby confirms that it approves of the insurance terms and conditions in clause 11.3 of the Operating Agreement

and the Charterer is, subject to fulfilling its obligations under clause 11.3 of the Operating Agreement, deemed to have complied with its obligations under this clause 17.3. The Charterer, on behalf of itself and the Co-venturers, shall also maintain in force from the date of this Charter until Redelivery, insurance with first class underwriters on terms and conditions and with policy limits that are customary for charterers of an FSO system in similar circumstances. The Charterer's insurance shall include coverage of the following risks and limits:

- (a) Physical Damage Insurance covering, subject to the conditions, warranties and exclusions set out therein, all of the Charterer's equipment including the Riser Systems with coverage limits of not less than the replacement value of all such property and equipment;
- (b) Third Party Liability Insurance covering, subject to the conditions, warranties and exclusions set out therein, any liability to third parties for direct damage or destruction of tangible property, including loss of use thereof and/or bodily injury, sickness or disease, including death, arising out of or in any way connected with the performance of this Charter in an amount of not less than [*****] for any claim or series of claims arising out of any one incident. This insurance shall include a "cross liability" clause or "severability of interest" clause with respect to all insured parties; and
- (c) Control or Well Insurance covering, subject to the conditions, warranties and exclusions set out therein, losses resulting from loss of well control including cost of control, redrilling / extra expense and subsequent seepage and pollution with coverage limits of not less than [*****] combined single limit any one occurrence.

17.4 The Charterer shall also maintain any type and amount of insurance coverage that is from time to time required by any Applicable Law. All certificates of insurance must be signed by a duly authorised representative of the insurance company or underwriters issuing the respective policy or policies of insurance. At the Owner's request, the Charterer shall furnish the Owner with certificates in respect of all policies issued pursuant to clause 17.3. The policies referred to in clause 17.3 shall include a waiver of subrogation in favour of the Owner's Group and any of their respective Affiliates.

18. **INDEMNITY AND LIABILITY**

18.1 [*****]

18.2 [*****]

18.3 [*****]

18.4 **Intellectual property indemnity**

Each of the Owner and the Charterer shall bear for its sole account and shall fully and effectually indemnify and hold the other harmless from and against all costs, claims, demands and liability which the other or its Group may incur arising from:

- (a) the use by the indemnifying Party or its Group of any data, drawing, device or article; or
- (b) the use by the other or its Group of any data, drawing, device or article furnished by the indemnifying Party or its Group,

which infringes or allegedly infringes the intellectual property rights of any person; and from and against all royalties or similar payments which the other or its Group may incur arising from the use by the other or its Group of any data, drawing, device or article furnished by the indemnifying Party or its Group.

18.5 [*****]

18.6 [*****]

18.7 The provisions of this clause 18 are at all times subject to clause 12.5(c) of the Operating Agreement.

19. **REDELIVERY**

19.1 The FSO shall be redelivered by the Charterer to the Owner at the end of the Term at the Site ("**Redelivery**") unless another place is mutually agreed in writing for the FSO to be redelivered.

19.2 Representatives of the Owner and the Charterer shall jointly sign certificates recording the date and time of Redelivery, and of the bunkers remaining on board the FSO at Redelivery.

19.3 The Owner shall purchase and reimburse the Charterer (at actual cost, evidenced by suppliers' invoices, using a first in / first out inventory method) for all fuel on board the FSO at Redelivery.

19.4 The Charterer shall continue (on the terms of this Charter) to pay Hire to the Owner up to (but excluding) the date of Redelivery.

19.5 The Owner must, regardless of the circumstances leading to Redelivery (and for the avoidance of doubt including during all periods of termination for default or otherwise), act reasonably and continue to fulfil its obligations until all crude has been lifted from the FSO.

19.6 The Charterer's Redelivery obligation does not extend to removal of the Mooring System or disconnection of Riser Systems, which shall each be performed by the Owner. Demobilization costs of the FSO and crew shall be for the account of the Owner.

20. **LIEN**

Neither the Owner nor any member of the Owner Group shall have any right, power or authority to create, incur or permit to exist over any property of the Charterer Group, (including on any Crude Oil aboard the FSO) any lien, charge or encumbrance. If such lien, charge or encumbrance is incurred on any such property of the Charterer Group, the Owner shall take all such steps as may be necessary to have such lien, charge or encumbrance released.

21. **SALVAGE**

All salvage moneys earned by the FSO shall be divided equally between the Owner and the Charterer after deducting master's, officers' and crew's share, legal expenses, hire of the FSO during time lost, value of fuel consumed, repairs of damage, if any, and any other extraordinary loss or expenses sustained as a result of salvage services. In no event will the Owner claim salvage as to any property owned by the Charterer or any of the Charterer's Co-venturers and the Owner agrees to indemnify and hold the Charterer and the Charterer's Co-venturers harmless from any claim in general average shall be made (a) by any member of the Owner Group against any member of the Charterer Group; or (b) by any member of the Charterer Group against any member of the Owner Group of salvage brought by the Owner, its master, crew, or any member of the Owner Group.

22. **WRECK REMOVAL**

In the event of the FSO becoming a wreck or obstruction to navigation after the Start Date, the Owner shall indemnify the Charterer against any sums whatsoever which the Charterer shall become liable to pay and shall pay in consequence of the FSO becoming a wreck or obstruction to navigation. Should the FSO become a wreck or an obstruction to navigation

prior to the Start Date, any and all costs relating to the removal of the FSO shall be for the Owner's account.

23. **GENERAL AVERAGE**

General average, if any, shall be adjusted according to the York-Antwerp Rules 2004, or any subsequent modification thereof at the time of the casualty. The hire shall not contribute to general average.

24. **REQUISITION/ACQUISITION**

24.1 In the event of the requisition for hire of the FSO by any Government or Governmental or other competent authority ("**Requisition for Hire**"), irrespective of the date during the Term when the Requisition for Hire occurs, the length thereof, whether or not it is for an indefinite period of time, and whether or not it may or will remain in force for the remainder of the Term, this Charter shall not be deemed thereby or thereupon to be frustrated or otherwise terminated, and the Charterer shall continue to pay Hire in the manner provided by this Charter until the time when the Term would otherwise terminate in accordance with this Charter; provided, however, that any requisition hire or compensation received or receivable by the Owner shall be payable to the Charterer during the remainder of the Term or the period of the Requisition for Hire, whichever is the shorter. If a requisition for hire continues for a consecutive period of at least sixty (60) days, then Charterer shall have the right to terminate this Charter by written notice to Owner.

24.2 In the event of the Owner being deprived of its ownership of the FSO by any compulsory acquisition of the FSO or requisition for title by the Government or any other Government or Governmental or other competent authority ("**Compulsory Acquisition**"), then irrespective of the date during the Term when Compulsory Acquisition occurs, this Charter shall be deemed terminated as of the date of such Compulsory Acquisition. In such event, Hire shall be considered as earned and shall be paid up to the date and time of such Compulsory Acquisition.

25. **WAR**

25.1 The FSO shall not be required, without the consent of the Owner (which consent shall not be unreasonably withheld), to proceed to or remain at the Site if the Site is identified in the Hull War, Strikes, Terrorism and Related Perils "Listed Areas" published by the Joint War Committee from time to time.

25.2 For the purposes of clause 25.1, it shall be unreasonable for the Owner to withhold its consent to the FSO entering or remaining at Site if insurance against all risks referred to clause 25.1 above is commercially available from an international insurer or a Government programme.

25.3 In any event, nothing in this clause 25 shall be construed to permit the Charterer to withhold, delay, suspend, reduce, adjust or otherwise modify payment of the Hire Rate to the Owner.

26. **FORCE MAJEURE and COVID-19**

Force Majeure

26.1 No loss or damage or delay in or failure of performance of either Party shall constitute default hereunder or give rise to any claims for damages if and to the extent that such loss, damage, delay or failure is caused by Force Majeure.

26.2 In this Charter "**Force Majeure**" means the effective occurrence of any act or event which is unforeseeable, insurmountable and beyond the reasonable control of and occurring without the fault or negligence of the Party affected thereby, and which renders such Party unable, wholly or in part, to comply with its obligations under the Charter. Notwithstanding

clause 26.1, Force Majeure shall not release either Party from any obligation to give a notice or make any payment (including, in particular, any payment of Hire) under this Charter.

- 26.3 Events which may, subject to clauses 26.2 and 26.4, be considered Force Majeure events shall include national or industry-wide strikes, lock-outs, acts of public enemy, wars whether declared or undeclared, blockades, insurrection, riots, epidemics or pandemics, landslides, lightning, earthquakes, fires, floods, tidal waves, civil disturbances, explosions, Third Party breakage or accident to machinery or pipelines, and the inability to obtain necessary material or supplies.
- 26.4 Events which shall not be considered Force Majeure events shall include the following: (a) economic hardship; (b) changes in market conditions; (c) late delivery or failure of equipment provided by any of the members of the Owner Group or the Charterer Group for performance of the Work; (d) labour availability or strikes (except national or industry-wide strikes or lock-outs); (e) late delivery or shortage of materials, consumables, equipment, or utilities; (f) adverse climatic conditions (including rain, snow, wind, temperature, and other weather conditions), tides, and seasons, regardless of the magnitude, severity, duration or frequency of such climatic conditions (other than catastrophic storms or floods, named tropical storms, tornadoes, hurricanes, typhoons, cyclones, or tsunamis, as set forth above); or (g) non-performance or delay by any of the members of the Owner Group or the Charterer Group, unless such non-performance or delay is caused by Force Majeure.
- 26.5 A Party claiming relief on account of Force Majeure shall:
- (a) as soon as practicable, but in any case not less than within seventy-two (72) hours of becoming aware of the Force Majeure event, give notice to the other Party detailing the circumstances of Force Majeure, how the event of Force Majeure has interrupted or prevented performance of its obligations, and estimating the likely duration of such Force Majeure; and
 - (b) take all reasonable action to mitigate the effects of the event of Force Majeure.
- 26.6 In the event the Force Majeure event prevents the FSO from being utilized in the manner envisioned by this Charter
- (a) the Hire Rate, which shall be equal to the Force Majeure Rate, shall be payable in respect of the period for which the Force Majeure event is subsisting; and
 - (b) if such Force Majeure event continues for a period of ninety (90) consecutive days, the Charterer may terminate this Charter in accordance with clause 27.3 below and the provisions of clause 27.4(b) shall be applicable in such circumstances.

Covid-19

- 26.7 At the date of this Charter (i) each Party confirms it is able to perform its obligations under, and in accordance with, the terms of this Charter and (ii) the Charterer agrees that it is not entitled to any extension of any Milestone Completion Dates directly relating to the currently (at the date of this Charter) known consequences and effects of the Coronavirus pandemic ("**COVID19**").
- 26.8 The Parties agree that in the event a Party can establish the occurrence of (i) travel restrictions, (ii) restrictions or delays in international trade, (iii) the introduction by Governmental Authorities of restrictions or guidelines or (iv) other COVID19 related occurrences, in each case resulting from or caused by COVID19 and which in each case directly and adversely impacts upon the Work or movement of Personnel directly involved in the Work, then provided that (i) the impact on the Work or movement of Personnel directly involved in the Work is not as a result of an act or omission of the Owner or its subcontractors and (ii) the Owner has used all reasonable endeavours to take reasonable precautions in accordance with all prevailing guidance and all Applicable Laws, the same shall constitute Force Majeure within the meaning of and for the purposes of this clause 26

(subject to compliance by the Parties with the remaining provisions of this clause 26). Without prejudice to the Parties' respective rights and obligations pursuant to this Charter, the Parties agree to act in good faith and co-operate with each other, and any other contractors working on the project, to minimize the impact of any of (i) – (iv) in this clause 26.8 and to seek to implement additional appropriate measures under this Charter. Nothing in this clause 26.8 prejudices the Owner's obligations to comply with Applicable Laws and Applicable Codes and Standards nor does it prejudice the Owner's obligation to mitigate the effect of any of (i) – (iv) in this clause 26.8.

27. **DEFAU LT, TERMINATION and Suspension**

27.1 **Charterer Event of Default**

Each of the following events shall constitute a "**Charterer Event of Default**":

- (a) the Charterer fails to pay any undisputed invoiced amount within [*****] Business Days of when payment is due under the relevant invoice from the Owner;
- (b) the Charterer or any of the Co-venturers fails to provide the Charterer Performance Security to the Owner in accordance with the provisions of clause30 herein or such Charterer Performance Security has expired, is terminated or otherwise ceases to be valid and enforceable provided that the Owner shall have first provided notice in writing and shall have provided the Charterer and/or any of its Co-venturers not less than [*****] Business Days to replace, or procure the replacement of, such Charterer Performance Security;
- (c) the Charterer breaches any of its material covenants, conditions, agreements, representations or obligations under this Charter, but only to the extent that such breach has not been caused by a breach of any of the Operator's covenants, conditions, agreements, representations or obligations under the Operating Agreement and provided that the same is not cured within a period of [*****] Business Days;
- (d) the Charterer appoints a provisional liquidator or a liquidator enters into liquidation whether compulsory or voluntary (except in case of a voluntary winding-up solely for the purposes of reconstruction or amalgamation) or suffers the appointment of a receiver or administrative receiver over any of its property or assets or makes or agrees to any compromise, arrangement or moratorium with its creditors or is deemed unable to pay its debts or becomes the subject of administration proceedings or a petition seeking an administration order or analogous event in any jurisdiction; or
- (e) the Charterer or any of its Affiliates is in breach of or fails to comply with the representations and obligations set out in clause33 below.

27.2 **Owner Event of Default**

Each of the following events shall constitute an "**Owner Event of Default**":

- (a) the Owner forecasts, acting reasonably and in accordance with Good Engineering and Construction Practices and Good Oilfield Practice, that the Owner will not be ready to access the Site with the FSO on or before the date that is [*****] after the last day of the FSO Delivery Window;
- (b) the Owner breaches any of its material covenants, conditions, agreements, representations or obligations under this Charter(including for the avoidance of doubt pursuant to clause 22) and has failed to remedy such breach within [*****] Business Days of receipt of written notice from the Charterer;

- (c) the Owner appoints a provisional liquidator or a liquidator enters into liquidation whether compulsory or voluntary (except in case of a voluntary winding-up solely for the purposes of reconstruction or amalgamation) or suffers the appointment of a receiver or administrative receiver over any of its property or assets or makes or agrees to any compromise, arrangement or moratorium with its creditors or is deemed unable to pay its debts or becomes the subject of administration proceedings or a petition seeking an administration order or analogous event in any jurisdiction and the Letter of Quiet Enjoyment has not been validly executed or otherwise not been recognized by a liquidator, receiver or administrator for any reason;
- (d) the Owner, or any of its Affiliates, is in breach of or fails to comply with the representations and obligations set out in clause 3.2 below;
- (e) the Owner has incurred Delay LDs in excess of the cap on liability in clause 3.2(e) and the Parties have not agreed to increase such cap;
- (f) the Owner fails to provide the Owner Performance Security in accordance with clause 3.2 herein or such Owner Performance Security has expired or is terminated or otherwise ceases to be valid and enforceable (in the case of the latter, replacement Owner Performance Security not being provided within [*****] Business Days); or
- (g) where the Operator is also the Owner or is an Affiliate of the Owner, a breach by the Operator of its obligations pursuant to the Operating Agreement

In the event of an Owner Event of Default the Owner shall use all reasonable endeavours to cure such Owner Event of Default expeditiously and to the reasonable satisfaction of the Charterer. The Owner will promptly inform the Charterer of an actual, potential or prospective Owner Event of Default and will keep the Charterer informed, and take account of the Charterer's input, in respect of the cure of any Owner Event of Default.

27.3 In case of:

- (a) an Owner Event of Default:
 - (i) which means that the Performance Standard are no longer being fully complied with or are no longer being met, the Hire Rate (including the Force Majeure Rate, if applicable) will cease to be payable by the Charterer with immediate effect on and from the occurrence of such Owner Event of Default and for the period for which such Owner Event of Default is continuing; and
 - (ii) not falling within clause 27.3(a)(i) and in respect only of an Owner Event of Default which is capable of remedy, [*****] of the Hire Rate shall be payable by the Charterer with effect on and from the date that is seven (7) days after the occurrence of such Owner Event of Default and thereafter for the period for which such Owner Event of Default is continuing,and in each case the Charterer shall notify the Owner in writing of the default (but a failure to notify of the default shall not prejudice the Charterer's rights not to pay the Hire Rate (including the Force Majeure Rate, if applicable) to the Owner pursuant to clause 27.3(a)(i) or to pay [*****] of the Hire Rate to the Owner pursuant to clause 27.3(a)(ii) (as the case may be). The Owner shall, subject to any specific cure periods set out in clause 27.2, thereafter have [*****] to remedy the default failing which the Charterer may (but shall not be obliged to) terminate the Charter by providing the Owner [*****] days' written notice of termination; and
- (b) a Charterer Event of Default, the Owner shall notify the Charterer in writing of the default. The Charterer shall, subject to any specific cure periods set out in clause 27.1, thereafter have [*****] days to remedy the default failing which the Owner may (but shall not be obliged to) terminate the Charter by providing the Charterer [*****] days' written notice of termination.

27.4 **Consequences of Termination for a Charterer's Event of Default**

- (a) In case of termination in accordance with clause 27.3 for a Charterer's Event of Default (as set out in clause 27.1), the Charterer shall pay the Owner:
 - (i) all Hire Rates due to the Owner for Hire of the FSO prior to the date of termination; and
 - (ii) all Hire Rates due to the Owner for Hire of the FSO from the date of termination to the end of the Initial Term, each element of the Hire being discounted back from the relevant Hire Payment Date to the date of termination at an annual discount rate of [*****], provided that such aggregate sum shall not exceed [*****],
provided that the payment of such sums will be without prejudice to the Charterer's rights pursuant to clause 28 and, for the avoidance of doubt, in the event of a Charterer Event of Default the Charterer shall be entitled (but not obliged) to exercise the option set out in clause 28.1(a) with the aggregate of all sums paid pursuant to this clause 27.4(a) being set off against the Purchase Price and the balance (if any) payable by the Charterer;
- (b) In case of termination in accordance with clause 26.6 above the Charterer shall pay the Owner:
 - (i) all Hire Rates due to the Owner for Hire of the FSO prior to the date of termination; and
 - (ii) the amount corresponding to the date of termination as set forth in schedule 10 - Termination Table for War or Force Majeure
- (c) Upon termination of this Charter pursuant to clause 27.3 for a Charterer's Event of Default (as set out in clause 27.1), the Charterer shall Redeliver the FSO to the Owner in accordance with its obligations in clause 19 save for if the purchase option has been exercised pursuant to clause 28 in which case the Charterer shall not be required to Redeliver the FSO to the Owner.

27.5 **Consequences for Termination for Owner's Event of Default**

- (a) In case of termination in accordance with clause 27.3 above for an Owner's Event of Default, then the Charterer shall be entitled, at its sole option, to do any or all of the following:
 - (i) until the Start Date:
 - (A) terminate this Charter with no further obligation to Owner; or
 - (B) exercise the purchase option in accordance with clause 28, with the Purchase Price being calculated in accordance with schedule 11 - Calculation of Purchase Price, Part B - Owner's Event of Default;
 - (ii) after the Start Date:
 - (A) exercise the purchase option in accordance with clause 28, with the Purchase Price being calculated in accordance with schedule 11 - Calculation of Purchase Price, Part B - Owner's Event of Default; or
 - (B) instruct the Owner and Operator to cease operations, and demobilize the FSO, after the Charterer has removed all pumpable hydrocarbons, and any other Charterer property from the FSO. Disconnection of Riser Systems, and removal of the Mooring System, shall be performed by

the Owner (at its cost) in a reasonable time after the Charterer gives notice of termination to the Owner. Demobilization costs of the FSO and crew shall be for the account of the Owner.

- (b) The terms of this Charter shall remain in effect until (i) the purchase of the FSO in accordance with clause 28 has been completed, and title to the FSO has passed to the Charterer, or (ii) the FSO has been demobilized from the Site, as described in clause 27.5(a)(ii)(B), and has been redelivered to the Owner. The Charterer and Owner shall sign a document indicating the date of termination of the Charter concurrent with the completion of these steps.
 - (c) With regard to the purchase option set out in clause 28, the Charterer shall not be obligated to pay the Purchase Price to the Owner until settlement of any amounts due and owing to the Charterer by the Owner as a result of such termination for an Owner's Event of Default. Without prejudice to clause 27.5(d), at the Charterer's election the Charterer may offset any amounts due and owing to the Charterer by the Owner as a result of such termination for an Owner's Event of Default against the Purchase Price.
 - (d) The Owner's liability under this clause 27.5 is in addition to any other liability provided for in this Charter and the Charterer shall have the right and authority to set off any such liability against amounts otherwise due from the Charterer to the Owner. The Charterer shall act reasonably to mitigate any costs it might incur in connection with any termination for an Owner's Event of Default. In the event of a termination for an Owner's Event of Default, the Charterer shall be entitled to any and all damages, losses, costs, and expenses incurred by the Charterer arising out of or resulting from such Owner's Event of Default, including any and all liquidated damages provided for in this Charter.
 - (e) Upon termination of this Charter at any time, the Owner shall:
 - (i) immediately discontinue Work, or such portion of the Work as may be terminated, on the date of termination specified in the Charterer's notice to the Owner;
 - (ii) at Charterer's request, place no further orders for work or services, materials, or any other items or services in connection with the terminated Work;
 - (iii) assign subcontracts as they relate to the terminated portion of the Work as requested by the Charterer;
 - (iv) cooperate with the Charterer in relation to the transfer of all materials and Work Product as they relate to the terminated portion of the Work, including drawings and specifications, Permits, and any other items or information; and
 - (v) comply with other reasonable requests from the Charterer.
- 27.6 If the FSO becomes a Total Loss, this Charter will terminate with immediate effect from the date Total Loss is declared and no amounts shall be payable by the Charterer to the Owner except amounts attributable to any period prior to the effective date of such termination.
- 27.7 **Termination for Convenience**
- (a) The Charterer shall have the right to terminate this Charter for convenience by providing the Owner with thirty (30) days written notice of termination. Upon such termination, the Owner shall:
 - (i) (if prior to the Start Date) immediately discontinue the Work and promptly make every reasonable effort to procure cancellation upon terms satisfactory to the Charterer of all subcontracts to the extent they relate to the

performance of the Work and otherwise mitigate, to the extent reasonably possible, all costs associated with such termination, except as otherwise directed by the Charterer; or

(ii) (if on or after the Start Date) the Charterer shall redeliver the FSO to the Owner in accordance with its obligations in clause 19. Removal of the Mooring System and disconnection of Riser Systems shall be performed by the Owner (at its cost) in a reasonable time after the Charterer gives notice of termination to the Owner. Demobilization costs of the FSO and crew shall be for the account of the Owner.

(b) In case of termination for convenience in accordance with clause 27.7(a), the Charterer shall pay the Owner an Early Termination Payment in accordance with schedule 6 – Schedule of Rates.

27.8 Suspension

(a) The Charterer may, for any reason prior to the Start Date, suspend the performance of the Work or any part thereof by notice in writing to the Owner. Upon receipt of such notice of suspension from the Charterer, the Owner shall suspend the performance of the Work, or the applicable part thereof, for such time or times and in such manner as set forth in such notice and shall take reasonable steps to minimize any costs associated with such suspension. During any such suspension up until the Start Date, and unless otherwise instructed by the Charterer, the Owner shall during any suspension prior to the Start Date maintain its Personnel on or near the Worksite(s) and otherwise be ready to proceed expeditiously with the Work upon receipt of the Charterer's further instructions. For each day in respect of which the Charterer has suspended the performance of the Work or any part thereof pursuant to this clause 27.8(a) prior to the Start Date (and not, for the avoidance of doubt, pursuant to clause 27.8(b)), the FSO Delivery Window and/or the FSO Final Acceptance Window (as the case may be) shall be extended on a day-for-day basis.

(b) When such suspension ordered by the Charterer is the result of or due to the material fault or negligence of any member of the Owner Group, the Owner shall not be entitled to any adjustment to the Project Schedule or the Hire Rate. Otherwise (i) including when such suspension is the result of or due to Force Majeure, the Owner shall be entitled to a time extension by way of a Change Order to the Project Schedule under clause 9; and (ii) excluding when such suspension is the result of or due to Force Majeure, the Charterer shall reimburse the Owner for those costs incurred during the suspension period that are attributable solely to the suspension, including demobilization and remobilization costs, if applicable, subject to the Owner providing the Charterer with appropriate supporting documentation to evidence such costs.

(c) Any claim for the costs of suspension, demobilization and remobilization shall be supported by appropriate supporting documentation to evidence such costs. Any such costs shall be due and payable [****] days after the Charterer has received an invoice with appropriate supporting documentation to substantiate such costs.

27.9 The remedies provided in this clause 27 are in addition to and without limitation of the rights and remedies available to the Parties arising in law, contract, tort or otherwise.

28. PURCHASE OPTION

28.1 The Charterer shall have the option:

(a) at any time after the execution of this Charter, which shall be exercised upon notice to the Owner given not less than thirty (30) days prior to the day on which the Charterer intends to consummate the purchase; or

(b) in accordance with clauses 10.9(b), 27.5(a)(i)(B) or 27.5(a)(ii)(A),

to purchase the FSO (including spares on board and ashore or any equipment, machinery, materials or any other components affixed to or forming part of the FSO) for its own account, or to name a designee to purchase the FSO in accordance with this clause 28.

28.2 If the Charterer exercises its option to purchase the FSO under this clause 28, then the Sale and Purchase Agreement shall govern such transaction, without any further negotiation or amendment to any of the material terms and conditions set forth therein, and such terms and conditions shall be deemed fully effective upon delivery to the Owner of the Charterer's notice of option exercise pursuant to this clause 28.

28.3 If the Charterer exercises its purchase option pursuant to this clause 28, this Charter shall terminate effective as of the date and time the FSO is delivered to the Charterer or its designee and the Charterer shall pay to the Owner all Hire accrued up to and including the date and time of such delivery.

28.4 The FSO purchase shall include:

- (a) FSO (including the Mooring System components not otherwise already owned by Charterer as well as any spares on board and ashore or any equipment, machinery, materials or any other components affixed to or forming part of the FSO);
- (b) complete and comprehensive up-to-date documentation necessary to facilitate title transfer to the Charterer (or its designee), including Bill of Sale, Class and trading certificates, assignment of intellectual property rights licenses or sublicenses, lien release, and log books;
- (c) As-Built Documentation for the completed FSO;
- (d) documentation of on-going operation and maintenance (including operating and maintenance manuals, maintenance records, supplier/ vendor warranties and guarantees) of the FSO;
- (e) any handover assistance required by the Charterer;
- (f) stocks of FSO spare parts and consumables onboard and elsewhere; and
- (g) assignments of any subcontracts that continue to be in effect to the Charterer, including as to any warranty rights thereunder, as requested by the Charterer.

28.5 The Purchase Price to be paid under:

- (a) clause 28.1(a) shall be calculated in accordance with schedule 11 – Calculation of Purchase Price, Part A – Purchase Option; and
- (b) clause 28.1(b) shall be calculated in accordance with schedule 11 – Calculation of Purchase Price, Part B – Owner's Event of Default,

and in either case paid by electronic funds transfer in immediately available US Dollars to the Owner upon FSO delivery under the Sale and Purchase Agreement.

28.6 In furtherance of this clause 28, the Owner and Charterer agree to execute and deliver such other agreements and instruments as may be required to carry out the specific intents and purposes of this clause 28; provided that such agreements and instruments shall not materially alter, but shall clarify, the terms and conditions governing the sale and purchase of the FSO that are otherwise set forth above.

29. **CONFIDENTIAL INFORMATION**

29.1 The Parties shall not, and shall ensure that their employees, agents, representatives and subcontractors (including theSubcontractors in the case of the Owner) shall not and, in the

case of the Charterer, that the Co-venturers shall not, use for purposes other than for the fulfilment of terms under this Charter nor exchange or divulge to any third party, any information obtained in the conduct of, or by reason of, the performance of its obligations under this Charter.

29.2 This clause 29 will not require a disclosee to maintain confidentiality in respect of information:

- (a) which at the date of its disclosure to the disclosee is public knowledge or which subsequently becomes public knowledge other than by any act or failure to act on the part of the disclosee or its Affiliates or any of their officers or employees; or
- (b) which is already known to the disclosee as evidenced by its written record and was not acquired directly or indirectly from the discloser; or
- (c) which is at any time after the date of this Charter lawfully acquired by the disclosee from any third party which is rightfully in possession of it and is not bound by an obligation of confidentiality or good faith in respect of it; or
- (d) which is required to be disclosed by law or by a court of competent jurisdiction; or
- (e) disclosed to any Affiliate or to any sub-contractor or employee working as a member of staff of such Affiliate or sub-contractor on a "need to know" basis for the purpose of this Charter, in which event the Party concerned shall be responsible for ensuring the maintenance of confidentiality by such Affiliate, sub-contractor or employee; or
- (f) disclosed to any outside professional consultants or any bank, financial institution or other entity who may be giving financial advice to it or from whom it is seeking, or who is advising it in the obtaining of, finance, upon obtaining a similar undertaking of confidentiality but excluding the terms contained in this clause (f); or
- (g) disclosed to any of its auditors, professional tax or legal advisers; or
- (h) disclosed to any of the Co-venturers as required; or
- (i) disclosed to a bona fide proposed assignee (direct or indirect) of the Charterer's or a Co-venturer's interest in the Field; or
- (j) to the extent required by any Governmental Authority or the rules or regulations of any recognised stock exchange.

29.3 In the cases set out in clauses 29.2(d) and 29.2(j) above, the disclosee shall provide prompt written notice to the disclosing Party prior to making any such disclosure, which notice shall include details of the proposed form, nature and purpose of such disclosure so that the disclosing Party may seek a protective order, injunction or other appropriate remedy, with reasonable assistance (if practicable and legally permissible) from the disclosee. Save to the extent that disclosure of the confidential information set out in clauses 29.2(d) and 29.2(j) above is the result of negligence, misconduct or breach of the disclosee, the cost of obtaining a protective order, injunction or other appropriate remedy shall be at the disclosing Party's sole cost and expense.

29.4 Neither Party shall disclose the making of this Charter or its terms or the existence or the terms of any other agreement referred to in this Charter and each Party shall procure that each of its Affiliates shall not make any such disclosure without the prior consent of the other Party unless such disclosure is required pursuant to the rules or regulations of any recognised stock exchange (in which case clause 29.2(j) will apply).

30. **GUARANTEE**

30.1 Upon signature of this Charter, and as a condition for the Owner's obligation to hire the FSO to the Charterer, the Charterer shall in relation to the Charterer's obligations pursuant to this Charter procure the issue to the Owner by each Co-venturer holding a paying interest in the Field or an Affiliate of such Co-venturer on its behalf (in each case by an entity with a credit standing reasonably acceptable to the Owner), in respect of such Co-venturer's paying interest in the Field and given on a several (as opposed to joint and several) basis in each case substantially in the form set out in schedule 8 – Form of Guarantee ("**Charterer Performance Security**") and in the following proportions:

- (a) VAALCO Energy, Inc. as to sixty three decimal point five seven five per cent (63.575%);
- (b) Addax Petroleum Holdings Ltd as to thirty three decimal point nine per cent (33.9%); and
- (c) PetroEnergy Resources Corporation as to two decimal point five two five per cent (2.525%).

30.2 Upon any assignment of this Charter in accordance with the terms of this Charter, the Owner shall as a condition of the effectiveness of such assignment furnish to the Charterer (or shall procure the provision of) the Owner Performance Security.

31. **LIMITATION OF LIABILITY**

31.1 The total aggregate liability of the Owner to the Charterer arising out of or in connection with this Charter, in respect of all claims, loss, liabilities, indemnities, fines, penalties and similar charges, payments and damages of every kind and nature shall not exceed in aggregate [*****] regardless of cause including the negligence or breach of duty (statutory or otherwise) of the Owner and the Charterer shall indemnify, defend and hold harmless the Owner for all amounts in excess thereof.

31.2 The total aggregate liability of the Charterer to the Owner arising out of or in connection with this Charter, in respect of all claims, loss, liabilities, indemnities, fines, penalties and similar charges, payments and damages of every kind and nature (but excluding any sums payable by the Charterer pursuant to clause 27.4(a)(ii)) shall not exceed in aggregate [*****] regardless of cause including the negligence or breach of duty (statutory or otherwise) of the Charterer and the Owner shall indemnify, defend and hold harmless the Owner for all amounts in excess thereof.

31.3 The provisions of this clause 31 shall not apply to the payment of Hire Rates (including under clause 27) or any other fees payable by the Charterer under this Charter, in respect of fraud or fraudulent misrepresentation or in respect of the provisions set out in clause 18.

32. **SUBCONTRACTING AND ASSIGNMENT**

32.1 The Owner shall satisfy itself before entering into any subcontract that the intended Subcontractor has and will be able to maintain the required skilled workforce and other resources to be able duly to fulfil its obligations under the subcontract. On or immediately after the execution of this Charter the Owner shall provide the Charterer with a list of proposed Subcontractors for the Charterer's approval, acting reasonably.

32.2 The Owner must obtain the Charterer's prior written approval for any further subcontracting proposed by the Owner, and for any proposed changes to subcontracting arrangements already approved by the Charterer pursuant to clause 32.1. The Owner shall not subcontract (i) the whole performance of the Work; or (ii) any significant part of the Work. The Charterer shall review and approve or reject any such proposed additional subcontracting and changes. The Charterer's approval or rejection of any proposed subcontracting or changes to previously approved subcontracting arrangements shall not be the basis for any

Change Order or any claim for additional remuneration or time schedule adjustment(if and as applicable).

- 32.3 Any subcontracting of parts of the Work by Owner shall not relieve the Owner of full responsibility for all of the Work, including the subcontracted portion. It is entirely the Owner's own responsibility to ensure that it has appropriate arrangements with all Subcontractors to ensure fulfillment of all the Owner's duties, responsibilities, and obligations under this Charter. Any failure of a Subcontractor to perform shall be considered for all purposes to be a failure of the Owner to perform, and the Owner shall remain fully liable for (i) any defects in Work performed by Subcontractors; (ii) any acts or omissions of Subcontractors; and (iii) subject to clause 18, any and all damages or injuries caused by Subcontractors or arising out of their performance in relation to this Charter.
- 32.4 The Owner shall ensure that subcontracts contain all relevant provisions, mutatis mutandis, of this Charter, and that the Charterer's rights are not limited by any provision in, or omission of any relevant provision from, a subcontract. All subcontracts shall clearly stipulate that the Owner is acting for itself as principal and not in any way jointly with or as agent for Charterer. Except to the extent this Charter expressly provides otherwise, no subcontract shall create a contractual relationship between the Charterer and the Subcontractor.
- 32.5 Without affecting clause 32.6 or clause 34.1 the Charterer shall have the right to assign (including by way of security) any rights or obligations under this Charter with the prior written consent of the Owner, which is not to be unreasonably withheld, conditioned or delayed. The Owner shall not have the right to assign any rights or obligations under this Charter.
- 32.6 Notwithstanding clause 32.5 above or anything to the contrary in this Charter, the Owner shall be entitled to create Permitted Encumbrances and assign its rights (but not its obligations) under this Charter and Charterer Performance Security to the Owner's lenders and financiers as security provided that as a condition to such assignment, the Owner's lenders shall execute a Letter of Quiet Enjoyment.
33. **ANTI-CORRUPTION, CONFLICT OF INTEREST AND SANCTIONS**
- 33.1 For the purposes of this clause 33 the following terms shall have the following meanings:
- "Failing Party"** shall mean the Party that fails to comply with the obligations set out in this clause 33;
- "Sanctioned Entity"** shall mean a person who is designated pursuant to any Applicable Laws, as subject to trade and economic sanctions, prohibitions or restrictions; and
- "Sanctioned Transaction"** shall mean a transaction which is prohibited or restricted by, or which may expose the Owner Group, the Charterer Group or the FSO to trade and economic sanctions, prohibitions or restrictions under any Applicable Laws.
- 33.2 In the performance of this Charter:
- (a) each Party warrants that it shall and shall ensure that its Personnel and subcontractors strictly comply with general business ethics and
- (b) the Owner warrants that it shall and shall ensure that its Personnel and subcontractors strictly comply with the Code of Business Conduct and Ethics policy.
- 33.3 Each Party further warrants that it, its Affiliates, its Personnel and its subcontractors have not made, offered, authorized, requested, received, or accepted and will not make, offer, or authorize, request, receive or accept with respect to matters which are the subject of this Charter, any payment, gift, promise or other advantage, whether directly or indirectly through any person or entity, to or for the use or benefit of any public official or any political

party or any political party official or candidate for office, or any other person where such payment, gift, promise or advantage would violate: (a) any Applicable Laws, including the Foreign Corrupt Practices Act 1977 (US) or the Bribery Act 2010 (UK); or (b) the laws of the country of incorporation of such entity or such entity's ultimate parent company or of the principal place of business of such ultimate parent company.

