# TULLOW OIL PLC

# JANUARY TRADING STATEMENT & OPERATIONAL UPDATE

**25 JANUARY 2023** – Tullow Oil plc (Tullow) issues the following statement in advance of the Group's 2022 Full Year Results scheduled for 8 March 2023. The information contained herein has not been audited and may be subject to further review and amendment.

## RAHUL DHIR, CHIEF EXECUTIVE OFFICER, TULLOW OIL PLC, COMMENTED TODAY:

*"Strong operational delivery, rigorous focus on costs and capital discipline, the increased equity in our key operated fields in Ghana and higher oil prices drove material, expectation-beating free cash flow generation in 2022, accelerating the Group's deleveraging towards a net debt to EBITDAX ratio of 1.3 times by the year-end. In 2023, we expect Jubilee production to exceed 100 kbopd once the new wells drilled in the southeast of the field are brought on stream. Our capital investment this year, in particular in Ghana, is expected to support production growth through to 2025 and material free cash flow generation."*

## 2022 REVIEW

- Revenue of c.$1.7 billion (including hedge costs of c.$313 million) at an average realised oil price (post hedging) of $87/bbl.
- Underlying operating cash flow[1] of c.$1.0 billion and free cash flow[2] (FCF) of c.$267 million, ahead of guidance; based on the increased equity interest in Ghana ($126 million) and excluding the impact of the Norwegian arbitration payment ($76 million), free cash flow would have been c.$469 million in 2022.
- Year-end net debt reduced to c.$1.9 billion (2021: $2.1 billion), with expected cash gearing of net debt to EBITDAX of 1.3 times and liquidity headroom of c.$1.1 billion.
- Capital and decommissioning expenditure were c.$354 million and c.$72 million respectively.
- Group working interest production averaged 61.1 kboepd, in line with guidance following pre-emption of the Deep Water Tano component of the Kosmos Energy/Occidental Petroleum Ghana transaction.
- Strong operating, drilling and completion performance in Ghana, with facilities uptime of c.97% and four Jubilee wells and two Enyenra wells brought online.
- An Interim Gas Sales Agreement for 19 bcf of Jubilee gas was executed in December, representing the first commercialisation of Jubilee gas.
- A Letter of Intent was signed with the Ghana Forestry Commission in December for a nature-based carbon offset project. Final Investment Decision (FID) is expected in 2023.

## 2023 OUTLOOK

- Group working interest oil production guidance of 58 to 64 kbopd.
- Forecast capital expenditure of c.$400 million, of which c.$300 million in Ghana, and decommissioning spend of c.$90 million.
- Underlying operating cash flow[1] expected to be c.$900 million at $100/bbl (c.$800 million at $80/bbl) with free cash flow of c.$200 million at $100/bbl (c.$100 million at $80/bbl).
- Capital investment in 2023 in Ghana is expected to support production growth through to 2025 and free cash flow generation of $700-800 million[3] for the two years 2024 and 2025 at $80/bbl.

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[1] Cash flow from operating activities including lease payments, before capital investment, decommissioning expenditure and debt service.

[2] Free cash flow before debt amortisation and including a $75 million payment from TotalEnergies following Ugandan parliamentary approval of the Uganda Final Investment Decision (FID), a payment of $76 million to HiTec Vision in relation to the purchase of Spring Energy in 2013 and total consideration of $126 million for the pre-emption related to the sale of Occidental Petroleum's interest in the Jubilee and TEN fields in Ghana to Kosmos Energy.

[3] Based on 2P reserves only.

