Tullow Oil

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Capital Structure $ mm	Dec-22 Amount	Dec-22 Funded	Proforma Jun-23 Expected	Book Val. Multiples		Coupon (a)	Maturity	Market Value	Market Value	Market Val. Multiples	YTM	
Cash		(636)	(353)					100.0%	(636)			
New Revolver	500	-	-			L+4.5%	Dec-24	100.0%	-			
Letter of Credit	100	-	-			L+4.5%	Dec-24	100.0%	-			
New Senior Secured Note	1,700	1,700	1,600			10.250%	May-26	77.0%	1,309		22.6%	
Decommissioning Exposu	398	398	398					100.0%	398			
Ghana Tax Liability	707	707	707					100.0%	707			
Other tax liabilities	398	398	398					100.0%	398			
Leases	1,244	-	-					100.0%	-			
	5,047	2,567	2,750	2.7 x	2.9 x				2,176	2.3 x		
Senior Notes 2025 (Sub)	800	800	639			7.000%	Mar-25	61.00%	488		44.5%	USG91237AA87
	5,847	3,367	3,389	3.6 x	3.6 x				3,055	3.2 x		
Equity	1,438	454	454					£ 0.25	454			
		3,821	3,843	4.0 x	4.1 x				3,821	4.0 x		
Total Liquidity		1,136										
FY23 EBITDA (Sarria)		946										

Notes Valuation:	
Sum of Part: (see below)	2,933
Excess Cash	(270)
EV	2,662
New Senior Secured	1,700
Net	962
Bond Debt	800
Recovery	120%

Areas for further work:
- Ghana Tax liability
- Potential upside of Uganda overage payments

New Revolver: 40% of margin charged quarterly for unused Available Amount 20% of margin on any unavailable portion - If undrawn $10.8m p.a. cost

Relevant Credit Statistics	**FY 2022**	**FY 2023**	**FY 2024**	**H1 2020**	**H2 2020**	**H1 2021**	**H2 2021**	**H1 2022**	**H2 2022**	**H1 2023**	**H2 2023**	**H1 2024**	**H2 2024**
Oil Price (unhedged)				**52**	**54**	**61**	**66**	**87**	**90**	**75**	**75**	**75**	**75**
	Actual	Forecast	Forecast	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast
Revenues	1,783	1,521	1,629	731	665	727	546	846	937	750	771	785	844
adj. EBITDAX	1,469	1,197	1,294	403	403	483	478	785	684	602	596	636	658
	82%	79%	79%	55%	61%	66%	87%	93%	73%	80%	77%	81%	78%
Lease obligations	(204)	(251)	(293)	(86)	(72)	(68)	(88)	(92)	(112)	(121)	(131)	(141)	(152)
Sarria EBITDA	**1,265**	**946**	**1,000**	**317**	**331**	**415**	**390**	**693**	**572**	**481**	**465**	**495**	**506**
Exceptionals/ One-off	(127)	-	-	(36)	(22)	(9)	(4)	(78)	(50)	-	-	-	-
Cash taxes paid	(251)	(299)	(323)	(93)	(14)	(37)	(19)	(144)	(107)	(150)	(149)	(159)	(164)
CF from change in WC	47	-	-	(33)	151	(151)	99	(326)	374	-	-	-	-
CFO unlevered	934	647	677	155	446	218	466	146	789	330	316	336	341
CFO unlevered / adj. EBI	64%	54%	52%	38%	110%	45%	98%	19%	115%	55%	53%	53%	52%
CAPEX (net)	(229)	(399)	(437)	(222)	304	37	(139)	(65)	(164)	(224)	(175)	(219)	(219)
Decommissioning	(58)	(90)	(20)	(38)	(20)	(28)	(25)	(29)	(29)	(70)	(20)	(10)	(10)
Acqusiiton	(127)	-	-	1	1		-	(127)	-	-	-	-	-
FCF	521	158	220	(104)	731	227	303	(75)	596	37	121	107	113
Interest paid	(249)	(230)	(214)	(105)	(94)	(87)	(148)	(126)	(123)	(121)	(110)	(110)	(105)
Net proceeds borrowing	(100)	(100)	(100)	160	(75)	(648)	11	(100)	-	(100)	-	(100)	-
FX changes + Debt buyb	(4)	(100)	(100)	(3)	8	4	2	(4)	-	(100)	-	-	-
NCF	168	(272)	(194)	(52)	571	(504)	167	(305)	473	(284)	11	(102)	8
Cash and cash equivalen	636	364	269	236	805	302	469	164	637	353	365	262	270
Net Debt (Pre IFRS16)	1,864	1,875	1,869	3,019	2,375	2,298	2,131	2,336	1,864	1,886	1,875	1,877	1,869
Net Leverage (Pre IFRS1	1.5 x	2.0 x	1.9 x		3.7 x	3.1 x	2.6 x	2.2 x	1.5 x	1.8 x	2.0 x	2.0 x	1.9 x

June Buybacks Assumptions	
Cash spent:	$ 100
Purchase Price	62.0%
Bonds Cancelled	161

- Tullow launched a Unmodified Dutch Auction of its 2025 Senior Notes, with a minimum of $75m of cash proceeds.
- Minimum price was set at 55.5%, but we have assumed clearing price to be 62%. In addition, we have the overall cash spent upsized to $100m.
- This will have the impact of marginally deleveraging the balance sheet, albeit increasing Senior Secured leverage.

Investment Rationale:

- We are currently not invested in the Tullow structure and given the current oil prices, we are reluctant to take a position currently. Tullow have improved on the aspects of its business it is in control of, namely cost control and and operational availability of its FPSO. However, the risks to the name are mainly external - oil price volatility, and to a lesser extend the poor drilling success at the TEN field. In addition, Tullow has some significant potential tax liabilities which weigh on its potential refinancing.
- Tullow have FY23 to continue to focus on operations, and unless they do bond buybacks, we don't envisage any refinancing this year. Tullow will hope to finance off the back of improving production leves in FY24, hence the CAPEX focus on Jubilee fields.

