2014 INTERIM MANAGEMENT STATEMENT

12 November 2014
Interim Management Statement

12 November 2014 – Tullow Oil plc (Tullow) issues the following Interim Management Statement, for the period 1 July to 12 November 2014. The Group will announce its full year Trading Statement and Operational Update on 15 January 2015. Full year results will be announced on 11 February 2015.

COMMENTING TODAY, AIDAN HEAVEY, CHIEF EXECUTIVE OFFICER SAID:

“In light of current oil and gas sector challenges including the commodity price environment, we are reviewing our capital expenditure and our cost base to ensure that Tullow is well-positioned for future success. In 2015, we will be focusing our capital spend on producing and development assets, particularly in West Africa where, by 2017, the Group expects to be producing, net to Tullow, over 100,000 bpd of high quality, high margin oil. Our overall exploration spend will be significantly reduced and will focus primarily on East Africa where we have major basin-opening potential. Tullow remains exploration-led and will continue to add further high quality frontier acreage so that, as conditions allow, we can return to drilling the types of prospects that have given us the development portfolio we have today.”

Strategic Overview

A review of the investment opportunities across Tullow’s portfolio of activities is ongoing and, coupled with the current external environment, is indicating that the Group should re-allocate capital across the business towards producing assets and the commercialisation of existing discoveries.

The Group’s core oil assets in West Africa – the TEN development project, Jubilee production and the non-operated West Africa portfolio – will generate significant value and cash flow for the Group and will attract the greatest share of capital in 2015. Exploration will continue to be a key part of Tullow’s future growth strategy. However, given the current expectations for the oil price, reduced commercial success from offshore drilling and the lack of asset transactions, returns from drilling complex, deepwater wells are currently less attractive. In response, Tullow will now focus the majority of its exploration and appraisal expenditure on its operated onshore East Africa portfolio where significant value can be created by adding further resources and appraising existing discoveries to progress development in both Uganda and Kenya. In 2015, Tullow therefore expects to reduce net exploration and appraisal capital expenditure to around $300 million after the Norway tax rebate. During the year, Tullow will continue to seek new low cost and highly prospective exploration acreage in its core areas of Africa and the Atlantic Margins to ensure that the business continues to have an industry-leading exploration position.

In addition, the Group will continue to maintain a conservative financial framework and concentrate on a rigorous approach to both capital allocation and cost control across the Group. Tullow is focusing on maximising value from its asset base and positioning its business to benefit from improved market conditions in the future.

Financial Update

Financial performance for the year to date, before exploration write-offs and impairment charges, is in-line with expectations. Average working interest production guidance for the Full Year 2014 remains on track for West Africa however Europe production is impacted by underperformance from the Schooner, Ketch and Katy fields. Full Year pre-tax operating cash flow before working capital is expected to be in the region of $1.7 billion. Capital expenditure for the full year is in-line with current guidance of $2.1 billion and net debt is expected to be $3.2 billion, with available debt facility headroom and free cash totaling $2.3 billion. Whilst the Board has yet to approve the final Group capital expenditure budget for 2015, it is likely to be in the region of $2 billion and will include TEN expenditure of $900 million. The capital allocation across the Group for 2015 is being planned conservatively on the basis that we will retain our full equity in TEN (47.18%) until first oil. The overall cost of the TEN Project of $4.9 billion has not changed, and the TEN Project remains on track and on budget for first oil in mid-2016.

In light of the re-allocation of capital investment towards core producing and development assets, and away from exploration, the Board is in the process of reviewing the Group’s three year investment plan and past capitalised costs. The main focus of the review is on French Guiana, where we have significant costs booked for the Zaedyus discovery and subsequent appraisal wells; and on Mauritania where a decision will be made on which licences to retain and the future plans for the Fregate discovery. While significant upside potential exists, if the Board decides not to allocate near-term capital to these areas, substantial non-cash exploration write downs will be required for the Full Year.

The impairment charge for 2014 is expected to include an updated assessment of the recoverability of the Uganda contingent consideration, a review of carrying values of all PP&E assets in light of current commodity prices and an assessment of the carrying value of Goodwill in relation to the Spring Energy acquisition in Norway.
Operations Update

WEST & NORTH AFRICA

Average working interest production from the region is in line with guidance of 64,000 to 68,000 bopd for the full year.