- 33.4 The Owner shall ensure that all subcontracts entered under this Charter shall contain warranties and representations reflecting this clause 33.
- 33.5 Each Party shall upon the written request of the other Party, provide a written statement confirming that it has complied with all the requirements of this clause 33.
- 33.6 Each Party shall immediately report to the other Party any act or omission which may be a breach of this clause 33. In such instances the relevant Party shall give the other Party access to all documents which in the relevant Party's sole opinion may be relevant to determine whether such a breach has occurred.
- 33.7 Each Party warrants, represents and undertakes on a continuing basis that:
- (a) neither it nor any of its Affiliates is or will be a Sanctioned Entity; and
 - (b) entry into and performance of this Charter is not and will not be a Sanctioned Transaction.
- 33.8 Each Party shall comply with all Applicable Laws in performing this Charter and:
- (a) shall not use the compensation received under this Charter for any Sanctioned Transaction;
 - (b) shall ensure that any surplus items from the FSO which, with the consent of the other Party are disposed of by such Party are not sold, transferred, released, exported, provided or used by such Party, or any person with whom such Party directly contracts, for the purpose of or in any activity which is or would constitute a Sanctioned Transaction;
 - (c) shall communicate the conditions of this clause 33.8 in writing to any direct purchasers, transferees or users of items from the FSO disposed of by such Party under this Charter.
- 33.9 Failure to comply with the obligations set out in this clause 33 shall be a breach of a material obligation under this Charter. In the event either of the Parties is a Failing Party, the non-breaching Party shall be entitled to:
- (a) cease all payments to the Failing Party until such obligations are fulfilled;
 - (b) terminate this Charter in accordance with clause 27; and
 - (c) be indemnified by the Failing Party for all claims, damages, losses, penalties, costs and expenses suffered by the other Party arising out of or related to any breach of this clause 33 by the Failing Party; provided, however, that termination by the Owner of a Subcontractor and, to the extent necessary to fulfil the Owner's obligations hereunder, the procurement of a replacement subcontractor, shall cure any failure by the Owner to comply with its obligations under this clause 33 resulting from the acts or omissions of a Subcontractor.
34. **MISCELLANEOUS**
- 34.1 The Owner is and shall be at all times an independent contractor. Under no circumstances will the Owner or any member of the Owner Group be considered an agent or employee of the Charterer. The Owner shall have no authority to commit or bind the Charterer or any of

its subsidiaries or Affiliates. Except as otherwise provided herein, the Charterer shall have no power or authority to direct, supervise or control the Owner with respect to means, manner or method of performance of the services rendered hereunder, and the Owner, in the exercise of its independent employment and as an independent contractor, shall select the means, manner and method of performance thereof.

- 34.2 All terms and conditions of this Charter shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and permitted assigns.
- 34.3 This Charter may be executed in one or more counterparts, including by electronic .pdf, which, taken together, shall constitute one original document.
- 34.4 Except as specifically provided herein to the contrary, each Party hereto intends that this Charter shall not benefit or create any right or cause of action to any person other than the Parties hereto or their permitted assigns.
- 34.5 The making, execution, and delivery of this Charter by the Parties hereto have been induced by no representation, statements, warranties or agreements other than those herein expressed or set forth in the attached appendices, annexes, exhibits or schedules. This Charter, its appendices, annexes, exhibits or schedules and the other documents executed in connection herewith, embody the entire understanding of the Parties, and there are no further or other agreements or understandings, written or oral, in effect between the Parties relating to the subject matter hereof.
- 34.6 No failure by either Party at any time, or from time to time, to enforce or require the strict keeping and performance of any of the terms or conditions of this Charter, or to exercise a right hereunder, shall constitute a waiver of such terms or conditions.
- 34.7 If any provision of this Charter is held to be illegal, invalid or unenforceable under present or future law, such provision shall be fully severable. This Charter shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof and the remaining portions hereof shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom. Furthermore, in lieu of such illegal, invalid or unenforceable provision there shall be added automatically as part of this Charter a provision as similar in terms to such illegal, invalid and unenforceable provision as may be possible and be legal, valid and enforceable.
- 34.8 Termination of this Charter, regardless of cause, shall not relieve either Party of its obligations and limitations arising from or incidental to this Charter accruing prior to its termination including each Party's indemnification obligations hereunder.
- 34.9 Each of the Parties hereto intends that this Charter will be treated as a lease of the FSO from the Owner to the Charterer. Neither the Charterer nor the Owner nor any of their respective Affiliates will take any actions or file any documents with the Government or any Governmental authority (including, without limitation, any tax return) which is inconsistent with the characterisation of this Charter as a lease.
- 34.10 This Charter shall not be amended or modified, nor shall any condition herein specified be waived, absent a written instrument executed on behalf of the Parties.
35. **NOTICE S**
- 35.1 Notices or other communications required to be given by either Party pursuant to this Charter shall be written in English and delivered personally, sent by courier, sent by mail or sent by email to the address of the other Party set forth in clause 35.2, or to such other address as may from time to time be designated by the other Party through notification of such Party. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

- (a) notices given by personal delivery shall be deemed effectively given on the date of personal delivery;
- (b) notices given by mail shall be deemed effectively given on the seventh day after the day mailed (as indicated by the postmark) by registered airmail, postage prepaid, or the third day after delivery to an internationally recognized courier service;
- (c) notices given by email shall be deemed effectively given on the date sent, if such date is a Business Day (in the country to which the notice is sent). If the date sent is not a Business Day, notice shall be deemed effectively given on the first Business Day after the notice is sent. Notice will not be deemed given by email where the sender receives an automated server response that the intended recipient has not received the email.

35.2 Except as otherwise provided in clause 35.1, the Parties shall give all notices and send all invoices and communications under this Charter to:

If to the Owner:

World Carrier Offshore Services Corp.

Agiassou 34 Vrilissia

Athens, 15235 Greece

Attention:

Email:

With copy to:

Attention: Legal Counsel

Email:

Attention: Operations Manager

Email:

If to the Charterer:

VAAALCO Gabon SA

9800 Richmond Avenue – Suite 700

Houston, Texas 77042 USA

Attention: Chief Executive Officer

Email:

With copy to:

Attention: General Counsel

Email:

Attention: Gabon Operations

Email:

36. **OWNER GROUP PERSONNEL**

36.1 The Owner shall provide, itself or through other members of Owner Group, all required personnel in sufficient numbers to perform the Work safely and efficiently.

36.2 The Owner shall assign only such personnel of members of the Owner Group to the Work who are fully competent, experienced, qualified, trained, have all necessary physical capacities to perform the Work, and are otherwise capable of properly performing the Work. The Owner shall be responsible and liable for all consequences of any failure on its part to assign personnel as required by clause 36.1 and this clause 36.2, and the Owner shall not be entitled to claim any prolongation of the Project Schedule, any impact on the Hire Rate, or any Change Order as a result of such failure.

36.3 The Owner shall ensure that it assigns only such personnel of members of the Owner Group to the Work who fulfil all requirements of Applicable Laws, Applicable Codes and Standards, relevant industry guidelines and norms (including having all required and current safety training and other certifications and labour hire standards).

36.4 **Charterer Representative and Owner Representative**

(a) The Charterer shall notify the Owner of the appointment of the Charterer Representative, who shall have authority to act for and on behalf of the Charterer in all matters concerning this Charter. The Owner shall notify the Charterer of the appointment of the Owner Representative, who shall have authority to act for and on behalf of the Owner in all matters concerning this Charter. Neither the Charter Representative nor the Owner Representative shall have the power to amend this Charter or to relieve the Owner or the Charterer respectively from any of their obligations under this Charter.

(b) The Charterer may change the Charterer Representative at any time and from to time, and shall notify the Owner of any such change.

(c) The Owner shall not change the Owner Representative without prior notification to and concurrence of the Charterer Representative, such concurrence not to be unreasonably withheld or delayed.

(d) The Charterer Representative or the Owner Representative may, by a notice to the other Party, (i) wholly or partially delegate specific duties to one or more other individuals, including Charterer Representatives and Owner Representatives; or (ii) appoint a substitute to act during any period of absence, provided that each such individual appointed by the Owner Representative shall be subject to the Charterer's prior approval. Each individual to whom specific duties are so delegated shall have only the authority expressly provided for in the notice.

(e) The Owner shall appoint an Owner Representative for the Site and other Worksites (as determined by Charterer) where a portion of the Work is to be performed. The Charterer shall deliver instructions to the applicable Owner Representative with regard to the Site or such locations or the Work being performed at the Site or such locations.

36.5 **Key Personnel**

(a) Schedule 5 – Key Personnel identifies positions in the Owner's organization for the Work which shall at the date of execution of this Charter be (i) filled by the Owner with named individuals designated as Key Personnel; or (ii) filled in due course by individuals who will, when appointed, also be Key Personnel. The Owner shall submit résumés to the Charterer for the personnel nominated to be Key Personnel, and such nominations shall be subject to written approval (not to be unreasonably withheld) by the Charterer.

- (b) Once the approved nominees are in place, those personnel shall remain in their positions for the durations set out in schedule 5 – Key Personnel. The Owner shall not make changes to Key Personnel without the Charterer's prior written concurrence (not to be unreasonably withheld). The required written request for such concurrence shall include sufficient information to demonstrate, to the Charterer's satisfaction, that proposed replacement candidates are at least equally qualified and experienced as the individuals the Owner proposes to replace. Such information shall include:
- (i) detailed explanation and reason for the request; and
 - (ii) résumés of professional education and experience of each proposed replacement candidate (of whom there should be at least two).

37. **HEALTH, SAFETY AND THE ENVIRONMENT**

37.1 **The Owner Policies**

- (a) The Owner shall take full responsibility for the adequacy, stability and safety of all its operations and methods necessary for the performance of the Work and the matters contemplated in this Charter including but not limited to complying with the Owner HSE Policy ("**HSE Requirements**").
- (b) The Owner shall maintain, during the Term its own clear and comprehensive health, safety and environmental policy and arrangements acceptable to the Charterer (the "**Owner HSE Policy**").
- (c) The Owner shall provide the Charterer with a copy of the Owner HSE Policy immediately following the date of this Charter and shall forthwith make and implement any changes thereto which may from time to time be notified by the Charterer to the Owner.

37.2 **Audits**

The Charterer may carry out ad hoc audits of the Owner HSE Policy to ensure that it complies with the HSE Requirements and, on the Charterer notifying the Owner of any noncompliance, the Owner shall forthwith rectify at its sole cost any deviations from the HSE Requirements which are notified to the Owner by the Charterer following any such audit.

37.3 **Reporting**

The Owner shall keep the Charterer informed of all accidents and incidents as per the HSE Requirements. The Owner shall follow the Charterer's criteria set out in the HSE Requirements with respect to the reporting of accidents or incidents (including those resulting in personal injury to or the death of any person or damage to any property arising out of or as a consequence of the Owner's performance of the Work) and shall promptly thereafter take all necessary remedial action in respect of any such accident or incident and shall, following such incidents, undertake investigations and prepare such reports as may be required by any Applicable Law or as may be agreed with the Charterer (acting reasonably).

38. **THIRD PARTY RIGHTS**

Save for in respect of clause 18 (which each member of the Charterer Group and the Owner Group, as applicable, shall be entitled to enforce) and clauses 14, 20 and 21 (which each member of the Charterer Group shall be entitled to enforce), no provision of this Charter is intended by the Parties to be construed as creating any right(s) enforceable by a third party by virtue of the Contracts (Rights of Third Parties) Act 1999 and all third party rights implied by law are, to the extent permissible by law, excluded from this Charter. Notwithstanding this clause 38, this Charter may be rescinded, amended or varied by the Parties without

notice to or the consent of any person who is not a Party even if, as a result, that person's right to enforce a term of this Charter may be varied or extinguished. The rights of any non-Party shall be subject to such person's written agreement to comply with the provisions of clause 39 in respect of all matters relating to such rights.

39. **GOVERNING LAW AND ARBITRATION**

39.1 This Charter shall be governed by and construed in accordance with English law.

39.2 Subject to clause 18.2(c) above, any dispute arising out of or in connection with this Charter, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration in London in accordance with the rules of the London Maritime Arbitrators Association for the time being in force, which rules are deemed to be incorporated by reference in this clause 39.2. The arbitrators shall be entitled to give interlocutory orders and/or give rulings on an agreed set of facts and/or a preliminary point of law at the request of either Party if they think fit to do so.

The reference shall be to three arbitrators. A Party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other Party requiring the other Party to appoint its own arbitrator within fourteen (14) calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other Party appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the other Party does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the Party referring a dispute to arbitration may, without the requirement of any further prior notice to the other Party, appoint its arbitrator as sole arbitrator and shall advise the other Party accordingly. The award of a sole arbitrator shall be binding on both Parties as if he or she had been appointed by agreement.

The Owner agrees, and shall procure that each of its Affiliate agrees, that any Affiliate of the Owner may be joined to any proceedings under this Charter and/or proceedings consolidated, in each case in respect of any claim pursuant to the Operating Agreement.

The arbitrators' award shall be final and binding upon both Parties and may be enforced in any court having jurisdiction in respect thereof.

The arbitration shall be conducted in the English language.

39.3 The arbitrators shall determine which Party shall bear the expenses of the proceedings, or the proportion of such expenses which each Party shall bear.

IN WITNESS WHEREOF, the Parties have caused this Charter to be executed as of the day, month and year first written above.

OWNER:

**WORLD CARRIER OFFSHORE
SERVICES CORP**

By: /s/ George Fragkistas

Name: George Fragkistas

Title: Chief Executive Officer

CHARTERER:

VAALCO GABON SA

By: /s/ George Maxwell

Name: George Maxwell

Title: Chief Executive Officer

schedule 6
SCHEDULE OF RATES

- ① Without prejudice to the provisions of this Charter, all operational and capital cost throughout life of Charter to be covered by Charter rates
 - ① Without prejudice to the provisions of this Charter, the Charter Rate will remain at the Agreed Rate for the Term of the Charter, with only modifications occurring at the extension period
 - ① The following rates apply in respect of the following events:
 - o *Early Termination Payment – relevant figure in schedule 11, Part A – Purchase Option minus the figure derived from the following calculation:
the FSO light ship weight * the BIMCO or Clarksons published scrap price (whichever is the greater) for shipyards/breakers yards in India or Pakistan * 90%*
 - o *Termination for Force Majeure - see table in schedule 10*
 - o *Purchase Option – see table in schedule 11*
 - o *Force Majeure Rate, being 80% of the Hire Rate*
 - Hire Rate: [*****] per day for Years 1, 2, 3, 4 and 5
 - Hire Rate: [*****] per day for Years 6, 7 and 8
 - Hire Rate: [*****] per day for Years 9 and 10
- Prepayment of Hire in the sum of US\$6,000,000 to be released in parts on the following milestones:
- o US\$2,000,000 [*****]
 - o US\$2,000,000 [*****]
 - o US\$2,000,000 [*****]
- Charterer entitled to deduct US\$200,000 from each of the first 30 hire invoices issued by Owner in respect of the recovery of the prepayment. In the event the Start Date does not occur, such portion of the prepayment as has been paid by the Charterer shall be repaid to the Charterer on written request by the Charterer.
- Mobilization fee of US\$1,000,000 to be paid as follows:
- o US\$500,000 within seven (7) days from FSO sail away from the shipyard
 - o US\$500,000 within seven (7) days from FSO arrival at the Field

Deed of Guarantee and Indemnity

[Owner or Affiliate]

and

[Charterer]

in respect of Bareboat Charter

_____ 2021

THIS DEED OF GUARANTEE AND INDEMNITY is made as a deed on _____ 2021

BETWEEN:

- (1) [OWNER or AFFILIATE], a company incorporated in [] and having its principal office at [] (the "Guarantor"); and
 - (2) [CHARTERER], a company incorporated in [] and having its principal office at [] (the "Beneficiary"),
- each a "Party" and together the "Parties".

recitals

- (A) The Beneficiary has, on the same date as this Deed of Guarantee and Indemnity, entered into a Bareboat Charter with [Owner] (Owner) in respect of the provision of an FSO on the Field (Charter).
- (B) [VAALCO] is the operator of the Field on behalf of the Co-venturers, pursuant to the Etame Marin JOA.
- (C) The Beneficiary has agreed to enter into the Charter subject to the Guarantor agreeing to enter into this Deed of Guarantee and Indemnity in respect of the Guaranteed Obligations as set out in clause 2.
- (D) The Guarantor is [the [ultimate] parent company of the Owner] and has agreed (it being in its best commercial interests to do so) to enter into this Deed of Guarantee and Indemnity in respect of the Guaranteed Obligations.

the parties agree as follows:

1. **INTERPRETATION**

1.1 In this Deed of Guarantee and Indemnity, unless otherwise defined or provided for in this Deed of Guarantee and Indemnity, words and expressions shall have the following meanings:

"Affiliate" means, in relation to a person, a company, partnership or other legal entity which controls, is controlled by, or which is under common control with, that person, and "control" means the ownership, directly or indirectly, of fifty per cent (50%) or more of the voting rights in a company, partnership or other legal entity;

"Business Day" means a day throughout which banks are open for business in New York, London and the Gabonese Republic;

"Charter" has the meaning given to it in Recital (A);

"Co-venturer" has the meaning given to it in the Charter;

"Default Rate" means US Dollar LIBOR plus seven per cent (7%);

"Etame Marin JOA" has the meaning given to it in the Charter;

"Field" has the meaning given to it in the Charter;

"FSO" has the meaning given to it in the Charter;

"Guaranteed Obligations" has the meaning given in clause 2;

"Operating Agreement" has the meaning given to it in the Charter; and

"US Dollar LIBOR" has the meaning given to it in the Charter.

1.2 In this Deed of Guarantee and Indemnity, unless otherwise specified:

- (a) clause headings shall not affect the interpretation of this Deed of Guarantee and Indemnity;
- (b) a reference to a "**company**" shall include any company, corporation or other body corporate, wherever and however incorporated or established, a partnership, a joint venture and unincorporated association;
- (c) the words "**include**", "**includes**", "**including**" "**inclusive of**" shall mean "including but not limited to";
- (d) a "**person**" includes any person, individual, company, firm, corporation, government, state or agency of a state or any undertaking (whether or not having separate legal personality and irrespective of the jurisdiction in or under the law of which it was incorporated or exists);
- (e) reference to "**clauses**" are to clauses of this Deed of Guarantee and Indemnity;
- (f) "**writing**" means typed text or legible manuscript text (including by e-mail);
- (g) words denoting the singular shall include the plural and vice versa and words denoting any gender shall include all genders;
- (h) reference to a legal or regulatory provision or standard is to be construed as a reference to that legal or regulatory provision or standard as the same may have been amended or re-enacted before the date of this Deed of Guarantee and Indemnity;
- (i) reference to any statute, statutory instrument, regulation, by-law or other requirement of English law and to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, procedure, court, official or any legal concept or doctrine or other expression shall in respect of any jurisdiction other than England be deemed to include that which most nearly approximates in that jurisdiction to the English term;
- (j) a reference to a statute or statutory provision shall include all subordinate legislation made as at the date of this Deed of Guarantee and Indemnity under that statute or statutory provision;
- (k) reference to the time of day is reference to time in London, England;
- (l) unless the context otherwise requires, references to documents and agreements shall be construed as references to those documents or agreements as may have been or are amended, supplemented, novated or superseded from time to time; and
- (m) a reference to a Party shall include that Party's successors and permitted assigns.

2. **GUARANTEE**

2.1 The Guarantor (as a primary obligor and not merely as a surety) at the request of the Beneficiary hereby irrevocably and unconditionally guarantees to the Beneficiary:

- (a) the due and punctual performance and observance by the Owner of all of its obligations under the Charter; and

(b) the due and punctual payment to the Beneficiary by the Owner of all amounts which the Owner is or shall become obliged to pay to the Beneficiary under the Charter,

(together the **Guaranteed Obligations**).

- 2.2 If the Owner fails to pay or perform in full and on time any of the Guaranteed Obligations, the Guarantor irrevocably and unconditionally undertakes that it shall immediately on demand pay or perform the Guaranteed Obligations as if it were the principal obligor.
- 2.3 The Guarantor irrevocably and unconditionally agrees with the Beneficiary that, if for any reason, any amount claimed under this Deed of Guarantee and Indemnity is not recoverable on the basis of a guarantee, the Guarantor will be liable as a primary obligor to indemnify the Beneficiary against any cost, loss, or liability incurred by the Beneficiary as a result of the Owner failing to pay or carry out any of the Guaranteed Obligations, provided the amount payable by the Guarantor under this Deed of Guarantee and Indemnity will not exceed the amount it would have had to pay if the amount claimed had been recoverable on the basis of a guarantee.
- 2.4 The provisions of this Deed of Guarantee and Indemnity shall not be interpreted or construed in a way so as to impose on the Guarantor the obligation to pay to the Beneficiary an amount greater than the amount owed by the Owner to the Beneficiary under the terms of the Charter. The liability of the Owner under the Charter shall be automatically reduced by any amount paid by the Guarantor to the Beneficiary pursuant to this Deed of Guarantee and Indemnity.
3. **MATTERS NOT TO REDUCE THE GUARANTOR'S LIABILITY**
- 3.1 If any purported obligation or liability of the Owner under the Charter which, if valid, would have been the subject of this Deed of Guarantee and Indemnity is not or ceases to be valid or enforceable on any ground whatsoever (whether or not known to the Beneficiary or the Owner) (including any defect in or want of powers of the Owner or irregular exercise thereof or lack of authority by any person apparently authorised to act on behalf of the Owner or any legal or other limitation (whether under the Limitation Act 1980 or otherwise), disability, incapacity or any change in the constitution of or any amalgamation, reconstruction or liquidation of the Owner), the Guarantor shall nevertheless be liable in respect of that purported obligation or liability as if the same were fully valid and enforceable and as if the Guarantor were the principal debtor in respect thereof. The Guarantor hereby agrees to indemnify, defend and hold the Beneficiary harmless in accordance with the terms of this Deed of Guarantee and Indemnity against all damages, losses, costs and expenses arising from any failure of the Owner to carry out any such purported obligation or liability by reason of it not being or ceasing to be valid or enforceable.
- 3.2 The obligations and liabilities of the Guarantor in respect of the Guaranteed Obligations shall not in any way be affected nor shall this Deed of Guarantee and Indemnity be discharged or diminished by reason of any of the following (whether or not known to the Guarantor or the Beneficiary):
- (a) any time, consent, waiver or release being given by the Beneficiary to the Owner or to any surety, or by any other indulgence or concession granted by the Beneficiary to the Owner or to any surety in respect of (or any variation or waiver of) any of the Guaranteed Obligations or any obligations of any surety (whether the same be made with the Guarantor's consent or not);
 - (b) any termination, amendment, variation, replacement, restatement or supplement of or to the Charter or any of the Guaranteed Obligations;

- (c) the taking, holding, variation, compromise, renewal, non-enforcement, release or refusal or neglect to perfect or enforce any right, remedies or securities against the Owner or any other person;
- (d) any present or future guarantee, indemnity or security being or becoming wholly or partially void, voidable or unenforceable on any ground whatsoever;
- (e) the insolvency, bankruptcy, liquidation, administration, winding-up, dissolution, receivership, incapacity, amalgamation, reconstruction, re-organisation or any analogous proceedings relating to the Owner or the Guarantor;
- (f) any claim or enforcement of payment from the Owner or any other person;
- (g) any change in the status, function, constitution or ownership of the Owner, the Guarantor or the Beneficiary;
- (h) any invalidity, illegality, unenforceability, irregularity or frustration of any actual or purported obligation of the Owner or any other person in connection with the Guaranteed Obligations; or
- (i) any other act, omission, event, circumstance, matter or thing which, but for this provision, might operate to release or otherwise exonerate the Guarantor from any of its obligations under this Deed of Guarantee and Indemnity or affect or prejudice any of the rights, powers or remedies conferred upon the Beneficiary under this Deed of Guarantee and Indemnity or by law.

4. **NO COMPETITION**

4.1 Until all the Guaranteed Obligations have been irrevocably paid, discharged or satisfied in full, the Guarantor will not exercise any rights which it may have:

- (a) to be subrogated to or otherwise entitled to share in, any security or monies held, received or receivable by the Beneficiary or to claim any right of contribution in relation to any payment made by the Guarantor under this Deed of Guarantee and Indemnity;
- (b) to exercise or enforce any of its rights of subrogation and indemnity against the Owner;
- (c) following a claim being made on the Guarantor, to claim any set-off or counterclaim against the Owner; and
- (d) to claim or prove in a liquidation or other insolvency proceeding of the Owner in competition with the Beneficiary.

4.2 If the Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution on trust for the Beneficiary and shall promptly pay or transfer the same to the Beneficiary or as the Beneficiary may direct.

5. **DISCHARGE TO BE CONDITIONAL**

Any release, discharge or settlement between the Guarantor and the Beneficiary shall be conditional upon no security, disposition or payment to the Beneficiary by the Owner or any other person in respect of the Guaranteed Obligations being void, set aside or ordered to be refunded pursuant to any enactment or law in relation to bankruptcy, liquidation or insolvency (or its equivalent in any relevant jurisdiction) or for any reason whatever, and if such condition shall not be fulfilled the Beneficiary shall be entitled to enforce this Deed of Guarantee and Indemnity as if such release, discharge or settlement had not occurred and any such payment had not been made.

6. **ENFORCEMENT**

The Beneficiary shall not be obliged before exercising or enforcing any of its rights, powers or remedies conferred upon it by this Deed of Guarantee and Indemnity or by law:

- 6.1 to take any action or obtain any judgement in any court or tribunal against the Owner or any other person;
- 6.2 to make or file any claim or proof in connection with the bankruptcy, liquidation, administration or insolvency (or its equivalent in any relevant jurisdiction) of the Owner or any other person;
- 6.3 to make, enforce or seek to enforce any claim, right or remedy against the Owner or any other person under any security or other document, agreement or arrangement; or
- 6.4 to enforce against and/or realise (or seek so to do) any security that it may have in respect of all or any part of the Guaranteed Obligations.

7. **REPRESENTATIONS AND WARRANTIES**

The Guarantor hereby represents and warrants to the Beneficiary as at the date of this Deed of Guarantee and Indemnity:

- (a) the execution, delivery and performance of this Deed of Guarantee and Indemnity, have been duly and validly authorised by the Guarantor;
- (b) the signing of this Deed of Guarantee and Indemnity by the Guarantor and the performance of its obligations under this Deed of Guarantee and Indemnity shall not contravene or constitute a breach of or default under any provision contained in any agreement or instrument to which it is a party or by which it is bound nor will it result in a breach of any provision of its memorandum or articles of association or equivalent constitutional documents nor will it result in a breach of any order, judgment or decree of any court or governmental, administrative, judicial or regulatory body, authority or organisation or any law to which it is a party or by which it is bound;
- (c) the Guarantor is duly organised, validly existing and in good standing under the laws of []. The Guarantor has all requisite power and authority to execute and deliver this Deed of Guarantee and Indemnity and to perform its obligations hereunder;
- (d) the Guarantor is not for statutory purposes deemed to be unable to pay its debts nor is it unable to pay its debt as they become due;
- (e) no order has been served on the Guarantor and no resolution has been passed for the winding-up or dissolution of the Guarantor; the Guarantor is not in administration and no steps have been taken to place the Guarantor into administration (including the filing of any notice of intention to appoint an administrator over the Guarantor); the Guarantor is not subject to a company voluntary arrangement and no such arrangement has been proposed nor is the Guarantor subject to a scheme of arrangement and no such scheme has been proposed; no receiver (whether statutory or contractual) has been appointed to the Guarantor or any of its assets; the Guarantor is not in administrative receivership and has not suspended payments on any of its debts, nor entered into any compromises with any or all of its creditors;
- (f) all consents, permissions, approvals and agreements of its shareholders, lenders or any third parties which are necessary or desirable for it to obtain in order to enter into and perform this Deed of Guarantee and Indemnity in accordance with its terms have been unconditionally obtained in writing and have been disclosed in writing to the Beneficiary; and

- (g) the Guarantor, its Affiliates, its personnel and its subcontractors have not made, offered, authorized, requested, received, or accepted and will not make, offer, or authorize, request, receive or accept with respect to the matters which are the subject of this Guarantee and Indemnity or the Charter, any payment, gift, promise or other advantage, whether directly or indirectly through any person or entity, to or for the use or benefit of any public official or any political party or any political party official or candidate for office, or any other person where such payment, gift, promise or advantage would violate: (a) any Applicable Laws, including the Foreign Corrupt Practices Act 1977 (US) or the Bribery Act 2010 (UK); or (b) the laws of the country of incorporation of such entity or such entity's ultimate parent company or of the principal place of business of such ultimate parent company. The Guarantor has instituted, maintained and monitored policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance with applicable anti-bribery and corruption laws.

8. **CONTINUING AND ADDITIONAL SECURITY**

8.1 This Deed of Guarantee and Indemnity is a continuing security and shall remain in full force and effect until all the Guaranteed Obligations and the indemnity obligations have been discharged or satisfied in full notwithstanding any intermediate payment or discharge by the Guarantor of the Guaranteed Obligations or the liquidation or other incapacity or any change in the constitution or name of the Owner or of the Guarantor or any settlement of account or other matter or thing whatsoever.

8.2 This Deed of Guarantee and Indemnity is in addition to and shall not merge with or otherwise prejudice or affect or be prejudiced by any other right, remedy, guarantee, indemnity or security and may be enforced without first having recourse to the same or any other bill, note, mortgage, charge, pledge or lien now or hereafter held by or available to the Beneficiary.

9. **PAYMENTS AND WITHHOLDINGS**

9.1 Subject to clause 2.4, all payments to be made by the Guarantor under the Deed of Guarantee and Indemnity shall be made in immediately available cleared funds, without any deduction or set-off or counterclaim and free and clear of and without deduction for or on account of any taxes, levies, imports, duties, charges, fees and withholdings of any nature now or hereafter imposed by any governmental, fiscal or other authority save as required by law or regulation which is binding on the Guarantor. If the Guarantor is required by law or regulation to make any such deduction, it will pay to the Beneficiary such additional amounts as are necessary to ensure receipt by the Beneficiary of the full amount which that party would have received but for the deduction. The Guarantor shall promptly deliver or procure delivery to the Beneficiary of all receipts issued to it evidencing each deduction or withholding which it has made.

9.2 If the Guarantor fails to pay any sum payable under this Deed of Guarantee and Indemnity within fifteen (15) Business Days of receipt of a demand for payment, the Guarantor shall pay an amount equivalent to interest on such sum for the period from and including the date the demand for such amount was received up to the date of actual payment (both before and after judgment) at the Default Rate which shall accrue from day to day and be compounded monthly and shall be paid by the Guarantor on demand.

10. **WAIVER**

10.1 No failure or delay by the Beneficiary in exercising any right, power or privilege under this Deed of Guarantee and Indemnity or by law shall operate as a waiver of that right, power or privilege nor shall any single or partial exercise of any right, power or privilege preclude any other further exercise thereof or the exercise of any other right, power or privilege.

- 10.2 A waiver given or consent granted by the Beneficiary under this Deed of Guarantee and Indemnity will be effective only if given in writing and then only in the instance and for the purpose for which it is given.
- 10.3 The Beneficiary may release or compromise the liability of, or grant time or any other indulgence without compromising or affecting the liability of the Guarantor.
- 10.4 The powers which this Deed of Guarantee and Indemnity confers on the Beneficiary are cumulative, without prejudice to any rights or remedies provided by law and may be exercised as often as the Beneficiary thinks appropriate.
11. **SEVERANCE**
- Each provision of this Deed of Guarantee and Indemnity is severable and distinct from the others and, if any such provision shall in whole or in part be held to any extent to be invalid, illegal or unenforceable in any respect under any enactment or rule of law, that provision or part shall to that extent be deemed not to form part of this Deed of Guarantee and Indemnity and the validity, legality and enforceability of the remainder of this Deed of Guarantee and Indemnity shall not be affected or impaired in any way.
12. **CONTINUATION OF DEED OF GUARANTEE AND INDEMNITY**
- This Deed of Guarantee and Indemnity shall remain in full force and effect notwithstanding any amendments, variations, replacements or supplements from time to time to the Charter.
13. **ASSIGNMENT**
- 13.1 No Party shall be entitled to assign, transfer, encumber, sub-contract, delegate, declare a trust over or deal in any other manner with any or all of its rights and obligations under this Deed of Guarantee and Indemnity without the prior written consent of the other Party.
- 13.2 This Deed of Guarantee and Indemnity shall enure to the benefit of and be binding upon the respective successors and permitted assigns of the parties.
14. **ENFORCEMENT COSTS**
- The Guarantor hereby agrees to indemnify, defend and hold harmless (save insofar as otherwise indemnified under this Deed of Guarantee and Indemnity) the Beneficiary on demand against all losses, actions, claims, costs, charges, expenses and liabilities incurred or sustained by the Beneficiary in any enforcement or attempted enforcement of this Deed of Guarantee and Indemnity or occasioned by any breach by the Guarantor of any of the covenants or obligations to the Beneficiary under this Deed of Guarantee and Indemnity.
15. **NOTICES**
- 15.1 Except as otherwise provided in this Deed of Guarantee and Indemnity, any notice, demand or other communication given or made under or in connection with the matters contemplated by this Deed of Guarantee and Indemnity shall be in writing, in the English language and must be:
- (a) delivered by hand;
 - (b) delivered by internationally recognised courier with tracked delivery;
 - (c) sent by email, with the notice attached in PDF format,

to:

in the case of the Beneficiary:

Address
Email Address
Attention

□
□
□

in the case of the Guarantor:

Address
Email Address
Attention

□
□
□

and shall be deemed to have been duly given or made as follows:

(a) If delivered by hand or by courier, upon delivery at the address of the relevant Party, and

(b) if sent by email, on the date sent if such date is a Business Day (in the country to which the notice is sent). If the date sent is not a Business Day, notice shall be deemed effectively given on the first Business Day after the notice is sent. Notice will not be deemed given by email where the sender receives an automated server response that the intended recipient has not received the email,

provided that if, in accordance with the above provisions, any such notice, demand or other communication would otherwise be deemed to be given or made after 5.00 p.m. on a Business Day such notice, demand or other communication shall be deemed to be given or made at 9.00 a.m. on the next Business Day.

15.2 In proving the giving of a notice it shall be sufficient to prove that delivery in person was made or that the envelope containing the notice was properly addressed and posted or that the email was properly addressed and transmitted and no notice of failure of delivery was received by the sender, as the case may be.

15.3 A Party may notify the other Parties to this Deed of Guarantee and Indemnity of a change to its name, relevant addressee or address for the purposes of clause 15 provided that such notification shall only be effective on:

(a) the date specified in the notification as the date on which the change is to take place; or

(b) if no date is specified or the date specified is less than five (5) Business Days after the date on which notice is given, the date falling five (5) Business Days after notice of any such change has been given.

16. **CURRENCY**

All payments to be made under this Deed of Guarantee and Indemnity shall be made in the currency in which the Guaranteed Obligations were expressed to be payable.

17. **AMENDMENT**

A variation of this Deed of Guarantee and Indemnity shall be in writing and executed as a deed by or on behalf of each Party.

18. **THIRD PARTY RIGHTS**

18.1 The Parties confirm that no term of this Deed of Guarantee and Indemnity is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a Party to this Deed of Guarantee and Indemnity.

18.2 The Parties may amend, vary or terminate this Deed of Guarantee and Indemnity in such a way as may affect any rights or benefits of any third party which are directly enforceable against the Parties under the Contracts (Rights of Third Parties) Act 1999 without the consent of such third party.

18.3 Any third party entitled pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any rights or benefits conferred on it by this Deed of Guarantee and Indemnity may not veto any amendment, variation or termination of this Deed of Guarantee and Indemnity which is proposed by the Parties and which may affect the rights or benefits of the third party.