Opportunities:

- Production levels: Tullow has proven to increase its FPSO uptime since taking over the operational responsibility in mid 2022. Additionally, Tullow have reduced operations and maintenance expenditure by c20% versus FY21. Production levels are of utmost importance to Tullow. There is potential of upside in the Jubilee gross production figures which would flow through to the bottom line for Tullow.
- Oil Price: Hedging levels from the time of the bond have been reducing and with no longer a requirement to hedge, Tullow are exposed to oil prices. For FY23, they have 35% exposure to the upside in H1, which increases to 60% in H2. FOr H2 24, there is no hedging in place currently.
- Low Operating costs: Tullow operate in large offshore fields and post CAPEX, operating costs are c. $10-13/bbl. By bringing inhouse the operational and maintenance contracts, Tullow has maintained these levels. For FY22, Opex was $11.30, down from $12.10 in prior year.
- Kenya - move towards first oil - Currently, Tullow and its partners are in discussion with the Government of Kenya and have submitted FDP (Final Development Plan) to the Ministry. Any completion of this process will no doubt be positive for the equity and to a lesser extent the bonds. Tullow intends that a strategic partner (farm-down) will be secured ahead of Final Investment Decision.
- Potential Gas off-take: There is the potential to commercialise the gas discovered in the Ghanian fields. As part of the license agreement with Ghanian government, Tullow and its JV partners pledged to provide 200 bcf of rich/wet associated gas (Foundation gas) free of charge to the Ghanian government. Tullow completed the provision of this Foundation Gas by the end of FY22. There is an interim agreement for additional gas which will expire in H1 23. Tullow is in commercial negotiations with Ghanian government to finalise the Post Foundation Gas Sales agreement which could deliver 500 bcf of natural gas and add c. 6k boepd (10%) to Group production. This is not included in production estimates.
- This is not a surprise to us that there is potential upside in having a gas supply contract, and we have always included in our Sum of the Parts. However, it is not in the financial model as we are unable to ascertain when any such agreement would commence.

Risks:

- Production miss: Tullow value is sensitive to production changes and the operational risk is heightened for Tullow given the majority of value derives from a single asset - Jubilee.
- TEN field: Tullow has underinvested in this field in recent times, with production levels falling significantly over the last couple of years. Tullow, post pre-emption rights, own 55% of the TEN fields, and with CAPEX spending focusing on infrastructure on new segments of the oil field, a production increase is not likely to be seen this year.
- Oil Price: Despite the hedges, Tullow is exposed to oil price movement. Coupled with its over leveraged balance sheet, Tullow has increased exposure to the oil price.
- Ghanian Tax Liability: This issue has been rumbling on for some time and again highlighted in the H2 accounts. We have highlighted the bigger issues in detail below.

Debt Capactiy in FY24 (Pre IFRS16)

Table 1

	Interest Cover	2.00x		**Oil Price**		
		60	70	80	90	100
	10%	(122)	692	1,437	2,112	2,787
	11%	(111)	629	1,307	1,920	2,534
Refi Rate	12%	(102)	577	1,198	1,760	2,323
	13%	(94)	533	1,106	1,625	2,144
	14%	(87)	495	1,027	1,509	1,991

Table 2 Leverage in FY24

	Oil Price				
	60	**70**	**80**	**90**	**100**
Senior Secured Notes	1,500	1,500	1,500	1,500	1,500
Senior Notes	639	639	639	639	639
Revolver/(Cash)	203	(112)	(372)	(578)	(783)
Net Debt	2,342	2,027	1,766	1,561	1,355
Net Senior Debt	1,703	1,388	1,128	922	717
DA (Sarria) - after leases	675	892	1,090	1,270	1,450
Leverage in FY24	**3.5 x**	**2.3 x**	**1.6 x**	**1.2 x**	**0.9 x**

Table 3 Recovery on Senior Secured

		Oil Price				
		60	**70**	**80**	**90**	**100**
	200	0%	44%	100%	100%	100%
	200	0%	40%	98%	100%	100%
Tax Liability	200	0%	36%	90%	100%	100%
	200	0%	34%	83%	100%	100%
	200	0%	31%	77%	100%	100%

Table 4 Recovery on Subs

		Oil Price				
		60	**70**	**80**	**90**	**100**
	200	0%	0%	17%	100%	100%
	200	0%	0%	0%	100%	100%
Tax Liability	**200**	0%	0%	0%	100%	100%
	200	0%	0%	0%	79%	100%
	200	0%	0%	0%	61%	100%

Table 1:

- Table 1 shows the debt Capacity at the end of FY24, based on the stated Interest cover, and interest rate and different oil price assumptions.
- Given its largely Emerging Market Exposure we have assumed interest rate of 10-14%. Oil Price is assumed to be $60-$100/bbl in FY24.

Table 2:

- Table 2 shows the leverage stats in FY24, with cash the changing figure depending on oil price assumptions.

Table 3 & 4:

- From Table 2, we can assume debt recovery, firstly for Senior Secured Bonds and the table 4, for the Senior (sub) bonds.
- The ranking of the various tax liability claims is unknown, but we assumed super senior.

Conclusion:

- However, the take away is that production levels, then oil prices are the main drivers of recovery.
- The reserves by the end of FY24 would have depleted from the current levels of Jubilee 150 and TEN 40 mboe to c.125 and 30 mboe without any transfer of contingent reserves into Commercial reserves.
- In reality, Tullow are spending $800m of CAPEX over the next two years, predominately on Ghanian fields, so it would be very poor return if no additional reserves were added to the Commercial reserve total

Description of the company:

- Tullow Oil is an independent Oil Company with production assets in West Africa (mainly Ghana) and exploration assets in East Africa and South America. The Company is operator on its main two assets, Jubilee and TEN, both in Ghana.
- The assets they are not operators are split across several countries, in West Africa, but in the case of all their production assets, Tullow does not own 100% of the assets. (All numbers from the Company and in this file are Tulllow's share). The JVs in the various fields are::

Jubilee Field:	Tullow Oil 38.9% Kosmos 38.5%, GNPC 20% and Petro SA 2.7%
TEN Field:	Tullow Oil 55%, Kosmos 20%, GNPC 21% and Petro SA 3.8%
Gabon (non-operator):	Tullow Oil c. 20%. Depends on the field specifically, but partners are Perenco, Maurel & Prom, BW Energy and Vaalco with Gabon Oil Company a significant other partner. Hve sold interest in one field.
Cote d'Ivoire (n-o)	Tullow Oil 21.3% working Interest. CNR operator with PETROCI the other signiificant JV.

