TULLOW OIL PLC

2016

TRADING STATEMENT AND OPERATIONAL UPDATE

30 June 2016

Tullow Oil plc – Trading Statement & Operational Update

TEN project remains on schedule; First oil expected within the next three to six weeks; Jubilee production c.90,000 bopd in June; Preferred long-term Jubilee FPSO solution established; Kenya exploration and appraisal programme to recommence in fourth quarter 2016

30 June 2016 – Tullow Oil plc (Tullow) issues this statement to summarise recent operational activities and to provide trading guidance in respect of the financial half year to 30 June 2016. This is in advance of the Group's Half Year Results, which are scheduled for release on Wednesday 27 July 2016. The information contained herein has not been audited and may be subject to further review and amendment.

COMMENTING TODAY, AIDAN HEAVEY, CHIEF EXECUTIVE OFFICER SAID:

"After three years of hard work, I am delighted to say that the TEN Project is expected to deliver first oil within the next three to six weeks. This transformational project has remained on schedule and on budget since it began in 2013. Production at Jubilee has stabilised with a gross rate in June of around 90,000 bopd. We have also made excellent progress on the long term solution to the turret issue, with the Jubilee Partners deciding that the optimum way forward is to spread moor the FPSO. In East Africa, the Governments' agreement that there will be separate pipelines to develop resources in Uganda and Kenya brings greater clarity to both projects. In addition in Kenya, a new programme of exploration wells focusing on growing resources is due to start in the fourth quarter. The New Ventures team remains focused on high grading and replenishing the exploration portfolio with a new licence signed in Zambia and ongoing portfolio management and seismic survey activity in South America."

Operational Update

PRODUCTION

In the first half of 2016, Tullow's West Africa working interest oil production averaged 51,900 bopd. This is below previous guidance due to lower production from the Jubilee field in Ghana, following issues with the FPSO turret identified in February. This resulted in an extended shut down period in April while new offtake procedures were implemented to enable the Jubilee field to restart in early May. Production has gradually been ramped up since then, with gross production in June averaging around 90,000 bopd. The Group expects to continue producing from Jubilee at similar levels through the remainder of 2016 with the exception of short periods of reduced production to commence work on the long-term turret solution. As a result, Jubilee gross average production in the second half of 2016 is expected to be around 85,000 bopd (net: 30,200 bopd). Tullow therefore expects average gross production for the Jubilee field in 2016 to be around 74,000 bopd (net: 26,300 bopd).

As a consequence, Tullow's West Africa oil production guidance range is revised to 62-68,000 bopd net. Tullow however has a comprehensive package of insurances in place which includes Business Interruption insurance which covers consequent loss of production and revenue from Jubilee.

In Europe, working interest gas production for the first half of 2016 was above expectations averaging 6,800 boepd. Full year guidance has been revised to 6-7,000 boepd.

WEST AFRICA

Jubilee

As previously announced, an issue with the turret bearing of the FPSO Kwame Nkrumah, identified in February 2016, has resulted in the need to implement new operating and offtake procedures. This necessitated the FPSO be shut down for an extended period in April with production resuming in early May. Since then, 18 offtakes to the storage tanker have been successfully completed using a dynamically positioned shuttle tanker. Tullow expects to continue operating the field under these new procedures for the remainder of 2016 and anticipates average gross production to be around 85,000 bopd in the second half of 2016.

Tullow and its Partners have made good progress towards establishing the best long-term solution and, based on the work undertaken over the past four months, now see converting the FPSO to a permanently spread moored facility, with offtake through a new deepwater offloading buoy, as the preferred long-term solution. The Partners are working with the Government of Ghana to seek their approval for this option. The first phase of this work will involve the installation of a stern anchoring system to replace the three heading control tugs currently in the field. This is anticipated to be completed by the end of 2016 and will require short periods of reduced production. Tullow then plans a second phase of work to rotate the FPSO to its optimal spread moor heading in the first half of 2017. The work programme covering these phases, which requires Government approval, is expected to cost $100-150 million gross and it is estimated that the Jubilee FPSO will need to be shut-down for 8-12 weeks during the first half of 2017.

Upon completion of the spread mooring work programme in mid-2017, the Partners will review opportunities to improve the efficiency of offtake procedures, which may include the use of a larger dynamically positioned shuttle tanker, and seek to return production to levels seen before the turret issue occurred. The additional gross operating expenditure of the revised procedures is currently expected to be around $115 million for 2016 and $80 million for 2017.

A deep water offloading buoy is anticipated to be installed in the first half of 2018. This will remove the need for the dynamically positioned shuttle and storage tankers and the associated operating costs. Market enquiries are currently ongoing to estimate the cost and schedule for the fabrication and installation of this buoy.

