NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES

Tullow Oil plc

$800,000,000

7% Senior Notes due 2025

Guaranteed on a senior subordinated basis by certain of its subsidiaries

Tullow Oil plc, incorporated as a public limited company under the laws of England and Wales (the "**Company**"), is offering $800,000,000 aggregate principal amount of its 7% Senior Notes due 2025 (the "**Notes**"), which will be issued pursuant to an indenture (the **"Indenture"**) to be dated as of March 23, 2018 (the **"Issue Date"**). We will pay interest on the Notes semi-annually on March 1 and September 1 of each year, commencing September 1, 2018. The Notes will mature on March 1, 2025.

At any time on or after March 1, 2021, we may redeem all or part of the Notes, upon not less than ten calendar days' notice, by paying the redemption prices set forth in this offering memorandum (the "**Offering Memorandum**"). Prior to March 1, 2021, we will be entitled, at our option, to redeem all or a portion of the Notes by paying 100% of the principal amount of such Notes, plus accrued and unpaid interest and additional amounts, if any, plus a "make-whole" premium. In addition, prior to March 1, 2021 we may redeem, at our option, up to 35% of the Notes with the net cash proceeds from certain equity offerings at the redemption price set forth in this Offering Memorandum. If we undergo certain events defined as constituting a change of control, each holder may require us to make an offer to repurchase its Notes at 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any. In the event of certain developments affecting taxation, we may redeem all, but not less than all, of the Notes. See "Description of the Notes."

The Notes will be senior unsecured debt of the Company and will rank *pari passu* in right of payment with all existing and future obligations of the Company that are not expressly contractually subordinated in right of payment to the Notes, including under the RBL Facilities, the Corporate Facility, the 2022 Senior Notes and the Company's guarantee of the Convertible Bonds (each as defined herein). The Notes initially will be guaranteed on a senior subordinated basis (the "**Note Guarantees**") by certain of our subsidiaries (the "**Guarantors**"), which also guarantee each of the 2022 Senior Notes and the Convertible Bonds on the same basis. The Notes will be structurally subordinated to all existing and future obligations of the Company's subsidiaries that do not guarantee the Notes, including any trade payables and letters of credit issued by such subsidiaries and any obligations of Tullow Oil (Jersey) Limited under the Convertible Bonds. The Notes and Note Guarantees will be effectively subordinated to any secured indebtedness and other secured obligations of the Company or the relevant Guarantor (including obligations with respect to the RBL Facilities and the Corporate Facility) to the extent of the value of the assets securing such indebtedness or other obligations (other than to the extent such assets in the future also secure the Notes and/or the relevant Note Guarantees on an equal and ratable basis or priority basis). See "Description of certain financing arrangements."

This Offering Memorandum includes information on the terms of the Notes and Note Guarantees, including redemption and repurchase prices, covenants, events of default and transfer restrictions.

There is currently no public market for the Notes. We have applied to have the Notes admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF. There can be no assurance that the Notes will be, or will remain, listed and admitted to trade on the Euro MTF. This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectus for securities dated July 10, 2005, as amended.

Investing in the Notes involves a high degree of risk. See the "Risk factors" section of this Offering Memorandum beginning on page 27 for a discussion of certain risks that you should consider in connection with an investment in any of the Notes.

Offering Price for the Notes: 100.000% plus accrued interest, if any, from the Issue Date.

We expect that the Notes will be delivered in book-entry form through The Depository Trust Company ("**DTC**") on or about the Issue Date. The Notes will be in registered form and will be initially issued in denominations of $200,000 and integral multiples of $1,000 in excess thereof and will only be transferable in minimum principal amounts of $200,000 and integral multiples of $1,000 in excess thereof.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any other jurisdiction, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. In the United States, this offering is being made only to "qualified institutional buyers" ("QIBs") (as defined in Rule 144A under the U.S. Securities Act) in compliance with Rule 144A under the U.S. Securities Act ("Rule 144A"). You are hereby notified that the Initial Purchasers of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. Outside of the United States, this offering is being made in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). For further details about eligible offerees and resale restrictions, see "Plan of distribution" and "Notice to investors."

Joint global coordinators

Credit Agricole CIB **J.P. Morgan** **Standard Chartered Bank**

BNP PARIBAS **Lloyds Securities**

Joint book running managers

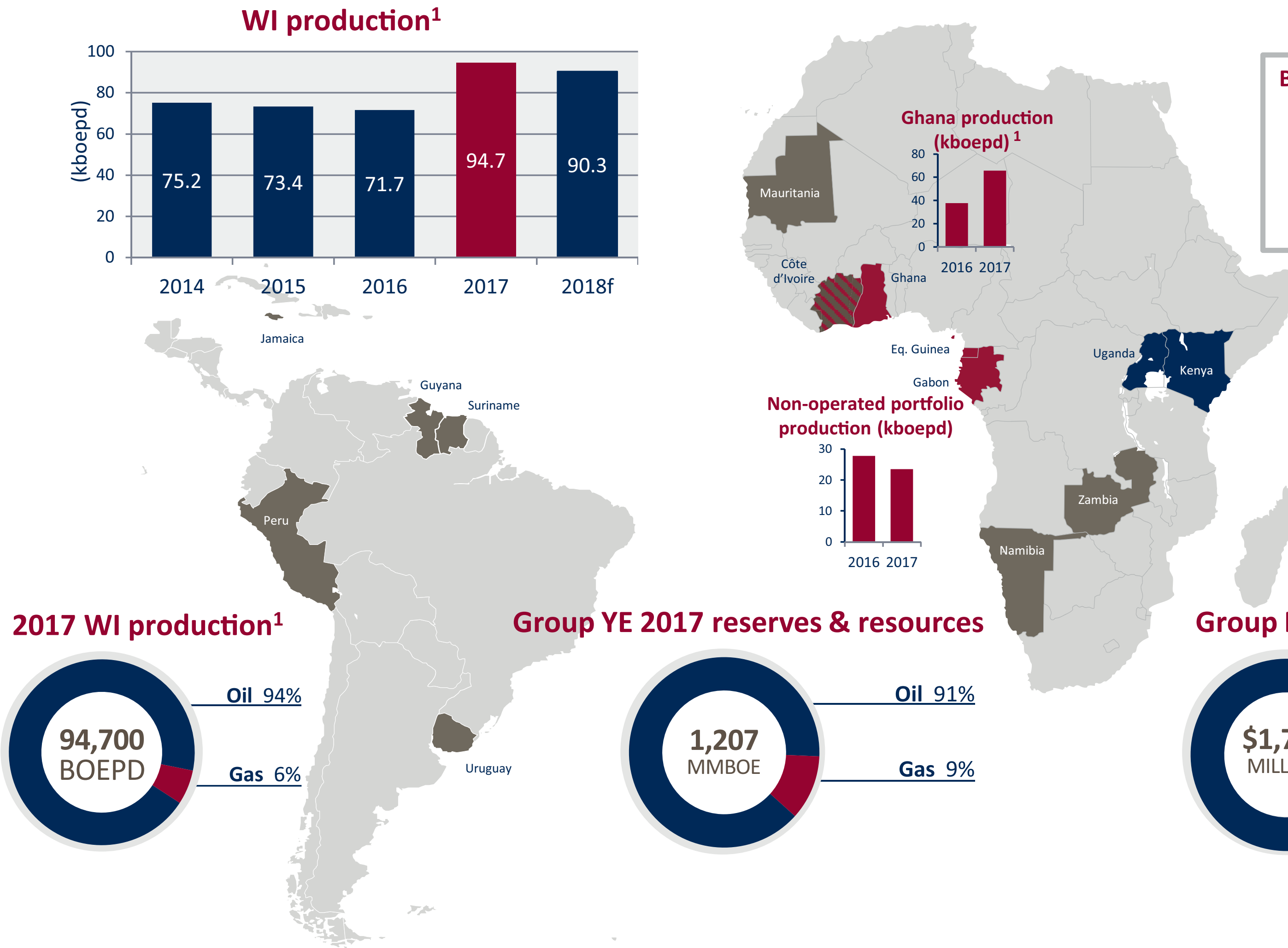
Barclays **Deutsche Bank** **DNB Markets** **ING**

Natixis **SMBC Nikko** **Société Générale** **STANDARD BANK**

Co-managers

ABN AMRO **ABSA** **Bank of China** **MUFG** **Nedbank**

The date of this Offering Memorandum is May 24, 2018.



1) Total includes Jubilee Field Insurance Production-Equivalent Barrels

In making your investment decision, you should rely only on the information contained in this Offering Memorandum. We and Credit Agricole Securities (USA) Inc., J.P. Morgan Securities LLC ("J.P. Morgan"), Standard Chartered Bank, BNP Paribas, Lloyds Securities Inc., Barclays Capital Inc., Deutsche Bank AG, London Branch, DNB Markets, Inc., ING Bank N.V., London Branch, Natixis, Société Générale, SMBC Nikko Securities America, Inc., The Standard Bank of South Africa Limited, ABN AMRO Securities (USA) LLC, Absa Bank Limited, Bank of China Limited, London Branch, MUFG Securities Americas Inc., and Nedbank Limited, London Branch (collectively, the "Initial Purchasers") have not authorized anyone to provide you with any other information. If you receive any other information, you should not rely on it. We and the Initial Purchasers are offering to sell the Notes only in places where offers and sales are permitted. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front cover of this Offering Memorandum. Our business or financial condition and other information in this Offering Memorandum may change after that date.

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Important information about this Offering Memorandum

You should read this Offering Memorandum before making a decision whether to purchase any Notes. You must not use this Offering Memorandum for any other purpose.

We have prepared this Offering Memorandum based on information we have or have obtained from sources we believe to be reliable. Summaries of documents contained in this Offering Memorandum may not be complete. We will make copies of actual documents available to you upon request. Neither we nor the Initial Purchasers are providing you with any legal, investment, business, tax or other advice in this Offering Memorandum. You should consult with your own counsel, accountants and other advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Notes.

This Offering Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this Offering Memorandum may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this Offering Memorandum, and you must obtain all applicable consents and approvals. Neither we nor the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements.

We are offering the Notes, and the Guarantors are issuing the Note Guarantees, in reliance on (i) an exemption from registration under the U.S. Securities Act for an offer and sale of securities that does not involve a public offering and (ii) a transaction pursuant to Regulation S that is not subject to the registration requirements of the U.S. Securities Act. If you purchase the Notes, you will be deemed to have made certain acknowledgments, representations and warranties as detailed under "Notice to investors." The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and applicable securities laws of any other jurisdiction pursuant to registration or exemption therefrom. You may be required to bear the financial risk of an investment in the Notes for an indefinite period. Neither we nor the Initial Purchasers are making an offer to sell the Notes in any jurisdiction where the offer and sale of the Notes is prohibited. Neither we nor the Initial Purchasers are making any representation to you that the Notes are a legal investment for you.

Each prospective purchaser of the Notes must comply with all applicable laws and rules and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Initial Purchasers shall have any responsibility therefor.

Neither the U.S. Securities and Exchange Commission (the "**SEC**"), any U.S. state securities commission nor any non-U.S. securities authority nor other authority has approved or disapproved of the Notes or determined if this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense in the United States.

We accept responsibility for the information contained in this Offering Memorandum. We have made all reasonable inquiries and confirm to the best of our knowledge, information and belief that the information contained in this Offering Memorandum with regard to us and our subsidiaries and affiliates and the Notes is true and accurate in all material respects as of the date of this Offering Memorandum, that the opinions and intentions expressed in this Offering Memorandum are honestly held and that we as of the date of this Offering Memorandum are not aware of any other facts, the omission of which would make this Offering Memorandum or any statement contained herein misleading in any material respect.

None of the Initial Purchasers, Trustee, Principal Paying Agent, Registrar, Transfer Agent or London Paying Agent make any representation or warranty, express or implied, as to, and assume no responsibility for, the accuracy or completeness of the information contained in this Offering Memorandum. Nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers, Trustee, Principal Paying Agent, Registrar, Transfer Agent or London Paying Agent as to the past, the present or the future.

We reserve the right to withdraw this offering at any time. We and the Initial Purchasers may reject any offer to purchase the Notes in whole or in part for any reason or no reason, sell less than the entire principal amount of the Notes offered hereby or allocate to any purchaser less than all of the Notes for which it has subscribed. The Initial Purchasers and certain of their respective related entities may acquire, for their own accounts, a portion of the Notes.

The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including in the "Description of Notes" and "Book-entry, delivery and form," is subject to a change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream currently in effect. While we accept responsibility for accurately summarizing the information concerning DTC, Euroclear or Clearstream, we accept no further responsibility in respect of such information.

We intend to list the Notes on the Official List of the Luxembourg Stock Exchange and have the Notes admitted for trading on the Luxembourg Stock Exchange's Euro MTF, and intend to submit this Offering Memorandum to the competent authority in connection with the listing application. In the course of any review by the competent authority, we may be requested to make changes to the financial and other information included in this Offering Memorandum. We may also be required to update the information in this Offering Memorandum to reflect changes in our business, prospects, financial condition or results of operations. We cannot guarantee that the application we have made to the Official List of the Luxembourg Stock Exchange for the Notes to be listed and admitted to trading on the Luxembourg Stock Exchange's Euro MTF thereof will be approved as of the Issue Date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this admission to trading.

IN CONNECTION WITH THIS OFFERING, J.P. MORGAN (THE "STABILIZING MANAGER") (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL OTHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, NO ASSURANCE CAN BE GIVEN THAT THE STABILIZING

MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THIS OFFERING IS MADE AND, IF BEGUN, MAY BE DISCONTINUED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "PLAN OF DISTRIBUTION."

Notice to U.S. investors

This offering is being made in the United States in reliance upon an exemption from registration under the U.S. Securities Act for an offer and sale of the Notes which does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements. See "Notice to investors."

This Offering Memorandum is being provided (1) to a limited number of U.S. investors that we reasonably believe to be "qualified institutional buyers" ("**QIBs**") under Rule 144A under the U.S. Securities Act for informational use solely in connection with their consideration of the purchase of the Notes and (2) to investors outside the United States pursuant to offshore transactions complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act. The Notes described in this Offering Memorandum have not been registered with, recommended by or approved by the SEC, any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC, any state securities commission in the United States or any such securities commission or authority passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

Certain considerations regarding sales into Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, *provided* that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights, or consult with a legal advisor.

Pursuant to Section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

Notice to certain other investors

MIFID II product governance / Professional investors and ECPs only target market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

PRIIPs Regulation / Prohibition of sales to EEA retail investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Austria The Notes may be offered and sold in the Republic of Austria only in compliance with the Austrian Capital Markets Act (*Kapitalmarktgesetz*) as amended (the "**Austrian Capital Markets Act**") and applicable European Union legislation. This Offering Memorandum has not been approved under the Austrian Capital Markets Act or the Directive 2003/71/EC, and accordingly the Notes may not be offered publicly in Austria.

Belgium The Notes are not offered, directly or indirectly, to the public in Belgium. The Notes are being offered in Belgium to qualified investors only, within the meaning of Article 3, §2, a) and 10 of the Belgian law of June 16, 2006 on the public offering of securities and admission of securities to trading on a regulated market ("**Belgian Prospectus Law**") and/or on the basis of the other exemptions set out in Article 3, §2 of the Belgian Prospectus Law. Accordingly, this Offering Memorandum has not been and will not be notified to, or approved by, the Belgian banking, finance and insurance commission (*Commissie voor het bank-, financie- en assurantiewezen/Commission bancaire, financière et des assurances*). The Offering cannot be advertised and this Offering Memorandum and any other information, circular, brochure or similar documents may not be distributed, directly or indirectly, in Belgium other than to said qualified investors or, as the case may be, other than on the basis of the other exemptions set out in Article 3, §2 of the Belgian Prospectus Law.

British Virgin Islands This Offering Memorandum has not been, and will not be, registered under any laws or regulations of the British Virgin Islands, nor has any regulatory authority in the British Virgin Islands passed comment upon or approved the accuracy or adequacy of it. This Offering Memorandum does not constitute an offer or invitation (whether direct or indirect) to any person in the British Virgin Islands to purchase or subscribe for any Notes and no person in the British Virgin Islands may purchase or subscribe for any Notes.

Denmark This Offering Memorandum has not been filed with or approved by any authority in the Kingdom of Denmark. The Notes have not been offered or sold and may not be offered, sold or delivered directly or indirectly in the Kingdom of Denmark, unless in compliance with the Danish Act on Trading in Securities (Consolidated Act No. 795 of August 20, 2009, as amended from time to time) and any Orders issued thereunder.

France This Offering Memorandum has not been prepared in the context of a public offering in France within the meaning of Article L. 411-1 of the *Code Monétaire et Financier* and has not been admitted to the clearance procedure of the *Autorité des marchés financiers.* Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France and neither this Offering Memorandum nor any other offering material may be distributed or caused to be distributed, directly or indirectly, to the public in France. Such offers, sales and distributions will only be made in France to providers of investment services relating to portfolio management for the account of third-parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*) and/or to qualified investors (*investisseurs qualifiés*) and/or to a limited circle of investors (*cercle restreint d'investisseurs*) each acting for their own accounts, as defined in and in accordance with Articles L. 411-1, L. 411-2 and D. 411-1 to 411-4 of the *Code Monétaire et Financier*.

Germany The Offering is not a public offering in the Federal Republic of Germany. The Notes may only be offered, sold and acquired in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (the "**Securities Prospectus Act**", *Wertpapierprospektgesetz, WpPG*), as amended, the Commission Regulation (EC) No. 809/2004 of 29 April 2004 as amended, and any other applicable German law. No application has been made under German law to permit a public offer of Notes in the Federal Republic of Germany. This Offering Memorandum has not been approved for purposes of a public offer of the Notes and accordingly the Notes may not be, and are not being, offered or advertised publicly or by public promotion in Germany. Therefore, this Offering Memorandum is strictly for private use and the offer is only being made to recipients to whom the document is personally addressed and does not constitute an offer or advertisement to the public. The Notes will only be available to and this Offering Memorandum and any other offering material in relation to the Notes is directed only at persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2, No. 6 of the Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the Securities Prospectus Act and other applicable laws. The Company has not, and does not intend to, file a securities prospectus with the German Federal Financial Supervisory Authority ("**BaFin**," *Bundesanstalt für Finanzdienstleistungsaufsicht*) or obtain a notification to BaFin from another competent authority of a Member State of the EEA, with which a securities prospectus may have been filed, pursuant to Section 17(3) of the Securities Prospectus Act.

Grand Duchy of Luxembourg This Offering Memorandum constitutes a prospectus to be approved by the Luxembourg Stock Exchange for the purpose of part IV of the Luxembourg Prospectus Act and which is subject to the rules and regulations of the Luxembourg Stock Exchange. This Offering Memorandum has not been approved by and will not be submitted for approval to *Commission de Surveillance du Secteur Financier* (the Luxembourg competent authority) for the purposes of public offering or sale of the Notes in the Grand Duchy of Luxembourg. Accordingly, the Notes may not be offered or sold to the public in the Grand Duchy of Luxembourg, directly or indirectly, and neither this Offering Memorandum nor any other circular, prospectus, form of application, advertisement, communication or other material may be distributed, or otherwise made available in or from, or published in, the Grand Duchy of Luxembourg except for the sole purpose of the admission to trading of the Notes on the Euro MTF and to listing of the Notes on the Official List of the Luxembourg Stock Exchange and except if the offer benefits from an exemption to or constitutes a transaction otherwise not subject to the requirements to publish a prospectus for the purpose of the Luxembourg act dated July 10, 2005 relating to prospectuses for securities, as amended, and implementing the Prospectus Directive. The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Hong Kong The Notes may not be offered or sold in Hong Kong by means of any document other than to (1) "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder, or (2) in circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of the laws of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No invitation, advertisement or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors," as defined under the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong and any rules made thereunder.

Italy No action has been or will be taken which could allow an offering of the Notes to the public in the Republic of Italy. Accordingly, the Notes may not be offered or sold directly or indirectly in the Republic of Italy, and neither this Offering Memorandum nor any other offering circular, prospectus, form of application, advertisement, other offering material or other information relating to the Company or the Notes may be issued, distributed or published in the Republic of Italy, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations. The Notes cannot be offered or sold to any natural persons nor to entities other than qualified investors (according to the definition provided for by the Prospectus Directive) either on the primary or on the secondary market.

Netherlands This Offering Memorandum is directed only at qualified investors as defined in the Prospectus Directive, as amended and as implemented in the Netherlands ("**Qualified Investors**").

This Offering Memorandum must not be acted on or relied on by persons who are not Qualified Investors. Any investment or investment activity to which this Offering Memorandum relates is available only to Qualified Investors and will be engaged in only with Qualified Investors. Recipients of this Offering Memorandum are not permitted to transmit it to any other person. The Notes are not being offered to the public in the Netherlands.

Nigeria This Offering Memorandum and the Notes have not been and will not be registered with the Nigerian Securities and Exchange Commission, or under the Nigerian Investment Securities Act No. 29 of 2007 (the "**ISA**"). Further, neither this Offering Memorandum nor any other offering material related to the Notes may be utilized in connection with any offering to the public within Nigeria, and the Notes may not be offered or sold within Nigeria or to, or for the account or benefit of, persons resident in Nigeria, except in certain transactions exempt from the registration requirements of the ISA. Accordingly, this Offering Memorandum is not directed to, and the Notes are not available for subscription by, any persons within Nigeria, other than the selected investors to whom the Offering Memorandum has been addressed as a private sale, or domestic concern, within the exemption and meaning of Section 69(2) of the ISA.

Norway This Offering Memorandum has not been and will not be filed with or approved by the Norwegian Financial Supervisory Authority, the Oslo Stock Exchange or any other regulatory authority in Norway. The Notes have not been offered or sold and may not be offered, sold or delivered, directly or indirectly, in Norway, unless in compliance with Chapter 7 of the Norwegian Securities Trading Act 2007 and secondary regulations issued pursuant thereto, as amended from time to time. Accordingly, this Offering Memorandum may not be made available nor may the Notes otherwise be marketed and offered for sale in Norway other than in circumstances and transactions exempt from prospectus requirements in Norway.

Russia The Notes will not be, nor are they intended to be, offered, transferred or sold as part of their initial distribution or at any time thereafter to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation unless and to the extent otherwise permitted under Russian law. Neither the Notes nor this Offering Memorandum or other documents relating to them have been or are intended to be registered in Russia with any state authorities that may from time to time be responsible for such registration. The Notes are not eligible for "placement" and "circulation" in the Russian Federation (as defined under Russian law) unless and to the extent otherwise permitted by Russian law. The information provided in this Offering Memorandum is not an offer, or an invitation to make offers, sell, purchase, exchange or otherwise transfer the Notes in the Russian Federation or to or for the benefit of any Russian person or entity.

Singapore This Offering Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (2) to a relevant person pursuant to Section 275(1) or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed for or purchased under Section 275 of the SFA by a relevant person which is:

(1) a corporation (which is not an accredited investor (as defined in Section 4 of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(2) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239 (1) of the SFA) of that corporation or the beneficiaries' rights and interest (however described) in that trust shall not be transferable within six months after that corporation or that trust has acquired the Notes pursuant to offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law; or

(d) as specified in Section 276(7) of the SFA.

Spain The Offering has not been registered with the *Comisión Nacional del Mercado de Valores* and therefore the Notes may not be offered in Spain by any means, except in circumstances which do not qualify as a public offer of securities in Spain in accordance with article 30 bis of the Securities Market Act ("*Ley 24/1988, de 28 de julio del Mercado de Valores*") as amended and restated, or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005 ("*Real Decreto 1310/2005, de 4 de noviembre por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*").

Switzerland The Notes offered hereby are being offered in Switzerland on the basis of a private placement only. This Offering Memorandum does not constitute a prospectus within the meaning of Art. 652A of the Swiss Federal Code of Obligations.

United Kingdom This Offering Memorandum is directed only at persons ("**Relevant Persons**") who (i) fall within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (ii) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated.

This Offering Memorandum must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this Offering Memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Recipients of this Offering Memorandum are not permitted to transmit it to any other person. The Notes are not being offered to the public in the United Kingdom.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

Forward-looking statements

Except for historical information contained herein, statements contained in this Offering Memorandum may constitute "forward-looking statements," within the meaning of the securities laws of certain jurisdictions, including, without limitation, statements under the headings "Presentation of industry and market data," "Summary," "Risk factors," "Management's discussion and analysis of financial condition and results of operations," "Our business" and other sections. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "anticipate," "expect," "suggests," "plan," "believe," "intend," "estimates," "targets," "projects," "should," "could," "would," "may," "will," "forecast," and other similar expressions or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Memorandum and include statements regarding our current intentions, beliefs or expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those referred to or suggested by the forward-looking statements contained in this Offering Memorandum. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Offering Memorandum, they may not be indicative of our results, financial conditions or liquidity or developments in subsequent periods.

Any forward-looking statements that we make in this Offering Memorandum speak only as of the date of such statement, and we undertake no obligation to update such statements, whether as a result of new information, future events or otherwise. Comparisons of results for current and any prior periods are not intended to project trends into the future or indicate future performance, unless expressed as such, and should only be viewed as historical data.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results. We believe that these risks and uncertainties include, but are not limited to, those described in the "Risk factors" section of this Offering Memorandum:

- political, economic, fiscal, legal, regulatory and social uncertainties in certain of the countries in which we do business, including risks associated with bribery and corruption;
- underdeveloped infrastructure in certain of the countries in which we do business including threats of terrorist activity, armed conflicts and political upheaval;

- outbreaks of communicable diseases;
- increased susceptibility to disruptions in emerging capital markets compared to more developed markets;
- crime and governmental or business corruption in certain of the countries in which we do business;
- uncertainties in the application or interpretation of laws and regulations in certain of the countries in which we do business;
- ability to maintain constructive relationship with governments in host countries and risks of deterioration of such relationship;
- risk of disputes over title or exploration and production rights;
- licensing and other regulatory requirements in the countries in which we do business;
- adverse sovereign action by governments in the countries in which we do business;
- impact of the United Kingdom's exit from the EU;
- changes to tax legislation or increases in effective tax rates;
- volatility in oil and gas prices;
- competitiveness of our industry;
- drilling, exploration, productions, and environmental risks and hazards;
- significant uncertainty as to the success of appraisal, exploration and development activities;
- risks associated with climate change and climate change abatement legislation and regulatory initiatives and its impact on our access to capital;
- concentration of a significant proportion of our production in the Jubilee and TEN fields in Ghana;
- risks associated with the farm-down of our assets, including the substantial farm-down of our assets in Uganda;
- reduced production or unexpected costs in the Jubilee field as a result of the Turret Remediation Project;
- compliance with obligations under licenses, contracts and field development plans;
- numerous operational risks and hazards associated with exploration, development and production operations;
- oil and gas commercial reserves and contingent resources may be less than expected;
- issues caused by commercial partners;
- the inability to sell assets on attractive terms or in a timely manner;
- inadequate insurance coverage;

- the risk of litigation;
- operating with a significant level of net debt;
- failure to obtain access to necessary equipment and transportation systems including technological advancements in the industry;
- unanticipated increased costs including with respect to decommissioning obligations;
- exposure to losses from hedging activities;
- wage demands or work stoppages by unionized employees;
- failure to identify acquisition targets, to carry out appropriate diligence, to complete and integrate acquisitions successfully;
- our ability to retain and hire qualified personnel;
- damage to our business reputation;
- currency exchange and inflation risks;
- compliance with health and safety and environmental regulations; and
- intentional or unintentional disruption to our website and internal systems and misappropriation of confidential information.

We urge you to read the sections of this Offering Memorandum entitled “Presentation of industry and market data,” “Summary,” “Risk factors,” “Management’s discussion and analysis of financial condition and results of operations,” and “Our business” for a more complete discussion of factors that could affect our future performance and the markets in which we operate.

Presentation of financial and other information

Financial information

Our audited consolidated financial statements as at and for the years ended December 31, 2015, 2016 and 2017 included in this Offering Memorandum have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**") as issued by the International Accounting Standards Board. The audited consolidated financial statements have also been prepared in accordance with IFRS adopted by the European Union and comply with Article 4 of the EU IAS Regulation.

The consolidated financial statements contained in the F-Pages to this Offering Memorandum should be read in conjunction with the relevant notes thereto.

Prospective investors are advised to consult their professional advisors for an understanding of: (i) the differences between IFRS and U.S. GAAP and other standards of generally accepted accounting principles and how those differences might affect the financial information included in this Offering Memorandum and (ii) the impact that future additions to, or amendments of, IFRS may have on results of operations or financial condition, as well as on the comparability of the prior periods.

Financial information marked as "unaudited" in tables in this Offering Memorandum is not taken from the audited consolidated financial statements and is taken from the Company's internal accounting system or is based on calculations of figures of the abovementioned sources.

The financial information included in this Offering Memorandum is not intended to comply with the applicable accounting requirements of the U.S. Securities Act and the related rules and regulations of the SEC which would apply if the Notes were being registered with the SEC.

Rounding

Certain numerical figures set out in this Offering Memorandum, including financial information presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other information set forth in "Management's discussion and analysis of financial condition and results of operations" are calculated using the unrounded numerical data in the financial statements or the tabular presentation of other information contained in this Offering Memorandum, as applicable, and not using the numerical data in the narrative description thereof.

Non-IFRS financial measures

This Offering Memorandum contains non-IFRS measures, including capital investment, net debt, Adjusted EBITDAX, gearing, underlying cash operating costs, and free cash flow, that are not required by, or presented in accordance with, IFRS. These measures are termed "non-IFRS measures" because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS. Our management uses these measures to measure operating performance and liquidity, in presentations to our Board and as a basis for strategic planning and forecasting, as well as monitoring certain aspects of our operating cash flow and liquidity. We present non-IFRS measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Non-IFRS measures such as capital investment, net debt, Adjusted EBITDAX, gearing, underlying cash operating costs, and free cash flow are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to operating profit/(loss) or profit/(loss) for the year, capital expenditure or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

An explanation of the relevance of each of the non-IFRS measures and a description of how they are calculated is set out below. Additionally, we present a reconciliation of each of the non-IFRS measures to the most directly comparable measure calculated and presented in accordance with IFRS and discuss its limitations. For a reconciliation of these non-IFRS measures, refer to "Summary historical financial data."

Adjusted EBITDAX

We define Adjusted EBITDAX as loss from continuing activities less income tax credit, finance costs, finance revenue, (loss)/gain on hedging instruments, depreciation, depletion, amortisation, share-based payment charge, restructuring costs, gain/(loss) on disposal, goodwill impairment, exploration costs written off, impairment of property, plant and equipment, net, provisions for inventory and provision for onerous service contracts, net.

We believe that Adjusted EBITDAX is a supplemental measure of our performance. Adjusted EBITDAX and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing Adjusted EBITDAX as reported by us to Adjusted EBITDAX of other companies. Adjusted EBITDAX as presented here differs from the definition of "Consolidated Cash Flow" contained in the Indenture.

Some of the limitations of Adjusted EBITDAX are:

- it does not reflect our cash expenditures or future requirements for capital investments or contractual commitments;
- it does not reflect changes in, or cash requirements for, our working capital needs;
- it does not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often need to be replaced in the future and Adjusted EBITDAX does not reflect any cash requirements that would be required to make such replacements;

- it is not adjusted for all non-cash income or expense items that are reflected in our consolidated cash flow statement;
- it does not reflect exploration costs which are necessary in order to replace our reserves;
- it does not consider cash flows associated with our finance lease arrangements;
- it does not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations;
- the further adjustments made in calculating Adjusted EBITDAX are those that management consider are not representative of our underlying operations and therefore are subjective in nature; and
- other companies in our industry may calculate these measures differently from the way we do, limiting their usefulness as comparative measures.

Because of these limitations, Adjusted EBITDAX should not be considered as a measure of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our other IFRS results and using this non-IFRS measure only to supplement your evaluation of our performance.

Net debt and gearing

Net debt is a non-IFRS measure that we define as current and non-current borrowings plus accrued interest and unamortised arrangement fees and the equity component of any compound debt instrument less cash and cash equivalents.

We believe net debt is a useful indicator relating to our indebtedness, financial flexibility and capital structure because it indicates the level of borrowings after taking account of unamortised arrangement fees and the equity component of any compound debt instrument (which do not represent amounts that we are required to repay to our lenders) and cash and cash equivalents within our business that could be utilized to pay down the outstanding borrowings. Our definition of net debt does not include our finance leases as our focus is the management of cash borrowings and a finance lease is viewed as deferred capital investment. We believe that net debt can assist securities analysts, investors and other parties to evaluate us. Net debt and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Accordingly, caution is required in comparing net debt as reported by us to net debt of other companies.

Gearing is a non-IFRS measure that is defined as net debt (as defined above) divided by Adjusted EBITDAX. We believe that gearing is a useful indicator of our indebtedness, financial flexibility and capital structure and can assist securities analysts, investors and other parties to evaluate us. Gearing and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Other companies may refer to gearing as a net leverage ratio or may present a measure titled "gearing" or similarly titled measures that are very different financial metrics that are calculated using different financial metrics than those contained in our calculation. Accordingly, caution is required in comparing gearing as reported by us to gearing of other companies.

Prior to December 31, 2016, we have reported gearing as net debt divided by net assets plus net debt. However, we do not use that calculation internally to manage our business and consider the revised definition of gearing set out herein to be of more use to securities analysts, investors and other users of our financial statements.

Capital investment

Capital investment is a non-IFRS measure that we define as additions to property, plant and equipment and intangible exploration and evaluation assets less decommissioning asset additions, finance lease asset additions, capitalised share-based payment charge, capitalised finance costs, additions to administrative assets, Norwegian tax refund, Uganda capital investment adjustment and certain other adjustments.

We believe that capital investment is a useful indicator of our organic expenditure on exploration and appraisal assets and oil and gas assets incurred during a period because it eliminates certain non-cash accounting adjustments such as capitalised finance costs and decommissioning asset additions. We believe that capital investment can assist securities analysts, investors and other parties to evaluate us. Capital investment and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Accordingly, caution is required in comparing capital investment as reported by us to capital investment of other companies.

Underlying cash operating costs

Underlying cash operating costs is a non-IFRS measure that is defined as cost of sales less operating lease expense, depletion and amortisation of oil and gas assets, underlift, overlift and oil stock movements, share-based payment charge included in cost of sales, and certain other cost of sales. Underlying cash operating costs is a useful indicator of our underlying cash costs incurred to produce oil and gas. We believe that underlying cash operating costs can assist securities analysts, investors, and other parties to evaluate us. Underyling cash operating costs and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Accordingly, caution is required in comparing underlying cash operating costs as reported by us to underlying cash operating costs of other companies.

Presentation of certain metrics on a per-boe basis

Underlying cash operating costs per boe of production are presented on a per-barrel of oil equivalent (boe) basis in this Offering Memorandum. The denominator of this measure for the years ended December 31, 2016 and 2017 is calculated as the sum of our actual production plus the loss of production insurance equivalent boe related to the turret remediation work at the Jubilee field (the "**Jubilee Field Insurance Production-Equivalent Barrels**"). See "Our business—Main Producing Assets—Ghana—Jubilee Field—Turret Remediation Project." The Jubilee Field Insurance Production-Equivalent Barrels are calculated by dividing the amounts received under our Business Interruption Policy ("**BI Policy**") in relation to the turret remediation work at the Jubilee field for such period by the price per barrel of oil specified in the BI Policy. During the years ended December 31, 2016 and 2017, the number of Jubilee Field Insurance Production-Equivalent Barrels totalled 4,600 bopd and 7,400 bopd, respectively.

In addition, another metric presented on a per-boe basis in this Offering Memorandum is depreciation, depletion and amortization per boe. Depreciation, depletion and amortization per boe is calculated by dividing depreciation, depletion and amortization by our production plus Jubilee Field Insurance Production-Equivalent Barrels.

Because our operating costs at the Jubilee field are generally fixed in nature and, they and depreciation, depletion and amortization expenses are incurred irrespective of the actual production from the Jubilee field, we believe the inclusion of the Jubilee Field Insurance Production-Equivalent Barrels in the presentation of these metrics presents a more accurate portrayal of our operating results than if they were excluded. However, potential noteholders should be cautioned that the Jubilee Field Insurance Production-Equivalent Barrels were not physically produced, and had an insurable event not occurred at the Jubilee Field, the number of barrels of oil actually produced could have varied significantly from the denominator used in this calculation, and cash underlying operating costs per boe as well as depreciation, depletion and amortization per boe at the Jubilee field could have been significantly different, in each case, during the years ended December 31, 2016 and 2017.

Free cash flow

Free cash flow is a non-IFRS measure that is defined as net cash from operating activities, net cash used in investing activities, net cash (used in)/generated by financing activities and foreign exchange (loss)/gain less net proceeds from issue of share capital, plus repayment of bank loans, less drawdown of bank loans, and issue of convertible bonds. In a change to methodology from historically presented free cash flow, proceeds from disposals and debt arrangement fees were included in the calculation of free cash flow for the year ended December 31, 2017, and the comparative column, as they relate to our ability to generate organic free cash flow. We believe that free cash flow is a useful indicator of our ability to generate organic cash flow to fund the business and strategic acquisitions, reduce borrowings and available to return to shareholders through dividends. Free cash flow does not reflect any restrictions on the transfer of cash and cash equivalents within the company or any requirement to repay our borrowings and does not take into account cash flows that are available from disposals of the issues of shares. We therefore take such factors into account in addition to free cash flow when determining the resources available for capital investment, acquisitions and for distributions to shareholders. We believe that free cash flow can assist securities analysts, investors, and other companies to evaluate us. Free cash flow and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Accordingly, caution is required in comparing free cash flow as reported by us to free cash flow of other companies.

Certain reserves and production information

Unless otherwise indicated, the oil and gas reserves data presented in this Offering Memorandum is audited by ERC Equipoise Limited ("**ERCE**") and has been estimated at our request by ERCE. ERCE is an independent reservoir evaluation company which has prepared its estimates in accordance with resource definitions jointly set out by the Society of Petroleum Engineers ("**SPE**"), the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers ("**SPEE**") in March 2007 in the "Petroleum Resources Management System" ("**PRMS**").

In this Offering Memorandum, references to "commercial reserves" are to 2P reserves, which is the sum of our proved reserves plus probable reserves. Pursuant to the classifications and definitions provided by the PRMS, "proved reserves" is defined as those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations, and "probable reserves" is defined as those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves. "Possible reserves" are those additional reserves which, after analysis of geoscience and engineering data, are less likely to be recoverable than probable reserves. In this Offering Memorandum, references to "contingent resources" are to 2C resources, unless specified otherwise. Pursuant to the classifications and definitions provided by the PRMS, 2C resources are those quantities of estimated contingent resources (being those quantities estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not then considered to be commercially recoverable due to one or more contingencies) that have at least a 50% probability that the quantities actually recovered will equal or exceed this estimate. References in this Offering Memorandum to 1C resources means those quantities of estimated contingent resources that have at least a 90% probability that the quantities actually recovered will equal or exceed this estimate and references in this Offering Memorandum to 3C resources means those quantities of estimated contingent resources that have at least a 10% probability that the quantities actually recovered will equal or exceed this estimate.

Unless otherwise indicated, all production figures are presented on a net to our working interest basis. Where gross amounts are indicated, they are presented on a total basis—i.e., the actual interest of the relevant license holder in the relevant fields and license areas without deduction for the economic interest of our commercial partners, taxes or royalty interests or otherwise. Our legal interest and effective working interest in the relevant fields and license areas are separately disclosed. See "Our business—Production and development." See also "Our business—Material agreements relating to our assets" for a more detailed discussion of the terms of the agreements governing our interests.

Hydrocarbon data

The report referenced in this Offering Memorandum uses the following estimates:

- oil in standard millions of barrels ("**mmbbl**") (a barrel being the equivalent of 42 U.S. gallons);
- natural gas and natural gas liquids in billions of cubic feet ("**bcf**") at standard temperature and pressure bases; and
- liquid in standard millions of barrels of oil equivalent ("**mmboe**").

This Offering Memorandum presents certain production and reserves-related information on an "equivalency" basis. Our conversion of data for tons into barrels and from cubic feet into boe may differ from that data used by other companies. We have assumed a conversion rate of 6 bcf to 1 mmboe. This conversion is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent value equivalencies at the wellhead. Although this conversion factor is an industry accepted convention, it is not reflective of price or market value differentials between product types.

There are a number of uncertainties inherent in estimating quantities of commercial reserves and contingent resources, including many factors beyond our control. The commercial reserves and contingent resources information as of December 31, 2017 in the ERCE Report dated January 24, 2018 represent only estimates and such estimates are forward-looking statements which are based on judgments regarding future events that may be inaccurate. See "Forward-looking statements." Estimation of commercial reserves and contingent resources is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. The accuracy of any commercial reserves or contingent resources estimate is a function of a number of factors, many of which are beyond our control, including the quality of available data, and involves engineering and geological interpretation and judgment. As a result, estimates of different engineers may vary. In addition, results of drilling, testing and production subsequent to the date of an estimate may justify revising the original estimate. Accordingly, due to the inherent uncertainties and the limited nature of reservoir data and the inherently imprecise nature of commercial reserves and contingent resources estimates, the initial commercial reserves and contingent resources estimates are often different from the quantities of oil and natural gas that are ultimately recovered. The meaningfulness of such estimates depends primarily on the accuracy of the assumptions upon which they were based. Thus, you should not place undue reliance on the ability of the commercial reserves and contingent resources reports prepared by ERCE to predict actual commercial reserves and contingent resources or on comparisons of similar reports concerning other companies and this Offering Memorandum should be accepted with the understanding that the Company's financial performance subsequent to the date of the estimates may necessitate revision of the commercial reserves and contingent resources information set forth herein. In addition, except to the extent that we acquire additional properties containing commercial reserves or conduct successful exploration and development activities, or both, our commercial reserves will decline as they are produced.

Potential investors should note that the ERCE Reports have not estimated proved and probable reserves under the standards of reserves measurement applied by the SEC (the "SEC Basis") for any of the relevant periods reviewed in the Offering Memorandum, or otherwise. The SEC Basis differs from PRMS.

In this Offering Memorandum, we present certain management estimates regarding contingent resources in the South Lokichar Basin in Kenya as of December 31, 2017, including estimates of 1C, 2C and 3C contingent resources. These estimates have been based on reports prepared by management in the fourth quarter of 2017 and have not been audited by ERCE as of the date hereof. Potential noteholders are advised that these resource estimates are subject to the ERCE audit process in future periods and may be subject to material changes in connection therewith.

Presentation in ERCE reports

ERCE has prepared assessments of our asset base as of December 31, 2015, 2016 and 2017 and presented its estimates of commercial reserves and contingent resources in reports dated January 22, 2016, January 30, 2017 and January 24, 2018, respectively (each an "ERCE Report" or, collectively, the "ERCE Reports").

The technical personnel responsible for preparing the reserve estimates at ERCE meet the requirements regarding qualifications, independence, objectivity and confidentiality set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the SPE. ERCE is an independent firm of petroleum engineers, geologists, geophysicists and petrophysicists. It does not own an interest in our assets and is not employed on a contingent fee basis.

Commercial partners

In this Offering Memorandum, when we describe activities in relation to licenses and assets in which we hold interests, references to "we," "our" and similar words mean, depending on the context, Tullow Oil plc and its commercial partners with interests in such licenses and assets.

Sale of assets

During the two years ended December 31, 2017, we sold certain non-core assets (including interests in upstream exploration and production licenses and/or production sharing contracts) in the United Kingdom Southern North Sea, the Dutch Southern North Sea, the Norwegian continental shelf and farmed down, or otherwise disposed of, certain interests in our Uganda, Namibia and Mauritania assets (some of which transactions remain to be completed) (collectively, the "**Disposed Assets**"). Unless otherwise indicated, all information in this Offering Memorandum relating to our interests in licenses, acreage under license, commercial reserves, contingent resources, production and sales revenue include the Disposed Assets. The table below shows the net commercial reserves, contingent resources, production and sales revenue as of and for the years ended December 31, 2016 and 2017 contributed by Disposed Assets (excluding Disposed Assets that recorded nil commercial reserves, contingent resources, production and sales revenue for this period):

	Netherlands		Uganda[1]	
	As of December 31, 2016	**As of December 31, 2017**	**As of December 31, 2016**	**As of December 31, 2017**
Commercial Reserves				
Oil (mmbo)	0.1	—	—	—
Gas (bscf)	12.2	7.7	—	—
Total Commercial Reserves (mmboe)	2.1	1.3	—	—
Contingent Resources				
Oil (mmbo)	0.1	0.1	316.2	316.2
Gas (bscf)	89.4	89.2	27.6	27.6
Total Contingent Resources (mmboe)	**15.0**	**15.0**	**320.8**	**320.8**

	Netherlands		Uganda[1]	
	For the year ended December 31, 2016	**For the year ended December 31, 2017**	**For the year ended December 31, 2016**	**For the year ended December 31, 2017**
Production				
Oil production (bopd)	—	—	—	—
Condensate production (boepd)	—	—	—	—
Gas production (boepd)	2,900	2,100	—	—
Total production (boepd)	2,900	2,100	—	—
Sales Revenue (in millions of $)	31.5	29.4	—	—

(1) Remains to be completed

Currency presentation and definitions

In this Offering Memorandum, all references to "U.S. dollars" and "$" are to the lawful currency of the United States of America and all references to "pounds sterling," "pence" and "£" are to the lawful currency of England and Wales.

Definitions

Unless otherwise specified or the context requires otherwise in this Offering Memorandum, references to "Tullow," "Company," "we," "us," and "our" refer to Tullow Oil plc, together with its subsidiaries. The following definitions apply throughout this Offering Memorandum, unless the context otherwise requires:

- "2020 Senior Notes" means the Company's $650.0 million aggregate principal amount of 6.0% Senior Notes due 2020 issued on November 6, 2013 under the 2020 Senior Notes Indenture, which will be repaid with the proceeds of this offering. See "Use of Proceeds.";
- "2020 Senior Notes Indenture" means the indenture, dated as of November 6, 2013, by and among, *inter alios*, the Company, as issuer, and Deutsche Trustee Company Limited, as trustee, governing the 2020 Senior Notes;
- "2022 Senior Notes" means the Company's $650.0 million aggregate principal amount of 6¼% Senior Notes due 2022 issued on April 8, 2014 under the 2020 Senior Notes Indenture;
- "2022 Senior Notes Indenture" means the indenture, dated as of April 8, 2014, by and among, *inter alios*, the Company, as issuer, and Deutsche Trustee Company Limited, as trustee, governing the 2022 Senior Notes;
- "Convertible Bonds" means Tullow Oil (Jersey) Limited's $300.0 million aggregate principal amount of 6⅝% guaranteed convertible bonds due 2021 issued on July 12, 2016;
- "Convertible Bonds Trust Deed" means the trust deed, dated as of July 12, 2016, by and among, *inter alios*, Tullow Oil (Jersey) Limited, as issuer, the Company, as parent guarantor, and Deutsche Trustee Company Limited, as trustee, governing the Convertible Bonds;
- "Corporate Facility" means the secured revolving credit facility agreement dated as of December 14, 2009, as most recently amended pursuant to an amendment letter dated November 21, 2017 and as amended, amended and restated or acceded to from time to time, or otherwise modified or varied from time to time, entered into by, among others, Tullow Oil plc as an original borrower and BNP Paribas as agent;
- "EURIBOR" means Euro Interbank Offered Rate;
- "European Economic Area" or "EEA" means the trading area established by the European Economic Area Agreement of January 1, 1994, currently comprising the member states of the European Union (currently, Austria, Belgium, Bulgaria, Croatia (on a provisional basis), Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom) and Norway, Iceland and Liechtenstein;

- “Existing Finance Agreements” means, collectively, the 2020 Senior Notes Indenture (which will be discharged due to the repayment of the 2020 Senior Notes with the proceeds of this offering, together with available cash), the 2022 Senior Notes Indenture, the Convertible Bonds Trust Deed, the Corporate Facility, and the RBL Facilities;
- “FSMA” means the Financial Services and Markets Act 2000, as amended;
- “Guarantors” means, collectively, Tullow Oil SK Limited, Tullow Côte d’Ivoire Limited, Tullow Oil SPE Limited, Tullow Equatorial Guinea Limited, Tullow Ghana Limited, Tullow Oil Gabon S.A., Tullow Oil International Limited, Tullow Uganda Limited, Tullow Uganda Operations Pty Ltd. and Tullow Kenya B.V.;
- “ITLOS” means the International Tribunal of the Law of the Sea;
- “Jubilee Field Insurance Production-Equivalent Barrels” means the production-equivalent barrels received in the form of business interruption payments for lost production received in relation to the turret remediation work at the Jubilee field;
- “Jubilee Field Production-Equivalent Insurance Payments” means the revenues associated with production-equivalent business interruption payments received in relation to the turret remediation work at the Jubilee field;
- “LIBOR” means London Interbank Offered Rate;
- “London Stock Exchange” or “LSE” means London Stock Exchange plc;
- “Major Simplification Project” means the Company’s program initiated in 2015 to generate substantial cost savings while preserving core capabilities by reorganizing the business, simplifying operations, and clarifying accountabilities;
- “Norwegian Facility” means the secured revolving exploration finance facility agreement dated as of June 12, 2014, as amended and restated from time to time, entered into by, among others, Tullow Oil Norge AS an original borrower and Merchant Banking, Skandinaviska Enskilda Banken AB (publ) as agent, which was cancelled in full on November 14, 2017 and effective on November 28, 2017;
- “OPEC” means Organization of the Petroleum Exporting Countries;
- “RBL Facilities” means, collectively, (i) the senior secured revolving credit facility agreement dated as of August 22, 2005, as most recently amended and restated pursuant to an amendment and restatement agreement dated November 21, 2017 and, as amended, amended and restated, or acceded to, from time to time, entered into by, among others, Tullow Oil plc as an original borrower and Natixis as agent; and (ii) the RBL Facilities IFC Tranche;
- “RBL Facilities IFC Tranche” means the senior secured revolving credit facility agreement dated as of May 29, 2009, as most recently amended and restated pursuant to an amendment and restatement agreement dated November 21, 2017 and, as amended, amended and restated, or acceded to, from time to time, entered into by Tullow Oil plc as an original borrower and International Finance Corporation as lender and agent;

- “Refinancing” means (i) the issuance of the Notes offered hereby and (ii) the redemption and repayment of all amounts outstanding under the 2020 Senior Notes, as described in “Use of Proceeds”;
- “Rights Offering” means the Company’s rights issuance of approximately 444,961,436 new ordinary shares which closed April 25, 2017 and raised gross proceeds of $752.5 million;
- “SEC” means the U.S. Securities and Exchange Commission;
- “Turret Remediation Project” means the remediation project to repair the turret bearing system of the Jubilee FPSO;
- “U.K.” or “United Kingdom” means the United Kingdom of Great Britain and Northern Ireland;
- “U.K. Corporate Governance Code” means the U.K. Corporate Governance Code published by the Financial Reporting Council;
- “United States” or “U.S.” means the United States of America;
- “U.S. Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder; and
- “U.S. Securities Act” means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

Presentation of industry and market data

In this Offering Memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. The market data and certain economic and industry data and forecasts used in this Offering Memorandum were obtained from governmental and other publicly available information, independent industry publications and reports prepared by industry consultants, including:

- Bank of Ghana, the central bank of Ghana;
- BP Statistical Review of World Energy, annual publication by BP plc;
- CIA World Factbook, consisting of U.S. government profiles of countries around the world;
- Energy Information Administration, a U.S. government department responsible for collecting, analyzing and disseminating energy information;
- Extractive Industries Transparency Initiative, an international group endorsed by the World Bank with the goal of achieving an international standard of transparency around the oil, gas and mineral resources of countries;
- Ghana National Petroleum Corporation, the Ghanaian state agency responsible for the exploration, licensing and distribution of petroleum-related activities in Ghana;
- International Energy Agency, an international organization focusing on energy for its 30 member countries;
- International Monetary Fund, an international financial institution;
- International Trade Administration, an agency within the U.S. Department of Commerce;
- Organization of the Petroleum Exporting Countries, an international organization with a mission to coordinate and unify petroleum policies of its member countries;
- The Oil and Gas Year, a publication for the oil and gas industry;
- U.S. Department of Energy, a U.S. government department whose mission is to advance energy technology and promote related innovation in the United States;
- Transparency International, an international non-governmental organization; and
- World Bank, an international financial institution.

Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that there can be no assurance as to the accuracy and completeness of such information. We believe that these industry publications, surveys and forecasts are reliable, but we have not independently verified any of the data from third-party sources. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and uncertainties as the other forward-looking statements in this Offering Memorandum.

We cannot assure you that any of the assumptions underlying any statements regarding the oil and gas industry are accurate or correctly reflect our position in the industry. Market data and statistics are inherently predictive and speculative and are not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. In addition, the value of comparisons of statistics for different markets is limited by many factors, including that (i) the markets are defined differently, (ii) the underlying information was gathered by different methods and (iii) different assumptions were applied in compiling the data. Accordingly, the market statistics included in this Offering Memorandum should be viewed with caution and no representation or warranty is given by any person, including us or the Initial Purchasers, as to their accuracy.

Elsewhere in this Offering Memorandum, statements regarding the oil and gas industry are not based on published statistical data or information obtained from independent third-parties, but are based solely on our experience, our internal studies and estimates, and our own investigation of market conditions. We cannot assure you that any of these studies or estimates are accurate, and none of our internal surveys or information have been verified by any independent sources. While we are not aware of any misstatements regarding our estimates presented herein, our estimates involve risks, assumptions and uncertainties and are subject to change based on various factors, including those discussed under the heading “Risk factors” in this Offering Memorandum.

Summary

This summary highlights certain information about our business and the offering described elsewhere in this Offering Memorandum. This summary is not complete and does not contain all the information you should consider before investing in the Notes. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information included in this Offering Memorandum, including our audited consolidated financial statements, and the related notes thereto. ***The commercial reserves and contingent resources data presented in this section have been estimated in accordance with PRMS guidelines and definitions. Estimated commercial reserves and contingent resources presented herein may differ from estimates made in accordance with guidelines and definitions used by other companies in the industry or by the SEC. See "Presentation of financial and other information." Unless otherwise indicated, all production figures are presented on a net to our working interest basis. Where gross amounts are indicated, they are presented on a total basis—i.e., the actual interest of the relevant license holder in the fields and license areas without deduction for the economic interest of other participants, taxes or royalty interests or otherwise. Our legal interest and effective working interest in the relevant fields and license areas are separately disclosed. See "Our business—Production and development." See also "Our business—Material agreements relating to our assets" for a more detailed discussion of some of the terms of the agreements governing our interests***.

You should read carefully the entire Offering Memorandum to understand our business, the nature and terms of the Notes and tax and other considerations important to your decision to invest in the Notes, including the risks discussed under the caption "Risk factors" and "Management's discussion and analysis of financial condition and results of operations."

Overview

We are a leading independent oil and gas exploration and production company, with a large and diversified portfolio of assets primarily in sub-Saharan Africa and South America. Since our inception in 1985, we have grown both organically and through acquisitions and have operated or owned interests in oil and gas assets on four continents. We have a large diversified portfolio of assets balanced across material production, near-term development projects and exploration assets, which we believe has the potential to deliver sustainable growth and strong cash flow while allowing us to proactively maintain high environmental, health and safety standards. We believe that we have the right assets, strategy and skills to continue to deliver long-term, sustainable growth.

Our initial operations consisted of oil and gas production in Senegal in the 1980s. Since the 1990s, we have expanded by acquiring companies, assets and interests in licenses in Africa, Europe, South America, the Caribbean and Asia, becoming a more balanced oil and gas exploration and production company, with a notable focus on, and expertise in, high-impact exploration. Since 2006, our drilling, exploration and appraisal campaigns have resulted in basin opening discoveries in Uganda (2006), Ghana (2007), Kenya (2012) and Norway (2013). In 2007, we recorded our largest oil discovery in the Jubilee field, offshore Ghana. Our development team, together with our partners, successfully brought the field on stream in December 2010, approximately 40 months from first discovery, adding significant commercial reserves and production to our portfolio and establishing our deep water development and operatorship capabilities. Those capabilities were further demonstrated in August 2016, as the Tweneboa, Enyenra and Ntomme ("**TEN**") fields, also offshore Ghana, started production on time and on budget, having been discovered in 2009.

Our portfolio of interests in 89 licenses includes producing assets, near-term development projects and high-impact exploration opportunities across 16 countries. To manage these assets, we have structured our business into three business delivery teams: West Africa, East Africa and New Ventures. As of December 31, 2017, we had commercial reserves of 290.5 mmboe (of which approximately 85% were oil) and aggregate commercial reserves and contingent resources of 1,207.0 mmboe (including Tullow Kenya management estimates of 39.5% of 560 mmbbls as of December 31, 2017) (of which approximately 89.2% were oil). During the year ended December 31, 2017, our average daily production (oil and gas) on a net working interest basis was 87,300 boepd (excluding 7,400 bopd of Jubilee Field Insurance Production-Equivalent Barrels), our revenue was $1.7 billion, our Adjusted EBITDAX was $1.35 billion, our loss after tax was $189 million and our free cash flow was $543 million.

Our portfolio includes producing assets in five countries, primarily in West Africa. Our West African light oil production portfolio generates the majority of our cash flow and, in 2017, it represented 100% of our oil production. Our largest producing asset is the Jubilee field, offshore Ghana, in which we have a 35.48% working interest and which we operate on behalf of our partners Anadarko Petroleum, Kosmos Energy, PetroSA and the Ghana National Petroleum Corporation. We are also the operator and hold a 47.18% working interest in the TEN fields, working with the same commercial partners as at the Jubilee field. Combined production from across the 13 and 5 producing wells at the Jubilee and TEN fields respectively accounted for approximately 58,200 bopd or 67% of our overall production excluding 7,400 bopd of Jubilee Field Insurance Production-Equivalent Barrels for the year ended December 31, 2017. Our other West African light oil production includes non-operated fields offshore Equatorial Guinea, Côte d'Ivoire, and offshore and onshore Gabon.

Our future plans include developing our discoveries in the Lake Albert Rift Basin onshore Uganda and in the South Lokichar Basin onshore Kenya. In Uganda, together with Total Uganda Limited ("**Total Uganda**") and CNOOC Uganda Limited ("**CNOOC Uganda**"), we have presented a joint development plan to the Government for projects in the Lake Albert Rift Basin that are expected to deliver combined plateau oil production of approximately 230,000 bopd. Upon anticipated completion of our farm-down to Total Uganda and CNOOC Uganda for a headline consideration of $900 million (the "**Uganda Farm-Down**") in the first half of 2018 and following the expected back-in by the Government of Uganda, we will have a 10% working interest in the upstream project and our share of expected production at plateau will be approximately 23,000 bopd. Prior to first oil, we expect to fund all upstream and pipeline capital investment expected from us with respect to this joint development using the deferred consideration receivable pursuant to the Uganda Farm-Down. In Kenya, we hold a 50% operating interest across multiple blocks in the South Lokichar Basin and aspire to develop these resources through an oil export pipeline from northern Kenya to the port of Lamu; we are proposing a staged development that has a foundation stage targeting 2C gross volumes of around 210 mmboe. The foundation stage is expected to deliver gross production of 60,000 bopd (24,000 bopd net) rising towards 100,000 bopd (40,000 bopd net) as the project evolves and incremental developments are tied in. We anticipate that a final investment decision (**"FID"**) for the South Lokichar development project will be achieved in 2019 with first oil to follow in 2021 or 2022.

In 2018, we have exploration activity planned over more than 20 licenses across 12 countries in Africa and South America. In recent years, we have focused on enhancing our license and prospect inventory while continuing to actively manage our equity positions and exposure to drilling costs across the portfolio, including through transactions for carried interests. During 2016 and 2017, we focused on replenishing selectively and high grading our exploration portfolio in order to be well positioned for future growth. Following a full re-set of our exploration portfolio, we believe we have a flexible program of low cost, high-impact onshore and offshore wells that we intend to drill in Africa and South America from 2018 to 2020 and beyond.

Our headquarters are in London and we have corporate offices in Dublin and Cape Town, and regional offices in Ghana, Kenya and Uganda. As of December 31, 2017, we had 922 employees and 108 contractors globally, of whom approximately 47% were African nationals. Our ordinary shares are admitted to trading on the main markets of the London Stock Exchange, the Irish Stock Exchange and the Ghana Stock Exchange and we are a constituent of the FTSE 250 index. As of close of trading on March 9, 2018, our market capitalization was approximately £2.65 billion.

Our strategy

Our vision is to continue to be a leading independent oil and gas exploration and production company. We aim to achieve this through having a diversified portfolio of exploration assets, near-term development projects and material production across multiple geographies. We have a clear and consistent cashflow generation driven strategy to achieve this vision, focused on finding light oil. We fund the growth and development of our business through cash flow from operations, monetization of assets and access to debt and equity markets. We monetize our assets by developing our discoveries through to production or by farming down or divesting at appropriate points in the life cycle of the asset. Examples of where we have achieved this include Ghana where we have discovered and developed selected oil assets through to production, and in Uganda, where we have monetized such assets through two farm-downs in 2012 and 2017 (the latter being the Uganda Farm-down, which is subject to completion). See "—Recent developments" and "Our business—Main development assets—Uganda").

Generate stable cash flows by developing and maintaining low-cost, long-life production assets

We maintain, and are continuing to develop, a portfolio of low-cost, long-life assets, which generate the cash flow to fund our growth.

In 2017, our operated assets offshore Ghana, the Jubilee and TEN fields, our non-operated West Africa portfolio and our European gas assets (including insurance, hedging, and disposal proceeds) delivered free cash flow of $543 million at an average realized oil price of $54.2/bbl before hedging and of $58.3/bbl after hedging. This free cash flow generation reflects the strong production performance from the Jubilee and TEN fields and the low average underlying cash operating costs of $11.1/bbl (including Jubilee Field Production-Equivalent Insurance Payments) across our portfolio of producing assets. We are targeting potential (net) production from the Jubilee and TEN fields in 2018 of approximately 57,100 bopd (excluding 10,200 bopd of Jubilee Field Insurance Production-Equivalent Barrels). Minimization of underlying cash operating costs will continue to be a main focus in 2018, when we aim to achieve underlying cash operating costs of around $10/bbl across our portfolio as we realize certain synergies with respect to our Ghana FPSOs and benefit from the exit from our portfolio of some of our most mature, high-cost assets, including the Netherlands, Norway, Mauritania and Congo (Brazzaville).

We have a number of near-term development opportunities to further strengthen our cash flow and grow our commercial reserves. These include the Greater Jubilee Full Field Development ("**GJFFD**"), development drilling at the TEN fields that was delayed by the now resolved Ghana/Côte d'Ivoire maritime border dispute proceedings at the International Tribunal for the Law Of the Sea ("**ITLOS**"), the Lake Albert development onshore Uganda and development of the South Lokichar Basin onshore Kenya. We believe that the Uganda and Kenya projects will add 23,000 bopd and 24,000 bopd net, respectively, to our total production when they reach first oil which we expect to achieve in 2021 or 2022.

Deliver exploration and appraisal success to replace and grow oil reserves and resources

We plan to build on our exploration and appraisal successes in Ghana, Uganda and Kenya by continuing to explore for high-margin, low-cost oil in conventional geological core plays where we have proven expertise. We actively pursue new acreage, with opportunities evaluated from both a technical and non-technical perspective. We target prospects that sit in under-explored or emergent petroleum systems in geographies and geologies that we know well.

Our exploration focus is on opportunities that offer the best balance between technical risk and cost, while ensuring that the potential commerciality on discovery of the targeted prospects is high.

Over the last three years, we have reset our exploration portfolio through a series of farm-down transactions, country exits and large scale license acquisitions. For example, we exited Guinea, Greenland, Madagascar, Ethiopia and Norway, and we entered into new exploration licenses (some of which remain subject to government approval) in Mauritania and Côte d'Ivoire in Africa, and in Peru, Guyana and Suriname in South America. In 2017, our exploration team continued to focus our budget on reinvigorating our prospect inventory of current licenses and pursuing potential licenses. We evaluated around 90 potential opportunities, with approximately 25% of those evaluated deemed attractive enough to pursue. Further, in 2017, we drilled exploration and appraisal wells in the South Lokichar Basin in northern Kenya and exploration wells in Suriname and undertook extensive 3D, 4D and Full Tensor Gradiometry ("**FTG**") seismic surveys in eight different countries. In 2018, we plan to conduct low cost seismic activities in Côte d'Ivoire and Mauritania and high-impact drilling in Namibia. In 2019, 2020 and beyond, we plan to drill further high-impact, low-cost, basin-testing prospects in Africa and South America.

Continue to realize value through active portfolio management

Portfolio management is an integral part of our strategy, through which we seek to manage our financial exposure and realize value at an appropriate point in the life cycle of an asset. Partial sales or farm-downs enable us to monetize our assets early in their life cycle, reduce our exposure to exploration and development costs and raise funds to reinvest in our business. We acquire licenses through either competitive license rounds, direct negotiation with host governments or farm-downs from commercial partners. We often acquire licenses at a high equity position before drilling. Following extensive technical and commercial screening we then decide whether to retain our interest in the license and, if so, what level of equity interest is appropriate for the drilling phase. We then seek to farm-down to the appropriate equity interest before committing to drilling. Working or partnering with other companies allows us to share costs and risks. Once discoveries have been delineated, appraised and tested for hydrocarbons, we decide whether to monetize discovered resources early through a farm-down for cash payment or carry or develop the asset through to production for cash flow. For example, in 2017 we reduced our exposure to drilling costs to $11 million from $18 million in the Araku prospect offshore Suriname by farming down our interest from 50% to 30% prior to the start of drilling. Similarly, also in 2017, we reduced our exposure to the development costs associated with the Lake Albert development in Uganda by farming down, subject to expected completion in the first half of 2018, a substantial portion of our interest to Total Uganda and CNOOC Uganda. See “Our Business—Material agreements relating to our assets.”

We also regularly evaluate our production portfolio to identify non-core assets for disposal to enable us to focus our resources and capital on higher margin production. For example, from 2015 to 2017, we generated cash proceeds of $126.6 million from the sale of certain of our assets including in Norway, the United Kingdom and the Netherlands.

Notwithstanding our intention to reduce our leverage and our focus on organic growth, we also selectively consider acquisition opportunities as and when they arise. We intend to continue to pursue selective acquisition opportunities that fit our exploration core competencies and value creation objectives while continuing to focus on prudent financial risk management.

Maintain a disciplined approach to financial management and a strong balance sheet

We aim to have a conservative financial profile and strong balance sheet with ample liquidity. Our funding sources include operating cash flow, debt, equity offering proceeds and proceeds of portfolio management activities, such as farm-downs or asset sales. Typically, we fund exploration activities with operating cash flow and equity offering proceeds, and development activities with a combination of operating cash flow, debt and proceeds of portfolio management activities.

In response to a sharp downturn in the oil price in 2015, we reduced our headcount by around 50% between 2014 and 2017, cut exploration budgets and refocused our capital expenditure on the development of the TEN fields in Ghana. In 2017, these initiatives, combined with the high margin cash flow from our producing assets helped us generate $543 million of free cash flow which enabled us to reduce our leverage. As of December 31, 2017, our gearing was 2.6x which was slightly above our policy of operating at a gearing level of less than 2.5x. We expect to continue to apply free cash flow to reduce indebtedness in order to meet this leverage target.

We have a strong track record of raising capital from both debt and equity capital markets and the commercial bank market. We received $723.7 million of net proceeds from our Rights Offering in April 2017 which we used to reduce our debt. We believe that our ability to repeatedly access financial markets, even during difficult macroeconomic periods and in challenging market environments, reflects the strong relationships we maintain with both equity and debt investors and commercial banks and the strength of our assets. We are focused on maintaining a diversified capital structure with a balanced mix of commercial bank debt and capital markets debt, fixed and floating rate interest debt products and staggered maturities. Following the successful refinancing of our $2.5 billion RBL Facilities and amendment of our Corporate Facility in November 2017, as of December 31, 2017, we had total headroom of $1.1 billion consisting of $945 million of availability under our RBL Facilities and Corporate Facility and $138 million of free cash (made up of cash and cash equivalents of $284 million, less joint venture cash of $146 million). See "Capitalization."

We actively manage our exposure to fluctuations in oil and gas prices, currency exchange rates and interest rates. We have an active commodity hedge program through which we hedge our expected sales volumes on a graduated two-year rolling basis, having hedged at any time 60% of our next 12 months expected production and 30% of the following 12 months expected production. The commodity hedge program made a material contribution to our liquidity in 2015, 2016 and 2017, contributing an aggregate net revenue of $838.2 million over that period. We also enter into hedging transactions to manage our interest rates and foreign exchange exposure. We monitor liquidity risk closely through cash flow forecasts and sensitivity analyses. We manage our credit risk by assessing the creditworthiness of potential counterparties before entering into transactions with them, and by continuing to evaluate their creditworthiness after transactions have been initiated.

We maintain insurance policies that we believe are in line with customary industry practices in the jurisdictions in which we do business, and also procure business interruption insurance to protect against loss of production from our material assets. As of December 31, 2017, we had recorded total net insurance proceeds of approximately $365.9 million under our H&M Policy and our BI Policy related to the Turret Remediation Project. See "Presentation of financial and other information" and "Our business—Significant factors affecting results of operation—Insurance."

Our strengths

We believe that the following key strengths differentiate us from our competitors.

Large diversified portfolio of assets balanced across production, development and exploration in multiple geographies

We have a large diverse portfolio of assets balanced across production, development and exploration in multiple geographies and known geologies with a current focus on Africa and South America. By focusing our activities in these core areas, we can capitalize on the regional expertise we have developed over several decades in interpreting specific geological and operational trends, and establish economies of scale with respect to drilling, production, operating and administrative costs. In total, we hold production, development and exploration interests in 89 licenses across 16 countries. We believe the quality, scale and diversification of our portfolio provides a solid foundation for strong cash generation, sustainable growth and adequate risk mitigation.

Our activities include:

Production: In the year ended December 31, 2017, the Jubilee field achieved gross annualized production of 89,600 bopd (net: 31,800 bopd excluding 7,400 bopd of Jubilee Field Insurance

Production-Equivalent Barrels). We delivered first oil from the TEN fields in August 2016 and in the year ended December 31, 2017, we achieved gross annualized production of 56,000 bopd (net: 26,400 bopd). For the year ended December 31, 2017, our other producing assets achieved combined net annualized production of 29,100 boepd. Our production generated revenues of $1.7 billion, Adjusted EBITDAX of $1.35 billion, and resulted in loss after tax of $189 million, and free cash flow of $543 million for the year ended December 31, 2017. In 2018, our West Africa working interest oil production is expected to average approximately 76,200 bopd (excluding 10,200 bopd of Jubilee Field Insurance Production-Equivalent Barrels) and our combined working interest gas production at the TEN fields and in Europe is expected to average approximately 3,900 boepd.

Development: We have a number of near-term development projects, including the GJFFD, development drilling at the TEN fields that was delayed by the now-resolved Ghana/Côte d'Ivoire maritime border dispute proceedings at ITLOS, the Lake Albert development in Uganda and the South Lokichar development in Kenya. We also invest in our non-operated producing assets in West Africa to maintain production levels and extend field life, with infill drilling campaigns undertaken in conjunction with our partners.

Exploration and appraisal: In 2018, we have exploration activity planned over more than 20 licenses across 12 countries in Africa and South America. Our exploration campaigns will target both infrastructure-led prospects in Kenya and Côte d'Ivoire and new frontier prospects in Suriname, Guyana and Peru in South America, and Mauritania, Namibia and Zambia in Africa.

Strong cash generation through low-cost production

Due to the light oil focused nature of our production and our control of underlying cash operating costs, we have historically achieved attractive cash margins from our producing assets. For the year ended December 31, 2017, the average realized price per bbl pre-hedging from our oil sales entitlement was $54.2/bbl ($58.3/bbl after hedging) and the average realized price per therm on gas production pre- and post-hedging was 43.0 pence per therm. During the three years ended December 31, 2017, we generated operating cash flow before working capital of $3.0 billion in aggregate.

We have also been successful at reducing our underlying cash operating costs per barrel. This has been principally achieved by decommissioning our more mature fields, costs saving initiatives and realizing economies of scale as our TEN asset has ramped up production. Our overall underlying cash operating costs decreased from $14.3/boe in 2016 to $11.1/boe in 2017 (including Jubilee Field Production-Equivalent Insurance Payments). Our underlying cash operating costs in relation to our operations at the Jubilee and TEN fields were under $8/bbl in 2017 (including Jubilee Field Production-Equivalent Insurance Payments) ahead of our 2018 target (as compared to $9/bbl in 2016 and $10.5/bbl in 2015). For 2018, we continue to target underlying cash operating costs in Ghana of under $8/bbl and target overall underlying cash operating costs of $10/boe.

Proactive and disciplined portfolio management generating liquidity

We have a strong track record of generating liquidity through portfolio management activities by farming down or divesting our assets at appropriate times in the life cycle of an asset. In 2012, we monetized 604 mmboe through completion of a partial farm-down of three blocks in the Lake Albert Rift Basin to Total Uganda and CNOOC Uganda for a headline consideration of

$2.9 billion. Between 2015 and 2017, we generated cash proceeds of $126.6 million from the sale of certain of our assets including in Norway, the United Kingdom and the Netherlands. See "Our business—Disposals."

In 2017, we announced that we agreed a substantial farm-down of our assets in Uganda to Total Uganda and CNOOC Uganda for a headline consideration of $900 million. We expect this farm-down to complete in the first half of 2018. See "Our business—Material agreements related to our assets." We continuously evaluate opportunities to monetize other assets in our portfolio.

Proven track record of delivering success across the exploration, development and production lifecycle

We have developed a balanced portfolio of assets through which we have established a proven track record of strong technical production performance, development of complex projects and exploration and appraisal success:

- *Production:* Our portfolio consists of producing assets in five countries, four in West Africa and one in Europe. Our West African light oil production portfolio generates the majority of our cash flow and, in 2017, it represented 100% of our oil production. Combined production at the Jubilee and TEN fields accounted for 58,200 bopd or approximately 67% of our overall production for the year ended December 31, 2017. As operator of our Ghanaian assets, we believe we have built strong expertise in effectively managing production performance, production costs and capital expenditure allocations. We believe that our role as operator of these fields has evidenced to host governments that we can effectively manage strategically important producing assets of material size and scale and key relationships with our partners.

- *Development:* We have established a strong track record as an experienced developer of assets, having brought both the Jubilee and TEN fields offshore Ghana to production. Our development team, together with our partners, successfully brought the Jubilee field on stream in December 2010, approximately 40 months from first discovery, establishing our deep-water development and operatorship capabilities. In August 2016, we further demonstrated our development expertise through the delivery of the TEN project, Ghana's second major oil producing development. Having successfully delivered these two major deep-water developments, both within budget and on time, we believe we have established a strong reputation for delivering complex oilfield developments while acting as operator.

- *Exploration:* We have driven growth through our exploration campaigns, which focus on finding light oil in commercial quantities in conventional geological formations. Since 2006, our efforts have resulted in major basin opening discoveries in Uganda (2006), Ghana (2007), Kenya (2012) and Norway (2013). We aim to build our reserves, resources and future production through targeted and disciplined exploration in high-impact, low cost geographies primarily in Africa and South America where we already have significant experience. In the year ended December 31, 2017, we added to our portfolio interests in six exploration licenses in Peru, in respect of which we are awaiting presidential signature, and eight exploration licenses in Côte d'Ivoire.

Strong financial discipline and financial risk management with a commitment to deleveraging

Strong financial discipline and a culture of financial risk management are firmly embedded in our systems, processes and management approach:

- Following a series of cost reduction initiatives that we initiated at the beginning of 2015, we are on track to deliver over $650 million of cost savings from the business since mid-2015 through to mid-2018, exceeding the original target we set by approximately 30%. Our focus now is to ensure that these underlying savings are sustained year-on-year.
- Reducing our net debt to deleverage our balance sheet continues to be a key objective. We reduced our net debt by 27% from $4.8 billion as of December 31, 2016 to $3.5 billion as of December 31, 2017 using the net proceeds from the Rights Offering and the strong free cash flow generated by our producing assets. This resulted in our gearing reducing to 2.6x as of December 31, 2017 (as compared to 5.1x as of December 31, 2016), which was slightly above our policy of operating at a gearing level of less than 2.5x. Pro forma for the Refinancing, as of December 31, 2017, our total debt was $3.8 billion. See "Presentation of financial and other information", "Description of certain financing arrangements", "Use of proceeds", and "Capitalization." We believe we now have the financial flexibility to invest in our assets to both grow our cash flow and continue to reduce our net debt.
- We take proactive action to address our funding structure and the maturities of our bank debt as demonstrated by the successful refinancing of all our bank debt facilities to date, including the most recent refinancing of our $2.5 billion RBL Facilities and amendment of our Corporate Facility in November 2017. See "Description of certain financing arrangements."
- We have a systematic approach to commodity hedging, executing a two-year graduated rolling hedge program, regularly layering in hedging contracts to substantially hedge our exposure to fluctuations in oil prices. Our hedging program has significantly contributed to our liquidity position in 2015, 2016 and 2017, with aggregate net revenue of approximately $838.2 million during those three years.
- We procure insurance policies which we believe are in line with customary industry practices and we also procure business interruption insurance to protect against loss of production from our material assets. This approach has enabled us to protect our interests at the Jubilee field, offshore Ghana, while the Turret Remediation Project is ongoing. As of January 2018, we had recorded net total insurance proceeds of approximately $365.9 million under our H&M Policy and BI Policy. See "Our business—Significant factors affecting results of operation—Insurance."

Proven track record of operating in emerging markets

We have been active in emerging markets since acquiring our first interests in Senegal in 1986. In 2004, we acquired Energy Africa, marking the start of a strategic focus in acquiring, appraising and developing oil and gas fields in Africa and across emerging markets. We believe that our approach of developing collaborative working relationships with local communities, governments and regulators in our host countries has demonstrated our ability to effectively navigate and operate in these markets. For example, we have continued to operate our assets in Ghana through four changes of government. We believe our reputation provides a competitive advantage when entering new countries in emerging markets and in bidding for new licenses.

We have a shared prosperity agenda through which we seek to engage positively with local communities, provide investment in healthcare, education, infrastructure development and environmental stewardship, as well as promote the security of our facilities and employees. We have sustained a social license to operate in Africa and South America by working to align our business with the national development priorities of our host countries. In 2017, we supported local economies with $235.6 million spent with local suppliers. We support social and community investment in countries in which we have operations, through our Socio-Economic Investment ("**SEI**") program, which is focused on implementing sustainable projects to help us manage identified socio-economic impacts of our operations on those communities most affected by these activities. In addition to impact mitigation projects, we also support strategic long-term SEI initiatives to ensure that host countries and neighboring communities have access to as many lasting benefits as can be enabled through our in-country activities. These discretionary strategic investments are focused on education and developing local businesses and local skills to participate in the oil and gas industry and wider economy.

Maintain a proactive approach to safe, responsible and sustainable operations

We actively manage the safety of all personnel working in our operations, including through the application of health and safety standards, the implementation of security measures at our facilities and audits of health and safety risks. We manage our Environmental Health and Safety ("**EHS**") performance by measuring leading and lagging indicators in an EHS scorecard which our board of directors sets annually. One of the performance measures we track is lost time injury frequency a recognized industry metric. We monitor our injury rates and benchmark them against industry averages published by the International Oil and Gas Producers Association ("**IOGPA**"). Four lost time injuries were reported in 2017 and none in 2016. See "Our business—Sustainability—Health and Safety." We investigate and document all health, safety and environmental issues which we are aware of, including lost time injuries, and track recommendations and actions to closure with management oversight via monthly "Safe and Sustainable Operations" meetings. Our internal key performance indicators ("**KPIs**") track both investigation closure and action closure.

We strive to communicate openly and operate transparently, and to demonstrate accountability and strong ethics, which we foster through our Code of Ethical Conduct and compliance training. Consistent with our commitment to revenue transparency and accountability, we were an early adopter of the EUR Accounting Directive, and we started publishing details of our financial payments to national governments in our Annual Report and Accounts in 2013, and also made a number of voluntary disclosures over and above the Directive.

In addition, we are focused on protecting the environment and adhering to international EHS standards, including the International Finance Corporation ("**IFC**")'s performance standards, which are considered the benchmark for sustainable environmental and social management of major development projects. The IFC, as a lender under our RBL Facilities, plays an active role in monitoring our EHS activities in Ghana, which is currently the only jurisdiction in which we have producing assets that we operate.

Management team with decades of industry experience

Our senior management team has significant oil and gas experience, and a strong track record of delivering growth based on identifying organic and acquisition opportunities. Aidan Heavey, our former Chief Executive Officer and current Non-Executive Chairman, founded Tullow Oil in

1985. The executive directors on our board of directors have extensive oil and gas knowledge and together have more than 75 years of industry experience. Our Chief Executive Officer, Paul McDade, is an engineer with more than 25 years of industry experience. Mr. McDade has worked for us for seventeen years and was our Chief Operating Officer from 2004 to 2017. Our Chief Financial Officer, Les Wood, has extensive industry knowledge having gained international oil and gas experience working at BP for 28 years. Angus McCoss, our exploration director, is a geologist with a PhD in structural geology, with more than 25 years of industry experience.

The non-executive directors on the board bring a broad range of oil and gas industry specific, business, financial, commercial and other relevant experience, which we believe is vital to managing an expanding international company. We believe that our leadership team with its experience and proven track record provides a strong platform to deliver sustainable performance and long-term growth.

Recent developments

Ghana operations

On December 22, 2017, we executed a four-year drilling contract with Maersk Drilling for the deep-water drillship Maersk Venturer. Work relating to the contract commenced in early March 2018 and will cover development drilling on the Jubilee and TEN fields offshore Ghana. The first well currently being drilled is an Ntomme production well in the TEN fields followed by a Jubilee production well located in the north-eastern area of the field. Work is ongoing to finalize the sequence of further wells to increase output from the Jubilee and TEN fields.

With respect to our Jubilee operations, work on the Turret Remediation Project is progressing. We successfully completed a first shut-down in February 2018 in relation to the locking of the bearing. A second shut-down is expected in March / April 2018 and will involve the stabilization of the bearing. A third shut-down of approximately three weeks is expected around year-end 2018 to rotate the FPSO to its permanent heading and install the final spread mooring anchoring system. See "Our business—Main Producing Assets—Ghana—Jubilee Field—Turret Remediation Project." See also, "Risk Factors—Risks relating to our business—Reduced production or unexpected costs in the Jubilee field as a result of the Turret Remediation Project may have a material adverse impact on our business, prospects, financial condition and results of operations."

New license awards

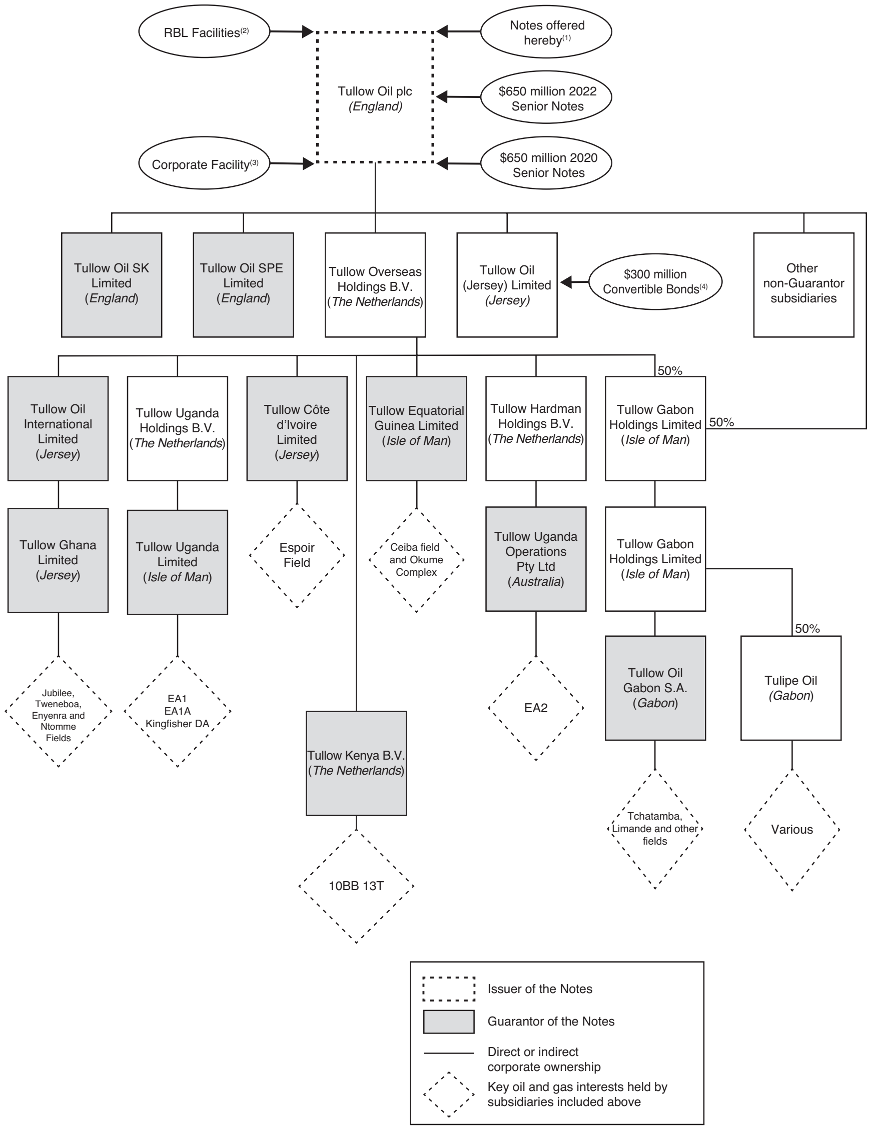
On January 10, 2018, we announced that, subject to presidential signature, we had agreed terms to add six new licenses covering 28,000 square kilometers, offshore Peru, to our portfolio. We have concluded negotiations with Perupetro and agreed to acquire a 100% stake in Blocks Z-64, Z-65, Z-66, Z-67 and Z-68. The agreements are pending approval by supreme decree by the Peruvian Ministry of Energy and Mines and Ministry of Economy and Finance, with formal signing of the licenses anticipated in the first quarter of 2018.

We also announced on January 10, 2018 that we had agreed to acquire a 35% interest in the Z-38 license in Peru through a farm-down from Karoon Gas Australia, subject to government approval. The new acreage will complement our South America position and contains a number of attractive leads and prospects. The Z-38 license is already covered by high quality 3D seismic and includes the Marina prospect which is a potential candidate for drilling in 2019.

On January 17, 2018, the Government of Côte d'Ivoire awarded us two new oil and gas blocks, the CI-520, an onshore block near the country's commercial capital Abidjan, and the CI-524 block, which is adjacent to our acreage in Ghana.

Corporate structure and certain financing arrangements

The following chart shows a simplified summary of our corporate and financing structure after giving effect to the Refinancing. The chart does not include all of our subsidiaries or all of the debt obligations thereof. Unless otherwise indicated, the subsidiaries included in the simplified structure below are directly or indirectly wholly-owned by Tullow Oil plc. Our legal interests in our assets vary based on our contractual arrangement with our commercial partners and the relevant licenses and related agreements. For a description of our interests in certain assets, see "Our business—Overview of our assets." For a summary of the debt obligations identified in this diagram, see "Description of Notes," "Description of certain financing arrangements" and "Capitalization."



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(1) The Notes offered hereby will be senior unsecured debt of the Company ranking *pari passu* in right of payment with all existing and future obligations of the Company that are not expressly contractually subordinated in right of payment to the

Notes, including under the RBL Facilities, the Corporate Facility, the 2022 Senior Notes Indenture and the Company's guarantee of the Convertible Bonds. The 2020 Senior Notes will be repaid as described in "Use of Proceeds." The Notes will be structurally subordinated to all existing and future obligations of the Company's Subsidiaries that do not guarantee the Notes, including any trade payables and letters of credit issued by such Subsidiaries and any obligations of Tullow Oil (Jersey) Limited under the Convertible Bonds. The Notes will benefit from senior subordinated Note Guarantees by certain of our subsidiaries. The Note Guarantees will be senior subordinated debt of each of the relevant Guarantors, subordinated in right of payment to all existing and future senior obligations of that Guarantor, including, where applicable, such Guarantor's obligations under the RBL Facilities and the Corporate Facility and effectively subordinated to all existing and future secured obligations of that Guarantor (including under the RBL Facilities and the Corporate Facility where applicable), to the extent of the value of the property and assets securing such obligations, unless such assets also secure the Note Guarantees on an equal and ratable or senior basis. As of and for the year ended December 31, 2017, the Guarantors represented 95.7% of the Company's consolidated sales revenue and 97.2% of the Company's consolidated property, plant and equipment fixed assets.

(2) The RBL Facilities consist of (i) a senior secured revolving credit facility dated as of August 22, 2005, as most recently amended and restated November 21, 2017, with Natixis as lender and agent, and (ii) a senior secured revolving credit facility dated as of May 29, 2009, as most recently amended and restated November 21, 2017, with International Finance Corporation as lender and agent. As of March 9, 2018, the aggregate outstanding balance under the RBL Facilities was $1,980.1 million and the commitments were $2,500 million, leaving $519.9 of available borrowing capacity. See "Description of certain financing arrangements—Reserves based lending facilities."

(3) The Corporate Facility is a secured revolving credit facility dated as of December 14, 2009, as most recently amended November 21, 2017 with BNP Paribas as agent. As of March 9, 2018, the outstanding balance under the Corporate Facility was nil and the commitments were $600.0 million, leaving $600 million of available borrowing capacity. See "Description of certain financing arrangements—Corporate facility."

(4) The Convertible Bonds represent $300.0 million aggregate principal amount of 6⅝% guaranteed convertible bonds due 2021 issued on July 12, 2016. The Convertible Bonds are guaranteed on a senior basis by the Company and on a senior subordinated basis by the Guarantors and will mature on July 12, 2021. See "Description of certain financing arrangements—Convertible bonds."

The offering

The following is a brief summary of certain terms of this offering. It is not intended to be complete and it is subject to important limitations and exceptions. Accordingly, it may not contain all the information that is important to you. For additional information regarding the Notes and the Note Guarantees, see "Description of Notes."

Issuer	Tullow Oil plc, incorporated as a public limited company under the laws of England and Wales (the "**Company**").
Notes offered	$800.0 million aggregate principal amount of 7% Senior Notes due 2025 (the "**Notes**").
Issue date	On or about March 23, 2018.
Issue price	100.000% (plus accrued interest, if any, from March 23, 2018).
Maturity date	March 1, 2025.
Interest rate	7.000% per annum.
Interest payment dates	We will pay interest on the Notes semi-annually in arrear on March 1 and September 1, beginning September 1, 2018. Interest will accrue from March 23, 2018.
Form and denomination	The Company will issue the Notes on the Issue Date in global registered form in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof maintained in book-entry form. Notes in denominations of less than $200,000 will not be available.
Ranking of the Notes	The Notes will be:

- general obligations of the Company;
- *pari passu* in right of payment with all existing and future obligations of the Company that are not expressly contractually subordinated in right of payment to the Notes, including under the RBL Facilities, the Corporate Facility, the 2022 Senior Notes Indenture and the Company's guarantee of the Convertible Bonds;
- senior in right of payment to all future obligations of the Company that are subordinated in right of payment to the Notes;
- effectively subordinated to all existing and future secured obligations of the Company, including obligations under the RBL Facilities and the Corporate Facility, to the extent of the value of the property and assets securing such obligations, unless such assets also

	secure the Notes on an equal and ratable or senior basis; • structurally subordinated to all existing and future obligations of the Company's Subsidiaries that do not guarantee the Notes, including any trade payables and letters of credit issued by such Subsidiaries and any obligations of Tullow Oil (Jersey) Limited under the Convertible Bonds; and • guaranteed on a senior subordinated basis by the Guarantors, subject to limitations under applicable law as set forth below under the caption "—Guarantors."
Guarantors	The Notes will be guaranteed on the Issue Date on a senior subordinated basis (the "**Note Guarantees**") by the same entities that guarantee the 2022 Senior Notes and the Convertible Bonds (other than the Company): Tullow Oil SK Limited, Tullow Côte d'Ivoire Limited, Tullow Oil SPE Limited, Tullow Equatorial Guinea Limited, Tullow Ghana Limited, Tullow Oil Gabon S.A., Tullow Oil International Limited, Tullow Uganda Limited, Tullow Uganda Operations Pty Ltd. and Tullow Kenya B.V. (collectively, the "**Guarantors**"). As of December 31, 2017, after giving *pro forma* effect to the Refinancing, the Company and its consolidated subsidiaries had $3.8 billion of indebtedness, of which $1.5 billion is represented by the Notes and the 2022 Senior Notes, $2.0 billion is represented by the RBL Facilities, and $0.3 billion is represented by the Convertible Bonds. As of and for the year ended December 31, 2017, the Guarantors represented 95.7% of the Company's consolidated sales revenue and 97.2% of the Company's consolidated property, plant and equipment fixed assets. As of December 31, 2017, the non-Guarantor subsidiaries of the Company had $0.3 billion of financial indebtedness (excluding intercompany indebtedness), and the Company and the Guarantors had $2.0 billion of secured indebtedness. Although the Indenture governing the Notes will contain limitations on the amount of additional indebtedness the Company and its restricted subsidiaries will be allowed to incur, the amount of such additional indebtedness could be substantial. The obligations of each Guarantor under its Note Guarantee will be limited to an amount that can be

guaranteed under applicable laws, and will not apply to the extent a Note Guarantee would be illegal or unenforceable under applicable local and bankruptcy laws. See "Risk factors—Risks related to the Notes and our structure—Each Note Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability" and "Certain insolvency law considerations."

Ranking of the Note Guarantees . . Each Note Guarantee will be:

- a senior subordinated obligation of the respective Guarantor;
- subordinated in right of payment to all existing and future senior obligations of that Guarantor, including, where applicable, such Guarantor's obligations under the RBL Facilities and the Corporate Facility;
- *pari passu* in right of payment with all future senior subordinated obligations of that Guarantor, including any Guarantees of the 2022 Senior Notes and the Convertible Bonds;
- senior in right of payment to all future obligations of that Guarantor that are expressly contractually subordinated to that Guarantor's Note Guarantee; and
- effectively subordinated to all existing and future secured obligations of that Guarantor (including under the RBL Facilities and the Corporate Facility where applicable), to the extent of the value of the property and assets securing such obligations, unless such assets also secure the Note Guarantees on an equal and ratable or senior basis.

The Guarantees will be subject to release under certain circumstances. See "Description of Notes—Note Guarantees release."

Use of proceeds . . . . We estimate that our gross proceeds from the sale of the Notes in this offering will be $800.0 million. We intend to use (i) $686.6 million of the gross proceeds from the issue of the Notes to repay all amounts outstanding under the 2020 Senior Notes (including the redemption premium and accrued and unpaid interest through the date of closing of the offering) and to pay fees, costs and expenses related to this offering, and (ii) $113.4 million to repay borrowings outstanding under the RBL Facilities

	(but not cancel any commitments thereunder). See "Use of proceeds" and "Capitalization."
Additional amounts	All payments made by us under or with respect to the Notes or by any of the Guarantors with respect to any Note Guarantee will be made without withholding or deduction for taxes unless required by law. If we or any Guarantor is required by law to withhold or deduct for taxes imposed by any relevant taxing jurisdiction with respect to a payment to the holders of Notes, we or such Guarantor, as applicable, will pay the additional amounts necessary so that the net amount received by the holders of Notes after such withholding or deduction is equal to the amount that they would have received in the absence of such withholding or deduction, subject to certain exceptions. See "Description of Notes—Additional amounts."
Optional redemption for tax reasons	In the event of certain developments affecting taxation we may redeem the Notes in whole, but not in part, at any time upon giving prior notice, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to, but excluding, the date of redemption. See "Description of Notes—Redemption for changes in taxes."
Optional redemption	Prior to March 1, 2021 the Company may redeem all or part of the Notes at a redemption price equal to 100% of the principal amount of such Notes redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, plus a "make-whole" premium, as described under "Description of Notes—Optional redemption." In addition, on or prior to March 1, 2021 the Company may redeem up to 35% of the original principal amount of each of the Notes with the net cash proceeds from specified equity offerings at a redemption price equal to 107.000% of the principal amount thereof plus accrued and unpaid interest, if any, to, but excluding, the redemption date, provided that at least 65% of the original principal amount of the Notes remain outstanding after the redemption. See "Description of Notes—Optional redemption." We may redeem the Notes on or after March 1, 2021 in whole or in part, at our option at the redemption prices as described under "Description of Notes—Optional redemption."

Change of control	Upon the occurrence of certain change of control events, the Company will be required to offer to repurchase the Notes at a purchase price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest, if any, to the date of the purchase. See "Description of Notes—Repurchase at the option of holders—Change of control."
Certain covenants	The Indenture will limit, among other things, the ability of the Company and its restricted subsidiaries to: • incur additional debt and issue guarantees and preferred stock; • make certain payments, including dividends and other distributions, with respect to outstanding share capital; • repay or redeem subordinated debt or share capital; • create or incur certain liens; • impose restrictions on the ability of subsidiaries to pay dividends or other payments to the Company; • make certain investments or loans; • sell, lease or transfer certain assets, including shares of any restricted subsidiary of the Company; • guarantee certain types of other indebtedness of the Company or its restricted subsidiaries without also guaranteeing the Notes; • expand into unrelated businesses; • merge or consolidate with other entities, or make certain asset sales; and • enter into certain transactions with affiliates. Each of the covenants is subject to a number of important exceptions and qualifications. See "Description of Notes—Certain covenants."
Transfer restrictions	The Notes and the Note Guarantees have not been, and will not be, registered under U.S. federal or state or any foreign securities laws. The Notes are subject to restrictions on transfer and may not be offered or sold except pursuant to an exception from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. See "Notice to investors."
No prior market	The Notes will be new securities for which there is no market. Although the Initial Purchasers have informed the Company that they intend to make a market in the

	Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, the Company cannot assure you that an active trading market for the Notes will develop or be maintained.
Listing	Application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF in accordance with the rules thereof. There can be no assurances that the Notes will be listed on the Official List of the Luxembourg Stock Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.
Governing law	The Notes, the Note Guarantees and the Indenture will be governed by New York law. The Guarantee Subordination Agreement is governed by the laws of England and Wales.
Trustee	Deutsche Trustee Company Limited.
Registrar, Transfer Agent and Principal Paying Agent	Deutsche Bank Trust Company Americas.
London Paying Agent	Deutsche Bank AG, London Branch.
Listing Agent	Deutsche Bank Luxembourg S.A.
Risk factors	Investing in the Notes involves substantial risks. You should consider carefully all the information in this Offering Memorandum and, in particular, you should evaluate the specific risk factors set forth under “Risk factors” before making a decision whether to invest in the Notes.