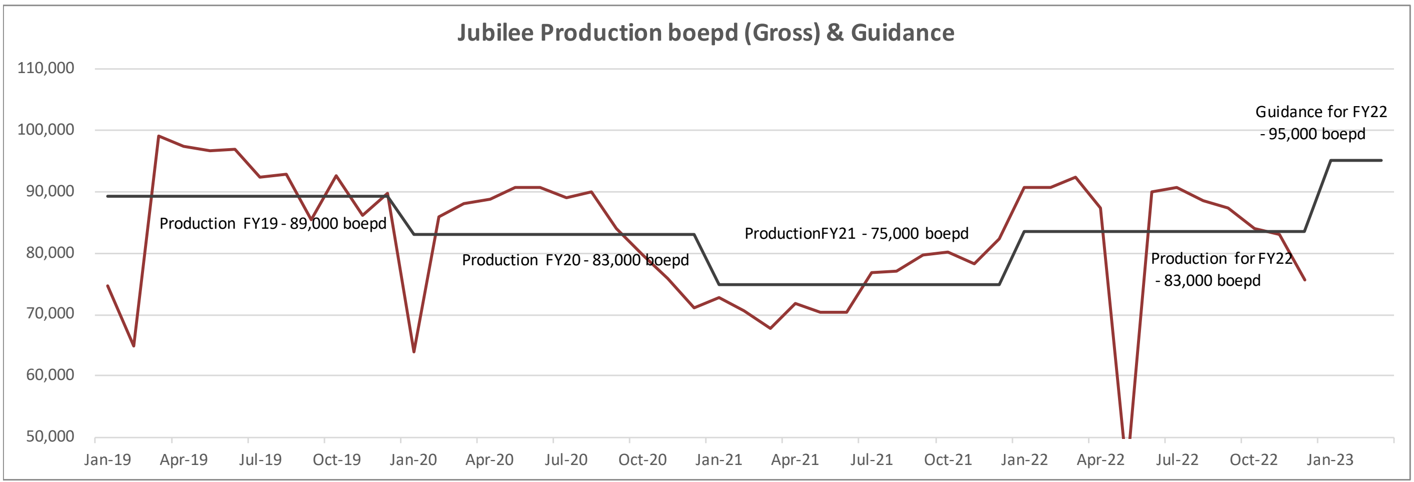
- The exploration portfolio mainly consists of assets in Kenya, with Guyana, Argentina and Suriname the next important fields in their exploration portfolio. However, with 90% of CAPEX focused on the production fields going forward, these assets are unlikely to be "unlocked" in the near term. See farmdown options below.
- The core Production business centres on the assets in which Tullow are the operator, namely the two Ghanaian fields.
- With the fall in Oil price, additional well CAPEX in the Jubilee and TEN fields was reduced/suspended, which will lead to a reduction in production in 2021. The reported IRR's on new wells at current prices indicate a high probability of increased production in FY22 and beyond. These IRR assumptions are to be caveated though, as they are driven by internal Company numbers and if such levels of IRRs were available, they would be executed prior to now.

Uganda Asset Sale

- The asset is in the Lake Albert Rift basin, and is expected to have 1.7bn barrels of gross recoverable resources. Tullow was the original owner of this field, and in 2012, sold 66.6% to Total and CNOOC for $2.9bn.
- Following announcement in April 2020, the sale of its assets, remaining 33% stake in the field, completed on 10th November, with receipt of $500m. There are two additional potential payments, $75m when Final Investment Decision (FID) is made and some contingent royalty payments if and when oil production commences subject to oil prices above $62bbl.
- The initial $75m payment was received in January 2022.
- This asset was sold to Total, and CNOOC, after the other partner, opted not to exercise its pre-emption rights.
- IN 2017, Tullow attempted to transfer 21.57% of the remaining 33.3% for $900m to Total, however in August 2019, the Sale and Purchase Agreement lapsed due to the inability to agree all aspects of the tax treatment with the government of Uganda, which was a condition of the agreement. For the avoidance of doubt, the sale to Total includes confirmation of Tax agreements and Tullow has no further liability in relation to this field.

Valuation: 2012 100% of the field = $4,350m (based on the sale price of $2.9bn of 66.6% to CNOOC/Total
2017 100% of the field = $4,172m (based on the failed farm-out option of 21.57% of Tullow's stake)