Tullow has a comprehensive package of insurances in place. This includes Hull and Machinery insurance, procured on behalf of the Joint Venture, which covers relevant operating and capital costs associated with damage to the FPSO, and Business Interruption insurance for Tullow which covers consequent loss of production and revenue. Claims under both policies have been notified to our insurers.

TEN

The TEN Project remains on schedule and within budget. The project is now over 96% complete and is expected to deliver first oil within the next three to six weeks.

Hook-up and commissioning of the FPSO, connecting the pre-drilled wells to the vessel via the extensive subsea infrastructure, is nearing completion. During July, the integrated start-up sequence is expected to be initiated with water injection to the Enyenra reservoir being followed by oil production. This sequence will then be repeated for the Ntomme reservoir.

A gradual ramp-up in oil production towards the FPSO capacity of 80,000 bopd is anticipated around the end of 2016 as the facilities complete performance testing and wells are brought up to optimum rates. Tullow estimates that TEN average annualised production in 2016 will be around 23,000 bopd gross (net: 11,000 bopd). Drilling is not expected to recommence on the TEN field until after the resolution of the Côte d'Ivoire and Ghana border dispute through the ITLOS tribunal whose decision is expected in late 2017.

The associated gas produced at TEN will be re-injected into the Ntomme reservoir gas cap until gas export begins. Gas export was planned to start 12 months after field start-up, with the Tweneboa gas reservoir coming on stream a further 12 months later. However, options to accelerate gas export are currently being evaluated as the fabrication of the gas export facilities is ahead of schedule and is expected to be complete in late 2016, some six months early.

West Africa non-operated

West Africa non-operated production was in line with expectations for the first half of 2016 averaging 29,500 bopd net. As a result of pro-active decisions by the field operators due to the low oil price, reduced activity will continue across the portfolio in the second half of 2016, with some drilling now deferred to 2017/2018. Full year 2016 West Africa non-operated production guidance is therefore now expected to be around 28,000 bopd net.

EAST AFRICA

East Africa Development

On 23 April 2016, the Presidents of Kenya and Uganda agreed to pursue two separate crude oil export pipelines for the development of Kenya's South Lokichar oil fields and Uganda's Lake Albert oil fields. The Uganda pipeline route will be through Tanzania from the Ugandan town of Hoima to the Tanzanian port of Tanga. The pipeline development is being led by Total and the Government of Uganda. In Kenya, Tullow and its upstream partners Africa Oil and Maersk Oil, along with the Government of Kenya, are currently negotiating a Joint Development Agreement to implement the Kenya crude oil pipeline which will run from South Lokichar to the port of Lamu. It is anticipated that for both the Kenya and Uganda pipelines, technical, environmental and social studies and tenders required to proceed to FEED will commence in the second half of 2016 with the objective of commencing FEED in 2017.

In addition to progressing the full field development work in Kenya, an Early Oil Pilot Scheme (EOPS) transporting oil from South Lokichar to Mombasa, utilising road or a combination of road and rail, is being assessed to provide reservoir management information to assist in full field development planning. The EOPS would utilise existing upstream wells and oil storage tanks to initially produce approximately 2,000 bopd gross around mid-2017, subject to agreement with National and County Governments.

Kenya Exploration & Appraisal

In the first half of the year, Tullow concluded its first phase of exploration and appraisal in the South Lokichar Basin. The success of this programme and ongoing analysis of the discoveries has led to an upgrade of the South Lokichar resource estimate up to 750 mmbo. Significant upside remains across the South Lokichar Basin with the potential to increase the resource estimate to around 1 billion barrels of oil. The Kenya Joint Venture Partners therefore plan to recommence drilling activities in the fourth quarter of 2016 with an initial programme of four wells in the South Lokichar basin and the potential to extend this by a further four wells. In addition, Tullow is planning an extensive water injection test programme in the fourth quarter of 2016 to collect data to optimise the field development plans.

Exploration activity continued outside of the South Lokichar basin in the first half of 2016, and the Cheptuket-1 well in the Kerio Valley Basin was successfully completed in March 2016. The well encountered good oil shows, seen in cuttings and rotary sidewall cores, across an interval of over 700 metres. Further exploration activities in this basin and Tullow's remaining unexplored Kenyan acreage, continue to be evaluated.

NEW VENTURES

Tullow has continued to actively manage its New Ventures portfolio in the first half of 2016 through both licence acquisitions and farm downs of existing acreage to manage exposure to exploration costs.

In June, Tullow extended its East African rift play acreage through the award of Petroleum Exploration Licence 28, onshore Zambia. The 55,000 sq km block builds on Tullow's existing low-cost, core East African Tertiary rift basins, giving the Group access to three further unexplored basins. Within the first two years of the licence, Tullow plans to complete initial geological studies, acquire an FTG survey and collect passive seismic data. If the results are positive the Group will then carry out the acquisition of 2D Seismic over the block.