Summary historical financial data

The following tables present our summary consolidated financial data. The financial statement data presented as of and for the years ended December 31, 2015, 2016 and 2017 has been derived from our audited annual financial statements included elsewhere in this Offering Memorandum.

The financial statement data set forth in the following tables should be read in conjunction with "Presentation of financial and other information," "Use of proceeds," "Capitalization," "Selected financial data," "Management's discussion and analysis of financial condition and results of operations," and our annual financial statements and related notes. Historical results may not necessarily be indicative of results that may be expected for any future period.

Consolidated Income Statement Data

	Year ended December 31,		
(in millions of $)	**2015**	**2016**	**2017**
Sales revenue	1,606.6	1,269.9	1,722.5
Gross profit	591.3	546.9	815.3
Administrative expenses	(193.6)	(116.4)	(95.3)
Loss on disposal(1)	(56.5)	(3.4)	(1.6)
Goodwill impairment(2)	(53.7)	(164.0)	—
Exploration costs written off(3)	(748.9)	(723.0)	(143.4)
Impairment of property, plant and equipment, net(4)	(406.0)	(167.6)	(539.1)
Operating (loss)/profit	(1,093.7)	(754.7)	22.4
Loss from continuing activities before tax	(1,297.3)	(908.3)	(299.1)
Loss for the period from continuing activities	(1,036.9)	(597.3)	(188.5)

(1) Loss on disposal for the year ended December 31, 2017 primarily related to the sale of our remaining Norwegian licenses and overall divestment of our Norway business as well as the sale of our remaining Dutch assets to Hague and London Oil plc (HALO) which resulted in a loss on disposal of $1.6 million. The loss on disposal for the year ended December 31, 2016 related to the disposition of our interests in certain license areas in Norway. For the year ended December 31, 2015, our loss on disposal related primarily to the disposal of our interests in the L and Q blocks in the Netherlands for a loss on disposal of $46.3 million and the disposal of various licenses in Norway for a loss on disposal of $7.4 million.

(2) We did not recognize impairment of goodwill for the year ended December 31, 2017 as our goodwill was fully impaired in the year ended December 31, 2016. Goodwill impairment for the year ended December 31, 2016 related to our decision to exit all of our licenses and operations in Norway. For this period, we impaired the goodwill that was recorded in relation to our acquisition of Spring Energy Norway AS in 2013. In assessing our goodwill impairment, we compared the carrying value of goodwill and the carrying value of the related group of cash-generating units with the recoverable amounts relating to those units. Goodwill impairment for the year ended December 31, 2015 related to the requirement on our acquisition of Spring Energy to recognize a deferred tax liability, calculated as the difference between the tax effect of the fair value of the acquired assets and liabilities and their tax bases. For the purposes of testing goodwill impairment, we include the related deferred tax liabilities recognized on the acquisition of Spring Energy in a related group of cash-generating units that represent the assets acquired. In assessing our goodwill impairment, we compared the carrying value of goodwill and the carrying value of the related group of cash-generating units with the recoverable amounts relating to those units. For the year ended December 31, 2015, the carrying value of goodwill and the carrying value of the related group of cash-generating units was $264.5 million and the recoverable amount of the cash-generating units was $210.8 million, resulting in an impairment of $53.7 million.

(3) Exploration costs written off for the year ended December 31, 2017 includes writes offs in Suriname ($10.3 million), Kenya ($2.3 million) and new venture costs of $17.1 million. In addition, we have written off certain exploration costs in relation to prior years' expenditure in Mauritania ($71.1 million) and Pakistan ($36.1 million). Exploration costs written off for the year ended December 31, 2016 includes write offs in Pakistan ($10.7 million) and new venture costs of $24.2 million. In addition, for the year ended December 31, 2016, we wrote off certain exploration costs in relation to prior years' expenditure in relation to the disposal of assets in Uganda ($330.4 million) and Norway ($286.9 million). Exploration costs written-off for the year ended December 31, 2015 included write offs in Kenya ($28.3 million), Suriname ($27.8 million) and Norway ($11.3 million). New venture costs for the period were $19.1 million. In addition, for the year ended December 31, 2015, we incurred write-offs of

$342.5 million in relation to prior years' expenditure and fair value adjustments as a result of license relinquishments and a review of future works programs to re-allocate capital to our key development projects. This included write offs in the Netherlands ($185.7 million), Guinea ($54.3 million), Greenland ($38.5 million) and Ethiopia ($34.9 million).

(4) Impairment of property, plant and equipment for the year ended December 31, 2017 primarily related to impairments associated with lower forecasts of medium and longer-term oil and gas prices and the TEN field ($535.5 million). Impairment of property, plant and equipment for the year ended December 31, 2016 primarily related to impairments associated with lower forecasts of oil and gas prices, an increase in estimated future decommissioning costs and the TEN field. Impairment of property, plant and equipment for the year ended December 31, 2015 was in respect of lower forecasted oil and gas prices, an increase in anticipated future decommissioning costs associated with our fields in the United Kingdom, partly offset by an increase in commercial reserves in Gabon.

Consolidated Balance Sheet Data

	As of December 31,		
(in millions of $)	**2015**	**2016**	**2017**
Intangible exploration and evaluation assets	3,400.0	2,025.8	1,933.4
Property, plant and equipment	5,204.4	5,362.9	5,254.7
Non-current assets	9,506.8	8,340.1	8,704.2
Current assets	1,841.0	2,461.6	2,324.3
Total assets	**11,347.8**	**10,801.7**	**11,028.5**
Current liabilities	(1,581.8)	(1,648.5)	(1,354.5)
Non-current liabilities	(6,591.3)	(6,910.7)	(6,957.6)
Total liabilities	**(8,173.1)**	**(8,559.2)**	**(8,312.1)**
Net assets	**3,174.7**	**2,242.5**	**2,716.4**

Consolidated Cash Flow Statement Data

	Year ended December 31,		
(in millions of $)	**2015**	**2016**	**2017**
Net cash from operating activities	978.2	512.5	1,222.9
Net cash used in by investing activities	(1,679.6)	(967.2)	(296.4)
Net cash provided by financing activities	745.5	399.3	(927.9)

Other Financial Data and Key Ratios

	As of and for the year ended December 31,		
(in millions of $, except ratios and per share information)	**2015**	**2016**	**2017**
Adjusted EBITDAX(5)	1,048.7	941.3	1,346.1
Capital investment(6)	1,720.0	857.0	224.6
Total debt(7)	4,375.0	5,063.8	3,755.0
Net debt(7)	4,019.3	4,781.9	3,471.0
Free cash flow(8)	943.8	802.1	542.6
Underlying cash operating costs(9)	406.3	377.2	386.2
Finance cost	149.0	198.2	351.7
Gearing(10)	3.8x	5.1x	2.6x
As adjusted net debt(11)			3.507.6
As adjusted finance costs(13)			359.0
As adjusted gearing(5)(12)			2.6x

(5) We present Adjusted EBITDAX as a further supplemental measure of our performance. Adjusted EBITDAX is defined as loss from continuing activities less income tax credit, finance costs, finance revenue, (loss)/gain on hedging instruments, depreciation, depletion, amortisation, share-based payment charge, restructuring costs, gain/(loss) on disposal, goodwill impairment, exploration costs written off, impairment of property, plant and equipment, net, provisions for inventory and provision for onerous service contracts, net. Adjusted EBITDAX is presented because we believe it is a relevant measure for assessing performance because it is adjusted for non-cash items and thus aids in an understanding our core operations in a given period. Accordingly, this information has been disclosed in this Offering Memorandum to portray a more complete and comprehensive analysis of our underlying operating performance. Other companies may calculate Adjusted EBITDAX differently than we do. Adjusted EBITDAX is not a measurement of financial performance under IFRS and should not be considered as a measure of liquidity or an alternative to operating profit or profit for the year or any other performance measure derived in accordance with IFRS. The following table sets forth a reconciliation of our loss from continuing activities to Adjusted EBITDAX:

	For the year ended December 31,		
(in millions of $)	**2015**	**2016**	**2017**
Loss from continuing activities	(1,036.9)	(597.3)	(188.5)
Income tax credit	(260.4)	(311.0)	(110.6)
Finance costs	149.0	198.2	351.7
Finance revenue	(4.2)	(26.4)	(42.0)
Loss / (Gain) on hedging instrument	58.8	(18.2)	11.8
Depreciation, depletion and amortisation	580.1	466.9	592.2
Share-based payment charge	48.7	43.9	33.9
Restructuring costs	40.8	12.3	14.5
Loss on disposal	56.5	3.4	1.6
Goodwill impairment	53.7	164.0	—
Exploration costs written off	748.9	723.0	143.4
Impairment of property, plant and equipment, net	406.0	167.6	539.1
Provisions for inventory	22.2	—	—
Provision for onerous service contracts, net	185.5	114.9	(1.0)
Adjusted EBITDAX	**1,048.7**	**941.3**	**1,346.1**

(6) Capital investment is defined as additions to property, plant and equipment and intangible exploration and evaluation assets less decommissioning asset additions, finance lease asset additions, capitalised share-based payment charge, capitalised finance costs, additions to administrative assets, Norwegian tax refund, Uganda capital investment adjustment, and certain other adjustments including a $57.5 million accrual reversal in Ghana. Capital investment represents our organic expenditure on exploration and appraisal assets and oil and gas assets incurred during a period excluding certain non-cash accounting adjustments. See below for an explanation of each of these adjustments. The following table sets forth a reconciliation of our additions to property, plant and equipment to capital investment:

	Year ended December 31,		
(in millions of $)	**2015**	**2016**	**2017**
Additions to property, plant and equipment	1,258.2	818.5	887.7
Additions to intangible exploration and evaluation assets	626.3	291.4	319.0
Less			
Decommissioning asset additions[(a)]	(147.4)	57.1	(33.6)
Finance lease asset additions[(b)]	—	—	837.6
Capitalised share-based payment charge[(c)]	18.6	7.0	0.3
Capitalised finance costs[(d)]	160.1	138.8	66.5
Additions to administrative assets[(e)]	23.1	1.6	7.0
Norwegian tax refund[(f)]	50.4	50.5	2.1
Uganda capital investment adjustment[(g)]	—	—	57.5
Other adjustments[(h)]	59.7	(2.1)	44.7
Capital investment	**1,720.0**	**857.0**	**224.6**

(a) Decommissioning assets are recorded as an equal and opposite amount to our decommissioning provisions. Decommissioning assets are depreciated over the life of the relevant asset until the point of decommissioning. Any increases in a provision due to a change in scope of the obligation results in an increase in the decommissioning asset. The asset is recorded under the property, plant and equipment line item in the consolidated balance sheet. Any new decommissioning assets, or increases in decommissioning assets, from the previous year are shown as additions to that line item.

(b) Finance lease asset additions are not considered capital investment as they are non-cash in nature.

(c) Capitalised share-based payment charge relates to the portion of the non-cash share-based payment charge that relates to employees who work on capital projects.

(d) Capitalised finance costs relates to the portion of our borrowing costs that is deemed to fund development activities.

(e) Administrative assets represent fixtures, fittings and office equipment such as computers. Because they are not directly attributable to the exploration or development of oil and gas, we exclude their costs from our definition of capital investment.

(f) Capital expenditure is adjusted for the Norwegian tax refunds. The Norwegian tax refund for each of the years ended December 31, 2015, 2016 and 2017 represents 78% of our qualifying exploration expenditure in Norway during the years ended December 31, 2014, 2015 and 2016 respectively. The refund is paid in the year following the year in which the expense is incurred.

(g) Capital investment for the year ended December 31, 2017 excludes $57.5 million of Uganda capital investment that will be reimbursed as a completion adjustment on completion of the Uganda farm-down.

(h) Other adjustments includes non-business combinations/acquisitions, cash re-imbursements for capital expenditure under sale and purchase agreements between their effective date and completion date and exclusion of other non-cash adjustments to fixed asset additions made in accordance with IFRS. These include capitalization of provisions made in respect of inventory and operational receivables and expenditure under certain subleased rig contracts.

(7) Net debt is defined as current and non-current borrowings plus accrued interest and unamortised arrangement fees and the equity component of any compound debt instrument less cash and cash equivalents. Our definition of net debt does not include our finance leases as our focus is the management of cash borrowings and a finance lease is viewed as deferred capital investment. See "Presentation of financial and other information." The following table shows the reconciliation of net debt. It should be noted that these balances are recorded gross for operated assets and are therefore not representative of our net exposure under these contracts.

	As of December 31,		
(in millions of $)	**2015**	**2016**	**2017**
Carrying value of total borrowings	4,336.2	4,979.9	3,606.4
Excluding:			
Accrued interest and unamortised fees	38.8	35.5	100.2
Equity component of Convertible Bonds	—	48.4	48.4
Total debt	**4,375.0**	**5,063.8**	**3,755.0**
Cash and cash equivalents[(a)]	(355.7)	(281.9)	(284.0)
Net debt	**4,019.3**	**4,781.9**	**3,471.0**
Gearing[(b)]	3.8	5.1	2.6

(a) Cash and cash equivalents consists of $146.0 million (2016: $140.9 million) which the Group holds as operator in joint venture bank accounts. The remaining $138.0 million (2016: $141.0 million) is defined as free cash.

(b) Gearing consists of net debt divided Adjusted EBITDAX.

(8) Free cash flow is defined as net cash from operating activities, net cash used in investing activities, net cash (used in)/generated by financing activities and foreign exchange (loss)/gain less net proceeds from issue of share capital, plus repayment of bank loans, less drawdown of bank loans, and issue of convertible bonds. In a change to methodology from historically presented free cash flow, proceeds from disposals and debt arrangement fees were included in the calculation of free cash flow for the year ended December 31, 2017, and the comparative column, as they relate to our ability to generate organic free cash flow. The following table sets forth a reconciliation of net cash from operating activities to free cash flow:

	Year ended December 31,		
(in millions of $)	**2015**	**2016**	**2017**
Net cash from operating activities	978.2	512.5	1,222.9
Net cash used in investing activities	(1,679.6)	(967.2)	(296.4)
Net cash (used in)/generated by financing activities	745.5	399.3	(927.9)
Foreign exchange (loss)/gain	(7.4)	(18.4)	3.5
Net proceeds from issue of share capital	(3.5)	(9.9)	(768.1)
Repayment of bank loans	191.8	769.1	1,613.6
Drawdown of bank loans	(1,168.8)	(1,187.5)	(305.0)
Issue of convertible bonds	—	(300.0)	—
Free cash flow	**(943.8)**	**(802.1)**	**542.6**

(9) Underlying cash operating costs is defined as cost of sales less operating lease expense, depletion and amortisation of oil and gas assets, underlift, overlift and oil stock movements, share-based payment charge included in cost of sales, and certain

other cost of sales. Underlying cash operating costs are divided by the sum of our production and, with report to the years ended December 31, 2016 and 2017, the Jubiliee Field Insurance Production-Equivalent Barrels to determine underlying cash operating costs per boe. See "Presentation of Financial and Other Information-Presentation of certain notices on a per-boe basis".

	Year ended December 31,		
(in millions of $)	**2015**	**2016**	**2017**
Cost of sales	1,015.3	813.1	1,069.3
Operating lease expense[a]	—	(21.0)	(62.5)
Depletion and amortisation of oil and gas assets[b]	(551.2)	(448.5)	(574.3)
Underlift, overlift and oil stock movements[c]	1.5	76.5	2.3
Share-based payment charge included in cost of sales[d]	(0.8)	(2.7)	(1.1)
Other cost of sales[e]	(58.5)	(40.2)	(47.5)
Underlying cash operating costs	**406.3**	**377.2**	**386.2**
Production (mmboe)	26.9	26.4	34.7
Underlying cash operating costs per boe ($/boe)[f]	**15.1**	**14.3**	**11.1**

(a) Operating lease expense reflect the amounts incurred under our operating leases as determined in accordance with IFRS.

(b) Depletion and amortisation of oil and gas assets is the depreciation and amortisation of our oil and gas assets over the life of an asset on a unit of production basis.

(c) Under lifting or offtake arrangements for oil and gas produced in certain operations in which we have interests with other commercial partners, each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production less stock constitutes "underlift" or "overlift." Underlift and overlift are valued at market value and included within other current assets and other current payables on our consolidated balance sheet, respectively. Movements during an accounting period are charged to cost of sales rather than charged through revenue, and as a result gross profit is recognised on an entitlements basis. Capitalized share-based payment charge relates to the portion of the non-cash share-based payment charge that relates to employees who work on capital projects.

(d) Share-based payment charge included in cost of sales relates to the portion of the non-cash share-based payment charge that relates to employees who work on operational projects. Capitalized finance costs relates to the portion of our borrowing costs that is deemed to fund development activities.

(e) Other cost of sales includes purchases of gas from third parties to fulfil gas sales contracts and royalties paid in cash.

(f) This figure includes 4,600 bopd and 7,400 bopd of Jubilee Field Insurance Production-Equivalent Barrels for the years ended December 31, 2016 and 2017, respectively.

(10) Gearing is a ratio that is calculated as net debt divided by Adjusted EBITDAX. Gearing is not a measurement of financial performance under IFRS and should not be considered as a measure of liquidity or an alternative to operating profit or profit for the period or any other performance measure derived in accordance with IFRS. Adjusted EBITDAX is defined as loss from continuing activities less income tax credit, finance costs, finance revenue, (loss)/gain on hedging instruments, depreciation, depletion, amortisation, share-based payment charge, restructuring costs, gain/(loss) on disposal, goodwill impairment, exploration costs written off, impairment of property, plant and equipment net, provisions for inventory and provision for onerous service contracts.

(11) As adjusted net debt represents current and non-current borrowings excluding accrued interest and unamortised fees and the equity component of any compound debt instrument less cash and cash equivalents after adjusting for the Refinancing, as if the Refinancing had occurred on December 31, 2017.

(12) As adjusted gearing is a ratio that is calculated by dividing as adjusted net debt by Adjusted EBITDAX.

(13) As adjusted finance costs represents cash interest payments on our total debt for the year ended December 31, 2017 after adjusting for the Refinancing, as if the Refinancing had occurred on January 1, 2017. See "Capitalization" and "Management's discussion and analysis of financial condition and results of operations—Quantitative and qualitative disclosures about market risk—Interest rate risk."

Summary reserves, resources, production and operating data

The following table presents a summary of our oil and gas commercial reserves and contingent resources. The commercial reserves estimates presented in the table are derived entirely from the ERCE Reports. The contingent resources estimates presented in the table are derived principally from the ERCE Reports. The contingent resources estimates presented below as of December 31, 2015 and December 31, 2016 are derived entirely from ERCE reports. 76% of the total contingent resources estimates presented below as of December 31, 2017 are derived from ERCE reports. Reserves estimates for each field are reviewed by ERCE based on significant new data becoming available or a material change, with a full review of each field undertaken at least every two years. Exceptions are those assets which have zero book value and/or negative net asset value and assets for which commercial reserves do not exceed 5% of our total commercial reserves. Consequently, our assets located in the United Kingdom and in the Netherlands were not audited by ERCE in 2017.

In this Offering Memorandum, references to "commercial reserves" are to 2P reserves, which is the sum of the proved reserves plus probable reserves. Pursuant to the classifications and definitions provided by the PRMS, "proved reserves" is defined as those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations and "probable reserves" is defined as those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves. "Possible reserves" are those additional reserves which, after analysis of geoscience and engineering data, are less likely to be recoverable than probable reserves. In this Offering Memorandum, references to "contingent resources" are to 2C resources, unless specified otherwise. Pursuant to the classifications and definitions provided by the PRMS, 2C resources are those quantities of estimated contingent resources (being those quantities estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not then considered to be commercially recoverable due to one or more contingencies) that have at least a 50% probability that the quantities actually recovered will equal or exceed this estimate. References in this Offering Memorandum to 1C resources means those quantities of estimated contingent resources that have at least a 90% probability that the quantities actually recovered will equal or exceed this estimate and references in this Offering Memorandum to 3C resources means those quantities of estimated contingent resources that have at least a 10% probability that the quantities actually recovered will equal or exceed this estimate.

Potential investors should note that the ERCE Reports have not estimated proved and probable reserves under the standards of reserves measurement applied by the SEC (the "SEC Basis") for any of the relevant periods reviewed in the Offering Memorandum, or otherwise. The SEC Basis differs from PRMS.

In this Offering Memorandum, we present certain management estimates regarding contingent resources in the South Lokichar Basin in Kenya as of December 31, 2017, including estimates of 1C, 2C and 3C contingent resources. These estimates have been based on reports prepared by management in the fourth quarter of 2017 and have not been audited by ERCE as

of the date hereof. Following completion of our appraisal activities in 2017 and the ongoing additional data acquisition activities in 2018, ERCE plan to conduct a full assessment of the Kenya assets in line with our internal policy. Potential noteholders are advised that these resource estimates are subject to the ERCE audit process in future periods and may be subject to material changes in connection therewith.

Reserves & Resources

	As of December 31,		
	2015	**2016**	**2017**
Commercial Reserves			
Oil (mmbo)	287.5	272.0	245.7
Gas (bscf)	206.1	190.0	268.9
Total Commercial Reserves (mmboe)	**321.9**	**303.7**	**290.5**
Contingent Resources			
Oil (mmbo)	846.3	760.8	831.2
Gas (bscf)	771.0	776.6	512.0
Total Contingent Resources (mmboe)	**974.8**	**890.2**	**916.5**
Total Commercial Reserves and Contingent Resources (mmboe)	**1,296.7**	**1,193.9**	**1,207.0**

Source: ERCE Reports and Tullow's management estimates. Contingent resource figures as of December 31, 2015 and December 31, 2016 are derived entirely from ERCE Reports. As of December 31, 2017, 73% of oil contingent resources and 76% of total contingent resources are derived from ERCE Reports, and 27% of oil contingent resources and 24% of total contingent resources are derived from Tullow's management estimates.

The following table details our production, realized prices and operating cost data as of and for the years ended December 31, 2015, 2016 and 2017. For additional information on price calculations, see "Management's discussion and analysis of financial condition and results of operations."

Production & Operating Data

	Year ended December 31,		
	2015	**2016**	**2017**
Total production (mmboe)	26.8	24.5	31.9
Total production (boepd)	73,400	67,100(1)	87,300(1)
Realized oil price(2) ($/bbl)	67.0	61.4	58.3
Realized gas price(2) (pence/therm)	41.8	33.9	43.0
Underlying cash operating costs(3)(4) ($/boe)	15.1	14.3(3)	11.1(3)
Depreciation, depletion and amortisation(4) ($/boe)	20.5	17.0	16.6

(1) This figure excludes 4,600 bopd and 7,400 bopd of Jubilee Field Insurance Production-Equivalent Barrels for the years ended December 31, 2016 and 2017, respectively.

(2) Realized oil and gas prices are post hedging.

(3) Underlying cash operating costs per boe are costs of sales excluding depletion, depreciation and amortisation and under/overlift movements.

(4) This figure includes 4,600 bopd and 7,400 bopd of Jubilee Field Insurance Production-Equivalent Payments for the years ended December 31, 2016 and 2017, respectively.

Risk factors

In addition to the other information contained in this Offering Memorandum, you should carefully consider the following risk factors before purchasing the Notes. The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, prospects, financial condition and results of operations. If any of the possible events described below were to occur, our business, prospects, financial condition and results of operations could be materially and adversely affected. If that happens, we may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum.

Risks relating to the countries in which we do business

Certain of the countries in which we do business face political, economic, legal, regulatory and social uncertainties which could materially and adversely affect our business, prospects, financial condition and results of operations. In addition, operating in certain of these countries exposes us to risks associated with bribery and corruption.

Our operations are exposed to the political, economic, legal, regulatory and social environment of the countries in which we have assets including, but not limited to, Ghana (where for the year ended December 31, 2017, approximately 67% of our overall production (excluding Jubilee Field Insurance Production-Equivalent Barrels) was located and as of December 31, 2017 approximately 89.7% of our commercial reserves are located), Uganda (where, based on managemment estimates as of December 31, 2017, approximately 54.1% of our contingent resources are located) and Kenya (where, based on management estimates as of December 31, 2017, approximately 24.1% of our contingent resources are located). In addition, as a UK headquartered company with securities traded on the London Stock Exchange, we are subject to the economic and political uncertainties and potential changes in trading relationships created by the UK's decision to withdraw from the European Union. See "—The United Kingdom's exit from the EU may adversely impact our business, results of operations and financial conditions."

Our business involves a high degree of risk which, despite a combination of experience, knowledge and careful evaluation, we may not be able to overcome. These risks include, but are not limited to, bribery and corruption, fraud, civil strife or labor unrest, outbreaks of disease, environmental incidents, armed conflict, terrorism, limitations or price controls on oil and gas production, sales or exports and limitations or the imposition of tariffs or duties on imports of certain goods. In addition, certain of our assets are located in land-locked jurisdictions where the monetization of assets therein may potentially be materially impacted by the legal regimes and political stability of bordering countries.

Underdeveloped infrastructure in locations where we do business could have an adverse effect on our business, prospects, financial condition and results of operations

Underdeveloped infrastructure and inadequate management of infrastructure in locations where we do business has led to regular electricity outages and water cuts. In certain locations where we do business, many businesses rely on alternative electricity and water supplies, adding to overall business costs. The unstable pricing, and possible scarcity, of fuel for power generation in certain locations where we do business also increases the operational challenges that businesses face, adding to the potential fluctuation of overhead costs. Additionally, rail and road networks and telecommunications networks (fixed line and mobile) in certain locations where we do business are often underdeveloped or must be developed by us. The uncertainty regarding this underdeveloped infrastructure increases the operational challenges we face and contributes to the potential fluctuation of costs and may affect our ability to explore, develop and efficiently utilize our assets and to store and transport our oil and gas production. In addition, we may be required to develop infrastructure to allow our operations to commence or continue efficiently and incur costs we would not otherwise suffer had the locations in which we operate had appropriate infrastructure. For example, in Kenya, while we budgeted for many of the costs involved to develop country operations, we have incurred unbudgeted costs associated with locating and transporting sufficient volumes of water. Drought conditions and restrictions on the availability of water in the jurisdictions where we operate could also result in increased water procurement and transportation costs. If we are required to develop further infrastructure to enable our operations to carry on, particularly if such costs are unbudgeted, there may be a material adverse effect on our business, prospects, financial condition and results of operations. In addition, there can be no assurance that future instability in one or more of the countries in which we have assets (or in neighboring countries), actions by companies carrying out business in such countries, actions by militants or terrorists, or actions taken by the international community will not worsen the quality and availability of such infrastructure, which could have a material adverse effect on our business, prospects, financial conditions and results of operations. Certain of the countries in which we do business face threats of terrorist activity, armed conflicts, social and civil unrest and political upheaval that are not as common in developed markets.

Ongoing global terrorist activity, piracy, social and civil unrest, political upheaval and armed conflicts have had a significant effect on international finance and commodity markets. Any future national or international acts of terrorist activity, piracy, social and civil unrest, political upheaval and armed conflicts could have an adverse effect on the financial and commodities markets in the countries in which we do business, those proximate to where we do business and the wider global economy. In addition, such acts may pose a threat to our activities, which could include unanticipated delays in project timetables, increased costs in protecting our assets from anticipated damage or disruption, actual damage or disruption to our assets or oil and gas assets generally and being forced to abandon a development or losing rights of future access to our assets and interests in licenses. Furthermore, the lack of security and the government's inability to provide a stable and secure atmosphere in some of the regions in which we operate could lead to increased delays, disruption of our operations and the incurrence of additional operational costs. For example, we temporarily suspended all exploration and appraisal operations in Blocks 10BB and 13T in Kenya in October 2013 as a precautionary measure in response to demonstrations by local Kenyans regarding employment and local business opportunities, although we did not suffer any material loss as a result of the suspension of operations. There can be no guarantee that similar demonstrations or other threats to our activities from acts of terrorist activity, piracy, social and civil unrest, political upheaval and armed conflicts causing disruptions to oil and gas operations or assets will not materially and adversely affect our business, prospects, financial condition and results of operations.

Our operations may be affected adversely by outbreaks of communicable diseases

Certain countries in West Africa in which we have operated in the past have previously experienced outbreaks of communicable diseases, including Ebola, which significantly affected the region from late 2013 through early 2016. If any of the crew members on our rigs or contracted vessels in any of our operating or other countries are suspected to have contracted communicable diseases such as Ebola, Zika, severe acute respiratory syndrome, Middle East respiratory syndrome, malaria (particularly in the Sub-Saharan African countries in which we operate) or avian influenza, the entire crew on a rig or vessel or a substantial proportion of them, as the case may be, may have to be quarantined under applicable public health laws or may be declared unfit for work. This would interrupt the operations of the affected rig or vessel, as the case may be, which could have a material adverse effect on our business, prospects, financial condition and results of operations. Our onshore staff may also be affected by such communicable diseases, which may result in a disruption to our operations and could also materially adversely affect our business prospects, financial condition and result of operations. Any suspected or confirmed cases of the diseases mentioned above or other such communicable diseases (and any medical complications or deaths arising therefrom) among our onshore or offshore employees or crews on contracted vessels could lead to negative media attention and publicity, which could disrupt our operations or relationships with local partners and governments, or may make it more difficult for us to hire and retain employees and contractors in the future, any of which could adversely affect our business, prospects, financial condition and results of operations.

Similarly, a disruption or suspension in the business and operations of our customers, suppliers and partners arising from quarantines imposed on their management and employees or any negative media attention or publicity arising therefrom may have a material adverse impact on our business, prospects, financial condition and results of operations.

Certain emerging markets in which we do business may be more susceptible to capital and credit market disruptions than more developed markets

There is potential for volatility and disruption in the capital and credit markets particularly in emerging markets. From time to time in recent years, such markets have produced downward pressure on stock prices and credit capacity for certain issuers without regard to those issuers' underlying financial strength. The disruptions experienced have led to reduced liquidity and increased credit risk premiums for certain affected market participants and have resulted in a reduction of available financing. Companies which are key suppliers to us and are located in countries in the emerging and developing markets such as those in which we do business may be particularly susceptible to these disruptions and reductions in the availability of credit or increases in financing costs, which could result in them experiencing financial difficulty. In addition, the availability of credit to entities operating within the emerging and developing markets is influenced significantly by levels of investor confidence in such markets as a whole and, as such, any factors that impact market confidence (for example, a decrease in credit ratings, state or central bank intervention in one market or terrorist activity and conflict) could materially affect the price or availability of funding for entities within any of these markets.

Certain emerging market economies have been, and may continue to be, materially adversely affected by market downturns and economic slowdowns elsewhere in the world. For example, as a result of the prevailing economic situation in Ghana, in April 2015, the International Monetary Fund announced a three-year debt support program for Ghana with the aim of restoring debt stability, strengthening its monetary policy framework and rebuilding external fiscal buffers. Financial problems outside countries with emerging or developing economies or an increase in the perceived risks associated with investing in such economies could also discourage foreign investment in and adversely affect the economies of these countries (including countries in which we have assets).

Certain countries in which we do business suffer from crime and governmental or business corruption which could have an adverse effect on our business, prospects, financial condition and results of operations

Certain of the countries in which we do business, including those in Africa and South America, have from time to time experienced high levels of criminal activity (including fraud) and governmental and business bribery and corruption. Particularly, oil and gas companies operating in locations such as Africa and South America may be targets of criminal, corruption or terrorist actions. Criminal, corruption or terrorist action against us and our assets or facilities could materially and adversely affect our business, prospects, financial condition and results of operations. In addition, the fear of criminal, corruption or terrorist actions against us could have a material adverse effect on our ability to adequately staff and/or manage our operations or could substantially increase the costs of doing so.

As a result, we are exposed to a risk of violating anti-corruption laws and sanctions regulations applicable in those countries where we or our commercial partners or agents do business. Violations of anti-corruption laws and sanctions regulations may be punishable by civil penalties, including fines, denial of export privileges, injunctions, asset and bank account seizures, debarment from government contracts (and termination of existing contracts) and revocations or restrictions of licenses, disgorgements of profits or other gains as well as criminal fines and imprisonment. In addition, any major violations could have a significant impact on our reputation and consequently on our ability to win future business and could also adversely affect our access to financing. In particular, our international operations may be subject to anti-corruption laws and regulations such as the US Foreign Corrupt Practices Act of 1977, the United Kingdom Bribery Act of 2010 ("**United Kingdom Bribery Act**") and any local anti-corruption laws of any jurisdiction applicable to us, including, for example, the Kenya Bribery Act of 2016. While we review laws and regulations to determine if they are applicable to us, our employees, consultants, agents and third parties engaged by or performing services for us, there can be no guarantee that a court or other enforcement authority will reach the same determination as we do. If we are found to be subject to any laws or regulations which we considered were not applicable, our policies, procedures and actions may be in breach of such law or regulation and we may be subject to censure, prosecution, fine or other negative consequences. While we have what we believe to be appropriate internal policies and procedures, including a Code of Ethical Conduct, as well as contractual arrangements in place with our agents and commercial partners which seek to prevent our agents or commercial partners (as the case may be) from engaging in illegal or unethical activities, there can be no guarantee our agents or commercial partners (as the case may be) adhere to such contractual arrangements or policies and procedures and, if they do not, that we will be made aware of any breaches or potential breaches timeously or at all. However, we may, nonetheless, remain liable for the unauthorized actions of our agents or commercial partners (as the case may be).

In addition, even where we have compliant anti-corruption and other business ethics policies and procedures and we monitor compliance with such policies and procedures, there can be no assurance that such policies and procedures have been or will be followed at all times or have or will effectively detect and prevent all violations of the applicable laws and every instance of fraud, bribery and corruption in every jurisdiction in which one or more of our employees, consultants, agents, commercial partners, contractors or sub-contractors is located. As a result, we could be subject to penalties and reputational damage and material adverse consequences on our business, prospects, financial condition and results of operations if we, our employees, agents or other parties we do business with or who have performed services for us have failed or fail to prevent any such violations or are or become the subject of investigations into potential violations.

If adverse investigations or findings are made, either erroneously due to differing but legal business norms or substantiated in the future, against us, our directors, officers, employees or commercial partners, or such persons or their respective partners are found to be involved in corruption or other illegal activity, this could result in criminal or civil penalties, including substantial monetary fines, against our directors, officers, employees or commercial partners. Any such investigations or findings, either erroneous or substantiated in the future, could damage our reputation whether with our investors, potential investors, commercial partners or potential commercial partners and our ability to do business, including by affecting our rights under our various production sharing contracts and joint operating agreements or by the loss of key personnel, and could materially and adversely affect our business, prospects, financial condition and results of operations. We may also be subject to allegations of corrupt practices or other illegal activities, which, even if subsequently proved to be unfounded, may damage our reputation and require significant expense and management time to investigate. Furthermore, alleged or actual involvement in corrupt practices or other illegal activities by our commercial partners, or others with whom we conduct business could also damage our reputation and business and materially and adversely affect our business, prospects, financial condition and results of operations.

Uncertainties in the interpretation and application of laws and regulations in certain of the jurisdictions in which we do business, particularly emerging markets, may affect our ability to comply with such laws and regulations and increase the risks with respect to our operations

The courts in certain of the jurisdictions in which we have assets may offer less certainty as to the judicial outcome or a more protracted judicial process than is the case in more established economies. In many of the countries in which we do business, businesses can become involved in lengthy court cases or administrative proceedings and the ambiguous drafting of laws or the absence of an oil and gas industry regulatory framework can contribute to excessive delays in the legal or administrative process for resolving issues or can complicate such disputes. Accordingly, we could face risks such as:

- effective legal redress in the courts of such jurisdictions being more difficult to obtain, whether in respect of a breach of law or regulation, or in an ownership dispute;

- a higher degree of discretion on the part of governmental authorities and therefore less certainty including with respect to our long-term planning;
- a lack of judicial or administrative guidance on interpreting applicable rules and regulations;
- inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; and
- relative inexperience of the judiciary, courts and regulatory authorities with oil and gas industry matters.

Enforcement of laws in certain of the jurisdictions in which we do business may depend on and be subject to the interpretation of such laws by the relevant local authority and such authority may adopt an interpretation which differs from the advice given to us by local lawyers or even previously by the relevant local authority itself, or such bodies may exercise discretion in an inconsistent or arbitrary manner, which could result in ambiguities, inconsistencies and anomalies in enforcement of laws which could hinder our ability to make or implement long-term plans. In addition, a dispute may be subject to the exclusive jurisdiction of local courts or local arbitration tribunals or we may not be successful in subjecting foreign persons, especially foreign oil ministries and national oil companies, to the jurisdiction of courts or arbitration tribunals in New York, England and Wales or other similar jurisdictions. Even if we are successful in subjecting such persons or entities to the jurisdiction of courts or arbitration tribunals in New York, England and Wales or other similar jurisdictions, it may be difficult to enforce any judgment or order from such court or award from such tribunal against such individuals or entities. Taxes or other duties and fees which are intended to be of a minor nature may be significant when applied to the large sums of money involved in our business activities. There is limited relevant case law providing guidance on how courts or arbitration tribunals would interpret such laws and the application of such laws to our contracts, joint ventures, permits, licenses, license and permit applications or other arrangements. Further, taking action or enforcing judgments or orders against the host government or national oil company may lead to operational obstacles when seeking regulatory approvals and may adversely impact our reputation in the relevant country or region.

As a result, there can be no assurance that contracts, joint ventures, permits, licenses, license and permit applications or other legal or fiscal arrangements will not be adversely affected by the actions of government authorities and the effectiveness of and enforcement of such arrangements in these jurisdictions. In certain jurisdictions, the commitment of local businesses, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be uncertain and susceptible to revision or cancellation, and legal redress may be uncertain or delayed. There can be no assurance that the acts of present or future governments in the countries or regions where such operations are (or will be) located, or the acts of governments of other countries that are relevant for such current or future operations, will not materially adversely affect our business, prospects, financial condition and results of operations. For example, in Zambia, a claimant has brought a direct action against the Minister of Mines, Energy and Water Development regarding that office's decision to award us an exploration license for Block 31 following cancellation of the claimant's previous license for Block 31. Although we are currently not a direct party to the action, the matter remains before the court and we continue to seek guidance on the meaning and effect of orders made by the Court. We are currently not a direct party to the action, although the claimant has appealed to the Zambian Court to join us to its claim against the Minister. While we do not view this action as material, there can be no assurance that similar types of title claims will not be asserted against us or our assets, including our more material assets.

We have received, and anticipate that we will continue to receive from time to time, claims or notifications from host governments, regulators and revenue authorities purporting to apply legislation or regulation which is enacted subsequent to the effective date of our petroleum agreements or to otherwise amend or vary the contractual rights in our petroleum agreements or interpret such agreements differently than we do. Such actions, if applied to our petroleum agreements, could alter the fiscal regime or other rights and benefits accruing to us under our petroleum agreements and as such, we view these as contrary to the stabilization provisions found within many of our petroleum agreements. These actions can include, inter alia, the alteration of production sharing entitlements or contract terms, the variation of royalty rates or tax rates or the application of new or otherwise previously inapplicable taxes. We have received claims of this nature in a number of different jurisdictions, including those in which we hold material assets, and we have observed an increase in the frequency and size of such claims during periods of low commodity prices. In certain cases, the damages or payments sought under such claims are material. When faced with such claims, we seek to engage with host government authorities to seek an amicable solution which respects our contractual terms. In cases where such an amicable solution cannot be agreed, we have sought, and will continue to be prepared to seek, an enforceable remedy through dispute resolution mechanisms including court proceedings and arbitration. Should we be unable to amicably resolve a claim, receive an adverse ruling in dispute resolution proceedings, be unable to enforce a favorable ruling or otherwise damage our relationships with host governments, it could have a material adverse effect on us or our assets.

We cannot completely protect ourselves against the risk of disputes in the countries in which we do business relating to title or contractual exploration and production rights

Although we believe we have good title or contractual rights to our interests in our oil and gas assets and the rights to explore for and produce oil and gas from such assets, we cannot control or protect ourselves completely against the risk of disputes in relation to such title or rights. No assurance can be given that relevant governments will not revoke, or significantly alter the conditions of, the exploration, development and production authorizations, licenses, permits, approvals and consents held by us or that any of the foregoing will not be challenged or impugned by third-parties. In addition, there can be no assurance that title claims will not be asserted against us or our other assets, including our more material assets. There is no certainty that existing rights or additional rights that we may apply for will be granted or renewed nor is there any certainty that any such grant or renewal will be on terms satisfactory to us, all of which could have a material adverse effect on our business, prospects, financial condition and results of operations.

Many of the countries in which we have assets, land title systems are not developed to the extent found in many industrialized countries and there may be no concept of registered title. Therefore, there can be no assurance that claims or challenges by third parties against title to our assets will not be asserted at a future date. While we use commercially reasonable efforts to ensure that we have good title to the interests and assets which we purport to own, proving so can be difficult in emerging markets and may, in certain instances, be impossible to determine in absolute terms. In certain countries in which we operate, for example, there is some general uncertainty over the boundaries between some upstream onshore acreage where boundaries between awarded blocks may overlap. For example, in September 2017, ITLOS rendered its decision with regard to the maritime boundary dispute between Ghana and Côte d'Ivoire that had raised questions about title and therefore affected operations at the TEN fields (see "Our Business—The ITLOS Dispute"). Although the new maritime boundary, as determined by ITLOS, does not affect the TEN fields, if other such circumstances challenging title arise, we could suffer unexpected losses (such as halting exploration or production, or, ultimately, the loss of interests or assets), which could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our ongoing and future success depends on securing and maintaining a "social license to operate" from impacted communities and other stakeholders

The adoption of new regulations and the implementation of any reforms may be subject to political and economic influences. Throughout many African jurisdictions, promoting and/or requiring participation by locally owned businesses in oil and gas operations is a high policy priority for governments. In addition, the international human rights law concerning Free and Prior Informed Consent allows indigenous peoples to have the right to negotiate in national and local government decision-making processes over projects that concern their lives, land and resources. Failure to comply with these laws and regulations and similar laws and regulations in other countries could, among other things, lead to fines and imprisonment, jeopardize our interests in licenses and cause reputational damage and delays to operations or developments. We expect certain countries in which we operate to make local content requirements for extractive companies legally binding. Our business and operations may be adversely affected by such local content requirements to the extent they adversely impact our ability to engage and retain skilled personnel and partners.

We believe our operations can provide valuable benefits to surrounding communities, in terms of direct employment, training and skills development, demand for products and services and other community benefits associated with ongoing payment of taxes and contribution to community development funds. Notwithstanding the foregoing, communities may, from time to time, become dissatisfied with our activities or those of other companies in the oil and gas industry, in particular due to, among other things, the impact on traditional livelihoods, insufficient local employment and business opportunities and land acquisition and resettlement practices. Accordingly, failure to manage our relationship with local groups and individuals may influence the execution of our strategies and may expose us to significant business risks including project delays and disruption and potentially the loss of a license to operate. While such dissatisfaction may be expressed in various ways, in some instances it may result in civil unrest, protests, direct action, threatened or actual litigation, or campaigns against us, and any such actions may impact our project costs, timing or production, or in certain cases, project viability. For example, we temporarily suspended all exploration and appraisal operations in Blocks 10BB and 13T in Kenya in October 2013 as a precautionary measure in response to demonstrations by local Kenyans regarding employment and local business opportunities. On behalf of the contractor entities under the production sharing contracts covering the relevant blocks, we signed a memorandum of understanding (the "MOU") with the Kenyan Minister for Energy just over one week after the temporary suspension and resumed operations shortly thereafter. Building on the principles outlined in the MOU, we have developed non-technical functions (social performance, communications, government and public affairs) and associated systems and procedures that together provide a stronger platform for effective ongoing management of the social license to operate, the principles of which we expect to apply, where relevant and with appropriate modifications, across all of our operations. Nonetheless, we cannot be certain that similar demonstrations, either in Kenya or other countries in which we do business, will not occur or, if they do, will be resolved quickly or at all.

We are exposed to the risk of adverse sovereign action by governments in the countries in which we do business

The oil and gas industry is central to the economies and future prospects for development in a number of the countries in which we currently have assets and therefore the industry is likely to be the focus of continuing attention and debate.

In the majority of the countries in which we do business, whether developed or emerging economies, the state generally retains ownership of the minerals throughout the extraction process and consequently retains control of (and in many cases, participates in) the exploration and production of hydrocarbon reserves, with our interest being an economic entitlement to a proportion of production. As a result, exploration and development activities may require protracted negotiations with host governments and national oil companies. While we seek to establish and maintain strong relationships with governments, there can be no guarantee that such relationships will continue to remain strong (whether as a result of changes in government or otherwise) and the lack of such relationships with host governments and national oil companies could materially and adversely affect our business, prospects, financial condition and results of operations. In addition, major policy shifts or increased security arrangements could, to varying degrees, have an adverse effect on the value of investments we or our commercial partners have made. These factors could materially and adversely affect our business, prospects, financial condition and results of operations.

Changes to the legislative environment, which may be developing at a rapid rate owing to the developing nature of the industry in such a country, may materially adversely affect our business, prospects, financial condition and results of operations. In Kenya, the legislative environment is undergoing considerable change with several proposed new bills related to land, energy, finance and water, among others. For example, although the proposed Kenyan petroleum bill stipulates that we would preserve any rights currently benefitting licenses after it comes into force, we cannot guarantee whether the relevant Kenyan Governmental bodies will interpret this provision to our benefit. We are also typically protected by the changes of laws clauses in our production sharing contracts which provide that, in case of a change of law that economically affects any of the parties, the parties will discuss the appropriate course of action in good faith to achieve equilibrium. We cannot, however, guarantee the outcome of these discussions. Any negative outcome from these discussions and any regulatory or legislative changes enacted after entry into the relevant stabilization agreements that may materially and adversely affect our business, prospects, financial condition and results of operations.

In certain developing countries, oil and gas companies have faced the risks of expropriation or re-nationalization, breach or abrogation of license and project agreements, the application to such companies of laws and regulations from which they were intended to be exempt, denials of required permits and approvals, increases in royalty rates and taxes that were expected to be stable, the application of exchange or capital controls, the setting of specific levels of production or prices and other risks. We have experienced adverse sovereign action affecting certain of our key assets which has not materially affected us. There can be no assurance, however, that the measures adopted by us to mitigate such actions and spread the risks associated with such actions will be effective and such adverse sovereign action may materially and adversely affect our business, prospects, financial condition and results of operations.

In addition, our operations may be more likely to be materially affected by host governments' economic and other entitlements to a greater extent than would be the case if our operations were largely in countries where mineral resources are not predominantly state-owned. In addition, transfers of interests typically require government approval, which may delay or otherwise impede such transfers, and the government may impose obligations on us to, for example, complete minimum work within specified timeframes either generally or as a condition to approving such transfers.

The United Kingdom's exit from the EU may adversely impact our business, results of operations and financial condition

We are headquartered in the United Kingdom and trade on the London Stock Exchange and, although we are an Africa focused company, we have some gas production located in the North Sea. Following the United Kingdom public referendum on June 23, 2016 to leave the EU, the government of the United Kingdom has served notice under Article 50 of the Treaty of the EU, pursuant to which the United Kingdom has a two- year period to agree to the terms of its withdrawal prior to leaving the EU. This has led to concerns with respect to the overall stability of the EU and the United Kingdom and the suitability of a single currency to appropriately deal with specific fiscal management and sovereign debt issues in individual Eurozone countries. If the United Kingdom and the EU are unable to negotiate acceptable withdrawal terms or if other EU member states pursue withdrawal, barrier-free access between the United Kingdom and other EU member states or among the European economic area overall could be diminished or eliminated. The exit of the United Kingdom or any other member state from the EU, and/or the departure from the euro by one or more Eurozone countries, or, in more extreme circumstances, the possible dissolution of the euro entirely, could lead to a reduction in market confidence and a weakening of European financial institutions. A deterioration in political and economic conditions could result in increased short- and long-term interest rates, consumer and commercial bankruptcy filings, and a decline in the strength of national and local economies. This could impact the growth of the British economy in particular, and the EU generally, and consequently have a material adverse impact on our financial condition and results of operations.