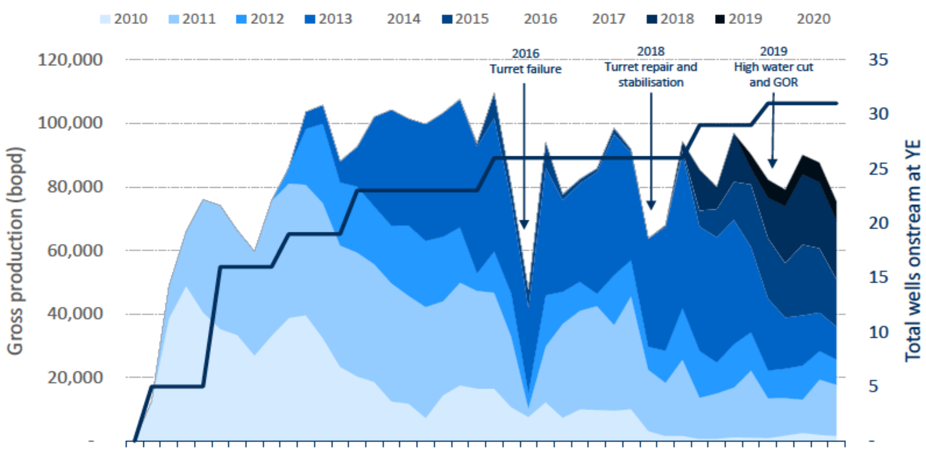
Ghana Operations - Jubilee



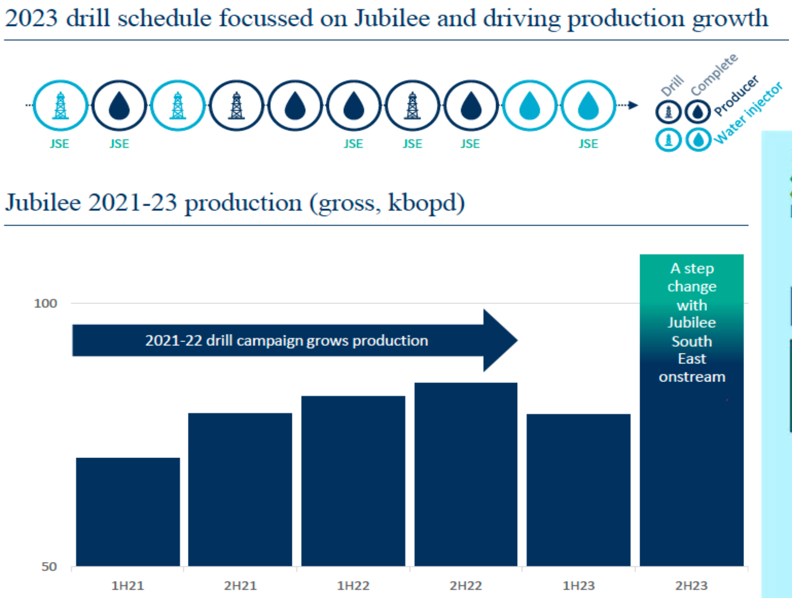
Commentary

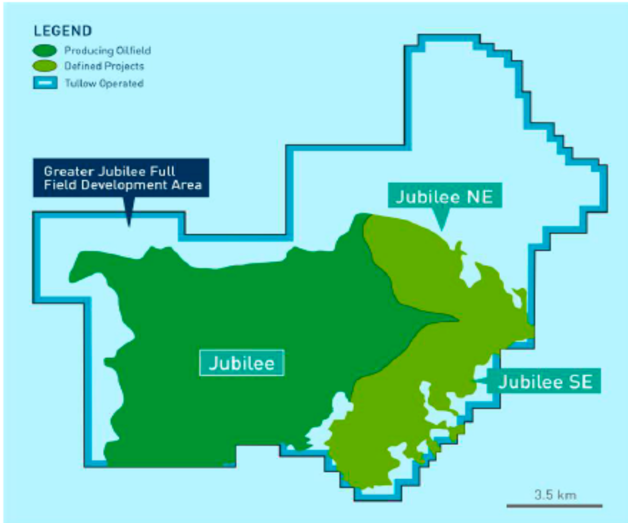
- The shape of production in FY23 will be H2 heavy, folllowing the two wells drilled in the Jubilee South East area in H2 22 and a third in January. These wells will commence production in H2 after the installation and tie-in to the subsea infrastruture.
- This is a new area of development, with the First Oil from the Jubilee South East a major milestone.
- Production is expected to average 95k boepd (gross) with the five wells expected to come online, starting in the middle of the year. Gross oil production is expected to exceed 100k boepd once all wells have been brought online.
- Note the dip in production in May 2022 was leading upto the transfer of operations to Tullow led. This took place in July 2022, and following the transition, FPSO uptime averaged 99% in H222, versus 95% in H122. Additionally, operational and maintenance costs were 30% lower and FY23 costs are expected to be 23% lower than FY21.
- We have included some historic drilling data in the graphs below. In addiiton, in FY21, Tullow drilled two Julibee producers and one gas injector. In FY22 four wells were drilled.
- In FY23, there will be 4 Jubilee South East wells drilled with plans for a further 7 in subsequent years.