19. **CERTIFICATES CONCLUSIVE**

A certificate, determination, notification or opinion of the Beneficiary as to any amount payable under this Deed of Guarantee and Indemnity will be conclusive and binding on the Guarantor except in the case of fraud or manifest error.

20. **COUNTERPARTS**

This Deed of Guarantee and Indemnity may be executed in any number of counterparts, each of which is an original and which together have the same effect as if each party had signed the same document, provided, however, that none of the counterparts will be effective until both parties have executed a counterpart thereof. Each counterpart shall constitute an original of this Deed of Guarantee and Indemnity but all the counterparts together shall constitute one and the same agreement.

21. **GOVERNING LAW AND ARBITRATION**

21.1 This Deed of Guarantee and Indemnity shall be governed by and construed in accordance with English law.

21.2 Any dispute arising out of or in connection with this Deed of Guarantee and Indemnity, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration in London in accordance with the rules of the London Maritime Arbitrators Association for the time being in force, which rules are deemed to be incorporated by reference in this clause 21.239.2. The arbitrators shall be entitled to give interlocutory orders and/or give rulings on an agreed set of facts and/or a preliminary point of law at the request of either Party if they think fit to do so.

The reference shall be to three arbitrators. A Party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other Party requiring the other Party to appoint its own arbitrator within fourteen (14) calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other Party appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the other Party does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the Party referring a dispute to arbitration may, without the requirement of any further prior notice to the other Party, appoint its arbitrator as sole arbitrator and shall advise the other Party accordingly. The award of a sole arbitrator shall be binding on both Parties as if he or she had been appointed by agreement.

The Parties agree, and shall procure that each of its Affiliates agrees, that any Affiliate of either may be joined to any proceedings under this Deed of Guarantee and Indemnity

and/or proceedings consolidated, in each case in respect of any claim pursuant to the Charter or the Operating Agreement.

The arbitrators' award shall be final and binding upon both Parties and may be enforced in any court having jurisdiction in respect thereof.

The arbitration shall be conducted in the English language.

21.3 The arbitrators shall determine which Party shall bear the expenses of the proceedings, or the proportion of such expenses which each Party shall bear.

Executed as a deed by)
[OWNER or AFFILIATE])
acting by:)

.....

Director

.....

Director

Executed as a deed for and on behalf of)
[CHARTERER])
acting by:)

.....

Director

.....

Director

Deed of Guarantee and Indemnity

[*Co-venturer or Affiliate*]

and

[*Owner*]

in respect of Bareboat Charter

_____ 2021

THIS DEED OF GUARANTEE AND INDEMNITY is made as a deed on _____ 2021

BETWEEN:

- (1) [CO-VENTURER or AFFILIATE], a company incorporated in [] and having its principal office at [] (the "Guarantor"); and
 - (2) [OWNER], a company incorporated in [] and having its principal office at [] (the "Beneficiary"),
- each a "Party" and together the "Parties".

recitals

- (A) The Beneficiary has, on the same date as this Deed of Guarantee and Indemnity, entered into a Bareboat Charter with [VAALCO] (Charterer) in respect of the provision of an FSO on the Field (Charter).
- (B) [VAALCO] is the operator of the Field on behalf of the Co-venturers, pursuant to the Etame Marin JOA.
- (C) The Beneficiary has agreed to enter into the Charter subject to (i) the Guarantor agreeing to enter into this Deed of Guarantee and Indemnity in respect of the Guaranteed Obligations as set out in clause 2 and (ii) the other Co-venturers holding a paying interest in the Field agreeing to enter into, or procuring the entry into by an Affiliate of such Co-venturer on its behalf (in each case by an entity with a credit standing reasonably acceptable to the Beneficiary), a deed of guarantee and indemnity (on terms identical to this Deed of Guarantee and Indemnity) in respect of their respective paying interest in the Field (together, the **Other Deeds of Guarantee and Indemnity**). This Deed of Guarantee and Indemnity, together with the Other Deeds of Guarantee and Indemnity, relate to the entirety of the Charterer's obligations pursuant to the Charter.
- (D) The Guarantor is [a Co-venturer holding a paying interest in the Field/ the [ultimate] parent company of a Co-venturer holding a paying interest in the Field] and has agreed (it being in its best commercial interests to do so) to enter into this Deed of Guarantee and Indemnity in respect of the Guaranteed Obligations.

the parties agree as follows:

1. **INTERPRETATION**

- 1.1 In this Deed of Guarantee and Indemnity, unless otherwise defined or provided for in this Deed of Guarantee and Indemnity, words and expressions shall have the following meanings:

"Affiliate" means, in relation to a person, a company, partnership or other legal entity which controls, is controlled by, or which is under common control with, that person, and "control" means the ownership, directly or indirectly, of fifty per cent (50%) or more of the voting rights in a company, partnership or other legal entity;

"Business Day" means a day throughout which banks are open for business in New York, London and the Gabonese Republic;

"Charter" has the meaning given to it in Recital (A);

"Charterer" has the meaning given to it in Recital (A);

"Co-venturer" has the meaning given to it in the Charter;

"Default Rate" means US Dollar LIBOR plus seven per cent (7%);

"Etime Marin JOA" has the meaning given to it in the Charter;

"Field" has the meaning given to it in the Charter;

"FSO" has the meaning given to it in the Charter;

"Guaranteed Obligations" has the meaning given in clause 2;

"Operating Agreement" has the meaning given to it in the Charter;

"Other Deeds of Guarantee and Indemnity" has the meaning given in Recital (C); and

"US Dollar LIBOR" has the meaning given to it in the Charter.

1.2 In this Deed of Guarantee and Indemnity, unless otherwise specified:

- (a) clause headings shall not affect the interpretation of this Deed of Guarantee and Indemnity;
- (b) a reference to a "company" shall include any company, corporation or other body corporate, wherever and however incorporated or established, a partnership, a joint venture and unincorporated association;
- (c) the words "include", "includes", "including" "inclusive of" shall mean "including but not limited to";
- (d) a "person" includes any person, individual, company, firm, corporation, government, state or agency of a state or any undertaking (whether or not having separate legal personality and irrespective of the jurisdiction in or under the law of which it was incorporated or exists);
- (e) reference to "clauses" are to clauses of this Deed of Guarantee and Indemnity;
- (f) "writing" means typed text or legible manuscript text (including by e-mail);
- (g) words denoting the singular shall include the plural and vice versa and words denoting any gender shall include all genders;
- (h) reference to a legal or regulatory provision or standard is to be construed as a reference to that legal or regulatory provision or standard as the same may have been amended or re-enacted before the date of this Deed of Guarantee and Indemnity;
- (i) reference to any statute, statutory instrument, regulation, by-law or other requirement of English law and to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, procedure, court, official or any legal concept or doctrine or other expression shall in respect of any jurisdiction other than England be deemed to include that which most nearly approximates in that jurisdiction to the English term;
- (j) a reference to a statute or statutory provision shall include all subordinate legislation made as at the date of this Deed of Guarantee and Indemnity under that statute or statutory provision;
- (k) reference to the time of day is reference to time in London, England;

(l) unless the context otherwise requires, references to documents and agreements shall be construed as references to those documents or agreements as may have been or are amended, supplemented, novated or superseded from time to time; and

(m) a reference to a Party shall include that Party's successors and permitted assigns.

2. **GUARANTEE**

2.1 The Guarantor (as a primary obligor and not merely as a surety) at the request of the Beneficiary hereby irrevocably and unconditionally guarantees to the Beneficiary the due and punctual payment to the Beneficiary by the Charterer of all amounts which the Charterer is or shall become obliged to pay to the Beneficiary under the Charter (the **Guaranteed Obligations**).

2.2 If the Charterer fails to pay in full and on time any of the Guaranteed Obligations, the Guarantor irrevocably and unconditionally undertakes that it shall immediately on demand pay the Guaranteed Obligations as if it were the principal obligor.

2.3 The Guarantor irrevocably and unconditionally agrees with the Beneficiary that, if for any reason, any amount claimed under this Deed of Guarantee and Indemnity is not recoverable on the basis of a guarantee, the Guarantor will be liable as a primary obligor to indemnify the Beneficiary against any cost, loss, or liability incurred by the Beneficiary as a result of the Charterer failing to pay any of the Guaranteed Obligations, provided the amount payable by the Guarantor under this Deed of Guarantee and Indemnity will not exceed the amount it would have had to pay if the amount claimed had been recoverable on the basis of a guarantee.

2.4 Without prejudice to clause 3.1 and notwithstanding any other provision of this Deed of Guarantee and Indemnity, the total liability of the Guarantor under this Deed of Guarantee and Indemnity shall not exceed [] per cent ([])% of the Guaranteed Obligations. The liability of the Charterer under the Charter shall be automatically reduced by the aggregate of (i) any amount paid by the Guarantor to the Beneficiary pursuant to this Deed of Guarantee and Indemnity and (ii) (pro rata to any reduction under the Other Deeds of Guarantee and Indemnity) the amounts paid to the Beneficiary pursuant to the Other Deeds of Guarantee and Indemnity.

2.5 In no event shall the Guarantor be required to pay any sums pursuant to any of the Other Deeds of Guarantee and Indemnity, including as a result of a failure by the guarantor thereunder to pay.

3. **MATTERS NOT TO REDUCE THE GUARANTOR'S LIABILITY**

3.1 If any purported obligation or liability of the Charterer under the Charter which, if valid, would have been the subject of this Deed of Guarantee and Indemnity is not or ceases to be valid or enforceable on any ground whatsoever (whether or not known to the Beneficiary or the Charterer) (including any defect in or want of powers of the Charterer or irregular exercise thereof or lack of authority by any person apparently authorised to act on behalf of the Charterer or any legal or other limitation (whether under the Limitation Act 1980 or otherwise), disability, incapacity or any change in the constitution of or any amalgamation, reconstruction or liquidation of the Charterer), the Guarantor shall nevertheless be liable in respect of that purported obligation or liability as if the same were fully valid and enforceable and as if the Guarantor were the principal debtor in respect thereof. The Guarantor hereby agrees to indemnify, defend and hold the Beneficiary harmless in accordance with the terms of this Deed of Guarantee and Indemnity against [] per cent ([])% of all damages, losses, costs and expenses arising from any failure of the Charterer to carry out any such purported obligation or liability by reason of it not being or ceasing to be valid or enforceable.

- 3.2 The obligations and liabilities of the Guarantor in respect of the Guaranteed Obligations shall not in any way be affected nor shall this Deed of Guarantee and Indemnity be discharged or diminished by reason of any of the following (whether or not known to the Guarantor or the Beneficiary):
- (a) any time, consent, waiver or release being given by the Beneficiary to the Charterer or to any surety, or by any other indulgence or concession granted by the Beneficiary to the Charterer or to any surety in respect of (or any variation or waiver of) any of the Guaranteed Obligations or any obligations of any surety (whether the same be made with the Guarantor's consent or not);
 - (b) any termination, amendment, variation, replacement, restatement or supplement of or to the Charter or any of the Guaranteed Obligations;
 - (c) the taking, holding, variation, compromise, renewal, non-enforcement, release or refusal or neglect to perfect or enforce any right, remedies or securities against the Charterer or any other person;
 - (d) any present or future guarantee, indemnity or security being or becoming wholly or partially void, voidable or unenforceable on any ground whatsoever;
 - (e) the insolvency, bankruptcy, liquidation, administration, winding-up, dissolution, receivership, incapacity, amalgamation, reconstruction, re-organisation or any analogous proceedings relating to the Charterer or the Guarantor;
 - (f) any claim or enforcement of payment from the Charterer or any other person;
 - (g) any change in the status, function, constitution or ownership of the Charterer, the Guarantor or the Beneficiary;
 - (h) any invalidity, illegality, unenforceability, irregularity or frustration of any actual or purported obligation of the Charterer or any other person in connection with the Guaranteed Obligations; or
 - (i) any other act, omission, event, circumstance, matter or thing which, but for this provision, might operate to release or otherwise exonerate the Guarantor from any of its obligations under this Deed of Guarantee and Indemnity or affect or prejudice any of the rights, powers or remedies conferred upon the Beneficiary under this Deed of Guarantee and Indemnity or by law.

4. **NO COMPETITION**

- 4.1 Until all the Guaranteed Obligations have been irrevocably paid, discharged or satisfied in full, the Guarantor will not exercise any rights which it may have:
- (a) to be subrogated to or otherwise entitled to share in, any security or monies held, received or receivable by the Beneficiary or to claim any right of contribution in relation to any payment made by the Guarantor under this Deed of Guarantee and Indemnity;
 - (b) to exercise or enforce any of its rights of subrogation and indemnity against the Charterer;
 - (c) following a claim being made on the Guarantor, to claim any set-off or counterclaim against the Charterer; or
 - (d) to claim or prove in a liquidation or other insolvency proceeding of the Charterer in competition with the Beneficiary.

4.2 If the Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution on trust for the Beneficiary and shall promptly pay or transfer the same to the Beneficiary or as the Beneficiary may direct.

5. **DISCHARGE TO BE CONDITIONAL**

Any release, discharge or settlement between the Guarantor and the Beneficiary shall be conditional upon no security, disposition or payment to the Beneficiary by the Charterer or any other person in respect of the Guaranteed Obligations being void, set aside or ordered to be refunded pursuant to any enactment or law in relation to bankruptcy, liquidation or insolvency (or its equivalent in any relevant jurisdiction) or for any reason whatever, and if such condition shall not be fulfilled the Beneficiary shall be entitled to enforce this Deed of Guarantee and Indemnity as if such release, discharge or settlement had not occurred and any such payment had not been made.

6. **ENFORCEMENT**

The Beneficiary shall not be obliged before exercising or enforcing any of its rights, powers or remedies conferred upon it by this Deed of Guarantee and Indemnity or by law:

6.1 to take any action or obtain any judgement in any court or tribunal against the Charterer or any other person;

6.2 to make or file any claim or proof in connection with the bankruptcy, liquidation, administration or insolvency (or its equivalent in any relevant jurisdiction) of the Charterer or any other person;

6.3 to make, enforce or seek to enforce any claim, right or remedy against the Charterer or any other person under any security or other document, agreement or arrangement; or

6.4 to enforce against and/or realise (or seek so to do) any security that it may have in respect of all or any part of the Guaranteed Obligations.

7. **REPRESENTATIONS AND WARRANTIES**

The Guarantor hereby represents and warrants to the Beneficiary as at the date of this Deed of Guarantee and Indemnity:

(a) the execution, delivery and performance of this Deed of Guarantee and Indemnity, have been duly and validly authorised by the Guarantor;

(b) the signing of this Deed of Guarantee and Indemnity by the Guarantor and the performance of its obligations under this Deed of Guarantee and Indemnity shall not contravene or constitute a breach of or default under any provision contained in any agreement or instrument to which it is a party or by which it is bound nor will it result in a breach of any provision of its memorandum or articles of association or equivalent constitutional documents nor will it result in a breach of any order, judgment or decree of any court or governmental, administrative, judicial or regulatory body, authority or organisation or any law to which it is a party or by which it is bound;

(c) the Guarantor is duly organised, validly existing and in good standing under the laws of []. The Guarantor has all requisite power and authority to execute and deliver this Deed of Guarantee and Indemnity and to perform its obligations hereunder;

(d) the Guarantor is not for statutory purposes deemed to be unable to pay its debts nor is it unable to pay its debt as they become due;

- (e) no order has been served on the Guarantor and no resolution has been passed for the winding-up or dissolution of the Guarantor; the Guarantor is not in administration and no steps have been taken to place the Guarantor into administration (including the filing of any notice of intention to appoint an administrator over the Guarantor); the Guarantor is not subject to a company voluntary arrangement and no such arrangement has been proposed nor is the Guarantor subject to a scheme of arrangement and no such scheme has been proposed; no receiver (whether statutory or contractual) has been appointed to the Guarantor or any of its assets; the Guarantor is not in administrative receivership and has not suspended payments on any of its debts, nor entered into any compromises with any or all of its creditors;
- (f) all consents, permissions, approvals and agreements of its shareholders, lenders or any third parties which are necessary or desirable for it to obtain in order to enter into and perform this Deed of Guarantee and Indemnity in accordance with its terms have been unconditionally obtained in writing and have been disclosed in writing to the Beneficiary; and
- (g) the Guarantor, its Affiliates, its personnel and its subcontractors have not made, offered, authorized, requested, received, or accepted and will not make, offer, or authorize, request, receive or accept with respect to the matters which are the subject of this Guarantee and Indemnity or the Charter, any payment, gift, promise or other advantage, whether directly or indirectly through any person or entity, to or for the use or benefit of any public official or any political party or any political party official or candidate for office, or any other person where such payment, gift, promise or advantage would violate: (a) any Applicable Laws, including the Foreign Corrupt Practices Act 1977 (US) or the Bribery Act 2010 (UK); or (b) the laws of the country of incorporation of such entity or such entity's ultimate parent company or of the principal place of business of such ultimate parent company. The Guarantor has instituted, maintained and monitored policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance with applicable anti-bribery and corruption laws.

8. **CONTINUING AND ADDITIONAL SECURITY**

8.1 This Deed of Guarantee and Indemnity is a continuing security and shall remain in full force and effect until all the Guaranteed Obligations and the indemnity obligations have been discharged or satisfied in full notwithstanding any intermediate payment or discharge by the Guarantor of the Guaranteed Obligations or the liquidation or other incapacity or any change in the constitution or name of the Charterer or of the Guarantor or any settlement of account or other matter or thing whatsoever.

8.2 This Deed of Guarantee and Indemnity is in addition to and shall not merge with or otherwise prejudice or affect or be prejudiced by any other right, remedy, guarantee, indemnity or security and may be enforced without first having recourse to the same or any other bill, note, mortgage, charge, pledge or lien now or hereafter held by or available to the Beneficiary.

9. **PAYMENTS AND WITHHOLDINGS**

9.1 Subject to clauses 2.4 and 2.5, all payments to be made by the Guarantor under the Deed of Guarantee and Indemnity shall be made in immediately available cleared funds, without any deduction or set-off or counterclaim and free and clear of and without deduction for or on account of any taxes, levies, imports, duties, charges, fees and withholdings of any nature now or hereafter imposed by any governmental, fiscal or other authority save as required by law or regulation which is binding on the Guarantor. If the Guarantor is required by law or regulation to make any such deduction, it will pay to the Beneficiary such additional amounts as are necessary to ensure receipt by the Beneficiary of the full amount which that party would have received but for the deduction. The Guarantor shall promptly

deliver or procure delivery to the Beneficiary of all receipts issued to it evidencing each deduction or withholding which it has made.

- 9.2 If the Guarantor fails to pay any sum payable under this Deed of Guarantee and Indemnity within fifteen (15) Business Days of receipt of a demand for payment, the Guarantor shall pay an amount equivalent to interest on such sum for the period from and including the date the demand for such amount was received up to the date of actual payment (both before and after judgment) at the Default Rate which shall accrue from day to day and be compounded monthly and shall be paid by the Guarantor on demand.

10. **WAIVER**

- 10.1 No failure or delay by the Beneficiary in exercising any right, power or privilege under this Deed of Guarantee and Indemnity or by law shall operate as a waiver of that right, power or privilege nor shall any single or partial exercise of any right, power or privilege preclude any other further exercise thereof or the exercise of any other right, power or privilege.

- 10.2 A waiver given or consent granted by the Beneficiary under this Deed of Guarantee and Indemnity will be effective only if given in writing and then only in the instance and for the purpose for which it is given.

- 10.3 The Beneficiary may release or compromise the liability of, or grant time or any other indulgence without compromising or affecting the liability of the Guarantor.

- 10.4 The powers which this Deed of Guarantee and Indemnity confers on the Beneficiary are cumulative, without prejudice to any rights or remedies provided by law and may be exercised as often as the Beneficiary thinks appropriate.

11. **SEVERANCE**

Each provision of this Deed of Guarantee and Indemnity is severable and distinct from the others and, if any such provision shall in whole or in part be held to any extent to be invalid, illegal or unenforceable in any respect under any enactment or rule of law, that provision or part shall to that extent be deemed not to form part of this Deed of Guarantee and Indemnity and the validity, legality and enforceability of the remainder of this Deed of Guarantee and Indemnity shall not be affected or impaired in any way.

12. **CONTINUATION OF DEED OF GUARANTEE AND INDEMNITY**

This Deed of Guarantee and Indemnity shall remain in full force and effect notwithstanding any amendments, variations, replacements or supplements from time to time to the Charter.

13. **ASSIGNMENT**

- 13.1 No Party shall be entitled to assign, transfer, encumber, sub-contract, delegate, declare a trust over or deal in any other manner with any or all of its rights and obligations under this Deed of Guarantee and Indemnity without the prior written consent of the other Party.

- 13.2 This Deed of Guarantee and Indemnity shall enure to the benefit of and be binding upon the respective successors and permitted assigns of the parties.

14. **ENFORCEMENT COSTS**

The Guarantor hereby agrees to indemnify, defend and hold harmless (save insofar as otherwise indemnified under this Deed of Guarantee and Indemnity) the Beneficiary on demand against all losses, actions, claims, costs, charges, expenses and liabilities incurred or sustained by the Beneficiary in any enforcement or attempted enforcement of this Deed of Guarantee and Indemnity or occasioned by any breach by the Guarantor of any of the covenants or obligations to the Beneficiary under this Deed of Guarantee and Indemnity.

15. **NOTICES**

15.1 Except as otherwise provided in this Deed of Guarantee and Indemnity, any notice, demand or other communication given or made under or in connection with the matters contemplated by this Deed of Guarantee and Indemnity shall be in writing, in the English language and must be:

- (a) delivered by hand;
- (b) delivered by internationally recognised courier with tracked delivery;
- (c) sent by email, with the notice attached in PDF format,

to:

in the case of the Beneficiary:
Address
Email Address
Attention

[]
[]
[]

in the case of the Guarantor:
Address
Email Address
Attention

[]
[]
[]

and shall be deemed to have been duly given or made as follows:

- (a) if delivered by hand or by courier, upon delivery at the address of the relevant Party, and
- (b) if sent by email, on the date sent if such date is a Business Day (in the country to which the notice is sent). If the date sent is not a Business Day, notice shall be deemed effectively given on the first Business Day after the notice is sent. Notice will not be deemed given by email where the sender receives an automated server response that the intended recipient has not received the email,

provided that if, in accordance with the above provisions, any such notice, demand or other communication would otherwise be deemed to be given or made after 5.00 p.m. on a Business Day such notice, demand or other communication shall be deemed to be given or made at 9.00 a.m. on the next Business Day.

15.2 In proving the giving of a notice it shall be sufficient to prove that delivery in person was made or that the envelope containing the notice was properly addressed and posted or that the email was properly addressed and transmitted and no notice of failure of delivery was received by the sender, as the case may be.

15.3 A Party may notify the other Parties to this Deed of Guarantee and Indemnity of a change to its name, relevant addressee or address for the purposes of clause 15 provided that such notification shall only be effective on:

- (a) the date specified in the notification as the date on which the change is to take place; or
- (b) if no date is specified or the date specified is less than five (5) Business Days after the date on which notice is given, the date falling five (5) Business Days after notice of any such change has been given.

16. **CURRENCY**

All payments to be made under this Deed of Guarantee and Indemnity shall be made in the currency in which the Guaranteed Obligations were expressed to be payable.

17. **AMENDMENT**

A variation of this Deed of Guarantee and Indemnity shall be in writing and executed as a deed by or on behalf of each Party.

18. **THIRD PARTY RIGHTS**

18.1 Save for the rights of each party to the Other Deeds of Guarantee and Indemnity to enforce the relevant terms of this Deed of Guarantee and Indemnity, the Parties confirm that no term of this Deed of Guarantee and Indemnity is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a Party to this Deed of Guarantee and Indemnity.

18.2 The Parties may amend, vary or terminate this Deed of Guarantee and Indemnity in such a way as may affect any rights or benefits of any third party which are directly enforceable against the Parties under the Contracts (Rights of Third Parties) Act 1999 without the consent of such third party.

18.3 Any third party entitled pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any rights or benefits conferred on it by this Deed of Guarantee and Indemnity may not veto any amendment, variation or termination of this Deed of Guarantee and Indemnity which is proposed by the Parties and which may affect the rights or benefits of the third party.

19. **CERTIFICATES CONCLUSIVE**

A certificate, determination, notification or opinion of the Beneficiary as to any amount payable under this Deed of Guarantee and Indemnity will be conclusive and binding on the Guarantor except in the case of fraud or manifest error.

20. **COUNTERPARTS**

This Deed of Guarantee and Indemnity may be executed in any number of counterparts, each of which is an original and which together have the same effect as if each party had signed the same document, provided, however, that none of the counterparts will be effective until both parties have executed a counterpart thereof. Each counterpart shall constitute an original of this Deed of Guarantee and Indemnity but all the counterparts together shall constitute one and the same agreement.

21. **GOVERNING LAW AND ARBITRATION**

21.1 This Deed of Guarantee and Indemnity shall be governed by and construed in accordance with English law.

21.2 Any dispute arising out of or in connection with this Deed of Guarantee and Indemnity, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration in London in accordance with the rules of the London Maritime Arbitrators Association for the time being in force, which rules are deemed to be incorporated by reference in this clause 21.2. The arbitrators shall be entitled to give interlocutory orders and/or give rulings on an agreed set of facts and/or a preliminary point of law at the request of either Party if they think fit to do so.

The reference shall be to three arbitrators. A Party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other Party

requiring the other Party to appoint its own arbitrator within fourteen (14) calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other Party appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the other Party does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the Party referring a dispute to arbitration may, without the requirement of any further prior notice to the other Party, appoint its arbitrator as sole arbitrator and shall advise the other Party accordingly. The award of a sole arbitrator shall be binding on both Parties as if he or she had been appointed by agreement.

The Parties agree, and shall procure that each of its Affiliates agrees, that any Affiliate of either may be joined to any proceedings under this Deed of Guarantee and Indemnity and/or proceedings consolidated, in each case in respect of any claim pursuant to the Charter or the Operating Agreement.

The arbitrators' award shall be final and binding upon both Parties and may be enforced in any court having jurisdiction in respect thereof.

The arbitration shall be conducted in the English language.

21.3 The arbitrators shall determine which Party shall bear the expenses of the proceedings, or the proportion of such expenses which each Party shall bear.

Executed as a deed by)
[CO-VENTURER or AFFILIATE])
acting by:)

.....
Director

.....
Director

Executed as a deed for and on behalf of)
[OWNER])
acting by:)

.....
Director

.....
Director

schedule 9
FORM OF certificates
Form of FSO Provisional Acceptance Certificate

schedule 10
TERMINATION TABLE FOR WAR OR FORCE MAJEURE

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED AT THE APPROPRIATE PLACE WITH FIVE ASTERISKS [***], HAS BEEN OMITTED BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED.**

Operating Agreement

World Carrier Offshore Services Corp.
as Operator

and

VAALCO Gabon SA
as Charterer

2021

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THIS OPERATING AGREEMENT is made on _____ 2021

BETWEEN:

- (1) **WORLD CARRIER OFFSHORE SERVICES CORP.**, a company incorporated in the Marshall Islands and having its principal office at Agiasou 34 Vrilissia, Athens, 15235 Greece (the "**Operator**"); and
- (2) **VAALCO GABON SA**, a company incorporated in the Gabonese Republic and having its registered office at Zone Industrielle OPRAG – Nouveau Port, the Gabonese Republic (the "**Charterer**").

Operator and Charterer shall be individually referred to as "**Party**" and together referred to as "**Parties**".

WHEREAS

- (A) World Carrier Offshore Services Corp. (the "**Owner**") and the Charterer have entered into a bareboat charter (the "**Charter**") dated on or about the date hereof for use by the Charterer of a vessel as a floating storage and offloading facility to store and offload Crude Oil (as hereinafter defined) for use at the Etame Marin Block offshore the Gabonese Republic (the "**Field**").
- (B) The Charterer has agreed to engage the Operator for the purposes of maintaining and operating the vessel on its behalf and to provide other services to the Charterer in connection with the operation and maintenance of the same.
- (C) The Operator represents and warrants to the Charterer that it has experience in operation and management of facilities similar in size and type to the FSO and it is, and its Affiliates will be, willing to perform the Operator Services as requested by the Charterer, and that it and its Affiliates have adequate financial and other resources, technical competence, experience, and capability to do so expeditiously and in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, IT IS AGREED as follows:

1. **DEFINITIONS AND CONSTRUCTION**
- 1.1 In this Agreement (including the Recitals), each of the following terms shall have the meaning set opposite it:
 - "Affiliate"** means, in relation to a person, a company, partnership or other legal entity which controls, is controlled by, or which is under common control with, that person, and "control" means the ownership, directly or indirectly, of fifty per cent (50%) or more of the voting rights in a company, partnership or other legal entity;
 - "Applicable Codes and Standards"** shall mean the codes, standards, requirements and recommendations applicable to the FSO and/or the Operator Services, including those of the Classification Society, the Flag State, the Country of Operation and those codes, standards, requirements and recommendations set forth, listed in, or incorporated by reference in any Applicable Laws, the schedules or any other Documents;
 - "Applicable Laws"** means all international (including region-wide), national, federal, state, provincial, and local laws including statutes, decrees, edicts, codes, orders, judgments, judicial decisions, rules, ordinances, proclamations, by-laws, regulations, policies, and executive orders of, and the terms of any licenses, leases, rights of way, Permits, or authorizations issued by, any international (including region-wide), national, federal, state, provincial or local or other duly constituted Governmental Authority that are

applicable to the Operator Services, worksites, and the persons in relation to whom the term is used;

"BS&W" means base sediment and water;

"Business Day" means a day throughout which banks are open for business in New York, London and the Gabonese Republic;

"Change" means an instruction given by the Charterer to provide additional goods, services or equipment, or to make a modification to the FSO or the manner in which the FSO system is employed, or a change in all or any of the Operator Services;

"Change in Law" has the meaning given to it in clause 6.7;

"Change Order" has the meaning given to it in clause 6.3;

"Change Order Proposal" has the meaning given to it in clause 6.2;

"Charter" has the meaning given to it in Recital (A);

"Charterer Event of Default" has the meaning given to it in clause 16.1;

"Charterer Facilities" has the meaning given to it in clause 12.3(a);

"Charterer Group" means the Charterer, each of the Co-venturers, its and their Affiliates, and its and their subcontractors at all levels, but shall not include any member of the Operator Group, except as modified for purposes of clause 12;

"Charterer Performance Security" has the meaning given to it in clause 21.1;

"Charterer Representative" shall mean the individual (or individuals, as the case may be) appointed by the Charterer by notice to the Operator in writing one pursuant to clause 9.2;

"Classification" means the class certification from the Classification Society required by schedule 1 – Operator's Obligations;

"Classification Society" means DNV, the American Bureau of Shipping, Nippon Kaiji Kyokai (ClassNK), Lloyd's Register, or such other body as may from time to time act as the provider of relevant technical and classification services in connection with the FSO and the operations contemplated in this Agreement;

"Code of Business Conduct and Ethics" means the policies of the Charterer and the Operator set out in means the policy set out in schedule 5 – Code of Business Conduct and Ethics;

"Commissioning Tests" means the commissioning tests set out in schedule 1 – Operator's Obligations;

"Contaminants" means all hazardous materials, including toxins, heavy metals, radioactive materials and other pollutants;

"Country of Operations" means the Gabonese Republic;

"Co-venturer" means each party from time to time to the Etame Marin JOA (including the Charterer, as the context so requires) or any other person with an interest in the Field which at the date of this Agreement means VAALCO Gabon SA, Addax Petroleum Holdings Ltd, PetroEnergy Resources Corporation and Tullow Oil Gabon SA, and **"Co-venturers"** shall mean all of them;

"**Crude Oil**" means crude oil produced from the Field or any other field, having in each case the characteristics set out in the Technical Specifications contained in schedule 2 of the Charter;

"**Customary Loading Rate**" means 30,000 barrels of Crude Oil per day;

"**Decommissioning Fee**" means the sums payable by the Charterer to the Operator in respect of the Decontamination Works, the De-mucking Works and which shall be calculated as the total vouched costs actually incurred by the Operator, and pre-approved in writing by the Charterer, plus [*****], provided that where the costs are costs of the Operator or its Affiliates then the same shall be based on the prevailing market prices for the relevant work);

"**Decontamination Works**" means the works to be completed by the Operator prior to Redelivery to remove and clear the FSO of all Contaminants on board the FSO;

"**De-mucking Works**" means the works to be completed by the Operator prior to Redelivery to remove and clear the FSO of all sludge, other cargo residue and slops;

"**Documents**" means written or electronic documents, including documents comprising or regarding drawings, specifications, graphical materials, photographs, electronic images, models (including three-dimensional physical models), plans, diagrams, elevations, sections, details, schedules, reports, lists, testing results, records, and studies;

"**Downtime**" has the meaning given to it in clause 10.1;

"**Downtime Damages**" has the meaning given to it in clause 10.4;

"**Downtime Damages Period**" has the meaning given to it in clause 10.4;

"**Environmental Law**" means all international (including region-wide), national, federal, state, provincial, and local laws including statutes, decrees, edicts, codes, orders, judgments, judicial decisions, rules, ordinances, proclamations, by-laws, regulations, and executive orders pertaining to prevention of pollution, protection of the environment (including natural resources), remediation of contamination or restoration of environmental quality, or occupational health and workplace safety, that apply with respect to any obligation or activities related to this Agreement;

"**Etame Marin JOA**" means the joint operating agreement in respect of the Etame Marin field, offshore the Republic of Gabon, dated 4 April 1997 as amended, restated or novated from time to time;

"**Export Tanker**" means a tanker to which Crude Oil is offloaded from the FSO;

"**Field**" has the meaning given to it in Recital (A);

"**Fit to Receive Certificate**" means the notice issued to the Charterer pursuant to clause 3.3;

"**Flag State**" means Panama or any other country agreed between the Parties;

"**Force Majeure**" has the meaning given to it in clause 13.2;

"**FSO**" means the floating storage and offloading facility, and the associated Mooring System, to be delivered to the Charterer (and installed, in the case of the Mooring System) following the Work (as defined therein) by the Owner pursuant to the Charter;

"FSO Decommissioning" means the decommissioning of the FSO at Site by the Operator (leaving no hazard to shipping, and otherwise clearing the Site) to enable its Redelivery under the Charter;

"FSO Final Acceptance" has the meaning given to it in the Charter;

"FSO Ready for Sailaway" has the meaning given to it in the Charter;

"Gabon Government" means the Government of the Gabonese Republic or any ministry, bureau, agency, department, office or other organisation of such Government or any local Governmental authority of the Gabonese Republic that has jurisdiction or authority over the Site;

"Good Industry Practices" means using the standards, practices, methods and procedures, complying with the Applicable Laws, using environmental best practices and exercising the highest degree of skill, care, diligence, prudence and foresight that would be expected to be observed by a skilled and experienced international contractor engaged in carrying out activities the same as or similar to the Operator Services under the same or similar circumstances as those contemplated in this Agreement;

"Government Authority" means the Government of any country, province, region, state, or territory, or any political subdivision thereof, claiming, having, or exercising jurisdiction over Charterer, any of the members of Operator Group, any Worksite, or the Operator Services and including all agencies, instrumentalities, and political subdivisions of, and entities controlled or commissioned by, any such Government; any judicial, executive, legislative, administrative, or regulatory body of any Government or political subdivision thereof; and any official of any of the foregoing;

"Handover" shall be deemed to have occurred on the date indicated in the Fit to Receive Certificate;

"Hazardous Materials" means (a) petroleum or petroleum products and any fractions or derivatives thereof, natural or synthetic gas and any fractions or derivatives thereof (including condensate), asbestos and polychlorinated biphenyls; (b) any substances defined as or included in the definition of "hazardous wastes", "hazardous materials", "hazardous substances", "extremely hazardous substances", "restricted hazardous wastes", "special wastes", "toxic substances", "toxic chemicals", "toxic pollutants", "contaminants" or "pollutants" or words of similar import under any Environmental Law; (c) radioactive materials, substances and waste; and (d) any other substance the handling, disposal, storage and/or transportation of, or exposure to, which is regulated under any Environmental Law;

"HSE Requirements" means the health, safety and environmental requirements of the Charterer and the Operator each as set out in schedule 4 – Health, Safety and Environmental Requirements;

"Instruction to Proceed" means a written instruction given by the Charterer in accordance with clause 6 instructing the Operator to proceed with performance of the Operator Services in the manner specified by the Charterer in the Instruction to Proceed;

"Key Personnel" means those persons identified as such in schedule 3 – Key Personnel;

"Materials" means any or all, according to the context, items of equipment and materials, including pre-fabricated assemblies, which are created, procured, manufactured, fabricated, or supplied by the Operator or any Subcontractors for incorporation into the FSO;

"Mooring System" has the meaning given to it in the Charter;

"Offload" and **"Offloading"** have the meanings given to them in clause 12.5(c);

"Operating Fee" has the meaning given to it in clause 5.1;

"Operating Fee Payment Date" means the date on which a payment of Operating Fees falls due under clause 5 of this Agreement;

"Operator Event of Default" has the meaning given to it in clause 16.2;

"Operator Group" means the Operator, its Affiliates and subcontractors at all levels, but shall not include any member of the Charterer Group;

"Operator Notice of Readiness" means the notice issued to the Charterer pursuant to clause 3.1;

"Operator Performance Security" means the guarantee provided by or on behalf of the Operator in favour of the Charterer, substantially in the form set out in schedule 6 – Form of Guarantee or such other form of collateral as the Charterer agrees to in writing;

"Operator Supplied Items" shall mean any property that Operator is required to incorporate into or attach to the FSO (including any improvements and spare parts) as part of the Operator Services or otherwise in fulfilment of its obligations hereunder;

"Operator Services" means all of the activities and obligations of the Operator that Operator is required to perform or procure pursuant to this Agreement, and includes preparing, operating, maintaining, managing, offloading, metering, modifying, repairing, demobilizing and redelivering the FSO, as further described in schedule 1 – Operator's Obligations, all as may be varied from time to time pursuant to clause 6;

"Owner" has the meaning given to it in Recital (A);

"Permit" means any valid waiver, certificate, approval, consent, licence, exemption, permit, authorisation or similar order or authorisation from any Governmental Authority required to be maintained in connection with the Site or the Operator Services;

"Permit Matrix" means the Permits that the Operator is obliged to obtain and maintain pursuant to the terms of this Agreement, as set out in paragraph 14 of schedule 1 – Operator's Obligations;

"Personnel" means the officers, managers, directors, employees, representatives, agents or invitees of the relevant Party;

"Project" means the Project (as defined in the Charter) as well as the provision of Operator Services pursuant to this Agreement;

"Redelivery" means the redelivery of the FSO by the Charterer to the Owner under clause 19 of the Charter, and **"Redeliver"** shall be construed accordingly;

"Responsibility Matrix" means the Responsibility Matrix – Operations and Maintenance Phases set out in schedule 2 - Responsibility Matrix;

"Riser Systems" has the meaning given in the Charter;

"Site" means the location at which the FSO is moored in the Field;

"Start Date" has the meaning given in the Charter;

"Subcontractor" means any company engaged by the Operator or another Subcontractor of any tier to perform any part of the Operator Services but shall not include any member of the Operator Group or the Charterer Group nor the Operator;

"Technical Specifications" means the technical specifications of the FSO contained in schedule 2 of the Charter;

"Term" has the meaning given in the Charter;

"Term SOFR" means the forward-looking term rate based on SOFR that has been selected or recommended by the Board of Governors of the Federal Reserve System of the United States and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Board of Governors of the Federal Reserve System of the United States and/or the Federal Reserve Bank of New York or any successor thereto;

"Terminal Handbook" means the document, approved and provided by the Charterer and reviewed by the Operator, which establishes the operating procedures, indemnities and liabilities governing the Export Tanker for the exporting of Crude Oil from the FSO;

"Third Party" means a person who is not part of the Charterer Group or the Operator Group;

"Total Loss" shall mean the actual total loss of the FSO, or any event which, in the opinion of the insurer(s) under the hull and machinery policies in place in respect of the FSO, renders the FSO to be a constructive, compromised or arranged total loss for the purposes of such policies;

"US Dollar LIBOR" means (a) the three-month US Dollar LIBOR rate of interest by reference to the Reuters Page LIBOR01 (or on any successor or substitute page of such service, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such page of such service as reasonably determined by the Owner from time to time for purposes of providing quotations of interest rates applicable to Dollar deposits in the London interbank market) and (b) any evolving or then-prevailing market convention for determining a rate of interest as a replacement for and reasonably approximating the then-current three-month US Dollar LIBOR rate (which may include Term SOFR) that has been reasonably selected by the Charterer as the replacement for the reference the three-month US LIBOR rate;

"US Dollars" and **"US\$"** means the lawful currency of the United States of America;

"Wilful Misconduct" means an intentional or reckless disregard by senior managerial personnel of Good Oilfield Practice or any of the terms of this Agreement in utter disregard of avoidable and harmful consequences but shall not include any act, omission, error of judgement or mistake made in the exercise in good faith of any function, authority or discretion vested in or exercisable by such senior managerial personnel and which in the exercise of such good faith is justifiable by special circumstances, including safeguarding of life, property or the environment and other emergencies; and

"Worksite" means any location at which the Operator Services are being performed.

