

Tullow Oil plc

2018

AGM TRADING UPDATE

25 April 2018



# AGM Trading Update

**25 April 2018** – Tullow Oil plc (Tullow) issues the following Trading Update for the period 1 January to 25 April 2018. This statement is issued in advance of the Group's Annual General Meeting (AGM) which is being held at Tullow Oil plc, Building 9 Chiswick Park, London, W4 5XT at 12pm today. The Group will announce its Trading Statement and Operational Update on 28 June 2018 and Half Year Results will be announced on 25 July 2018.

## **PAUL MCDADE, CHIEF EXECUTIVE OFFICER, TULLOW OIL PLC, COMMENTED TODAY:**

*"Tullow continues to make strong progress in 2018 and we continue to generate free cash flow from our high-return production assets in West Africa. The drilling programme is now under way at the TEN and Jubilee fields in Ghana and we remain on track to deliver on our existing production guidance. In East Africa, our Ugandan and Kenyan developments are on track for Final Investment Decisions in 2018 and 2019 respectively and we are preparing for the start of our multi-year exploration programme across our diverse portfolio of exploration prospects in Africa and South America. The progress we have made is due to the hard work and financial discipline of the team and the support of our shareholders, allowing us to focus on growing our business and delivering returns."*

## **Highlights**

- Strong production at TEN in Ghana and across our non-operated portfolio delivered average first quarter net oil production of 87,700 bopd, including production-equivalent insurance payments. Full year guidance remains 82,000-90,000 bopd
- Drilling of first new production well on the Ntomme field in TEN is under way; contracting of second rig is under review; first shut-down to stabilise turret bearing at Jubilee FPSO completed successfully
- Progress towards Final Investment Decision (FID) in Kenya in 2019 continues; upstream and pipeline Front End Engineering Design (FEED) and Environmental Social Impact Assessment (ESIA) work progressing to plan
- Uganda farm-down to Total and CNOOC awaiting Government approval; Lake Albert development progressing towards FID in the second half of 2018
- Exploration team continues to mature prospect inventory and drill queue for three-year exploration programme, which will start with the drilling of the Cormorant wildcat well, offshore Namibia, in the third quarter of 2018
- Successful issue of \$800 million of senior notes due 2025 further extending debt maturities; voluntary cancellation of \$150 million of commitments under the Revolving Corporate Facility (RCF), further optimising balance sheet
- Net debt reduced to \$3.4 billion at 31 March 2018; current headroom and free cash of approximately \$1 billion
- 2018 capex forecast of \$460 million remains unchanged; Uganda expenditure of \$110 million expected to be repaid following completion of Uganda farm-down

## **Board Update**

Tullow recently announced the appointment of Dorothy Thompson as independent non-executive Director and Chair-designate of Tullow with effect from the conclusion of today's AGM. It is anticipated Dorothy will succeed Aidan Heavey, Tullow's current Chairman and Founder, as Chair at the conclusion of the Board meeting scheduled for 20 July 2018. Aidan will retire from the Board at the same time.

From the conclusion of the AGM, Kevin Massie will be stepping down as Company Secretary to pursue another role in Tullow. The Board has appointed Adam Holland, currently Deputy Company Secretary & Senior Legal Advisor, to the role of Company Secretary.

## **Operations Update**

### **WEST AFRICA (INCLUDING UK)**

#### *Production*

Working interest oil production for the first quarter of 2018 averaged 87,700 bopd, in line with guidance. This includes 9,600 bopd of production-equivalent insurance payments relating to the Jubilee field expected to be realised under Tullow's Corporate Business Interruption insurance policy. First quarter 2018 working interest gas production from the UK averaged 2,700 boepd.

Tullow's 2018 full year production forecast is unchanged with working interest oil production, including production-equivalent insurance payments, expected to average between 82,000 and 90,000 bopd and working interest gas production is expected to average between 3,500 - 4,500 boepd.

## **Ghana**

### *Jubilee*

Gross production from the Jubilee field averaged 63,800 bopd (net: 22,600 bopd) in the first quarter of 2018. Tullow's net production increases to 32,200 bopd after including the net production-equivalent insurance payments mentioned above.

The FPSO Kwame Nkrumah was shut down for 19 days in the first quarter of 2018 to carry out the first stage of work required to stabilise the turret bearing, and to conduct some non-turret related maintenance work. A second planned shutdown of approximately three weeks is scheduled for May 2018 to complete the stabilisation of the bearing. A further planned shutdown of approximately one week is expected around the end of 2018 to rotate the FPSO to its permanent heading and install the final spread mooring anchoring system. Work is ongoing to optimise the duration of the shutdown.

### *TEN*

The TEN fields performed very well in the first quarter of 2018, with gross production averaging around 68,600 bopd (net: 32,400). Gas production from the TEN field was used to substitute supply to Ghana National Gas Company during the Jubilee shutdown. Tullow expects gas sales from TEN to commence in June.

### *Drilling*

The Maersk Venturer drill rig has arrived in Ghana and began operations in the field on 9 March 2018. The rig is expected to drill and complete four wells in 2018. The first well is a Ntomme production well at TEN which is progressing as planned and is expected to be brought on stream around the middle of the year. The second well planned is a Jubilee production well located in the north-eastern area of the field. Work is ongoing to finalise the sequence of further wells to maximise production from both the Jubilee and TEN fields. Tullow and its Joint Ventures Partners continue to evaluate the business case for contracting a second rig that would allow the acceleration of drilling across both fields.

## **West Africa non-operated portfolio**

Production in the first quarter of the year from the West Africa non-operated portfolio was strong across the majority of the fields and averaged around 23,100 bopd net. The Equatorial Guinea fields have performed particularly well in the first quarter following a change of operator.