Jubilee – Production driven by investment and opera

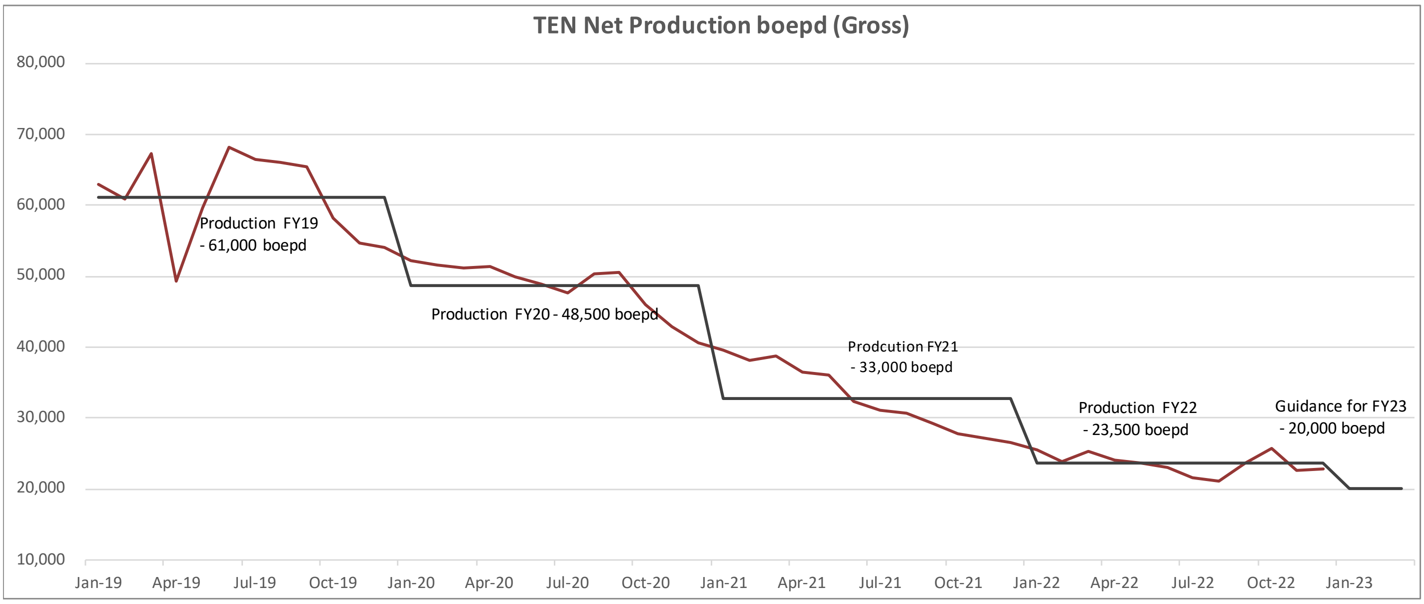


Well type	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Producer	3	5	2	2	-	2	-	-	2	1	-	17
Water injector	2	4	-	2	-	1	-	-	1	1	-	11
Gas injector	-	2	1	-	-	-	-	-	-	-	-	3





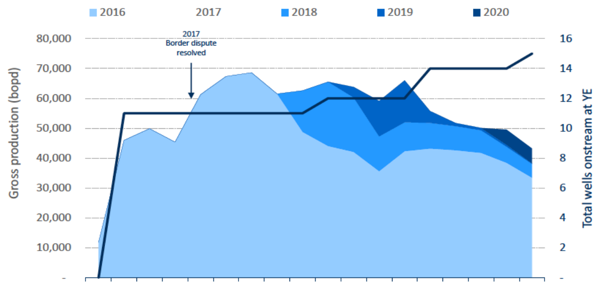
Ghana Operations - TEN



Commentary

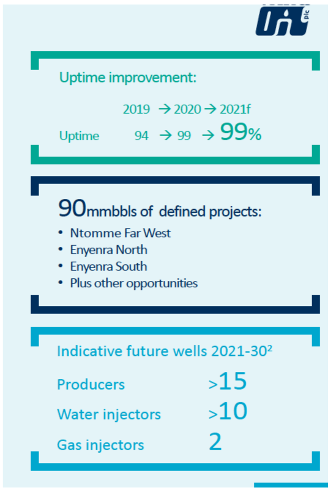
- The problem child. TEN is under invested and this is likely to be due to poorer reserve quaility at TEN versus Jubilee.
- As part of the capital markets Day in November 2020, the payback/IRR estimates were lower at TEN versus Jubilee and the reality is the lack of drilling has reduced the gross production levels at TEN substantially.
- Tullow drilled four wells in FY22 in TEN, two in the Enyenra area which have been brought online but the other two, in the Ntomme river base area were drilled but did not encounter economically developable reserves. In FY21 there was one TEN gas injector drilled.
- Enyenra producer and injector pair due onstream in 4Q22 to offset decline in 2022 and support 2023 production. First Ntomme strategic well drilled in 2H22 was water bearing; second Ntomme strategic well drilled in 2H22, also unsuccessful.
- Concern with TEN is the required infil drilling is proving unsuccessful. The Enyenra field (sub field of TEN) had a new well brought online in September with is currently producing 3k boepd, and this well and the water injector brought online in December will support production in 2023. The Enyenra field overall prodcues gross c. 6.8k boepd in FY22, and should be slightly higher in FY23.
- The Ntomme field produces gross c. 16.8k boepd, but with no new wells brought online in FY23 due to the uneconomical resources found in the two wells drilled, it has lowered FY23 production levels. There is a two week maintenance shut down planned for FY23, which is accounted for in the projections.
- Tullow wrote down part of the asset value at TEN by $380.6m, due to revisions in the reserves, partially offset by rises in the oil price assumptions.

TEN – Material additional capacity potential

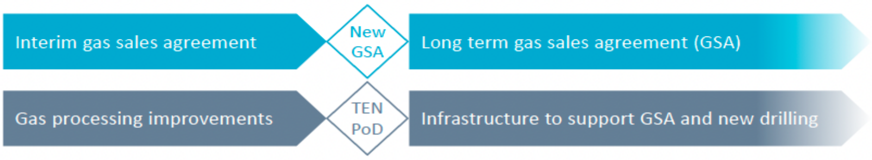


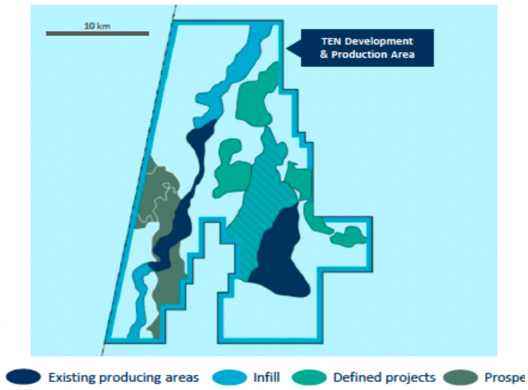
Well type	2016	2017	2018	2019	2020	Total
Producer	5	-	1	1	1	8
Water injector	5	-	-	1	-	6
Gas injector	1	-	-	-	-	1