# OPERATIONAL UPDATE

| Group average working interest production | FY 2022 actuals (kboepd) | FY 2023 range (kboepd) |
|---|---|---|
| Ghana | 44.4 | 48 |
| *Jubilee* | *31.9* | 37 |
| *TEN* | *12.5* | 11 |
| Non-operated portfolio | 16.7 | 14 |
| *Gabon* | 14.9 | 13 |
| *Côte d'Ivoire* | 1.8 | 1 |
| **Total production** | **61.1** | **58-64** |

*NB - Jubilee excludes 19 bcf (gross) of gas sold under the Interim Gas Sales Agreement.*

## Jubilee

Production from the Jubilee field averaged 83.6 kbopd (31.9 kbopd net) in 2022. A good operational efficiency of c.97% was achieved and production was supported by four new wells (one producer and three water injectors) brought online in early 2022.

Two wells were drilled in the Jubilee South East area in the second half of 2022 and a third well is currently being drilled. Primary target reservoir results are in line with expectations with some deeper reservoirs also penetrated that have encountered additional resources for future potential development. These wells will commence production in the second half of the year after the installation and tie-in to the Jubilee South East Project subsea infrastructure, scheduled for the middle of the year, in line with the initial project schedule. The completion of the Jubilee South East Project will mark the completion of the major infrastructure spend in the Jubilee area. The majority of future capex is expected to be focussed on drilling and completing new wells.

First oil from the Jubilee South East project will be a significant milestone, bringing previously undeveloped reserves to production. This project is being delivered on budget despite the inflationary environment and challenges associated with COVID-19 during 2020-22, highlighting Tullow's project management strengths and ability to integrate deliverables across a global team.

The transition of operatorship to Tullow on the Jubilee FPSO took place in July 2022 and represented a major step in becoming a leading low-cost deep-water operator, realising improvements in safety, reliability and cost. Following the transition, FPSO uptime averaged c.99% in the second half of 2022, compared to c.95% in the first half. Operations and maintenance (O&M) costs were c.30% lower in the second half of the year compared to the first, and 2023 full year O&M costs are expected to be c.23% lower than in 2021, demonstrating the sustainability of the structural changes delivered through the transformation and helping mitigate the impact of inflation through the supply chain.

In December, an interim gas sales agreement for 19 bcf gross of Jubilee gas was executed, valued at $50c/mmbtu, utilising the price for TEN associated gas referenced in the 2017 TEN Gas Sales Agreement. The 19 bcf is expected to have been supplied by the middle of the year at an anticipated export rate in excess of 100 mmscfpd, adding c.7 kboepd net production during the first half of the year. Further gas export will be contingent on reaching agreement on acceptable commercial terms for future volumes.

In 2023, Jubilee oil production is expected to average c.95 kbopd (c.37 kbopd net), with a total of up to six new wells expected to come online, starting in the middle of the year. Gross oil production from the Jubilee field is expected to exceed 100 kbopd once all these wells have been brought online. The focus on operational excellence in production, drilling and major project delivery in recent years has yielded appreciable value and will continue to be an area of leverage for Tullow.

## TEN

Production from the TEN fields averaged 23.6 kbopd (12.5 kbopd net) in 2022. A good operational efficiency of c.98% was achieved with overall production at the lower end of guidance.

Enyenra gross production averaged 6.8 kbopd for the full year, supported by a new production well (En21), which was brought online in September 2022 and will also contribute to production in 2023. Ntomme gross production averaged 16.8 kbopd for the full year. No new wells were brought online during the year but pressure support from gas and water injection resulted in steady production.

Two wells drilled in the Ntomme riser base area did not encounter economically developable resources and will not be completed in 2023 as originally intended, removing c.2.5 kbopd net from previously expected 2023 production.

The near-term focus on TEN is to sustain the strong operational uptime and improve gas handling on the FPSO this year. This will be implemented during a planned maintenance shutdown, scheduled for the third quarter of the year. Increased gas handling capacity will also facilitate a significant reduction in flaring and increased gas injection to support oil production.

The longer term plan is to monetise the significant remaining TEN resources through infill drilling particularly on Ntomme, phased development of new areas near existing infrastructure, development of the significant gas resources and drilling of prospective resources. Tullow expects to submit a plan of development to the Government of Ghana later this year.