Exploration in South America continues to be an area of strong interest for Tullow and other industry partners. Tullow's substantial acreage position in the Guyana basin was further strengthened with the award of the Orinduik licence, immediately up-dip of the significant Liza-1 oil discovery made by Exxon in 2015. A 3D seismic survey is planned on both the Kanuku and Orinduik licences.

In September 2016, Tullow plans to commence a drop core geochemical survey in Suriname to sample the seabed in Blocks 47 and 54 to test shallow hydrocarbon indicators. Results of the 3D survey completed in the first half of the year over Block 54 indicate a number of highly attractive leads and prospects, in particular the Araku prospect, which has encouraging amplitudes conforming to a large structure.

In February 2016, Tullow farmed down a 35% working interest in Block 15 in Uruguay to Statoil, with Government approval received at the end of May. The Partners have agreed a one-year extension with the Government on the Block in order to acquire 2,500 sq km of new 3D seismic and this activity will commence in late 2016. The interpretation of this is expected to add to the number of leads already identified in a 3D survey undertaken by Tullow in 2013. Leads in the under-explored Pelotas Basin, in the north-eastern part of Block 15, are particularly well located for potential oil charge.

Drilling continued in Norway in the first half of 2016. The Wisting Central 2 long reach horizontal well in the Barents Sea was completed in early April successfully exploring and appraising the Wisting South & Wisting West segments of the field. The well encountered an oil column of 22 metres in a 1,402 metres horizontal section with 1,250 metres of net light oil pay. A constrained production test was carried out with a flow rate of approximately 5,000 bopd demonstrating excellent reservoir properties and valuable development potential. The well results are expected to provide an increase of in-place volumes. Tullow was recently awarded one licence north of Wisting in the 23rd licensing round, adding to the Group's acreage in this very prospective area.

The next operated well in Norway at the Rome prospect in PL776, commenced drilling on 23 June with the Borgland Dolphin rig. A result from this well is expected in July. Non-operated wells planned for the second half of 2016 in Norway include the Cara well in PL636 and the Rovarkula well in PL626, which are both due to spud in July with results likely in August.

Notwithstanding a lower exploration budget, Tullow continues to successfully replenish and high-grade its exploration portfolio, giving the Group significant drilling prospects for the future.

Financial Update

The Group's 2016 capital expenditure guidance remains at $1.0 billion with further savings being offset by additional capex associated with the Jubilee turret issue ahead of potential insurance payments and the start of a new drilling campaign in Kenya.

At the end of June 2016, net debt is estimated at $4.7 billion and unutilised debt capacity and free cash at approximately $1.0 billion. The Group's hedging strategy remains unchanged; ensuring a percentage of production entitlement volumes are hedged on a three-year look forward basis. Having temporarily suspended the execution of this strategy in the fourth quarter 2015, it was resumed in April 2016.

In April, Tullow successfully completed its routine six-monthly Reserve Based Lending (RBL) redetermination process, securing available debt capacity of $3.5 billion. The first amortisation of the RBL is scheduled in October 2016, when commitments will reduce to $3.25 billion. The Company currently plans to refinance the RBL before any further amortisation in 2017.

The Group also agreed a twelve month extension to the maturity of the Corporate Facility to April 2018. The Corporate Facility commitments remain at $1 billion until April 2017, when commitments reduce to $800 million with an accordion feature for an additional amount of $200 million. Tullow's lending banks also agreed a further amendment to the financial leverage covenant of the RBL and the Corporate Facility. This demonstrates the continued support of the Group's lending banks during this period of low oil prices and the high quality of Tullow's asset portfolio. Strengthening the balance sheet and debt reduction continue to be key priorities for Tullow this year. Options available include further rationalisation of our cost base, further cuts to discretionary capital expenditure, portfolio management and other funding options.

Trading Statement Guidance

Guidance is provided in relation to Tullow's half year reporting to 30 June 2016 in advance of the Group's Half Year Results release on 27 July 2016. Guidance figures are subject to change.

SALES, REVENUE AND GROSS PROFIT

	1H 2016	1H 2015
West Africa working interest production (bopd)	51,900	66,500
Europe working interest production (boepd)	6,800	8,100
West Africa sales volumes (bopd)	42,800	58,200
Europe sales volumes (boepd)	6,400	8,300
Total revenue ($bn)	0.5	0.8
Gross profit ($bn)	0.2	0.3
Administrative expenses ($bn)	0.1	0.1
Pre-tax operating cash flow (before working capital) ($bn)	0.2	0.5

Note 1: Working interest production volumes do not equate to sales volumes. This is due to variations in lifting schedules and because a portion of the production is delivered to host governments under the terms of Production Sharing Contracts.