[1] As of 31 December 2020
[2] Subject to approval

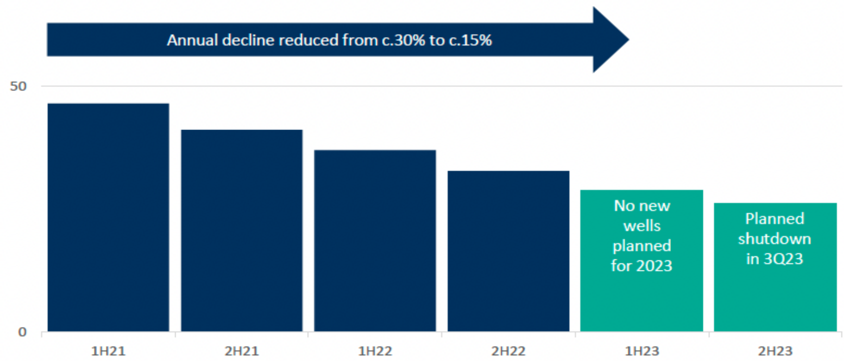


Focus on strong operational uptime and gas handling improvements in 2023

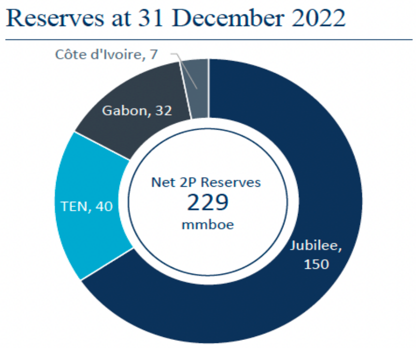


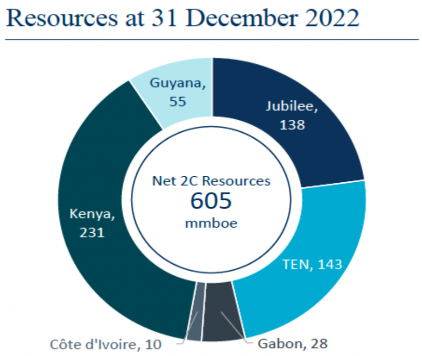


TEN 2021-23 production (gross, kbopd)



Reserves





$3.9 billion 2P NPV10[1]

c.90% 2P Reserves replacement

>10 years reserves life
based on 2023 production

43 mmboe 2C resources added
through Ghana pre-emption

Significant gas resources in Ghana
earmarked for development

Kenya expected to be materially de-risked through farm-down to strategic partner

	Jubilee	TEN	Ghana
Developed Producing			
Oil - 2P MMstb	66	13	79
Gas - 2P Bscf	103	-	103
Total - Mmboe	83	13	96
Approved Development			
Oil - 2P	24	2	26
Gas - 2P	(8)	-	(8)
Total	22	2	25
Justified Development			
Oil - 2P	35	25	60
Gas - 2P	62	-	62
Total	45	25	70
Total Reserves			
Oil - 2P	124	40	164
Gas - 2P	157	-	157
Total	**150**	**40**	191

Reserves:

- Figures on the right are from the TRACS International Limited Auidt for Petroleum Interest of Tullow Oil.
- We are seeking clarification of the reserves, notable the lack of gas reserves at TEN. We believe this is due to no commercial agreement in relation to the TEN gas offtake but we will clarify. The interim gas agreement is for 19 bcf gross of Jubilee gas which is likely to be fulfilled in H123.
- The different split between developed producing and approved development versus overall highlights the differences in quality between the two fields.
- Jubilee has 55% of its reserves in production currently, with a further 15% in approved development, combined 70%.
- TEN has only 33% of its reseves in production, with only a further 5% in approved development, combined 38%.
- This reiterates the lack of investment in the TEN field which has led to lower "Approved Development" reserves.

Sum of the Parts

	Ghana		Non-operated		Kenya		Exploration		Total		Total
31/12/2022	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	mmboe
Commercial Reserves	164.3	157.3	37.8	5.1	-	-	-	-	202.1	162.4	229.1
Contingent Reserves	185.0	577.8	36.0	8.6	231.4	-	54.5	-	506.9	586.4	604.6
Total	349.3	735.1	73.8	13.7	231.4	-	54.5	-	709.0	748.8	833.7

NPV	Commerical	Contingent	Total	Discount	$m
Ghana	3,114	366	3,479	0%	3,479
Non-Operat	632	49	680	0%	680
Kenya	-	301	301	20%	241
Exploration	-	71	71	50%	35
Total	3,745	786	4,531		4,436
Decommissioning Liabilities			(398)	0%	(398)
Tax Liability - Ghana Tax assessment			(707)	0%	(707)
Tax Liability - Bangladish & others			(398)	0%	(398)
Enterprise Value					**2,933**

Assumptions	$/bbl		
Contingent Reserves Valu	1.30	(equal to Ugandan Sale Price)	
Forward Curve Price	75		
Total Capex	2,226		
	% CAPEX		OPEX $/bbl
Ghana	83%	6	10
Non-operated	17%	6	11
Discount Rate	20%		

Valuation of Commerical Reserves

				0.54	1.55	2.55	3.55	4.55	5.55	6.55	7.55
Ghana		**Jun-23**	**Dec-22**	**Dec-23**	**Dec-24**	**Dec-25**	**Dec-26**	**Dec-27**	**Dec-28**	**Dec-29**	**Dec-30**
Production	191			21.17	21.17	21.17	21.17	21.17	21.17	21.17	21.17
				1,588	1,588	1,588	1,588	1,588	1,588	1,588	1,588
OPEX $/bbl				(212)	(212)	(212)	(212)	(212)	(212)	(212)	(212)
Profit Before CAPEX			-	1,376	1,376	1,376	1,376	1,376	1,376	1,376	1,376
CAPEX Spen	1,851		(308)	(308)	(308)	(308)	(308)	(308)	-	-	-
Profit before Tax				1,068	1,068	1,068	1,068	1,068	1,376	1,376	1,376
Tax	25%			(267)	(267)	(267)	(267)	(267)	(344)	(344)	(344)
				801	801	801	801	801	1,032	1,032	1,032
NPV	3,114			709	567	454	363	290	299	239	192
NON-OPERATED			**Dec-22**	**Dec-23**	**Dec-24**	**Dec-25**	**Dec-26**	**Dec-27**	**Dec-28**	**Dec-29**	**Dec-30**
Production	39			4.29	4.29	4.29	4.29	4.29	4.29	4.29	4.29
				322	322	322	322	322	322	322	322
OPEX $/bbl				(43)	(43)	(43)	(43)	(43)	(43)	(43)	(43)
Profit Before CAPEX				279	279	279	279	279	279	279	279
CAPEX Spen	375.45		(63)	(63)	(63)	(63)	(63)	(63)	-	-	-
Profit before Tax				217	217	217	217	217	279	279	279
Tax	25%			(54)	(54)	(54)	(54)	(54)	(70)	(70)	(70)
				162	162	162	162	162	209	209	209
NPV	632			144	115	92	74	59	61	49	39