Developments relating to the United Kingdom's exit from the EU have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict our ability to operate in certain financial markets. Asset valuations and currency exchange rates may be especially subject to increased market volatility, which in turn may affect our business operations by increasing our cost of servicing our borrowings subject to variable interest rates. Lack of clarity about future United Kingdom laws and regulations as the United Kingdom determines which European Union laws to replace or replicate in the event of a withdrawal, including financial laws and regulations, tax and free trade agreements, immigration laws, and employment laws, could increase our costs, depress economic activity and restrict our access to capital. If the United Kingdom and the European Union are unable to negotiate acceptable withdrawal terms or if other European Union member states pursue withdrawal, barrier free access between the United Kingdom and other European Union member states or among the European Economic Area overall could be diminished or eliminated. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

We may be adversely affected by changes to tax legislation or its interpretation or increases in effective tax rates in the jurisdictions in which we do business

We do business in multiple jurisdictions and our profits are taxed according to the tax laws of such jurisdictions. Our effective tax rate, may be affected by changes in tax rates (including the corporate tax rate, value added tax ("**VAT**") and capital gains tax ("**CGT**") rate), tax laws or interpretations of tax laws in any jurisdiction and in any financial year will reflect a variety of factors that may not be present in succeeding financial years. Such changes may include measures enacted in response to the Organization for Economic Co-operation and Development's ongoing Base Erosion and Profit Shifting project. As a result, our effective tax rate may increase in future periods, which could have a material adverse effect on our financial results and, specifically, our net income, cash flow and earnings may decrease.

Tax regimes in certain jurisdictions can be subject to differing interpretations (particularly in light of the contractual provisions which we and our commercial partners may have agreed with host governments) and tax rules in any jurisdiction are subject to legislative change and changes in administrative and regulatory interpretation. The interpretation by our relevant subsidiaries of applicable tax law as applied to their transactions and activities may not coincide with that of the relevant tax authorities. As a result, transactions may be challenged by tax authorities (whether upon disclosure of such transactions or at a later date) and any of our profits from activities in those jurisdictions may be subject to additional tax or unexpected additional transactional taxes (e.g., stamp duty, VAT, CGT or withholding tax) may arise, which, in each case, could result in significant legal proceedings and additional taxes, penalties and interest, any of which could have a material adverse impact on our business, prospects, financial condition and results of operations. In the past, we have received claims for tax payable that, following a negotiated settlement, have been reduced to a material extent. However, there can be no assurance that we will be able to negotiate an appropriate settlement in the future or that a tax authority will not enforce the original claim for tax payable, which could materially adversely affect our business, prospects, financial condition and results of operations. In addition, as a result of our longstanding presence in emerging markets, we have received in the past, and anticipate that we will continue receiving in the future, letters, claims and notifications from revenue and tax authorities of host governments which include assessments, including additional taxes to be paid, based on an interpretation of our existing contractual arrangements or tax legislation which may be contrary to our interpretation of such contractual arrangements or tax legislation. Although we are able to manage our exposure to tax in relation to particular contractual arrangements with governments by including tax stabilization provisions, there can be no guarantee that the inclusion of such provisions (assuming such provisions are agreed to be incorporated into an agreement) will protect us from fluctuations in tax rates in a particular jurisdiction which can have an impact on our projects and make certain projects less economically viable.

Risks relating to the oil and gas industry

Our business depends significantly on the level of oil and gas prices, which are volatile and have declined significantly over recent years. If oil and gas prices decline further, our results of operations, cash flows, financial condition and access to capital could be materially and adversely affected.

Our business, prospects, financial condition and results of operations depend significantly upon prevailing oil and gas prices, which may be adversely impacted by unfavorable global, regional and national macroeconomic conditions. As oil and gas are globally traded, we are unable to control the prices we receive for the oil and gas we produce. Oil and gas prices are volatile and historically, prices for oil and gas have fluctuated widely for many reasons, including:

- changes in global and regional supply and demand, and expectations regarding future supply and demand, for oil and gas products;
- geopolitical uncertainty;
- weather conditions and natural disasters;
- availability of and access to pipelines, storage platforms, shipping vessels and other means of transporting and storing oil;
- prices, availability and government subsidies of alternative and/or renewable energy sources;
- prices and availability of new technologies;
- increasing government regulations and actions and international treaties and agreements which aim to reduce the environmental impact of oil and gas exploration, development and production activities, including the emission of greenhouse gases and increased expenditure for producers to comply with such regulations, actions, treaties and agreements;
- changes in availability of, and access to, pipeline ullage;
- the ability and willingness of the members of OPEC, and other oil producing nations, to set and maintain specified levels of production and prices;
- political, economic and military developments in oil producing regions generally, and domestic and foreign governmental regulations and actions, including import and export restrictions, taxes, repatriations and nationalizations;
- proximity to, and the capacity and cost of, transportation;
- petroleum refining capacity;
- global and regional economic conditions;
- trading and speculative activities by market participants and others either seeking to secure access to oil and gas or to hedge against commercial risks, or as part of investment portfolio activity; and
- terrorism or the threat of terrorism, war or threat of war, which may affect supply, transportation or demand for hydrocarbons and refined petroleum products.

It is difficult to predict accurately future oil and gas price movements. Historically, crude oil prices have been highly volatile and subject to large fluctuations in response to relatively minor changes in the demand for oil. Price volatility was prominent in 2014. The second half of 2014 saw crude oil prices drop sharply, primarily due to a supply surplus resulting from, among other factors, increased shale oil production in North America and the decision by OPEC not to reduce production in the face of weaker demand growth. During 2015, the maximum and minimum prices for Dated Brent crude oil were $67.77/bbl and $36.11/bbl, with an average price of $53.60/bbl. In 2016, Dated Brent crude oil prices remained low, with maximum and minimum prices of $56.82/bbl and $27.88/bbl and an average price of $45.13/bbl. In 2017, Dated Brent crude oil prices rose, with maximum and minimum prices of $67.02/bbl and $44.82/bbl and an average price of $54.74/bbl.

Our revenues, operating results, profitability, future rate of growth, access to capital and the carrying value of our oil and gas assets depend heavily on the prices we receive for oil and gas sales. Oil and gas prices also affect our cash flows available for capital investments and other items, our borrowing capacity under the RBL Facilities and the amount and value of our oil and gas reserves. We may also face oil and gas asset impairments if prices fall significantly. No assurance can be given that oil and gas prices will remain at levels which enable us to do business profitably or at levels that make it economically viable to produce from certain of our assets, and any material decline in such prices could result in a reduction of our net production volumes and/or revenue and a decrease in the valuation of our exploration, appraisal, development and production assets. Sustained low oil prices could also impair our ability to maintain an effective hedging program.

The economics of producing from some assets may also result in a reduction in the volumes of our reserves which can be produced commercially, resulting in decreases to our reported reserves. We may also elect not to produce from certain assets at lower prices, or our commercial partners may not want to continue production regardless of our position. All of these factors could result in a material decrease in our net production revenue, causing a reduction in our oil and gas exploration and development activities and reserves. In addition, certain development projects could become unprofitable as a result of a decline in oil prices and could result in us having to postpone or cancel a planned project, or if it is not possible to cancel the project, carry out the project with a negative economic impact. Further, a reduction in oil prices may lead to our producing fields being shut down and entering the decommissioning phase earlier than expected.

We carry out business in a highly competitive industry

The oil and gas industry is highly competitive including in the regions in which we have assets. The key areas in respect of which we face competition are:

- acquisition of exploration and production licenses, or interests in such licenses, at auctions or sales run by governmental authorities;
- securing additional offtakers of production;
- acquisition of other companies that may already own licenses or existing hydrocarbon producing assets;
- differentiating technologies;
- engagement of third-party service providers whose capacity to provide key services may be limited;
- purchase, leasing, hiring, chartering or other procuring of equipment that may be scarce;
- employment of qualified and experienced skilled management and oil and gas professionals;
- ability to dispose of assets; and

• access to debt and equity capital.

Competition in our markets can be concentrated and depends, among other things, on the number of competitors in the market, their financial power, their degree of geological, geophysical, engineering and management expertise, their degree of vertical integration, and pricing policies, their ability to develop assets on time and on budget, their ability to select, acquire and develop reserves and their ability to foster and maintain relationships with host governments of the countries in which they have assets. Our competitors include entities with greater technical, physical and financial resources than us. A recent trend among investors, which also increases competitive pressures, is for financial institutions and investment funds to financially support viable management teams with proven oil and gas experience to acquire resources in emerging markets in order to establish investments in the oil and gas sector and lock in supply. When looking at acquisition opportunities, we also compete frequently with major national and state-owned enterprises, which typically possess significant financial resources and are able to offer attractive and favorable prices to sellers.

The effects of operating in a competitive industry may include higher than anticipated prices for the acquisition of licenses or assets, licensing terms providing for increased obligations, the hiring by competitors of key management, restrictions on the availability or increases in the cost of equipment or services as well as potentially unfair practices including unconscionable pressure on us directly or indirectly or the dissemination of false or misleading information or rumors by competitors or third parties. Such unconscionable pressure can be expected to arise out of disparities in the relative bargaining power of the affected parties and includes the stronger party exploiting the weaker party's disadvantage or the stronger party relying on its rights in a harsh or oppressive manner, allowing the weaker party to make an incorrect assumption, failing to disclose a material fact, misrepresentation or otherwise unfairly benefiting from a transaction at the expense of the weaker party.

If we are unsuccessful in competing against other companies, our business, prospects, financial condition and results of operations could be materially adversely affected.

Exploration, development and production operations involve numerous operational risks and hazards which may result in material losses or additional expenditures

Developing oil and gas resources and reserves into commercial production involves a high degree of risk. Our operations are subject to all the risks common in our industry. These hazards and risks include but are not limited to encountering unusual or unexpected rock formations or geological pressures, geological uncertainties, seismic shifts, blowouts, oil spills, uncontrollable flows of oil, gas or well fluids, explosions, fires, improper installation or operation of equipment and equipment damage or failure. See "—Reduced production in the Jubilee field as a result of the Turret Remediation Project may have a material adverse impact on our business, prospects, financial condition and results of operations."

Given the nature of our offshore operations, our exploration, production and drilling facilities are also subject to the hazards inherent in marine operations, such as capsizing, sinking, grounding and damage from severe storms or other severe weather conditions.

The offshore operations conducted by us involve risks including but not limited to high pressure drilling, mechanical difficulties, or equipment failure which increase the risk of delays in drilling and of operational challenges arising, as well as material costs and liabilities occurring.

If any of these events were to occur in relation to any of our licenses, they could, among other adverse effects, result in environmental damage, injury to persons and loss of life and a failure to produce oil and/or gas in commercial quantities. They could also result in significant delays to drilling programs, a partial or total shutdown of operations, significant damage to our equipment and equipment owned by third parties and personal injury or wrongful death claims being brought against us. These events can also put at risk some or all of our licenses and could result in us incurring significant civil liability claims, significant fines or penalties as well as criminal sanctions potentially being enforced against us and/or our officers. We may also be required to curtail or cancel any operations on the occurrence of such events.

Any of the above operational risks could materially and adversely affect our business, results of operations, cash flow and financial condition.

We face significant uncertainty as to the success of any exploration, appraisal and development activities

Oil and gas exploration activities are capital intensive, subject to financing limitations and their successful outcome cannot be assured. We undertake exploration activities, the outcomes of which are frequently subjected to unexpected problems and delays, and these activities incur significant costs, which can differ significantly from estimates, with no guarantee that such expenditure will result in the discovery of commercially recoverable oil or gas. Appraisal results for discoveries are uncertain. Appraisal and development activities involving the drilling of wells across a field may be unpredictable and may not result in the outcome planned, targeted or predicted, as only by extensive testing can the assets of an entire field be more fully understood. For example, where we are drilling wells there is no guarantee such drilling activities will be successful and the actual costs incurred in respect of drilling, operating wells and completing well workovers may exceed budget. It is difficult to estimate the costs of implementing any exploration and/or appraisal drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over-pressured zones and changes in drilling plans and locations. We may be required to curtail, delay or cancel any drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, breaches of security, title problems, severe adverse weather or tidal conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

Even if wells are productive, they may not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs and drilling hazards and environmental damage can further increase the cost of operations to be recovered. In addition, various field operating conditions may also adversely affect production from successful wells, including delays in obtaining governmental approvals, permits, licenses, authorizations or consents, shut-ins of connected wells, insufficient storage or transportation capacity or other geological and mechanical conditions.

Under our production sharing contracts and other similar agreements, we finance our agreed proportion of exploration, development and operations and the related facilities and equipment and will only recover our costs (after deducting royalties and taxes) if there is successful production in accordance with the terms of these agreements with such cost recovery being capped at a certain proportion of production and the balance in excess of such cap then being shared with the host government or national oil company. However, there can be no assurance that we will discover commercial quantities of oil or gas in such operations. Additionally, provisions regarding the treatment of the exploration and development of oil and gas set out in our production sharing contracts and other similar agreements is, owing to the terms of such provisions, frequently ambiguous, leading to uncertain terms as to cost recovery and entitlements to oil and gas discoveries. Accordingly, there can be no assurance that we will recover our outlay of capital expenditures and operating costs and in such event our business, prospects, financial condition and results of operations could be materially adversely affected.

Climate change and climate change abatement legislation and regulatory initiatives could adversely affect our access to capital, our business and ongoing operations.

Our business and results of operations could be adversely affected by climate change and the adoption of new climate change laws, policies and regulations. Growing concerns about climate change and greenhouse gas emissions have led to the adoption of various regulations and policies, including the Paris Agreement negotiated at the 2015 United Nations Conference on Climate Change ("COP 21"), which requires participating nations to reduce carbon emissions every five years beginning in 2023. Although the Paris Agreement at COP 21 did not include proposals specifically targeting the oil and gas industry, it has had an indirect impact on the industry. For example, in December 2017, the World Bank announced that, in order to align its support to countries to meet their Paris Agreement goals, it would no longer finance upstream oil and gas after 2019, except in certain exceptional circumstances. As such, the emission reduction targets and other provisions of the Paris Agreement, or similar legislative or regulatory initiatives and policies enacted in the future by the countries in which we operate or by international financial institutions like the World Bank, could adversely impact our business by limiting access to capital in the industry, imposing increased costs in the form of taxes or for the purchase of emission allowances, limiting our ability to develop new oil and gas reserves, decreasing the value of our assets, or reducing the demand for hydrocarbons and refined petroleum products.

We recognize that evolving legislation and publicity aimed at reducing greenhouse gas emission could, over time, have a material adverse impact on the demand for oil and gas and result in the market shifting to alternative resources. Further, while we are actively seeking to anticipate and respond to this change, for example, by factoring in a shadow carbon cost into our own investment decisions for major capital projects, we may be subject to activism from groups campaigning against fossil fuel extraction, which could affect our reputation, disrupt our campaigns or programs or otherwise negatively impact our business.

Additionally, some scientists have concluded that increasing concentrations of greenhouse gases in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, floods and other climatic events. Our offshore operations are particularly at risk from severe climatic events. If any such climate changes were to occur, they could have an adverse effect on our financial condition and results of operations.

Risks relating to our business

A significant proportion of our production comes from West Africa and, in particular, the Jubilee and TEN fields in Ghana, making us vulnerable to risks associated with having significant production in one country and region as well as other risks specific to those fields

The Jubilee field accounted for approximately 36% of our total oil and gas production in the year ended December 31, 2017 (excluding Jubilee Field Insurance Production-Equivalent Barrels). Our TEN fields (which produced first oil on August 17, 2016), accounted for approximately 30% of our production in the year ended December 31, 2017 (excluding Jubilee Field Insurance Production-Equivalent Barrels). In total, approximately 94% of our total oil and gas production (excluding Jubilee Field Insurance Production-Equivalent Barrels) in the year ended December 31, 2017 came from West Africa (including the Jubilee and TEN fields).

As a result of these concentrations, we may be exposed disproportionately to the effects of changes in governments, regional supply and demand factors, delays or interruptions of production from wells in this area caused by delays in government approval, elections, governmental regulation, processing or transportation capacity constraints, less than expected domestic demand, availability of equipment, equipment failure (including FPSO failure), facilities, personnel or services market limitations, severe adverse weather events or tidal conditions, demands from governmental authorities and boundary disputes between governments (see "Our Business—the ITLOS Dispute"). We may also be exposed to additional risks, such as changes in field-wide rules and regulations that could cause us to permanently or temporarily shut down all or some of our wells within the Jubilee and/or TEN fields which may impact our results of operations. See "—Reduced production in the Jubilee field as a result of the Turret Remediation Project may have a material adverse impact on our business, prospects, financial condition and results of operations."

The Jubilee field is subject to a unitization and unit operating agreement. Pursuant to the terms of this agreement, our unit interests and those of our commercial partners in the Jubilee field may be changed or redetermined at periodic intervals whether by mutual agreement between the parties or, where there is a dispute between the parties, by a third party arbiter. To the extent that the interests of the parties to the unit operating agreement are not aligned (for example, by having a greater interest in a field relevant for the redetermination), there is an increased potential for disputes in relation to any particular redetermination. Any redetermination or dispute in relation to such redetermination could affect negatively our production interests and may materially and adversely affect our business, prospects, financial condition and results of operations.

Our substantial farm-down of our assets in Uganda is subject to certain conditions, including the consent of the Government of Uganda, and there is no guarantee such conditions will be satisfied and that the farm-down will complete

On January 9, 2017, we announced that we had agreed a substantial farm-down of our assets in Uganda to Total Uganda for a headline consideration of $900 million (the "**Uganda Farm-down**"). Pursuant to the terms of the Uganda Farm-down, we agreed to transfer 21.57% of our 33.33% interests (the **"Uganda Sale Assets"**) to Total Uganda for a headline consideration of $900 million. Pursuant to the terms of the joint operating agreements in relation to the Lake Albert development, CNOOC Uganda (our other commercial partner in the Lake Albert development) has a right of pre-emption to acquire 50% of the Uganda Sale Assets on identical terms and conditions as those agreed between us and Total Uganda (including as to the amount, structure and timing of the consideration payable to us). On March 16, 2017, CNOOC Uganda exercised its right of pre-emption in respect of the Uganda Sale Assets and on October 11, 2017, we amended and restated the sale and purchase agreement with Total Uganda and entered into a separate sale and purchase agreement with CNOOC Uganda to transfer 10.7843% of our 33.33% interests in the Uganda Sale Assets to each of Total Uganda and CNOOC Uganda. In the final quarter of 2017, Total Uganda, CNOOC Uganda and ourselves submitted copies of the signed sale and purchase agreements in accordance with the relevant provisions of the Production Sharing Agreements and Uganda's (Exploration, Development and Production) Act 2013 to the Minister of Energy and Mineral Development for their approval. Accordingly, we are working with the Government of Uganda, CNOOC Uganda and Total Uganda to gain approval of the definitive sale documentation and, subject to approval by the Government of Uganda and satisfaction of the other conditions precedent in the sale and purchase agreements, we expect to conclude the Uganda Farm-down in the first half of 2018.

The aggregate consideration payable by Total Uganda and CNOOC Uganda is split into $200 million in cash, consisting of $100 million payable on completion of the transaction, $50 million payable upon a final investment decision being taken by the joint venture in respect of the field development and pipeline ("**FID**") and $50 million payable at first oil. The disposal is expected to complete in the first half of 2018. The Government of Uganda, us and our commercial partners continue to aspire to achieve FID around the middle of 2018 with first oil expected to occur approximately three years after FID.

The remaining $700 million is in deferred consideration and represents reimbursement in cash of a proportion of some of our past exploration costs and payment for development costs. The deferred consideration left after the reimbursement of past costs will be payable as the upstream and pipeline projects progress and these payments will be used to fund our share of the development costs. We expect that the deferred consideration will cover our entire share of pre-first oil upstream and pipeline development capital expenditure. Completion of the transaction is subject to certain conditions, including the approval of the Government of Uganda, after which we will cease to be an operator in Uganda.

Upon completion of the Uganda Farm-down, we will have an 11.76% interest in the upstream and pipeline projects. This is expected to reduce to a 10% interest in the upstream project when the Government of Uganda formally exercises its right to back-in. On May 26, 2017, the Governments of Uganda and Tanzania signed an intergovernmental agreement for the pipeline project. Although it has not yet been determined what interests the Governments of Uganda and Tanzania will take in the pipeline project, we expect our interests in the upstream and pipeline projects to be aligned.

While we believe we have a strong relationship with the Government of Uganda, as well as with the national oil company and other regulators and authorities, there can be no assurance that the necessary consents will be obtained in respect of the Uganda Farm-down. If such consent is not achieved or if completion does not occur as a result of the failure to satisfy the other conditions precedent or for any other reason, we would not receive any of the consideration payable as part of the Uganda Farm-down and would retain our current 33.33% Uganda upstream interest. As a result, we would remain liable for our share of the expected upstream capital expenditure and operating costs associated with our 33.33% Uganda upstream interest which we currently estimate to be $5.2 billion (on a gross basis), of which

$3.0 billion relates to the period up to first oil being achieved. If the Uganda Farm-down does not complete and we retain our current interest in our Ugandan assets, this could result in a material adverse effect on our ability to conduct business in the region as well as our financial condition and results of operations.

Even if the Uganda Farm-down completes, $50 million of the consideration is payable on FID being made and $50 million of the consideration is payable on first oil being achieved. There can be no guarantee that the FID will be made by the field's commercial partners or that first oil will be achieved. If either or both of these events does not occur, we will not receive up to $100 million of the consideration payable.

Following completion of the Uganda Farm-down, we will cease to be an operator of any of our licenses in Uganda (including, for the avoidance of doubt, the Lake Albert development). See "—We are not the operator of all of the licenses to which we are a party and, as a result, are not able to exercise full control over the operations of, and decisions taken by, the operator."

Reduced production or unexpected costs in the Jubilee field as a result of the Turret Remediation Project may have a material adverse impact on our business, prospects, financial condition and results of operations

In February 2016, we identified an issue with the turret bearing of the Kwame Nkrumah MV21 FPSO at our Jubilee field. As a result, we initiated an investigation and, on March 20, 2016, we shut down production in the Jubilee field. Following the shutdown, we put in place revised offtake procedures utilizing both a DP shuttle and storage tanker. On May 3, 2016, we resumed production at a reduced rate after the approval of a revised case to operate, which included the use of heading control tugs to minimize vessel movement and avoid further deterioration of the bearing. During 2016, we commenced the implementation of an interim solution which involved the implementation of an interim spread-mooring solution which enabled the heading control tugs to be released with the FPSO held in position by February 2017.

Together with our commercial partners, we have determined that the preferred long-term solution to the turret bearing issue is to convert the FPSO to a permanently spread-moored vessel (the "**Turret Remediation Project**"), with offtake most likely through a new deep-water offloading buoy. The Turret Remediation Project has received the consent of the Government of Ghana.

This final solution will involve rotating the vessel to optimum heading as a spread moored vessel and installing a new anchoring system. This is planned to be completed by the end of the first quarter of 2019 with a series of planned shutdowns totaling seven to nine weeks, all currently scheduled to take place in 2018, although we and our commercial partners continue to work to optimize and reduce the shutdown period.

The final phase of the Turret Remediation Project will most likely involve the installation of a deep-water offloading buoy which is currently planned to be installed in 2019. The installation of a deep-water offloading buoy would remove the need for the dynamically positioned shuttle tanker and storage tanker and the associated operating costs.

Although we expect the Turret Remediation Project to be completed in 2019, there can be no assurance that we will achieve our intended timetable for implementation and, if we do not do so, the resulting delay could have a material adverse effect on our business, prospects, financial condition and results of operations.

The capital costs associated with the remediation works, the lost revenue from the shutdown periods and the increased operating costs which have been, and will continue to be, suffered as a result of the turret bearing issue and the consequent reduced production capacity are subject to claims pursuant to two policies of insurance under which we are entitled to recover: the H&M Policy and the BI Policy. To date both policies have responded to the incident. We have received monies against both and we continue to submit costs associated with both policies in support of the Turret Remediation Project. An independent assessor concluded a root cause analysis (the "**RCA**") of the turret bearing issue and issued a final RCA report in September 2017, which identified no clear root cause. Both the H&M Policy and BI Policy providers used the interim RCA report dated August 2016 and its conclusions in connection with the affirmation of cover, which was received in September 2016 from substantially all of our insurers.

Pursuant to the terms of the H&M Policy, we and our commercial partners are entitled to receive payments relating to steps taken to mitigate further loss (for example, costs in relation to the tugs used for heading control are recoverable as they reduce further damage to the turret) and labor (costs incurred to mitigate against the escalation of claim) and capital costs to reinstate the FPSO to its operating condition prior to the incident. The total claim made under the H&M Policy (on our behalf and on behalf of our commercial partners) is expected to amount to approximately $600 million (recovery under the H&M Policy is limited to, in aggregate, $1,800 million). Pursuant to the terms of the BI Policy, we are entitled to receive both lost production income determined by an agreed price of $60/bbl and relevant lost production, and to be indemnified for costs relating to increased costs of working incurred in respect of supporting production. The total claim made under the BI Policy is expected to amount to approximately $700 million (recovery under the BI Policy is limited to, in aggregate, $900 million). While we do not believe the amount we will be required to claim under either the H&M Policy or the BI Policy will exceed the total amount recoverable under such policy, there can be no assurance that this will be the case and, to the extent a claim exceeds the policy limit, it will not be recoverable and we and our commercial partners will be required to suffer losses without recourse to the relevant policy, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

To the extent recoverable, the insurers are obliged to make payments in respect of claims under the BI Policy for a period of 36 months from May 2016. Accordingly, we will cease to receive any payments relating to lost revenues and increased operating costs in May 2019, irrespective of whether a long-term solution and the return to normal operations has been achieved. Although we have factored the BI Policy expiration date into our production and shutdown periods to ensure we have completed the Turret Remediation Project in advance of May 2019, there can be no guarantee that we will have implemented the Turret Remediation Project by the time the cover under the BI Policy expires. Any failure to implement the Turret Remediation Project by the time our insurance cover expires may result in production delays and declines from normal field operating conditions as well as potential increased costs and may result in revenue and cash flow levels being materially and adversely affected.

While the lead insurers have affirmed the extent of the cover under each policy, the policies are ones of indemnity such that we are required to incur any costs or suffer any loss prior to submitting a claim under the relevant policy. Insurance proceeds of $220.9 million were recorded in the year ended December 31, 2017. Proceeds related to lost production under the Business Interruption insurance policy of $162.1 million were recorded as other operating income—lost production insurance proceeds in the income statement. Proceeds related to compensation for incremental operating costs under the Business Interruption and Hull and Machinery insurance policies of $50.9 million were recorded within the operating costs line of cost of sales. Proceeds related to compensation for capital costs under the Hull and Machinery insurance policy of $7.9 million were recorded within additions to property, plant and equipment. With effect from November 2017, we and our insurers have agreed that a payment of $10 million will be made on a monthly basis (during the period between November 2017 and March 2018, with the amount of the payment after that period and until May 2019 to be agreed with insurers but expected to be at least $10 million per month) under the BI Policy, with adjustments to this figure agreed between ourselves and our insurers on a quarterly basis.

Notwithstanding the affirmation of cover and the agreed rate of monthly indemnity by the insurers, there can be no guarantee that each claim submitted by us will be met by the insurers and we may undertake action believing it to be covered by either the H&M Policy or the BI Policy and not be indemnified for such costs. Incurring material costs which are not subject to indemnification may materially and adversely affect our business, prospects, financial condition and results of operations.

See "—Our insurance coverage may not be adequate for covering all losses arising from potential operational hazards and unforeseen interruptions."

Our exploration and production operations are dependent on our compliance with obligations under contracts, licenses, permits, operating agreements and relevant legislation

Our current operations are, and our future operations may be, subject to, and carried out in accordance with, licenses, approvals, authorizations, consents and permits from governmental authorities and prevailing relevant local legislation for exploration, development, construction, operation, production, marketing, pricing, transportation, storage and disposal of oil, other hydrocarbons and by-products, taxation and environmental protection and health and safety matters.

We cannot guarantee that such licenses, approvals, authorizations, consents and permits will be granted or, if granted, will not be subject to possibly onerous conditions or require us to incur material costs in order to comply with their terms. Our ability to obtain, sustain or renew such licenses, approvals, authorizations, consents and permits on acceptable terms may be subject to changes in interpretation, regulations and policies in the jurisdictions in which we have assets. To the extent any such licenses, approvals, authorizations, consents and permits are required and not obtained, maintained or complied with, we may be curtailed or prohibited from proceeding with planned exploration or development of oil and gas assets and may be subject to fines and other penalties (including criminal sanctions).

Furthermore, no assurance can be given that disagreements with government officials regarding the interpretation of applicable laws and agreements, will not result in a curtailment of production, delays or a material increase in operating costs and capital expenditure of our activities or otherwise adversely affect our financial condition, results of operations or prospects. As a significant proportion of our production is concentrated in specific regions, disagreements with host governments regarding interpretation of applicable laws and agreements could adversely affect our relationship with the government and consequently, could impact our business operations. See "—A significant proportion of our production comes from West Africa and, in particular, the Jubilee and TEN fields in Ghana, making us vulnerable to risks associated with having significant production in one country and region as well as other risks specific to those fields." In addition, a failure to comply with applicable license obligations may lead to fines, penalties, restrictions, withdrawal of licenses and termination of related agreements, which could materially or adversely effect on our business, results of operations, cash flow and financial condition. See "—We are dependent on maintaining a constructive relationship with the governments in the countries in which we operate and, if our relationship with the host government in any such country in which we have a material presence deteriorates, this may have an impact on our business and results of operations."

In addition, we and our commercial partners, as the case may be, have obligations to develop fields in accordance with specific requirements under certain licenses, permits and related agreements (for example, production sharing contracts), field development plans, laws and regulations. If we or our commercial partners were to fail to satisfy such obligations with respect to a specific field, the license, permit or related agreements for that field could be suspended, revoked or terminated, which could materially and adversely affect our business, prospects, financial condition and results of operations.

A portion of the licenses pursuant to which we and our commercial partners conduct operations are solely exploration licenses, and as such the assets which are the subject of those licenses are not currently producing, and may never produce commercial quantities of, oil or gas. Typically, these licenses have a limited life before we or our commercial partners (as the case may be) are obliged to seek to convert the license to a production license, extend the license or relinquish the license area. If hydrocarbons are discovered during the exploration license term, we or our commercial partners (as the case may be) may be required to apply for a production license before commencing production. If we or our commercial partners (as the case may be) comply with the terms of the relevant exploration license, we would normally expect that a production license would be issued. No assurance can be given that any necessary production licenses will be granted by the relevant authorities on terms acceptable to us and/or our commercial partners (as the case may be), or at all, and the failure to obtain such a license on acceptable terms may materially and adversely affect our business, prospects, financial condition and results of operations.

Each of the exploration and production licenses, approvals, authorizations, consents, permits and/or related agreements pursuant to which we conduct operations have incorporated detailed work programs which are required to be fulfilled, normally within a specified timeframe. These may include seismic surveys to be performed, wells to be drilled, production to be attained, limits to production levels and specific construction matters. Some jurisdictions also impose a minimum financial spend during the exploration period, which can be called for payment if the minimum work obligations are not completed, and such a call could adversely affect our business, prospects, financial condition and results of operations.

In addition, we, our commercial partners or other third parties may require licenses, approvals or consents to construct pipelines or other infrastructure that crosses borders (as is the case in Kenya, Uganda and Tanzania) which would require negotiating access and construction permissions with governments in multiple jurisdictions. If such access and permissions are not achieved, it could limit the marketability and value of our production and adversely affect our business, prospects, financial condition and results of operation.

The suspension, refusal, revocation, withdrawal or termination of any of the licenses, permits or related agreements pursuant to which we conduct business, as well as any delays in the continuous development of or production at our fields caused by the issues detailed above, could materially and adversely affect our business, prospects, financial condition and results of operations. In addition, failure to comply with the obligations under the licenses, permits or agreements pursuant to which we conduct business, whether inadvertent or otherwise, may lead to fines, penalties, restrictions, withdrawal of licenses and termination of related agreements, which could materially and adversely affect our business, prospects, financial condition and results of operations.

Relevant legislation in the jurisdictions in which we do business provides that fines may be imposed and a license may be suspended or terminated if a license holder, or party to a related agreement, fails to comply with its obligations under such license or agreement, causes or contributes to damage the environment or natural resources, or fails to make timely payments of levies and taxes for the licensed activity, or fails to provide the required geological information or meet other reporting requirements.

The authorities in the jurisdictions in which we do business are typically authorized to, and do from time to time, inspect our assets to verify compliance by us or our commercial partners (as the case may be) with the licenses, permits, agreements and the relevant legislation pursuant to which we conduct our business.

We are subject to different regulatory regimes in each of the countries in which we operate. In Ghana, the Ghanaian Ministry of Petroleum has the overall responsibility for providing policy direction for the energy sector, with the Petroleum Commission being the regulatory body for the upstream petroleum sector. In Uganda, a two tier regime is operated, with production sharing contracts entered into between an international oil company and the Government of Uganda and licenses for different phases of petroleum operations issued by the Ministry of Energy and Mineral Developments. In Kenya, the state is required under its constitution to ensure that there is sustainable exploitation, utilization and management of the environment and natural resources and ensure equitable sharing of accruing benefits. The grant of a right or concession by or on behalf of any person, including the national government, to another person for the exploitation of any natural resource of Kenya is subject to ratification by parliament, which can result in substantial delays in obtaining such rights and concessions. The views of each of the parties involved in the regimes to which we are subject differ and may result in a higher administrative burden on us, which could impact our ability to comply with our obligations under our licenses or relevant legislation efficiently and on time. See "Certain regulatory regimes."

The legal and regulatory requirements in many of the jurisdictions in which we operate are not as well developed as the requirements of countries with more developed economies and often lack clarity. Additionally, some of these requirements are currently under review and may be subject to change. It may from time to time be difficult to ascertain whether we have complied with obligations under production sharing contracts and licenses as the extent of such obligations may be unclear or ambiguous, and regulatory authorities in jurisdictions in which we do business may not be forthcoming with confirmatory statements that work obligations have been fulfilled, which can lead to further operational uncertainty.

There can be no assurance that the views of the relevant government agencies regarding the development of the fields that we or our commercial partners operate, or the compliance with the terms of the licenses, permits, agreements or relevant legislation pursuant to which we conduct our operations, will coincide with our views, which might lead to disagreements that may not be resolved and any such disagreement, if not resolved in a commercially acceptable way or at all, may have a material adverse effect on our business, prospects, financial condition and results of operations.

We are dependent on maintaining a constructive relationship with the governments in the countries in which we operate and, if our relationship with the host government in any such country in which we have a material presence deteriorates, this may have an impact on our business and results of operations

Given our longstanding presence in many of the markets in which we operate, we have extensive experience in dealing with host governments. We aim to maintain a stable, solid and constructive relationship with such governments and the existing regulatory and tax authorities. We have frequent communications, through formal and informal channels and at multiple levels, with our host governments which can include, inter alia, standing or ad hoc committees and working groups which include regulatory or quasi-regulatory bodies. These communications aim to ensure (i) that we are aligned with host governments on key operational, financial and regulatory matters including the interpretation and application of our existing arrangements and legislative and regulatory instruments and (ii) that we are able to have an open and constructive dialogue in the event of any disagreements. To the extent disagreements with our host governments do arise and cannot be resolved amicably, it could have a material adverse effect on our business, prospects, financial condition and results of operations.

We have received, and continue to receive, claims, assessments or notifications from host governments including revenue and tax authorities and other regulatory bodies purporting to apply legislation or regulations which is/are enacted subsequent to the effective date of our petroleum agreements or to amend or vary the contractual rights in, or assert non-compliance with, our petroleum agreements or otherwise interpret such agreements differently than we do. Such actions may seek to alter the fiscal regime or other rights and benefits accruing to us under our petroleum agreements contrary to the protections we believe we have under the terms of our petroleum agreements, including by virtue of stabilization provisions found in many of the agreements. These actions may include, inter alia, the alteration of production sharing entitlements or contract terms, the variation of royalty rates or tax rates or the application of new or otherwise previously inapplicable taxes, and in some cases have sought to apply penalties that may be disproportionate to the amount of the claim or assessment. In some cases, such claims allege non-compliance with law or our petroleum agreements or production sharing contracts with the host government, and if upheld could result in the host government attempting to terminate such agreements or contracts and our rights with respect to the underlying assets. We have received, and continue to receive, and interact with host governments with respect to, claims and assessments of this nature in a number of different jurisdictions, including those in which we hold material assets, and we have observed an increase in the frequency and size of such claims during periods of low commodity prices, during election periods or when a new government takes office. In certain cases, the damages, penalties or payments sought under such claims have been material. When faced with such claims, we engage with host government authorities to seek an amicable solution which respects our contractual terms. However, we may not be able to agree to an amicable solution and, in such cases, we have sought, and will continue to be prepared to seek, an enforceable remedy through dispute resolution mechanisms including court proceedings and arbitration. Should we be unable to amicably resolve a claim, receive an adverse ruling in a dispute resolution proceeding, be unable to enforce a favorable ruling or otherwise damage our relationships with host governments, or in the event that the government seeks to terminate our petroleum agreements or production sharing contracts as a result of such claim or dispute, such events could have a material adverse effect on us or our business, prospects, financial condition and results of operation.

We face drilling, exploration, production and environmental risks and hazards that may affect our ability to produce oil and gas at expected levels, quality and costs

Oil and gas exploration and production operations are subject to certain risks including premature decline of reservoirs, invasion of water into producing formations, encountering unexpected formations or pressures, low permeability of reservoirs, blowouts, oil spills, explosions, fires, equipment damage or failure, natural disasters, geological uncertainties, unusual or unexpected rock formations and abnormal geological pressures, uncontrollable flows of oil, gas or well fluids, severe adverse weather or tidal conditions, shortages of skilled labor or suppliers, access to utilities such as water, sabotage of oil and gas pipelines, pollution and other environmental risks, any of which could materially adversely affect our business, prospects, financial condition and results of operations.

Certain of our facilities are also subject to hazards inherent in marine operations, such as piracy, capsizing, sinking, grounding, vessel collision and damage from natural catastrophes, severe storms or other severe adverse weather or tidal conditions. The offshore drilling that we conduct could involve increased risks due to risks inherent in the nature of drilling in complicated environments and complex geological formations including blowouts, encountering unused or unexpected rock formations with abnormal geographical pressures and oil spills. For example, each of the Jubilee and TEN fields production is produced through single FPSOs (the Prof. John Evans Atta Mills and the Kwame Nkrumah MV21, respectively) which are supported by a number of smaller vessels, so any technical failure or accident involving these FPSOs or the supporting vessels could have a material negative impact on our production and the resulting cash flow therefrom. See "—Reduced production in the Jubilee field as a result of the Turret Remediation Project may have a material adverse impact on our business, prospects, financial condition and results of operations."

The occurrence of the above risks could result in environmental damage, including biodiversity loss or habitat destruction, injury to persons and loss of life, failure to produce oil in commercial quantities, additional capital expenditure costs or an inability to fully produce discovered reserves. Moreover, spills of oil or other pollutants to the marine environment can require substantial expenditures to contain and remediate such spills. The risks mentioned above could also cause substantial damage to our property and our reputation and put at risk some or all of our interests in licenses, which enable us to explore and/or produce, and could result in us incurring fines or penalties as well as criminal sanctions potentially being enforced against us and/or our officers with such fines, penalties or criminal sanctions potentially having a negative impact on the likelihood of our being awarded licenses in the future. Subsequent production delays and declines from normal field operating conditions and other adverse actions resulting from the foregoing risks could adversely affect our revenues.

In addition, certain of our material licenses are in various phases of development without current production. The early stages, being the exploration or development period of a license, are commonly associated with higher risk, requiring high levels of capital expenditure without a commensurate degree of certainty of a return on that investment. Our capital expenditures may not guarantee the successful production of oil and gas in line with our projections. Other events, such as unexpected drilling conditions, equipment failures or accidents, breaches of security, adverse weather and the unavailability of drilling rigs, among others, in the fields in which we have an interest could, similarly, adversely affect our results of operations and financial condition. If we are unable to replace the commercial reserves that we produce, our reserves and revenues will decline.

Our future success depends on our ability to find and develop or acquire additional commercial reserves that are economically recoverable. Certain of our interests are in mature fields with declining production, such as the Chinguetti field in Mauritania (which ceased production in December 2017), the Ceiba and Okume fields in Equatorial Guinea, the CMS fields in the United Kingdom and the Etame and Echira fields in Gabon. While well supervision and effective maintenance operations can contribute to sustaining production rates over time, we are required to undertake exploration, appraisal and development activities in order to replace reserves which are depleted by production. While we may seek to develop or acquire additional assets containing commercial reserves, we may not be able to find, develop or acquire suitable additional reserves on commercially acceptable terms or at all, which could result in depletion of our reserves or contingent resources, which could materially and adversely affect our business, prospects, financial condition and results of operations. See "—If we fail to identify appropriate acquisition targets, carry out appropriate diligence on them and complete and integrate acquisitions successfully, our financial condition and future performance could be adversely affected" and "Risks relating to the oil and gas industry—We face significant uncertainty as to the success of any exploration, appraisal and development activities."

The level of our oil and gas commercial reserves and contingent resources, their quality and production volumes may be lower than estimated or expected.

The information about our commercial reserves and contingent resources set forth in this Offering Memorandum and in the reports referred to herein, which have been prepared on an SPE basis, represent estimates only and such estimates are forward looking statements which are based on judgments regarding future events that may be inaccurate.

In general, estimates of economically recoverable oil reserves are based on a number of factors and assumptions made as at the date on which the reserves estimates were determined, such as geological and engineering estimates (which have inherent uncertainties), historical production from the assets, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results.

Underground accumulations of hydrocarbons cannot be measured in an exact manner and estimates thereof are a subjective process aimed at understanding the statistical probabilities of recovery. Estimates of the quantity of economically recoverable oil and gas reserves, rates of production and the timing of development expenditures depend upon several variables and assumptions, including the following:

- production history compared with production from other comparable producing areas;
- quality and quantity of available data;
- interpretation of the available geological and geophysical data;
- effects of regulations adopted by governmental agencies;
- future percentages of international sales;
- future oil and gas prices;
- capital investments;
- effectiveness of the applied technologies and equipment;
- future operating costs, tax on the extraction of oil and gas reserves, development costs and workover and remedial costs; and
- the judgment of the persons preparing the estimate.

As all reserve estimates are subjective, each of the following items may differ materially from those assumed in estimating reserves:

- the qualities and quantities that are ultimately recovered;
- the timing of the recovery of oil and gas reserves;
- the production and operating costs incurred;
- the amount and timing of additional exploration and future development expenditures; and
- future hydrocarbon sales prices.

We utilize a range of techniques to estimate the quantity of economically recoverable oil and gas reserves. One of these techniques is multi-dimensional seismic data which, even when properly used and interpreted, may not identify accurately the presence of oil and gas. Multi-dimensional seismic data and visualization techniques are tools that assist geoscientists in identifying subsurface structures and hydrocarbon indicators, but do not enable the interpreter to know whether hydrocarbons are, in fact, present in those structures. In addition, the use of multi-dimensional seismic and other advanced technologies requires greater pre-drilling expenditure than traditional drilling strategies, and we could incur losses as a result of such expenditure.

Many of the factors in respect of which assumptions are made when estimating reserves are beyond our control and therefore these estimates may prove to be incorrect over time. Evaluations of reserves necessarily involve multiple uncertainties. The accuracy of any reserves or contingent resources evaluation depends on the quality of available information and oil and gas engineering and geological interpretation. Exploration drilling, interpretation, testing and production after the date of the estimates may require substantial upward or downward revisions in our reserves or contingent resources data. Moreover, different reserves engineers may make different estimates of reserves based on the same available data. Actual production, revenues and expenditures with respect to reserves and contingent resources will vary from estimates and the variances may be material.

The uncertainties in relation to the estimation of reserves set out above also exist with respect to the estimation of contingent resources. The probability that contingent resources will be discovered, or be economically recoverable, is considerably lower than for commercial reserves. Volumes and values associated with contingent resources should be considered highly speculative. In this Offering Memorandum, we present certain management estimates regarding contingent resources in the South Lokichar Basin in Kenya as of December 31, 2017, including estimates of 1C, 2C and 3C contingent resources. These estimates have been based on reports prepared by management in the fourth quarter of 2017 and have not been audited by ERCE as of the date hereof. Potential noteholders are advised that these resource estimates are subject to the ERCE audit process in future periods and may be subject to material changes in connection therewith. See "Presentation of financial and other information."

If the assumptions upon which the estimates of our oil and gas reserves and contingent resources have been based prove to be incorrect or if the actual reserves or contingent resources available are otherwise less than the current estimates or of lesser quality than expected, we may be unable to recover and produce our estimated levels or quality of oil and gas and this may materially and adversely affect our business, prospects, financial condition and results of operations.

Accordingly, the commercial reserves and contingent resources information set out and referred to in this Offering Memorandum may not reflect actual commercial reserves and contingent resources or be comparable to similar information reported by other companies.

We are not the operator of all of the licenses to which we are a party and, as a result, are not able to exercise full control over the operations of, and decisions taken by, the operator. Further, where we are the operator of our licenses, we conduct certain of such operations with commercial partners which may increase the risk of disputes, delays, additional costs or the suspension and termination of the licenses or the agreements which govern our assets.

We have entered into business ventures with commercial partners in respect of a number of our exploration, production and development assets. We have interests in 89 licenses, 37 of which we are the operator. On January 9, 2017, we announced that we had agreed the terms of a substantial farm-down of our assets in Uganda to Total Uganda with effect from January 1, 2017. On March 16, 2017, CNOOC Uganda exercised its right of pre-emption in respect of the Uganda Sale Assets and on October 11, 2017, we amended and restated the sale and purchase agreement with Total Uganda and entered into a separate sale and purchase agreement with CNOOC Uganda, to transfer 10.7843% of our 33.33% interests in the Uganda Sale Assets to each of Total Uganda and CNOOC Uganda. Subject to completion of this farm-down, we will cease to be operator of any of our Ugandan assets. See "—Our substantial farm-down of our assets in Uganda is subject to certain conditions, including the consent of the Government of Uganda, and there is no guarantee such conditions will be satisfied and that the farm-down will complete."

During the year ended December 31, 2017, approximately 33% of our actual production was from non-operated fields. To the extent we are not the operator of our oil and gas assets or do not have voting rights to direct or exert influence over operations, the timing, costs and performance of such operations will be dependent on our commercial partners acting as operators. For example, we may believe a particular drilling campaign or location of a particular well would be beneficial for our own reserve position or that a particular asset is commercially viable. Without the agreement of our commercial partners, however, we would be unable to undertake the appropriate exploration or development activities to advance or protect our own commercial position, which may materially adversely affect our business, prospects, financial condition and results of operations. In addition, the terms of any relevant operating agreement will generally impose standards and requirements in relation to an operator's activities. While we have acquired interests in oil and gas assets that are operated by, what we believe to be, reputable operators, there can be no assurance that any such operator will observe such standards or requirements. Failure by an operator to comply with its obligations under relevant licenses including, for example, health and safety and environmental requirements, or the relevant operating agreement may result in delays or increased costs, lead to fines, penalties and restrictions and/or the withdrawal of licenses or termination of the agreements to which we are a party. We may also be subject to claims by an operator regarding potential non-compliance with our obligations under the relevant licenses or operating agreement.

Where we are an operator of a particular asset, we are dependent on our commercial partners complying with their obligations under relevant licenses or the agreements pursuant to which we operate an asset. Failure by us (acting with our commercial partners) to comply with our obligations may lead to fines, penalties, restrictions and withdrawal of licenses or termination of the agreements under which we operate. Typically, as operator, we are able to direct or control certain of the activities or operations relating to a particular asset. There is a risk that a commercial partner with license interests in an asset may elect not to participate in certain activities which we believe are required. In addition, in certain cases the consent of a commercial partner is required to undertake a particular course of action. Where consent is not forthcoming or the commercial partner refuses to follow our proposed course of action, it may not be possible for such activities to be undertaken by us alone or in conjunction with other commercial partners at the desired time or at all or otherwise, to the extent permitted, such activities may then need to be undertaken with us bearing a greater proportion of the risks and costs involved in the project. In addition, we may suffer unexpected costs or losses if a commercial partner does not meet obligations under agreements governing the relationship. For example, a commercial partner may default on its obligations to fund capital or other funding obligations in relation to such assets whether as a result of such commercial partner's insolvency or otherwise. In such circumstances, we may be required under the terms of the relevant operating agreement to contribute all or part of any such funding shortfall, regardless of the percentage interests we agreed with such commercial partner under such arrangements. Typically, the defaulting commercial partner will be required to cure its default in a period of time set out under the relevant agreement. Where the defaulting party refuses, or is unable, to cure its default, we and the other commercial partners may acquire the defaulting partner's interest in the license. As a result and despite our original intentions, our exposure to a particular license may increase such that we bear a greater proportion of the risks and costs involved, which may have a material adverse effect on our business, financial condition and results of operations. In addition, we may also be subject to claims by our commercial partners regarding potential non-compliance with our obligations. It is also possible that our interests, on the one hand, and those of our commercial partners, on the other will not always be aligned and could result in possible project delays, disagreements or additional costs.