1.2 In this Agreement:

- (a) references to, or to a provision of, a document or law are references to it as duly amended, amended and restated, modified or supplemented, after the date of this Agreement;
- (b) references to, or to a provision of, any law include any amendment, extension, re-enactment or replacement, after the date of this Agreement;
- (c) words denoting the singular number shall include the plural and vice versa;
- (d) clause headings shall not affect the interpretation of this Agreement;

- (e) all references to "**day**" or "**days**" shall mean calendar days and all references to "**months**" shall mean consecutive calendar months according to the Gregorian Calendar;
- (f) the words "**include**", "**includes**", "**including**" "**inclusive of**" shall mean "including but not limited to";
- (g) "**company**" includes any partnership, joint venture and unincorporated association;
- (h) "**person**" includes a natural person, corporation, general partnership, limited partnership, limited liability company, proprietorship, joint venture or any other business organization, trust, union, association, entity or Governmental Authority (including any state, political sub-division of a state, local or municipal authority or any international organisation);
- (i) each Party agrees to conduct the performance of its obligations under this Agreement, at all times, in good faith; and
- (j) this Agreement is the product of arm's length negotiations between the Parties represented by counsel and any rules of construction relating to interpretation against the drafter of an agreement shall not apply to this Agreement and are expressly waived.

1.3 **Precedence**

- (a) In the event of any inconsistency, conflict or ambiguity between the terms in the body of this Agreement and any schedule attached hereto, the terms in the body of this Agreement shall prevail and the terms of each schedule shall take precedence in the order in which such schedules are set out in this Agreement, save that as between the schedules the provisions of schedule 4 – Health, Safety and Environmental Requirements take precedence.
- (b) If an inconsistency, conflict or ambiguity is discovered within the documents forming this Agreement (or in other documents or data referred to within such documents) and this cannot be resolved by applying the order of priority or the highest standard as referred to above, the Party discovering it shall as soon as reasonably practicable notify the other Party. The Charterer shall issue to the Operator an instruction as to how to resolve the inconsistency, conflict or ambiguity, which instruction may give precedence to one provision in the Agreement over another where the two are inconsistent.
- (c) In the event of any inconsistency, conflict or ambiguity between the terms of this Agreement and the terms of the Charter, the terms of the Charter shall prevail.

2. **OPERATION OF FSO**

2.1 This Agreement shall remain in place for the Term, unless terminated earlier in accordance with this Agreement. During the Term, the Operator shall operate and maintain the FSO on behalf of the Charterer in accordance with:

- (a) the Technical Specifications;
- (b) the Responsibility Matrix;
- (c) all Applicable Laws and all Applicable Codes and Standards;
- (d) schedule 1 – Operator's Obligations; and
- (e) the other terms and conditions of this Agreement.

- 2.2 The Operator shall discharge and perform at its own risk and expense all of the Charterer's obligations under the Charter to operate, maintain and repair the FSO during the Term, except as follows:
- (a) the Charterer shall pay the Operator for the costs of re-installing funnel insignia at the Charterer's request, after any initial painting and installation carried out prior to the Start Date;
 - (b) the Charterer shall be solely responsible for all costs relating to Charterer-furnished equipment and materials supplied to the FSO prior to the Start Date as described in clause 10.7 of the Charter;
 - (c) the Charterer shall provide free of charge to the Operator the services referred to in clause 4 below;
 - (d) the Charterer shall be solely responsible for the cost of maintaining throughout the Term the insurances which relate to the Charterer's activities at the Site, and those of its subcontractors, which do not relate to the operation of the FSO; and
 - (e) the Charterer shall be solely responsible for performing any other specific obligations which it undertakes towards the Operator under this Agreement.

2.3 Without limiting the generality of clauses 2.1 and 2.2, the Operator Services shall include the obligations of the Operator as set out in schedule 1 – Operator's Obligations. Notwithstanding the forgoing, the Operator hereby confirms that it has received a copy of the Charter and has satisfied itself with regard to its terms and the obligations of the Charterer under the Charter to operate, maintain and repair the FSO which obligations the Charterer has discharged to the Operator, and the Operator has agreed to perform as part of the Operator Services in accordance with the terms of this Agreement. The Charter is incorporated by reference into this Agreement and constitutes part of this Agreement.

2.4 The Charterer shall supply or reimburse the Operator for the cost of all fuel gas and marine gas oil or fuel oil required for the FSO's operation during the Term.

3. **HANDOVER AND COMMISSIONING PERIOD**

3.1 The Operator shall provide separate written notices to the Charterer not less than twenty-one (21), ten (10) and five (5) days prior to the anticipated date on which the Owner will issue the Notice of Readiness to the Charterer (each as defined in and contemplated by the Charter) including confirmation that, not less than three (3) days prior to the date that the Notice of Readiness is anticipated to be issued, a master, officers and full complement of duly trained and licenced crew are stationed aboard, or are ready to be stationed aboard on not more than one (1) days' notice, the FSO and that the Operator is, and the crew are, ready, able and willing to commence the Operator Services ("**Operator Notice of Readiness**").

3.2 Following receipt of the Operator Notice of Readiness, the Operator shall provide any assistance that the Owner may require in order to achieve FSO Final Acceptance under the Charter, which assistance may include (without prejudice to the Owner's obligations pursuant to the Charter):

- (a) completion of all construction, installation and hook-up work in accordance with the Technical Specifications;
- (b) satisfactory completion of all Commissioning Tests;
- (c) confirmation that the Owner has equipped the FSO with an adequate inventory of spare parts necessary for its safe establishment and operation; and

(d) delivery to the Charterer or on board the FSO of all logbooks, classification certificates, manuals and other essential documents related in any way to the FSO's design, engineering, construction, operation and maintenance (but not necessarily all final as-built as-installed drawings of the FSO).

3.3 Following the FSO Final Acceptance having been achieved under the Charter, the Operator shall as soon as reasonably practicable, and in any event within three (3) days, issue the Charterer with a notice confirming that FSO Final Acceptance has occurred and that the Operator has commenced the Operator Services (including the date on which the same occurred) ("**Fit to Receive Certificate**").

4. **CHARTERER'S DUTIES**

4.1 The Charterer shall:

(a) at its own cost, secure all Gabon Government authorisations and permits required to permit a foreign flag FSO to perform services offshore the Gabonese Republic, for the installation and continuing operation of the FSO, [*****]; provided that, if any applicable law requires that a request in the Operator's or some other party's name be made, the Operator shall take all reasonable measures to comply with such law and shall use all reasonable efforts, in a timely manner, to assist the Charterer to effect the importation of the FSO and all such spare parts, stores, supplies, equipment and materials;

(b) use all reasonable efforts to assist the Operator (at the Operator's sole cost) to secure all Gabon Government authorisations, visas and work permits necessary for the entry into, employment in, and exit from offshore the Gabonese Republic of expatriate Personnel employed to operate the FSO and other licences required by the Operator for the performance of its duties hereunder offshore the Gabonese Republic;

(c) [*****];

(d) at:

(i) its own cost, provide in accordance with its scheduled services or services already on hire to the Charterer or at its disposal in-country; and/or

(ii) the Operator's cost, where the same falls outside of the Charterer's scheduled services or services already on hire to it or at its disposal in-country, provide,

firefighting and rescue vessels to the Operator provided that nothing in clause 4.1(d)(i) shall require the Charterer to procure or provide any such additional support beyond that which it has contracted at the time when required or at such relevant time is at its disposal nor shall the Charterer be required to procure support of a different nature or specification as compared with that which it usually procures;

(e) at its own cost, furnish the Operator with necessary warehouse space, loading and unloading facilities, in its shore bases(s) and other existing warehouse facilities and use of its existing telecommunications and other Charterer-furnished equipment and materials referred to in the Technical Specifications; and

(f) ensure that the Export Tanker complies with the Terminal Handbook.

5. **COMPENSATION**

5.1 In consideration of (and subject to clause 6, as full compensation for all expenses incurred by the Operator in relation to) all Operator Services performed by the Operator under this Agreement, the Charterer shall pay the Operator a daily operating fee (the "**Operating**

Fee) of [*****] per day from the date of issuance of the Fit to Receive Certificate to the end of the Term, provided that the Operating Fee shall be subject to adjustment on each anniversary of the date of issuance of the Fit to Receive Certificate and will be applicable for the ensuing calendar year period next following the anniversary of the date of issuance of the Fit to Receive Certificate by applying the following formula:

[*****]

- 5.2 Subject to clause 16.4(a)(i), in consideration of the Operator carrying out the Decontamination Works, the De-mucking Works and the FSO Decommissioning, the Charterer shall pay to the Operator the Decommissioning Fee within thirty (30) days of presentation of the Operator's invoice submitted only after completion of all of the Decontamination Works, the De-mucking Works and the FSO Decommissioning, each to the Charterer's satisfaction (acting reasonably).
- 5.3 In the event that the Charterer, at any time during the Term, is unable to utilise the services of the FSO for a period in excess of thirty (30) days, the Charterer shall have the option to require that the Operator place the FSO on stand-by status. The Operating Fee shall be reduced by a minimum of [*****] for such period the FSO is on stand-by status and the Parties shall cooperate in good faith, at all times acting reasonably, to seek to mitigate, to the extent reasonably possible, all costs incurred by the Operator during such period in which the FSO is on stand-by status with a view to realising further savings and therefore increasing the reduction of the Operating Fee beyond [*****]. Should the Charterer, having exercised the option granted in this clause 5.3, wish to have the FSO put back into service, the Operator will, upon notice from the Charterer to such effect, take steps to restore the FSO to service as promptly as possible. The cost to bring the FSO out of lay-up shall be for the Charterer's account, payable in accordance with the calculations described in clause 6.5(a) and shall be paid to the Operator by the Charterer within thirty (30) days of presentation of the Operator's invoice. The option granted to the Charterer hereunder may be exercised one or more times during the Term and at the Charterer's sole discretion.
- 5.4 The Operator shall at all times, and for a period of two (2) years after the end of the Term, maintain and retain all of its books, records, accounts and documents relating to services, costs and related matters under this Agreement (save for in respect of the Operating Fee). The Charterer shall have access at all reasonable times and for a period of two (2) years after the end of the Term to inspect the books, records, accounts and documents relating to services, costs and related matters under this Agreement (save for in respect of the Operating Fee), and to discuss them with the Operator's Personnel and to verify the same. The Charterer may conduct, or cause accountants selected by the Charterer at its cost to conduct, an annual audit of any charges made for the Charterer's account other than in respect of the Operating Fee (or as the same may be adjusted pursuant to clauses 5.3 or 13). In the event that the Charterer's audit findings identify any discrepancies in the calculations of any charges made for the Charterer's account, the Charterer shall notify the Operator of its findings in writing. The Charterer and the Operator shall endeavour to agree on the discrepancies. If the Charterer and the Operator are unable to reach agreement on the discrepancies within thirty (30) days of the Charterer notifying the Operator, then either Party may refer the matter for determination by an independent chartered accountant nominated by the Parties or, in the absence of agreement between the Parties within fourteen (14) Business Days of a Party notifying the other that it proposes to refer the dispute to an expert, by the President of the Institute of Chartered Accountants in England and Wales. The nominated chartered accountant shall be afforded such access to books, records, accounts and documents in the possession of the Operator as it may reasonably request, and it shall act as expert not as arbitrator. The said accountant shall be requested to give its decision within forty five (45) Business Days of the date of its appointment. The accountant's determination shall, in the absence of fraud or manifest error or bias, be final and binding on the Parties, its fees and disbursements shall be borne one half by the Charterer and one half by the Operator in equal shares and the Parties shall bear their own costs in respect of such reference. If the discrepancies agreed by the Parties or determined

by the expert mean that the sums paid by the Charterer were (i) more than should have been paid by the Charterer, an amount equal to such discrepancies shall be deducted from the invoice on the next Operating Fee Payment Date (and any subsequent, where necessary, until such time as the discrepancies have been rectified) or (ii) less than should have been paid by the Charterer, an amount equal to such discrepancies shall be paid by the Charterer to the Operator within ten (10) Business Days of the amount of such discrepancies being agreed or determined.

- 5.5 Payment in respect of the Operating Fee shall be made, subject to this clause, in advance in cleared funds, without any discount, adjustment, set off or deduction (except as provided in clauses 5.8 and 5.9). The first payment of the Operating Fee shall be made on the first day of the calendar month in which the Fit to Receive Certificate is issued and in respect of the remainder of the month in which the date of issuance of the Fit to Receive Certificate falls and subsequent payments of the Operating Fee shall be made on the first day of each calendar month thereafter in respect of the remainder of the relevant month (or, if the first day on which the Operating Fee is due and payable or any other such day on which the Operating Fee is payable is not a Business Day, on the next following Business Day).
- 5.6 The Operator shall provide invoices to the Charterer covering each payment in respect of the Operating Fee no less than thirty (30) days before the payment in respect of the Operating Fee is due. The invoice prepared by the Operator [*****] and (subject to clause 7.3) [*****], where relevant, be sent to the Charterer together with supporting vouchers and receipts. Notwithstanding any other provision of this Agreement, (i) all invoices issued pursuant to this Agreement are to be hand delivered to the Charterer at VAALCO Gabon SA, B.P 1335, Port Gentil, Gabon and (ii) invoices submitted by email or other electronic means will not be processed and will not be deemed received.
- 5.7 Payment in respect of the Operating Fee shall be made to such account or accounts as the Operator may from time to time designate in writing not less than fifteen (15) Business Days prior to the next due payment, provided that the Charterer shall first approve the same in writing, acting reasonably taking account of its internal and external "know your client" obligations. In the absence of agreement as to the account to which to make payment, the Charterer will accrue all payables until such time as it is able, acting reasonably taking account of its internal and external "know your client" obligations, to make payment to a proposed account or accounts.
- 5.8 The Charterer shall be entitled, by written notice to the Operator on or before the Operating Fee Payment Date, to deduct from the payment in respect of the Operating Fee:
- (a) any sums which this Agreement specifically authorises to be deducted from the Operating Fee (including Downtime Damages relating to periods of Downtime);
 - (b) any advances or disbursements approved by the Operator in writing and paid by the Charterer for the Operator's account;
 - (c) any reductions in the Operating Fee pursuant to clause 5.3; and/or
 - (d) any sums payable by the Operator to the Charterer pursuant to clauses 5.4 and/or 10.5.
- 5.9 If the Charterer disputes any amount payable under an invoice it shall, within ten (10) Business Days after receipt, notify the Operator in writing of the amount(s) which the Charterer disputes and why. If the Parties are unable to reach agreement on the disputed amount by the next Operating Fee Payment Date, either Party may refer the matter to arbitration in accordance with this Agreement. The Charterer shall pay such part of the disputed amount as is finally agreed or determined by arbitration to be due (if any) within ten (10) Business Days after the date of such agreement or determination, together with interest at the rate of [*****] per annum above US Dollar LIBOR (as evidenced on the ICE

Benchmark Association Limited Interest Settlement Rate at or about 11:00 a.m. London time on the date on which payment became due and quarterly thereafter, failing which as certified by a prime bank in London on such day) from the date of such agreement or determination to the date of actual payment.

- 5.10 Notwithstanding anything contained in this clause 5 to the contrary, if and when a payment in respect of the Operating Fee is due hereunder, the Charterer reasonably expects to Redeliver the FSO before the next Operating Fee Payment Date, the Operating Fee shall be paid prorated to the estimated date of such redelivery. Promptly after Redelivery, any overpayment shall be refunded by the Operator, or any underpayment made good by the Charterer.

6. **CHANGE PROCEDURE**

- 6.1 Charterer may at any time after the execution of this Agreement until the end of the Term or earlier termination of this Agreement issue an instruction to Change, or request Operator submit a proposal for a Change to, this Agreement.

- 6.2 If the Charterer requests a proposal, prior to instructing a Change, the Operator shall respond in writing as soon as practicable and in any event within fourteen (14) days of Operator's receipt of such request, by submitting a Change Order proposal (the "**Change Order Proposal**") to the Charterer setting out:

- (a) a description of the proposed additional goods, equipment, services and/or work to be provided or performed with a list of all impacts on costs;
- (b) subject to clause 5.1 above, details of the increase or decrease in Operating Fee and other amount(s) proposed to be payable to the Operator as a result of the proposed Change. Any increase or decrease of the Operating Fee will be based on the prevailing market prices for the relevant work; and
- (c) an estimate of the time necessary to carry out such services and/or work, any anticipated impact on the operation of the FSO, including Downtime and any necessary adjustments to the Term,

and all information in support of the above which is reasonably required in order for the Charterer to assess the Operator's submissions. The Operator shall be entitled to submit a Change Order Proposal in respect of engineering work necessary in order to support the preparation of a Change Order Proposal in respect of a related matter.

- 6.3 On receipt of the Change Order Proposal from the Operator the Charterer shall, as soon as reasonably practicable and in any event within ten (10) days after receiving the Change Order Proposal, respond with either: (a) its agreement to the Change Order Proposal and an instruction to execute the Change, as shall be evidenced by an executed agreement between the Parties ("**Change Order**"); (b) rejection of the Change Order Proposal, in which case the Operator shall not proceed with the Change; or (c) any further comments, questions or requests for clarification, in which case the Operator will prepare a revised Change Order Proposal pursuant to clause 6.2.

Nothing in this clause 6.3 shall be construed to require the Operator to delay or suspend the provision of the Operator Services pending the Charterer's acceptance or rejection of a Change Order Proposal.

- 6.4 Notwithstanding clause 6.3, in the event that the Parties are unable to agree a Change Order, the Operator shall continue to perform the Operator Services under this Agreement. In addition, pending the resolution of any dispute in relation to such Change Order the Operator shall nevertheless perform such work upon receipt of an Instruction to Proceed, such performance to be at Charterer's cost and expense pending resolution of the dispute, and without prejudice to the Charterer's rights pursuant to this Agreement (including the

right to conduct an audit, pursuant to clause 5.4, of any costs and expenses occurred in relation to the Change Order Proposal).

- 6.5 Operator may require payment for a Change by way of the following:
- (a) a payment of an agreed lump sum amount to be calculated as the total vouched costs actually incurred plus ten per cent (10%) (to be invoiced and paid as agreed in the Change Order); or
 - (b) an agreed change to the Operating Fee, to be calculated as the total vouched costs actually incurred plus ten per cent (10%).

- 6.6 If, prior to the Handover, the Parties agree to change the Operating Fee in respect of a Change in accordance with clause 6.5(b), the Operating Fee shall be adjusted by an amount corresponding to the lump-sum value of the applicable Change amortized on a straight-line basis over the Term (or remainder of the Term, as the case may be).

Change in Law

- 6.7 Where change (including changes in interpretation or application) in law, legislation, rules, treaties or regulations having force of law (save for any such change or change in interpretation or application within the actual knowledge of either Party, which either Party could reasonably have been expected to know or which was in the reasonable contemplation of either of the Parties, in each case prior to or at the date of execution of this Agreement) ("**Change in Law**") come into effect following the date of execution of this Agreement and which directly and materially affects the Operator's cost of performing this Agreement, the Operator shall be entitled to a Change Order. For the avoidance of doubt, a Change in Law shall not apply to the Operator's or any of its Affiliate's non-Gabonese tax obligations otherwise covered by clause 7.1.
- 6.8 In the event of a dispute or difference of opinion as to whether or not the Operator is entitled to a Change Order under clause 6.7, in the event that the Parties cannot resolve the same amicably then the Parties shall be entitled to resolve the same pursuant to clause 28, provided that unless and until finally settled pursuant to clause 28 (if applicable) neither Party shall be deemed to be in default of its obligations pursuant to this Agreement.
- 6.9 The Operator shall not be liable for a failure to perform any of its obligations in so far as a Change in Law renders it impossible or impractical for the Operator to perform its obligations under this Agreement, provided always that the Operator shall have in each case:
- (a) immediately consulted and cooperated with the Charterer in order to seek to mitigate (including via the Charterer providing reasonable support) to the maximum extent possible; and
 - (b) used all reasonable endeavours to resolve,

the basis upon which the Operator alleges that the Change in Law renders it impossible or impractical for the Operator to perform its obligations under this Agreement.

7. **TA XES**
- 7.1 [*****].
- 7.2 [*****].
- 7.3 [*****].
- 7.4 Notwithstanding any other provision of this Agreement, the Operator shall use all reasonable endeavours to procure all goods and services from Gabon and only if such goods and

services are not available in Gabon at competitive prices (by reference to total landed cost) shall the Operator procure such goods and services from outside of Gabon.

8. QU ALITY MANAGEMENT

8.1 The Operator shall have developed, documented, and implemented and shall maintain (continuously) a workable and duly functioning quality management system conforming to the latest published version of the ISO 9001 standard or an equivalent standard which is accepted on an individual basis by the Charterer. In selecting Subcontractors, the Operator shall ensure that they have quality systems that are of similar standard.

8.2 The Operator shall, based on the quality management system referred to in clause 8.1, produce, document, maintain, and operate a quality plan (in accordance with the latest version of ISO 10005 or an equivalent standard acceptable to the Charterer) as required by the Charterer for all the Operator Services. Such quality plan shall specifically address the Operator Services and how it is to be performed in order to meet the requirements of this Agreement, and shall include or refer to all applicable policies, procedures, activities, qualifications, resources, and other matters relevant to the Operator Services, including any applicable Charterer specifications and requirements and any specific to particular locations at which any of the Operator Services are to be performed. The Operator shall submit the quality plan to the Charterer within thirty (30) days of the date of this Agreement. The procedures:

- (a) may be either standard Operator procedures or procedures specific to the Operator Services, but in any case must adequately describe the processes and actions taken to manage the Operator Services;
- (b) as progressively issued and updated, shall address applicable Charterer specifications and requirements, including any specific to particular locations at which the Operator Services are to be performed; and
- (c) shall be subject to approval by the Charterer and thereafter be implemented by the Operator before any Operator Services are commenced.

8.3 The Operator shall submit to the Charterer, and keep updated throughout the Term, controlled electronic versions of the quality manual, the quality plan, and the audit plan.

8.4 The Operator shall implement a management of change (MOC) system and promptly inform Charterer of changes in organizational structure, responsibilities, activities, resources, Subcontractors, and events that could have a material influence on the Operator's quality management system or the Operator Services during the Term.

8.5 The Operator shall carry out, as part of the Operator Services, appropriate quality control, inspections, tests, quality surveillance, and quality assurance activities to satisfy itself and the Charterer that the Operator Services conforms to all requirements of this Agreement. The Charterer shall have the right to make its own inspections and tests to verify that all the Operator Services are being properly performed and to reject and require rectification of any Operator Services not conforming to the requirements of this Agreement. The Operator shall provide assistance requested by the Charterer for the carrying out of such inspections and tests.

8.6 Any inspection or lack of inspection by the Charterer shall not in any manner relieve the Operator of any of its liabilities or obligations regarding the Operator Services.

9. OPERATOR AND CHARTERER PERSONNEL AND REPRESENTATIVES

9.1 Operator Group Personnel

- (a) The Operator shall provide, itself or through other members of the Operator Group, all required personnel in sufficient numbers to perform the Operator Services safely and efficiently.
- (b) The Operator shall assign only such personnel of members of the Operator Group to the Operator Services who are fully competent, experienced, qualified, trained, have all necessary physical capacities to perform the Operator Services, and are otherwise capable of properly performing the Operator Services.
- (c) The Operator shall ensure that it assigns only such personnel of members of the Operator Group to the Operator Services who fulfil all requirements of Applicable Laws, Applicable Codes and Standards, relevant industry guidelines and norms (including having all required and current safety training and other certifications and labour hire standards).

9.2 **Charterer Representative and Operator Representative**

- (a) The Charterer shall notify the Operator of the appointment of the Charterer Representative, who shall have authority to act for and on behalf of the Charterer in all matters concerning this Agreement. The Operator shall notify the Charterer of the appointment of the Operator Representative, who shall have authority to act for and on behalf of the Operator in all matters concerning this Agreement. Neither the Charterer Representative nor the Operator Representative shall have the power to amend this Agreement or to relieve the Operator or the Charterer respectively from any of their obligations under this Agreement.
- (b) The Charterer may change the Charterer Representative at any time and from to time, and shall notify the Operator of any such change.
- (c) The Operator shall not change the Operator Representative without prior notification to and concurrence of the Charterer Representative, such concurrence not to be unreasonably withheld or delayed.
- (d) The Charterer Representative or the Operator Representative may, by a notice to the other Party, (i) wholly or partially delegate specific duties to one or more other individuals; or (ii) appoint a substitute to act during any period of absence, provided that each such individual appointed by the Operator Representative shall be subject to the Charterer's prior approval. Each individual to whom specific duties are so delegated shall have only the authority expressly provided for in the notice.

9.3 **Charterer Personnel**

- (a) The master of the FSO will follow the instructions of the Charterer's Representative with respect to Offloading, it being understood that:
 - (i) the Operator shall at all times be exclusively in operational control of the FSO (including in connection with the mooring of cargo vessels and offtake tankers to the FSO); and
 - (ii) the master and ship's officers shall have the right to disregard any direction by the Charterer's Representative to load or Offload if, in their reasonable opinion, such direction from the Charterer's Representative would jeopardize the FSO, its master, officers or crew, cargo vessels and/or offtake tankers, the Crude Oil stored on the FSO or the environment, any other person, vessel or property.
- (b) The Operator shall provide the Charterer with such information as the Charterer or the Charterer Representative may reasonably request regarding the operation and maintenance of the FSO, and shall permit the Charterer and the Charterer

Representative (and/or the Charterer Site Representative) access at all times to all parts of the FSO and, during normal business hours, to the Operator's operating, maintenance and Personnel records, as well as records relating to all permits obtained relevant to the FSO.

- (c) The Charterer's employees, representatives and invitees aboard the FSO shall have use of the FSO's communications equipment at all times, access to the meter/prover system at all times as well as the right, acting reasonably, to require the Operator to provide additional maintenance, repair and calibration as necessary to assure the accuracy of its measurements and access and full use of the petroleum analysis laboratory aboard the FSO.
- (d) The Charterer's Personnel assigned to work aboard the FSO, together with their general duties and responsibilities, shall be agreed between the Parties one (1) month in advance of the anticipated Start Date. All other duties and responsibilities with regard to the FSO, its crewing and their responsibilities shall be those of the Operator, unless otherwise set forth in this Agreement.

9.4 **Key Personnel**

- (a) Schedule 3 - Key Personnel identifies positions in the Operator's organization for the Operator Services which shall at the FSO Ready for Sailaway be (i) filled by the Operator with named individuals designated as Key Personnel; or (ii) filled in due course by individuals who will, when appointed, also be Key Personnel. The Operator shall submit résumés to the Charterer for the personnel nominated to be Key Personnel, and such nominations shall be subject to written approval by Charterer.
- (b) Once the approved nominees are in place, those personnel shall remain in their positions for the durations set out in schedule 3 - Key Personnel. The Operator shall not make changes to Key Personnel without the Charterer's prior written concurrence (such concurrence not to be unreasonably withheld). The required written request for such concurrence shall include sufficient information to demonstrate, to the Charterer's satisfaction, that proposed replacement candidates are at least equally qualified and experienced as the individuals the Operator proposes to replace. Such information shall include:
 - (i) detailed explanation and reason for the request; and
 - (ii) résumés of professional education and experience of each proposed replacement candidate (of whom there should be at least two).

10. **DOWN TIME**

10.1 **"Downtime"** shall mean any period in which any of the following arise, unless the same arise as a direct result of any act solely of the Charterer:

- (a) the FSO is unable to load and deliver Crude Oil into its storage tanks at the Customary Loading Rate; and/or
- (b) the FSO, for whatever reason, is unable to store [*****] barrels; and/or
- (c) the temperature of the Crude Oil in storage tanks is below the temperature required by the Technical Specifications for a period exceeding forty eight (48) hours; and/or
- (d) the FSO fails to remove such amount of water from the export stream delivered to the Export Tanker such that the BS&W component of the export stream delivered to the Export Tanker is in excess of [*****] by volume, provided that the Charterer complies with the Production Rate and Water Rate set out in the Technical Specifications; and/or

- (e) the FSO is unable to remove an average of [*****] per day from the Crude Oil over an average period of [*****] such that the produced water discharged from the slops tanks meets or exceeds requirements pursuant to Gabonese law (or MARPOL, if such requirements are more stringent); and/or
- (f) an Offload (as defined in clause 12.5(c)) having begun, the FSO is unable to offload at a rate equal to or in excess of [*****].

In the event of Downtime the Operator shall use all reasonable endeavours to cure any cause of Downtime expeditiously and to the reasonable satisfaction of the Charterer. In the event of any potential or prospective Downtime the Operator shall use all reasonable endeavours to avoid or prevent any such Downtime. The Operator will promptly inform the Charterer of actual, potential or prospective Downtime and will keep the Charterer informed, and take account of the Charterer's input, in respect of the cure of any cause of Downtime.

Without prejudice to paragraph 2(a)(v) of schedule 1 – Operator's Obligations, the Operator will report to the Charterer not later than 30 September in each calendar year, and in relation to the next ensuing calendar year, any planned or expected downtime (whether or not the same constitutes Downtime), impact on operations and/or impact on exports.

In order to handle the produced water rates, the FSO must have two dedicated reception tanks, high and low stripping lines and two independent, fully coated, slops tanks. The water will separate under gravity separation in the reception tanks and cargo tanks. The Operator will sample and test the contents of the cargo tanks on a daily basis and will, on a daily basis, inform the Charterer as to whether or not, and the rate at which, separation is occurring or if (and why) there is any failure to achieve separation. The Operator will use all reasonable endeavours to identify and resolve any deficiency in separation at zero cost to the Charterer. If an emulsion occurs in the reception tanks and leads to an inability to achieve the requirements set out in 2(a)(xxii) and/or 2(a)(xxiii) of schedule 1 – Operator's Obligations, any remedial action required may form the basis of a Change Order Proposal pursuant to clause 6.2. Provided it is not as a result of an act or omission of the Operator, if the water does not separate under gravity separation in the reception tanks and cargo tanks Downtime shall not have occurred.

10.2 Downtime shall occur notwithstanding the fact that maintenance or repairs are occurring (subject to clause 10.3(c)) but shall not occur when such maintenance or repairs are the result of the Charterer's (but not the Operator's) Wilful Misconduct.

10.3 Downtime shall not occur:

- (a) during any period when loading in accordance with the requirements of clause 10.1(a) is prevented by:
 - (i) the execution of a Change Order by the Charterer, or any other act or omission of the Charterer;
 - (ii) sea and weather conditions at the Site exceeding the survival design environmental condition of the FSO or the operating offloading condition specified in the guidelines set forth in the Terminal Handbook, or at the FSO master's reasonable discretion; or
 - (iii) an event of Force Majeure; or
- (b) in respect of the first [*****] of the occurrence of Downtime arising pursuant to clause 10.1(c), provided the Operator has complied with its obligations in the first of the final three paragraphs of clause 10.1 and provided that should the occurrence of Downtime not be remedied within such [*****] period the calculation of Downtime for the purposes of clause 10.4 shall start from the time at which the occurrence of such Downtime first occurred, notwithstanding the six (6) hour period referred to in

this clause 10.3(b) (and if the occurrence of Downtime is remedied within such [*****] period then Downtime shall not have occurred);

- (c) in respect of a period of [*****] per calendar year (or pro-rata for part thereof) in respect of planned or unplanned maintenance of the FSO, provide the Operator has complied with its obligations to notify the Charterer of any planned maintenance in accordance with paragraph 2(a)(v), schedule 1 – Operator's Obligations. In the event that at the end of the calendar year in question planned or unplanned maintenance of the FSO has not occurred for a period of more than [*****], the Operator shall not be entitled to a credit or recognition of such unused days in the next or any following calendar years.