## **UK**

Gas production from the UK in the first quarter of the year averaged 2,700 boepd net. Tullow expects annualised 2018 UK gas production to be around 1,900 boepd as the final producing fields will cease production in the third quarter of the year. Decommissioning activities continue in the North Sea with well plug and abandonment operations underway.

## **EAST AFRICA**

### **Kenya**

#### *Field development*

There is strong alignment between the Government of Kenya and the Joint Venture Partners on the proposed development plan and at this early stage, the project is on track for FID in 2019. Work continues in the field at both Amosing and Ngamia where the planned extended injection and production testing commenced on schedule in the first quarter. Whilst a comprehensive set of results from this programme is expected in the third quarter of 2018, the results to date have been positive.

FEED and ESIA work for the Foundation Stage of the development is progressing to plan. The upstream baseline data collection for the ESIA has commenced and the FEED contract is expected to be awarded this month. The pipeline ESIA work is also under way, and following the award of the FEED contract, this work is due to commence this month. Commercial discussions with potential pipeline contractors are ongoing.

#### *Early Oil Pilot Scheme (EOPS)*

Following the start of injection and production testing, oil produced is initially being stored until all necessary consents and approvals are granted for the transfer of crude oil to Mombasa by road. Discussions between local and national Government are on-going with expectations of being able commence the trucking of oil in the coming months.

## **Uganda**

### *Farm-down to Total and CNOOC*

The farm-down is progressing following agreement from Total and CNOOC on their respective areas of Operatorship once the deal completes. Tullow and its Joint Venture Partners are now awaiting approval of the transaction from the Government of Uganda. As previously disclosed, at completion of the farm down, Tullow anticipates receiving a cash payment of \$100 million and a payment of the working capital completion adjustment and deferred consideration for the pre-completion period (including \$58 million for the whole of 2017). A further \$50 million cash consideration is due to be received when FID is achieved.

### Field development

The Joint Venture Partners continue to work towards reaching FID for the development project in the second half of 2018 with operational activity continuing as planned, and FEED and ESAs for both the upstream and pipeline progressing in line with the FID schedule. Discussions on the pipeline project continue amongst Joint Venture Partners and with both the Ugandan and Tanzanian Governments regarding the key commercial and transportation agreements. In line with its post-transaction status, Tullow is fully prepared for a non-operated presence only.

## NEW VENTURES

### Africa

In February 2018, Tullow signed a further two exploration licences in Côte d'Ivoire (CI-524 and CI-520) adding to its existing portfolio. The work programme across Tullow's onshore blocks began in early April 2018 with the start of a full tensor gradiometry (FTG) gravity survey. The Group expects to acquire 2D seismic in Côte d'Ivoire in 2019. In Mauritania, a large 9,000 sq km 3D seismic survey commenced in December 2017 which is expected to be completed in June 2018. In Namibia, Tullow plans to commence drilling the high-impact Cormorant prospect in the PEL37 licence in the third quarter of 2018 and preparations for drilling are now well under way with a contract awarded for the Ocean Rig Poseidon.

### South America

In Guyana, technical and commercial ranking of multiple prospects across the Kanuku and Orinduik licences is ongoing to define the 2019/20 exploration drilling campaign. In Jamaica, a 2,200 sq km 3D survey commenced in April 2018. This is the first 3D survey in Jamaica and follows a successful 667 km 2D seismic survey in the first half of 2017. Tullow's 20% farm down in Jamaica to United Oil and Gas completed on 1 March 2018.

In Peru, as previously announced in January 2018, Tullow agreed the terms to acquire a 100% stake in offshore Blocks Z-64, Z-65, Z-66, Z-67, & Z-68. In early April 2018, the Peruvian Congress started an enquiry to ensure that due process was followed in the agreement of these five licences. Tullow is confident that the process was in line with the direct negotiation requirements set out in Peruvian law and looks forward to commencing its Peru exploration programme once this enquiry is complete. Tullow's agreement to acquire a 35% interest in Block Z-38 through a farm-down with Karoon Gas Australia is not part of this enquiry.

## Financial Update

On 23 March, Tullow completed its offering of \$800 million of senior notes due 2025. The offering was significantly oversubscribed and upsized from the initial offering of \$650 million. Proceeds have been used to redeem in full existing senior notes due in 2020 and repay drawings on the Company's Reserve Based Lending (RBL) facility. The senior notes offering further extended Tullow's debt maturities, with no anticipated debt maturities until 2021.

On 4 April 2018, commitments under Tullow's Revolving Corporate Facility (RCF) amortised in line with the schedule to \$500 million, and on 18 April 2018 Tullow voluntarily cancelled a further \$150 million of commitments under the RCF, reducing costs of undrawn committed facilities.

Also in the first quarter, Tullow successfully completed the scheduled six-monthly redetermination of its RBL facilities, securing underlying debt capacity in excess of commitments.

Following Tullow's successful offering of \$800 million of senior notes and taking into account, on a pro-forma basis, the reduction of the RCF to \$350 million on 18 April 2018, Tullow had total facility headroom and free cash of \$1.0 billion, and net debt of \$3.4 billion, on 31 March 2018.

Tullow's capital expenditure guidance of \$460 million for 2018 remains unchanged (excluding Uganda expenditure of \$110 million which will be repaid following completion of the Uganda farm-down).

As at 31 March 2018, the Group's oil hedge position was as follows:

<b>Oil hedge position at 31 March 2018</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Volume (bopd)	45,000	28,232	3,997
Average floor price protected (\$/bbl)	\$52.23	\$50.18	\$52.75

### FOR FURTHER INFORMATION CONTACT:

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## Notes to Editors

### About 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 85 exploration and production licences across 16 countries which are managed as three business delivery teams: West Africa, East Africa and New Ventures.

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