In situations in which commercial partners include host governments, national oil companies or designated local partners, such partners are often supported by the other commercial partners during the exploration and development phases until production commences and indigenous participants have historically had a higher likelihood of defaulting on their development funding obligations, leaving the other commercial partners (including ourselves) either to pay on their behalf and remedy their default to advance development or continue production or otherwise seek recourse in the local courts by taking action against the host government, the national oil company or the designated local partner, which can lead to ongoing operational obstacles when seeking regulatory approval for future operations and reputational difficulties in the relevant country.

Our role in control of the operation of the license could therefore impact factors including timeline and cost of operations as well as our exit from the operating agreement, which may be subject to prior approval by our commercial partners. The occurrence of any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

We may be unable to sell assets on commercially acceptable terms or in a timely manner and may be required to retain liabilities for certain matters

We regularly review our asset base to assess the market value versus holding value of existing assets and our future funding requirements in relation to such assets, with a view to optimizing deployed capital, maintaining an appropriate level of exposure in each of our assets, ensuring a continued focus on our core activities and diversifying our assets to reduce risk. Our ability to monetize such assets (whether in full or in part) on commercially acceptable terms or at all at the point in time we wish to do so could be affected by various factors, including, among others, the availability of purchasers willing to acquire such assets at prices acceptable to us, the ability of those purchasers to secure the necessary funding to proceed with the purchase, consents required from commercial partners in such assets and consents required from government partners and regulators. To the extent that we are not able to monetize such assets (whether in full or in part) on commercially acceptable terms or at all at the points in time we wish to do so, we would be required to meet our funding requirements in relation to such assets when we would not otherwise be expected to make them had we monetized the asset. There can be no guarantee that the value we receive on disposal of an asset will equal or exceed the amount we acquired the asset for or represent a positive return on all amounts invested in, or spent on or in connection with, such asset for the period of time it has been held. Over the past few years, we identified certain non-core assets and took steps to dispose of them. For example, we elected to sell our licenses and interests in Norway and, in 2017, we achieved a full exit from Norway. In 2018, we aim to complete the process of divesting our assets in Pakistan.

Additionally, a disposing party typically retains certain liabilities or agrees to indemnify buyers for certain matters and in order to divest certain assets we may be required to provide an indemnity to a buyer particularly in relation to decommissioning, environmental and taxation liabilities. The magnitude of any such retained liability or indemnification obligation may be difficult to quantify at the time of the transaction and ultimately may be material. Also, as is typical in divestiture transactions, third parties may be unwilling to release us from guarantees or other credit support provided prior to the sale of the divested assets. As a result, after a sale, we may remain secondarily liable for the obligations guaranteed or supported to the extent that the buyer of the assets fails to perform these obligations and this could have a material adverse effect on our business, financial condition and results of operations.

Our insurance coverage may not be adequate for covering all losses arising from potential operational hazards and unforeseen interruptions

We believe that the extent of our insurance cover is appropriate based on the risks and exposures associated with our business, availability of insurance, the cost of cover and oil and gas industry practice. Although insurance coverage is in place for a number of identified risks, including cover for physical damage to assets, operator's extra expense (well control, seepage and pollution cleanup and re-drill costs), third-party liabilities for our global exploration and production activities, construction all risks cover for development projects, hull and machinery insurance for our FPSOs and business interruption insurance for each of our material assets, in each case such cover is subject to excesses, exclusions and policy limitations and there can be no assurance that such insurance will be adequate to cover any losses or exposure for liability, or that we will continue to be able to obtain insurance to cover such risks. If the insurance we maintain is not adequate and a loss or liability is suffered that is not covered by the insurances, our business, prospects, financial condition and results of operations could be materially and adversely affected.

We are unable to give any guarantee that expenses relating to losses or liabilities will be fully covered by the proceeds of applicable insurance. Consequently, we may suffer material losses from uninsurable or uninsured risks or insufficient insurance coverage. We are also subject to the future risk of unavailability of insurance, increased premiums or excesses, and expanded exclusions. While we procure insurance from institutions which receive at least an "A−" rating from international credit rating agencies, including members of the Lloyds insurance market in London and international and local insurance companies, there can be no guarantee that payments which may be received, or to which we may be entitled, under these policies of insurance will be made. In line with local legislation in certain jurisdictions, we are required to purchase insurance locally. Where this is required, we place insurance policies with resident insurance companies and reinsure into international markets with lead reinsurers that have a minimum A− or equivalent S&P rating.

When a loss occurs, we will seek indemnification from our insurers. The insurance claims process can be protracted and may include an initial period for which insurance is not recoverable depending on, for example, the nature of the loss, the terms of the policy and the insurers involved. There can be no guarantee that the terms and conditions of the policy will apply to all losses sustained or that the limits in the policy will be sufficient for the financial loss sustained. Further, any such claims could have an effect on our insurance premiums. See "—Reduced production in the Jubilee field as a result of the Turret Remediation Project may have a material adverse impact on our business, prospects, financial condition and results of operations."

Our operations may be subject to the risk of litigation

From time to time, we may be subject to or otherwise impacted by litigation or arbitration arising out of our activities or operations, whether or not a direct party to those matters.

Damages claimed, or the potential impact of the result under any such proceedings may be material or may be indeterminate, and the outcome of such litigation or arbitration could materially and adversely affect our business, prospects, financial condition and results of operations.

Currently, there are a number of disputes which could have a significant effect on our financial position or profitability including:

- *Contractual dispute with Seadrill Ghana Operations Limited:* In November 2012, Tullow Ghana Limited ("**TGL**") entered into a contract with Seadrill Ghana Operations Limited ("**Seadrill**") to provide the West Leo drilling unit (the "**West Leo Contract**") for TGL's drilling operations in Ghana, primarily at the TEN fields. As a result of the effect of the now resolved ITLOS maritime border dispute on the TEN fields, as well as the Government of Ghana not yet having approved the GJFFD, TGL was subject to a drilling moratorium in Ghana which took effect from October 1, 2016. Due to the introduction of the drilling moratorium, TGL invoked the force majeure provisions in the West Leo Contract and on December 1, 2016 terminated the West Leo Contract. Seadrill has made a claim for approximately $277 million (before costs and interest) and sought a further declaration that should Seadrill re-let the West Leo drilling unit for a daily rate lower than the daily operating rate under the West Leo Contract (the "**West Leo Re-let Rate**"), TGL should be responsible for the difference between the daily operating rate under the West Leo Contract and the West Leo Re-let Rate for each day the West Leo drilling rig is re-let prior to June 7, 2018. To date, the rig has not been re-let. Should TGL be unsuccessful in defending Seadrill's claim, TGL's current estimate of the potential gross liability to TGL and its joint venture partners is approximately $230 million (before costs and interest). Under the Deepwater Tano Joint Operating Agreement ("**DWT JOA**"), any liability for Seadrill's claim is shared amongst the joint venture partners in proportion to their interests under the DWT JOA and subject to the Kosmos ICC arbitration in relation to the West Leo Contract (described immediately below). We have a 55.5% paying interest. The trial for this dispute is scheduled to commence in May 2018.

- *Kosmos ICC arbitration in relation to the West Leo Contract:* In June 2016, Kosmos Energy Ghana HC ("**Kosmos**") commenced an arbitration against TGL with the International Chamber of Commerce ("**ICC**") to resolve a dispute relating to the approval of certain extensions to the West Leo Contract. The ICC's arbitration hearing for this dispute was held in January 2018. Kosmos believes that in 2012 TGL did not obtain the correct permissions from its DWT JOA joint venture partners to enter into certain extensions of the West Leo Contract such that Kosmos believes it is not responsible for its share (being approximately 20%) of any costs related to the use of the West Leo drilling unit beyond the approved work program and budget for 2016 and that all costs relating to the period following such 2016 approved work program and budget should not be for the joint account, but for TGL's sole account. If TGL is unsuccessful in defending the Kosmos arbitration and is also unsuccessful in defending the Seadrill claim, then TGL's estimated liability to Kosmos would be approximately $55 million (assuming the DWT JOA joint venture partners' gross liability in respect of the Seadrill dispute is approximately $230 million). Anadarko and Petro SA (being the other DWT JOA joint venture partners) have not brought the same or similar claims against TGL nor have they notified us of an intention to do so.

While we assess the merits of each action and will consider defending it accordingly, we may be required to incur significant expenses in defending against litigation or arbitration and there can be no guarantee that a court or tribunal will find in our favor. A decision adverse to us in connection with our contractual dispute with Seadrill or our arbitration with Kosmos in relation to the West Leo Contract, or other material claims to which we may be or become subject (including any claims that could be brought by Anadarko or Petro SA, or other claims where we are found to be liable for more than our net share), could have a material adverse effect on our business, prospects, financial condition and results of operations. Further, the adverse publicity surrounding such claims could materially and adversely affect our business and prospects. See "Our business—Legal and arbitration proceedings."

We operate with a significant level of net debt which may materially and adversely affect our business, liquidity, financial condition and prospects

The oil and gas industry is capital intensive and we expect to fund ongoing capital and operational expenditure from a combination of cash from operations, monetization of assets, debt facilities and debt and equity capital market transactions. However, we currently operate with a significant level of net debt which may constrain the scale of our future investments on exploration and appraisal activities which would therefore limit our longer term growth prospects. Although we aim for a gearing policy of less than 2.5x, the combination of low oil prices and the significant development expenditure required by the TEN project has resulted in us exceeding this policy in recent years. However, in 2017, we made progress towards our long-term policy of gearing primarily as a result of strong production performance, rigorous cost discipline and a rising oil price. Specifically, as of December 31, 2017, our net debt was $3.5 billion (compared to $4.8 billion as of December 31, 2016) and our gearing was 2.6x (as compared to 5.1x as of December 31, 2016). As of December 31, 2017, we had an aggregate of $1.1 billion available under the Existing Finance Agreements.

The level of our net debt could have important consequences for our business. For example, we may be unable to undertake certain operations which we would consider beneficial if such operations required increased or unbudgeted capital or operational expenditure. In addition, we may not be able to react to changes in the competitive environment or in the oil and gas industry. We must keep the financial covenants set by our lenders in mind in managing our net debt and financial resources and when planning for, or reacting to, changes in capital or operational expenditure in our business and the competitive environment and the oil and gas industry. If, following an evaluation of our financial position against such covenants, we determine we are unable to undertake certain operations which we consider would be beneficial to us without breaching such covenants, our business, longer-term liquidity, financial condition and prospects may be materially and adversely affected. While we and other members of the oil and gas industry have been able to negotiate amendments to the terms of such financial covenants in the past, there can be no assurance that we will be able to do so in the future on commercially acceptable terms, or at all. In addition, any failure to comply with any covenant may materially and adversely affect our business, longer-term liquidity, financial condition and prospects.

In light of the increased regulatory environment in which banks operate and the volatility of oil prices, there has been a reduction in certain banks' willingness or ability to lend to entities in the oil and gas industry. Accordingly, there is a risk that we may not be able to refinance our existing or future financial indebtedness or obtain additional debt finance on commercially acceptable terms, or at all. If refinancing or additional debt is not available on commercially acceptable terms, or at all, this may materially and adversely affect our business, longer-term liquidity, financial condition and prospects.

We may be required to dedicate a significant portion of our cash flow to servicing our debt obligations, thereby reducing the funds available for operations and future business opportunities. Such levels of indebtedness may increase our vulnerability to general adverse economic conditions and so place us at a commercial disadvantage to competitors who have less debt.

Failure by us, our suppliers or our contractors to obtain access to necessary equipment, facilities and transportation systems could materially and adversely affect our business, prospects, financial condition and results of operations

We rely on oil field suppliers and contractors to provide materials and services in conducting our exploration and production activities. Any pressures on the oil field suppliers and contractors, such as substantial increases in the worldwide prices of commodities, including, for example, steel, could result in a material increase in costs for the materials and services required to conduct our business. Such equipment, personnel and services can be scarce and may not be readily available at the times and places required by us to conduct our planned operations, especially in remote locations where we operate our assets, for example in Uganda and Kenya. Future changes to the supply of these services could have a material adverse effect on our operating income, cash flows and borrowing capacity and may require a reduction in the carrying value of our assets, our planned level of spending for exploration and development and the level of our reserves. Prices for the materials and services we depend on to conduct our business may not be sustained at levels that enable it to operate profitably.

Oil and gas exploration, development and production activities are dependent upon the availability and cost of drilling rigs and related third-party equipment. High demand for equipment such as drilling rigs or access restrictions may affect the availability and cost of, and our access to, such equipment on commercially acceptable terms or at all and may delay or increase the cost of our exploration, development or production activities. Additionally, the wage rates of qualified drilling rig crews generally rise in response to the increased number of active rigs in service and could increase sharply in the event of a shortage. As a result of current conditions in the oil and gas industry, costs of such equipment and wages have declined from higher levels several years ago. Any increase in industry demand could result in significant increased costs. Failure by us or our contractors to secure necessary equipment on commercially reasonable terms or at all could materially and adversely affect our business, prospects, financial condition and results of operations.

The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services using new technologies which can dramatically improve efficiency and decrease the cost of production. New technology, when first developed, may be scarce and competition to acquire or use it may be high. Other oil and gas companies may have greater financial or other resources that allow them to access such advancements ahead of us. We may not be able to respond to these competitive pressures or acquire or access new technologies on a timely basis or at an acceptable cost. If one or more of the technologies we use now or in the future were to become obsolete and we are unable to access more advanced technologies on commercially acceptable terms or at all, our business, prospects, financial condition and results of operations could be materially adversely affected.

We and our offtakers rely, and any future offtakers will rely, upon the availability of storage tanks and transportation systems, such as pipelines and oil tankers, including infrastructure owned and operated by third parties, including governments. We may be unable to access such infrastructure or alternative infrastructure or otherwise be subject to interruptions or delays in the availability of infrastructure, which could result in disruptions to our projects thereby impacting our ability to deliver oil and gas to commercial markets. For example, there were delays in the startup of the Government of Ghana's gas processing plant, which we did not construct and over which we have little control, and such delays historically did affect our ability to pipe gas from the Jubilee field onshore. Further, our offtakers could become subject to increased tariffs imposed by government regulators or the third-party operators or owners of the transportation systems available for the transport of our oil and gas, which could result in decreased offtaker demand and downward pricing pressure. If we are unable to access the requisite pipeline and other infrastructure, our operations will be materially and adversely affected.

We may face unanticipated increased or incremental costs in connection with decommissioning obligations

Licensees are typically obliged under the terms of relevant production sharing contracts or production agreements, licenses or local law to dismantle and remove equipment, to cap or seal wells and generally to remediate production sites at the end of the productive life of the asset. In connection with the sale or transfer of our assets, we may retain or be liable for decommissioning liabilities, even if we have not contractually agreed to accept these liabilities. In certain cases, a licensee could be required, under the relevant production sharing contracts, production agreements, licenses or under applicable law to bear 100% of the decommissioning liabilities attributable to a contract area, notwithstanding that the licensee held less than 100% of the participating interest in the contract area. In certain jurisdictions, a former licensee may remain liable for decommissioning costs following the disposal of such licenses. However, it is typical for purchasers to assume responsibility for the liabilities attached to the purchased licenses (e.g. through indemnification), the former licensee would be exposed to the credit risk of the purchaser. We have disposed of all of our Norwegian assets and the purchasers have assumed responsibility for the purchased assets in the purchase agreements.

Our accounting policies require a provision to be made for the entire anticipated decommissioning costs of an asset when the related facilities are installed with the provision being subject to annual assessment and adjustment if required. We reduced our decommissioning cost provision in our financial statements for the year ended December 31, 2017 to $897.4 million from $1.0 billion for the year ended December 31, 2016, based on our estimate of the aggregate decommissioning costs to be incurred following cessation of production by each of our producing assets. Although we believe we have historically made adequate provision in respect of our anticipated decommissioning costs in the near to medium term, for example in relation to the three-year decommissioning program commenced in December 2017 in relation to the Chinguetti field, which ceased production in December 2017, there can be no guarantee that the provision which has been made is sufficient. Our estimates are based on facts and circumstances known as of the date of such financial statements including the extent of our operations. An increase in decommissioning costs could materially and adversely affect our business, prospects, financial condition and results of operations. Additionally, these future decommissioning costs may involve the posting of financial security, such as surety bonds or letters of credit or paying monies into a decommissioning fund required by the relevant licenses to perform exploration or production activities. If we are unable to procure or renew such letters of credit on commercially acceptable terms or at all or to meet the decommissioning fund requirements, we risk being in default of our license obligations.

In addition, it is possible that we may incur decommissioning liabilities sooner than budgeted for, particularly if further declines in oil prices resulted in production from certain oil fields no longer being commercially viable or as a result of changes in regulation that impose accelerated timeframes or increased costs for decommissioning activities, although we do not anticipate that we will have any material decommissioning costs in the short to medium term. To the extent that our costs in connection with decommissioning are higher than anticipated or are incurred earlier than anticipated, there could be a material adverse effect on our business, prospects, financial condition and results of operations.

In addition, the oil and gas industry in certain of the countries in which we operate currently has limited experience in decommissioning petroleum infrastructure which may give rise to greater uncertainty as to our obligations in such countries. The costs of decommissioning may exceed the value of the long-term provision set aside to cover such decommissioning costs. These costs may rise further as decommissioning activity in the oil and gas industry accelerates and competition for decommissioning equipment and services increases. We may have to draw on funds from other sources to fund such decommissioning costs.

We may engage in hedging activities from time to time that would expose us to losses should markets move against our hedged position

The nature of our operations results in exposure to fluctuations in commodity prices. Our policy is to hedge on a portfolio basis rather than on a single asset basis. We primarily transact our hedging activities with the lenders under the RBL Facilities and the Corporate Facility which we consider to have strong credit ratings. Our policy is to have the flexibility to protect ourselves against adverse movements in commodity prices up to a maximum of 60% of the next financial year's forecast oil sales entitlements on a rolling annual basis, up to 30% in the following financial year. We use financial instruments such as a combination of bought put options, collars and three ways (put plus call spread trades) normally conducted ratably over time and occasionally physical delivery contracts to hedge our exposure to these risks and may continue to do so in the future. As of December 31, 2017, our Dated Brent hedging contracts had a mark-to-market of approximately negative $76 million (inclusive of deferred premium) and included protection for 45,000 bopd maturing throughout 2018 with an average floor price protection of $52.23/bbl, 22,232 bopd maturing throughout 2019 with an average floor price protection of $48.87/bbl and 997 bopd maturing throughout 2020 with an average floor price protection of $50.00/bbl.

However, hedging could fail to protect us or could adversely affect us due to, among other reasons:

- our hedging policy not achieving the expected results and not being appropriate for us;
- loss of price upside through collars in the event of upward movement in oil prices;
- absence of offsetting revenues from oil sales for payments under collar hedges in the event of upward movement in oil prices combined with shortfall in oil production;

- the available hedging instruments failing to correspond directly with the risk for which protection is sought;
- our hedge counterparty defaulting on its obligation to pay us;
- the credit quality of our hedge counterparty being downgraded to such an extent that it impairs the ability of the relevant member of our group to sell or assign its side of the hedging transaction; and
- the value of the derivatives used for hedging being adjusted from time to time in accordance with applicable accounting rules to reflect changes in fair value, and any downward adjustments reducing our net assets and profits.

In addition, hedging involves transaction costs, typically option premiums. These costs may increase as the period covered by the hedging increases and during periods of increased expected price volatility. In periods of extreme price volatility or at low price levels, it may not be commercially viable to enter into hedging transactions due to the high costs involved, which may in turn increase our exposure to financial risks. Some relationship banks have reduced or ceased their commodity hedging businesses over the past several years due to poor returns and increased regulation. We primarily transact our hedging activities with the lenders under the RBL Facilities and the Corporate Facility which we consider to have strong credit ratings. There can be no guarantees that we will be able to procure future hedging on acceptable terms or at all.

If we experience losses as a result of our hedging activities, or if we are unable to hedge our commodity price effectively in the future, this could have a material adverse effect on our business, prospects, financial condition and results of operations.

We may be subject to work stoppages or other labor disturbances, and our employees may become unionized

We employ local workers in many of the countries in which we do business. Additionally, we hire contractors who, in turn, have their own employees from the regions in which we do business. Although we believe we have good relations with our employees and our contractors' employees, work stoppages or other labor disturbances may occur in the future. In addition, our employees, and those employed by our contractors, may become members of or represented by labor unions. If this occurs, our contractors may not be able to negotiate acceptable collective bargaining agreements or future restructuring agreements or may become subject to material cost increases or additional work rules imposed by such agreements. The occurrence of any of the foregoing could materially and adversely affect our business, prospects, financial condition and results of operations.

If we fail to identify appropriate acquisition targets, carry out appropriate diligence on them and complete and integrate acquisitions successfully, our financial condition and future performance could be adversely affected

We have undertaken previously a number of acquisitions of oil and gas assets (or in some cases, the acquisition of companies holding such assets) including, but not limited to, North Sea gas assets in the United Kingdom in 2001, Energy Africa in 2004, Hardman Resources in 2007, certain Ugandan assets of Heritage Oil & Gas in July 2010, North Sea assets in the Netherlands from the Vattenfall group in 2011 and Spring Energy in January 2013.

We will continue to consider acquisition opportunities that fit within our overall strategy, including seeking to maintain or increase our commercial reserves and contingent resources through acquisitions. However, competition for the acquisition of any assets that we have identified as being appropriate in light of our overall strategy may be intense and, as a result, we may be unable to acquire such assets on commercially acceptable terms, or at all. In addition, there can be no assurance that any potential acquisition will be successful and any unsuccessful acquisition could materially and adversely affect our business, prospects, financial condition and results of operations.

We believe that we perform reviews of assets that are consistent with industry practice prior to any acquisitions. Such reviews are, however, inherently incomplete. Ordinarily, we focus our due diligence efforts on higher valued and material assets. However, even an in depth review of all assets and records may not reveal existing or potential problems, nor will it always permit a buyer to become sufficiently familiar with the assets to assess fully their deficiencies and capabilities. Physical inspections may not be performed on every well, and structural or environmental problems, such as ground water contamination, are not necessarily observable even when an inspection is undertaken. Any failure to identify and/or deal appropriately in any relevant acquisition documentation with such material matters may render any acquisition uneconomical or may expose us to unforeseen circumstances and may impact our business, prospects, financial condition and results of operations.

Following any acquisition, while we believe that we utilize appropriate procedures, systems and controls, integrating operations, technology, systems, management and personnel, and pre- or post-completion costs of any future acquisitions may prove more difficult and/or expensive than anticipated, thereby rendering the value of any assets acquired less than the amount paid and could also materially and adversely affect our business, prospects, financial condition and results of operations.

We depend on our board of directors, key members of management, technical, exploration, financial or operational service providers and on our ability to retain and hire such persons to manage effectively our growing business

Our future operating results depend in significant part upon the continued contribution of our board of directors, key senior management and technical, exploration, financial and operations personnel. Management of our strategy and growth will require, among other things, stringent control of financial systems and operations, the continued development of our management control, the ability to attract and retain sufficient numbers of qualified management and other personnel, the continued training of such personnel and the presence of adequate supervision.

At our annual general meeting on April 26, 2017, Mr. Paul McDade (formerly the Chief Operating Officer) was appointed Chief Executive Officer to replace Mr. Aidan Heavey, who in turn was appointed as the Company's Non-Executive Chairman for a transitional period of up to but not exceeding two years. The search for a new Chairman is well advanced and we expect to make an announcement by the end of 2018. In addition, following an executive search process by the Nominations Committee, on June 20, 2017, Les Wood (formerly Interim Chief Financial Officer) was appointed Executive Director and Chief Financial Officer to replace Mr. Ian Springett. Although we expect that the changes made to the Board and the phased transition in our leadership will allow it to maintain relationships with external stakeholders, including governments and commercial partners, there can be no assurance that such relationships will be maintained either during the phased transition or following such period. In addition, while we believe we have in place sufficient succession planning, there can be no assurance we will be able to identify individuals for particular roles either from within or outside our organization or engage such individuals on commercially acceptable terms or at all.

Attracting and retaining additional skilled personnel is fundamental to the successful growth of our business. We require skilled personnel in areas including exploration and development, operations, engineering, business development, oil and gas marketing, finance, legal and accounting relating to our projects. Given the competitive market in which we operate, there can be no assurance that we will successfully attract new personnel or retain existing personnel required to continue to expand our business and to successfully execute and implement our business strategy. In particular, we may consider it appropriate to recruit local individuals or be required to do so in terms of our "social license to operate". Given the relatively limited pool of individuals with the appropriate skills in certain countries in which we operate, there can be no guarantee that we can meet such aspirations or obligations and we may be required to recruit ex-patriate staff to fulfil such vacancies. See "—Our ongoing and future success depends on securing and maintaining a "social license to operate" from impacted communities and other stakeholders". The continued highly competitive market and the continued use of expatriate staff may materially and adversely affect our business, prospects, financial condition and results of operations.

We use independent contractors to provide us with certain technical assistance and services. We rely upon the owners and operators of rigs and drilling equipment, and upon providers of field services, to drill and develop our prospects to production. We also rely upon the services of other third parties to explore or analyze our prospects to determine a method in which the prospects may be developed in a cost-effective manner. In certain cases, we may exercise limited control over the activities and business practices of these providers and any inability on our part to maintain satisfactory commercial relationships with them or their failure to provide quality services could materially adversely affect our business, prospects, financial condition and results of operations.

In 2015, we developed and implemented our Major Simplification Project which was designed to reorganize our business, simplify and enhance operational and business management, risk and performance management, and provide clarity on accountabilities, with the aim of enhancing a cost conscious and value focused culture, as well as generating substantial cost savings, while preserving core capabilities. The Major Simplification Project has resulted in a restructured business with a significantly lower head count. While we do not believe that the Major Simplification Project (including its continued focus on a cost conscious and value focused culture) has adversely affected our business and ability to attract and retain sufficiently skilled personnel, our ability to execute and implement our business strategy could be adversely impacted as a result of the significant reduction in our head count.

Our business reputation is important to our continued viability and any damage to such reputation could materially and adversely affect our business

Our reputation is important to our business for reasons including, but not limited to, finding commercial partners for business ventures, securing licenses or permits with governments, procuring offtake contracts, attracting contractors and employees and negotiating favorable terms with suppliers. In addition, as a publicly listed company, we may be subject to shareholder activism, which may have adverse consequences for our reputation and business.

Any damage to our reputation, whether arising from litigation, regulatory, supervisory or enforcement actions, environmental incidents, injury and loss of life, matters affecting our financial reporting or compliance with corporate governance best practice, administrative agencies or investor protection bodies in the jurisdictions in which we do business, negative publicity, including from environmental activists, or the conduct of our business or otherwise, could materially and adversely affect our business, prospects, financial condition and results of operations and reputation. Notwithstanding the appointment of Mr. Aidan Heavey as our Chairman being inconsistent with the recommendation of the Corporate Governance Code, we believe that we maintain appropriate levels of engagement with, and standards pertaining to, corporate governance, administrative agencies and investor protection bodies, however no assurance can be given that we will continue to meet such standards.

We are subject to currency exchange and inflation risks, which might adversely affect our financial condition and results of operations

Substantially all of our revenues, capital expenditure and the majority of our working capital requirements are denominated in US dollars. We convert funds to other currencies as required to meet our payment obligations in jurisdictions where the US dollar is not an accepted currency. Certain of our costs, including certain labor and employee costs, are typically incurred in currencies other than US dollars, including pounds sterling, euro, Ghanaian cedi, Ugandan shilling, Kenyan shilling and South African rand. Accordingly, we are subject to inflation in the countries in which we do business and fluctuations in the rates of currency exchange between the US dollar and these currencies, which may adversely affect our business, prospects, financial condition and results of operations. Consequently, construction, exploration, development, administration and other costs may be higher than we anticipate. In addition, in early 2014, the Ghanaian central bank imposed, certain exchange and currency restrictions, which effectively prohibited the use of US dollars for domestic transactions and reinforced the Ghanaian cedi as the sole legal tender. Although the Ghanaian central bank eased these measures in 2016 following the stabilization of external imbalances, such restrictive actions are beyond our control. If the Ghanaian central bank decides to take similar actions again in the future, such actions, depending on the length of time these controls remain in place, may result in the Ghanaian cedi ceasing to be freely convertible or transferable abroad or it could result in the Ghanaian cedi being significantly depreciated relative to other currencies, including the US dollar. Central banks in other jurisdictions in which we operate could impose similar regimes leading to us being subject to similar risks which may adversely affect our financial condition and results of operations.

We are obliged to comply with health and safety and environmental regulations and cannot guarantee that we will be able to comply with these regulations

We operate in an industry that is inherently hazardous and consequently subject to comprehensive regulation. Although we believe that we have adequate procedures in place to mitigate operational risks and keep these under review, there can be no assurances that these procedures will be adequate to address every potential environmental hazard and a failure to adequately mitigate risks may result in loss of life, injury, or adverse impacts on the health of employees, contractors or third parties or the environment. Any failure by us or one of our sub-contractors to comply with applicable legal or regulatory requirements may give rise to civil and/or criminal liabilities and/or delays in securing or maintaining the required permits. Our health, safety and environmental policy is to observe local and national, legal and regulatory requirements and generally to apply best practices where local legislation does not exist or where environmental regulation is not as stringent.

We incur, and expect to continue to incur, capital and operating costs in an effort to comply with health and safety and environmental laws and regulations. New laws and regulations, the imposition of tougher requirements in licenses or permits, increasingly strict enforcement of, or new interpretations of, existing laws, regulations, licenses and permits, or the discovery of previously unknown contamination may require further expenditures to, for example:

- modify operations;
- install pollution control equipment;
- perform site clean ups;
- curtail or cease certain operations; or
- pay fees or fines or make other payments for pollution, discharges to the environment or other breaches of environmental requirements.

Although the costs of the measures taken to comply with environmental regulations have not had a material adverse effect on our business, prospects, financial condition and results of operations to date, in the future, the costs of such measures and liabilities related to potential environmental damage caused by us may increase, which could materially and adversely affect our business, prospects, financial condition and results of operations. In addition, it is not possible to predict what future environmental regulations will be enacted or how current or future environmental regulations will be applied or enforced in the future. We may have to incur significant expenditure for the installation and operation of systems and equipment for remedial measures in the event that environmental regulations become more stringent or governmental authorities elect to enforce them more vigorously, or costly environmental reform is implemented by environmental regulators. Any such expenditure may have a material adverse effect on our business, prospects, financial condition and results of operations. No assurance can be given that compliance with environmental laws will not result in a curtailment of production or a material increase in the cost of production, development or exploration activities.

Our offshore operations may become subject to increased regulation and liability should a spill of oil or other pollutants to the marine environment occur. The costs to respond to such spill could exceed initial estimates or the limits of our insurance coverage. Also, if material spill events occur in the future, it may lead to cessation of drilling or production activities in the country where the spill occurred. The countries where we operate may also impose stricter environmental and safety requirements regarding oil and gas operations. We cannot predict with any certainty the impact of new laws, regulations, or other legal requirements on our operations or on the cost or availability of insurance to cover the risks associated with such operations.

While we have contractual arrangements in place with our agents which seek to ensure our agents comply with all appropriate health and safety and environmental requirements, there can be no guarantee that our agents adhere to such contractual arrangements or, if they do not adhere, that we will be made aware of any such breaches on a timely basis or at all. Furthermore, notwithstanding any contractual provisions stating otherwise, we may remain liable for the actions of our agents. In addition, there can be no guarantee that the steps being taken by any of our agents will be appropriate and meet the relevant requirements. Accordingly, a failure by one of our agents may have a material adverse effect on our business, prospects, financial condition and results of operations.

Our website and internal and external systems may be subject to intentional and unintentional disruption, and our confidential information may be misappropriated, stolen or misused, which could adversely impact our reputation and future sales

We could be a target of cyber-attacks designed to penetrate our network security or the security of our internal and external systems, misappropriate proprietary information, commit financial fraud and/or cause interruptions to our activities, including a reduction or halt in our production. Such attacks could include hackers obtaining access to, or control of, our operating or production systems, the introduction of malicious computer code or denial of service attacks. If an actual or perceived breach of our network security occurs, it could adversely affect our business or reputation, and may expose us to the loss of information, litigation, possible liability and expose our employees, contractors or agents to the risk of death or personal injury. Such a security breach could also divert the efforts of our technical and management personnel. In addition, such a security breach could impair our ability to operate our business and provide products and services to our customers. If this happens, our reputation could be harmed, our revenues could decline and our business could suffer.

In addition, confidential information that we maintain may be subject to misappropriation, theft and deliberate or unintentional misuse by current or former employees, third-party contractors or other parties who have had access to such information. Any such misappropriation and/or misuse of our information could result in us, among other things, being in breach of certain data protection and related legislation and being subject to significant fines, including, for example under the upcoming EU General Data Protection Regulation. We expect that we will need to continue closely monitoring the accessibility and use of confidential information in our business, educate our employees and third-party contractors about the risks and consequences of any misuse of confidential information and, to the extent necessary, pursue legal or other remedies to enforce our policies and deter future misuse.

Risks relating to the Notes and our structure

Our leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations under our debt, including the Notes and the Note Guarantees

As of December 31, 2017, on a *pro forma* basis after giving effect to the Refinancing, we would have had an aggregate principal amount of $3.8 billion of debt outstanding, of which $2.0 billion would have been secured indebtedness and of which $1.8 billion would have been unsecured indebtedness represented by the Notes, the 2022 Senior Notes and the Convertible Bonds. On the Issue Date, we expect to have approximately $3.1 billion of commitments under the RBL Facilities, and the Corporate Facility. We will be permitted to borrow substantial additional indebtedness, including secured debt, in the future under the terms of the Indenture.

The degree to which we are leveraged could have important consequences to our business and holders of the Notes offered hereby, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to the Notes or other indebtedness;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to make interest and principal payments on our debt, thereby reducing the availability of such cash flow to fund our operations or for other corporate purposes;
- limiting our ability to obtain additional financing to fund working capital, capital investments, acquisitions, debt service requirements, business ventures, or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we do business; and
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged.

These consequences could have a material adverse effect on our business, prospects, financial condition and results of operations and our ability to satisfy our obligations under the Notes.

Despite our current level of debt, we may still be able to incur substantially more debt in the future, including at the level of our subsidiaries, which may make it difficult for us to service our debt, including the Notes

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, including secured indebtedness. Although the Indenture will contain, and our 2022 Senior Notes Indenture, RBL Facilities, and the Corporate Facility do contain, restrictions governing the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If we or our subsidiaries incur new debt or other obligations, the related risks that we face, as described in "—Our leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations under our debt, including the Notes and the Note Guarantees" and elsewhere in these "Risk factors," could increase. In addition, the Indenture will not, and the 2022 Senior Notes Indenture, RBL Facilities, and Corporate Facility do not, prevent us from incurring obligations that do not constitute indebtedness as defined under those agreements.

Our non-Guarantor subsidiaries may also be able to incur substantial additional indebtedness in the future, further increasing the risks associated with leverage. If any of our non-Guarantor subsidiaries incur additional indebtedness, the holders of that debt will be entitled to share ahead of you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of such subsidiaries. See "—The Notes and Note Guarantees will be structurally subordinated to the liabilities and preference shares (if any) of our non-Guarantor subsidiaries."

For further information regarding our leverage and for more information about our outstanding indebtedness, see "Management's discussion and analysis of financial condition and results of operations" and "Description of certain financing arrangements."

We require a significant amount of cash to service our debt and sustain our operations, and our ability to generate sufficient cash depends on many factors beyond our control

Our ability to make payments on, or repay or refinance, our debt, and to fund working capital and capital investments, will depend on our future operating performance and ability to generate sufficient cash. This depends on the success of our business and financial strategies and on general economic, financial, competitive, market, legislative, regulatory, technical and other factors, including those discussed in these "Risk factors," many of which are beyond our control. In addition, our ability to borrow funds in the future to make payments on our debt will depend on the satisfaction of the covenants in our 2022 Senior Notes Indenture, RBL Facilities, and the Corporate Facility, and our other debt agreements, including the Indenture, and other agreements we may enter into in the future. For instance, our RBL Facilities, and Corporate Facility permit us to draw only if we satisfy a specified minimum ratio based on consolidated total net borrowings to consolidated EBITDA. We cannot assure you that our financial strategy will be adhered to or that our business strategy will result in sufficient cash flow from operations or that future debt and equity financings will be available to us in an amount sufficient to enable us to pay our debt, including the Notes, or to fund our other liquidity needs.

Prior to repayment of the Notes, we will be required to refinance or repay certain other debt, including debt under the 2022 Senior Notes Indenture, Convertible Bonds Trust Deed, RBL Facilities, and Corporate Facility. See "Management's discussion and analysis of financial condition and results of operations." We cannot assure you that we will be able to refinance or repay any of our debt, including the Notes, on commercially reasonable terms or at all. Any refinancing of our debt could be at higher interest rates than our current debt and may require us to comply with more onerous covenants, which could further restrict our business operations. If we are unable to make payments or refinance our debt or obtain new financing, we would have to consider other options, such as:

- selling assets;
- obtaining additional debt or equity capital;
- restructuring or refinancing all or a portion of our debt on or before maturity;
- foregoing opportunities such as acquisitions of other businesses; or
- reducing or delaying our business activities and capital investments.

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on commercially reasonable terms, if at all. Any failure to make payments on our debt, including the Notes, on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of the agreements governing our debt, including the Indenture and the 2022 Senior Notes Indenture, the Convertible Bonds Trust Deed, the RBL Facilities and the Corporate Facility, limit, and any future debt may limit, our ability to pursue any of these alternatives. There can be no assurance that any assets that we may elect to sell can be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale will be acceptable. If we are unsuccessful in any of these efforts, we may not have sufficient cash to meet our obligations, which could cause an event of default under our debt and result in:

- our debt holders declaring all outstanding principal and interest to be due and payable;
- the lenders under our RBL Facilities and Corporate Facility being able to terminate their commitments to lend us money and foreclose against the assets securing certain of our borrowings; and
- our being forced into bankruptcy or liquidation, which could result in you losing your investment in the Notes.

We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities

The Indenture will, and our 2022 Senior Notes Indenture, RBL Facilities, and the Corporate Facility, do, restrict, among other things, our ability to:

- incur additional debt and issue guarantees and preferred stock;
- make certain payments, including dividends and other distributions, with respect to outstanding share capital;
- repay or redeem subordinated debt or share capital;
- create or incur certain liens;
- impose restrictions on the ability of subsidiaries to pay dividends or make other payments to the Company;
- make certain investments or loans;
- sell, lease or transfer certain assets, including shares of any of our restricted subsidiaries;
- in the case of the Indenture, and the 2022 Senior Notes Indenture, guarantee certain types of our other indebtedness without also guaranteeing the Notes and the 2022 Senior Notes;
- expand into unrelated businesses;
- merge or consolidate with other entities, or make certain asset sales; and
- enter into certain transactions with affiliates.

All of these limitations are subject to significant exceptions and qualifications. See “Description of certain financing arrangements” and “Description of Notes.” The covenants to which we are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.

In addition, we are subject to affirmative and negative covenants contained in the RBL Facilities, and Corporate Facility, including a requirement under the RBL Facilities and Corporate Facility to maintain a specified ratio of consolidated net borrowings to consolidated EBITDA. See “Description of certain financing arrangements.” Our ability to satisfy such covenants and to meet financial ratios and tests can be affected by events beyond our control or as a consequence of complex transactions that we do not foresee, and we cannot assure you that we will meet them. If an unexpected change to accounting standards occurs or we fail to correctly interpret an accounting standard, we may be unable to comply with our maintenance covenants. A breach of any of those covenants, ratios, tests or restrictions could result in an event of default under the RBL Facilities, or the Corporate Facility, as applicable. Upon the occurrence of any event of default under the RBL Facilities or the Corporate Facility, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the facilities and elect to declare all amounts outstanding, together with accrued interest, immediately due and payable. Furthermore, we may be limited or prohibited from withdrawing funds from bank accounts that consist of amounts that we have received in connection with certain assets or any disposal of such assets or of any subsidiary that holds, whether directly or indirectly, any such asset. In addition, any default under the RBL Facilities or the Corporate Facility could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross- acceleration provisions, including the Indenture. If our creditors, including the creditors under the RBL Facilities and the Corporate Facility, accelerate the payment of those amounts, we cannot assure you that our cash flow or our assets and the assets of our existing subsidiaries or any future subsidiaries would be sufficient to repay in full such amounts, to satisfy all other liabilities of our existing subsidiaries or any future subsidiaries which would be due and payable and to repay amounts outstanding under the Notes. If we are unable to repay such amounts, our creditors could proceed against the collateral that secures the debt under the RBL Facilities and Corporate Facility.

Claims of the secured creditors of the Company and the Guarantors will have priority with respect to their collateral over the claims of unsecured creditors, such as the holders of the Notes, to the extent of the value of the assets securing such indebtedness

Claims of the secured creditors of the Company and the Guarantors will have priority with respect to the assets securing their indebtedness over the claims of holders of the Notes. As such, the Notes and Note Guarantees will be effectively subordinated to any secured indebtedness and other secured obligations of the Company or the relevant Guarantor (including obligations with respect to the RBL Facilities and the Corporate Facility) to the extent of the value of the assets securing such indebtedness or other obligations (other than to the extent such assets in the future also secure the Notes and/or the relevant Note Guarantees on an equal and ratable basis or priority basis). In the event of any foreclosure, dissolution, winding up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of the Company or any Guarantor that has secured obligations, holders of secured indebtedness will have priority claims to the assets of the Company or such Guarantor that constitute their collateral (other than to the extent such assets in the future also secure the Notes and/or the relevant Note Guarantees on an equal and ratable basis or priority basis). Subject to the limitations referred to under the caption "—Each Note Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability," the holders of the Notes will participate ratably with all holders of the unsecured indebtedness of the Company, such as the 2022 Senior Notes and its guarantee of the Convertible Bonds, or in the case of a Guarantor, the relevant Guarantor, and potentially with all of their other general creditors, based upon the respective amounts owed to each holder or creditor, in the remaining assets of the Company or the relevant Guarantor. If any of the secured indebtedness of the Company or the relevant Guarantor becomes due or the creditors thereunder proceed against the operating assets that secure such indebtedness, our assets remaining after repayment of that secured indebtedness may not be sufficient to repay all amounts owing in respect of the Notes or the relevant Note Guarantee. As a result, holders of Notes may receive less, ratably, than holders of secured indebtedness of the Company or the relevant Guarantor.

As of December 31, 2017, on a pro forma basis after giving effect to the Refinancing, we would have had an aggregate principal amount of $3.8 billion of debt outstanding, of which $2.0 billion would have been secured indebtedness and of which $1.8 billion would have been unsecured indebtedness represented by the Notes, the 2022 Senior Notes and Convertible Bonds. As of the same date, we had approximately $3.1 billion of commitments under the RBL Facilities and Corporate Facility. We will be permitted to borrow substantial additional indebtedness, including secured debt, in the future under the terms of the Indenture.

Certain of our borrowings bear interest at floating rates that could rise significantly, increasing our interest cost and reducing cash flow

A portion of our indebtedness, including borrowings under the RBL Facilities and the Corporate Facility, bears interest at per annum rates equal to EURIBOR or LIBOR, in each case adjusted periodically, plus a margin. Interest rates could rise significantly in the future, thereby increasing our interest expenses associated with these obligations, reducing cash flow available for capital investments and limiting our ability to make payments on the Notes. Although we have entered into certain hedging arrangements designed to fix a portion of these rates and may continue to do so, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms. In addition, hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements.

Following allegations of manipulation of LIBOR and EURIBOR, a different measure of inter bank lending rates, regulators and law enforcement agencies from a number of governments and the European Union are conducting investigations into whether the banks that contribute data in connection with the calculation of daily EURIBOR or the calculation of LIBOR may have been manipulating or attempting to manipulate EURIBOR and LIBOR. In addition, LIBOR, EURIBOR and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform, including the implementation of the IOSCO Principles for Financial Market Benchmarks (July 2013) and the new European regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, which entered into force on June 30, 2016. Following the implementation of any such reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on July 27, 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "FCA Announcement"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, changes in the manner of administration of any benchmark, or actions by regulators or law enforcement agencies could result in changes to the manner in which EURIBOR or LIBOR is determined, which could require an adjustment to the terms and conditions, or result in other consequences, in respect of any debt linked to such benchmark (including but not limited to the Existing Finance Agreements whose interest rates are linked to LIBOR and EURIBOR). Any such change, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase in reported EURIBOR or LIBOR, which could have an adverse impact on our ability to service debt that bears interest at floating rates of interest.

The Company is a holding company that has no revenue generating operations of its own and will depend on cash from its operating subsidiaries to be able to make payments on the Notes

The Company is a holding company with no business operations or significant assets other than the equity interests it holds in its subsidiaries and certain intercompany loans. Following the Refinancing, the Company's material liabilities will be the Notes, amounts due to subsidiaries under intercompany loans, the 2022 Senior Notes, its guarantee of the Convertible Bonds and drawings (if any) under the RBL Facilities and the Corporate Facility. The Company will be dependent upon cash flows from its operating subsidiaries in the form of dividends or other distributions or payments to meet its obligations, including its obligations under the Notes. If our subsidiaries do not distribute cash to the Company to make scheduled payments on the Notes, the Company may not have any other source of funds that would allow it to make payments to holders of the Notes.

The amounts of dividends and distributions available to the Company will depend on the profitability and cash flow of its subsidiaries, which, in turn, will be affected by all of the factors discussed in these "Risk factors" and elsewhere in this Offering Memorandum. Even if the subsidiaries of the Company have sufficient cash available, they may be restricted or prevented from distributing or advancing upstream loans to the Company to make payments in respect of its indebtedness, including the Notes. Various agreements governing our debt may restrict, and in some cases, may prevent the ability of the subsidiaries to move cash within their restricted group. Such restrictions include those created by our intercompany subordination agreement, which upon certain events of default, prohibits payments being made on certain intercompany loans. Applicable laws may also limit the amounts that our subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments. Such laws include financial assistance rules, corporate benefit laws, requirements that dividends must be paid out of reserves available for distribution and other legal restrictions which, if violated, might require the recipient to refund unlawful payments. Applicable tax laws may also subject such payments to further taxation.

Although the Indenture will limit the ability of our restricted subsidiaries to enter into future consensual restrictions on their ability to pay dividends and make other payments to the Company, there are significant qualifications and exceptions to these limitations. We cannot assure you that arrangements with the Company's subsidiaries and the funding permitted by the agreements governing existing and future indebtedness of the Company's subsidiaries will provide the Company with sufficient dividends, distributions or loans to fund payments on the Notes when due. See "Description of certain financing arrangements" and "Description of Notes."

The inability to transfer cash among entities within the consolidated group would mean that even if the entities, in aggregate, have sufficient resources to meet their obligations, they may not be permitted to make the necessary transfers from the entity or entities with funds to the entity owing the obligations. In addition, the subsidiaries of the Company that do not guarantee the Notes have no obligation to pay amounts due under the Notes or to make funds available for that purpose.

Each of the Note Guarantees will be subordinated to our existing and future senior debt

The Note Guarantees will each be the senior subordinated obligations of that Guarantor and:

- subordinated in right of payment to all existing and future senior obligations of the respective Guarantor, including, where applicable, such Guarantor's obligations under the RBL Facilities and the Corporate Facility;
- *pari passu* in right of payment with all future senior subordinated obligations of that Guarantor, including any Guarantees of the 2020 Senior Notes, the 2022 Senior Notes and the Convertible Bonds;
- senior in right of payment to all future obligations of that Guarantor that are expressly contractually subordinated to that Guarantor's Note Guarantee; and
- effectively subordinated to all existing and future secured obligations of that Guarantor (including under the RBL Facilities and the Corporate Facility where applicable), to the extent of the value of the property and assets securing such obligations, unless such assets also secure the Note Guarantees on an equal and ratable or senior basis.

See "Description of certain financing arrangements—Guarantee Subordination Agreement" and "Description of Notes."

In addition, no enforcement action with respect to the Note Guarantees (or any future guarantee of the Notes, if any) may be taken unless (subject to certain limited exceptions): (i) an enforcement action has been taken with respect to a Guarantor in relation to our senior and junior debt (provided that the Trustee on its own behalf and on behalf of the holders of the Notes will be limited to taking the same action against that same Guarantor); (ii) certain insolvency, liquidation or other similar enforcement events with respect to a Guarantor have occurred and such actions are taken with respect to such Guarantor (subject to certain limited exceptions) or (iii) there is a default on the Notes outstanding after a period of 179 days (or earlier in limited circumstances) from the date the agents with respect to our senior and junior debt received written notice of such default. See "Description of certain financing arrangements—Guarantee Subordination Agreement."

Upon any distribution to the creditors of a Guarantor in a liquidation, administration, bankruptcy, moratorium of payments, dissolution or other winding-up of such Guarantor, the holders of senior debt of such Guarantor will be entitled to be paid in full before any payment may be made with respect to the Guarantor's Note Guarantee. As a result, holders of the Notes may receive less, ratably, than the holders of senior debt of the Guarantors, including the lenders under our RBL Facilities and Corporate Facility.