10.4 In the event of Downtime for any of the reasons set forth in clause 10.1, but subject to clause 10.3, a **"Downtime Damages Period"** shall mean any calendar day, or a portion thereof, beginning after the date of issuance of the Fit to Receive Certificate during which Downtime occurs. During any Downtime Damages Period resulting from the Downtime under clause 10.1 the Charterer shall not be obliged to pay the Operator (and shall be entitled to withhold, as **"Downtime Damages"**) the Operating Fee in respect of any Downtime which occurs. Downtime under clause 10.1 shall be calculated on an hourly basis with any Downtime rounded to the nearest quarter day (being a period of [*****]). The Charterer shall as soon as reasonably practicable notify the Operator of the occurrence of, and its estimate of the total amount of, Downtime incurred.

10.5 The Parties shall, on 1 January and 1 July of each calendar year, reconcile the amount of actual Downtime applicable in respect of the preceding six (6) calendar month period and reconcile and adjust as necessary (via an invoice to be issued on the next Operating Fee Payment Date after performance of such reconciliation) any discrepancy between the Downtime (and therefore the Downtime Damages Period and Downtime Damages) with the sums otherwise paid by the Charterer. Such reconciliation and adjustment shall be finalised and effected as soon as reasonably practicable after 1 January and 1 July, and in any event shall be carried out not later than 1 February and 1 July, respectively.

11. **INSURANCE**

11.1 The Operator shall maintain in force from 00:01 London time on the Start Date and throughout the Term, insurance with first class underwriters on terms and conditions and with policy limits that are customary for operators of an FSO system in similar circumstances or as set out in this clause 11 to the extent that the Owner is not maintaining the same insurances under clause 17 of the Charter. The Operator's insurance shall include coverage of the following risks:

- (a) Hull and Machinery Insurance covering, to the extent not covered by shiprepairers' liability, construction all risks and physical damage insurance, full collision liability, tower's liability, removal of wreck and debris, accident or hull damage (and as required, increased value) and war risks, for no less than the FSO system's value on "new for old" conditions;
- (b) P&I insurance covering, subject to the conditions, warranties and exclusions set out in a mutual entry with an international group P&I club, crew and personal injury, removal of wreck excess to any coverage provided under the relevant Hull & Machinery coverage and oil pollution risk to the standard scope and limits of P&I insurance cover for a floating oil storage vessel, with pollution coverage of at least [*****]. Coverage shall include any commissioning and performance tests; and
- (c) Third Party Liability Insurance covering, to the extent not covered by the P&I insurance, subject to the conditions, warranties and exclusions set out therein, any liability to third parties for direct damage or destruction of tangible property, including loss of use thereof and/or bodily injury, sickness or disease, including death,

arising out of or in any way connected with the performance of this Agreement in an amount of not less than [*****] for any claim or series of claims arising out of any one incident. This insurance shall include a "cross liability" clause or "severability of interest" clause with respect to all insured parties.

The Operator shall also maintain any type and amount of insurance coverage that is from time to time required by any Applicable Laws. All certificates of insurance must be signed by a duly authorised representative of the insurance company or underwriters issuing the respective policy or policies of insurance. At the Charterer's request, the Operator shall furnish the Charterer with certificates in respect of all policies issued pursuant to this clause 11.1. The Operator shall procure that its Subcontractors and suppliers maintain insurance of the types mentioned in clauses 11.1(a) to 11.1(c) above in relation to their respective activities, employees, marine craft, automobiles, and other property at the Site.

- 11.2 The policies referred to in clause 11.1 shall include the Charterer and all members of the Charterer Group as additional insureds and shall include a waiver of subrogation in favour of the Charterer and all members of the Charterer Group. The Operator will ensure that the Operator's insurers and sub-contractors waive their rights of subrogation and recourse against the Charterer, all members of the Charterer Group, the Charterer's insurers, and its financiers and sub-contractors to the extent the Operator has given such waiver.
- 11.3 The Charterer, on behalf of itself and the Co-venturers, shall maintain in force from the date of issuance of the Fit to Receive Certificate throughout the Term, the following insurances with first class underwriters on terms and conditions and with policy risks and limits that are customary for charterers of an FSO System in similar circumstances. Reasonable deductibles are acceptable and shall be for the account of the Charterer:
- (a) Physical Damage Insurance covering, subject to the conditions, warranties and exclusions set out therein, all of the Charterer's equipment including the Riser Systems with coverage limits of not less than the replacement value of all such property and equipment;
 - (b) Third Party Liability Insurance covering, to the extent not covered by the P&I Insurance, subject to the conditions, warranties and exclusions set out therein, any liability to Third Parties for direct damage or destruction of tangible property, including loss of use thereof, and/or bodily injury, sickness or disease, including death, arising out of or in any way connected with the performance of this Agreement in an amount of not less than [*****] for any claim or series of claims arising out of any one incident. This insurance shall include a "cross liability" clause or "severability of interest" clause with respect to all insured parties; and
 - (c) Control or Well Insurance covering, subject to the conditions, warranties and exclusions set out therein, losses resulting from loss of well control including cost of control, redrilling / extra expense and subsequent seepage and pollution with coverage limits of not less than [*****] combined single limit any one occurrence.
- 11.4 The Charterer shall also maintain any type and amount of insurance coverage that is from time to time required by any Applicable Laws. All certificates of insurance must be signed by a duly authorized representative of the insurance company or underwriters issuing the respective policy or policies of insurance. At the Operator's request, the Charterer shall furnish the Operator with certificates in respect of all policies issued pursuant to clause 11.3.
- 11.5 The policies referred to in clause 11.3 shall include a waiver of subrogation in favour of the Operator and the Owner, its lenders and any of their respective Affiliates.

12. **IND EMNITY AND LIABILITY**

12.1 [*****]

12.2 [*****]

12.3 [*****]

12.4 **Intellectual property indemnity**

Each of the Operator and the Charterer shall bear for its sole account and shall fully and effectually indemnify and hold the other harmless from and against all costs, claims, demands and liability which the other or its Group may incur arising from:

- (a) the use by the indemnifying Party or its Group of any data, drawing, device or article; or
- (b) the use by the other or its Group of any data, drawing, device or article furnished by the indemnifying Party or its Group,

which infringes or allegedly infringes the intellectual property rights of any person; and from and against all royalties or similar payments which the other or its Group may incur arising from the use by the other or its Group of any data, drawing, device or article furnished by the indemnifying Party or its Group.

12.5 [*****]

12.6 **Consequential Damages**

- (a) Notwithstanding anything to the contrary in this Agreement, neither the Charterer nor the Operator shall be liable to the other, or to any member of the other's Group, for any special, indirect or consequential damages resulting from or arising out of this Agreement, including loss of use, loss of profit or anticipated profit, or revenue regardless of how caused and regardless of the negligence (whether sole, concurrent or otherwise) in whatever form of the Charterer or Operator, strict liability, unseaworthiness, unairworthiness, pre-existing conditions or any other theory of liability.
- (b) The Operator shall release, protect, defend, indemnify and hold the Charterer and any member of the Charterer Group harmless for actions brought by any person or entity comprising the Operator Group in respect of such damages.
- (c) The Charterer shall release, protect, defend, indemnify and hold the Operator and any member of the Operator Group harmless for actions brought by any person or entity comprising the Charterer Group in respect of such damages.

12.7 **Off-Specification**

Notwithstanding anything to the contrary in this Agreement, if the Crude Oil does not, at the time of Offloading and as a result of the Operator's failure to comply with any of its obligations pursuant to paragraphs 2(a)(xxiv), 2(a)(xxv) or 2(a)(xxvi) of schedule 1 - Operator's Obligations, contain less than zero decimal point [*****] water by volume the Operator shall save, defend, indemnify and hold harmless the Charterer and each Co-venturer from and against any and all costs and/or claims arising in connection with the Crude Oil containing equal to or in excess of zero decimal point [*****] water by volume. Any claim against the Operator pursuant to or in connection with this clause 12.7 must be notified to the Operator (in the form of a standard letter of protest or similar document) prior to the Export Tanker moving off station.

12.8 Each member of the Operator Group and each member of the Charterer Group shall be entitled to enforce the provisions of this clause 12.

13. **FORCENK MAJEURE And COVID 19**

- 13.1 No loss or damage or delay in or failure of performance of either Party shall constitute default hereunder or give rise to any claims for damages if and to the extent that such loss, damage, delay or failure is caused by Force Majeure.
- 13.2 In this Agreement "**Force Majeure**" means the effective occurrence of any act or event which is unforeseeable, insurmountable and beyond the reasonable control of and occurring without the fault or negligence of the Party affected thereby, and which renders such Party unable, wholly or in part, to comply with its obligations under this Agreement. Notwithstanding clause 13.1, Force Majeure shall not release either Party from any obligation to give a notice or make any payment (including, in particular, any payment of the Operating Fee) under this Agreement.
- 13.3 Events which may, subject to clauses 13.2 and 13.4, be considered Force Majeure events shall include national or industry-wide strikes, lock-outs, acts of public enemy, wars whether declared or undeclared, blockades, insurrection, riots, epidemics or pandemics, landslides, lightning, earthquakes, fires, floods, tidal waves, civil disturbances, explosions, Third Party breakage or accident to machinery or pipelines, and the inability to obtain necessary material or supplies.
- 13.4 Events which shall not be considered Force Majeure events shall include the following: (a) economic hardship; (b) changes in market conditions; (c) late delivery or failure of equipment provided by any of the members of Operator Group or the Charterer Group for performance of the Operator Services; (d) labour availability or strikes (except national or industry-wide strikes or lock-outs); (e) late delivery or shortage of materials, consumables, equipment, or utilities; (f) adverse climatic conditions (including rain, snow, wind, temperature, and other weather conditions), tides, and seasons, regardless of the magnitude, severity, duration or frequency of such climatic conditions (other than catastrophic storms or floods, named tropical storms, tornadoes, hurricanes, typhoons, cyclones, or tsunamis, as set forth above); or (g) non-performance or delay by any of the members of the Operator Group or the Charterer Group, unless such non-performance or delay is caused by Force Majeure.
- 13.5 A Party claiming relief on account of Force Majeure shall:
- (a) as soon as practicable, but in any case not less than within seventy-two (72) hours of becoming aware of the Force Majeure event, give notice to the other Party detailing the circumstances of Force Majeure, how the event of Force Majeure has interrupted or prevented performance of its obligations, and estimating the likely duration of such Force Majeure; and
 - (b) take all reasonable action to mitigate the effects of the event of Force Majeure.
- 13.6 In the event the Force Majeure event prevents the Operator from performing the Operator Services in the manner envisioned by this Agreement:
- (a) the Operating Fee shall be payable in respect of the period for which the Force Majeure event is subsisting; and
 - (b) if such Force Majeure event continues for a period of ninety (90) consecutive days, the Charterer may terminate this Agreement in accordance with clause 16.3 below.
- Covid-19**
- 13.7 At the date of this Agreement (i) each Party confirms it is able to perform its obligations under, and in accordance with, the terms of this Agreement.

13.8 The Parties agree that in the event a Party can establish the occurrence of (i) travel restrictions, (ii) restrictions or delays in international trade, (iii) the introduction by Governmental Authorities of restrictions or guidelines or (iv) other COVID19 related occurrences, in each case resulting from or caused by COVID19 and which in each case directly and adversely impacts upon the Operator Services or movement of Personnel directly involved in the Operator Services, then provided that (i) the impact on the Operator Services or movement of Personnel directly involved in the Operator Services is not as a result of an act or omission of the Operator or its subcontractors and (ii) the Operator has used all reasonable endeavours to take reasonable precautions in accordance with all prevailing guidance and all Applicable Laws, the same shall constitute Force Majeure within the meaning of and for the purposes of this clause 13 (subject to compliance by the Parties with the remaining provisions of this clause 13). Without prejudice to the Parties' respective rights and obligations pursuant to this Agreement, the Parties agree to act in good faith and co-operate with each other, and any other contractors working on the project, to minimize the impact of any of (i) – (iv) in this clause 13.8 and to seek to implement additional appropriate measures under this Agreement. Nothing in this clause 13.8 prejudices the Operator's obligations to comply with Applicable Laws and Applicable Codes and Standards nor does it prejudice the Operator's obligation to mitigate the effect of any of (i) – (iv) in this clause 13.8.

14. **WAR**

14.1 The FSO shall not be required, without the consent of the Operator which consent shall not be unreasonably withheld, to proceed to or remain at the Site if the Site is identified in the Hull War, Strikes, Terrorism and Related Perils "Listed Areas" published by the Joint War Committee from time to time.

14.2 For the purposes of clause 14.1, it shall be unreasonable for the Operator to withhold its consent to the FSO entering or remaining at Site if insurance against all risks referred to clause 14.1 above is commercially available from an international insurer or a Government programme.

15. **LIE NS**

Neither the Operator nor any member of the Operator Group shall have any right, power or authority to create, incur or permit to exist over any property of the Charterer Group, (including on any Crude Oil aboard the FSO) any lien, charge or encumbrance. If such lien, charge or encumbrance is incurred on any such property of the Charterer Group, Operator shall take all such steps as may be necessary to have such lien, charge or encumbrance released.

16. **DE FAULT, TERMINATION AND SUSPENSION**

16.1 **Charterer Event of Default**

Each of the following events shall constitute a "**Charterer Event of Default**":

- (a) the Charterer fails to pay any undisputed invoiced amount within [*****] Business Days of when payment is due under the relevant invoice from the Operator;
- (b) the Charterer or any of the Co-venturers fails to provide the Charterer Performance Security to the Operator in accordance with the provisions of clause 21.1 herein or such Charterer Performance Security has expired, is terminated or otherwise ceases to be valid and enforceable provided that the Operator shall have first provided notice in writing and shall have provided the Charterer and/or any of its Co-venturers not less than [*****] to replace, or procure the replacement of, such Charterer Performance Security;

- (c) the Charterer breaches any of its material covenants, conditions, agreements, representations or obligations under this Agreement, but only to the extent that such breach has not been caused by a breach of any of the Operator's covenants, conditions, agreements, representations or obligations under this Agreement and provided that the same is not cured within a period of [*****] Business Days;
- (d) the Charterer appoints a provisional liquidator or a liquidator enters into liquidation whether compulsory or voluntary (except in case of a voluntary winding-up solely for the purposes of reconstruction or amalgamation) or suffers the appointment of a receiver or administrative receiver over any of its property or assets or makes or agrees to any compromise, arrangement or moratorium with its creditors or is deemed unable to pay its debts or becomes the subject of administration proceedings or a petition seeking an administration order or analogous event in any jurisdiction;
- (e) Owner terminates the Charter for a Charterer Event of Default (as such term is defined in the Charter); or
- (f) the Charterer or any of its Affiliates is in breach of or fails to comply with the representations and obligations set out in clause 25 below.

16.2 **Operator Event of Default**

Each of the following events shall constitute an "**Operator Event of Default**":

- (a) the Operator breaches any of its material covenants, conditions, agreements, representations or obligations under this Agreement and has failed to remedy such breach within [*****] Business Days of receipt of written notice from the Charterer;
- (b) the Operator appoints a provisional liquidator or a liquidator enters into liquidation whether compulsory or voluntary (except in case of a voluntary winding-up solely for the purposes of reconstruction or amalgamation) or suffers the appointment of a receiver or administrative receiver over any of its property or assets or makes or agrees to any compromise, arrangement or moratorium with its creditors or is deemed unable to pay its debts or becomes the subject of administration proceedings or a petition seeking an administration order or analogous event in any jurisdiction;
- (c) the Operator, or any of its Affiliates, is in breach of or fails to comply with the representations and obligations set out in clause 25 below;
- (d) Charterer terminates the Charter for an Owner Event of Default (as such term is defined in the Charter); or
- (e) the Operator fails to provide the Operator Performance Security in accordance with clause 21.2 herein or such Operator Performance Security has expired or is terminated or otherwise ceases to be valid and enforceable (in the case of the latter, replacement Operator Performance Security not being provided within [*****]).

In the event of an Operator Event of Default the Operator shall use all reasonable endeavours to cure such Operator Event of Default expeditiously and to the reasonable satisfaction of the Charterer. The Operator will promptly inform the Charterer of an actual, potential or prospective Operator Event of Default and will keep the Charterer informed, and take account of the Charterer's input, in respect of the cure of any Operator Event of Default.

16.3 In case of:

- (a) an Operator Event of Default, the Operating Fee will cease to be payable by the Charterer with immediate effect on and from the occurrence of the Operator Event of Default and for the period for which the Operator Event of Default is continuing

and the Charterer shall notify the Operator in writing of the default (but a failure to notify of the default shall not prejudice the Charterer's rights not to pay the Operating Fee to the Operator). The Operator shall, subject to any specific cure periods set out in clause 16.2, thereafter have [*****] days to remedy the default failing which the Charterer may (but shall not be obliged to) terminate the Charter by providing the Operator [*****] days' written notice of termination; and

- (b) a Charterer Event of Default, the Operator shall notify the Charterer in writing of the default. The Charterer shall, subject to any specific cure periods set out in clause 16.1, thereafter have [*****] days to remedy the default failing which the Operator may (but shall not be obliged to) terminate the Charter by providing the Charterer [*****].

16.4 **Consequences of Termination for Operator's Event of Default**

- (a) In case of termination in accordance with clause 16.2 above for an Operator's Event of Default, then:
- (i) the Charterer shall be entitled, at its sole option, to instruct the Operator (and/or the Owner pursuant to the Charter, if applicable) to cease operations, and demobilize the FSO, after the Charterer has removed all pumpable hydrocarbons, and any other Charterer property from the FSO. Notwithstanding clause 5.2, the Operator shall be required to carry out the Decontamination Works, De-mucking Works and the FSO Decommissioning, and demobilize the crew, at its own cost; and
- (ii) the Operator shall (i) cease operations as instructed by Charterer, (ii) cooperate with the Charterer to assign to the Charterer subcontracts and purchase orders as required by the Charterer or as it may direct, and (iii) transfer any sums already paid by the Charterer to the Operator pursuant to clause 6.5(a) as well as all logbooks, classification certificates, manuals and other essential documents related in any way to the FSO's design, engineering, construction, operation and maintenance as directed by the Charterer.
- (b) In the event the Charterer terminates this Agreement for an Operator Event of Default then the Charterer shall be deemed to have terminated the Charter (without prejudice to all accrued rights and obligations, including pursuant to clause 28 thereof). The Operator's liability under this clause 16.4 is in addition to any other liability provided for in this Agreement and the Charterer shall have the right and authority to set off any such liability against amounts otherwise due from the Charterer to the Operator. The Charterer shall act reasonably to mitigate any costs it might incur in connection with any termination for an Operator's Event of Default. In the event of a termination for an Operator's Event of Default, the Charterer shall be entitled to any and all damages, losses, costs, and expenses incurred by the Charterer arising out of or resulting from such Operator's Event of Default.

Termination for Convenience and Other Matters

- 16.5 In the event that the Charterer terminates the Charter for its convenience under clause 27.7 of the Charter, this Agreement shall terminate automatically at the same time as the termination of the Charter and the Charterer shall pay Operator for all Operator Services satisfactorily performed up to the effective date of such termination. Upon such termination, the Operator shall immediately discontinue the Operator Services and promptly make every reasonable effort to procure cancellation upon terms satisfactory to the Charterer of all subcontracts to the extent they relate to the performance of the Operator Services and otherwise mitigate, to the extent reasonably possible, all costs associated with such termination, except as otherwise directed by the Charterer. [*****]. The Operator shall

be required to carry out the Decontamination Works, the De-mucking Works and the FSO Decommissioning, and clause 5.2 shall apply.

16.6 If the FSO becomes a Total Loss, this Agreement will terminate with immediate effect from the date Total Loss is declared and no amounts shall be payable by the Charterer to the Operator except amounts attributable to any period prior to the effective date of such termination.

16.7 In the event that the Charterer terminates the Charter under clause 26.6 of the Charter, this Agreement shall terminate automatically at the same time as the termination of the Charter.

16.8 **Suspension**

(a) The Charterer may, for any reason, at any time and from time to time, suspend the performance of the Operator Services or any part thereof by notice in writing to Operator. Upon receipt of such notice of suspension from the Charterer, the Operator shall suspend the performance of the Operator Services, or the applicable part thereof, for such time or times and in such manner as set forth in such notice and shall take reasonable steps to minimize any costs associated with such suspension. During any such suspension, and unless otherwise instructed by the Charterer, the Operator shall during any suspension maintain its Personnel on or near the Site and otherwise be ready to proceed expeditiously with the Operator Services upon receipt of the Charterer's further instructions.

(b) If suspension ordered by the Charterer is as a result of a material breach by the Operator to comply with its obligations pursuant to schedule 1 – Operator's Obligations:

(i) no payments shall be due from the Charterer to the Operator for the Operator Services so suspended or in respect of any claims incurred by Operator as a result of the suspension;

(ii) there shall be no adjustment of the time schedule for performance of the Operator Services; and

(iii) the Operator shall reimburse all direct and reasonable documented costs incurred by the Charterer as a result of the suspension.

(c) Upon receipt of the Charterer's notice to resume the Operator Services, the Operator shall resume performance of the Operator Services, and in accordance with the time schedule for such resumption set out in the notice. In no event shall the Operator be entitled to any additional profits or damages as a result of such suspension.

16.9 The remedies provided in this clause 16 are in addition to and without limitation of the rights and remedies available to the Parties arising in law, contract, tort or otherwise.

17. **PERMITS AND LAWS**

17.1 Each of the Parties shall, with all reasonable assistance from the other, and at its own cost and expense, secure and maintain all Permits, licences, certifications, and any other similar authorizations that are or may be required in connection with the operation of the FSO, pay all inspection or other fees pertaining thereto, make all deposits, and shall furnish all bonds lawfully required by proper authorities (and in the case of the Operator, in accordance with the Permit Matrix). The Charterer shall provide all necessary Gabonese Government authorizations and permits for the FSO to operate at the Field, and the Operator shall provide all reasonable assistance in obtaining the same.

- 17.2 Subject to Clause 6.7, the Operator will, during the Term, comply with and abide by all Applicable Laws, insofar as the same may be applicable to the Operator's performance under this Agreement, including all rules and regulations now existing or that may hereafter be promulgated under and in accordance with any such Applicable Laws.
18. **SAFETY**
- 18.1 The Operator shall be responsible for safety related to and during the operations of the FSO, to protect the FSO, workers, the public and all other people, on or about the FSO, and the property of Third Parties, and shall comply with the HSE Requirements. Operator shall also develop safe work procedures, perform safety analyses and inform all persons working on the FSO of safety hazards. The Operator must, at its own expense, modify its method of work, if necessary, to work safely.
- 18.2 The Operator shall, and shall cause that all of its Subcontractors and its Subcontractors' Personnel shall, respect and at all times comply with the Charterer's health, safety, security or environmental policies and requirements in connection with the performance of the Operator's obligations under this Agreement, and perform the obligations under this Agreement such that no acts or omissions by the Operator cause the Charterer to be in breach of the Charterer's health, safety, security or environmental policies and requirements.
- 18.3 The Operator shall, and shall cause that all of its Subcontractors shall, respect and at all times comply with the Charterer's health, safety, security or environmental policies and requirements in connection with the performance of its obligations under this Agreement.
- 18.4 The Charterer may, at its cost and following reasonable notice to the Operator, carry out regular audits of the Operator's and its Subcontractors' safety management systems and compliance with the Charterer's health, safety, security or environmental policies and requirements, and shall give the Operator copies of the audit reports. As soon as reasonably practicable after the provision of the audit reports, and in any event within ten (10) Business Days, the Operator and the Charterer will meet to discuss the audit findings and formulate an agreed action and/or remediation plan (including timelines for remediation). The Operator shall, as soon as reasonably practicable but in any event within one (1) month of such meeting, have effected all matters set out in the agreed action and/or remediation plan (where the timeline for remediation falls within that one (1) month period) or have provided, or provide, the Charterer with a proposal for remediation in respect of those matters set out in the agreed action and/or remediation plan (where the timeline for remediation is beyond that one (1) month period).
- 18.5 The Operator shall ensure that all work and items used in operating the FSO, whether purchased, rented or otherwise provided by the Operator, are maintained in a safe, sound and good condition and are capable of performing the functions for which they are intended.
- 18.6 The Operator shall provide and maintain at its own cost all lights, buoys, navigation lights and markers and watchkeeping when and where necessary or required by any duly constituted authority for the protection of the FSO or for the safety or convenience of the public and others.
- 18.7 The use or possession of firearms, illegal drugs, alcohol and contraband is prohibited on the FSO and the Operator shall not allow any employee who possesses a firearm or is under the influence of an intoxicating or illegal substance to perform work under this Agreement. The Operator shall not allow any employee who is carrying a firearm or has tested positively for substance abuse within a reasonable period of time before or at any time during the performance of work under this Agreement, to perform any work hereunder without the Charterer's prior written approval.

- 18.8 If at any time a Party or its subcontractors breach the Charterer's health, safety, security or environmental policies and requirements, the other Party may by written notice to the breaching Party require that the breaching Party submit, within seven (7) days of the other Party's notice, a detailed remedial action plan for approval by the other Party, setting out the measures the breaching Party proposes to implement to:
- (a) cure any breach of Charterer's health, safety, security or environmental policies and requirements; and
 - (b) mitigate any damage caused by such breach,

and the breaching Party shall, following the approval of the plan by the other Party under this clause 18.8, implement the measures set out in such plan or otherwise agreed with the other Party within such period required by the other Party (acting reasonably).

19. **RELATIONSHIP BETWEEN THE PARTIES**

The Operator is and shall be at all times an independent contractor. Under no circumstances will the Operator or any member of the Operator Group be considered an agent or employee of the Charterer. The Operator shall have no authority to commit or bind the Charterer or any of its subsidiaries or Affiliates. Except as otherwise provided herein, the Charterer shall have no power or authority to direct, supervise or control the Operator with respect to means, manner or method of performance of the services rendered hereunder, and the Operator, in the exercise of its independent employment and as an independent contractor, shall select the means, manner and method of performance thereof.

20. **CONFIDENTIAL INFORMATION**

20.1 The Parties shall not, and shall ensure that their employees, agents, representatives and subcontractors (including the Subcontractors in the case of the Operator) shall not and, in the case of the Charterer, that the Co-venturers shall not, use for purposes other than for the fulfilment of terms under this Agreement nor exchange or divulge to any third party, any information obtained in the conduct of, or by reason of, the services under this Agreement.

20.2 This clause 20 will not require a disclosee to maintain confidentiality in respect of information:

- (a) which at the date of its disclosure to the disclosee is public knowledge or which subsequently becomes public knowledge other than by any act or failure to act on the part of the disclosee or its Affiliates or any of their officers or employees; or
- (b) which is already known to the disclosee as evidenced by its written record and was not acquired directly or indirectly from the discloser; or
- (c) which is at any time after the date of this Agreement lawfully acquired by the disclosee from any third party which is rightfully in possession of it and is not bound by an obligation of confidentiality or good faith in respect of it; or
- (d) which is required to be disclosed by law or by a court of competent jurisdiction; or
- (e) disclosed to any Affiliate or to any sub-contractor or employee working as a member of staff of such Affiliate or sub-contractor on a "need to know" basis for the purpose of this Contract, in which event the Party concerned shall be responsible for ensuring the maintenance of confidentiality by such Affiliate, sub-contractor or employee; or
- (f) disclosed to any outside professional consultants or any bank, financial institution or other entity who may be giving financial advice to it or from whom it is seeking, or

who is advising it in the obtaining of finance, upon obtaining a similar undertaking of confidentiality but excluding the terms contained in this clause 20.2(f); or

- (g) disclosed to any of its auditors, professional tax or legal advisers; or
- (h) disclosed to any of the Co-venturers as required; or
- (i) disclosed to a bona fide proposed assignee (direct or indirect) of the Charterer's or a Co-venturer's interest in the Field; or
- (j) to the extent required by any Government Authority or the rules or regulations of any recognised stock exchange.

20.3 In the cases set out in clauses 20.2(d) and 20.2(j) above, the disclosee shall (only if permitted by Applicable Laws or the rules or regulations of any recognised stock exchange) provide prompt written notice to the disclosing Party prior to making any such disclosure, which notice shall include details of the proposed form, nature and purpose of such disclosure so that the disclosing Party may seek a protective order, injunction or other appropriate remedy, with reasonable assistance (if practicable and legally permissible) from the disclosee. Save to the extent that disclosure of the confidential information set out in clauses 20.2(d) and 20.2(j) above is the result of negligence, misconduct or breach of the disclosee, the cost of obtaining a protective order, injunction or other appropriate remedy shall be at the disclosing Party's sole cost and expense.

Neither Party shall disclose the making of this Agreement or its terms or the existence or the terms of any other agreement referred to in this Agreement and each Party shall procure that each of its Affiliates shall not make any such disclosure without the prior consent of the other Party unless such disclosure is required pursuant to the rules or regulations of any recognised stock exchange (in which case clause 20.2(j) will apply).

21. **guar antee**

21.1 Upon signature of this Agreement, and as a condition for the Operator's obligation to provide the Operator Services hereunder to the Charterer, the Charterer shall in relation to the Charterer's obligations pursuant to this Agreement procure the issue to the Operator by each Co-venturer holding a paying interest in the Field or an Affiliate of such Co-venturer on its behalf (in each case by an entity with a credit standing reasonably acceptable to the Operator), in respect of such Co-venturer's paying interest in the Field and given on a several (as opposed to joint and several) basis, in each case substantially in the form set out in schedule 6 - Form of Guarantee ("**Charterer Performance Security**") and in the following proportions:

- (a) VAALCO Energy, Inc. as to sixty three decimal point five seven five per cent (63.575%);
- (b) Addax Petroleum Holdings Ltd as to thirty three decimal point nine per cent (33.9%); and
- (c) PetroEnergy Resources Corporation as to two decimal point five two five per cent (2.525%).

21.2 Upon any assignment of this Agreement in accordance with the terms of this Agreement, the Operator shall as a condition of the effectiveness of such assignment furnish to the Charterer (or shall procure the provision of) the Operator Performance Security.

22. **LIMITATION OF LIABILITY**

22.1 The total aggregate liability of the Operator to the Charterer arising out of or in connection with this Agreement, in respect of all claims, loss, liabilities, indemnities, fines, penalties

and similar charges, payments and damages of every kind and nature shall not exceed in aggregate [*****] regardless of cause including the negligence or breach of duty (statutory or otherwise) of the Operator and the Charterer shall indemnify, defend and hold harmless the Operator for all amounts in excess thereof.

22.2 The total aggregate liability of the Charterer to the Operator arising out of or in connection with this Agreement, in respect of all claims, loss, liabilities, indemnities, fines, penalties and similar charges, payments and damages of every kind and nature shall not exceed in aggregate [*****] regardless of cause including the negligence or breach of duty (statutory or otherwise) of the Charterer and the Operator shall indemnify, defend and hold harmless the Owner for all amounts in excess thereof.

22.3 The provisions of this clause 22 shall not apply to the payment of the Operating Rate or any other fees payable by the Charterer under this Agreement, in respect of the provisions set out in clause 12, in respect of fraud or fraudulent misrepresentation or in respect of the sums payable or not payable (as the case may be) pursuant to clause 10.

23. REPRESENTATIONS AND WARRANTIES

23.1 The Operator represents and warrants to the Charterer continuously throughout the term of this Agreement that:

- (a) [*****];
- (b) all authorisations approvals and consents of, and filings or registrations with, any Governmental Authority or regulatory authority or agency, as are at the Start Date necessary for the execution, delivery or performance by the Operator of this Agreement and for its legality, validity, or enforceability, will have been obtained at such date and thereafter will be maintained until the expiration or termination of this Agreement; provided, however, until the termination of this Agreement;
- (c) the execution, delivery and performance of this Agreement is not in contravention of laws applicable to the Operator or the constitutional documents of the Operator or any mortgage, indenture, contract, agreement or undertaking to which the Operator is a party or by which the Operator may be bound;
- (d) there is no pending or threatened litigation or claim which would materially impair the Operator's ability to perform its obligations under this Agreement;
- (e) each member of Operator Group is, and will remain, well able and qualified, registered, accredited and licensed to the extent required by Applicable Laws and Applicable Codes and Standards to perform the Operator Services in accordance with this Agreement;
- (f) all Operator Services shall be performed carefully, skilfully, diligently and efficiently in accordance with Good Industry Practices and the other requirements of this Agreement;
- (g) performance of all Operator Services shall be in full compliance with all Applicable Laws and Applicable Codes and Standards; and
- (h) the service it undertakes will be performed in a diligent and workmanlike manner, that it will furnish competent Personnel and that the Operator shall use its judgment to effect day-to-day operating decisions, conducting its operations and performing all of its duties hereunder in accordance with Good Industry Practices.

23.2 The Charterer represents and warrants to the Operator that:

- (a) the Charterer is duly organised and in good standing under the laws of the Gabonese Republic and has all requisite power and authority and has taken all corporate action required to execute, deliver and perform its obligations under this Agreement;
 - (b) the execution, delivery and performance of this Agreement is not in contravention of laws applicable to the Charterer or the constitutional documents of the Charterer or any mortgage, indenture, contract, agreement or undertaking to which the Charterer is a party or by which the Charterer may be bound;
 - (c) there is no pending or threatened litigation or claim which would materially impair the Charterer's ability to perform its obligations under this Agreement; and
 - (d) each member of the Charterer Group is, and will remain, well able and qualified, registered, accredited and licensed to the extent required by Applicable Law and Applicable Codes and Standards to perform its obligations in accordance with this Agreement.
- 23.3 Each of the Operator and the Charterer agrees to furnish the other, at the other's request, evidence of the due authorization and execution of this Agreement (and any guarantees to be furnished by it pursuant to clause 21), as the other may reasonably request.
24. **SUBCONTRACTING and assignment**
- 24.1 The Operator shall satisfy itself before entering into any subcontract that the intended Subcontractor has and will be able to maintain the required skilled workforce and other resources to be able duly to fulfil its obligations under the subcontract. On or immediately after the execution of this Agreement the Operator shall provide the Charterer with a list of proposed Subcontractors for the Charterer's approval, acting reasonably.
- 24.2 The Operator must obtain the Charterer's prior written approval for any further subcontracting proposed by the Operator, and for any proposed changes to subcontracting arrangements already approved by Charterer pursuant to clause 24.1. The Operator shall not subcontract (i) the whole performance of the Operator Services; or (ii) any significant part of the Operator Services. The Charterer shall review and approve or reject any such proposed additional subcontracting and changes. The Charterer's approval or rejection of any proposed subcontracting or changes to previously approved subcontracting arrangements shall not be the basis for any Change Order or any claim for additional remuneration or time schedule adjustment (if and as applicable)
- 24.3 Any subcontracting of parts of the Operator Services by the Operator shall not relieve the Operator of full responsibility for all of the Operator Services, including the subcontracted portion. It is entirely the Operator's own responsibility to ensure that it has appropriate arrangements with all Subcontractors to ensure fulfilment of all the Operator's duties, responsibilities, and obligations under this Agreement. Any failure of a Subcontractor to perform shall be considered for all purposes to be a failure of the Operator to perform, and the Operator shall remain fully liable for (i) any defects in Operator Services performed by Subcontractors; (ii) any acts or omissions of Subcontractors; and (iii) subject to clause 12, any and all damages or injuries caused by Subcontractors or arising out of their performance in relation to this Agreement.
- 24.4 The Operator shall ensure that subcontracts contain all relevant provisions, *mutatis mutandis*, of this Charter, and that the Charterer's rights are not limited by any provision in, or omission of any relevant provision from, a subcontract. All subcontracts shall clearly stipulate that the Operator is acting for itself as principal and not in any way jointly with or as agent for Charterer. Except to the extent this Agreement expressly provides otherwise, no subcontract shall create a contractual relationship between the Charterer and the Subcontractor.