Summary:

Summary:

- Tullow have historically reported their operations in three segments; West Africa (which contains all of the Commercial Reserves), East Africa (post sale of the Ugandan asset, only contains Kenya) and New Ventures (which include numerous licenses across several countries, but account to very little Contingent Reserves). They changed for H1 2020 into four segments: Ghana, Non-operated Assets, Kenya and Exploration (which was formally New Ventures).
- The Company's Capital market day outlined their CAPEX plans for the next 10yrs and the focus on the producing assets or 2P (Commercial) reserves. Tullow project c. $2.7bn of CAPEX to recover their Commercial Reserves, both in Ghana and in their non-operated portfolio (in fact they believe they can produce 260m for this CAPEX over the next 10yrs, by using this CAPEX to convert some Contingent Reserves into Commercial Reserves). We only assuming they produce the Commercial Reserves of 243mmbbl for this CAPEX spend.

Operated/Ghana

- Tullow's involvement in Ghana commenced in 2006, with two licenses in the Jubilee oil field in the Gulf of Guinea's Tano Basin. Exploration wells were drilled in 2007 and first oil in November 2010. This field is Tullow's main asset. Subsequently, Tullow explored in the TEN field and first oil was achieved in August 2016, three years after approval of plan by Government of Ghana.
- Tullow is the operator for all of the operations in Ghana, with ownership, depending on license and field, ranging from 25% to 49.95%. Tullow Oil's partners are Kosmos, Anadarko, GNPC and Petro SA.

Valuation:

Ghana has the equivalent of 546mmboe of Commercial and Contingent Reserves, split 202mmboe Commercial Reserves and 342m Contingent Reserves.

- We have valued the Commercial Reserves using a DCF model (see above), at $3.6bn.
- The Contingent reserves are valued at $444m, based of Ugandan sales price. This should be viewed as a lower end valuation, given they would be an extension of existing production.

Non Operated

Gabon: Gabon is the most important non-operated jurisdiction with c. 16,000 boepd produced in 2020. There are 20 non-operated fields, both onshore and offshore. Each field has different ownership structures, but Tullow's interest ranges from 7.5% to 40%. Tullow is not the operator in any of the fields, with Vaalco, Perenco, Maurel & Prom and BW Energy operating the various fields. Other partners are Gabon Oil Company, One-Dyas BV, Panoro, Petro Energy, Addax & Sasol.

Cote d'Ivoire: Tullow has one producing field and 7 other licenses for Exploration and Development. The producing field is operated by CNR, with Tullow owning a 21% interest. The remaining 7 licenses are operated by Tullow, with 30% farmed down to Cairn Energy.

Valuation:

The combined non-operated portfolio has the equivalent of 62mmboe of Commercial and Contingent Reserves, split 32mmboe Commercial Reserves and 29m Contingent Reserves.

- We have valued the Commercial Reserves using a DCF model (see above) at $559m
- The Contingent reserves, valued using Ugandan sales prices would be worth $38m. Again this should be viewed as a lower end.

East Africa/Kenya

- Tullow Oil own 50% interest in three exploration blocks in Kenya (plus 100% of a fourth). Their JV partners are Africa Oil and Total. They had commenced a sales process but this was halted in July 2020 due to impact of Covid-19, and specifically, the Joint Venture Partners (Total & Africa Oil) to call a Force Majeure on the licenses which has delayed FID (Final Investment Decision). This was withdrawn in November 2020 and with the Government of Kenya extending the licenses (exploration licenses) until December 2021, FID should be achieved during 2021. There is limited CAPEX requirement to progress to this stage, so a farm down sales process is likely to be recommenced in H2 2021.

Valuation: As it is exploration assets as opposed to production assets, valuations are difficult to pin down. Tullow have repeatedly written down the value of the asset over the last couple of reporting periods, with the current valuation of $250m (net) as of June 2020 based on oil price in FY22 and FY23 of $50/bbl and $55/bbl respectively. Additionally, based on 171mmbbl of oil, at at $1.30 per bbl (in line with the Ugandan sale price), valuation would equate to $222m. **Conservative Valuation $200m**

Exploration (New Ventures)

Suriname: Tullow Oil owns a 50% interest in two blocks with 80% in another, with Pluspetrol, Ratio Exploration and Equinor the partners in various blocks. This exploration asset isn't as advanced as the Kenyan or Ugandan sites, and valuation is therefore more difficult to ascertain. $60m of further CAPEX is committed in Q1 2021, with the drilling of a well in Block 47 planned. This CAPEX is the majority of the exploration CAPEX in 2021. but that a sales process for Suriname is unlikely in the short term.

Guyana: Unlilkely to be CAPEX spend until 2022 and beyond with drilling of wells provisionally not expected until then. Unlikely to monetise this asset in the medium term until further data is acheived. Tullow is operator on one of the Blocks, with Total and ECO Atlantic O&G partners. Repsol is the operator of the other block, with Total and Tullow Partners.

Other Assets: Tullow have interests in other exploration fields, namely Peru, Namibia, Argentina, Comoros and Cote d''Ivoire. But given that these fields are in their infancy, these assets are unlikely to be sold/achieve meaningful valuations in the medium term without significant movement in the underlying oil price.

Tax Liabilities

- Potentail Tax Liabilities total $1,024m which includes $32.4m of interest and penalities.

Ghana Tax Assessments ($707m)

Issue 1 - $320m.

- In October 2021, Tullow Ghana Limited (TGL) filed an Arbitration request with the ICC disputing the $320m remittace tax assessment in relation to the direct tax audit for FY2014, FY15 and FY16. The Ghana Authority are seeking to apply Branch Profit Remittance tax against TGL. Both parties have agreed the first Tribunal hearing wlll be held in October 2023.