As of December 31, 2017, on a *pro forma* basis after giving effect to the Refinancing, we would have had an aggregate principal amount of $3.8 billion of debt outstanding, of which $2.0 billion would have been secured indebtedness and of which $1.8 billion would have been unsecured indebtedness represented by the Notes, the 2022 Senior Notes, and the Convertible Bonds. As of the same date, we had approximately $3.1 billion of commitments under the RBL

Facilities and Corporate Facility. We will be permitted to borrow substantial additional indebtedness, including secured debt, in the future under the terms of the Indenture.

There are circumstances other than repayment or discharge of the Notes under which the Note Guarantees will be released automatically, without your consent or the consent of the Trustee.

Under various circumstances, the Note Guarantees will be released automatically:

- in connection with any sale or other disposition of all or substantially all of the properties or assets of the respective Guarantor (including by way of merger, amalgamation or consolidation) to a person that is not (either before or after giving effect to such transaction) the Company or a restricted subsidiary of the Company, if the sale or other disposition does not violate the "Asset Sale" provisions of the Indenture;

- in connection with any sale or other disposition of the capital stock of the respective Guarantor (whether by direct sale or through a holding company) to a person that is not (either before or after giving effect to such transaction) the Company or a restricted subsidiary of the Company, if the sale or other disposition does not violate the "Asset Sale" provisions of the Indenture and as a result of such disposition such Guarantor no longer qualifies as a subsidiary of the Company;

- if the Company designates the respective Guarantor (or any parent entity thereof) as an unrestricted subsidiary in accordance with the applicable provisions of the Indenture;

- upon repayment in full of the Notes or upon Legal Defeasance or Covenant Defeasance as described under the "Legal defeasance and covenant defeasance" provisions of the Indenture or upon satisfaction and discharge of the Indenture as described under the "Satisfaction and discharge" provisions of the Indenture;

- upon the liquidation or dissolution of the respective Guarantor; *provided* that no default or event of default has occurred or is continuing;

- as described under the "Amendment, supplement and waiver" provisions of the Indenture; or

- upon the respective Guarantor consolidating or amalgamating with, merging into or transferring all of its properties or assets to the Company or another Guarantor, and as a result of, or in connection with, such transaction such Guarantor dissolving or otherwise ceasing to exist.

In addition, the Note Guarantees will be subject to release as contemplated under the Guarantee Subordination Agreement. Unless consented to, the Guarantee Subordination Agreement provides that the security agent or certain creditors named therein shall not, in an enforcement scenario, exercise their rights to release the relevant Note Guarantees unless, with respect to the relevant sale or disposal:

- the proceeds of such sale or disposal are in cash (or substantially in cash);

- all present and future obligations owed to the creditors under certain senior finance documents by a member of our group are unconditionally released and discharged or sold or disposed of concurrently with such sale; and

• such sale or disposal (including any sale or disposal of any claim) is made:

a) pursuant to a public auction; or

b) where an independent investment bank or an internationally recognized firm of accountants selected by such security trustee has delivered an opinion to the trustee of the Notes in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances including the method of enforcement and the circumstances giving rise to such sale.

Upon any release of a Note Guarantee by a Guarantor in connection with an enforcement sale as described above, the creditors of such Guarantor would be entitled to be paid in full before any payment may be made to the holders of the equity of such Guarantor, if at all.

The Notes and Note Guarantees will be structurally subordinated to the liabilities and preference shares (if any) of our non-Guarantor subsidiaries

Some, but not all, of our subsidiaries will guarantee the Notes. Generally, claims of creditors of a non-Guarantor subsidiary, including trade creditors, and claims of preference shareholders (if any) of the subsidiary, and with respect to Tullow Oil (Jersey) Limited, the holders of the Convertible Bonds, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by holders of the Notes under the Note Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of our non-Guarantor subsidiaries, holders of such subsidiary's indebtedness and its trade creditors will generally be entitled to payment of their claims from the assets of such subsidiary before any assets are made available for distribution to its parent entity and the creditors of the Company and the Guarantors (including holders of the Notes) will have no right to proceed against such subsidiary's assets. As such, the Notes and Note Guarantees will be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non-Guarantor subsidiaries. Although our non-Guarantor subsidiaries currently represent only a small portion of our consolidated sales revenue and consolidated Adjusted EBITDAX, the covenants in the Notes will permit these non-Guarantors to incur additional indebtedness, which may also be secured, and will not contain any limitation on the amount of other liabilities, such as trade payables, that may be incurred by these subsidiaries, and in the future the revenues and Adjusted EBITDAX of such entities could increase, possibly substantially.

On a *pro forma* basis after giving effect to the Refinancing, as of and for the year ended December 31, 2017, our subsidiaries that are not Guarantors collectively represented 4.3% of our consolidated sales revenue and 2.8% of our consolidated property, plant and equipment fixed assets. As of December 31, 2017, such non-Guarantors were obligors on $300 million, or 8%, of our consolidated third-party debt.

The insolvency laws of England and Wales, Australia, Gabon, Isle of Man, Jersey and the Netherlands may not be as favorable to you as insolvency laws of jurisdictions with which you may be familiar and may preclude noteholders from recovering payments due on the Notes

The Company is organized under the laws of England and Wales and the Guarantors are organized under the laws of England and Wales, Australia, Gabon, Isle of Man, Jersey and the Netherlands. Future subsidiaries of the Company may be incorporated in other jurisdictions and are or may be subject to the insolvency laws of such jurisdictions. Moreover, pursuant to Council Regulation (EC) no. 2015/848 on insolvency proceedings (the "**EU Insolvency Regulation**"), if a company conducts business in more than one Member State of the European Union, the insolvency laws of the Member State (other than Denmark) in which such company's center of main interests is found may apply, which could be the laws of a Member State different from the jurisdiction of incorporation.

There are a number of factors that are taken into account to ascertain the center of main interests, which should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third-parties. The point at which this issue will be determined is at the time when the relevant insolvency proceedings are opened. The determination of where we or our subsidiaries have our or their center of main interests would be a question of fact on which the courts of the different EU Member States may have differing and even conflicting views. It should also be noted that no final decisions have been taken in cases that have been brought before the European Court of Justice in relation to questions of interpretation or the effects of the EU Insolvency Regulation throughout the European Union. Furthermore, the center of main interests is not a static concept and may change from time to time.

In the event of a bankruptcy, insolvency or similar event involving the Company or one or more of the Guarantors, proceedings could be initiated in any, all or any combination of the above jurisdictions or other jurisdictions where the respective company's assets are located. Such jurisdictions may not be as favorable to investors as the laws of the United States or other jurisdictions with which investors are familiar, and may be materially different from, or in conflict with, each other and those of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceedings. Proceedings in these jurisdictions are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. In addition, any conflict between them could call into question whether, and to what extent, the laws of any particular jurisdiction should apply and there can be no assurance as to how the insolvency laws of these jurisdictions will be applied in relation to one another, which may adversely affect your ability to enforce your rights under the Notes and the Note Guarantees in those jurisdictions or limit any amounts that you may receive. Further, the grant of the Note Guarantees by the respective Guarantors may be subject to challenge in the relevant local insolvency proceedings. See "—Each Note Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability" and "Service of process and enforceability of civil liabilities" with respect to certain of the jurisdictions mentioned above. For a more detailed description of the insolvency laws of England and Wales, Australia, Gabon, Isle of Man, Jersey and the Netherlands, see "Certain insolvency law considerations."

Each Note Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability

As of the Issue Date, the Guarantors will guarantee the payment of the Notes on a senior subordinated basis. Each Note Guarantee will provide holders of the Notes with a direct claim against the relevant Guarantor. However, the Indenture will provide that each Note Guarantee will be limited to the maximum amount that can be guaranteed by the relevant Guarantor without rendering the relevant Note Guarantee voidable or otherwise limited or ineffective under applicable law or causing the officers of the Guarantor to incur personal civil or criminal liability, and enforcement of each Note Guarantee will be subject to certain generally available defenses. These laws and defenses include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, related third-party transactions, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, a Guarantor may have no liability or decreased liability under its Note Guarantee depending on the amounts of its other obligations and applicable law. Limitations on the enforceability of judgments obtained in New York courts in such jurisdictions could limit the enforceability of any Note Guarantee against any Guarantor.

Although laws differ among jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could: (i) avoid or invalidate all or a portion of a Guarantor's obligations under its Note Guarantee; (ii) direct that the holders of the Notes return any amounts paid under a Note Guarantee to the relevant Guarantor or to a fund for the benefit of the Guarantor's creditors; or (iii) take other action that is detrimental to you, typically if the court found that:

- the relevant Note Guarantee was incurred with actual intent to give a preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the Guarantor or, in certain jurisdictions, when the granting of the Note Guarantee has the effect of giving a creditor a preference or when the recipient was aware that the Guarantor was insolvent when it granted the relevant Note Guarantee;
- the Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Note Guarantee and the Guarantor: (i) was insolvent or rendered insolvent because of the relevant Note Guarantee; (ii) was undercapitalised or became undercapitalised because of the relevant Note Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the relevant Note Guarantee was not validly established or authorized or otherwise contravenes the relevant Guarantor's articles of association;
- the relevant Note Guarantee was held to exceed the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor; or
- the amount paid or payable under the relevant Note Guarantee was in excess of the maximum amount permitted under applicable law.

These or similar laws may also apply to any future guarantee granted by any of our subsidiaries pursuant to the Indenture.

We cannot assure you which standard a court would apply in determining whether a Guarantor was "insolvent" at the relevant time or that, regardless of the method of valuation, a court would not determine that a Guarantor was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor was insolvent on the date its Note Guarantee was issued, that payments to holders of the Notes constituted preferences, transactions at an undervalue, fraudulent transfers or conveyances on other grounds.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon applicable law. Generally, an entity would be considered insolvent if, at the time it incurred indebtedness:

- the sum of its debts, including contingent liabilities, is greater than the fair value of all its assets;
- the present fair saleable value of its assets is less than the amount required to pay the probable liability on its existing debts and liabilities, including contingent liabilities, as they become due; or
- it cannot pay its debts as they become due.

The liability of each Guarantor under its Note Guarantee will be limited to the amount that will result in such Note Guarantee not constituting a preference, transaction at an undervalue, fraudulent conveyance or improper corporate distribution or otherwise being set aside. There can be no assurance, however, as to what standard a court will apply in making a determination of the maximum liability of each Guarantor. There is a possibility that the entire Note Guarantee may be set aside, in which case the entire liability may be extinguished.

If a court decided that a Note Guarantee was a preference, transaction at an undervalue, fraudulent transfer or conveyance and voided such Note Guarantee, or held it unenforceable for any other reason, you may cease to have any claim in respect of a relevant Guarantor and would be a creditor solely of the Company and, if applicable, of any other Guarantor under the relevant Note Guarantee which has not been declared void. If any Note Guarantee is invalid or unenforceable, in whole or in part, or to the extent the agreed limitation of the Note Guarantee obligations apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor.

We may not be able to obtain the funds required to repurchase the Notes upon a change of control

The Indenture will contain and the 2022 Senior Notes Indenture contains provisions relating to certain events constituting a “change of control” of the Company. Upon the occurrence of certain events constituting a change of control, we will be required to offer to repurchase all outstanding Notes and 2022 Senior Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase. In addition, upon the occurrence of a “change of control” under the Convertible Bonds Trust Deed (as defined therein), each holder of Convertible Bonds will have the right to require the Issuer redeem its respective Convertible Bonds at par together with accrued and unpaid interest.

If a change of control were to occur, we cannot assure you that we would have sufficient funds available at such time to pay the purchase price of the outstanding Notes, as well as the 2022 Senior Notes, and the Convertible Bonds or that the restrictions in the RBL Facilities, Corporate Facility, the Guarantee Subordination Agreement or our existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default, or acceleration of the debt, under the RBL Facilities and the Corporate Facility and other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The source of funds for any repurchase required will be available cash or cash generated from operating activities or other sources, including borrowings, sales of assets or sales of equity or funds provided by subsidiaries. The ability of the Company to receive cash from its subsidiaries to allow it to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by our then existing debt instruments. If we would require third-party financing to make an offer to repurchase the Notes upon a change of control, we cannot assure you that we will be able to obtain such financing. Any failure by the Company to offer to purchase the Notes upon a change of control would constitute a default under the Indenture, which would, in turn, constitute a default under the 2022 Senior Notes Indenture, Convertible Bonds, RBL Facilities and Corporate Facility. See "Description of Notes—Repurchase at the option of holders—Change of control."

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger, recapitalization or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "change of control" as defined in the Indenture. Except as described under "Description of Notes—Repurchase at the option of holders—Change of control," the Indenture will not contain provisions that would require the Company to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of "Change of Control" in the Indenture will include (with certain exceptions) a disposition of all or substantially all of the assets of the Company and its restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the Company's assets and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Company is required to make an offer to repurchase the Notes.

You may face currency exchange risks or adverse tax consequences by investing in the Notes denominated in currencies other than your reference currency

There may be tax consequences for you as a result of any foreign currency exchange gains or losses resulting from your investment in the Notes. You should consult your tax advisor concerning the tax consequences to you of acquiring holding and disposing of the Notes.

The Notes will be denominated and payable in U.S. dollars. If you are a pounds sterling, euro or other non-U.S. dollar investor, an investment in the Notes will entail currency exchange-related risks due to, among other factors, possible significant changes in the value of the U.S. dollar to pounds sterling, euro or other relevant currencies because of economic, political or other factors over which we have no control. In 2017, the value of the U.S. dollar depreciated, on average, against both the euro and the pound sterling. Such depreciation of the U.S. dollar against pounds sterling, euro or other currencies relevant to you could cause a decrease in the effective yield of the Notes below their stated coupon rates when the return on the Notes is translated into the currency by reference to which you measure the return on your investments.

The transferability of the Notes may be limited under applicable securities laws, which may adversely affect their liquidity and value

The Notes and the Note Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or any other jurisdiction. Therefore, you may not transfer or sell the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws or laws of any other jurisdiction, or pursuant to an effective registration statement, and you may be required to bear the risk of your investment in the Notes for an indefinite period of time. The Notes are not being offered for sale in the United States except to "qualified institutional buyers" in accordance with Rule 144A, and we have not agreed to or otherwise undertaken to register the Notes with the U.S. Securities and Exchange Commission (including by way of an exchange offer). In addition, by acceptance of delivery of any Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the Notes that it shall not transfer the Notes in an aggregate principal amount of less than $200,000. It is the obligation of holders of the Notes to ensure that their offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "Notice to investors."

You may be unable to enforce judgments obtained in U.S. courts against the Company

The Company, the Guarantors and their respective subsidiaries are organized outside of the United States. Most of our directors and executive officers and the directors and executive officers of the Guarantors are non-residents of the United States and most of their respective assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company, the Guarantors or their respective directors and executive officers, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. Additionally, there is doubt as to the enforceability in many jurisdictions of civil liabilities based on the civil liability provisions of the federal or state securities laws of the United States against entities and persons who are not residents of the United States. See "Service of process and enforceability of civil liabilities."

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies

The Notes will initially only be issued in global form and held through DTC. We refer to beneficial interests in such global notes as "Book-Entry Interests."

Interests in the global notes will trade in book-entry form only, and the Notes in definitive registered form, or Definitive Registered Notes, will be issued in exchange for Book-Entry Interests only in very limited circumstances. Owners of Book-Entry Interests will not be considered owners of the Notes. The nominee for DTC will be the sole registered holder of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to Deutsche Bank Trust Company Americas as principal paying agent, which will make payments to DTC. Thereafter, such payments will be credited to participants' accounts that hold Book-Entry Interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the order of the nominee for DTC, none of the Company, the Guarantors, the Trustee, the Transfer Agent, the Reigstrar or any paying agent will have any responsibility or liability for any aspect of the records relating to or payments of interest, principal or other amounts by DTC or to owners of Book-Entry Interests. Accordingly, if you own a Book-Entry Interest, you must rely on the procedures of DTC, and if you are not a participant in DTC, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike holders of the Notes themselves, owners of Book-Entry Interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a Book-Entry Interest, you will be reliant on the custodian (as registered holder of the Notes) to act on your instructions and/or will be permitted to act directly only to the extent you have received appropriate proxies to do so from DTC or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions or to take any other action on a timely basis. See "Book-entry, delivery and form."

There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited

The Notes are new securities for which there is currently no market. We cannot assure you as to:

- the number of holders of the Notes;
- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you may be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including the liquidity of the market for the Notes, prevailing interest rates, the market for similar securities (including the 2022 Senior Notes) and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as third-party recommendations. Historically, the market for non-investment grade securities has from time to time been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes will depend on the number of holders of the Notes and may be adversely affected by a general decline in the market for similar securities. In addition, the trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. The Initial Purchasers have informed us that they intend to make a market in the Notes. However, they are not obligated to do so and may discontinue such market-making at any time without notice. As a result, we cannot assure you that an active trading market for the Notes will develop or, if one does develop, that it will be maintained, and any disruption in the trading market for the Notes may have a negative effect on your investment regardless of our prospects and financial performance. If no active trading market develops, you may not be able to resell your Notes at fair value, if at all.

Although an application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF, we cannot assure you that the Notes will be or remain listed. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Euro MTF, failure to be approved for listing or the delisting of the Notes (whether or not for an alternative admission to listing on another stock exchange), as applicable, from the Official List of the Luxembourg Stock Exchange may have a material effect on a holder's ability to resell the Notes in the secondary market.

Certain covenants may be suspended upon the occurrence of a change in our ratings

The Indenture will provide that, if at any time following the date of the Indenture, the Notes receive a rating of Baa3 or better by Moody's or a rating of BBB- or better from Standard & Poor's or Fitch and no default or event of default has occurred and is continuing, then beginning that day the provisions of the Indenture as described in the following subsection of the "Description of Notes" section of this Offering Memorandum will not apply to the Notes:

- "—Repurchase at the option of holders—Asset sales";
- "—Certain covenants—Restricted payments";
- "—Certain covenants—Incurrence of indebtedness and issuance of preferred stock";
- "—Certain covenants—Dividend and other payment restrictions affecting subsidiaries";
- "—Certain covenants—Designation of restricted and unrestricted subsidiaries."
- "—Certain covenants—Transactions with affiliates";
- "—Certain covenants—Limitation on guarantees of indebtedness by restricted subsidiaries";
- clause (4) of the first paragraph of the covenant described under "—Certain covenants—Merger, consolidation or sale of assets"; and
- "—Certain covenants—Limitation on lines of business."

Notwithstanding the foregoing, if the rating assigned by any such rating agency to such Notes should subsequently decline to below Baa3 or BBB-, as applicable, the foregoing covenants will be reinstituted as of and from the date of such rating decline. If these covenants were to be suspended, we would be able to incur additional debt or make payments, including dividends or investments, which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

The Notes may not become, or remain, listed on the Official List of the Luxembourg Stock Exchange

Although an application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF of the Luxembourg Stock Exchange within a reasonable period after the Issue Date, the Company cannot assure you that the Notes will become or remain listed. If the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF of the Luxembourg Stock Exchange and the Company determines that it cannot maintain such listing, the Company may cease to maintain such listing on the Official List of the Luxembourg Stock Exchange; *provided, however*, that it will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on another recognized exchange, although there can be no assurance that the Company will be able to do so.

The Luxembourg financial sector supervisory commission (*Commission de Surveillance du Secteur Financier*) has not reviewed or approved this Offering Memorandum or any other document related to the offering of the Notes and has not recommended or endorsed the purchase of the Notes. Neither this Offering Memorandum nor any other document related to the offering of the Notes may be distributed to the public in Luxembourg. The Notes may not be publicly offered for sale in Luxembourg and no steps may be taken which would constitute or result in a public offering in Luxembourg as defined in the Prospectus Law, unless:

(a) a prospectus has been duly approved by the Commission de Surveillance du Secteur Financier in accordance with the Prospectus Law and implementing Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (the "**Prospectus Directive**"), as amended by the Law of July 3, 2012 which has implemented in Luxembourg law the 2010 PD Amending Directive; or

(b) if Luxembourg is not the home member State, the Commission de Surveillance du Secteur Financier has been notified by the competent authority in the home member state that the prospectus has been duly approved in accordance with the Prospectus Directive and the 2010 PD Amending Directive; or

(c) the offer is made to "qualified investors" as described in points (1) to (4) of Section I of Annex II to Directive 2004/39/EC of the European Parliament and of the Council of April 21, 2004 on markets in financial instruments, and persons or entities who are, on request, treated as professional clients in accordance with Annex II to Directive 2004/39/EC, or recognized as eligible counterparties in accordance with Article 24 of Directive 2004/39/EC unless they have requested that they be treated as non-professional clients; or

(d) the offer benefits from any other exemption to, or constitutes a transaction otherwise not subject to, the requirement to publish a prospectus.

This document is intended for the confidential use of the offeree(s) and it is intended for, and may not be reproduced or used for any other purpose. Listing of any of the Notes on the Luxembourg Stock Exchange does not imply that a public offering of any of the Notes in Luxembourg has been authorized.

Investors in the Notes may have limited recourse against the independent auditors

The audit reports of Deloitte LLP relating to the consolidated financial statements reproduced herein, in accordance with guidance issued by the Institute of Chartered Accountants in England and Wales, state: "This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed."

The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the U.S. Securities Act or in a report filed under the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"). If a U.S. court (or any other court) were to give effect to the language above, the recourse that holders of the Notes may have against the independent auditors based on their reports or the consolidated financial statements to which they relate could be limited.

Use of proceeds

We estimate that our gross proceeds from the sale of the Notes in this offering will be $800.0 million. We intend to use (i) $686.6 million of the gross proceeds from the issue of the Notes to repay all amounts outstanding under the 2020 Senior Notes (including the redemption premium and accrued and unpaid interest through the date of closing of the offering) and to pay fees, costs and expenses related to this offering, and (ii) $113.4 million to repay borrowings outstanding under the RBL Facilities (but not cancel any commitments thereunder). For descriptions of our current and anticipated indebtedness following the Refinancing, see "Capitalization" and "Description of certain financing arrangements."

The following table illustrates the estimated sources and uses of the proceeds with respect to the Refinancing. Actual amounts will vary from estimated amounts depending on several factors, including changes in our actual amount of expenses related to the Refinancing.

Sources	**$ in millions**	**Uses**	**$ in millions**
Notes offered hereby	$800.0	Redemption of 2020 Senior Notes	$650.0
		Accrued and unpaid interest on 2020 Senior Notes	15.4
		Redemption premium of 2020 Senior Notes	9.75
		Transaction fees, costs and expenses	11.45
		Repayment of borrowings under RBL Facilities	113.4
Total	**$800.0**	**Total**	**$800.0**

Capitalization

The following table sets forth our cash and cash equivalents and capitalization as of December 31, 2017 on a historical basis and as adjusted to reflect Refinancing as described in "Use of proceeds" as if these events had occurred on December 31, 2017. The historical consolidated financial information has been derived from our audited consolidated financial statements as of and for the year ended December 31, 2017 prepared in accordance with IFRS, which are included elsewhere in this Offering Memorandum.

This table should be read in conjunction with "Use of proceeds," "Management's discussion and analysis of financial condition and results of operations," "Description of certain financing arrangements" and the consolidated financial statements and the accompanying notes appearing elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since December 31, 2017.

	As of December 31, 2017		
(in millions of $)	**Historical**	**Adjustments**	**As adjusted**
Cash and cash equivalents(1)	**284.0**	**—**	**284.0**
Debt			
RBL Facilities(2)	2,155.0	(113.4)	2,041.6
Corporate Facility(3)	—	—	—
2020 Senior Notes(4)	650.0	(650.0)	—
2022 Senior Notes(5)	650.0	—	650.0
Convertible Bonds(6)	300.0	—	300.0
Notes offered hereby	—	800.0	800.0
Total debt(7)	**3,755.0**	**36.6**	**3,791.6**
Equity			
Equity attributable to equity holders of the parent	2,706.0	—	2,706.0
Equity attributable to non-controlling interests	10.4	—	10.4
Total equity	2,716.4	—	2,716.4
Equity component of Convertible Bonds	(48.4)	—	(48.4)
Total capitalization(8)	**6,423.0**	**36.6**	**6,459.6**

(1) As of December 31, 2017, cash and cash equivalents includes $146.0 million of cash held in bank accounts related to business ventures with our commercial partners. Although these balances are short-term and highly liquid, they are restricted for use within the business ventures to which they relate and cannot be used for our general funding requirements. The company will use $36.6 million of the proceeds of the offering to pay (i) $15.4 million of accrued and unpaid interest on the 2020 Senior Notes, (ii) $9.75 million of redemption premium associated with the 2020 Senior Notes and (iii) $11.45 million of estimated transaction costs, fees and expenses related to this offering. See "Use of Proceeds."

(2) The RBL Facilities consist of (i) a senior secured revolving credit facility dated as of August 22, 2005, as most recently amended and restated November 21, 2017, with Natixis as lender and agent, and (ii) a senior secured revolving credit facility dated as of May 29, 2009, as most recently amended and restated November 21, 2017, with International Finance Corporation as lender and agent. As of March 9, 2018, the aggregate outstanding balance under the RBL Facilities was $1,980.1 million and the commitments were $2,500 million, leaving $519.9 million of available borrowing capacity. See "Description of certain financing arrangements—Reserves based lending facilities."

(3) The Corporate Facility is a secured revolving credit facility dated as of December 14, 2009, as most recently amended November 21, 2017 with BNP Paribas as agent. As of March 9, 2018, the outstanding balance under the Corporate Facility was nil and the commitments were $600.0 million, leaving $600 million of available borrowing capacity. See "Description of certain financing arrangements—Corporate facility."

(4) The 2020 Senior Notes are our \$650.0 million aggregate principal amount of 6.0% Senior Notes due 2020, originally issued on November 6, 2013. The 2020 Senior Notes will be repaid as described in the "Use of Proceeds." See "Description of certain financing arrangements—2020 Senior Notes."

(5) The 2022 Senior Notes are our \$650.0 million aggregate principal amount of 6¼% Senior Notes due 2022, originally issued on April 8, 2014. The 2022 Senior Notes are guaranteed by certain of the Guarantors and will mature on April 15, 2022. See "Description of certain financing arrangements—2022 Senior Notes."

(6) The Convertible Bonds represent \$300.0 million (including \$48.4 million of convertible equity) aggregate principal amount of 6⅝% guaranteed convertible bonds due 2021 issued on July 12, 2016. The Convertible Bonds are guaranteed by the Guarantors and will mature on July 12, 2021. See "Description of certain financing arrangements—Convertible bonds."

(7) Total debt excludes accrued interest and unamortised fees and the equity component of Convertible Bonds. The carrying amounts, excluding accrued interest and unamortised fees as well as the equity component of Convertible Bonds, of the RBL Facilities (\$2,063.5 million), 2020 Senior Notes (\$642.5 million), 2022 Senior Notes (\$643.5 million) and Convertible Bonds (\$256.9 million) sum to the total amount presented in the historical statement of financial position as of December 31, 2017 of \$3,606.4 million. Our definition of net debt does not include our finance leases as our focus is the management of cash borrowings and a finance lease is viewed as deferred capital investment. See "Presentation of financial and other information."

(8) Capitalization is calculated as the sum of total debt and total equity, less the equity component of the Convertible Bonds.

Selected financial data

The following tables present our selected consolidated financial data. The financial statement data presented as of and for the years ended December 31, 2015, 2016 and 2017 has been derived from our audited consolidated financial statements included elsewhere in this Offering Memorandum. Adjustments made to fair values previously reported have been retrospectively restated.

The financial statement data set forth in the following tables should be read in conjunction with "Presentation of financial and other information—Non-IFRS financial measures," "Capitalization," "Use of proceeds," "Management's discussion and analysis of financial condition and results of operations" and our audited consolidated financial statements and related notes. Historical results may not necessarily be indicative of results that may be expected for any future period.

Consolidated Income Statement Data

	Year ended December 31,		
(in millions of $)	**2015**	**2016**	**2017**
Sales revenue	1,606.6	1,269.9	1,722.5
Gross profit	591.3	546.9	815.3
Administrative expenses	(193.6)	(116.4)	(95.3)
Loss on disposal[(1)]	(56.5)	(3.4)	(1.6)
Goodwill impairment[(2)]	(53.7)	(164.0)	—
Exploration costs written off[(3)]	(748.9)	(723.0)	(143.4)
Impairment of property, plant and equipment, net[(4)]	(406.0)	(167.6)	(539.1)
Operating (loss)/profit	(1,093.7)	(754.7)	22.4
Loss from continuing activities before tax	(1,297.3)	(908.3)	(299.1)
Loss for the period from continuing activities	(1,036.9)	(597.3)	(188.5)

(1) Loss on disposal for the year ended December 31, 2017 primarily related to the sale of our remaining Norwegian licenses and overall divestment of our Norway business as well as the sale of our remaining Dutch assets to Hague and London Oil plc (HALO) which resulted in a loss on disposal of $1.6 million. The loss on disposal for the year ended December 31, 2016 related to the disposition of our interests in certain license areas in Norway. For the year ended December 31, 2015, our loss on disposal related primarily to the disposal of our interests in the L and Q blocks in the Netherlands for a loss on disposal of $46.3 million and the disposal of various licenses in Norway for a loss on disposal of $7.4 million.

(2) We did not recognize impairment of goodwill for the year ended December 31, 2017 as our goodwill was fully impaired in the year ended December 31, 2016. Goodwill impairment for the year ended December 31, 2016 related to our decision to exit all of our licenses and operations in Norway. For this period, we impaired the goodwill that was recorded in relation to our acquisition of Spring Energy Norway AS in 2013. In assessing our goodwill impairment, we compared the carrying value of goodwill and the carrying value of the related group of cash-generating units with the recoverable amounts relating to those units. Goodwill impairment for the year ended December 31, 2015 related to the requirement on our acquisition of Spring Energy to recognize a deferred tax liability, calculated as the difference between the tax effect of the fair value of the acquired assets and liabilities and their tax bases. For the purposes of testing goodwill impairment, we include the related deferred tax liabilities recognized on the acquisition of Spring Energy in a related group of cash-generating units that represent the assets acquired. In assessing our goodwill impairment, we compared the carrying value of goodwill and the carrying value of the related group of cash-generating units with the recoverable amounts relating to those units. For the year ended December 31, 2015, the carrying value of goodwill and the carrying value of the related group of cash-generating units was $264.5 million and the recoverable amount of the cash-generating units was $210.8 million, resulting in an impairment of $53.7 million.

(3) Exploration costs written off for the year ended December 31, 2017 includes writes offs in Suriname ($10.3 million), Kenya ($2.3 million) and new venture costs of $17.1 million. In addition, we have written off certain exploration costs in relation to prior years' expenditure in Mauritania ($71.1 million) and Pakistan ($36.1 million). Exploration costs written off for the year ended December 31, 2016 includes write offs in Pakistan ($10.7 million) and new venture costs of $24.2 million. In addition, for the year ended December 31, 2016, we wrote off certain exploration costs in relation to prior years' expenditure in relation to

the disposal of assets in Uganda ($330.4 million) and Norway ($286.9 million). Exploration costs written-off for the year ended December 31, 2015 included write offs in Kenya ($28.3 million), Suriname ($27.8 million) and Norway ($11.3 million). New venture costs for the period were $19.1 million. In addition, for the year ended December 31, 2015, we incurred write-offs of $342.5 million in relation to prior years' expenditure and fair value adjustments as a result of license relinquishments and a review of future works programs to re-allocate capital to our key development projects. This included write offs in the Netherlands ($185.7 million), Guinea ($54.3 million), Greenland ($38.5 million) and Ethiopia ($34.9 million).

(4) Impairment of property, plant and equipment for the year ended December 31, 2017 primarily related to impairments associated with lower forecasts of medium and longer-term oil and gas prices and the TEN field ($535.5 million). Impairment of property, plant and equipment for the year ended December 31, 2016 primarily related to impairments associated with lower forecasts of oil and gas prices, an increase in estimated future decommissioning costs and the TEN field. Impairment of property, plant and equipment for the year ended December 31, 2015 was in respect of lower forecasted oil and gas prices, an increase in anticipated future decommissioning costs associated with our fields in the United Kingdom, partly offset by an increase in commercial reserves in Gabon.

Consolidated Balance Sheet Data

	As of December 31,		
(in millions of $)	**2015**	**2016**	**2017**
Intangible exploration and evaluation assets	3,400.0	2,025.8	1,933.4
Property, plant and equipment	5,204.4	5,362.9	5,254.7
Non-current assets	9,506.8	8,340.1	8,704.2
Current assets	1,841.0	2,461.6	2,324.3
Total assets	**11,347.8**	**10,801.7**	**11,028.5**
Current liabilities	(1,581.8)	(1,648.5)	(1,354.5)
Non-current liabilities	(6,591.3)	(6,910.7)	(6,957.6)
Total liabilities	**(8,173.1)**	**(8,559.2)**	**(8,312.1)**
Net assets	**3,174.7**	**2,242.5**	**2,716.4**

Consolidated Cash Flow Statement Data

	Year ended December 31,		
(in millions of $)	**2015**	**2016**	**2017**
Net cash from operating activities	978.2	512.5	1,222.9
Net cash used in by investing activities	(1,679.6)	(967.2)	(296.4)
Net cash provided by financing activities	745.5	399.3	(927.9)

Management's discussion and analysis of financial condition and results of operations

We encourage you to read the following discussion in conjunction with the section entitled "Selected financial data" as well as with our consolidated financial statements and the related notes thereto included elsewhere in this Offering Memorandum. The following discussion includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of some of those risks and uncertainties please refer to the sections entitled "Presentation of financial and other information", "Forward-looking statements" and "Risk factors."

Unless otherwise indicated, all references to our interests in licenses, our acreage under license, commercial reserves, contingent resources, production and sales revenue include our Disposed Assets. For more information regarding the characteristics of and results attributable to these assets, please see "Presentation of financial and other information—Sale of assets."

Overview

We are a leading independent oil and gas exploration and production company, with a large and diversified portfolio of assets primarily in sub-Saharan Africa and South America. Since our inception in 1985, we have grown both organically and through acquisitions and have operated or owned interests in oil and gas assets on four continents. We have a large diversified portfolio of assets balanced across material production, near-term development projects and exploration assets, which we believe has the potential to deliver sustainable growth and strong cash flow while allowing us to proactively maintain high environmental, health and safety standards. We believe that we have the right assets, strategy and skills to continue to deliver long-term, sustainable growth.

Our initial operations consisted of oil and gas production in Senegal in the 1980s. Since the 1990s, we have expanded by acquiring companies, assets and interests in licenses in Africa, Europe, South America, the Caribbean and Asia, becoming a more balanced oil and gas exploration and production company, with a notable focus on, and expertise in, high-impact exploration. Since 2006, our drilling, exploration and appraisal campaigns have resulted in basin opening discoveries in Uganda (2006), Ghana (2007), Kenya (2012) and Norway (2013). In 2007, we recorded our largest oil discovery in the Jubilee field, offshore Ghana. Our development team, together with our partners, successfully brought the field on stream in December 2010, approximately 40 months from first discovery, adding significant commercial reserves and production to our portfolio and establishing our deep water development and operatorship capabilities. Those capabilities were further demonstrated in August 2016, as the TEN fields, also offshore Ghana, started production on time and on budget, having been discovered in 2009.

Our portfolio of interests in 89 licenses includes producing assets, near-term development projects and high-impact exploration opportunities across 16 countries. To manage these assets, we have structured our business into three business delivery teams: West Africa, East Africa and New Ventures. As of December 31, 2017, we had commercial reserves of 290.5 mmboe (of which approximately 85% were oil) and aggregate commercial reserves and contingent resources of 1,207.0 mmboe (including Tullow Kenya management estimates of 39.5% of 560 mmbbls as of December 31, 2017) (of which approximately 89.2% were oil). During the year ended December 31, 2017, our average daily production (oil and gas) on a net working interest basis was 87,300 boepd (excluding 7,400 bopd of Jubilee Field Insurance Production-Equivalent Barrels), our revenue was $1.7 billion, our Adjusted EBITDAX was $1.35 billion, our loss after tax was $189 million and our free cash flow was $543 million.

Our portfolio includes producing assets in five countries, primarily in West Africa. Our West African light oil production portfolio generates the majority of our cash flow and, in 2017, it represented 100% of our oil production. Our largest producing asset is the Jubilee field, offshore Ghana, in which we have a 35.48% working interest and which we operate on behalf of our partners Anadarko Petroleum, Kosmos Energy, PetroSA and the Ghana National Petroleum Corporation. We are also the operator and hold a 47.18% working interest in the TEN fields, working with the same commercial partners as at the Jubilee field. Combined production from across the 13 and 5 producing wells at the Jubilee and TEN fields respectively accounted for approximately 58,200 bopd or 67% of our overall production excluding 7,400 bopd of Jubilee Field Insurance Production-Equivalent Barrels for the year ended December 31, 2017. Our other West African light oil production includes non-operated fields offshore Equatorial Guinea, Côte d'Ivoire, and offshore and onshore Gabon.

Our future plans include developing our discoveries in the Lake Albert Rift Basin onshore Uganda and in the South Lokichar Basin onshore Kenya. In Uganda, together with Total Uganda and CNOOC Uganda, we have presented a joint development plan to the Government for projects in the Lake Albert Rift Basin that are expected to deliver combined plateau oil production of approximately 230,000 bopd. Upon anticipated completion of our farm-down to Total Uganda and CNOOC Uganda for a headline consideration of $900 million (the "**Uganda Farm-Down**") in the first half of 2018 and following the expected back-in by the Government of Uganda, we will have a 10% working interest in the upstream project and our share of expected production at plateau will be approximately 23,000 bopd. Prior to first oil, we expect to fund all upstream and pipeline capital investment expected from us with respect to this joint development using the deferred consideration receivable pursuant to the Uganda Farm-Down. In Kenya, we hold a 50% operating interest across multiple blocks in the South Lokichar Basin and aspire to develop these resources through an oil export pipeline from northern Kenya to the port of Lamu; we are proposing a staged development that has a foundation stage targeting 2C gross volumes of around 210 mmboe. The foundation stage is expected to deliver gross production of 60,000 bopd (24,000 bopd net) rising towards 100,000 bopd (40,000 bopd net) as the project evolves and incremental developments are tied in. We anticipate that a FID for the South Lokichar development project will be achieved in 2019 with first oil to follow in 2021 or 2022.

In 2018, we have exploration activity planned over more than 20 licenses across 12 countries in Africa and South America. In recent years, we have focused on enhancing our license and prospect inventory while continuing to actively manage our equity positions and exposure to drilling costs across the portfolio, including through transactions for carried interests. During 2016 and 2017, we focused on replenishing selectively and high grading our exploration portfolio in order to be well positioned for future growth. Following a full re-set of our exploration portfolio, we believe we have a flexible program of low cost, high-impact onshore and offshore wells that we intend to drill in Africa and South America from 2018 to 2020 and beyond.

Our headquarters are in London and we have corporate offices in Dublin and Cape Town, and regional offices in Ghana, Kenya and Uganda. As of December 31, 2017, we had 922 employees and 108 contractors globally, of whom approximately 47% were African nationals. Our ordinary shares are admitted to trading on the main markets of the London Stock Exchange, the Irish Stock Exchange and the Ghana Stock Exchange and we are a constituent of the FTSE 250 index. As of close of trading on March 9, 2018, our market capitalization was approximately £2.65 billion.

Recent developments

Ghana operations

On December 22, 2017, we executed a four-year drilling contract with Maersk Drilling for the deep-water drillship Maersk Venturer. Work relating to the contract commenced in early March 2018 and will cover development drilling on the Jubilee and TEN fields offshore Ghana. The first well currently being drilled is an Ntomme production well in the TEN fields followed by a Jubilee production well located in the north-eastern area of the field. Work is ongoing to finalize the sequence of further wells to increase output from the Jubilee and TEN fields.

With respect to our Jubilee operations, work on the Turret Remediation Project is progressing. We successfully completed a first shut-down in February 2018 in relation to the locking of the bearing. A second shut-down is expected in March / April 2018 and will involve the stabilization of the bearing. A third shut-down of approximately three weeks is expected around year-end 2018 to rotate the FPSO to its permanent heading and install the final spread mooring anchoring system. See "Our business—Main Producing Assets—Ghana—Jubilee Field—Turret Remediation Project." See also, "Risk Factors—Risks relating to our business—Reduced production or unexpected costs in the Jubilee field as a result of the Turret Remediation Project may have a material adverse impact on our business, prospects, financial condition and results of operations."

New license awards

On January 10, 2018, we announced that, subject to presidential signature, we had agreed terms to add six new licenses covering 28,000 square kilometers, offshore Peru, to our portfolio. We have concluded negotiations with Perupetro and agreed to acquire a 100% stake in Blocks Z-64, Z-65, Z-66, Z-67 and Z-68. The agreements are pending approval by supreme decree by the Peruvian Ministry of Energy and Mines and Ministry of Economy and Finance, with formal signing of the licenses anticipated in the first quarter of 2018.

We also announced on January 10, 2018 that we had agreed to acquire a 35% interest in the Z-38 license in Peru through a farm-down from Karoon Gas Australia, subject to government approval. The new acreage will complement our South America position and contains a number of attractive leads and prospects. The Z-38 license is already covered by high quality 3D seismic and includes the Marina prospect which is a potential candidate for drilling in 2019.

On January 17, 2018, the Government of Côte d'Ivoire awarded us two new oil and gas blocks, the CI-520, an onshore block near the country's commercial capital Abidjan, and the CI-524 block, which is adjacent to our acreage in Ghana.

Significant factors affecting results of operations

Price of oil and gas

Crude oil and gas prices have historically been volatile, dependent upon the balance between supply and demand, and particularly sensitive to OPEC production levels. The prevailing price of crude oil and gas significantly affects our revenues and cash flow generation and also affects the levels of our reserves either through economic limit or entitlement calculations for our production sharing contract fields.

Our oil and gas commercial reserves estimates are used to determine the level of depreciation, depletion and amortisation. Those estimates are also a key estimate in the value in use calculation for a field when considering whether there are any indicators of impairment and in performing impairment assessments of property, plant and equipment. The impact of a reduction in oil and gas prices on our commercial reserves estimates occurs when oil and gas reserves are constrained by an economic threshold. A decrease in oil or gas prices could lead to a reduction in the economic life of a field, which will reduce our commercial reserves estimates. A change in oil price that impacts production sharing contract entitlement reserves occurs under the cost recovery model, where an increase in oil prices could result in lower reserves being needed to recover costs, and a decrease in oil prices could result in higher reserves being needed to recover costs. A significant reduction to our commercial or entitlement reserves estimates can lead to an impairment of property, plant and equipment. Furthermore, it may be an indicator of impairment for exploration and evaluation assets, including for wells that have already been drilled and previously been deemed successful, but would no longer be considered successful due to decreased oil prices impacting the economic recoverability of reserves.

Our oil sales are priced against the Platts Dated Brent crude oil benchmark. For a portion of our Gabon contracts, the local benchmark "le Prix de Cession Officiel" is used. However, this is itself a differential to the Platts Dated Brent benchmark. The average Brent crude oil quoted price increased by 17.6% to $54.74 per bbl for the year ended December 31, 2017 compared to $45.13 per bbl for the year ended December 31, 2016. The following table presents information on Brent crude oil prices for the years ended December 31, 2015, 2016 and 2017.

	Year ended December 31,		
(in $/bbl)	**2015**	**2016**	**2017**
Average price for the period	53.60	45.13	54.74
Highest price for the period	67.77	56.82	67.02
Lowest price for the period	36.11	27.88	44.82

Source: ICE—International Commodities Exchange.

Our gas sales are priced using various benchmarks such as United Kingdom NBP, United Kingdom TTF and Netherlands NIP, with United Kingdom NBP being our most widely used and most important benchmark. The average United Kingdom NBP quoted price increased by 23.0% to 45.03 pence per therm for the year ended December 31, 2017 compared to 34.68 pence per therm for the year ended December 31, 2016. The following table presents information on United Kingdom NBP gas prices for the years ended December 31, 2015, 2016 and 2017.

	Year ended December 31,		
(in pence/therm)	**2015**	**2016**	**2017**
Average price for the period	42.68	34.68	45.03
Highest price for the period	55.30	53.30	67.75
Lowest price for the period	30.60	20.90	26.00

Source: Bloomberg

Production volumes

In addition to oil and gas prices, production volumes are a primary revenue driver. Our production volumes also affect the level of our reserves and depreciation, depletion and amortisation. The volume of our oil and gas resources and production volumes may be lower than estimated or expected. In addition, certain of our interests are in mature fields with declining production, including the Chinguetti field in Mauritania (which ceased production in 2017), the Ceiba and Okume fields in Equatorial Guinea, the CMS fields in the United Kingdom, and the Etame and Echira fields in Gabon. See "Risk Factors—Risks relating to our business—The level of our oil and gas commercial reserves and contingent resources, their quality and production volumes may be lower than estimated or expected."

The following table presents information on our oil and gas production (including condensate) for the years ended December 31 2015, 2016 and 2017.

	Year ended December 31,		
	2015	**2016**	**2017**
Average daily oil production for the period (bopd)	65,200	60,900(1)	80,800(1)
Average daily gas production for the period (mcfd)	47,700	35,400	38,700
Average daily condensate production for the period (boepd)	200	200	200
Total average daily production for the period (boepd)	73,400	67,100(1)	87,300(1)
Total average daily sales volumes for the period (boepd)	67,600	59,900(1)	82,200(1)

(1) Does not include 4,600 bopd and 7,400 bopd of Jubilee Field Insurance Production-Equivalent Barrels for the years ended December 31, 2016 and 2017, respectively.

The following table presents information on our total average daily oil and gas production (including condensate) by country for the years ended December 31, 2015, 2016 and 2017.

	Year ended December 31,		
(in boepd)	**2015**	**2016**	**2017**
Ghana	36,400	33,100(1)	58,200(1)
Equatorial Guinea	9,000	7,000	6,200
Gabon	13,700	14,300	13,000
Côte d'Ivoire	4,400	4,000	3,000
Congo (Brazzaville)	2,000	1,500	600
Mauritania	1,100	1,000	700
United Kingdom—CMS Area	3,200	3,300	3,400
The Netherlands	3,600	2,900	2,100
Total	73,400	67,100(1)	87,300(1)

(1) These figures exclude 4,600 bopd and 7,400 bopd of Jubilee Field Insurance Production-Equivalent Barrels for the years ended December 31, 2016 and 2017, respectively.

Oil and gas reserves

We estimate our commercial reserves using standard recognized evaluation techniques. Our estimates are reviewed internally at least semi-annually and are reviewed regularly by independent consultants. We estimate future development costs taking into account the level of development required to produce the commercial reserves we have elected to develop by reference to other similar operators, where applicable, reviews by external engineers and our experience. The amount of development costs in turn influences the economic recoverability of resources and, therefore, what proportion of resources are recognized as reserves.

Separately, the depreciation, depletion and amortisation of oil and gas assets charged to our income statement is dependent on the estimate of our oil and gas reserves. An increase in estimated reserves will cause a reduction to our income statement charge because a larger base exists on which to depreciate the asset. Correspondingly, a decrease in estimated reserves will cause an increase to our income statement charge. The estimate of oil and gas reserves also underpins the value in use calculation of a field used for impairment calculations, and in significant cases a reduction to the commercial reserves estimate can lead to an impairment charge.

Underlying cash operating costs

Underlying cash operating costs are operating expenses that are either variable or fixed. The variable element of operating costs will increase (or decrease) with the level of production. As a result, an increase (or decrease) in production will result in an increase (or decrease) in underlying variable operating costs. The main variable operating costs that affect our results include the costs associated with the use of infrastructure and production consumables, such as chemicals including lubricants and drilling muds. Fixed operating costs are substantially independent from production levels and therefore do not increase (or decrease) with an increase (or decrease) in our level of production. Fixed operating costs include FPSO operation and the costs of operational and maintenance contracts, labor costs, and routine and non-routine maintenance costs. Certain significant maintenance programs will also result in the shut-in of production for a period of time. An increase in fixed operating costs will result in an increase in underlying cash operating costs per boe due to higher costs with no associated increase in production.

Development and production success and impairment

We face inherent risks in connection with our development and production activities. These risks include the difference between estimated and actual recoverable reserves, our cost efficiency in development and production activities and our level of production. We review our development and production projects at least semi-annually for indicators of impairment. Where such an indicator exists, we compare the recoverable value of the asset (based on a discounted cash flow value in use calculation) with the carrying value on our balance sheet. If the recoverable value is lower than the carrying value, we record any impairment to the income statement as an impairment of property, plant and equipment.

Acquisitions and disposals

We aim to generate cash flow to fund our exploration-led growth strategy by divesting assets or selectively developing them for production. If we elect to divest an asset, it could impact several line items in our income statement depending, in part, on the stage of the asset's life when the disposal occurs. For example, a farm-down during the exploration phase generally will not result in a gain or loss on disposal, but instead any consideration received and/or receivable will be recorded against the carrying value of the asset. In contrast, a farm-down during the development phase is likely to result in a gain or loss. When we enter the development phase of a project with a high equity stake and farm-down a portion of the equity in that project in return for either cash consideration and/or a carry of all, or a portion, of our share of development costs, the cash consideration and/or the fair value of the carry will be assessed against the carrying value of the percentage disposal to calculate the gain or loss on disposal. Furthermore, any sale of our interests in producing assets will affect our future revenues. For example, if we were to sell our interest in a mature producing field, we would expect the loss of revenues from its production to be fully or partially offset by the potential gain on disposal.