- 24.5 Without affecting clause 26.1 the Charterer shall have the right to assign (including by way of security) any rights or obligations under this Agreement with the prior written consent of the Operator, which is not to be unreasonably withheld, conditioned or delayed. The Operator shall not have the right to assign any rights or obligations under this Agreement.
- 24.6 Notwithstanding clause 24.5, the Operator shall use reasonable endeavours to assign this Agreement to an Affiliate entity established and registered in the Republic of Gabon on or prior to 1 August 2022. The Charterer reserves the right, as a result of such assignment and with effect from such assignment, to require replacement Operator Performance Security.
25. **ANTI-CORRUPTION, CONFLICT OF INTEREST AND SANCTIONS**
- 25.1 For the purposes of this clause 25 the following terms shall have the following meanings:
- "Failing Party"** shall mean the Party that fails to comply with the obligations set out in this clause 25;
- "Sanctioned Entity"** shall mean a person who is designated pursuant to any Applicable Laws, as subject to trade and economic sanctions, prohibitions or restrictions; and
- "Sanctioned Transaction"** shall mean a transaction which is prohibited or restricted by, or which may expose the Operator Group, the Charterer Group or the FSO to trade and economic sanctions, prohibitions or restrictions under any Applicable Laws.
- 25.2 In the performance of this Agreement:
- (a) each Party warrants that it shall, and shall ensure that its Personnel and subcontractors, strictly comply with general business ethics; and
 - (b) the Operator warrants that it shall and shall ensure that its Personnel and subcontractors (including the Subcontractor) strictly comply with the Code of Business Conduct and Ethics policy.
- 25.3 Each Party further warrants that it, its Affiliates, its Personnel and its subcontractors (including the Subcontractor in the case of the Operator) have not made, offered, authorized, requested, received, or accepted and will not make, offer, or authorize, request, receive or accept with respect to the matters which are the subject of this Agreement, any payment, gift, promise or other advantage, whether directly or indirectly through any person or entity, to or for the use or benefit of any public official or any political party or any political party official or candidate for office, or any other person where such payment, gift, promise or advantage would violate: (a) any Applicable Laws, including the Foreign Corrupt Practices Act 1977 (US) or the Bribery Act 2010 (UK); or (b) the laws of the country of incorporation of such entity or such entity's ultimate parent company or of the principal place of business of such ultimate parent company.
- 25.4 The Operator shall ensure that all subcontracts entered under this Agreement shall contain warranties and representations reflecting this clause 25.
- 25.5 Each Party shall upon the written request of the other Party, provide a written statement confirming that it has complied with all the requirements of this clause 25.
- 25.6 Each Party shall immediately report to the other Party any act or omission which may be seen as a breach of this clause 25. In such instances the relevant Party shall give the other Party access to all documents which in the relevant Party's sole opinion may be relevant to determine whether such a breach has occurred.
- 25.7 Each Party warrants, represents and undertakes on a continuing basis that:

- (a) neither it nor any of its Affiliates is or will be a Sanctioned Entity; and
 - (b) entry into and performance of this Agreement is not and will not be a Sanctioned Transaction.
- 25.8 Each Party shall comply with all Applicable Laws in performing this Agreement and:
- (a) shall not use the compensation received under this Agreement for any Sanctioned Transaction;
 - (b) shall ensure that any surplus items from the FSO which, with the consent of the other Party are disposed of by such Party, are not sold, transferred, released, exported, provided or used by such Party, or any person with whom such Party directly contracts, for the purpose of or in any activity which is or would constitute a Sanctioned Transaction;
 - (c) shall communicate the conditions of this clause 25.8 in writing to any direct purchasers, transferees or users of items from the FSO disposed of by such Party under this Agreement.
- 25.9 Failure to comply with the obligations set out in this clause 24 shall be a breach of a material obligation under this Agreement. In the event either of the Parties is a Failing Party, the non-breaching Party shall be entitled to:
- (a) cease all payments to the Failing Party until such obligations are fulfilled;
 - (b) terminate this Agreement in accordance with clause 16; and
 - (c) be indemnified by the Failing Party for all claims, damages, losses, penalties, costs and expenses suffered by the other Party arising out of or related to any breach of this clause 25 by the Failing Party; provided, however, that termination by the Operator of a subcontractor (including the Subcontractor) and, to the extent necessary to fulfil the Operator's obligations hereunder, the procurement of a replacement subcontractor/Subcontractor, shall cure any failure by the Operator to comply with its obligations under this clause 25 resulting from the acts or omissions of a subcontractor/Subcontractor.
26. **MISCELLANEOUS**
- 26.1 All terms and conditions of this Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and permitted assigns.
- 26.2 This Agreement may be executed in one or more counterparts, including by electronic .pdf, which, taken together, shall constitute one original document.
- 26.3 Except as specifically provided herein to the contrary, each Party hereto intends that this Agreement shall not benefit or create any right or cause of action to any person other than the Parties hereto or their permitted assigns.
- 26.4 The making, execution, and delivery of this Agreement by the Parties hereto have been induced by no representation, statements, warranties or agreements other than those herein expressed or set forth in the attached appendices, annexes, exhibits or schedules. This Agreement, its appendices, annexes, exhibits or schedules and the other documents executed in connection herewith, embody the entire understanding of the Parties, and there are no further or other agreements or understandings, written or oral, in effect between the Parties relating to the subject matter hereof.

- 26.5 No failure by either Party at any time, or from time to time, to enforce or require the strict keeping and performance of any of the terms or conditions of this Agreement, or to exercise a right hereunder, shall constitute a waiver of such terms or conditions.
- 26.6 If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future law, such provision shall be fully severable. This Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof and the remaining portions hereof shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom. Furthermore, in lieu of such illegal, invalid or unenforceable provision there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid and unenforceable provision as may be possible and be legal, valid and enforceable.
- 26.7 Termination of this Agreement, regardless of cause, shall not relieve either Party of its obligations and limitations arising from or incidental to this Agreement accruing prior to its termination including each Party's indemnification obligations hereunder.
- 26.8 Save for in respect of clauses 7 and 11 (which each member of the Charterer Group and the Operator Group, as applicable, shall be entitled to enforce) and clause 12 (which each member of the Charterer Group shall be entitled to enforce), no provision of this Agreement is intended by the Parties to be construed as creating any right(s) enforceable by a third party by virtue of the Contracts (Rights of Third Parties) Act 1999 and all third party rights implied by law are, to the extent permissible by law, excluded from this Agreement. Notwithstanding this clause 26.8, this Agreement may be rescinded, amended or varied by the Parties without notice to or the consent of any person who is not a Party even if, as a result, that person's right to enforce a term of this Agreement may be varied or extinguished. The rights of any non-Party shall be subject to such person's written agreement to comply with the provisions of this clause 26.8 in respect of all matters relating to such rights.
- 26.9 This Agreement shall not be amended or modified, nor shall any condition herein specified be waived, absent a written instrument executed on behalf of the Parties.
27. **NOT ICES**
- 27.1 Notices or other communications required to be given by either Party pursuant to this Agreement shall be written in English and delivered personally, sent by courier, sent by mail or sent by email to the address of the other Party set forth in clause 27.2, or to such other address as may from time to time be designated by the other Party through notification of such Party. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
- (a) notices given by personal delivery shall be deemed effectively given on the date of personal delivery;
 - (b) notices given by mail shall be deemed effectively given on the seventh day after the day mailed (as indicated by the postmark) by registered airmail, postage prepaid, or the third day after delivery to an internationally recognized courier service;
 - (c) notices given by email shall be deemed effectively given on the date sent, if such date is a Business Day (in the country to which the notice is sent). If the date sent is not a Business Day, notice shall be deemed effectively given on the first Business Day after the notice is sent. Notice will not be deemed given by email where the sender receives an automated server response that the intended recipient has not received the email.
- 27.2 Except as otherwise provided in clause 27.1, the Parties shall give all notices and send all invoices and communications under this Agreement to:

If to the Operator:

World Carrier Offshore Services Corp.

Agiassou 34 Vrilissia

Athens, 15235 Greece

Attention:

Email:

With copy to:

Attention: Legal Counsel

Email:

Attention: Operations Manager

Email:

If to the Charterer:

VAALCO Gabon SA

9800 Richmond Avenue – Suite 700

Houston, Texas 77042 USA

Attention: Chief Executive Officer

Email:

With copy to:

Attention: General Counsel

Email:

Attention: Gabon Operations

Email:

28. **GO VERNING LAW AND ARBITRATION**

28.1 This Agreement shall be governed by and construed in accordance with English law.

28.2 Subject to clause 5.4 above, any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration in London in accordance with the rules of the London Maritime Arbitrators Association for the time being in force, which rules are deemed to be incorporated by reference in this clause 28.2. The arbitrators shall be entitled to give interlocutory orders and/or give rulings on an agreed set of facts and/or a preliminary point of law at the request of either Party if they think fit to do so.

The reference shall be to three arbitrators. A Party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other Party requiring the other Party to appoint its own arbitrator within fourteen (14) calendar days of

that notice and stating that it will appoint its arbitrator as sole arbitrator unless the otherParty appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the otherParty does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the Party referring a dispute to arbitration may, without the requirement of any further prior notice to the other Party, appoint its arbitrator as sole arbitrator and shall advise the otherParty accordingly. The award of a sole arbitrator shall be binding on both Parties as if he or she had been appointed by agreement.

The Operator agrees, and shall procure that each of its Affiliate agrees, that any Affiliate of the Operator may be joined to any proceedings under this Agreement and/or proceedings consolidated, in each case in respect of any claim pursuant to the Charter.

The arbitrators' award shall be final and binding upon both Parties and may be enforced in any court having jurisdiction in respect thereof.

The arbitration shall be conducted in the English language.

28.3 The arbitrators shall determine which Party shall bear the expenses of the proceedings, or the proportion of such expenses which each Party shall bear.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day, month and year first written above.

OPERATOR:

**WORLD CARRIER OFFSHORE
SERVICES CORP.**

By: /s/ George Fragkistas

Name: George Fragkistas

Title: Chief Executive Officer

CHARTERER:

VAALCO GABON SA

By: /s/ George Maxwell

Name: George Maxwell

Title: Chief Executive Officer

**schedule 1
OPERATOR'S OBLIGATIONS**

**schedule 2
RESPONSIBILITY MATRIX**

**schedule 3
KEY PERSONNEL**

schedule 4
Health, Safety and Environmental Requirements

schedule 5
CODE OF BUSINESS CONDUCT AND ETHICS

Deed of Guarantee and Indemnity

[*Operator or Affiliate*]

and

[*Charterer*]

in respect of Operating Agreement

_____ 2021

THIS DEED OF GUARANTEE AND INDEMNITY is made as a deed on _____ 2021

BETWEEN:

- (1) [**OPERATOR or AFFILIATE**], a company incorporated in [] and having its principal office at [] (the "**Guarantor**"); and
 - (2) [**CHARTERER**], a company incorporated in [] and having its principal office at [] (the "**Beneficiary**"),
- each a "**Party**" and together the "**Parties**".

recitals

- (A) The Beneficiary has, on the same date as this Deed of Guarantee and Indemnity, entered into an Operating Agreement with [*Operator*] (**Operator**) in respect of the operation and maintenance of an FSO on the Field (**Operating Agreement**).
- (B) [VAALCO] is the operator of the Field on behalf of the Co-venturers, pursuant to the Etame Marin JOA.
- (C) The Beneficiary has agreed to enter into the Operating Agreement subject to the Guarantor agreeing to enter into this Deed of Guarantee and Indemnity in respect of the Guaranteed Obligations as set out in clause 2.
- (D) The Guarantor is [*the [ultimate] parent company of the Operator*] and has agreed (it being in its best commercial interests to do so) to enter into this Deed of Guarantee and Indemnity in respect of the Guaranteed Obligations.

the parties agree as follows:

1. INTERPRETATION

- 1.1 In this Deed of Guarantee and Indemnity, unless otherwise defined or provided for in this Deed of Guarantee and Indemnity, words and expressions shall have the following meanings:

"**Affiliate**" means, in relation to a person, a company, partnership or other legal entity which controls, is controlled by, or which is under common control with, that person, and "control" means the ownership, directly or indirectly, of fifty per cent (50%) or more of the voting rights in a company, partnership or other legal entity;

"**Business Day**" means a day throughout which banks are open for business in New York, London and the Gabonese Republic;

"**Charter**" has the meaning given to it in the Operating Agreement;

"**Co-venturer**" has the meaning given to it in the Operating Agreement;

"**Default Rate**" means US Dollar LIBOR plus seven per cent (7%);

"**Etame Marin JOA**" has the meaning given to it in the Operating Agreement;

"**Field**" has the meaning given to it in the Operating Agreement;

"**FSO**" has the meaning given to it in the Operating Agreement;

"**Guaranteed Obligations**" has the meaning given in clause 2;

"**Operating Agreement**" has the meaning given to it in Recital (A); and

"**US Dollar LIBOR**" has the meaning given to it in the Operating Agreement.

1.2 In this Deed of Guarantee and Indemnity, unless otherwise specified:

- (a) clause headings shall not affect the interpretation of this Deed of Guarantee and Indemnity;
- (b) a reference to a "**company**" shall include any company, corporation or other body corporate, wherever and however incorporated or established, a partnership, a joint venture and unincorporated association;
- (c) the words "**include**", "**includes**", "**including**" "**inclusive of**" shall mean "including but not limited to";
- (d) a "**person**" includes any person, individual, company, firm, corporation, government, state or agency of a state or any undertaking (whether or not having separate legal personality and irrespective of the jurisdiction in or under the law of which it was incorporated or exists);
- (e) reference to "**clauses**" are to clauses of this Deed of Guarantee and Indemnity;
- (f) "**writing**" means typed text or legible manuscript text (including by e-mail);
- (g) words denoting the singular shall include the plural and vice versa and words denoting any gender shall include all genders;
- (h) reference to a legal or regulatory provision or standard is to be construed as a reference to that legal or regulatory provision or standard as the same may have been amended or re-enacted before the date of this Deed of Guarantee and Indemnity;
- (i) reference to any statute, statutory instrument, regulation, by-law or other requirement of English law and to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, procedure, court, official or any legal concept or doctrine or other expression shall in respect of any jurisdiction other than England be deemed to include that which most nearly approximates in that jurisdiction to the English term;
- (j) a reference to a statute or statutory provision shall include all subordinate legislation made as at the date of this Deed of Guarantee and Indemnity under that statute or statutory provision;
- (k) reference to the time of day is reference to time in London, England;
- (l) unless the context otherwise requires, references to documents and agreements shall be construed as references to those documents or agreements as may have been or are amended, supplemented, novated or superseded from time to time; and
- (m) a reference to a Party shall include that Party's successors and permitted assigns.

2. **GUARANTEE**

2.1 The Guarantor (as a primary obligor and not merely as a surety) at the request of the Beneficiary hereby irrevocably and unconditionally guarantees to the Beneficiary:

- (a) the due and punctual performance and observance by the Operator of all of its obligations under the Operating Agreement; and
- (b) the due and punctual payment to the Beneficiary by the Operator of all amounts which the Operator is or shall become obliged to pay to the Beneficiary under the Operating Agreement,

(together the **Guaranteed Obligations**).

- 2.2 If the Operator fails to pay or perform in full and on time any of the Guaranteed Obligations, the Guarantor irrevocably and unconditionally undertakes that it shall immediately on demand pay or perform the Guaranteed Obligations as if it were the principal obligor.
- 2.3 The Guarantor irrevocably and unconditionally agrees with the Beneficiary that, if for any reason, any amount claimed under this Deed of Guarantee and Indemnity is not recoverable on the basis of a guarantee, the Guarantor will be liable as a primary obligor to indemnify the Beneficiary against any cost, loss, or liability incurred by the Beneficiary as a result of the Operator failing to pay or carry out any of the Guaranteed Obligations, provided the amount payable by the Guarantor under this Deed of Guarantee and Indemnity will not exceed the amount it would have had to pay if the amount claimed had been recoverable on the basis of a guarantee.
- 2.4 The provisions of this Deed of Guarantee and Indemnity shall not be interpreted or construed in a way so as to impose on the Guarantor the obligation to pay to the Beneficiary an amount greater than the amount owed by the Operator to the Beneficiary under the terms of the Operating Agreement. The liability of the Operator under the Operating Agreement shall be automatically reduced by any amount paid by the Guarantor to the Beneficiary pursuant to this Deed of Guarantee and Indemnity.

3. **MATTERS NOT TO REDUCE THE GUARANTOR'S LIABILITY**

- 3.1 If any purported obligation or liability of the Operator under the Operating Agreement which, if valid, would have been the subject of this Deed of Guarantee and Indemnity is not or ceases to be valid or enforceable on any ground whatsoever (whether or not known to the Beneficiary or the Operator) (including any defect in or want of powers of the Operator or irregular exercise thereof or lack of authority by any person apparently authorised to act on behalf of the Operator or any legal or other limitation (whether under the Limitation Act 1980 or otherwise), disability, incapacity or any change in the constitution of or any amalgamation, reconstruction or liquidation of the Operator), the Guarantor shall nevertheless be liable in respect of that purported obligation or liability as if the same were fully valid and enforceable and as if the Guarantor were the principal debtor in respect thereof. The Guarantor hereby agrees to indemnify, defend and hold the Beneficiary harmless in accordance with the terms of this Deed of Guarantee and Indemnity against all damages, losses, costs and expenses arising from any failure of the Operator to carry out any such purported obligation or liability by reason of it not being or ceasing to be valid or enforceable.
- 3.2 The obligations and liabilities of the Guarantor in respect of the Guaranteed Obligations shall not in any way be affected nor shall this Deed of Guarantee and Indemnity be discharged or diminished by reason of any of the following (whether or not known to the Guarantor or the Beneficiary):
- (a) any time, consent, waiver or release being given by the Beneficiary to the Operator or to any surety, or by any other indulgence or concession granted by the Beneficiary to the Operator or to any surety in respect of (or any variation or waiver of) any of the Guaranteed Obligations or any obligations of any surety (whether the same be made with the Guarantor's consent or not);
 - (b) any termination, amendment, variation, replacement, restatement or supplement of or to the Operating Agreement or any of the Guaranteed Obligations;
 - (c) the taking, holding, variation, compromise, renewal, non-enforcement, release or refusal or neglect to perfect or enforce any right, remedies or securities against the Operator or any other person;

- (d) any present or future guarantee, indemnity or security being or becoming wholly or partially void, voidable or unenforceable on any ground whatsoever;
- (e) the insolvency, bankruptcy, liquidation, administration, winding-up, dissolution, receivership, incapacity, amalgamation, reconstruction, re-organisation or any analogous proceedings relating to the Operator or the Guarantor;
- (f) any claim or enforcement of payment from the Operator or any other person;
- (g) any change in the status, function, constitution or ownership of the Operator, the Guarantor or the Beneficiary;
- (h) any invalidity, illegality, unenforceability, irregularity or frustration of any actual or purported obligation of the Operator or any other person in connection with the Guaranteed Obligations; or
- (i) any other act, omission, event, circumstance, matter or thing which, but for this provision, might operate to release or otherwise exonerate the Guarantor from any of its obligations under this Deed of Guarantee and Indemnity or affect or prejudice any of the rights, powers or remedies conferred upon the Beneficiary under this Deed of Guarantee and Indemnity or by law.

4. **NO COMPETITION**

4.1 Until all the Guaranteed Obligations have been irrevocably paid, discharged or satisfied in full, the Guarantor will not exercise any rights which it may have:

- (a) to be subrogated to or otherwise entitled to share in, any security or monies held, received or receivable by the Beneficiary or to claim any right of contribution in relation to any payment made by the Guarantor under this Deed of Guarantee and Indemnity;
- (b) to exercise or enforce any of its rights of subrogation and indemnity against the Operator;
- (c) following a claim being made on the Guarantor, to claim any set-off or counterclaim against the Operator; and
- (d) to claim or prove in a liquidation or other insolvency proceeding of the Operator in competition with the Beneficiary.

4.2 If the Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution on trust for the Beneficiary and shall promptly pay or transfer the same to the Beneficiary or as the Beneficiary may direct.

5. **DISCHARGE TO BE CONDITIONAL**

Any release, discharge or settlement between the Guarantor and the Beneficiary shall be conditional upon no security, disposition or payment to the Beneficiary by the Operator or any other person in respect of the Guaranteed Obligations being void, set aside or ordered to be refunded pursuant to any enactment or law in relation to bankruptcy, liquidation or insolvency (or its equivalent in any relevant jurisdiction) or for any reason whatever, and if such condition shall not be fulfilled the Beneficiary shall be entitled to enforce this Deed of Guarantee and Indemnity as if such release, discharge or settlement had not occurred and any such payment had not been made.

6. **ENFORCEMENT**

The Beneficiary shall not be obliged before exercising or enforcing any of its rights, powers or remedies conferred upon it by this Deed of Guarantee and Indemnity or by law:

- 6.1 to take any action or obtain any judgement in any court or tribunal against the Operator or any other person;
- 6.2 to make or file any claim or proof in connection with the bankruptcy, liquidation, administration or insolvency (or its equivalent in any relevant jurisdiction) of the Operator or any other person;
- 6.3 to make, enforce or seek to enforce any claim, right or remedy against the Operator or any other person under any security or other document, agreement or arrangement; or
- 6.4 to enforce against and/or realise (or seek so to do) any security that it may have in respect of all or any part of the Guaranteed Obligations.

7. **REPRESENTATIONS AND WARRANTIES**

The Guarantor hereby represents and warrants to the Beneficiary as at the date of this Deed of Guarantee and Indemnity:

- (a) the execution, delivery and performance of this Deed of Guarantee and Indemnity, have been duly and validly authorised by the Guarantor;
- (b) the signing of this Deed of Guarantee and Indemnity by the Guarantor and the performance of its obligations under this Deed of Guarantee and Indemnity shall not contravene or constitute a breach of or default under any provision contained in any agreement or instrument to which it is a party or by which it is bound nor will it result in a breach of any provision of its memorandum or articles of association or equivalent constitutional documents nor will it result in a breach of any order, judgment or decree of any court or governmental, administrative, judicial or regulatory body, authority or organisation or any law to which it is a party or by which it is bound;
- (c) the Guarantor is duly organised, validly existing and in good standing under the laws of []. The Guarantor has all requisite power and authority to execute and deliver this Deed of Guarantee and Indemnity and to perform its obligations hereunder;
- (d) the Guarantor is not for statutory purposes deemed to be unable to pay its debts nor is it unable to pay its debt as they become due;
- (e) no order has been served on the Guarantor and no resolution has been passed for the winding-up or dissolution of the Guarantor; the Guarantor is not in administration and no steps have been taken to place the Guarantor into administration (including the filing of any notice of intention to appoint an administrator over the Guarantor); the Guarantor is not subject to a company voluntary arrangement and no such arrangement has been proposed nor is the Guarantor subject to a scheme of arrangement and no such scheme has been proposed; no receiver (whether statutory or contractual) has been appointed to the Guarantor or any of its assets; the Guarantor is not in administrative receivership and has not suspended payments on any of its debts, nor entered into any compromises with any or all of its creditors;
- (f) all consents, permissions, approvals and agreements of its shareholders, lenders or any third parties which are necessary or desirable for it to obtain in order to enter into and perform this Deed of Guarantee and Indemnity in accordance with its terms have been unconditionally obtained in writing and have been disclosed in writing to the Beneficiary; and

- (g) the Guarantor, its Affiliates, its personnel and its subcontractors have not made, offered, authorized, requested, received, or accepted and will not make, offer, or authorize, request, receive or accept with respect to the matters which are the subject of this Guarantee and Indemnity or the Operating Agreement, any payment, gift, promise or other advantage, whether directly or indirectly through any person or entity, to or for the use or benefit of any public official or any political party or any political party official or candidate for office, or any other person where such payment, gift, promise or advantage would violate: (a) any Applicable Laws, including the Foreign Corrupt Practices Act 1977 (US) or the Bribery Act 2010 (UK); or (b) the laws of the country of incorporation of such entity or such entity's ultimate parent company or of the principal place of business of such ultimate parent company. The Guarantor has instituted, maintained and monitored policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance with applicable anti-bribery and corruption laws.

8. CONTINUING AND ADDITIONAL SECURITY

- 8.1 This Deed of Guarantee and Indemnity is a continuing security and shall remain in full force and effect until all the Guaranteed Obligations and the indemnity obligations have been discharged or satisfied in full notwithstanding any intermediate payment or discharge by the Guarantor of the Guaranteed Obligations or the liquidation or other incapacity or any change in the constitution or name of the Operator or of the Guarantor or any settlement of account or other matter or thing whatsoever.
- 8.2 This Deed of Guarantee and Indemnity is in addition to and shall not merge with or otherwise prejudice or affect or be prejudiced by any other right, remedy, guarantee, indemnity or security and may be enforced without first having recourse to the same or any other bill, note, mortgage, charge, pledge or lien now or hereafter held by or available to the Beneficiary.

9. PAYMENTS AND WITHHOLDINGS

- 9.1 Subject to clause 2.4, all payments to be made by the Guarantor under the Deed of Guarantee and Indemnity shall be made in immediately available cleared funds, without any deduction or set-off or counterclaim and free and clear of and without deduction for or on account of any taxes, levies, imports, duties, charges, fees and withholdings of any nature now or hereafter imposed by any governmental, fiscal or other authority save as required by law or regulation which is binding on the Guarantor. If the Guarantor is required by law or regulation to make any such deduction, it will pay to the Beneficiary such additional amounts as are necessary to ensure receipt by the Beneficiary of the full amount which that party would have received but for the deduction. The Guarantor shall promptly deliver or procure delivery to the Beneficiary of all receipts issued to it evidencing each deduction or withholding which it has made.
- 9.2 If the Guarantor fails to pay any sum payable under this Deed of Guarantee and Indemnity within fifteen (15) Business Days of receipt of a demand for payment, the Guarantor shall pay an amount equivalent to interest on such sum for the period from and including the date the demand for such amount was received up to the date of actual payment (both before and after judgment) at the Default Rate which shall accrue from day to day and be compounded monthly and shall be paid by the Guarantor on demand.

10. WAIVER

- 10.1 No failure or delay by the Beneficiary in exercising any right, power or privilege under this Deed of Guarantee and Indemnity or by law shall operate as a waiver of that right, power or privilege nor shall any single or partial exercise of any right, power or privilege preclude any other further exercise thereof or the exercise of any other right, power or privilege.

- 10.2 A waiver given or consent granted by the Beneficiary under this Deed of Guarantee and Indemnity will be effective only if given in writing and then only in the instance and for the purpose for which it is given.
- 10.3 The Beneficiary may release or compromise the liability of, or grant time or any other indulgence without compromising or affecting the liability of the Guarantor.
- 10.4 The powers which this Deed of Guarantee and Indemnity confers on the Beneficiary are cumulative, without prejudice to any rights or remedies provided by law and may be exercised as often as the Beneficiary thinks appropriate.

11. **SEVERANCE**

Each provision of this Deed of Guarantee and Indemnity is severable and distinct from the others and, if any such provision shall in whole or in part be held to any extent to be invalid, illegal or unenforceable in any respect under any enactment or rule of law, that provision or part shall to that extent be deemed not to form part of this Deed of Guarantee and Indemnity and the validity, legality and enforceability of the remainder of this Deed of Guarantee and Indemnity shall not be affected or impaired in any way.

12. **CONTINUATION OF DEED OF GUARANTEE AND INDEMNITY**

This Deed of Guarantee and Indemnity shall remain in full force and effect notwithstanding any amendments, variations, replacements or supplements from time to time to the Operating Agreement.

13. **ASSIGNMENT**

- 13.1 No Party shall be entitled to assign, transfer, encumber, sub-contract, delegate, declare a trust over or deal in any other manner with any or all of its rights and obligations under this Deed of Guarantee and Indemnity without the prior written consent of the other Party.

- 13.2 This Deed of Guarantee and Indemnity shall enure to the benefit of and be binding upon the respective successors and permitted assigns of the parties.

14. **ENFORCEMENT COSTS**

The Guarantor hereby agrees to indemnify, defend and hold harmless (save insofar as otherwise indemnified under this Deed of Guarantee and Indemnity) the Beneficiary on demand against all losses, actions, claims, costs, charges, expenses and liabilities incurred or sustained by the Beneficiary in any enforcement or attempted enforcement of this Deed of Guarantee and Indemnity or occasioned by any breach by the Guarantor of any of the covenants or obligations to the Beneficiary under this Deed of Guarantee and Indemnity.

15. **NOTICES**

- 15.1 Except as otherwise provided in this Deed of Guarantee and Indemnity, any notice, demand or other communication given or made under or in connection with the matters contemplated by this Deed of Guarantee and Indemnity shall be in writing, in the English language and must be:

- (a) delivered by hand;
- (b) delivered by internationally recognised courier with tracked delivery;
- (c) sent by email, with the notice attached in PDF format,

to:

in the case of the Beneficiary:
Address
Email Address
Attention

in the case of the Guarantor:
Address
Email Address
Attention

and shall be deemed to have been duly given or made as follows:

- (a) if delivered by hand or by courier, upon delivery at the address of the relevant Party, and
- (b) if sent by email, on the date sent if such date is a Business Day (in the country to which the notice is sent). If the date sent is not a Business Day, notice shall be deemed effectively given on the first Business Day after the notice is sent. Notice will not be deemed given by email where the sender receives an automated server response that the intended recipient has not received the email,

provided that if, in accordance with the above provisions, any such notice, demand or other communication would otherwise be deemed to be given or made after 5.00 p.m. on a Business Day such notice, demand or other communication shall be deemed to be given or made at 9.00 a.m. on the next Business Day.

15.2 In proving the giving of a notice it shall be sufficient to prove that delivery in person was made or that the envelope containing the notice was properly addressed and posted or that the email was properly addressed and transmitted and no notice of failure of delivery was received by the sender, as the case may be.

15.3 A Party may notify the other Parties to this Deed of Guarantee and Indemnity of a change to its name, relevant addressee or address for the purposes of clause 15 provided that such notification shall only be effective on:

- (a) the date specified in the notification as the date on which the change is to take place; or
- (b) if no date is specified or the date specified is less than five (5) Business Days after the date on which notice is given, the date falling five (5) Business Days after notice of any such change has been given.

16. **CURRENCY**

All payments to be made under this Deed of Guarantee and Indemnity shall be made in the currency in which the Guaranteed Obligations were expressed to be payable.

17. **AMENDMENT**

A variation of this Deed of Guarantee and Indemnity shall be in writing and executed as a deed by or on behalf of each Party.

18. **THIRD PARTY RIGHTS**

18.1 The Parties confirm that no term of this Deed of Guarantee and Indemnity is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a Party to this Deed of Guarantee and Indemnity.

18.2 The Parties may amend, vary or terminate this Deed of Guarantee and Indemnity in such a way as may affect any rights or benefits of any third party which are directly enforceable against the Parties under the Contracts (Rights of Third Parties) Act 1999 without the consent of such third party.

18.3 Any third party entitled pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any rights or benefits conferred on it by this Deed of Guarantee and Indemnity may not veto any amendment, variation or termination of this Deed of Guarantee and Indemnity which is proposed by the Parties and which may affect the rights or benefits of the third party.

19. **CERTIFICATES CONCLUSIVE**

A certificate, determination, notification or opinion of the Beneficiary as to any amount payable under this Deed of Guarantee and Indemnity will be conclusive and binding on the Guarantor except in the case of fraud or manifest error.

20. **COUNTERPARTS**

This Deed of Guarantee and Indemnity may be executed in any number of counterparts, each of which is an original and which together have the same effect as if each party had signed the same document, provided, however, that none of the counterparts will be effective until both parties have executed a counterpart thereof. Each counterpart shall constitute an original of this Deed of Guarantee and Indemnity but all the counterparts together shall constitute one and the same agreement.

21. **GOVERNING LAW AND ARBITRATION**

21.1 This Deed of Guarantee and Indemnity shall be governed by and construed in accordance with English law.

21.2 Any dispute arising out of or in connection with this Deed of Guarantee and Indemnity, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration in London in accordance with the rules of the London Maritime Arbitrators Association for the time being in force, which rules are deemed to be incorporated by reference in this clause 21.2. The arbitrators shall be entitled to give interlocutory orders and/or give rulings on an agreed set of facts and/or a preliminary point of law at the request of either Party if they think fit to do so.

The reference shall be to three arbitrators. A Party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other Party requiring the other Party to appoint its own arbitrator within fourteen (14) calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other Party appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the other Party does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the Party referring a dispute to arbitration may, without the requirement of any further prior notice to the other Party, appoint its arbitrator as sole arbitrator and shall advise the other Party accordingly. The award of a sole arbitrator shall be binding on both Parties as if he or she had been appointed by agreement.

The Parties agree, and shall procure that each of its Affiliates agrees, that any Affiliate of either may be joined to any proceedings under this Deed of Guarantee and Indemnity and/or proceedings consolidated, in each case in respect of any claim pursuant to the Charter or the Operating Agreement.

The arbitrators' award shall be final and binding upon both Parties and may be enforced in any court having jurisdiction in respect thereof.

The arbitration shall be conducted in the English language.

- 21.3 The arbitrators shall determine which Party shall bear the expenses of the proceedings, or the proportion of such expenses which each Party shall bear.

IN WITNESS whereof the Guarantor and the Beneficiary have executed and delivered this Deed of Guarantee and Indemnity as a deed the day and year first above written.

Executed as a deed by)
[OPERATOR or AFFILIATE])
 acting by:)

.....

Director

.....

Director

Executed as a deed for and on behalf of)
[CHARTERER])
 acting by:)

.....

Director

.....

Director



Deed of Guarantee and Indemnity

[*Co-venturer or Affiliate*]

and

[*Operator*]

in respect of Operating Agreement

_____ 2021

THIS DEED OF GUARANTEE AND INDEMNITY is made as a deed on _____ 2021

BETWEEN:

- (1) [CO-VENTURER or AFFILIATE], a company incorporated in [] and having its principal office at [] (the "Guarantor"); and
 - (2) [OPERATOR], a company incorporated in [] and having its principal office at [] (the "Beneficiary"),
- each a "Party" and together the "Parties".

recitals

- (A) The Beneficiary has, on the same date as this Deed of Guarantee and Indemnity, entered into an Operating Agreement with [VAALCO] (Charterer) in respect of the operation and maintenance of an FSO on the Field (Operating Agreement).
- (B) [VAALCO] is the operator of the Field on behalf of the Co-venturers, pursuant to the Etame Marin JOA.
- (C) The Beneficiary has agreed to enter into the Operating Agreement subject to (i) the Guarantor agreeing to enter into this Deed of Guarantee and Indemnity in respect of the Guaranteed Obligations as set out in clause 2 and (ii) the other Co-venturers holding a paying interest in the Field agreeing to enter into, or procuring the entry into by an Affiliate of such Co-venturer on its behalf (in each case by an entity with a credit standing reasonably acceptable to the Beneficiary), a deed of guarantee and indemnity (on terms identical to this Deed of Guarantee and Indemnity) in respect of their respective paying interest in the Field (together, the **Other Deeds of Guarantee and Indemnity**). This Deed of Guarantee and Indemnity, together with the Other Deeds of Guarantee and Indemnity, relate to the entirety of the Charterer's obligations pursuant to the Operating Agreement.
- (D) The Guarantor is [a Co-venturer holding a paying interest in the Field/ the [ultimate] parent company of a Co-venturer holding a paying interest in the Field] and has agreed (it being in its best commercial interests to do so) to enter into this Deed of Guarantee and Indemnity in respect of the Guaranteed Obligations.

the parties agree as follows:

1. INTERPRETATION

- 1.1 In this Deed of Guarantee and Indemnity, unless otherwise defined or provided for in this Deed of Guarantee and Indemnity, words and expressions shall have the following meanings:

"Affiliate" means, in relation to a person, a company, partnership or other legal entity which controls, is controlled by, or which is under common control with, that person, and "control" means the ownership, directly or indirectly, of fifty per cent (50%) or more of the voting rights in a company, partnership or other legal entity;

"Business Day" means a day throughout which banks are open for business in New York, London and the Gabonese Republic;

"Charter" has the meaning given to it in the Operating Agreement;

"Charterer" has the meaning given to it in Recital (A);

"Co-venturer" has the meaning given to it in the Operating Agreement;

"Default Rate" means US Dollar LIBOR plus seven per cent (7%);

"**Etame Marin JOA**" has the meaning given to it in the Operating Agreement;

"**Field**" has the meaning given to it in the Operating Agreement;

"**FSO**" has the meaning given to it in the Operating Agreement;

"**Guaranteed Obligations**" has the meaning given in clause 2;

"**Operating Agreement**" has the meaning given to it in Recital (A);

"**Other Deeds of Guarantee and Indemnity**" has the meaning given in Recital (C); and

"**US Dollar LIBOR**" has the meaning given to it in the Operating Agreement.