REALISED PRICES

	1H 2016	1H 2015
Realised post hedge oil price ($/bl)	61	71
Realised post hedge gas price (p/therm)	29	46

HEDGING INSTRUMENTS

	1H 2016	1H 2015
Fair Value of derivative instruments ($bn)	0.3	0.3
(Loss)/gain on hedging instruments ($bn)	0.03	(0.03)

Note 2: The fair value of derivative instruments (inclusive of deferred premium) of $0.3 billion and the $0.03 billion gain on hedging instruments are estimates at 31 May 2016. The actual period end figure to be reported in the Half Year Results may differ. The movement in the fair value comprise of intrinsic value and time value movements. The movements in the intrinsic value of derivative instruments deemed to be in effective cash flow hedges are initially deferred in the hedge reserves, and recycled to the income statement on realisation. The $0.03 billion gain is in relation to the movements in time value of the Group's commodity derivative instruments over the last 6 months, driven by changes in implied volatility and the movement in the forward curve during the period.

HEDGING POSITION (as at 28 June 2016)

	2H 2016	2017	2018
Oil Volume (bopd)	38,500	30,500	10,000
Average floor price protected ($/bbl)	74.28	65.63	61.24
Gas Volume (mmscfd)	2.46	3.67	-
Average floor price protected (p/therm)	43.35	40.47	-

EXPLORATION WRITE-OFF AND IMPAIRMENTS

	Pre-tax write off	Tax effect	Net write off
1H 2016 total exploration write-off ($bn)	0.06	(0.02)	0.04
1H 2016 impairments of PP&E ($bn)	0.1	-	0.1

CAPITAL AND OTHER EXPENDITURE

	1H 2016	FY 2016
Capital expenditure ($bn)	0.6	1.0
E&A/D&O split (%)	5%/95%	10%/90%
Decommissioning expenditure ($bn)	0.01	0.04
Expenditure on onerous contracts ($bn)	0.1	0.2

Note 3: Capital expenditure excludes acquisition costs and includes Norway exploration costs on a post tax cash basis. Note 4: Decommissioning expenditure is gross of any tax relief and relates largely to UK decommissioning activities. Note 5: Expenditure on onerous contracts has been provided for in the 2015 income statement. Due to the reduction in planned future work programmes, the Group continues to review its service contracts and is in discussion with contractors and partners in relation to mitigating actions.

DEBT SUMMARY

	1H 2016
Net debt ($bn)	4.7
Facility headroom and free cash ($bn)	1.0
Committed bank facilities - RBL/RCF ($bn)	4.5
Corporate Bonds ($bn)	1.3

Note 6: In addition to committed bank facilities Tullow has an Exploration Finance Facility of c.$250 million, a working capital facility relating to exploration expenditure on our Norwegian exploration licences. This facility is not included in the $1 billion facility headroom and free cash.

REMAINING PLANNED EXPLORATION AND APPRAISAL ACTIVITY IN 2016

Country	Block/Licence	Prospect/Well	Interest	Spud Date
EAST AFRICA				
Kenya	Various	Four well programme	50% (op)	Commence Q4 2016
NEW VENTURES				
Norway	PL776	Rome	40% (op)	In progress
	PL636	Cara	20%	July 2016
	PL626	Rovarkula	30%	July 2016

GROUP AVERAGE WORKING INTEREST PRODUCTION [(1)]

WEST AFRICA & PRODUCING	1H 2016 Actual [(2)] (kboepd)	FY 2016 Forecast (kboepd)
Ghana		
Jubilee	*22.4*	*26.3*
TEN	-	*11.0*
Total Ghana	22.4	37.3
Equatorial Guinea		
Ceiba	*2.3*	*2.2*
Okume	*5.0*	*4.7*
Total Equatorial Guinea	7.3	6.9
Gabon		
Tchatamba	*4.9*	*4.7*
Limande	*2.0*	*2.1*
Etame Complex	*1.4*	*1.3*
Other Gabon	*6.6*	*5.9*
Total Gabon	14.9	14.0
Côte d'Ivoire	4.7	4.5
Congo (Brazzaville)	1.7	1.6
Mauritania	0.9	0.9
WEST AFRICA SUB-TOTAL	**51.9**	**65.2**
UK	3.3	3.1
Netherlands	3.5	3.7
EUROPE SUB-TOTAL	**6.8**	**6.7**
GROUP TOTAL	**58.7**	**71.9**

(1) Includes condensate
(2) Provisional unaudited figures that may be subject to change

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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). The Group has interests in over 120 exploration and production licences across 22 countries which are managed by three Business Delivery Teams; West Africa, East Africa and New Ventures.

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