Production performance from the Jubilee field has remained stable. Average production for year to date is 103,000 bopd gross and guidance for the full year remains unchanged at around 100,000 bopd.

The connection between the Jubilee FPSO and the Ghana National Gas Corporation onshore gas processing facility was completed on 7 November allowing gas to be exported to the plant and commissioning to commence. The plant is expected to become fully operational towards the end of 2014. This will allow the evacuation of gas from the FPSO and significantly reduce the requirement for gas re-injection. However, due to the substantial quantity of gas injected into the reservoir since first oil in 2010, it is anticipated that the increase of Jubilee oil production will be gradual and is expected to take until the fourth quarter of 2015 to reach the facility capacity of 120,000 bopd. More detailed production guidance will be provided in the January Trading Statement when more information will be available on gas plant reliability, the impact of gas injection on short-term reservoir performance and the schedule to add further production wells.

The completion of the final two Jubilee Phase 1A wells is planned for the first half of 2015 adding additional well capacity to maintain and build production from the field in 2015 and beyond. The Jubilee Partners continue to engage with the Government of Ghana to obtain the necessary approvals to drill additional Jubilee development wells in 2015 for the next stage of the Jubilee development.

The Mahogany-Teak-Akasa (MTA) appraisal programme in the West Cape Three Points licence is being completed and the results are being evaluated before a full field development plan for the Jubilee field and the MTA area are submitted to the Government of Ghana in 2015.

The TEN development project is on-track to be close to 50% complete by year-end. Key milestones achieved over the period include engineering design completion, the successful dry-docking of the FPSO, the first eight wells drilled ahead of schedule versus five planned and significant progress in manufacturing the subsea equipment. Successful completion of the first local content element of the FPSO conversion was also achieved, with the Ghanaian-made module support stools arriving on schedule in Singapore. Due to the current timings of work plans in 2015, Tullow and Partners are forecasting gross capital expenditure for the year of around $1.8 billion dollars. The total cost of the project and capital spend to first oil remains unchanged at $4.9 billion dollars and $4 billion respectively.

During the period we have seen strong production from the Ceiba, Okume and Espoir fields in Equatorial Guinea and Côte d’Ivoire. As reported at the half year results, licence discussions in Gabon relating to certain non-operated fields are ongoing with full resolution still expected before year-end.

Following the exploration success in July 2014 at the onshore Igongo-1 well in Gabon, the operator is working to bring production on-stream early in the New Year through existing infrastructure. The result from the Sputnik-1 offshore well, testing a new pre-salt play in Gabon, was announced in October 2014, having encountered non-commercial hydrocarbons. In August 2014, Tullow relinquished its interest in the SL-07B-11 licence in Sierra Leone, thereby exiting the country. In October 2014, Tullow completed the sale of its interest in block CI-103 in Côte d’Ivoire to Anadarko.

In Mauritania, ongoing seismic acquisition and processing will assist the team in quantifying the exploration potential across our portfolio ahead of further drilling.

SOUTH AND EAST AFRICA

Significant exploration and appraisal activity continued in Kenya during the period. The South Lokichar basin was extended to the North and the South with a discovery at Etom-1 and substantial oil shows seen in Ekosowan-1. A number of successful appraisal wells and flow tests have also been carried out across the basin underpinning the Pmean resource guidance of 600 mmbbls.

Tullow has also embarked upon a series of basin opening wildcat wells in Kenya as it seeks to replicate the success in the South Lokichar and Lake Albert Rift Basins. The first of these, Kodos-1, in the Kerio Basin encountered hydrocarbon shows close to the basin bounding fault. Following this encouraging result, the next well in the programme, Epir-1, which lies in a sub-basin 25 km north of Kodos-1, will begin drilling during November 2014 with a result expected before year end. Additionally, the new SMP-106 rig is currently mobilising to the Engomo-1 wildcat well location in the North Turkana Basin. Drilling will commence in the North Turkana Basin in the coming weeks and a result from this basin testing well is likely early in the New Year.

During 2015, in addition to significant appraisal and testing activity in the South Lokichar Basin, Tullow expects to drill a further 5 basin-testing exploration wells across its acreage in Kenya and Ethiopia.