1.2 In this Deed of Guarantee and Indemnity, unless otherwise specified:

- (a) clause headings shall not affect the interpretation of this Deed of Guarantee and Indemnity;
- (b) a reference to a "**company**" shall include any company, corporation or other body corporate, wherever and however incorporated or established, a partnership, a joint venture and unincorporated association;
- (c) the words "**include**", "**includes**", "**including**" "**inclusive of**" shall mean "including but not limited to";
- (d) a "**person**" includes any person, individual, company, firm, corporation, government, state or agency of a state or any undertaking (whether or not having separate legal personality and irrespective of the jurisdiction in or under the law of which it was incorporated or exists);
- (e) reference to "**clauses**" are to clauses of this Deed of Guarantee and Indemnity;
- (f) "**writing**" means typed text or legible manuscript text (including by e-mail);
- (g) words denoting the singular shall include the plural and vice versa and words denoting any gender shall include all genders;
- (h) reference to a legal or regulatory provision or standard is to be construed as a reference to that legal or regulatory provision or standard as the same may have been amended or re-enacted before the date of this Deed of Guarantee and Indemnity;
- (i) reference to any statute, statutory instrument, regulation, by-law or other requirement of English law and to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, procedure, court, official or any legal concept or doctrine or other expression shall in respect of any jurisdiction other than England be deemed to include that which most nearly approximates in that jurisdiction to the English term;
- (j) a reference to a statute or statutory provision shall include all subordinate legislation made as at the date of this Deed of Guarantee and Indemnity under that statute or statutory provision;
- (k) reference to the time of day is reference to time in London, England;
- (l) unless the context otherwise requires, references to documents and agreements shall be construed as references to those documents or agreements as may have been or are amended, supplemented, novated or superseded from time to time; and

(m) a reference to a Party shall include that Party's successors and permitted assigns.

2. **GUARANTEE**

2.1 The Guarantor (as a primary obligor and not merely as a surety) at the request of the Beneficiary hereby irrevocably and unconditionally guarantees to the Beneficiary the due and punctual payment to the Beneficiary by the Charterer of all amounts which the Charterer is or shall become obliged to pay to the Beneficiary under the Operating Agreement (the **Guaranteed Obligations**).

2.2 If the Charterer fails to pay in full and on time any of the Guaranteed Obligations, the Guarantor irrevocably and unconditionally undertakes that it shall immediately on demand pay the Guaranteed Obligations as if it were the principal obligor.

2.3 The Guarantor irrevocably and unconditionally agrees with the Beneficiary that, if for any reason, any amount claimed under this Deed of Guarantee and Indemnity is not recoverable on the basis of a guarantee, the Guarantor will be liable as a primary obligor to indemnify the Beneficiary against any cost, loss, or liability incurred by the Beneficiary as a result of the Charterer failing to pay any of the Guaranteed Obligations, provided the amount payable by the Guarantor under this Deed of Guarantee and Indemnity will not exceed the amount it would have had to pay if the amount claimed had been recoverable on the basis of a guarantee.

2.4 Without prejudice to clause 3.1 and notwithstanding any other provision of this Deed of Guarantee and Indemnity, the total liability of the Guarantor under this Deed of Guarantee and Indemnity shall not exceed [] per cent ([]%) of the Guaranteed Obligations. The liability of the Charterer under the Operating Agreement shall be automatically reduced by the aggregate of (i) any amount paid by the Guarantor to the Beneficiary pursuant to this Deed of Guarantee and Indemnity and (ii) (pro rata to any reduction under the Other Deeds of Guarantee and Indemnity) the amounts paid to the Beneficiary pursuant to the Other Deeds of Guarantee and Indemnity.

2.5 In no event shall the Guarantor be required to pay any sums pursuant to any of the Other Deeds of Guarantee and Indemnity, including as a result of a failure by the guarantor thereunder to pay.

3. **MATTERS NOT TO REDUCE THE GUARANTOR'S LIABILITY**

3.1 If any purported obligation or liability of the Charterer under the Operating Agreement which, if valid, would have been the subject of this Deed of Guarantee and Indemnity is not or ceases to be valid or enforceable on any ground whatsoever (whether or not known to the Beneficiary or the Charterer) (including any defect in or want of powers of the Charterer or irregular exercise thereof or lack of authority by any person apparently authorised to act on behalf of the Charterer or any legal or other limitation (whether under the Limitation Act 1980 or otherwise), disability, incapacity or any change in the constitution of or any amalgamation, reconstruction or liquidation of the Charterer), the Guarantor shall nevertheless be liable in respect of that purported obligation or liability as if the same were fully valid and enforceable and as if the Guarantor were the principal debtor in respect thereof. The Guarantor hereby agrees to indemnify, defend and hold the Beneficiary harmless in accordance with the terms of this Deed of Guarantee and Indemnity against [] per cent ([]%) of all damages, losses, costs and expenses arising from any failure of the Charterer to carry out any such purported obligation or liability by reason of it not being or ceasing to be valid or enforceable.

3.2 The obligations and liabilities of the Guarantor in respect of the Guaranteed Obligations shall not in any way be affected nor shall this Deed of Guarantee and Indemnity be discharged or diminished by reason of any of the following (whether or not known to the Guarantor or the Beneficiary):

- (a) any time, consent, waiver or release being given by the Beneficiary to the Charterer or to any surety, or by any other indulgence or concession granted by the Beneficiary to the Charterer or to any surety in respect of (or any variation or waiver of) any of the Guaranteed Obligations or any obligations of any surety (whether the same be made with the Guarantor's consent or not);
- (b) any termination, amendment, variation, replacement, restatement or supplement of or to the Operating Agreement or any of the Guaranteed Obligations;
- (c) the taking, holding, variation, compromise, renewal, non-enforcement, release or refusal or neglect to perfect or enforce any right, remedies or securities against the Charterer or any other person;
- (d) any present or future guarantee, indemnity or security being or becoming wholly or partially void, voidable or unenforceable on any ground whatsoever;
- (e) the insolvency, bankruptcy, liquidation, administration, winding-up, dissolution, receivership, incapacity, amalgamation, reconstruction, re-organisation or any analogous proceedings relating to the Charterer or the Guarantor;
- (f) any claim or enforcement of payment from the Charterer or any other person;
- (g) any change in the status, function, constitution or ownership of the Charterer, the Guarantor or the Beneficiary;
- (h) any invalidity, illegality, unenforceability, irregularity or frustration of any actual or purported obligation of the Charterer or any other person in connection with the Guaranteed Obligations; or
- (i) any other act, omission, event, circumstance, matter or thing which, but for this provision, might operate to release or otherwise exonerate the Guarantor from any of its obligations under this Deed of Guarantee and Indemnity or affect or prejudice any of the rights, powers or remedies conferred upon the Beneficiary under this Deed of Guarantee and Indemnity or by law.

4. **NO COMPETITION**

4.1 Until all the Guaranteed Obligations have been irrevocably paid, discharged or satisfied in full, the Guarantor will not exercise any rights which it may have:

- (a) to be subrogated to or otherwise entitled to share in, any security or monies held, received or receivable by the Beneficiary or to claim any right of contribution in relation to any payment made by the Guarantor under this Deed of Guarantee and Indemnity;
- (b) to exercise or enforce any of its rights of subrogation and indemnity against the Charterer;
- (c) following a claim being made on the Guarantor, to claim any set-off or counterclaim against the Charterer; or
- (d) to claim or prove in a liquidation or other insolvency proceeding of the Charterer in competition with the Beneficiary.

4.2 If the Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution on trust for the Beneficiary and shall promptly pay or transfer the same to the Beneficiary or as the Beneficiary may direct.

5. **DISCHARGE TO BE CONDITIONAL**

Any release, discharge or settlement between the Guarantor and the Beneficiary shall be conditional upon no security, disposition or payment to the Beneficiary by the Charterer or any other person in respect of the Guaranteed Obligations being void, set aside or ordered to be refunded pursuant to any enactment or law in relation to bankruptcy, liquidation or insolvency (or its equivalent in any relevant jurisdiction) or for any reason whatever, and if such condition shall not be fulfilled the Beneficiary shall be entitled to enforce this Deed of Guarantee and Indemnity as if such release, discharge or settlement had not occurred and any such payment had not been made.

6. **ENFORCEMENT**

The Beneficiary shall not be obliged before exercising or enforcing any of its rights, powers or remedies conferred upon it by this Deed of Guarantee and Indemnity or by law:

- 6.1 to take any action or obtain any judgement in any court or tribunal against the Charterer or any other person;
- 6.2 to make or file any claim or proof in connection with the bankruptcy, liquidation, administration or insolvency (or its equivalent in any relevant jurisdiction) of the Charterer or any other person;
- 6.3 to make, enforce or seek to enforce any claim, right or remedy against the Charterer or any other person under any security or other document, agreement or arrangement; or
- 6.4 to enforce against and/or realise (or seek so to do) any security that it may have in respect of all or any part of the Guaranteed Obligations.

7. **REPRESENTATIONS AND WARRANTIES**

The Guarantor hereby represents and warrants to the Beneficiary as at the date of this Deed of Guarantee and Indemnity:

- (a) the execution, delivery and performance of this Deed of Guarantee and Indemnity, have been duly and validly authorised by the Guarantor;
- (b) the signing of this Deed of Guarantee and Indemnity by the Guarantor and the performance of its obligations under this Deed of Guarantee and Indemnity shall not contravene or constitute a breach of or default under any provision contained in any agreement or instrument to which it is a party or by which it is bound nor will it result in a breach of any provision of its memorandum or articles of association or equivalent constitutional documents nor will it result in a breach of any order, judgment or decree of any court or governmental, administrative, judicial or regulatory body, authority or organisation or any law to which it is a party or by which it is bound;
- (c) the Guarantor is duly organised, validly existing and in good standing under the laws of []. The Guarantor has all requisite power and authority to execute and deliver this Deed of Guarantee and Indemnity and to perform its obligations hereunder;
- (d) the Guarantor is not for statutory purposes deemed to be unable to pay its debts nor is it unable to pay its debt as they become due;
- (e) no order has been served on the Guarantor and no resolution has been passed for the winding-up or dissolution of the Guarantor; the Guarantor is not in administration and no steps have been taken to place the Guarantor into administration (including the filing of any notice of intention to appoint an administrator over the Guarantor); the Guarantor is not subject to a company voluntary arrangement and no such

arrangement has been proposed nor is the Guarantor subject to a scheme of arrangement and no such scheme has been proposed; no receiver (whether statutory or contractual) has been appointed to the Guarantor or any of its assets; the Guarantor is not in administrative receivership and has not suspended payments on any of its debts, nor entered into any compromises with any or all of its creditors;

- (f) all consents, permissions, approvals and agreements of its shareholders lenders or any third parties which are necessary or desirable for it to obtain in order to enter into and perform this Deed of Guarantee and Indemnity in accordance with its terms have been unconditionally obtained in writing and have been disclosed in writing to the Beneficiary; and
- (g) the Guarantor, its Affiliates, its personnel and its subcontractors have not made, offered, authorized, requested, received, or accepted and will not make, offer, or authorize, request, receive or accept with respect to the matters which are the subject of this Guarantee and Indemnity or the Operating Agreement, any payment, gift, promise or other advantage, whether directly or indirectly through any person or entity, to or for the use or benefit of any public official or any political party or any political party official or candidate for office, or any other person where such payment, gift, promise or advantage would violate: (a) any Applicable Laws, including the Foreign Corrupt Practices Act 1977 (US) or the Bribery Act 2010 (UK); or (b) the laws of the country of incorporation of such entity or such entity's ultimate parent company or of the principal place of business of such ultimate parent company. The Guarantor has instituted, maintained and monitored policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance with applicable anti-bribery and corruption laws.

8. **CONTINUING AND ADDITIONAL SECURITY**

- 8.1 This Deed of Guarantee and Indemnity is a continuing security and shall remain in full force and effect until all the Guaranteed Obligations and the indemnity obligations have been discharged or satisfied in full notwithstanding any intermediate payment or discharge by the Guarantor of the Guaranteed Obligations or the liquidation or other incapacity or any change in the constitution or name of the Charterer or of the Guarantor or any settlement of account or other matter or thing whatsoever.
- 8.2 This Deed of Guarantee and Indemnity is in addition to and shall not merge with or otherwise prejudice or affect or be prejudiced by any other right, remedy, guarantee, indemnity or security and may be enforced without first having recourse to the same or any other bill, note, mortgage, charge, pledge or lien now or hereafter held by or available to the Beneficiary.

9. **PAYMENTS AND WITHHOLDINGS**

- 9.1 Subject to clauses 2.4 and 2.5, all payments to be made by the Guarantor under the Deed of Guarantee and Indemnity shall be made in immediately available cleared funds, without any deduction or set-off or counterclaim and free and clear of and without deduction for or on account of any taxes, levies, imports, duties, charges, fees and withholdings of any nature now or hereafter imposed by any governmental, fiscal or other authority save as required by law or regulation which is binding on the Guarantor. If the Guarantor is required by law or regulation to make any such deduction, it will pay to the Beneficiary such additional amounts as are necessary to ensure receipt by the Beneficiary of the full amount which that party would have received but for the deduction. The Guarantor shall promptly deliver or procure delivery to the Beneficiary of all receipts issued to it evidencing each deduction or withholding which it has made.
- 9.2 If the Guarantor fails to pay any sum payable under this Deed of Guarantee and Indemnity within fifteen (15) Business Days of receipt of a demand for payment, the Guarantor shall

pay an amount equivalent to interest on such sum for the period from and including the date the demand for such amount was received up to the date of actual payment (both before and after judgment) at the Default Rate which shall accrue from day to day and be compounded monthly and shall be paid by the Guarantor on demand.

10. **WAIVER**

10.1 No failure or delay by the Beneficiary in exercising any right, power or privilege under this Deed of Guarantee and Indemnity or by law shall operate as a waiver of that right, power or privilege nor shall any single or partial exercise of any right, power or privilege preclude any other further exercise thereof or the exercise of any other right, power or privilege.

10.2 A waiver given or consent granted by the Beneficiary under this Deed of Guarantee and Indemnity will be effective only if given in writing and then only in the instance and for the purpose for which it is given.

10.3 The Beneficiary may release or compromise the liability of, or grant time or any other indulgence without compromising or affecting the liability of the Guarantor.

10.4 The powers which this Deed of Guarantee and Indemnity confers on the Beneficiary are cumulative, without prejudice to any rights or remedies provided by law and may be exercised as often as the Beneficiary thinks appropriate.

11. **SEVERANCE**

Each provision of this Deed of Guarantee and Indemnity is severable and distinct from the others and, if any such provision shall in whole or in part be held to any extent to be invalid, illegal or unenforceable in any respect under any enactment or rule of law, that provision or part shall to that extent be deemed not to form part of this Deed of Guarantee and Indemnity and the validity, legality and enforceability of the remainder of this Deed of Guarantee and Indemnity shall not be affected or impaired in any way.

12. **CONTINUATION OF DEED OF GUARANTEE AND INDEMNITY**

This Deed of Guarantee and Indemnity shall remain in full force and effect notwithstanding any amendments, variations, replacements or supplements from time to time to the Operating Agreement.

13. **ASSIGNMENT**

13.1 No Party shall be entitled to assign, transfer, encumber, sub-contract, delegate, declare a trust over or deal in any other manner with any or all of its rights and obligations under this Deed of Guarantee and Indemnity without the prior written consent of the other Party.

13.2 This Deed of Guarantee and Indemnity shall enure to the benefit of and be binding upon the respective successors and permitted assigns of the parties.

14. **ENFORCEMENT COSTS**

The Guarantor hereby agrees to indemnify, defend and hold harmless (save insofar as otherwise indemnified under this Deed of Guarantee and Indemnity) the Beneficiary on demand against all losses, actions, claims, costs, charges, expenses and liabilities incurred or sustained by the Beneficiary in any enforcement or attempted enforcement of this Deed of Guarantee and Indemnity or occasioned by any breach by the Guarantor of any of the covenants or obligations to the Beneficiary under this Deed of Guarantee and Indemnity.

15. **NOTICES**

15.1 Except as otherwise provided in this Deed of Guarantee and Indemnity, any notice, demand or other communication given or made under or in connection with the matters contemplated by this Deed of Guarantee and Indemnity shall be in writing, in the English language and must be:

- (a) delivered by hand;
- (b) delivered by internationally recognised courier with tracked delivery;
- (c) sent by email, with the notice attached in PDF format,

to:

in the case of the Beneficiary:

Address
Email Address
Attention

in the case of the Guarantor:

Address
Email Address
Attention

and shall be deemed to have been duly given or made as follows:

- (a) if delivered by hand or by courier, upon delivery at the address of the relevant Party, and
- (b) if sent by email, on the date sent if such date is a Business Day (in the country to which the notice is sent). If the date sent is not a Business Day, notice shall be deemed effectively given on the first Business Day after the notice is sent. Notice will not be deemed given by email where the sender receives an automated server response that the intended recipient has not received the email,

provided that if, in accordance with the above provisions, any such notice, demand or other communication would otherwise be deemed to be given or made after 5.00 p.m. on a Business Day such notice, demand or other communication shall be deemed to be given or made at 9.00 a.m. on the next Business Day.

15.2 In proving the giving of a notice it shall be sufficient to prove that delivery in person was made or that the envelope containing the notice was properly addressed and posted or that the email was properly addressed and transmitted and no notice of failure of delivery was received by the sender, as the case may be.

15.3 A Party may notify the other Parties to this Deed of Guarantee and Indemnity of a change to its name, relevant addressee or address for the purposes of clause 15 provided that such notification shall only be effective on:

- (a) the date specified in the notification as the date on which the change is to take place; or
- (b) if no date is specified or the date specified is less than five (5) Business Days after the date on which notice is given, the date falling five (5) Business Days after notice of any such change has been given.

16. **CURRENCY**

All payments to be made under this Deed of Guarantee and Indemnity shall be made in the currency in which the Guaranteed Obligations were expressed to be payable.

17. **AMENDMENT**

A variation of this Deed of Guarantee and Indemnity shall be in writing and executed as a deed by or on behalf of each Party.

18. **THIRD PARTY RIGHTS**

18.1 Save for the rights of each party to the Other Deeds of Guarantee and Indemnity to enforce the relevant terms of this Deed of Guarantee and Indemnity, the Parties confirm that no term of this Deed of Guarantee and Indemnity is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a Party to this Deed of Guarantee and Indemnity.

18.2 The Parties may amend, vary or terminate this Deed of Guarantee and Indemnity in such a way as may affect any rights or benefits of any third party which are directly enforceable against the Parties under the Contracts (Rights of Third Parties) Act 1999 without the consent of such third party.

18.3 Any third party entitled pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any rights or benefits conferred on it by this Deed of Guarantee and Indemnity may not veto any amendment, variation or termination of this Deed of Guarantee and Indemnity which is proposed by the Parties and which may affect the rights or benefits of the third party.

19. **CERTIFICATES CONCLUSIVE**

A certificate, determination, notification or opinion of the Beneficiary as to any amount payable under this Deed of Guarantee and Indemnity will be conclusive and binding on the Guarantor except in the case of fraud or manifest error.

20. **COUNTERPARTS**

This Deed of Guarantee and Indemnity may be executed in any number of counterparts, each of which is an original and which together have the same effect as if each party had signed the same document, provided, however, that none of the counterparts will be effective until both parties have executed a counterpart thereof. Each counterpart shall constitute an original of this Deed of Guarantee and Indemnity but all the counterparts together shall constitute one and the same agreement.

21. **GOVERNING LAW AND ARBITRATION**

21.1 This Deed of Guarantee and Indemnity shall be governed by and construed in accordance with English law.

21.2 Any dispute arising out of or in connection with this Deed of Guarantee and Indemnity, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration in London in accordance with the rules of the London Maritime Arbitrators Association for the time being in force, which rules are deemed to be incorporated by reference in this clause 21.2. The arbitrators shall be entitled to give interlocutory orders and/or give rulings on an agreed set of facts and/or a preliminary point of law at the request of either Party if they think fit to do so.

The reference shall be to three arbitrators. A Party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other Party

requiring the other Party to appoint its own arbitrator within fourteen (14) calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other Party appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the other Party does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the Party referring a dispute to arbitration may, without the requirement of any further prior notice to the other Party, appoint its arbitrator as sole arbitrator and shall advise the other Party accordingly. The award of a sole arbitrator shall be binding on both Parties as if he or she had been appointed by agreement.

The Parties agree, and shall procure that each of its Affiliates agrees, that any Affiliate of either may be joined to any proceedings under this Deed of Guarantee and Indemnity and/or proceedings consolidated, in each case in respect of any claim pursuant to the Charter or the Operating Agreement.

The arbitrators' award shall be final and binding upon both Parties and may be enforced in any court having jurisdiction in respect thereof.

The arbitration shall be conducted in the English language.

- 21.3 The arbitrators shall determine which Party shall bear the expenses of the proceedings, or the proportion of such expenses which each Party shall bear.

IN WITNESS whereof the Guarantor and the Beneficiary have executed and delivered this Deed of Guarantee and Indemnity as a deed the day and year first above written.

Executed as a deed by)

[CO-VENTURER or AFFILIATE])

acting by:)

.....

Director

.....

Director

Executed as a deed for and on behalf of)

[OPERATOR])

acting by:)

.....

Director

.....

Director

Deed of Guarantee and Indemnity

VAALCO Energy, Inc.
and
World Carrier Offshore Services Corp.

in respect of Bareboat Charter
August 31, 2021

THIS DEED OF GUARANTEE AND INDEMNITY is made as a deed on August 31, 2021

BETWEEN:

- (1) **VAALCO ENERGY, INC.**, a company incorporated in Delaware and having its principal office at 9800 Richmond Avenue, Suite 700, Houston, TX 77042 (the "**Guarantor**"); and
- (2) **WORLD CARRIER OFFSHORE SERVICES CORP.**, a company incorporated in the Marshall Islands and having its principal office at Trust Company Complex, Ajeltake Road, Ajeltake Islands, Majuro, MH96960, Marshall Islands (the "**Beneficiary**"),

each a "**Party**" and together the "**Parties**".

RECITALS

- (A) The Beneficiary has, on the same date as this Deed of Guarantee and Indemnity, entered into a Bareboat Charter with VAALCO Gabon SA (**Charterer**) in respect of the provision of an FSO on the Field (**Charter**).
- (A) VAALCO Gabon SA is the operator of the Field on behalf of the Co-venturers, pursuant to the Etame Marin JOA.
- (B) The Beneficiary has agreed to enter into the Charter subject to (i) the Guarantor agreeing to enter into this Deed of Guarantee and Indemnity in respect of the Guaranteed Obligations as set out in clause 2 and (ii) the other Co-venturers holding a paying interest in the Field agreeing to enter into, or procuring the entry into by an Affiliate of such Co venturer on its behalf (in each case by an entity with a credit standing reasonably acceptable to the Beneficiary), a deed of guarantee and indemnity (on terms identical to this Deed of Guarantee and Indemnity) in respect of their respective paying interest in the Field (together, the **Other Deeds of Guarantee and Indemnity**). This Deed of Guarantee and Indemnity, together with the Other Deeds of Guarantee and Indemnity, relate to the entirety of the Charterer's obligations pursuant to the Charter.
- (C) The Guarantor is the ultimate parent company of a Co-venturer holding a paying interest in the Field and has agreed (it being in its best commercial interests to do so) to enter into this Deed of Guarantee and Indemnity in respect of the Guaranteed Obligations.

THE PARTIES AGREE AS FOLLOWS:

1. **INTERPRETATION**

- 1.1 In this Deed of Guarantee and Indemnity, unless otherwise defined or provided for in this Deed of Guarantee and Indemnity, words and expressions shall have the following meanings:

"Affiliate" means, in relation to a person, a company, partnership or other legal entity which controls, is controlled by, or which is under common control with, that person, and **"control"** means the ownership, directly or indirectly, of fifty per cent (50%) or more of the voting rights in a company, partnership or other legal entity;

"Business Day" means a day throughout which banks are open for business in New York, London and the Gabonese Republic;

"Charter" has the meaning given to it in Recital (A); **"Charterer"** has the meaning given to

it in Recital (A); **"Co-venturer"** has the meaning given to it in the Charter;

"Default Rate" means US Dollar LIBOR plus seven per cent (7%); **"Etame Marin JOA"** has the meaning given to it in the Charter; **"Field"** has the meaning given to it in the Charter; **"FSO"** has the meaning given to it in the Charter; **"Guaranteed Obligations"** has the meaning given in clause 2; **"Operating Agreement"** has the meaning given to it in the Charter; **"Other Deeds of Guarantee and Indemnity"** has the meaning given in Recital (C); and **"US Dollar LIBOR"** has the meaning given to it in the Charter.

1.2 In this Deed of Guarantee and Indemnity, unless otherwise specified:

- (a) clause headings shall not affect the interpretation of this Deed of Guarantee and Indemnity;
- (b) a reference to a **"company"** shall include any company, corporation or other body corporate, wherever and however incorporated or established, a partnership, a joint venture and unincorporated association;
- (c) the words **"include"**, **"includes"**, **"including"** **"inclusive of"** shall mean "including but not limited to";
- (d) a **"person"** includes any person, individual, company, firm, corporation, government, state or agency of a state or any undertaking (whether or not having separate legal personality and irrespective of the jurisdiction in or under the law of which it was incorporated or exists);
- (e) reference to **"clauses"** are to clauses of this Deed of Guarantee and Indemnity;
- (f) **"writing"** means typed text or legible manuscript text (including by e-mail);
- (g) words denoting the singular shall include the plural and vice versa and words denoting any gender shall include all genders;
- (h) reference to a legal or regulatory provision or standard is to be construed as a reference to that legal or regulatory provision or standard as the same may have been amended or re-enacted before the date of this Deed of Guarantee and Indemnity;
- (i) reference to any statute, statutory instrument, regulation, by-law or other requirement of English law and to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, procedure, court, official or any legal concept or doctrine or other expression shall in respect of any jurisdiction other than England be deemed to include that which most nearly approximates in that jurisdiction to the English term;
- (j) a reference to a statute or statutory provision shall include all subordinate legislation made as at the date of this Deed of Guarantee and Indemnity under that statute or statutory provision;
- (k) reference to the time of day is reference to time in London, England;

(l) unless the context otherwise requires, references to documents and agreements shall be construed as references to those documents or agreements as may have been or are amended, supplemented, novated or superseded from time to time; and

(m) a reference to a Party shall include that Party's successors and permitted assigns.

2. **GUARANTEE**

2.1 *The Guarantor (as a primary obligor and not merely as a surety) at the request of the Beneficiary hereby irrevocably and unconditionally guarantees to the Beneficiary the due and punctual payment to the Beneficiary by the Charterer of all amounts which the Charterer is or shall become obliged to pay to the Beneficiary under the Charter (the **Guaranteed Obligations**).*

2.2 If the Charterer fails to pay in full and on time any of the Guaranteed Obligations, the Guarantor irrevocably and unconditionally undertakes that it shall immediately on demand pay the Guaranteed Obligations as if it were the principal obligor.

2.3 The Guarantor irrevocably and unconditionally agrees with the Beneficiary that, if for any reason, any amount claimed under this Deed of Guarantee and Indemnity is not recoverable on the basis of a guarantee, the Guarantor will be liable as a primary obligor to indemnify the Beneficiary against any cost, loss, or liability incurred by the Beneficiary as a result of the Charterer failing to pay any of the Guaranteed Obligations, provided the amount payable by the Guarantor under this Deed of Guarantee and Indemnity will not exceed the amount it would have had to pay if the amount claimed had been recoverable on the basis of a guarantee.

2.4 Without prejudice to clause 3.1 and notwithstanding any other provision of this Deed of Guarantee and Indemnity, the total liability of the Guarantor under this Deed of Guarantee and Indemnity shall not exceed sixty three decimal point five seven five per cent (63.575%) of the Guaranteed Obligations. The liability of the Charterer under the Charter shall be automatically reduced by the aggregate of (i) any amount paid by the Guarantor to the Beneficiary pursuant to this Deed of Guarantee and Indemnity and (ii) (pro rata to any reduction under the Other Deeds of Guarantee and Indemnity) the amounts paid to the Beneficiary pursuant to the other Deeds of Guarantee and Indemnity.

2.5 In no event shall the Guarantor be required to pay any sums pursuant to any of the Other Deeds of Guarantee and Indemnity, including as a result of a failure by the guarantor thereunder to pay.

3. **MATTERS NOT TO REDUCE THE GUARANTOR'S LIABILITY**

3.1 If any purported obligation or liability of the Charterer under the Charter which, if valid, would have been the subject of this Deed of Guarantee and Indemnity is not or ceases to be valid or enforceable on any ground whatsoever (whether or not known to the Beneficiary or the Charterer) (including any defect in or want of powers of the Charterer or irregular exercise thereof or lack of authority by any person apparently authorised to act on behalf of the Charterer or any legal or other limitation (whether under the Limitation Act 1980 or otherwise), disability, incapacity or any change in the constitution of or any amalgamation, reconstruction or liquidation of the Charterer), the Guarantor shall nevertheless be liable in respect of that purported obligation or liability as if the same were fully valid and enforceable and as if the Guarantor were the principal debtor in respect thereof. The Guarantor hereby agrees to indemnify, defend and hold the Beneficiary harmless in accordance with the terms of this Deed of Guarantee and Indemnity against sixty three decimal point five seven five per cent (63.575%) of all damages, losses, costs and expenses arising from any failure of the Charterer to carry out

any such purported obligation or liability by reason of it not being or ceasing to be valid or enforceable.

- 3.2 The obligations and liabilities of the Guarantor in respect of the Guaranteed Obligations shall not in any way be affected nor shall this Deed of Guarantee and Indemnity be discharged or diminished by reason of any of the following (whether or not known to the Guarantor or the Beneficiary):
- (a) any time, consent, waiver or release being given by the Beneficiary to the Charterer or to any surety, or by any other indulgence or concession granted by the Beneficiary to the Charterer or to any surety in respect of (or any variation or waiver of) any of the Guaranteed Obligations or any obligations of any surety (whether the same be made with the Guarantor's consent or not);
 - (b) any termination, amendment, variation, replacement, restatement or supplement of or to the Charter or any of the Guaranteed Obligations;
 - (c) the taking, holding, variation, compromise, renewal, non-enforcement, release or refusal or neglect to perfect or enforce any right, remedies or securities against the Charterer or any other person;
 - (d) any present or future guarantee, indemnity or security being or becoming wholly or partially void, voidable or unenforceable on any ground whatsoever;
 - (e) the insolvency, bankruptcy, liquidation, administration, winding-up, dissolution, receivership, incapacity, amalgamation, reconstruction, re-organisation or any analogous proceedings relating to the Charterer or the Guarantor;
 - (f) any claim or enforcement of payment from the Charterer or any other person;
 - (g) any change in the status, function, constitution or ownership of the Charterer, the Guarantor or the Beneficiary;
 - (h) any invalidity, illegality, unenforceability, irregularity or frustration of any actual or purported obligation of the Charterer or any other person in connection with the Guaranteed Obligations; or
 - (i) any other act, omission, event, circumstance, matter or thing which, but for this provision, might operate to release or otherwise exonerate the Guarantor from any of its obligations under this Deed of Guarantee and Indemnity or affect or prejudice any of the rights, powers or remedies conferred upon the Beneficiary under this Deed of Guarantee and Indemnity or by law.

4. **NO COMPETITION**

- 4.1 Until all the Guaranteed Obligations have been irrevocably paid, discharged or satisfied in full, the Guarantor will not exercise any rights which it may have:
- (a) to be subrogated to or otherwise entitled to share in, any security or monies held, received or receivable by the Beneficiary or to claim any right of contribution in relation to any payment made by the Guarantor under this Deed of Guarantee and Indemnity;
 - (b) to exercise or enforce any of its rights of subrogation and indemnity against the Charterer;
 - (c) following a claim being made on the Guarantor, to claim any set-off or counterclaim against the Charterer; or

(d) to claim or prove in a liquidation or other insolvency proceeding of the Charterer in competition with the Beneficiary.

4.2 If the Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution on trust for the Beneficiary and shall promptly pay or transfer the same to the Beneficiary or as the Beneficiary may direct.

5. **DISCHARGE TO BE CONDITIONAL**

Any release, discharge or settlement between the Guarantor and the Beneficiary shall be conditional upon no security, disposition or payment to the Beneficiary by the Charterer or any other person in respect of the Guaranteed Obligations being void, set aside or ordered to be refunded pursuant to any enactment or law in relation to bankruptcy, liquidation or insolvency (or its equivalent in any relevant jurisdiction) or for any reason whatever, and if such condition shall not be fulfilled the Beneficiary shall be entitled to enforce this Deed of Guarantee and Indemnity as if such release, discharge or settlement had not occurred and any such payment had not been made.

6. **ENFORCEMENT**

The Beneficiary shall not be obliged before exercising or enforcing any of its rights, powers or remedies conferred upon it by this Deed of Guarantee and Indemnity or by law:

6.1 to take any action or obtain any judgement in any court or tribunal against the Charterer or any other person;

6.2 to make or file any claim or proof in connection with the bankruptcy, liquidation, administration or insolvency (or its equivalent in any relevant jurisdiction) of the Charterer or any other person;

6.3 to make, enforce or seek to enforce any claim, right or remedy against the Charterer or any other person under any security or other document, agreement or arrangement; or

6.4 to enforce against and/or realise (or seek so to do) any security that it may have in respect of all or any part of the Guaranteed Obligations.

7. **REPRESENTATIONS AND WARRANTIES**

The Guarantor hereby represents and warrants to the Beneficiary as at the date of this Deed of Guarantee and Indemnity:

(a) the execution, delivery and performance of this Deed of Guarantee and Indemnity, have been duly and validly authorised by the Guarantor;

(b) the signing of this Deed of Guarantee and Indemnity by the Guarantor and the performance of its obligations under this Deed of Guarantee and Indemnity shall not contravene or constitute a breach of or default under any provision contained in any agreement or instrument to which it is a party or by which it is bound nor will it result in a breach of any provision of its memorandum or articles of association or equivalent constitutional documents nor will it result in a breach of any order, judgment or decree of any court or governmental, administrative, judicial or regulatory body, authority or organisation or any law to which it is a party or by which it is bound;

(c) the Guarantor is duly organised, validly existing and in good standing under the laws of Delaware. The Guarantor has all requisite power and authority to execute and deliver this Deed of Guarantee and Indemnity and to perform its obligations hereunder;

- (d) the Guarantor is not for statutory purposes deemed to be unable to pay its debts nor is it unable to pay its debt as they become due;
- (e) no order has been served on the Guarantor and no resolution has been passed for the winding-up or dissolution of the Guarantor; the Guarantor is not in administration and no steps have been taken to place the Guarantor into administration (including the filing of any notice of intention to appoint an administrator over the Guarantor); the Guarantor is not subject to a company voluntary arrangement and no such arrangement has been proposed nor is the Guarantor subject to a scheme of arrangement and no such scheme has been proposed; no receiver (whether statutory or contractual) has been appointed to the Guarantor or any of its assets; the Guarantor is not in administrative receivership and has not suspended payments on any of its debts, nor entered into any compromises with any or all of its creditors;
- (f) all consents, permissions, approvals and agreements of its shareholders, lenders or any third parties which are necessary or desirable for it to obtain in order to enter into and perform this Deed of Guarantee and Indemnity in accordance with its terms have been unconditionally obtained in writing and have been disclosed in writing to the Beneficiary; and
- (g) the Guarantor, its Affiliates, its personnel and its subcontractors have not made, offered, authorized, requested, received, or accepted and will not make, offer, or authorize, request, receive or accept with respect to the matters which are the subject of this Guarantee and Indemnity or the Charter, any payment, gift, promise or other advantage, whether directly or indirectly through any person or entity, to or for the use or benefit of any public official or any political party or any political party official or candidate for office, or any other person where such payment, gift, promise or advantage would violate: (a) any Applicable Laws, including the Foreign Corrupt Practices Act 1977 (US) or the Bribery Act 2010 (UK); or (b) the laws of the country of incorporation of such entity or such entity's ultimate parent company or of the principal place of business of such ultimate parent company. The Guarantor has instituted, maintained and monitored policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance with applicable anti-bribery and corruption laws.