In 2023, TEN production is expected to average c.20 kbopd (c.11 kbopd net), including the planned two week maintenance shutdown. A water injection well (En16) which was brought online in December 2022 is expected to provide pressure support for production from Enyenra in 2023. No new wells are planned to be added in TEN in 2023.

## Non-operated

Production from Tullow's non-operated portfolio was 16.7 kboepd net in 2022, supported by new wells brought online in Tchatamba, Ezanga and Etame.

2022 capital expenditure across the non-operated portfolio was c.$43 million, with approximately 60% on infrastructure projects, including the tie-back of the Wamba discovery for a long-term production test, which started in October and is expected to continue throughout 2023.

Production in 2023 is expected to average c.14 kboepd. Total capital expenditure is expected to be c.$40 million of which c.75% will be allocated to infrastructure projects to support future development and production. The remaining investment will be in new wells and workovers across the portfolio to sustain production levels.

## Kenya

Tullow continues to focus on the process to secure a strategic partner for the development project in Kenya.

In parallel, Tullow and its JV Partners are working with the Energy and Petroleum Regulatory Commission Authority (EPRA) and the Ministry of Energy and Petroleum to finalise the FDP.

## Exploration

In Côte d'Ivoire, Tullow has leveraged its differentiated understanding of the Tano Basin to secure a 90% interest in a new offshore exploration licence (CI-803) which, along with the Tullow operated CI-524 licence, provides Tullow with a strategic position in an area adjacent to the Group's producing fields in Ghana.

In Gabon, Tullow continues to focus on selective infrastructure-led exploration (ILX) activities to underpin production. In the Perenco-operated Simba licence, Tullow and its JV Partners have matured several low-risk and compelling ILX options for drill readiness in 2023-25.

In the emerging basins of Guyana and Argentina, Tullow continues to seek opportunities to unlock value from the significant prospective resource base.

In 2022, capital expenditure on exploration activities was c.$45 million. In 2023, this is expected to be c.$30 million, which includes drilling costs for one non-operated well on Simba in Gabon.

## ESG

In December 2022, Tullow signed a Letter of Intent (LoI) with the Ghana Forestry Commission (FC). The LoI is a key milestone for Tullow in developing a long-term supply of carbon offsets as part of its progress to reach Net Zero by 2030 and to support Ghana in meeting its Nationally Determined Contributions under the Paris Agreement. A Final Investment Decision (FID) is expected in 2023.

During 2022, Tullow supported STEM education through a range of programmes from primary to tertiary education across its countries of operation and created new entrepreneurship opportunities in Ghana and Kenya. Thousands of beneficiaries of these programmes are now leveraging new knowledge and skills as productive members of their communities.

Tullow's multi-year flagship senior high school programme has provided accommodation for 2,850 pupils, more than 90% girls, and classroom facilities for 600 pupils, increasing general school enrolment. There has also been increased focus on local content in 2022 with several new initiatives with the supplier base in our host countries to raise awareness of business opportunities, provide practical assistance for businesses and enhance supply chain transparency. Tullow received the 2022 Ghana Oil and Gas Local Content award in recognition of these efforts.

# FINANCIAL UPDATE

The Group generated total revenue, including the cost of hedging, of c.$1.7 billion, at a realised average oil price of c.$102/bbl before hedging and c.$87/bbl after hedging.

The additional equity in the Jubilee and TEN fields acquired through the pre-emption transaction in Ghana for $126 million has already paid back by 31 December 2022.

Full year capital expenditure was c.$354 million, c.$270 million in Ghana (of which $107 million in infrastructure), c.$31 million in Gabon, c.$12 million in Côte d'Ivoire and c.$45 million on exploration and appraisal activities. In Kenya, proceeds from Early Oil Pilot Scheme (EOPS) cargo sales have been recorded as a credit against capex, resulting in a net inflow of c.$4m. Decommissioning expenditure was c.$72 million.