The current ambition of the Government of Kenya, Government of Uganda and the joint venture partnerships is to reach project sanction for the development the Lokichar resources and the Lake Albert resources, including an export pipeline, in early 2016.
In Namibia, Tullow has been discussing the future of its stake in the Kudu gas development project with the Government. Kudu is an excellent project for Namibia, and Tullow is committed to assisting the government in moving it forward to a Final Investment Decision, but the Group will not be investing capital in the development as other projects currently rank higher in the capital allocation process.

Also in Namibia, in October 2014, Tullow completed a farm-in to offshore exploration licence PEL 0030 which covers Block 2012A and is operated by Eco Atlantic. Tullow’s interest is 25% during the seismic phase but can increase to 40% with operatorship, if a prospect is selected for drilling. This farm-in is part of a strategic basin testing and acreage positioning initiative by Tullow whereby attractive and material oil plays are pursued in shallow waters.

EUROPE, SOUTH AMERICA AND ASIA

Production from Europe is below expectations due to underperformance from the Schooner, Ketch and Katy assets in the UK. Gas production in the Netherlands remains in-line with expectations. The average 2014 working interest production from Europe, taking into account asset sales, is now expected to be around 12,000 boepd.

In October 2014, the sale of 53.1% of Schooner and 60% of Ketch to Faroe Petroleum (U.K.) Limited was completed. In September 2014, Tullow signed an agreement to sell its operated and non-operated interests in the L12/L15 area in the Netherlands along with non-operated interests in blocks Q4 and Q5 to AU Energy, a subsidiary of Mercuria Energy Group Ltd. This deal is expected to complete early in 2015. On 31 October 2014 Tullow completed an agreement to sell its interest in the Norwegian Brage field to Wintershall for a cash consideration of $6.8 million with the sale being effective from 1 January 2014.

In August, Det Norske, as operator of PL 494 in Norway, announced completion of drilling of wildcat well 2/9-5S. The well was drilled about 30 km east of the Valhall field into the Heimdalsho prospect but did not encounter hydrocarbons.

Tullow has signed a new Production Sharing Agreement for a large prospective acreage position offshore Jamaica. The Walton Basin and Morant Basin areas cover 32,065 sq km and includes 10 full blocks and one part block in shallow water to the south of Jamaica. The contract is effective from 1 November 2014 and commits Tullow to carry out low cost studies, reprocessing work and, if the company elects to proceed, acquisition of new 2D and 3D seismic in the initial three and a half year exploration period. There have been oil or gas shows in 10 of the 11 onshore and offshore wells drilled in Jamaica to date.

Derivative instruments update

Tullow continues to undertake hedging activities as part of the ongoing management of its business risk to protect against commodity price volatility and to ensure the availability of cash flow for reinvestment in capital programmes that are driving business growth. The volumes hedged and derivative products entered into are governed by risk management policies.

At 31 October 2014 the Group’s commodity hedge position to the end of 2017 was as follows:

<table>
<thead>
<tr>
<th>Hedge position</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Oil hedges</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volume (bopd)</td>
<td>35,500</td>
<td>33,500</td>
<td>20,000</td>
<td>9,000</td>
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<td>Current price hedge ($/bbl)*</td>
<td>87.18</td>
<td>90.23</td>
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<tr>
<td>Average Floor price protected ($/bbl)</td>
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<tr>
<td><strong>Gas hedges</strong></td>
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<td></td>
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<tr>
<td>Volume (mmscfd)</td>
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<td>4.98</td>
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<tr>
<td>Current price hedge (p/therm)*</td>
<td>61.00</td>
<td>56.65</td>
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<tr>
<td>Average Floor price protected (p/therm)</td>
<td>61.00</td>
<td>56.23</td>
<td>63.00</td>
<td>-</td>
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</tbody>
</table>

*Current price hedge reflects the outturn price of those hedged volumes when considering the hedge structure and the forward curve as at 31 October 2014.
Notes to Editors

**Tullow Oil plc**

Tullow is a leading independent oil & gas, exploration and production group, quoted on the London, Irish and Ghanaian stock exchanges (symbol: TLW) and is a constituent of the FTSE 100 Index. The Group has interests in over 140 exploration and production licences across 22 countries which are managed as three regional business units: West & North Africa, South & East Africa and Europe, South America and Asia.

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