8. CONTINUING AND ADDITIONAL SECURITY

- 8.1 This Deed of Guarantee and Indemnity is a continuing security and shall remain in full force and effect until all the Guaranteed Obligations and the indemnity obligations have been discharged or satisfied in full notwithstanding any intermediate payment or discharge by the Guarantor of the Guaranteed Obligations or the liquidation or other incapacity or any change in the constitution or name of the Charterer or of the Guarantor or any settlement of account or other matter or thing whatsoever.
- 8.2 This Deed of Guarantee and Indemnity is in addition to and shall not merge with or otherwise prejudice or affect or be prejudiced by any other right, remedy, guarantee, indemnity or security and may be enforced without first having recourse to the same or any other bill, note, mortgage, charge, pledge or lien now or hereafter held by or available to the Beneficiary.

9. PAYMENTS AND WITHHOLDINGS

- 9.1 Subject to clauses 2.4 and 2.5, all payments to be made by the Guarantor under the Deed of Guarantee and Indemnity shall be made in immediately available cleared funds, without any deduction or set-off or counterclaim and free and clear of and without deduction for or on account of any taxes, levies, imports, duties, charges, fees and withholdings of any

nature now or hereafter imposed by any governmental, fiscal or other authority save as required by law or regulation which is binding on the Guarantor. If the Guarantor is required by law or regulation to make any such deduction, it will pay to the Beneficiary such additional amounts as are necessary to ensure receipt by the Beneficiary of the full amount which that party would have received but for the deduction. The Guarantor shall promptly deliver or procure delivery to the Beneficiary of all receipts issued to it evidencing each deduction or withholding which it has made.

- 9.2 If the Guarantor fails to pay any sum payable under this Deed of Guarantee and Indemnity within fifteen (15) Business Days of receipt of a demand for payment, the Guarantor shall pay an amount equivalent to interest on such sum for the period from and including the date the demand for such amount was received up to the date of actual payment (both before and after judgment) at the Default Rate which shall accrue from day to day and be compounded monthly and shall be paid by the Guarantor on demand.

10. **WAIVER**

- 10.1 No failure or delay by the Beneficiary in exercising any right, power or privilege under this Deed of Guarantee and Indemnity or by law shall operate as a waiver of that right, power or privilege nor shall any single or partial exercise of any right, power or privilege preclude any other further exercise thereof or the exercise of any other right, power or privilege.
- 10.2 A waiver given or consent granted by the Beneficiary under this Deed of Guarantee and Indemnity will be effective only if given in writing and then only in the instance and for the purpose for which it is given.
- 10.3 The Beneficiary may release or compromise the liability of, or grant time or any other indulgence without compromising or affecting the liability of the Guarantor.
- 10.4 The powers which this Deed of Guarantee and Indemnity confers on the Beneficiary are cumulative, without prejudice to any rights or remedies provided by law and may be exercised as often as the Beneficiary thinks appropriate.

11. **SEVERANCE**

Each provision of this Deed of Guarantee and Indemnity is severable and distinct from the others and, if any such provision shall in whole or in part be held to any extent to be invalid, illegal or unenforceable in any respect under any enactment or rule of law, that provision or part shall to that extent be deemed not to form part of this Deed of Guarantee and Indemnity and the validity, legality and enforceability of the remainder of this Deed of Guarantee and Indemnity shall not be affected or impaired in any way.

12. **CONTINUATION OF DEED OF GUARANTEE AND INDEMNITY**

This Deed of Guarantee and Indemnity shall remain in full force and effect notwithstanding any amendments, variations, replacements or supplements from time to time to the Charter.

13. **ASSIGNMENT**

- 13.1 No Party shall be entitled to assign, transfer, encumber, sub-contract, delegate, declare a trust over or deal in any other manner with any or all of its rights and obligations under this Deed of Guarantee and Indemnity without the prior written consent of the other Party.
- 13.2 This Deed of Guarantee and Indemnity shall enure to the benefit of and be binding upon the respective successors and permitted assigns of the parties.

14. **ENFORCEMENT COSTS**

The Guarantor hereby agrees to indemnify, defend and hold harmless (save insofar as otherwise indemnified under this Deed of Guarantee and Indemnity) the Beneficiary on demand against all losses, actions, claims, costs, charges, expenses and liabilities incurred or sustained by the Beneficiary in any enforcement or attempted enforcement of this Deed of Guarantee and Indemnity or occasioned by any breach by the Guarantor of any of the covenants or obligations to the Beneficiary under this Deed of Guarantee and Indemnity.

15. **NOTICES**

15.1 Except as otherwise provided in this Deed of Guarantee and Indemnity, any notice, demand or other communication given or made under or in connection with the matters contemplated by this Deed of Guarantee and Indemnity shall be in writing, in the English language and must be:

- (a) delivered by hand;
- (b) delivered by internationally recognised courier with tracked delivery;
- (c) sent by email, with the notice attached in PDF format, to:

in the case of the Beneficiary: Address

Email Address Attention World Carrier Offshore Services Corp. Agiassou 34 Vrilissia
Athens, 15235 Greece
commercial@worldcarrier.gr Nikos Zarakovitis

in the case of the Guarantor: Address With copy to:
Attention: Legal Counsel
Email: legal@worldcarrier.gr
Attention: Operations Manager
Email: operations@worldcarrier.gr

Email Address Attention VAALCO Energy, Inc.
9800 Richmond Avenue - Suite 700 Houston, Texas
77042 USA gmaxwell@vaalco.com
Chief Executive Officer

With copy to:
Attention: General Counsel
Email: msilver@vaalco.com
Attention: Gabon Operations
Email: operationsmanager@vaalco.com

and shall be deemed to have been duly given or made as follows:

- (a) if delivered by hand or by courier, upon delivery at the address of the relevant Party; and

- (b) if sent by email, on the date sent if such date is a Business Day (in the country to which the notice is sent). If the date sent is not a Business Day, notice shall be deemed effectively given on the first Business Day after the notice is sent. Notice will not be deemed given by email where the sender receives an automated server response that the intended recipient has not received the email,

provided that if, in accordance with the above provisions, any such notice, demand or other communication would otherwise be deemed to be given or made after 5.00 p.m. on a Business Day such notice, demand or other communication shall be deemed to be given or made at 9.00 a.m. on the next Business Day.

- 15.2 In proving the giving of a notice it shall be sufficient to prove that delivery in person was made or that the envelope containing the notice was properly addressed and posted or that the email was properly addressed and transmitted and no notice of failure of delivery was received by the sender, as the case may be.

- 15.3 A Party may notify the other Parties to this Deed of Guarantee and Indemnity of a change to its name, relevant addressee or address for the purposes of clause 15 provided that such notification shall only be effective on:

- (a) the date specified in the notification as the date on which the change is to take place; or
- (b) if no date is specified or the date specified is less than five (5) Business Days after the date on which notice is given, the date falling five (5) Business Days after notice of any such change has been given.

16. **CURRENCY**

All payments to be made under this Deed of Guarantee and Indemnity shall be made in the currency in which the Guaranteed Obligations were expressed to be payable.

17. **AMENDMENT**

A variation of this Deed of Guarantee and Indemnity shall be in writing and executed as a deed by or on behalf of each Party.

18. **THIRD PARTY RIGHTS**

- 18.1 Save for the rights of each party to the Other Deeds of Guarantee and Indemnity to enforce the relevant terms of this Deed of Guarantee and Indemnity, the Parties confirm that no term of this Deed of Guarantee and Indemnity is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a Party to this Deed of Guarantee and Indemnity.
- 18.2 The Parties may amend, vary or terminate this Deed of Guarantee and Indemnity in such a way as may affect any rights or benefits of any third party which are directly enforceable against the Parties under the Contracts (Rights of Third Parties) Act 1999 without the consent of such third party.
- 18.3 Any third party entitled pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any rights or benefits conferred on it by this Deed of Guarantee and Indemnity may not veto any amendment, variation or termination of this Deed of Guarantee and Indemnity which is proposed by the Parties and which may affect the rights or benefits of the third party.

19. **CERTIFICATES CONCLUSIVE**

A certificate, determination, notification or opinion of the Beneficiary as to any amount payable under this Deed of Guarantee and Indemnity will be conclusive and binding on the Guarantor except in the case of fraud or manifest error.

20. **COUNTERPARTS**

This Deed of Guarantee and Indemnity may be executed in any number of counterparts, each of which is an original and which together have the same effect as if each party had signed the same document, provided, however, that none of the counterparts will be effective until both parties have executed a counterpart thereof. Each counterpart shall constitute an original of this Deed of Guarantee and Indemnity but all the counterparts together shall constitute one and the same agreement.

21. **GOVERNING LAW AND ARBITRATION**

21.1 This Deed of Guarantee and Indemnity shall be governed by and construed in accordance with English law.

21.2 Any dispute arising out of or in connection with this Deed of Guarantee and Indemnity, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration in London in accordance with the rules of the London Maritime Arbitrators Association for the time being in force, which rules are deemed to be incorporated by reference in this clause 21.2. The arbitrators shall be entitled to give interlocutory orders and/or give rulings on an agreed set of facts and/or a preliminary point of law at the request of either Party if they think fit to do so.

The reference shall be to three arbitrators. A Party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other Party requiring the other Party to appoint its own arbitrator within fourteen (14) calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other Party appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the other Party does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the Party referring a dispute to arbitration may, without the requirement of any further prior notice to the other Party, appoint its arbitrator as sole arbitrator and shall advise the other Party accordingly. The award of a sole arbitrator shall be binding on both Parties as if he or she had been appointed by agreement.

The Parties agree, and shall procure that each of its Affiliates agrees, that any Affiliate of either may be joined to any proceedings under this Deed of Guarantee and Indemnity and/or proceedings consolidated, in each case in respect of any claim pursuant to the Charter or the Operating Agreement.

The arbitrators' award shall be final and binding upon both Parties and may be enforced in any court having jurisdiction in respect thereof.

The arbitration shall be conducted in the English language.

21.3 The arbitrators shall determine which Party shall bear the expenses of the proceedings, or the proportion of such expenses which each Party shall bear.

IN WITNESS whereof the Guarantor and the Beneficiary have executed and delivered this Deed of Guarantee and Indemnity as a deed the day and year first above written.

Executed as a deed by

VAALCO ENERGY, INC.

acting by:



Digitally signed by George Maxwell Date: 2021.08.31 13:22:22 -05'00'

Authorised Signatory

**Michael
Silver**

Digitally signed by Michael Silver Date: 2021.08.31 13:40:56 -05'00'

Authorised Signatory

Executed as a deed for and on behalf of

WORLD CARRIER OFFSHORE SERVICES CORP.

acting by:

Director

Director

Deed of Guarantee and Indemnity

VAALCO Energy, Inc.

and

World Carrier Offshore Services Corp.

in respect of Operating Agreement

[August 31, 2021](#)

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THIS DEED OF GUARANTEE AND INDEMNITY is made as a deed on August 31, 2021

BETWEEN:

- (1) VAALCO ENERGY, INC., a company incorporated in Delaware and having its principal office at 9800 Richmond Avenue, Suite 700, Houston, TX 77042 (the "Guarantor"); and
- (2) WORLD CARRIER OFFSHORE SERVICES CORP., a company incorporated in the Marshall Islands and having its principal office at Trust Company Complex, Ajeltake Road, Ajeltake Islands, Majuro, MH96960, Marshall Islands (the "Beneficiary");

each a "Party" and together the "Parties". **RECITALS**

- (A) The Beneficiary has, on the same date as this Deed of Guarantee and Indemnity, entered into an Operating Agreement with VAALCO Gabon SA (Charterer) in respect of the operation and maintenance of an FSO on the Field (Operating Agreement).
- (A) VAALCO Gabon SA is the operator of the Field on behalf of the Co-venturers, pursuant to the Etame Marin JOA.
- (B) The Beneficiary has agreed to enter into the Operating Agreement subject to (i) the Guarantor agreeing to enter into this Deed of Guarantee and Indemnity in respect of the Guaranteed Obligations as set out in clause 2 and (ii) the other Co-venturers holding a paying interest in the Field agreeing to enter into, or procuring the entry into by an Affiliate of such Co-venturer on its behalf (in each case by an entity with a credit standing reasonably acceptable to the Beneficiary), a deed of guarantee and indemnity (on terms identical to this Deed of Guarantee and Indemnity) in respect of their respective paying interest in the Field (together, the Other Deeds of Guarantee and Indemnity). This Deed of Guarantee and Indemnity, together with the Other Deeds of Guarantee and Indemnity, relate to the entirety of the Charterer's obligations pursuant to the Operating Agreement.
- (C) The Guarantor is the ultimate parent company of a Co-venturer holding a paying interest in the Field and has agreed (it being in its best commercial interests to do so) to enter into this Deed of Guarantee and Indemnity in respect of the Guaranteed Obligations.

THE PARTIES AGREE AS FOLLOWS:

1. INTERPRETATION

- 1.1 In this Deed of Guarantee and Indemnity, unless otherwise defined or provided for in this Deed of Guarantee and Indemnity, words and expressions shall have the following meanings:

"Affiliate" means, in relation to a person, a company, partnership or other legal entity which controls, is controlled by, or which is under common control with, that person, and "control" means the ownership, directly or indirectly, of fifty per cent (50%) or more of the voting rights in a company, partnership or other legal entity;

"Business Day" means a day throughout which banks are open for business in New York, London and the Gabonese Republic;

"Charter" has the meaning given to it in the Operating Agreement;

"Charterer" has the meaning given to it in Recital (A);

"Co-venturer" has the meaning given to it in the Operating Agreement;

"Default Rate" means US Dollar LIBOR plus seven per cent (7%);

"Etame Marin JOA" has the meaning given to it in the Operating Agreement;

"Field" has the meaning given to it in the Operating Agreement; "FSO" has the meaning given to it in the

Operating Agreement; "Guaranteed Obligations" has the meaning given in clause

2; "Operating Agreement" has the meaning given to it in Recital (A);

"Other Deeds of Guarantee and Indemnity" has the meaning given in Recital (C); and

"US Dollar LIBOR" has the meaning given to it in the Operating Agreement.

1.2 In this Deed of Guarantee and Indemnity, unless otherwise specified:

- (a) clause headings shall not affect the interpretation of this Deed of Guarantee and Indemnity;
 - (b) a reference to a "company" shall include any company, corporation or other body corporate, wherever and however incorporated or established, a partnership, a joint venture and unincorporated association;
 - (c) the words "include", "includes", "including" "inclusive of" shall mean "including but not limited to";
 - (d) a "person" includes any person, individual, company, firm, corporation, government, state or agency of a state or any undertaking (whether or not having separate legal personality and irrespective of the jurisdiction in or under the law of which it was incorporated or exists);
 - (e) reference to "clauses" are to clauses of this Deed of Guarantee and Indemnity;
 - (f) "writing" means typed text or legible manuscript text (including by e-mail);
 - (g) words denoting the singular shall include the plural and vice versa and words denoting any gender shall include all genders;
 - (h) reference to a legal or regulatory provision or standard is to be construed as a reference to that legal or regulatory provision or standard as the same may have been amended or re-enacted before the date of this Deed of Guarantee and Indemnity;
 - (i) reference to any statute, statutory instrument, regulation, by-law or other requirement of English law and to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, procedure, court, official or any legal concept or doctrine or other expression shall in respect of any jurisdiction other than England be deemed to include that which most nearly approximates in that jurisdiction to the English term;
 - (j) a reference to a statute or statutory provision shall include all subordinate legislation made as at the date of this Deed of Guarantee and Indemnity under that statute or statutory provision;
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- (k) reference to the time of day is reference to time in London, England;
- (l) unless the context otherwise requires, references to documents and agreements shall be construed as references to those documents or agreements as may have been or are amended, supplemented, novated or superseded from time to time; and
- (m) a reference to a Party shall include that Party's successors and permitted assigns.

2. GUARANTEE

- 2.1 The Guarantor (as a primary obligor and not merely as a surety) at the request of the Beneficiary hereby irrevocably and unconditionally guarantees to the Beneficiary the due and punctual payment to the Beneficiary by the Charterer of all amounts which the Charterer is or shall become obliged to pay to the Beneficiary under the Operating Agreement (the **Guaranteed Obligations**).
- 2.2 If the Charterer fails to pay in full and on time any of the Guaranteed Obligations, the Guarantor irrevocably and unconditionally undertakes that it shall immediately on demand pay the Guaranteed Obligations as if it were the principal obligor.
- 2.3 The Guarantor irrevocably and unconditionally agrees with the Beneficiary that, if for any reason, any amount claimed under this Deed of Guarantee and Indemnity is not recoverable on the basis of a guarantee, the Guarantor will be liable as a primary obligor to indemnify the Beneficiary against any cost, loss, or liability incurred by the Beneficiary as a result of the Charterer failing to pay any of the Guaranteed Obligations, provided the amount payable by the Guarantor under this Deed of Guarantee and Indemnity will not exceed the amount it would have had to pay if the amount claimed had been recoverable on the basis of a guarantee.
- 2.4 Without prejudice to clause 3.1 and notwithstanding any other provision of this Deed of Guarantee and Indemnity, the total liability of the Guarantor under this Deed of Guarantee and Indemnity shall not exceed sixty three decimal point five seven five per cent (63.575%) of the Guaranteed Obligations. The liability of the Charterer under the Operating Agreement shall be automatically reduced by the aggregate of (i) any amount paid by the Guarantor to the Beneficiary pursuant to this Deed of Guarantee and Indemnity and (ii) (pro rata to any reduction under the Other Deeds of Guarantee and Indemnity) the amounts paid to the Beneficiary pursuant to the Other Deeds of Guarantee and Indemnity.
- 2.5 In no event shall the Guarantor be required to pay any sums pursuant to any of the Other Deeds of Guarantee and Indemnity, including as a result of a failure by the guarantor thereunder to pay.

3. MATTERS NOT TO REDUCE THE GUARANTOR'S LIABILITY

- 3.1 If any purported obligation or liability of the Charterer under the Operating Agreement which, if valid, would have been the subject of this Deed of Guarantee and Indemnity is not or ceases to be valid or enforceable on any ground whatsoever (whether or not known to the Beneficiary or the Charterer) (including any defect in or want of powers of the Charterer or irregular exercise thereof or lack of authority by any person apparently authorised to act on behalf of the Charterer or any legal or other limitation (whether under the Limitation Act 1980 or otherwise), disability, incapacity or any change in the constitution of or any amalgamation, reconstruction or liquidation of the Charterer), the Guarantor shall nevertheless be liable in respect of that purported obligation or liability as if the same were fully valid and enforceable and as if the Guarantor were the principal debtor in respect thereof. The Guarantor hereby agrees to indemnify, defend and hold the Beneficiary harmless in accordance with the terms of this Deed of Guarantee and
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Indemnity against sixty three decimal point five seven five per cent (63.575%) of all damages, losses, costs and expenses arising from any failure of the Charterer to carry out any such purported obligation or liability by reason of it not being or ceasing to be valid or enforceable.

3.2 The obligations and liabilities of the Guarantor in respect of the Guaranteed Obligations shall not in any way be affected nor shall this Deed of Guarantee and Indemnity be discharged or diminished by reason of any of the following (whether or not known to the Guarantor or the Beneficiary):

- (a) any time, consent, waiver or release being given by the Beneficiary to the Charterer or to any surety, or by any other indulgence or concession granted by the Beneficiary to the Charterer or to any surety in respect of (or any variation or waiver of) any of the Guaranteed Obligations or any obligations of any surety (whether the same be made with the Guarantor's consent or not);
- (b) any termination, amendment, variation, replacement, restatement or supplement of or to the Operating Agreement or any of the Guaranteed Obligations;
- (c) the taking, holding, variation, compromise, renewal, non-enforcement, release or refusal or neglect to perfect or enforce any right, remedies or securities against the Charterer or any other person;
- (d) any present or future guarantee, indemnity or security being or becoming wholly or partially void, voidable or unenforceable on any ground whatsoever;
- (e) the insolvency, bankruptcy, liquidation, administration, winding-up, dissolution, receivership, incapacity, amalgamation, reconstruction, re-organisation or any analogous proceedings relating to the Charterer or the Guarantor;
- (f) any claim or enforcement of payment from the Charterer or any other person;
- (g) any change in the status, function, constitution or ownership of the Charterer, the Guarantor or the Beneficiary;
- (h) any invalidity, illegality, unenforceability, irregularity or frustration of any actual or purported obligation of the Charterer or any other person in connection with the Guaranteed Obligations; or
- (i) any other act, omission, event, circumstance, matter or thing which, but for this provision, might operate to release or otherwise exonerate the Guarantor from any of its obligations under this Deed of Guarantee and Indemnity or affect or prejudice any of the rights, powers or remedies conferred upon the Beneficiary under this Deed of Guarantee and Indemnity or by law.

4. **NO COMPETITION**

4.1 Until all the Guaranteed Obligations have been irrevocably paid, discharged or satisfied in full, the Guarantor will not exercise any rights which it may have:

- (a) to be subrogated to or otherwise entitled to share in, any security or monies held, received or receivable by the Beneficiary or to claim any right of contribution in relation to any payment made by the Guarantor under this Deed of Guarantee and Indemnity;
 - (b) to exercise or enforce any of its rights of subrogation and indemnity against the Charterer;
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- (c) following a claim being made on the Guarantor, to claim any set-off or counterclaim against the Charterer; or
 - (d) to claim or prove in a liquidation or other insolvency proceeding of the Charterer in competition with the Beneficiary.
- 4.2 If the Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution on trust for the Beneficiary and shall promptly pay or transfer the same to the Beneficiary or as the Beneficiary may direct.

5. **DISCHARGE TO BE CONDITIONAL**

Any release, discharge or settlement between the Guarantor and the Beneficiary shall be conditional upon no security, disposition or payment to the Beneficiary by the Charterer or any other person in respect of the Guaranteed Obligations being void, set aside or ordered to be refunded pursuant to any enactment or law in relation to bankruptcy, liquidation or insolvency (or its equivalent in any relevant jurisdiction) or for any reason whatever, and if such condition shall not be fulfilled the Beneficiary shall be entitled to enforce this Deed of Guarantee and Indemnity as if such release, discharge or settlement had not occurred and any such payment had not been made.

6. **ENFORCEMENT**

The Beneficiary shall not be obliged before exercising or enforcing any of its rights, powers or remedies conferred upon it by this Deed of Guarantee and Indemnity or by law:

- 6.1 to take any action or obtain any judgement in any court or tribunal against the Charterer or any other person;
- 6.2 to make or file any claim or proof in connection with the bankruptcy, liquidation, administration or insolvency (or its equivalent in any relevant jurisdiction) of the Charterer or any other person;
- 6.3 to make, enforce or seek to enforce any claim, right or remedy against the Charterer or any other person under any security or other document, agreement or arrangement; or
- 6.4 to enforce against and/or realise (or seek so to do) any security that it may have in respect of all or any part of the Guaranteed Obligations.

7. **REPRESENTATIONS AND WARRANTIES**

The Guarantor hereby represents and warrants to the Beneficiary as at the date of this Deed of Guarantee and Indemnity:

- (a) the execution, delivery and performance of this Deed of Guarantee and Indemnity, have been duly and validly authorised by the Guarantor;
 - (b) the signing of this Deed of Guarantee and Indemnity by the Guarantor and the performance of its obligations under this Deed of Guarantee and Indemnity shall not contravene or constitute a breach of or default under any provision contained in any agreement or instrument to which it is a party or by which it is bound nor will it result in a breach of any provision of its memorandum or articles of association or equivalent constitutional documents nor will it result in a breach of any order, judgment or decree of any court or governmental, administrative, judicial or regulatory body, authority or organisation or any law to which it is a party or by which it is bound;
 - (c) the Guarantor is duly organised, validly existing and in good standing under the laws of Delaware. The Guarantor has all requisite power and authority to execute
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and deliver this Deed of Guarantee and Indemnity and to perform its obligations hereunder:

- (d) the Guarantor is not for statutory purposes deemed to be unable to pay its debts nor is it unable to pay its debt as they become due;
- (e) no order has been served on the Guarantor and no resolution has been passed for the winding-up or dissolution of the Guarantor; the Guarantor is not in administration and no steps have been taken to place the Guarantor into administration (including the filing of any notice of intention to appoint an administrator over the Guarantor); the Guarantor is not subject to a company voluntary arrangement and no such arrangement has been proposed nor is the Guarantor subject to a scheme of arrangement and no such scheme has been proposed; no receiver (whether statutory or contractual) has been appointed to the Guarantor or any of its assets; the Guarantor is not in administrative receivership and has not suspended payments on any of its debts, nor entered into any compromises with any or all of its creditors;
- (f) all consents, permissions, approvals and agreements of its shareholders, lenders or any third parties which are necessary or desirable for it to obtain in order to enter into and perform this Deed of Guarantee and Indemnity in accordance with its terms have been unconditionally obtained in writing and have been disclosed in writing to the Beneficiary; and
- (g) the Guarantor, its Affiliates, its personnel and its subcontractors have not made, offered, authorized, requested, received, or accepted and will not make, offer, or authorize, request, receive or accept with respect to the matters which are the subject of this Guarantee and Indemnity or the Operating Agreement, any payment, gift, promise or other advantage, whether directly or indirectly through any person or entity, to or for the use or benefit of any public official or any political party or any political party official or candidate for office, or any other person where such payment, gift, promise or advantage would violate: (a) any Applicable Laws, including the Foreign Corrupt Practices Act 1977 (US) or the Bribery Act 2010 (UK); or (b) the laws of the country of incorporation of such entity or such entity's ultimate parent company or of the principal place of business of such ultimate parent company. The Guarantor has instituted, maintained and monitored policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance with applicable anti-bribery and corruption laws.

8. CONTINUING AND ADDITIONAL SECURITY

- 8.1 This Deed of Guarantee and Indemnity is a continuing security and shall remain in full force and effect until all the Guaranteed Obligations and the indemnity obligations have been discharged or satisfied in full notwithstanding any intermediate payment or discharge by the Guarantor of the Guaranteed Obligations or the liquidation or other incapacity or any change in the constitution or name of the Charterer or of the Guarantor or any settlement of account or other matter or thing whatsoever.
- 8.2 This Deed of Guarantee and Indemnity is in addition to and shall not merge with or otherwise prejudice or affect or be prejudiced by any other right, remedy, guarantee, indemnity or security and may be enforced without first having recourse to the same or any other bill, note, mortgage, charge, pledge or lien now or hereafter held by or available to the Beneficiary.

9. PAYMENTS AND WITHHOLDINGS

- 9.1 Subject to clauses 2.4 and 2.5, all payments to be made by the Guarantor under the Deed of Guarantee and Indemnity shall be made in immediately available cleared funds, without
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any deduction or set-off or counterclaim and free and clear of and without deduction for or on account of any taxes, levies, imports, duties, charges, fees and withholdings of any nature now or hereafter imposed by any governmental, fiscal or other authority save as required by law or regulation which is binding on the Guarantor. If the Guarantor is required by law or regulation to make any such deduction, it will pay to the Beneficiary such additional amounts as are necessary to ensure receipt by the Beneficiary of the full amount which that party would have received but for the deduction. The Guarantor shall promptly deliver or procure delivery to the Beneficiary of all receipts issued to it evidencing each deduction or withholding which it has made.

9.2 If the Guarantor fails to pay any sum payable under this Deed of Guarantee and Indemnity within fifteen (15) Business Days of receipt of a demand for payment, the Guarantor shall pay an amount equivalent to interest on such sum for the period from and including the date the demand for such amount was received up to the date of actual payment (both before and after judgment) at the Default Rate which shall accrue from day to day and be compounded monthly and shall be paid by the Guarantor on demand.

10. WAIVER

10.1 No failure or delay by the Beneficiary in exercising any right, power or privilege under this Deed of Guarantee and Indemnity or by law shall operate as a waiver of that right, power or privilege nor shall any single or partial exercise of any right, power or privilege preclude any other further exercise thereof or the exercise of any other right, power or privilege.

10.2 A waiver given or consent granted by the Beneficiary under this Deed of Guarantee and Indemnity will be effective only if given in writing and then only in the instance and for the purpose for which it is given.

10.3 The Beneficiary may release or compromise the liability of, or grant time or any other indulgence without compromising or affecting the liability of the Guarantor.

10.4 The powers which this Deed of Guarantee and Indemnity confers on the Beneficiary are cumulative, without prejudice to any rights or remedies provided by law and may be exercised as often as the Beneficiary thinks appropriate.

11. SEVERANCE

Each provision of this Deed of Guarantee and Indemnity is severable and distinct from the others and, if any such provision shall in whole or in part be held to any extent to be invalid, illegal or unenforceable in any respect under any enactment or rule of law, that provision or part shall to that extent be deemed not to form part of this Deed of Guarantee and Indemnity and the validity, legality and enforceability of the remainder of this Deed of Guarantee and Indemnity shall not be affected or impaired in any way.

12. CONTINUATION OF DEED OF GUARANTEE AND INDEMNITY

This Deed of Guarantee and Indemnity shall remain in full force and effect notwithstanding any amendments, variations, replacements or supplements from time to time to the Operating Agreement.

13. ASSIGNMENT

13.1 No Party shall be entitled to assign, transfer, encumber, sub-contract, delegate, declare a trust over or deal in any other manner with any or all of its rights and obligations under this Deed of Guarantee and Indemnity without the prior written consent of the other Party.

13.2 This Deed of Guarantee and Indemnity shall enure to the benefit of and be binding upon the respective successors and permitted assigns of the parties.

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14. ENFORCEMENT COSTS

The Guarantor hereby agrees to indemnify, defend and hold harmless (save insofar as otherwise indemnified under this Deed of Guarantee and Indemnity) the Beneficiary on demand against all losses, actions, claims, costs, charges, expenses and liabilities incurred or sustained by the Beneficiary in any enforcement or attempted enforcement of this Deed of Guarantee and Indemnity or occasioned by any breach by the Guarantor of any of the covenants or obligations to the Beneficiary under this Deed of Guarantee and Indemnity.

15. NOTICES

15.1 Except as otherwise provided in this Deed of Guarantee and Indemnity, any notice, demand or other communication given or made under or in connection with the matters contemplated by this Deed of Guarantee and Indemnity shall be in writing, in the English language and must be:

- (a) delivered by hand;
- (b) delivered by internationally recognised courier with tracked delivery;
- (c) sent by email, with the notice attached in PDF format, to:

in the case of the Beneficiary:
Address World Carrier Offshore Services Corp.
Agiassou 34 Vrilissia
Athens, 15235 Greece
Email Address commercial@worldcarrier.gr
Attention Nikos Zarakovitis

With copy to:
Attention: Legal Counsel
Email: legal@worldcarrier.gr
Attention: Operations Manager
Email: operations@worldcarrier.gr

in the case of the Guarantor:
Address VAALCO Energy, Inc.
9800 Richmond Avenue - Suite 700
Houston, Texas 77042 USA
gmaxwell@vaalco.com
Chief Executive Officer

Email Address With copy to:
Attention Attention: General Counsel
Email: msilver@vaalco.com
Attention: Gabon Operations
Email: operationsmanager@vaalco.com

and shall be deemed to have been duly given or made as follows:

- (a) if delivered by hand or by courier, upon delivery at the address of the relevant Party; and

(b) if sent by email, on the date sent if such date is a Business Day (in the country to which the notice is sent). If the date sent is not a Business Day, notice shall be deemed effectively given on the first Business Day after the notice is sent. Notice will not be deemed given by email where the sender receives an automated server response that the intended recipient has not received the email,

provided that if, in accordance with the above provisions, any such notice, demand or other communication would otherwise be deemed to be given or made after 5.00 p.m. on a Business Day such notice, demand or other communication shall be deemed to be given or made at 9.00 a.m. on the next Business Day.

15.2 In proving the giving of a notice it shall be sufficient to prove that delivery in person was made or that the envelope containing the notice was properly addressed and posted or that the email was properly addressed and transmitted and no notice of failure of delivery was received by the sender, as the case may be.

15.3 A Party may notify the other Parties to this Deed of Guarantee and Indemnity of a change to its name, relevant addressee or address for the purposes of clause 15 provided that such notification shall only be effective on:

(a) the date specified in the notification as the date on which the change is to take place; or

(b) if no date is specified or the date specified is less than five (5) Business Days after the date on which notice is given, the date falling five (5) Business Days after notice of any such change has been given.

16. **CURRENCY**

All payments to be made under this Deed of Guarantee and Indemnity shall be made in the currency in which the Guaranteed Obligations were expressed to be payable.

17. **AMENDMENT**

A variation of this Deed of Guarantee and Indemnity shall be in writing and executed as a deed by or on behalf of each Party.

18. **THIRD PARTY RIGHTS**

18.1 Save for the rights of each party to the Other Deeds of Guarantee and Indemnity to enforce the relevant terms of this Deed of Guarantee and Indemnity, the Parties confirm that no term of this Deed of Guarantee and Indemnity is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a Party to this Deed of Guarantee and Indemnity.

18.2 The Parties may amend, vary or terminate this Deed of Guarantee and Indemnity in such a way as may affect any rights or benefits of any third party which are directly enforceable against the Parties under the Contracts (Rights of Third Parties) Act 1999 without the consent of such third party.

18.3 Any third party entitled pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any rights or benefits conferred on it by this Deed of Guarantee and Indemnity may not veto any amendment, variation or termination of this Deed of Guarantee and Indemnity which is proposed by the Parties and which may affect the rights or benefits of the third party.

19. **CERTIFICATES CONCLUSIVE**

A certificate, determination, notification or opinion of the Beneficiary as to any amount payable under this Deed of Guarantee and Indemnity will be conclusive and binding on the Guarantor except in the case of fraud or manifest error.

20. **COUNTERPARTS**

This Deed of Guarantee and Indemnity may be executed in any number of counterparts, each of which is an original and which together have the same effect as if each party had signed the same document, provided, however, that none of the counterparts will be effective until both parties have executed a counterpart thereof. Each counterpart shall constitute an original of this Deed of Guarantee and Indemnity but all the counterparts together shall constitute one and the same agreement.

21. **GOVERNING LAW AND ARBITRATION**

21.1 This Deed of Guarantee and Indemnity shall be governed by and construed in accordance with English law.

21.2 Any dispute arising out of or in connection with this Deed of Guarantee and Indemnity, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration in London in accordance with the rules of the London Maritime Arbitrators Association for the time being in force, which rules are deemed to be incorporated by reference in this clause 21.2. The arbitrators shall be entitled to give interlocutory orders and/or give rulings on an agreed set of facts and/or a preliminary point of law at the request of either Party if they think fit to do so.

The reference shall be to three arbitrators. A Party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other Party requiring the other Party to appoint its own arbitrator within fourteen (14) calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other Party appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the other Party does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the Party referring a dispute to arbitration may, without the requirement of any further prior notice to the other Party, appoint its arbitrator as sole arbitrator and shall advise the other Party accordingly. The award of a sole arbitrator shall be binding on both Parties as if he or she had been appointed by agreement.

The Parties agree, and shall procure that each of its Affiliates agrees, that any Affiliate of either may be joined to any proceedings under this Deed of Guarantee and Indemnity and/or proceedings consolidated, in each case in respect of any claim pursuant to the Charter or the Operating Agreement.

The arbitrators' award shall be final and binding upon both Parties and may be enforced in any court having jurisdiction in respect thereof.

The arbitration shall be conducted in the English language.


21.3 The arbitrators shall determine which Party shall bear the expenses of the proceedings, or the proportion of such expenses which each Party shall bear.

IN WITNESS whereof the Guarantor and the Beneficiary have executed and delivered this Deed of Guarantee and Indemnity as a deed the day and year first above written.

Executed as a deed by

VAALCO ENERGY, INC.

acting by:

 Digitally signed by George Maxwell
Date: 2021.08.31 13:22:58
-05'00'

Authorised Signatory

Michael Silver Digitally signed by Michael Silver
Date: 2021.08.31 13:39:19
-05'00'

Authorised Signatory

Executed as a deed for and on behalf of)
WORLD CARRIER OFFSHORE SERVICES CORP.
acting by:

Director

Director

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

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

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

Date: November 3, 2021

/s/ George W.M. Maxwell
George W.M. Maxwell

Chief Executive Officer

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

I, Ronald Bain, certify that:

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

Date: November 3, 2021

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

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

In connection with the Quarterly Report of VAALCO Energy, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George W.M. Maxwell, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

Dated: November 3, 2021

/s/ George W.M. Maxwell

George W.M. Maxwell, Chief Executive Officer

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

In connection with the Quarterly Report of VAALCO Energy, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I Ronald Bain, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

Dated: November 3, 2021

/s/Ronald Bain

Ronald Bain, Chief Financial Officer
(Principal Financial Officer)