Issue 2 - $190.5m

- In February 2023, TGL has filed with the ICC another request for Arbitration disputing this tax assessment. This claim relates to disallowance of loan interest for the financial years 2010 to 2020. The amount has been revised in December 2022, with the revised amount superseding all previous claims. No timeframe has been agreed for the first hearing.

Issue 3 - $196.5m

- In December 2022, TGL received a $196.5m tax assessment and payment demand in relation to corporate business interuption insurance policy held by Tullow UK. TGL again have filed a request with the ICC, disputing the assessment, with again no timeframe agreed for the first hearing.

Bangladesh Litigation ($118m):

- This relates to the offsetting of development costs incurred by Tullow Bangladesh in relation to future taxes. Arbitration proceedings were intiated under a production Sharing Contract on 29th December 2021, with a procedural hearing held in June 2022. The first submissions have been made in October 2022, with the first Tribunal hearing scheduled for May 2024.

Other:

- Other items total $280m comprise exposures in respect of claims for corporation tax in respect of disallowed expenditure or withholding tax that are either under discussion with the tax authorities or which arise in respect of known issues for periods not yet under audit. We are seeking clarity from the Company to assertain which jurisdication these refer to.

Legal

View:

- The capital structure has been simplified with the removal of the RBL Facility, and its biannual redetermination. Both bonds are structurally pari-passu but the 2026 bonds are contractually senior to the Senior Notes (2025). THe RCF and LC Facilities are Super Senior Facilities.
- The RCF, currently undrawn, is also issued from the same entity.
-

Intercreditor Agreement

- Intercreditor Agreement is governed by English Law.
- Governs the ranking of any proceeds from Enforcement, namely RCF and LC Facility first, Senior Secured Notes, and subsequently Senior Notes.

RCF and LC Facility

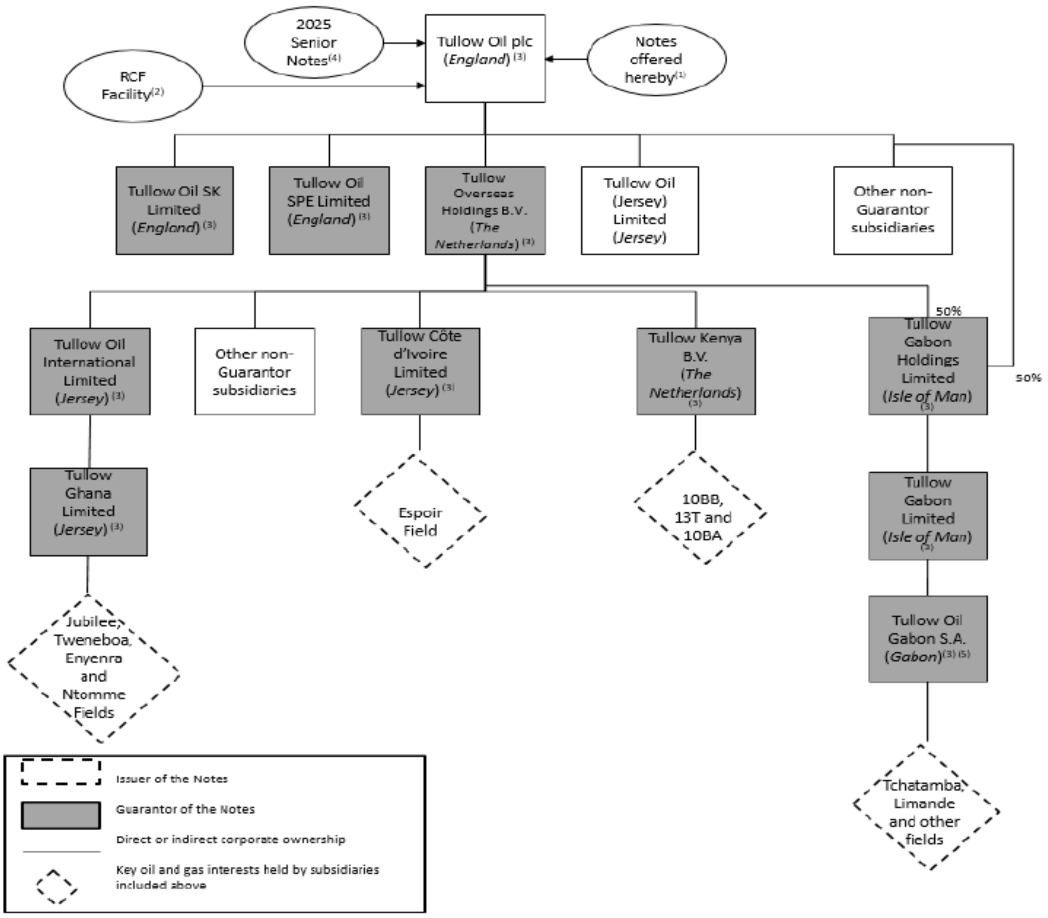
- $500m RCF facility and $100m Letter of Creidt Facility, with maturity of December 2024.
- Issued by Tullow Plc, a UK entity.
- RCF govenered by English Law

Senior Secured Notes

- $1.8bn Senior Secured Notes, maturing May 2026. NC2.
- Springing maturity if the Senior Notes (2025) are not refinanced. (Details to be confirmed)
- $100m amortising per annum at par.
- Issued by Tullow Plc, a UK entity
- Governing law is New York Law.
- Apart from normal bond covenants, theire is a NPV Coverage ratio - NPV of the 2P reserves and 1st lien Secured Net Debt. Incurrence test subject to NPV coverage Ratio of >2.0x.
- The NPV ratio also determines the restricted payments build up basket. If NPV <1.5x, then none. If >1.5x and less than 2.0x, then greater of $100m p.a. amd 50% of Net income, and if NPV > 2.0x 100% of free cashflow p.a.

Senior Notes

- Governing Law: The Notes, Guarantees and the Indenture is governed by New York Law.
- Issued out of Tullow Plc
- Both notes are guaranteed on a senior subordinated basis by the same guarantors.
- No financial covenants but normal restrictive covenants on asset sales and divideds.



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