Our results also may be affected by acquisitions, although the extent of the impact largely depends on the mix of assets of the acquired company or interests and their respective acquisition terms. Acquisitions affect our liquidity and cash position in the relevant period to the extent the purchase price is paid in cash. We did not make any material acquisitions in the years ended December 31, 2015, 2016 and 2017.

Insurance

Since 2016, we have received amounts from insurers relating to losses incurred by us during the years ended December 31, 2016 and 2017 as a result of the Turret Remediation Project at the Jubilee development in Ghana. See "Our business—Main producing assets—Ghana—Jubilee field—Turret Remediation Project" for further information relating to the Turret Remediation Project at the Jubilee development. The insurance proceeds received in relation to these losses included proceeds under both the commercial partners' hull and machinery insurance policy and our business interruption insurance policy in respect of the Jubilee development. Proceeds related to compensation for incremental operating costs under the Business Interruption and the Hull and Machinery insurance policies of $50.9 million (2016: $31.8 million) were recorded within the operating costs line of cost of sale. Proceeds related to compensation for capital costs under the Hull and Machinery insurance policy of $7.9 million (2016: $23.1 million) were recorded within additions to property, plant and equipment. The insurance proceeds derived as compensation for lost oil production as a result of the Turret Remediation Project are presented as other operating income-lost production insurance proceeds. For the years ended December 31, 2016 and 2017, the other operating income was $90.1 million and $162.1 million respectively.

We did not make a material insurance claim during the year ended December 31, 2015.

Derivative financial instruments

We hold a portfolio of commodity derivative contracts with various counterparties which relate to our underlying oil and gas businesses. Such commodity derivatives tend to be priced using benchmarks, such as Dated Brent crude oil and United Kingdom NBP (D-1 Heren and M-1 Heren), which correlate as closely as possible to our underlying oil and gas revenues, respectively. We hedge a portion of our estimated oil and gas revenues on a portfolio basis (rather than on a single asset basis), aggregating our oil revenues from substantially all of our African oil interests and our gas revenues from substantially all of our UK and Netherlands gas interests. Our policy is to have the flexibility to protect ourselves against adverse movements in commodity prices up to a maximum of 60% of the next financial year's forecast oil sales entitlements on a rolling annual basis, up to 30% in the following financial year. The cash gain, net of deferred premium, realized on these derivative contracts totaled $838.2 million over the three years ended December 31, 2017.

In addition to these contracts, we hold a small portfolio of interest rate derivatives and, at times, a small portfolio of foreign exchange derivatives. Our floating rate debt comprises bank borrowings at interest rates fixed in advance from overnight to three months at rates determined by US dollar LIBOR and sterling LIBOR. We hedge our floating interest rate exposure on an ongoing basis. From time to time we undertake certain transactions denominated in currencies other than pounds sterling and US dollars. These exposures are often managed by executing foreign currency financial derivatives. These derivatives have historically been "highly effective" within the range prescribed under IAS 39 using regression analysis.

All of our derivatives have been designated as cash flow hedges as of and for the years ended December 31, 2015, 2016 and 2017. All such hedges have been assessed by us to be "highly effective" within the range prescribed under IAS 39 using regression analysis. However, there is the potential for a degree of ineffectiveness in our oil hedges arising from, among other factors, the discount on our crude oil located in Africa relative to Dated Brent crude oil and the timing of oil liftings relative to the hedges.

Exploration and appraisal success and exploration costs written-off

We face inherent risks in connection with our exploration and appraisal activities. The success or failure of our exploration and appraisal activities will affect the level of our resources recognized and our future development plans for a particular licensed area. All license acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalised in cost centers by well, field or exploration area, as appropriate. Interest incurred on borrowings used to finance exploration and appraisal activities is capitalised insofar as it relates to specific development activities. These costs are then written off as exploration costs in the income statement unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment. We account for such write offs using the successful efforts method of accounting.

Taxation

Taxation can have a significant impact on our results of operations, in particular with respect to the outcome of tax claims.

We are subject to various tax claims which arise in the ordinary course of our business, including tax claims from tax authorities in a number of the jurisdictions in which we operate. We assess all such claims in the context of the tax laws of the countries in which we operate and, where applicable, make provision for any settlements which we consider to be probable.

For example, in 2012 the Uganda Revenue Authority ("**URA**") issued an assessment for $473 million in respect of capital gains tax on our farm-down of two-thirds of our interests in our Ugandan licenses. Shortly after completion of the farm-down, we paid $142 million to the URA, being 30% of the tax assessed that was legally required to be paid in order for us to dispute the assessment. After several years of legal proceedings, on June 22, 2015, we agreed to pay $250 million to the Government of Uganda and the URA as a full and final settlement of our capital gains tax liability. This sum comprised the $142 million that we paid to the URA in 2012 and a further amount of $108 million which we paid in three equal installments of $36 million in 2015, 2016 and 2017. Following this settlement, our Uganda High Court appeal and international arbitration claim relating to the dispute were withdrawn. Prior to this settlement, we had recorded a contingent liability of $265 million relating to the dispute. As of December 31, 2015, and after settling this dispute, we removed the associated contingent liability from our balance sheet.

We had a tax dispute with the Government of Equatorial Guinea which dated back to 2012 and related to the amount of tax assessed for the 2007 and 2008 financial years. The Government of Equatorial Guinea sought $135 million from us due to a change in statutory tax rates from those imposed at the time of the relevant production sharing agreement. Although the International Centre for Settlement of Investment Disputes conciliation proceedings relating to this dispute commenced in March 2012, these proceedings were suspended in July 2012 (with a view to reaching a negotiated settlement). In mid-2016, we received letters from the Equatorial Guinea tax authorities demanding payment of the disputed amount. In October 2017, after settlement discussions with the Government of Equatorial Guinea, we and our license partners reached a $220 million ($15 million net to Tullow) settlement which was paid in the year ended December 31, 2017. We consider this matter now settled. Please see "Our business—Legal and arbitration proceedings—Equatorial Guinea Tax Conciliation."

Interest rates

We believe that we have a balanced portfolio of fixed and floating rate debt through our Existing Finance Agreements. Our exposure to the risk of changes in market interest rates relates primarily to our bank borrowings, all of which currently have floating interest rates. We have historically managed interest rate risk using interest rate derivatives, as described above. We may be affected by changes in market interest rates at the time we need to refinance any of our indebtedness.

Exchange rates

Our presentation currency is the US dollar, primarily because substantially all of our revenues and the majority of our costs are denominated in US dollars. However, because a significant amount of our staffing and other administrative costs are denominated in pounds sterling, our results are also affected by changes in the US dollar/pound sterling exchange rate. We also have less significant exposures to movements in the US dollar against other currencies, including the currencies of the countries in which we have operations, notably South Africa, Ghana, Uganda and Kenya, and with the euro in both Ireland and the Netherlands. See "—Derivative Financial Instruments."

Decommissioning costs

We have obligations for decommissioning liabilities for which we make provisions in our financial statements when the related facilities are installed. Changes in estimated timing of decommissioning activities or decommissioning cost estimates are dealt with prospectively. Our estimated decommissioning costs are reviewed annually by internal experts and the results of this review are then assessed alongside estimates from other operators, where applicable. Our decommissioning liability as of December 31, 2017 was $897.4 million and we spent $25.7 million on decommissioning costs during the financial year ended December 31, 2017.

Explanation of income statement items

Sales revenue

Sales revenue represents the sales value, net of VAT, of our share of oil and gas liftings for the year together with tariff income, which is revenue from third-parties for using our infrastructure. We recognize sales revenue when oil and gas volumes are lifted, that is when goods are delivered and title has passed. Sales revenue includes any gain or loss on realization of cash flow hedges.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Other operating income—lost production insurance proceeds

Other operating income—lost production insurance proceeds is the insurance proceeds derived under our insurance policies to compensate for lost production from the Jubilee field.

Cost of sales

Our cost of sales consists primarily of operating expenses that are either variable or fixed. Cost of sales also includes the cash settled royalties paid in respect of our production (these differ from any royalties that are deemed to be settled in barrels of oil out of our working interest production to form our entitlement to production, and are therefore not included in sales revenue). In addition, cost of sales includes depreciation, depletion and amortisation of tangible oil and gas assets. Depreciation, depletion and amortisation of tangible oil and gas assets represent the release of the balance sheet value of an asset to the income statement over the life of the asset. For oil and gas assets, this release is calculated on a unit of production basis divided by aggregate entitlement reserves.

Under lifting or offtake arrangements for oil and gas produced in certain operations in which we have interests with other commercial partners, each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production less stock constitutes "underlift" or "overlift." Underlift and overlift are valued at market value and included within other current assets and trade and other payables on our balance sheet, respectively. Movements during an accounting period are charged to cost of sales rather than charged through revenue, and as a result gross profit is recognized on an entitlements basis.

Cost of sales are presented net of any insurance proceeds derived under our insurance policies that compensate for increased operating costs incurred as part of cost of sales.

Administrative expenses

Our administrative expenses consist primarily of expenses related to staff in our primary operating offices in Accra, Ghana; Nairobi, Kenya; Kampala, Uganda; and Cape Town, South Africa, as well as our corporate offices in Dublin, Ireland and London, United Kingdom, that are not charged to commercial partners, expensed as a cost of sales, or capitalised as an intangible or tangible asset.

Office asset depreciation and impairment charges, operating lease costs associated with corporate offices, share-based payments and other corporate costs are also included in administrative expenses. Salary and corporate costs are charged to capital projects and recorded as an addition to intangible exploration and evaluation assets or are charged to commercial partners if they are directly attributable to a specific project. Any salary and corporate costs not recharged to an operational project are classified as administrative expenses. Recharges to operational projects are performed on an allocation basis either using time written to an operational project or an appropriate statistical basis.

Restructuring costs

We have recognized a provision for restructuring costs in connection with our organizational simplification and our decision to exit all of our licenses and operations in Norway. After recharging part of those costs to certain of our commercial partners, we have incurred a net charge for restructuring costs on our income statement.

Loss on disposal

Loss on disposal consists of the difference between the total consideration received (including cash, deferred and contingent consideration) and the carrying value of the assets disposed. Loss on disposal relates to disposed assets with development or production type operations (and not exploration-type activities) and is recognized in the period in which the disposal is contractually agreed.

Goodwill impairment

Goodwill is tested for impairment annually as of December 31 and when circumstances indicate that the carrying value may be impaired. Goodwill impairment is determined by assessing the recoverable amount, using the "value in use" method, for each cash-generating unit ("**CGU**") (or group of CGUs) to which goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Exploration costs written off

We use the successful efforts accounting method for exploration and evaluation costs. Pre-license costs are expensed in the period in which they are incurred. All license acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalised in cost centers by well, field or exploration area, as appropriate. Interest payable is capitalised insofar as it relates to specific development activities. These costs are then written off as exploration costs in the income statement unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment. We conduct a detailed review of exploration costs semi-annually.

Impairment of property, plant and equipment

Impairment of property, plant and equipment, net consists of the difference between the value in use, which is the estimated discounted future cash flows of a field, based on management's expectations of future oil and gas prices, production, future costs, discount rates, and the net book value of the field. When the estimated discounted future cash flows of the field are less than its carrying amount, an impairment loss is recognized. Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single CGU for impairment purposes. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any amortisation that would have been charged since the impairment. This account is titled "net" as the impairment expense is presented net of any impairment reversals, which are a credit to the account.

Provision for onerous service contracts, net

For the years ended December 31, 2016 and 2017, we recorded a provision for onerous service contracts, net. We have identified certain contracts where the costs to fulfill the terms of those contracts are higher than the financial and economic benefits to be received under them by us. Upon the identification of such contracts and the associated anticipated loss, we determine the net financial obligation connected to the relevant contract, which is then recognized as an expense in our income statement and a provision on our balance sheet.

(Loss)/gain on hedging instruments

We use derivative financial instruments to manage our exposure to fluctuations in foreign exchange rates, interest rates and movements in oil and gas prices. Derivative financial instruments are stated at fair value. The purpose for which a derivative is used is established at inception. To qualify for hedge accounting, the derivative must be highly effective in achieving its objective and this effectiveness must be documented at inception and throughout the period of the hedge relationship. The hedge must be assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated. For the purpose of hedge accounting, hedges are classified as either fair value hedges, when they hedge the exposure to changes in the fair value of a recognized asset or liability, or as cash flow hedges, when they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or forecast transaction. For cash flow hedges, the portion of the gains and losses on the hedging instrument that is determined to be an effective hedge is taken to other comprehensive income and the ineffective portion, as well as any change in time value, is recognized in the income statement. The gains and losses taken to other comprehensive income are subsequently transferred to the income statement during the period in which the hedged transaction affects the income statement. A similar treatment applies to foreign currency loans which are hedges of our net investment in the net assets of a foreign operation. Gains or losses on derivatives that do not qualify for hedge accounting treatment (either from inception or during the life of the instrument) are taken directly to the income statement as a gain/(loss) on hedging instruments in the period.

Finance revenue

Finance revenue consists of interest income from interest-bearing cash at bank and realized foreign exchange gains, interest income on amounts due from joint venture partners for finance leases and net foreign exchange gains.

Finance costs

Finance costs primarily include interest and arrangement fees due on our Existing Finance Agreements as well as issue costs that are deducted from the debt proceeds on initial recognition of the liability which are amortised and charged to the income statement as finance costs over the term of the debt (the effective interest rate method). The finance costs charged to the income statement are recognized net of capitalised borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets (assets that necessarily take a substantial period of time to prepare for their intended use or sale) that are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Finance costs also include the unwinding of any discount for decommissioning provisions, net foreign exchange losses and interest on obligations under finance leases. When we act as operator of a field, we record finance leases on a gross basis (i.e., 100% of the present value of future lease payments) and separately recognize a receivable which represents our commercial partners' share of the lease liability. As of December 31, 2017, our only finance leases related to the FPSOs for the Espoir field in Côte d'Ivoire and for the TEN fields in Ghana. Although we lease other FPSOs at certain of our other fields, these are treated as operating leases and the associated costs are recognized in cost of sales.

Income tax credit

Current and deferred tax, including UK corporation tax and corporation tax in the other jurisdictions in which we do business, such as Ghana, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred corporation tax is recognized when transactions or events have occurred and have not been reversed at the balance sheet date and will result in an obligation to pay more, or right to pay less, tax during a future period. Deferred tax assets are recognized only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted. Deferred tax is measured on a non-discounted basis.

Deferred tax is provided for temporary differences arising on acquisitions that are categorized as business combinations. Deferred tax is recognized at acquisition as part of the assessment of

the fair value of assets and liabilities acquired. Any deferred tax is charged or credited in the income statement as the underlying temporary difference is reversed.

UK Petroleum Revenue Tax is treated as an income tax and deferred Petroleum Revenue Tax is accounted for under the temporary difference method. Current UK Petroleum Revenue Tax is charged as a tax expense on chargeable field profits included in the income statement and is deductible for UK corporation tax.

Results of operations

The following table sets out our historical consolidated income statement for the years ended December 31, 2015, 2016 and 2017.

	Year ended December 31,		
(in millions of $, unless stated)	**2015**	**2016**	**2017**
Sales revenue	1,606.6	1,269.9	1,722.5
Other operating income—lost production insurance proceeds	—	90.1	162.1
Cost of sales	(1,015.3)	(813.1)	(1,069.3)
Gross profit	**591.3**	**546.9**	**815.3**
Administrative expenses	(193.6)	(116.4)	(95.3)
Restructuring costs	(40.8)	(12.3)	(14.5)
Loss on disposal	(56.5)	(3.4)	(1.6)
Goodwill impairment	(53.7)	(164.0)	—
Exploration costs written off	(748.9)	(723.0)	(143.4)
Impairment of property, plant and equipment, net	(406.0)	(167.6)	(539.1)
Provision for onerous service contracts, net	(185.5)	(114.9)	1.0
Operating (loss)/profit	**(1,093.7)**	**(754.7)**	**22.4**
(Loss)/gain on hedging instruments	(58.8)	18.2	(11.8)
Finance revenue	4.2	26.4	42.0
Finance costs	(149.0)	(198.2)	(351.7)
Loss from continuing activities before tax	**(1,297.3)**	**(908.3)**	**(299.1)**
Income tax credit	260.4	311.0	110.6
Loss for the year from continuing activities	**(1,036.9)**	**(597.3)**	**(188.5)**

Comparison of results of operations for the years ended December 31, 2016 and 2017

Sales revenue

Sales revenue increased by $452.6 million, or 35.6%, from $1,269.9 million for the year ended December 31, 2016 to $1,722.5 million for the year ended December 31, 2017, driven primarily by a 37.2% increase in average daily sales volumes from 59,900 boepd for the year ended December 31, 2016 to 82,200 boepd for the year ended December 31, 2017 offset by a 5.1% reduction in realized oil prices after hedging.

The increase in average daily sales volumes was primarily attributable to the first full year of production from the TEN fields and improved operational performance at Jubilee as a result of the implementation of the first phase of the Turret Remediation Project. Average daily sales volumes from the Jubilee field increased by 5.0% from 23,900 boepd for the year ended

December 31, 2016 to 25,100 boepd for the year ended December 31, 2017. Average daily sales volumes from the TEN fields increased by 573.3% from 4,500 boepd for the year ended December 31, 2016 to 30,300 boepd for the year ended December 31, 2017.

Our oil sales are based on various benchmark prices, with adjustments for quality, transportation fees and a regional price differential, as a proxy for market prices. On average, market oil prices in 2017 were higher than in 2016. Our realized oil price for the year ended December 31, 2017 was $58.3/bbl after hedging and $54.2/bbl before hedging, compared to $61.4/bbl and $42.0/bbl respectively for the year ended December 31, 2016, representing a decrease of 5.1% after hedging versus a 29.0% increase in Brent oil prices over the period.

There was an increase in average realized gas prices of 26.8% for the year ended December 31, 2017 compared to average realized gas prices for the year ended December 31, 2016. The average price per therm achieved from gas sales was 43.0 pence per therm for the year ended December 31, 2017 compared to 33.9 pence for the year ended December 31, 2016. These higher prices were primarily driven by improvements in underlying European gas prices during the year ended December 31, 2017 compared to the year ended December 31, 2016.

Other operating income—lost production insurance proceeds

Other operating income—lost production insurance proceeds increased by $72.0 million, from $90.1 million for the year ended December 31, 2016 to $162.1 million for the year ended December 31, 2017, due to insurance proceeds received to compensate for lost production as a result of the Jubilee turret issue which occurred in 2016.

Cost of sales

Cost of sales increased by $256.2 million or 31.5%, from $813.1 million for the year ended December 31, 2016 to $1,069.3 million for the year ended December 31, 2017. Underlying cash operating costs increased from $377.2 million ($14.3 per boe) for the year ended December 31, 2016 to $386.2 million ($11.1 per boe) for the year ended December 31, 2017. The decrease of 22% in underlying cash operating costs per boe was principally due to the impact of ongoing cost saving initiatives and increased working interest production volumes as well as the impact of a 61% increase in the number of Jubilee Field Insurance Production-Equivalent Payments included in respect of the year ended December 31, 2017.

Movements in underlift/overlift resulted in a $2.3 million credit to the income statement for the year ended December 31, 2017 compared to a $76.5 million credit to the income statement for the year ended December 31, 2016. This was as a result of an addition to our underlift position due to the timings of liftings.

Depreciation, depletion and amortisation charges before impairment on production and development assets increased from $448.5 million ($17.0 per boe) for the year ended December 31, 2016 to $574.3 million ($16.1 per boe) for the year ended December 31, 2017. The decrease per barrel was due to a lower cost base resulting from prior impairments as well as the impact of a 61% increase in the number of Jubilee Field Insurance Production-Equivalent Payments included in respect of the year ended December 31, 2017. The gross increase was due to increased production achieved during 2017.

Cost of sales amounted to 64.0% and 62.1% as a percentage of sales revenue during the years ended December 31, 2016 and 2017, respectively.

Administrative expenses

Administrative expenses decreased by $21.1 million, or 18.1%, from $116.4 million for the year ended December 31, 2016 to $95.3 million for the year ended December 31, 2017, primarily due to a reduction in administrative costs as a result of our exit from Norway and our overall cost saving initiatives driven by our business strategy of generating savings over three years to mid-2018. Administrative expenses for the year ended December 31, 2017 include an amount of $32.8 million (2016: $41.2 million) associated with share-based payment charges due to lower volumes of options on issue during 2017.

Restructuring costs

Restructuring costs increased by $2.2 million, or 17.9%, from $12.3 million for the year ended December 31, 2016 to $14.5 million for the year ended December 31, 2017, primarily due to headcount reductions associated with organization simplifications and certain country exits including from Norway and the Netherlands in the year ended December 31, 2017.

Loss on disposal

Loss on disposal decreased by $1.8 million, or 52.9%, from a loss of $3.4 million for the year ended December 31, 2016 to a loss of $1.6 million for the year ended December 31, 2017.

Loss on disposal for the year ended December 31, 2017 primarily related to the sale of our remaining Norwegian licenses and overall divestment of our Norway business as well as the sale of our remaining Dutch assets to Hague and London Oil plc (HALO) which resulted in a loss on disposal of $1.6 million. During the year ended December 31, 2016, we disposed of our interests in certain license areas in Norway. These assets were written down to their fair values before disposal. Consequently, for sales that completed during the year ended December 31, 2016, we recognized a loss on disposal of $3.4 million.

Goodwill impairment

We did not recognize an impairment of goodwill during the year ended December 31, 2017 as goodwill was fully impaired in the year ended December 31, 2016. Goodwill impairment for the year ended December 31, 2016 related to our decision to exit all of our licenses and operations in Norway. We impaired the goodwill that was recorded in relation to our acquisition of Spring Energy Norway AS (now, Tullow Oil Norge AS) in 2013. The goodwill associated with that acquisition was deemed to no longer provide a future economic benefit given that we will no longer operate in Norway following completion of the sale of our remaining licenses.

Exploration costs written off

Exploration costs written off decreased by $579.6 million, or 80.2%, from $723.0 million for the year ended December 31, 2016 to $143.4 million for the year ended December 31, 2017.

The following table provides a summary of the exploration costs written off for the year ended December 31, 2017.

Country	Year ended December 31, 2017 Rationale for write off	Amount written off ($ million)
Kenya	a	2.3
Madagascar	d	(4.0)
Mauritania	b, c	71.1
Netherlands	e	6.2
Pakistan	e	36.1
Suriname	a	10.3
Other	b	4.3
New Ventures	f	17.1
Total exploration costs written off		**143.4**

(a) Current year unsuccessful drilling results.

(b) Current year expenditure or actualization of accruals associated with CGUs previously written off.

(c) License relinquishments.

(d) Country exit.

(e) Revision of value based on disposal/farm-down activities.

(f) New Ventures expenditure is written off as incurred.

The following table provides a summary of the exploration costs written off for the year ended December 31, 2016.

Country	Year ended December 31, 2016 Rationale for write off	Amount written off ($ million)
Ethiopia	b	1.9
Gabon	b	1.6
Ghana	f	3.5
Guinea	b	5.6
Greenland	b	1.0
Kenya	b	(2.6)
Madagascar	b,d	25.6
Mauritania	b,c	9.5
Mozambique	b	(1.0)
Netherlands	b	1.5
Norway	a,b,c,d,e	286.9
Pakistan	a	10.7
Suriname	b,c	19.3
Uganda	e	330.4
Other	b	4.9
New Ventures	f	24.2
Total exploration costs written off		**723.0**

(a) Current year unsuccessful drilling results.

(b) Current year expenditure or actualization of accruals associated with CGUs previously written off.

(c) License relinquishments.

(d) Country exit.

(e) Revision of value based on disposal/farm-down activities.

(f) New Ventures expenditure is written off as incurred.

Impairment of property, plant and equipment, net

We recognized an impairment charge (net) of $539.1 million for the year ended December 31, 2017 compared to $167.6 million for the year ended December 31, 2016.

For the year ended December 31, 2017, we recognized an impairment charge, net of reversals, of $539.1 million, comprising Limande, Echira, M'Boundi, Espoir, Ceiba, TEN, Jubilee, the Netherlands CGU and UK CGUs, which largely related to lower medium and long-term oil and gas price forecasts as outlined in the table below.

For the year ended December 31, 2016, we recognized an impairment charge, net of reversals, of $167.6 million, relating to our TEN, Limande, Echira, Etame, Espoir, M'Boundi, Chinguetti and UK CGUs, due primarily to lower forecasts of oil and gas prices and an increase in estimated future decommissioning costs. These charges were offset by reversals to impairment of the Oba CGU, which mainly resulted from commercial reserve additions during the year ended December 31, 2016.

Provision for onerous service contracts, net

The income statement charge for provision for onerous service contracts decreased by $115.9 million, or 100.9%, from $114.9 million charge for the year ended December 31, 2016 to a $1.0 million credit for the year ended December 31, 2017.

We applied the following nominal oil price assumptions for impairment tests:

	Year ended December 31,		
	2015	**2016**	**2017**
Year 1	Forward Curve	Forward Curve	Forward Curve
Year 2	Forward Curve	Forward Curve	Forward Curve
Year 3	$ 70/bbl	$ 70/bbl	$ 59/bbl
Year 4	$ 70/bbl	$ 70/bbl	$ 66/bbl
Year 5	$ 70/bbl	$ 70/bbl	$ 68/bbl
Year 6 onwards	$ 90/bbl	$ 90/bbl	$75/bbl inflated at 2%

Gain/(loss) on hedging instruments

The gain/(loss) on hedging instruments decreased by $30.0 million, or 164.8%, from a gain of $18.2 million for the year ended December 31, 2016 to a loss of $11.8 million for the year ended December 31, 2017, primarily due to the time value of our commodity derivative instruments.

Finance revenue

Finance revenue increased by $15.6 million, or 59.1%, from $26.4 million for the year ended December 31, 2016 to $42.0 million for the year ended December 31, 2017, primarily due to interest income on amounts due from joint venture partners for finance leases being recognized for the first time due to recognition of the TEN FPSO finance lease during 2017.

Finance costs

Finance costs increased by $153.5 million, or 77.4%, from $198.2 million for the year ended December 31, 2016 to $351.7 million for the year ended December 31, 2017, primarily due to a decrease in the value of capitalised interest due to the completion of the TEN development in 2016, and the commencement of recording interest on obligations under the TEN FPSO finance lease. This was offset by a reduction in interest on borrowings due to a reduction in the average level of net debt in the year ended December 31, 2017 compared to the year ended December 31, 2016.

The following table provides additional details on our finance costs for the years ended December 31, 2016 and 2017:

	Year ended December 31,		
(in millions of $)	**2016**	**2017**	**% Change**
Interest on bank overdrafts and borrowings	304.7	290.7	(4.6)
Interest on obligations under finance leases	1.8	46.1	2,461.1
Total borrowing costs	**306.5**	**336.8**	9.9
Less amounts included in cost of qualifying assets	(138.8)	(66.5)	(52.1)
	167.7	270.3	61.2
Finance and arrangement fees	5.4	2.8	(48.1)
Other interest expense	—	1.8	100.0
Foreign exchange losses	—	57.1	100.0
Unwinding of discount on decommissioning provisions	25.1	19.7	(21.5)
Finance costs	198.2	351.7	77.4

Income tax credit

Income tax credits decreased by $200.4 million, or 64.4%, from a credit of $311.0 million for the year ended December 31, 2016 to a credit of $110.6 million for the year ended December 31, 2017. The credit for the year ended December 31, 2017 relates to a tax charge in respect of hedging profits, Gabon and Equatorial Guinea production activities offset by credits in respect of our North Sea and Ghana production activities and non-recurring deferred tax credits associated with exploration write-offs and impairments. The decrease from the year ended December 31, 2016 was mainly due to the decrease in the size of total exploration write-offs and impairments.

Our effective tax rate increased to 37.0% for the year ended December 31, 2017 compared to 34.2% for the year ended December 31, 2016 mainly due to deferred tax credits associated with the impairment of property, plant, and equipment.

Comparison of results of operations for the years ended December 31, 2015 and 2016

Sales revenue

Sales revenue decreased by $336.7 million, or 21.0%, from $1,606.6 million for the year ended December 31, 2015 to $1,269.9 million for the year ended December 31, 2016, driven primarily by a 8.4% reduction in realized oil prices after hedging and by a 11.4% decrease in average daily sales volumes from 67,600 boepd for the year ended December 31, 2015 to 59,900 boepd for the year ended December 31, 2016.

The decrease in average daily sales volumes was primarily attributable to the impact of the Turret Remediation Project at the Jubilee field offshore Ghana, but was partially mitigated by the contribution of sales from the TEN fields for the first time in 2016. Average daily sales volumes from the Jubilee field decreased by 30.1% from 34,200 boepd for the year ended December 31, 2015 to 23,900 boepd for the year ended December 31, 2016. Average daily sales volumes from the TEN fields increased from nil boepd for the year ended December 31, 2015 to 4,500 boepd for the year ended December 31, 2016, as the TEN fields began producing in August 2016.

Our oil sales are based on various benchmark prices, with adjustments for quality, transportation fees and a regional price differential, as a proxy for market prices. On average, oil prices in 2016 were lower than in 2015. Our realized oil price for the year ended December 31, 2016 was $61.4/bbl after hedging and $42.0/bbl before hedging, compared to $67.0/bbl and $50.4/bbl, respectively, for the year ended December 31, 2015, representing a decrease of 8.4% after hedging compared to a 16% decrease in Brent oil prices over the period.

Furthermore, there was a decrease in average realized gas prices of 18.9% for the year ended December 31, 2016 compared to average realized gas prices for the year ended December 31, 2015. The average price per therm achieved from gas sales was 33.9 pence for the year ended December 31, 2016 compared to 41.8 pence for the year ended December 31, 2015. These lower prices were primarily caused by lower market prices during the year ended December 31, 2016 compared to the year ended December 31, 2015.

Other operating income—lost production insurance proceeds

Other operating income—lost production insurance proceeds increased by $90.1 million, from nil for the year ended December 31, 2015 to $90.1 million for the year ended December 31, 2016, due to insurance proceeds received to compensate for lost production as a result of the Jubilee turret issue which occurred in 2016 and not in 2015.

Cost of sales

Cost of sales decreased by $202.2 million, or 19.9%, from $1,015.3 million for the year ended December 31, 2015 to $813.1 million for the year ended December 31, 2016. Underlying cash operating costs decreased from $406.3 million ($15.1 per boe) for the year ended December 31, 2015 to $377.2 million ($14.3 per boe) for the year ended December 31, 2016. Underlying cash operating costs in the year ended December 31, 2016 included $31.8 million of insurance proceeds including insurance payments received in relation to our operations at the Jubilee field. The decrease of 5.3% in underlying cash operating costs per boe was principally due to the impact of ongoing cost saving initiatives and due to the start-up of the TEN fields which have a low operating cost per boe.

Movements in underlift/overlift resulted in a $76.5 million credit to the income statement for the year ended December 31, 2016 compared to a $1.5 million credit to the income statement for the year ended December 31, 2015. This was as a result of an increase to our underlift position due to the timings of liftings.

Depreciation, depletion and amortisation charges before impairment on production and development assets decreased from $551.2 million ($20.5 per boe) for the year ended December 31, 2015 to $448.5 million ($17.0 per boe) for the year ended December 31, 2016. The decrease was primarily as a result of lower production levels from the Jubilee field and impairments of property, plant and equipment made in 2015, resulting in a lower net book value available for depreciation.

Cost of sales amounted to 63.2% and 64.0% as a percentage of sales revenue during the years ended December 31, 2015 and 2016, respectively.

Administrative expenses

Administrative expenses decreased by $77.2 million, or 39.9%, from $193.6 million for the year ended December 31, 2015 to $116.4 million for the year ended December 31, 2016, primarily due to the Major Simplification Project implemented in 2015.

Restructuring costs

Restructuring costs decreased by $28.5 million, or 69.9%, from $40.8 million for the year ended December 31, 2015 to $12.3 million for the year ended December 31, 2016, primarily due to the Major Simplification Project being primarily implemented in 2015. Restructuring costs in the year ended December 31, 2016 mainly related to continued headcount reductions and the decision to exit all of our licenses and operations in Norway.

Loss on disposal

Loss on disposal decreased by $53.1 million, or 94.0%, from a loss of $56.5 million for the year ended December 31, 2015 to a loss of $3.4 million for the year ended December 31, 2016.

During the year ended December 31, 2016, we disposed of our interests in certain license areas in Norway. These assets were written down to their fair values before disposal. Consequently, for sales that completed during the year ended December 31, 2016, we recognized a loss on disposal of $3.4 million. Loss on disposal for the year ended December 31, 2015 related primarily to the disposal of our interests in the L and Q blocks in the Netherlands to AU Energy for a loss on disposal of $46.3 million and the disposal of various licenses in Norway for a loss on disposal of $7.4 million.

Goodwill impairment

Goodwill impairment for the year ended December 31, 2016 related to our decision to exit all of our licenses and operations in Norway. We impaired the goodwill that was recorded in relation to our acquisition of Spring Energy Norway AS (now Tullow Oil Norge AS) in 2013. The goodwill associated with that acquisition was deemed to no longer provide a future economic benefit given that we will no longer operate in Norway following completion of the sale of our remaining licenses.

Goodwill impairment for the year ended December 31, 2015 related to an incremental impairment of goodwill that was recorded at the time of the Spring Energy Norway AS (now Tullow Oil Norge AS) acquisition. In assessing our goodwill impairment, we compared the carrying value of goodwill and the carrying value of the related group of CGUs with the recoverable amounts relating to those units.

Exploration costs written off

Exploration costs written off decreased by $25.9 million, or 3.5%, from $748.9 million for the year ended December 31, 2015 to $723.0 million for the year ended December 31, 2016.

The following table provides a summary of the exploration costs written off for the year ended December 31, 2016.

	Year ended December 31, 2016	
Country	**Rationale for write off**	**Amount written off ($ million)**
Ethiopia	b	1.9
Gabon	b	1.6
Ghana	f	3.5
Guinea	b	5.6
Greenland	b	1.0
Kenya	b	(2.6)
Madagascar	b,d	25.6
Mauritania	b,c	9.5
Mozambique	b	(1.0)
Netherlands	b	1.5
Norway	a,b,c,d,e	286.9
Pakistan	a	10.7
Suriname	b,c	19.3
Uganda	e	330.4
Other	b	4.9
New Ventures	f	24.2
Total exploration costs written off		**723.0**

(a) Current year unsuccessful drilling results.

(b) Current year expenditure or actualization of accruals associated with CGUs previously written off.

(c) License relinquishments.

(d) Country exit.

(e) Revision of value based on disposal/farm-down activities.

(f) New Ventures expenditure is written off as incurred.

The following table provides a summary of the exploration costs written off for the year ended December 31, 2015.

Country	Year ended December 31, 2015 Rationale for write off	Amount written off ($ million)
Côte d'Ivoire	b	2.9
Ethiopia	c	39.7
French Guinea	c	0.3
Gabon	a,b,c	21.3
Ghana	b	0.4
Guinea	c	60.3
Greenland	c	38.7
Kenya	a	28.3
Madagascar	c	12.2
Mauritania	b	7.3
Mozambique	b	4.6
Netherlands	c	371.3
Norway	a,b	92.2
Suriname	a	28.8
Other	a,b,c	15.2
New Ventures	d	25.4
Total exploration costs written off		**748.9**

(a) Current year unsuccessful drilling results.

(b) License relinquishments.

(c) Review of forward work program in light of capital re-allocation to development projects and current low oil and gas price environment.

(d) New Ventures expenditure is written off as incurred.

Impairment of property, plant and equipment (net)

We recognized an impairment charge, net of reversals, of $167.6 million for the year ended December 31, 2016 compared to $406.0 million for the year ended December 31, 2015.

For the year ended December 31, 2016, we recognized an impairment charge, net of reversals, of $167.6 million, relating to our TEN, Limande, Echira, Etame, Espoir, M'Boundi, Chinguetti and UK CGUs, due primarily to lower forecasts of oil and gas prices and an increase in estimated future decommissioning costs. These charges were offset by reversals to impairment of the Oba CGU, which mainly resulted from commercial reserve additions during the year ended December 31, 2016.

For the year ended December 31, 2015, we recognized an impairment charge of $406.0 million, relating to lower forecasts of oil and gas prices, partially offset by impairment reversals of $61.2 million relating to our assets in Gabon due to increased reserves and by lower forecasts of decommissioning costs relating to our assets in the United Kingdom.

Provision for onerous service contracts (net)

The income statement charge for provision for onerous service contracts decreased by $70.6 million, or 38.1%, from $185.5 million for the year ended December 31, 2015 to $114.9 million for the year ended December 31, 2016. Due to reductions in planned future work programs, we recognized an income statement charge for onerous service contracts in 2015 and 2016.

Gain/loss on hedging instruments

The gain/(loss) on hedging instruments improved by $77.0 million, from a loss of $58.8 million for the year ended December 31, 2015 to a gain of $18.2 million for the year ended December 31, 2016, primarily due to the time value of our commodity derivative instruments.

Finance revenue

Finance revenue increased by $22.2 million, from $4.2 million for the year ended December 31, 2015 to $26.4 million for the year ended December 31, 2016, primarily due to foreign exchange gains.

Finance costs

Finance costs increased by $49.2 million, or 33.0%, from $149.0 million for the year ended December 31, 2015 to $198.2 million for the year ended December 31, 2016, primarily due to higher average borrowing levels during the year ended December 31, 2016 and the cessation of capitalization of interest to the TEN asset on commencement of production from the asset in August 2016.

The following table provides additional details on our finance costs for the years ended December 31, 2015 and 2016:

	Year ended December 31,		
(in millions of $)	**2015**	**2016**	**% Change**
Interest on bank overdrafts and borrowings	246.3	304.7	23.7
Interest on obligations under finance leases	2.0	1.8	(10.0)
Total borrowing costs	**248.3**	**306.5**	**23.4**
Less amounts included in cost of qualifying assets	(160.1)	(138.8)	(13.3)
	88.2	167.7	90.1
Finance and arrangement fees	16.8	5.4	(67.9)
Other interest expense	2.7	—	(100.0)
Foreign exchange losses	13.0	—	(100.0)
Unwinding of discount on decommissioning provisions	28.3	25.1	(11.3)
Finance costs	**149.0**	**198.2**	**33.0**

Income tax credit

Income tax credits increased by $50.6 million, or 19.4%, from a credit of $260.4 million for the year ended December 31, 2015 to a credit of $311.0 million for the year ended December 31, 2016, reflecting the deferred tax credit associated with the Uganda and Norway exploration write offs.

Our effective tax rate increased to 34.2% for the year ended December 31, 2016 compared to 20.1% for the year ended December 31, 2015. The increase in the effective tax rate for 2016 was mainly due to higher deferred tax credits on exploration costs written off and other impairments in addition to lower prior year tax charges relating to Uganda.

Liquidity

Our liquidity requirements arise principally from our capital investment and working capital requirements. We historically have met our capital investment and working capital requirements primarily from oil and gas revenues from our producing assets (such as the TEN and Jubilee fields in Ghana, the Ceiba field and Okume Complex in Equatorial Guinea, and the Tchatamba fields in Gabon), debt financing through ongoing drawings on the RBL Facilities, Corporate Facility and Norwegian Facility, and the issuance of the 2020 Senior Notes (which are being redeemed and repayed in connection with the Refinancing), 2022 Senior Notes and the Convertible Bonds, the proceeds from farm-downs and other disposals of interests in licenses, as well as the Rights Offering in 2017.

We held cash and cash equivalents of $355.7 million, $281.9 million, and $284.0 million as of December 31, 2015, 2016 and 2017, respectively. These amounts include cash held in bank accounts relating to business ventures with our commercial partners of $169.5 million, $140.9 million, and $146.0 million as of December 31, 2015, 2016 and 2017 respectively. In addition to the cash held in such joint venture bank accounts, we had additional amounts of cash held in restricted bank accounts of $16.1 million, $20.3 million, and $16.1 million as of December 31, 2015, 2016 and 2017, respectively. Although these balances held in joint venture and restricted bank accounts are short-term and highly liquid, they are restricted for use only within the business ventures to which they relate and cannot be used for our general funding requirements.

Cash flow

The following table sets forth consolidated cash flow information for the years ended December 31, 2015, 2016 and 2017.

(in millions of $)	Year ended December 31, 2015[1]	2016	2017
Loss before taxation	(1,297.3)	(908.3)	(299.1)
Adjustments for:			
Depreciation, depletion and amortisation	580.1	466.9	592.2
Loss on disposal	56.5	3.4	1.6
Goodwill impairment	53.7	164.0	—
Exploration costs written off	748.9	723.0	143.4
Impairment of property, plant and equipment, net	406.0	167.6	541.1
Provision for onerous service contracts, net	185.5	114.9	(1.0)
Payments under onerous service contracts	—	(132.0)	—
Provisions for inventory	22.2	—	—
Decommissioning expenditure	(40.8)	(23.0)	(25.7)
Share-based payment charge	48.7	43.9	33.9
Gain/(loss) on hedging instruments	58.8	(18.2)	11.8
Finance revenue	(4.2)	(26.4)	(42.0)
Finance costs	149.0	198.2	351.7
Operating cash flow before working capital movements	**967.1**	**774.0**	**1,307.9**
(Decrease)/increase in trade and other receivables	(26.5)	(99.4)	122.0
Decrease/(increase) in inventories	9.0	(47.8)	(20.8)
(Decrease)/increase in trade payables	(6.3)	(29.8)	(251.4)
Cash flows from operating activities	**943.3**	**597.0**	**1,157.7**
Income taxes paid/(received)	34.9	(84.5)	65.2
Net cash from operating activities	**978.2**	**512.5**	**1,222.9**
Proceeds from disposals	55.8	62.8	8.0
Purchase of intangible exploration and evaluation assets	(647.6)	(275.2)	(189.7)
Purchase of property, plant and equipment	(1,092.0)	(756.0)	(117.8)
Interest received	4.2	1.2	3.1
Net cash used in investing activities	**(1,679.6)**	**(967.2)**	**(296.4)**
Net proceeds from issue of share capital	3.5	9.9	768.1
Debt arrangement fees	(25.7)	(31.7)	(56.4)
Repayment of bank loans	(191.8)	(769.1)	(1,613.6)
Drawdown of bank loans	1,168.8	1,187.5	305.0
Issue of senior loan notes	—	—	—
Issue of Convertible Bonds	—	300.0	—
Repayment of obligations under finance leases	(3.3)	(3.3)	(62.6)
Finance costs paid	(203.6)	(284.0)	(265.4)
Distribution to non-controlling interests	(2.4)	(10.0)	(3.0)
Net cash provided by/(used in) financing activities	**745.5**	**399.3**	**(927.9)**
Net increase/(decrease) in cash and cash equivalents	**44.1**	**(55.4)**	**(1.4)**
Cash and cash equivalents at beginning of year	319.0	355.7	281.9
Foreign exchange (loss)/gain	(7.4)	(18.4)	3.5
Cash and cash equivalents at end of year	355.7	281.9	284.0

(1) An amount of $372.8 million has been re-presented between movements in trade payables and purchase of property, plant and equipment related to movements in capital accruals. This reduced the cash outflow for the purchase of property, plant and

equipment in 2015 from $1,464.8 million to $1,092.0 million, with a corresponding adjustment to the cash flow from changes in trade payables. This resulted in the net cash inflow from increases in trade payables of $366.5 million becoming a net cash outflow from decreases in trade payables of $6.3 million.

Net cash from operating activities

Net cash from operating activities was $1,222.9 million for the year ended December 31, 2017 compared to $512.5 million from operating activities for the year ended December 31, 2016. The increase in net cash from operating activities was driven by higher payments under onerous service costs and higher oil production offset by lower realized oil prices.

Net cash from operating activities was $512.5 million for the year ended December 31, 2016 compared to $978.2 million from operating activities for the year ended December 31, 2015. The decrease in net cash from operating activities was primarily due lower realized oil prices and payments under onerous service contracts. This was partially offset by a decrease in underlying cash operating costs and administrative costs, which was due to ongoing savings efforts and savings from the Major Simplification Project.

Net cash used in investing activities

Net cash used in investing activities was $296.4 million for the year ended December 31, 2017 compared to $967.2 million of net cash used in investing activities for the year ended December 31, 2016. In the year ended December 31, 2017, capital expenditure on property, plant and equipment and on intangible exploration and evaluation assets accounted for $307.5 million of the investment cash outflow, mainly relating to investments associated with the continued development of our East Africa assets. In the year ended December 31, 2016, capital expenditure on property, plant and equipment and on intangible exploration and evaluation assets accounted for $1,031.2 million of the investment cash outflow, mainly relating to investments associated with completing the development of the TEN fields.

Net cash used in investing activities was $967.2 million for the year ended December 31, 2016 compared to $1,679.6 million of net cash used in investing activities for the year ended December 31, 2015. In the year ended December 31, 2016, capital expenditure on property, plant and equipment and on intangible exploration and evaluation assets accounted for $1,031.2 million of the investment cash outflow, mainly relating to investments associated with completing the development of the TEN fields. In the year ended December 31, 2015, capital expenditure on property, plant and equipment and on intangible exploration and evaluation assets accounted for $1,739.6 million of the investment cash outflow, also mainly relating to investments associated with the TEN fields.

Additions to intangible exploration and evaluation assets and property, plant and equipment exceed net cash used in investing activities due to the additions of non-cash items such as share based-payment charges and working capital. For a more detailed description of our recent capital expenditure, see "—Capital investment."

Net cash generated by financing activities

Net cash used in financing activities was $927.9 million for the year ended December 31, 2017, compared to $399.3 million of net cash generated by financing activities for the year ended December 31, 2016. In the year ended December 31, 2017, financing activities reflected principally net repayment on our debt facilities partially offset by proceeds from the Rights

Offering. In the year ended December 31, 2016, financing activities reflected principally net drawings on our debt facilities, partially offset by interest payments under those facilities.

Net cash generated by financing activities was $399.3 million for the year ended December 31, 2016, compared to $745.5 million of net cash generated by financing activities for the year ended December 31, 2015. In the year ended December 31, 2016, financing activities reflected principally net drawings on our debt facilities, partially offset by interest payments under those facilities. In the year ended December 31, 2015, financing activities also reflected principally net drawings on our debt facilities, partially offset by finance costs.

For a more detailed description of our recent financing activities, see "—Financing."

Capital investment

During the years ended December 31, 2015, 2016 and 2017, we spent $1,720.0 million, $857.0 million, and $224.6 million respectively, on capital investment to support our exploration and development strategy. Capital investment has historically comprised the costs of technical services and studies, seismic acquisition and interpretation, and exploratory, appraisal, development and productivity enhancement drilling, well testing and costs associated with construction of oil and gas facilities.

Our capital investment in the year ended December 31, 2017 principally related to (i) development activities ($127.0 million), and (ii) exploration and appraisal activities ($97.6 million). The major development activities were developments in Ghana and Kenya. More than 80% of our capital investment in the year ended December 31, 2017, or more than $188 million, was invested in Africa, and more than 75% was invested in Ghana and Kenya.

Our capital investment in the year ended December 31, 2016 principally related to (i) development activities ($775.4 million), and (ii) exploration and appraisal activities ($81.6 million). The major development activities were the completion of the TEN project in Ghana, which achieved first oil in August 2016, and developments in Kenya, Uganda and Gabon. 93% of our capital investment in the year ended December 31, 2016, or $800.5 million, was invested in Africa, and 80% was invested in Ghana, Kenya and Uganda.

Our capital investment in the year ended December 31, 2015 principally related to (i) development activities ($1,464.0 million) associated with the TEN fields, the Jubilee field and developments in Kenya and Uganda, and (ii) exploration and appraisal activities ($256.0 million). 94% of our capital investment in the year ended December 31, 2015, or $1,608.3 million, was invested in Africa, and 80% was invested in Ghana, Kenya and Uganda.

The following table shows a reconciliation of additions to property, plant and equipment and intangible exploration and evaluation assets to capital investment for the years ended December 31, 2015, 2016 and 2017.

	Year ended December 31,		
(in millions of $)	**2015**	**2016**	**2017**
Additions to property, plant and equipment	1,258.2	818.5	887.7
Additions to intangible exploration and evaluation assets	626.3	291.4	319.0
Less			
Decommissioning asset additions(1)	(147.4)	57.1	(33.6)
Finance lease asset additions(2)	—	—	837.6
Capitalised share-based payment charge(3)	18.6	7.0	0.3
Capitalised finance costs(4)	160.1	138.8	66.5
Additions to administrative assets(5)	23.1	1.6	7.0
Norwegian tax refund(6)	50.4	50.5	2.1
Uganda capital investment adjustment(7)	—	—	57.5
Other adjustments(8)	59.7	(2.1)	44.7
Capital investment	**1,720.0**	**857.0**	**224.6**

(1) Decommissioning assets are recorded as an equal and opposite amount to our decommissioning provisions. Decommissioning assets are depreciated over the life of the relevant asset until the point of decommissioning. Any increases in a provision due to a change in scope of the obligation results in an increase in the decommissioning asset. The asset is recorded under the property, plant and equipment line item in the balance sheet. Any new decommissioning assets, or increases in decommissioning assets, from the previous year are shown as additions to that line item.