Free cash flow for the full year 2022 is expected to be c.$267 million, ahead of guidance, with lower oil prices towards the end of the year offset by continued focus on cost control and deferrals of decommissioning costs and capital expenditure.

Net debt at the end of the year was c.$1.9 billion. Cash gearing of net debt to EBITDAX is expected to be 1.3 times at year-end 2022, ahead of guidance at the start of the year which was to reach less than 1.5 times by year-end 2023. Liquidity at year-end 2022 was c.$1.1 billion, consisting of c.$0.6 billion free cash and $0.5 billion available under the revolving credit facility. Tullow regularly reviews options for optimising its capital structure and may seek to retire or purchase outstanding debt from time to time through cash purchases or exchanges in the open market or otherwise.

In 2023, Tullow plans to invest c.$400million, of which c.$300 million in Ghana (primarily in Jubilee, including over $100 million in infrastructure), c.$40 million in Gabon, c.$20 million in Côte d'Ivoire, c.$10 million in Kenya and c.$30 million on exploration and appraisal activities. This is an increase of c.$50 million compared to 2022 as a consequence of deferrals from 2022, increased equity in Ghana for the full year, and ongoing infrastructure investment in Jubilee South East, which will account for c.40% of Ghana capital spend in 2023.

Decommissioning expenditure is expected to be c.$90 million in the UK and Mauritania, including deferrals from 2022, with less than $30 million of decommissioning liabilities in the UK and Mauritania remaining at the end of 2023. Additionally, starting in 2023, c.$30 million is expected to be paid annually into escrow for future decommissioning of currently producing assets in Ghana and parts of the non-operated portfolio.

Cash taxes are expected to be in excess of $300 million in 2023 (at $80/bbl) as historical capital allowances in Ghana will have been fully utilised in the first quarter of 2023. Tullow has received both revised and new tax assessments from the Ghana Revenue Authority throughout 2022, with these assessments not resulting in an increase to the overall exposure previously disclosed. Tullow believes these assessments are without merit and continues its active engagement with the Government of Ghana with the aim to resolve these disputes on a mutually acceptable basis.

Free cash flow for the full year 2023, post hedging, is expected to be c.$200 million at an average oil price of $100/bbl (c.$100 million at $80/bbl); this assumes revenue receipts for 15 cargos lifted from the Jubilee field and four cargos lifted from the TEN fields in Ghana during the year.

Capital investment in 2023, in particular in Ghana, is expected to support production growth through to 2025 and free cash flow generation of $700-800 million at 80/bbl for the two years 2024 and 2025 based on 2P reserves only, which will further reduce net debt and strengthen Tullow's balance sheet.

Tullow's commodity hedge portfolio provides oil price downside protection at $55/bbl for c.64% of forecast sales volumes to May 2023 and c.40% of forecast sales volumes from June 2023 through to May 2024. With the majority of hedges executed as part of the 2021 debt refinancing rolling off, Tullow will have increased exposure to higher oil prices from May 2023 onwards. Tullow plans to build out its commodity hedge portfolio for the second half of 2023 and into 2024, looking to maintain material upside exposure whilst securing protection against a severe oil price downturn.

| **Oil hedge portfolio as of 31 December 2022** | **2023** | **2024** |
|---|---|---|
| Hedged volume (kbopd) | 33.1 | 11.3 |
| Weighted average floor protected | $55/bbl | $55/bbl |
| Weighted average sold call | $75/bbl | $75/bbl |
| Premium spend | $2.0/bbl | $2.0/bbl |

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## NOTES TO EDITORS

Tullow is an independent oil & gas, exploration and production group which is quoted on the London and Ghanaian stock exchanges (symbol: TLW) and is a constituent of the FTSE250 index. The Group has interests in over 30 licences across eight countries. In March 2021, Tullow committed to becoming Net Zero on its Scope 1 and 2 emissions by 2030. For further information, please refer to our website at www.tullowoil.com.

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