(2) Finance lease asset additions are not considered capital investment as they are non-cash in nature.

(3) Capitalised share-based payment charge relates to the portion of the non-cash share-based payment charge that relates to employees who work on capital projects.

(4) Capitalised finance costs relates to the portion of our borrowing costs that is deemed to fund development activities.

(5) Administrative assets represent fixtures, fittings and office equipment such as computers. Because they are not directly attributable to the exploration or development of oil and gas, we exclude their costs from our definition of capital investment.

(6) Capital expenditure is adjusted for the Norwegian tax refunds. The Norwegian tax refund for each of the years ended December 31, 2015, 2016 and 2017 represents 78% of our qualifying exploration expenditure in Norway during the years ending December 31, 2014, 2015 and 2016 respectively. The refund is paid in the year following the year in which the expense is incurred.

(7) Capital investment for the year ended December 31, 2017 excludes $57.5 million of Uganda capital investment that will be reimbursed as a completion adjustment on completion of the Uganda Farm-down.

(8) Other adjustments includes non-business combinations/acquisitions, cash re-imbursements for capital expenditure under sale and purchase agreements between their effective date and completion date and exclusion of other non-cash adjustments to fixed asset additions made in accordance with IFRS. These include capitalization of provisions made in respect of inventory and operational receivables and expenditure under certain subleased rig contracts, and non-cash additions as a result of carry arrangements.

Future capital investment

Our capital investments are driven largely by our exploration and appraisal activities and development of new oil and gas projects through to production. We continually evaluate our capital needs and compare them to our estimated funds available and our actual future capital expenditures may be higher or lower than our budgeted amounts. In particular, our capital expenditures may increase as additional exploration opportunities are presented to us or to fund appraisal and development costs associated with additional successful wells. The final determination with respect to the drilling of any well, including those currently budgeted, will depend on multiple factors, including the results of our development and exploration efforts, the availability of sufficient capital resources for drilling prospects, economic and industry conditions at the time of drilling, including prevailing and anticipated prices that we can achieve for our oil and gas, the availability of drilling rigs and crews, and our financial condition.

Our capital expenditure associated with operating activities in 2018 is expected to be $460.0 million (excluding the $110 million of forecast Uganda expenditure to be repaid from deferred consideration following the expected completion of the Uganda farm-down in the first half of 2018), approximately the same level of capital expenditure as in 2017. The 2018 total comprises Ghana capital expenditure of approximately $250 million (2017: $14 million), West Africa non-operated capital expenditure of approximately $40 million (2017: $26 million), Kenya pre-development expenditure of approximately $80 million (2017: $86 million) and exploration and appraisal spend of approximately $90 million across the Group (2017: $98 million). At completion of the Uganda farm-down, we are also due to receive $100 million cash consideration along with re-imbursement of 2017 capital expenditure of approximately $60 million. We are due to receive a further $50 million cash consideration when FID is achieved.

Contractual obligations and contingent liabilities

The following table details our remaining contractual maturity for our non-derivative financial liabilities with agreed repayment periods as of December 31, 2017. The tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which we can be required to pay.

Contractual obligations (in millions of $)	Weighted average effective interest rate	Payments due by period Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Total
Non-interest bearing[1]	n/a	50.9	194.6	—	—	105.1	350.6
Finance lease liabilities[2]	7.1%	18.3	39.3	172.1	866.1	930.2	2,026.0
Fixed interest rate instruments	7.5%						
Principal repayments		—	—	—	1,600.0	—	1,600.0
Interest charge		9.9	—	89.6	279.8	—	379.3
Variable interest rate instruments	7.2%						
Principal repayments		—	—	—	811.0	1,344.0	2,155.0
Interest charge		10.4	20.9	85.9	420.4	95.9	633.5
Total		**89.5**	**245.8**	**347.6**	**3,977.3**	**2,475.2**	**7,144.4**

(1) Primarily reflects trade and other payables such as amounts due to our commercial partners, VAT and royalties payable in cash.

(2) Relates to the TEN FPSO in Ghana and the Espoir FPSO in Côte d'Ivoire.

As is common in our industry, we have entered into various commitments related to the exploration and appraisal of, and production from, commercial oil and gas assets. As of December 31, 2015, 2016 and 2017, we had future capital commitments of $1,614.5 million, $108.4 million and $185.0 million, respectively. These amounts represent our obligations to fulfil our contractual commitments in subsequent years.

The increase in capital commitments from $108.4 million as of December 31, 2016 to $185.0 million as of December 31, 2017 was primarily due to entering into a new drilling rig contract for use at our Ghana fields. The decrease in capital commitments from $1,614.5 million as of December 31, 2015 to $108.4 million as of December 31, 2016 was primarily due to the completion of the TEN development project on achieving first oil in 2016.

We had certain contingent liabilities in relation to performance guarantees for abandonment obligations, committed work programs, legal disputes and certain financial obligations of $162.9 million, $241.7 million, and $300.9 million as of December 31, 2015, 2016 and 2017 respectively.

Our contingent liabilities were as follows as of December 31, 2015, 2016 and 2017:

	As of December 31,		
(in millions of $)	**2015**	**2016**	**2017**
Performance guarantees[(1)]	130.9	85.1	115.6
Other contingent liabilities[(2)]	32.0	156.6	185.3
Total	**162.9**	**241.7**	**300.9**

(1) Performance guarantees are in respect of abandonment obligations, committed work programs and certain financial obligations.

(2) Other contingent liabilities include legal disputes in which we consider it probable that we will prevail.

We have entered into certain operating lease agreements which are not recorded on our balance sheet. Our commitments under operating lease agreements were as follows as of December 31, 2015, 2016 and 2017.

	As of December 31,		
(in millions of $)	**2015**	**2016**	**2017**
Due within one year	8.4	143.7	9.2
Due after one year but within two years	8.4	105.9	9.5
Due after two years but within five years	25.2	319.9	28.2
Due after five years	39.3	464.8	47.7
Total	**81.3**	**1,034.3**	**94.6**

Operating lease payments represent rentals payable by us for certain of our office properties and a lease for an FPSO for use at the TEN fields in Ghana (in 2016 only). The TEN FPSO was recognized as a finance lease liability as of August 1, 2017. Leases of office properties are negotiated for an average of six years and rentals are fixed for an average of six years. The decrease in operating lease commitments from December 31, 2016 to December 31, 2017 was due to the reclassification of the TEN FPSO from an operating lease to a finance lease in August 2017. The increase in operating lease commitments from December 31, 2015 to December 31, 2016 was due to inclusion of the lease for the TEN FPSO.

Financing

As noted above, our liquidity requirements arise principally from our capital investment and working capital requirements. For the periods presented, we met our capital investment and working capital requirements primarily from oil and gas revenues and the proceeds of equity and debt financings and the farm-down of certain of our interests in Ugandan licenses. Historically, we have utilized a combination of short- and long-term financial instruments to supplement cash flow from operations to finance our cash needs and the growth of our business. We believe that, following the issuance of the Notes, our operating cash flows and borrowing capacity under the RBL Facilities and Corporate Facility, and the proceeds of the Notes, and the 2022 Senior Notes and the Convertible Bonds will be sufficient to meet our requirements and commitments for at least the next twelve months. However, we are leveraged and have significant debt service obligations. Our actual financing requirements will depend on a number of factors, many of which are beyond our control. See "Risk factors—Risks relating to the Notes and our structure—Our leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations under our debt, including the Notes and the Note Guarantees."

Equity financing

In the year ended December 31, 2017, we issued 5,159,652 ordinary shares for an aggregate subscription amount of $14.4 million in respect of options and awards granted under the Tullow Share Schemes, compared to 2,905,254 ordinary shares for an aggregate subscription amount of $9.8 million in the year ended December 31, 2016, and compared to 915,075 ordinary shares for an aggregate subscription amount of $3.6 million in the year ended December 31, 2015. As of December 31, 2017, we had 1,386,567,336 allotted and fully paid ordinary shares in issue, compared to 914,481,960 ordinary shares as of December 31, 2016 and 911,576,706 ordinary shares as of December 31, 2015.

On April 25, 2017, we completed a Rights Offering, raising gross proceeds of $753.8 million (the "**Rights Offering**"). As a result of the Rights Offering, share capital increased by $60.0 million and share premium increased by $693.8 million (net of $25.9 million of expenses). In the year ended December 31, 2016, the Company did not issue new shares.

As of December 31, 2017, we had 1,386,567,336 allotted and fully paid ordinary shares in issue, compared to 914,481,960 ordinary shares as of December 31, 2016 and 911,576,706 ordinary shares as of December 31, 2015.

Debt financing

Our total borrowing as of December 31, 2017 amounted to $3,606.4 million.

In 2013, we completed an offering of the 2020 Senior Notes, raising gross proceeds of $650.0 million. In 2014, we completed an offering of the 2022 Senior Notes, raising gross proceeds of $650.0 million. The proceeds of the 2020 Senior Notes and the 2022 Senior Notes were used to repay existing indebtedness under the RBL Facilities. In July 2016, we completed an offering of Convertible Bonds, raising gross proceeds of $300.0 million which were used for general corporate purposes and to fund capital investment.

In March 2015, we arranged an additional $200 million of commitments, increasing our RBL Facilities to $3.7 billion. In October 2016, the commitments on the RBL Facilities amortised by $445 million, as scheduled. In addition, in October 2016, we arranged $345 million of new commitments from our existing lenders by exercising an accordion facility in the RBL Facilities which took effect from April 3, 2017. On November 29, 2017, we completed a refinancing of our RBL Facilities. Available credit under the RBL Facilities was $2,500 million as of December 31, 2017. The RBL Facilities incur interest on outstanding debt at LIBOR (in respect of US dollar loans or pound sterling loans) or EURIBOR (in respect of euro loans) plus an applicable margin. Subject to what is set out below in respect of the RBL Facilities Tranche, the fully committed facilities are revolving with a three-year grace period and the outstanding debt is repayable in line with the amortisation of bank commitments over the period to the final maturity date of November 21, 2024, or such time as is determined by reference to the remaining reserves of the assets, whichever is earlier. The RBL Facilities IFC Tranche amortizes in accordance with the terms of its amortization profile with a maturity date of 31 March 2020.

In April 2014, we increased the commitments under the Corporate Facility from $500 million to $750 million. In March 2015, we arranged an additional $250 million of commitments under the Corporate Facility, increasing that facility to $1,000 million. In April 2016, we extended our Corporate Facility by twelve months to April 2018, with commitments reducing to $800 million in April 2017 and to $600 million in January 2018, and an accordion facility of $200 million was agreed with our lenders. In February 2017, we extended our Corporate Facility by twelve months to April 2019, with commitments of $500 million from April 2018 reducing to commitments of $400 million in October 2018. In November 2017, we reduced our commitments under our Corporate Facility from $800 million to $600 million. The Corporate Facility incurs interest on outstanding debt at LIBOR on US dollar loans plus an applicable margin.

As of December 31, 2017, our drawings under the RBL Facilities were, in aggregate, $2,155 million (with $2,500 million in commitments) and drawings under the Corporate Facility were nil (with $600 million in commitments). Commitments under the RBL Facilities, and the Corporate Facility as of the date hereof were $2,500, and $600 million, respectively. See "Description of certain financing arrangements."

The following table presents information on our borrowings, as of December 31, 2017 on a *pro forma* basis after giving effect to the Refinancing. See "Capitalization."

	Pro forma **as of December 31, 2017**	
(in millions of $)	**Current**	**Non-current**
Corporate Facility	—	—
RBL Facilities	—	2,041.6
2022 Senior Notes	—	650.0
Convertible Bonds	—	300.0
Senior Notes offered hereby	—	800.0
Total	**—**	**3,791.6**

The following table details our remaining contractual maturity for debt as of December 31, 2017, on a *pro forma* basis after giving effect to the Refinancing. The table has been compiled based on the undiscounted cash flows of financial liabilities on the earliest date on which we can be required to pay.

(in millions of $)	*Pro forma* **as of December 31, 2017**
Due within one year	—
Due within two to five years	2,447.6
Due after five years	1,344.0
Total	**3,791.6**

For a more detailed description of our financing arrangements, see "Capitalization" and "Description of certain financing arrangements."

Qualitative and quantitative disclosures about market risk

Credit risk management

We have a credit policy that governs the management of credit risk, including the establishment of counterparty credit limits and specific transaction approvals. Our primary credit exposures are our receivables generated by the marketing of crude oil and amounts due from commercial partners. These exposures are managed at the corporate level. Our crude oil sales are predominantly made to international oil market participants including the oil majors, trading houses and refineries. Commercial partners are predominantly international major oil and gas market participants. Counterparty evaluations are conducted utilizing international credit rating agencies and financial assessment. Where considered appropriate, security in the form of trade finance instruments from financial institutions with an appropriate credit rating, such as letters of credit, guarantees and credit insurance, are obtained to mitigate the risks.

We generally enter into derivative agreements with banks who are lenders under the RBL Facilities. Security is provided under the RBL Facilities which mitigates non-performance risk. We do not have any significant credit risk exposure to any single counterparty or any group of counterparties. The maximum financial exposure due to credit risk on our financial assets, representing the sum of cash and cash equivalents, investments, derivative assets, trade receivables, current tax assets, other current assets and other non-current assets, as of December 31, 2015, 2016 and 2017 was $2,176.9 million, $1,661.7 million and $2,217.7 million, respectively.

Liquidity risk management

We manage our liquidity risk using both shortc-term and long-term cash flow projections, supplemented by debt financing plans and active portfolio management. Ultimate responsibility for liquidity risk management rests with the Board, which has established a liquidity risk management framework covering our short, medium and long-term funding and liquidity management requirements. We closely monitor and manage our liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from our producing assets and delays to development projects. In addition to our operating cash flows, portfolio management opportunities are reviewed to potentially enhance our financial capability and flexibility.

Included in our cash and cash equivalents balances is cash held in bank accounts relating to business ventures with our commercial partners. These balances were $169.5 million, $140.9 million and $146.0 million as of December 31, 2015, 2016 and 2017 respectively. In addition to the cash held in such joint venture bank accounts, we had additional amounts of cash held in restricted bank accounts of $16.1 million, $20.3 million, and $16.1 million as of December 31, 2015, 2016 and 2017, respectively. Although these balances are short-term and highly liquid, they are restricted for use within the business ventures to which they relate and cannot be used for our general funding requirements.

Foreign currency risk management

We conduct and manage our business predominately in US dollars which is the operating currency of the industry in which we operate. Our current drawings under the RBL facilities are denominated in pounds sterling, which further assists in foreign currency risk management. We also purchase the nationally issued currencies of the countries in which we operate routinely on the spot market. From time to time, we undertake transactions denominated in other currencies. These exposures are often managed by executing foreign currency financial derivatives. There were no material non-US dollar denominated financial derivatives in place as of December 31, 2015, 2016, or 2017. Cash balances are held in other currencies to meet immediate operating and administrative expenses or to comply with local currency regulations.

As of December 31, 2015, 2016 and 2017 our only material monetary assets or liabilities that were not denominated in the functional currency of the respective subsidiaries involved were non-US dollar denominated cash and cash equivalents, and, £106.0 million, nil and nil in cash drawings under our borrowing facilities as of December 31, 2015, 2016 and 2017 respectively. The carrying amounts of our foreign currency denominated monetary assets and monetary liabilities were net liabilities of $107.2 million as of December 31, 2015, net assets of $16.9 million as of December 31, 2016 and net assets of $45.1 million as of December 31, 2017.

We are mainly exposed to fluctuations in other currencies against the US dollar, in particular the pound sterling. We measures our market risk exposure by running various sensitivity analyses including assessing the impact of reasonably possible movements in key variables. The sensitivity analyses include only outstanding non-US dollar denominated monetary items and adjusts their translation at the period end for a 20% change in such non-US dollar rates. The following table demonstrates the sensitivity of our financial instruments to certain possible movements in US dollar exchange rates as of December 31, 2017.

	Effect on profit before tax			Effect on equity	
(in millions of $, unless otherwise stated)	**Market movement (%)**	**2017 ($ million)**	**Less than 1 year**	**Less than 1 year**	**Less than 1 year**
US$/foreign currency exchange rates . .	20	(7.5)	(2.7)	(7.5)	(2.7)
US$/foreign currency exchange rates . .	(20)	11.3	4.0	11.3	4.0

Commodity price risk management

We use a number of derivative instruments to mitigate the commodity price risk associated with our underlying oil and gas revenues. Such commodity derivatives tend to be priced using pricing benchmarks, such as Dated Brent crude oil and United Kingdom NBP (D-1 Heren and M-1 Heren), which correlate as closely as possible to our underlying oil and gas revenues, respectively. We hedge a portion of our estimated oil and gas revenues on a portfolio basis (rather than on a single asset basis), aggregating our oil revenues from substantially all of our African oil interests and our gas revenues from substantially all of our United Kingdom and Netherlands gas interests.

As of December 31, 2015, 2016, and 2017 all of our derivatives were designated as cash flow hedges. Our oil and gas hedges have been assessed by it to be "highly effective" within the range prescribed under IAS 39 using regression analysis. There is, however, the potential for a degree of ineffectiveness in our oil hedges arising from, among other factors, the discount on our crude oil located in Africa relative to Dated Brent crude oil and the timing of oil liftings relative to the hedges. There is also the potential for a degree of ineffectiveness in our gas hedges which arises from, among other factors, day-to-day field production performance.

Our derivative carrying and fair values were as follows as of December 31, 2017:

Assets/liabilities (in millions of $)	**Less than 1 year**	**1-3 years**	**Total**
Cash flow hedges			
Oil derivatives	(3.7)	4.4	0.7
Gas derivatives	—	—	—
Interest rate derivatives	0.8	—	0.8
	(2.9)	**4.4**	**1.5**
Deferred premium			
Oil derivatives	(49.4)	(28.4)	(77.8)
Gas derivatives	—	—	—
	(49.4)	**(28.4)**	**(77.8)**
Total assets	**1.8**	**0.8**	**2.6**
Total liabilities	**(53.1)**	**(25.8)**	**(78.9)**

Interest rate risk management

Interest rate risk refers to the risk that market interest rates will increase, resulting in higher borrowing costs under our credit facilities, all of which currently have floating interest rates. We have historically managed interest rate risk using interest rate swaps. We may be affected by changes in market interest rates at the time it needs to refinance any of our indebtedness. See "Risk factors—Risks relating to the Notes and our structure—Certain of our borrowings bear interest floating rates that could rise significantly, increasing our interest cost and reducing cash flow."

Critical accounting policies

Critical accounting policies involve judgements and uncertainties that are sufficiently sensitive to result in materially different results under different assumptions and conditions. Accounting estimates are an integral part of the preparation of our financial statements and the financial reporting process. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Certain accounting estimates and judgements are particularly sensitive because of their complexity and the possibility that future events affecting them may differ materially from our current estimates and judgements.

A detailed description of the principal accounting policies adopted by us, the critical accounting judgements that we have made in the preparation of our audited consolidated financial statements and the key sources of estimation uncertainty at each balance sheet date is set out in the section headed “Accounting policies” in our audited consolidated financial statements for the years ended December 31, 2015, 2016 and 2017 which are incorporated by reference into this Offering Memorandum.

Industry and market data

In this section, we rely on and refer to information regarding the global oil market as well as the key markets in which our business operates and competes. The market data and industry data and forecasts were obtained from publicly available information and independent industry publications and reports.

Certain of the projections and other information set forth in this section have been derived from external sources including BP Statistical Review of World Energy; International Energy Agency Oil Market Report; IMF World Economic Outlook Update; OPEC World Oil Outlook; International Energy Agency Medium-term Oil Market Report; OPEC Monthly Oil Market Report; US Energy Information Administration; World Bank; CIA World Factbook; Transparency International, among others. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness. In addition, in many cases there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market-related analyses and estimates, requiring us to rely on the review of industry publications, including information made available to the public by our competitors.

The projections and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Risk factors" and "Forward-looking statements."

Oil and gas industry and market data overview

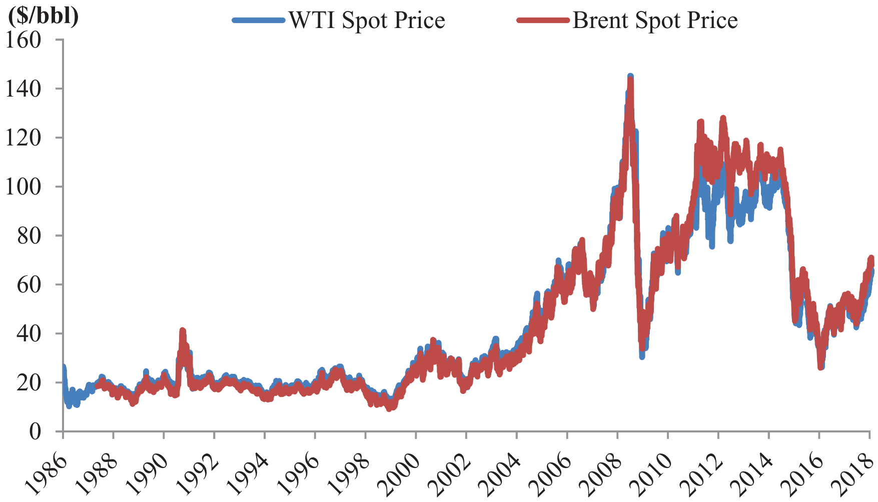
Historical oil supply and demand balance

Oil remains the world's leading fuel, accounting for one third of global energy consumption *(Source: BP Statistical Review of World Energy, June 2017).*

From the late 1990s to the 2000s, demand for oil grew significantly, driven by the rapid growth of developing economies. This increase in demand was not matched by a ramp up in production capacity, resulting in the oil supply-demand balance tightening, and subsequently a sharp rise in the price of oil. Although the years 2007 and 2008 saw a dramatic drop in oil prices after the global financial crisis, prices rebounded back to near their 2008 peak by 2011. Dated Brent averaged $99.45 per barrel in 2014, the first annual average below $100 since 2010, driven by strong non-OPEC production growth (particularly due to US shale) combined with weaker consumption growth and the Organisation of the Petroleum Exporting Countries ("OPEC") decision to defend market share. This trend continued into 2015 and 2016, with strong growth in OPEC production, particularly in Iraq and Saudi Arabia, contributing to a sharp decline in oil prices throughout the year; dated Brent averaged $53.60/bbl in 2015, $46.56/bbl lower than 2014 average.

In 2016, global oil consumption growth averaged 1.6 million b/d, above the 10-year average of 1 million b/d for the second successive year. Along with strong contributions from China (0.4 Mb/d) and India (0.33 Mb/d), stronger than usual growth in the OECD also helped (attributable mainly to the US and Europe which both saw 1% increases versus 2015). In contrast, global oil production rose by only 0.4 Mb/d, the slowest growth since 2013. Production in the Middle East rose by 1.7 Mb/d, driven by growth in Iran (0.7 Mb/d), Iraq (0.4 Mb/d) and Saudi Arabia (0.4 Mb/d). Declines in production outside the Middle East (1.3 Mb/d decline) largely offset this growth, in particular the US (−0.4 Mb/d), China (−0.31 Mb/d) and Nigeria (−0.28 Mb/d). The combination of strong demand and weak supply for oil was sufficient to move the market broadly back into balance by the mid-2016. Dated Brent oil price averaged $45.13/bbl in 2016, the lowest nominal annual average since 2004, which fueled strong global demand while suppressing production, including a substantial production decline of −0.3 Mb/d from US tight oil producers *(Sources: BP Statistical Review of World Energy 2015, 2016 and 2017; OPEC Monthly Oil Market Report, April 2017; ICE—International Commodities Exchange)*.

2017 saw considerable recovery and stabilisation in oil prices, following significant change and transition in the oil market. Continued cooperation between OPEC and ten non-OPEC producers to adjust production downward has been a critical factor—in an effort to drawdown on stock overhang vital momentum has been given to accelerating oil market rebalancing. These efforts have been led by Saudi Arabia, which produced below its agreed supply target every month of 2017. As a result, OECD crude stocks fell by an average of 0.63 Mb/d consecutively across quarters between the second quarter and the year end 2017. Between the period August 2017 and December 2017, oil prices rose by approximately 20%, with Brent crude oil rising to over $60/bbl. An improving global growth outlook, weather-related disruptions in the United States and geopolitical tensions in the Middle East helped support higher prices *(Source: International Energy Agency Oil Market Report, January 2018).* The upward trend in prices continued into January 2018, with Brent crude oil spot prices averaging $69/bbl, an increase of $5/bbl from the December 2017 average. Monthly average Brent prices have increased for seven consecutive months, and, on January 11, spot prices moved higher than $70/bbl for the first time since December 2014. Additional contributing factors to recent price fluctuations have been supply issues following industry disruption in Libya and the closure of the Forties pipeline system in the North Sea from December 2017 through early February 2018 and continuing production declines in Venezuela, as well as recent public demonstrations in Iran and the potential unravelling of its nuclear deal *(Source: OPEC Monthly Oil Market Report, February 2018).*

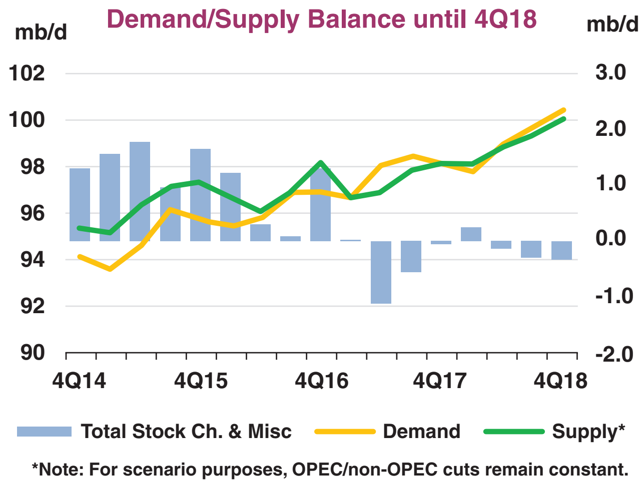


(*Source*: U.S. Energy Information Administration, Daily Spot Prices, January 1986-2018)

2018 oil supply and demand outlook

For 2017, OPEC estimates oil demand to have averaged 97.0 Mb/d and expects it to grow further to 98.60 Mb/d in 2018 as a result of favorable global financial conditions and strong sentiment. Oil demand growth is expected to be led by India (4.1% increase) and China (3.4% increase) but also OECD Americas (1% increase) (*Source: OPEC Monthly Oil Market Report—February 2018*).

In January 2018, global oil supply edged higher to 97.7 Mb/d (up 1.5 Mb/d yoy), as rebounding US production supported non-OPEC output growth. In 2018, fast rising production in non-OPEC countries, led by the US, is likely to grow faster than demand. US crude output is expected to soon overtake Saudi Arabia's, and could catch Russia's by the end of the year *(Source: OPEC Monthly Oil Market Report—February 2018)*. In terms of ongoing production compliance, Saudi Arabia and Russia have suggested in the January 2018 Joint OPEC non-OPEC Ministerial Monitoring Committee ("JMMC") a consensus to continue with OPEC / non-OPEC cuts beyond the end of 2018 *(Source: Bloomberg)*. Increased geopolitical complexity is another potential supply-side pressure, following rising political risks in the Middle East and the deteriorating economic situation in Venezuela.



(*Source*: International Energy Agency, Oil Market Report, February 2018)

Global economic growth continued to firm in 2017, positively impacting global oil consumption

Economic growth as measured in gross domestic product ("**GDP**") is a key determinant in the growth of energy demand, with oil demand fluctuating with economic cycles. Global economic activity is picking up with a cyclical recovery in investment, manufacturing, and trade. Global output is estimated to have grown by 3.7% in 2017, half a percentage point higher than in 2016. This compares to a five-year average growth from 2012 to 2016 of 3.2%. Some 120 economies, accounting for three quarters of world GDP, experienced increased growth in year-on-year terms in 2017, the broadest synchronized global growth upsurge since 2010.

Ongoing accommodative monetary policies, improving global trade, the continued policy support in China (through fiscal stimulus and state-owned enterprise / financial reforms) and structural reforms in India (notably the Good & Services Tax, and the Insolvency and Bankruptcy Code) are strongly supporting these trends. The US economy benefitted in 2017 from labor market improvements and rising consumer confidence, with the recently approved U.S. tax reform measures expected to further support growth. With growth forecast to rise to 3.9%, the global economy is likely to remain a supportive factor for prices in 2018. Conversely, the rise of inward-looking and protectionist economic policies may impact trade flows and consequently global integration, with negative effect on the global economy (Source: IMF World Economic Outlook Update, January 2018).

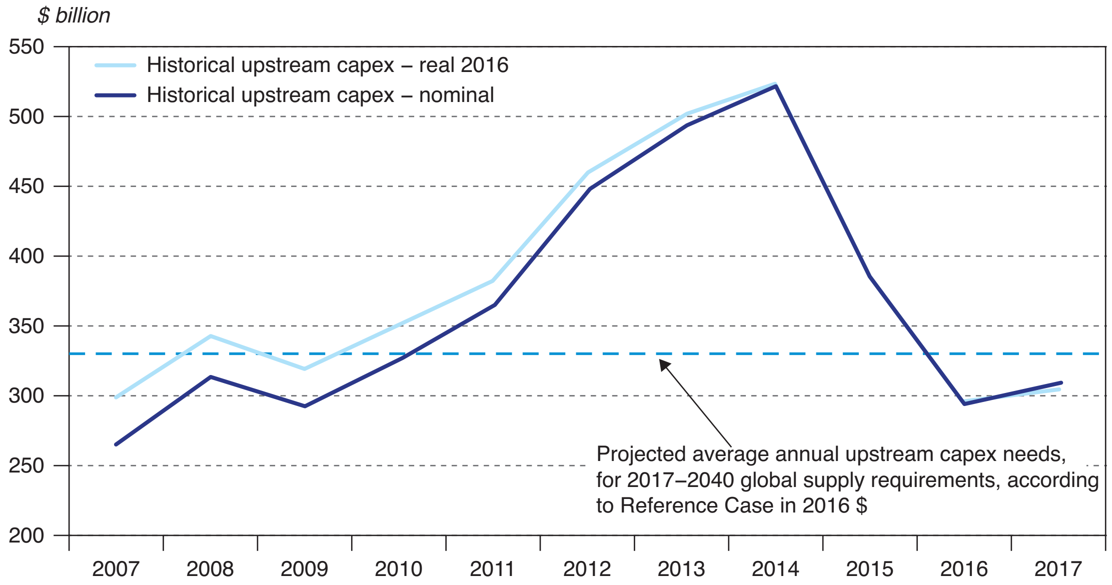
In the longer term, global economic growth in the period from 2016 to 2040 is expected to average 3.5% per annum (p.a.), with most of this driven by developing countries (Source: OPEC World Oil Outlook 2017).

Recent low oil prices have led to reduced investment in upstream oil and gas, creating structural cost adjustments in the industry

Most of the oil industry is highly capital-intensive with long lead times between investment decisions and commercial oil production. Healthy, stable long-term prices support new investments, but the cyclical nature of the business with recent price weakness has led to reduced spending in recent years. Since the oil price decline beginning in 2014, the global upstream industry has seen significant investment cuts: global upstream investment decreased from approximately $530 billion in 2014 to approximately $400 billion in 2015, with a further decrease to approximately $320 billion in 2016, a drop of approximately 40% in three years. *(Source: OPEC World Oil Outlook 2016/2017).* However suppressed prices have forced sector companies to adapt by managing costs more efficiently and optimizing projects; operators and the supply chain have driven operating costs down through a variety of means, including streamlined operations and logistics.

Following higher oil prices in 2017, preliminary 2017 data indicates a return to higher investment spending in the upstream industry. In particular, the US tight oil sector appears to be attracting a significant rise in upstream spending, with estimates in a range of 25-50% growth for 2017. Despite the uptick in spending in 2017, lower capital spending in previous years may impact supply of oil in the upcoming years *(Source: OPEC World Oil Outlook 2017).*

Historical and projected annual upstream investment



(*Source*: OPEC World Oil Outlook 2017)

The long-term oil outlook remains uncertain and will be impacted partly by supply-side movement towards cleaner energy sources as well as efforts towards climate change mitigation

In line with the long-run transition towards cleaner, lower carbon energy sources, renewable energy sources (including biofuels) continue to be the fastest growing energy source globally, accounting for nearly a third of the increase in primary energy (55 mtoe). Despite the strong growth, as an overall proportion of global primary energy, renewables remain fairly small with a share of only c. 4.0% and remain unlikely to overtake the more established energy sources, including oil and gas, for some time (Source: BP Statistical Review of World Energy, June 2017).

The speed of development and adoption of new cost competitive technologies, along with political will, will continue to be factors in the ability to meet climate change targets (such as those set in 2015 United Nations Climate Change Conference in Paris, "COP 21"). One such development has been the increasing sales of electric vehicles ("EV"). Driven by declining battery costs and increased government support, battery electric and plug-in hybrid electric vehicles ("PHEVs") continue to penetrate the market, particularly in the OECD region and China. The latest estimates show the number of EVs on the road globally to be around two million in 2016; the growth in EV may contribute to declines in diesel / gas / oil demand in the long-term. It should be noted however that EVs currently account for less than 0.2% of overall passenger vehicles (Source: OPEC World Oil Outlook 2017).

Increased focus on climate change mitigation may reduce the attractiveness of fossil fuels relative to newer technologies or sources of renewable energy. At the same time, as oil is expected to remain an important component of the energy mix for decades to come, geopolitical events and comparative under-investment by many industry players since the oil price drop of mid-2014 have the potential to generate supply disruptions, with reverberations on the global supply / demand balance and oil prices (Source: International Energy Agency Medium-term Oil Market Report 2016).

Africa (West)

Africa's position as a source of fossil fuel exports is expected to become increasingly more important. In 2016, Africa had proved oil reserves of 128 billion barrels, which accounted for 7.5% of the world total proved oil reserves and represented an increase of 10% from 2006 reserve levels. Oil production in Africa amounted to 7.9 million b/d in 2016, accounting for 8.6% of world production. In 2016, African gas reserves were estimated to be 503 trillion cubic feet, comprising a 7.6% share of the world total. Additionally, approximately 208 bcm of gas was produced in Africa in 2016, an increase of 8% from production levels in 2006*. (Source: BP Statistical Review of World Energy, June 2017).*

Ghana

General

Ghana is located in West Africa with a population of c. 28 million. Formed from the merger of the British colony of the Gold Coast and the Togoland trust territory, Ghana in 1957 became the first sub-Saharan country in colonial Africa to gain its independence. Ghana is considered one of the more stable countries in West Africa since its transition to a multi-party democracy in 1992. In the most recent elections (2016) Nana Dankwa Akufo-Addo of the opposition New Patriotic Party was elected President in a peaceful vote. *(Sources: CIA World Factbook—Ghana, January 2018, World Bank—Ghana 2017)*.

Ghana ranks 120th overall (out of 190 countries) in the World Bank's 2018 Doing Business rankings and 12th in Sub-Saharan Africa, while leading the way in West Africa ahead of Côte d'Ivoire, Gambia, Senegal and Nigeria. Subfactors in the Doing Business rankings where Ghana performs well include getting credit (55th), protecting minority investors (96th), and enforcing contracts (116th) (Source: World Bank—Doing Business 2018). Ghana also ranks 70th overall (out of 176 countries) in Transparency International's Corruption Perception Index 2016, placing it 9th among Sub Saharan African countries (Source: Transparency International Corruption Perception Index 2016).

Economy

Ghana's macroeconomic performance has been mixed over the past years. Compared to regional peers, Ghana has long enjoyed political stability and relatively robust and diversified growth. With the downturn in oil prices in recent years however, the historical strong economic growth of 9.6% yoy average experienced by Ghana from 2010 to 2013 slowed sharply to 4.0% in 2014, 3.8% in 2015, and 3.5% growth in 2016. Macroeconomic conditions are expected to stabilize over the medium term, with oil sector growth expected to have risen by over 40% in Ghana in 2017 due to increased production in the TEN field. This is expected to push GDP growth to 5.9% for 2017 and 8.9% in 2018 *(Source: IMF World Economic Outlook, October 2017)*. Oil remains an important part of the Ghanaian economy, with oil revenues projected to account for 6.2% of total government revenues and oil accounting for a projected 17.6% of total exports in 2017 *(Source: IMF 2017 Ghana Article IV Consultation, September 2017).*

Oil & gas industry

The oil sector celebrated its first decade in 2017 and is a growing business in Ghana. Ghana has four sedimentary basins. These are the Côte d'Ivoire-Tano Basin (including Cape Three Points Sub-basin), the Saltpond Basin, the Accra/Keta Basin and the Inland Voltaian Basin. The offshore basins cover about 60,000 km^2 (0-3500m water depth) extending from the Côte d'Ivoire-Ghana maritime border in the west to the Ghana-Togo maritime border in the east (*Source: Ghana National Petroleum Corporation)*.

Efforts to commercialize Ghana's offshore hydrocarbon reserves go back more than 25 years to the establishment of the state-owned Ghana National Petroleum Company (GNPC). After more than a decade of unsuccessful exploration, GNPC sought out international partners to assist in their efforts. The Jubilee field was discovered in 2007, 60 km offshore. Production began in 2010 and is operated by Tullow, together with its partners Kosmos and Anadarko in partnership with GNPC. Total production currently amounts to approximately 100,000 barrels of oil and 80 Mscf/d of natural gas. Hydrocarbon production in the Tweneboa, Enyenra, Ntomme (TEN) oil field began in August 2016 Development of the Sankofa field began in 2016 with first oil in May 2017, the non-associated gas stream of Sankofa is expected to come online in June 2018 (*Source: U.S. Department of Commerce's International Trade Administration 2017)*.

Key data	
Crude Oil Proved Reserves	700 million barrels (2016)
Liquid Production	98 kb/d (2016)
Liquid Reserves/Production	19.5 years

Source: US Department of Energy, Energy Information Administration 2016

Gabon

General

Gabon is located in Central Africa with a population of approximately 1.7 million. Following independence from France in 1960, El Hadj Omar Bongo Ondimba dominated the country's political scene for four decades (1967-2009). Following President Bongo's death in 2009, a new election brought his son, Ali Bongo Ondimba, to power. President Ali Bongo Ondimba's controversial August 2016 re-election sparked unprecedented opposition protests. Gabon's Constitutional Court reviewed the election results and ruled in favor of President Bongo, upholding his win and extending his mandate to 2023 *(Source: CIA World Factbook—Gabon, January 2018)*.

Economy

Gabon is an upper-middle-income country and possesses one of the highest urbanization rates in Africa with more than four in five Gabonese citizens living in urban areas. The fifth largest oil producer in Africa, it has experienced strong economic growth over the past decade, driven in particular by oil and manganese production. On average, over the past five years the oil sector has accounted for 80% of exports, 45% of GDP, and 60% of budget revenue. With declining oil reserves however, the Gabonese government has based its new strategy on economic diversification. Gabon's GDP growth rate averaged 5.4% from 2010-2015, before decelerating to 2.1% in 2016 and an expected 1.0% in 2017, which is expected to be the trough of the economic downturn *(Sources: World Bank—Gabon 2017, IMF World Economic Outlook, October 2017).*

Oil & gas industry

Oil was first discovered near the African nation's capital of Libreville, in 1931. During the 1960s, the country saw a flurry of exploration and production activity, which led to a dramatic increase in production. 1996 remains the country's record year, with Gabon producing 365,000 b/d. Dwindling production due to maturing fields and a lack of major new finds have led subsequently to a significant decline in production. In 2016, Gabon produced 210,000 b/d *(Sources: The Oil and Gas Year, US Department of Energy, Energy Information Administration 2016).*

Currently Gabon's licensed deepwater plays cover an area of 128,000 square kilometers, representing around half of the country's total acreage. To achieve production goals, Gabon has invested in exploration and is offering several blocks in deepwater acreage for tender. To help promote the blocks to international operators, Gabon's Ministry of Petroleum and Hydrocarbons hired the Oslo-listed Spectrum and the French geosciences firm CGG to conduct a multi-client seismic survey of 25,000 square kilometers in respect of five deepwater blocks in the South Gabon Salt Basin made available for licensing, as well as some bordering plays. On May 31, 2016, Gabon closed the 11th licensing round. As of February 2018, the results have not yet been disclosed (Source: The Oil & Gas Year).

Key data	
Crude Oil Proved Reserves	2 billion barrels (2016)
Liquid Production	210 kb/d (2016)
Liquid Reserves/Production	26.0 years

Source: US Department of Energy, Energy Information Administration 2016

Equatorial Guinea

General

Equatorial Guinea is one of the smallest countries in Africa, consisting of a mainland territory and five inhabited islands with a total population of c.800,000. The president, Teodoro Obiang Nguema Mbasogo, is the longest serving head of state in Sub Saharan Africa and exerts near total control over the political system. The country is well endowed with arable land and mineral resources ranging from gold, oil, uranium and diamonds. Equatorial Guinea experienced rapid economic growth due to the discovery of large offshore oil reserves, and in the last decade has become Sub Saharan Africa's third largest oil exporter. Equatorial Guinea continues to seek to diversify its economy and to increase foreign investment. *(Source: CIA World Factbook—Equatorial Guinea, January 2018, World Bank—Equatorial Guinea, 2017)*.

Economy

The country has been one of the fastest growing economies in Africa in the past decade after the discovery of large oil reserves in the 1990s. More recently, substantial gas reserves have also been discovered. However, Equatorial Guinea's macroeconomic and fiscal situations have recently deteriorated following the oil price drop. The government's development agenda is guided by a medium-term strategy paper, the National Economic Development Plan: Horizon 2020, which targets economic diversification and poverty reduction. Oil and hydrocarbons remain extremely important sectors of Equatorial Guinea's economy, accounting for an estimated 82% of total exports in 2016 *(Sources: World Bank—Equatorial Guinea 2017, IMF 2016 Equatorial Guinea Article IV Consultation, November 2016)*.

Oil & gas industry

Equatorial Guinea is largely dependent on oil and became a member of OPEC in May 2017. It is among the largest oil producers in Africa. Oil and gas exports have been central to Equatorial Guinea's growth and are expected to continue to drive the economy going forward as it diversifies along the oil and gas value chain. The oil and gas industry in Equatorial Guinea is relatively young. Large oil reserves were first discovered in 1996. Within a decade Equatorial Guinea's oil production rose from 17,000 b/d in 1996 to a record 375,000 b/d in 2005. Additional development of existing oil and gas deposits continues along with new exploration and development in other offshore concessions.

In June 2017, the Ministry of Mines and Hydrocarbons of Equatorial Guinea announced the seven winners awarded acreage in the Ronda 2016 licensing round, including Ophir Energy and ExxonMobil. ExxonMobil struck oil in the Avestruz-1 well in Block EG-06 in December 2017 *(Source: World Bank—Equatorial Guinea 2017, The Oil & Gas Year)*.

Key data	
Crude Oil Proved Reserves	1.1 billion barrels (2016)
Liquid Production	244 kb/d (2016)
Liquid Reserves/Production	12.3 years

Source: US Department of Energy, Energy Information Administration 2016

Côte d'Ivoire

General

Côte d'Ivoire is located in West Africa with a population of c.24 million. Close ties to France following independence in 1960, the development of cocoa production for export, and foreign investment all made Côte d'Ivoire one of the most prosperous West African states. However, there is also a history of political turmoil. In November 2010, Alassane Dramane Ouattara won the presidential election over President Gbagbo, but Gbagbo refused to hand over power, resulting in a five-month violent conflict. In April 2011, after widespread fighting, Gbagbo was formally forced from office by armed Ouattara supporters with the help of UN and French forces. The UN peacekeeping mission departed in June 2017 *(Source: CIA World Factbook—Côte d'Ivoire, January 2018)*.

Economy

From 2016 into the early stages of 2017, Côte d'Ivoire's economic growth ranked among the most robust on the African continent. Côte d'Ivoire experienced average real GDP growth of 5.8% from 2010-2015; this growth accelerated to 7.7% in 2016, an estimated 7.6% in 2017, and is forecasted to grow by 7.3% in 2018. For the 2016-2020 period, the Government adopted a new National Development Plan (NDP) designed to transform Côte d'Ivoire into a middle-income economy by 2020 and further reduce poverty. Oil exports accounted for an estimated 12.7% of total exports for Côte d'Ivoire in 2016 *(Sources: World Bank—Côte d'Ivoire, IMF World Economic Outlook, October 2017 Côte d'Ivoire Article IV Consultation, December 2017, IMF World Economic Outlook, October 2017)*.

Oil & gas industry

Côte d'Ivoire aims to roughly double oil and gas output by 2020 to 200k boe as it pushes for foreign investment in offshore exploration. While it has developed natural gas deposits for domestic consumption, West Africa's largest economy has ignored its energy sector for decades as the government concentrated on developing agricultural exports. Companies either conducting exploration in Côte d'Ivoire or preparing to do so include Total, ExxonMobil Anadarko and Tullow Oil. Côte d'Ivoire's daily crude oil output has risen to 53k b/d (2016) from around 30k b/d in 2015. The country is also pushing forward with plans to begin importing liquefied natural gas (LNG) to supplement domestic supply to its gas-fired power plants *(Source: Reuters)*.

Africa (East)

Kenya

General

A key regional player in East Africa, Kenya is a major communications and logistics hub, with an important Indian Ocean port and a population of c.48 million. In August 2010, Kenyans overwhelmingly adopted a new constitution in a national referendum and devolved county government, transforming political and economic governance, and strengthening accountability and public service delivery at local levels. It also eliminated the position of prime minister following the first presidential election under the new constitution, which occurred in March 2013. Uhuru Kenyatta won the election and was sworn into office in April 2013; he began a second term in November 2017. Kenya is home to a youthful and growing population with a dynamic private sector and a highly skilled workforce *(Source: CIA World Factbook—Kenya, January 2018, World Bank—Kenya 2017)*.

Kenya ranks 80th overall in the World Bank's 2018 Doing Business rankings placing it as the 3rd highest ranked country in Sub Saharan Africa, with particularly strong subscores for getting credit (29th), protecting minority investors (62nd), and getting electricity (71st) *(Source: World Bank—Doing Business 2018)*.

Economy

Near-term GDP growth is expected to decelerate to 5.5% because of drought, weak credit growth, security concerns, and a rise in oil prices. Medium-term GDP growth should rebound to 5.8% in 2018 and 6.1% in 2019 respectively, depending on the completion of ongoing infrastructure projects, public investment, the resolution of slow credit growth, and the strengthening of the global economy and tourism. Agriculture remains an important part of the Kenyan economy, contributing over one third of GDP. In the long-term, the adoption of prudent macroeconomic policies will be important to safeguard Kenya's strong economic performance, including the implementation of fiscal and monetary prudence and continued public investment in crucial infrastructure projects *(Source: World Bank—Kenya 2017).*

Oil & gas industry

Kenya currently does not produce any hydrocarbons, although the country has the potential to become an oil producer in the short to medium term. Over the past few years, several commercial oil discoveries have been made in Kenya, but the country faces obstacles that have caused production delays such as the lack of infrastructure to support crude oil exports. Sustained low oil prices have also slowed down exploration drilling activity in Kenya. Tullow and its partners are leading exploration activities in onshore northern Kenya and have formed a consortium with the Government of Kenya to conduct a joint study into a proposed export pipeline running from Lokichar to the Kenyan coastal town of Lamu *(Source: US Dept of Energy, Energy Information Administration—Kenya)*.

Uganda

General

Uganda is located in East Africa with a population of c.40 million. Uganda achieved independence in 1962 and experienced several decades of dictatorial regimes and guerrilla war, before the rule of Yoweri Museveni, who has been in power since 1986, brought relative stability and peace to the nation. In 2017, parliament approved the removal of presidential age limits. Uganda is home to one of the youngest and most rapidly growing populations globally, with a total fertility rate of 5.8 children per woman *(Source: CIA World Factbook—Uganda, January 2018, World Bank—Uganda 2017)*.

Economy

Uganda has substantial natural resources, including fertile soils, abundant rainfall, and deposits of copper, gold, and other minerals in addition to oil. Uganda's economy has grown at a slower pace in recent years. Average annual growth was 4.5% in the five years to 2015/16, compared to the 7% achieved during the 1990s and early 2000s. The economic slowdown was mainly driven by adverse weather, unrest in South Sudan, private sector credit constraints, and the poor execution of public sector projects. The IMF estimates real GDP growth in Uganda increased from 2.3% in 2016 to 4.4% in 2017, and further forecasts growth of 5.2% in 2018. *(Sources: World Bank—Uganda 2017, IMF World Economic Outlook, October 2017).*

Oil & gas industry

Uganda does not produce hydrocarbons currently, but after discovering oil ten years ago, the country is expected to start producing oil within the next decade. Commercial oil production is expected to start at the earliest in 2020. The production start date has been pushed back several times in the past. Contractual and tax disputes, differences between the Ugandan government and international investors over the portion of oil production to be exported versus refined locally, and previous disagreements over the export pipeline route have all contributed to a later-than-expected production start date. Sustained low global oil prices have also contributed to delays.

The first commercial oil discovery in Uganda was made in the Albertine Graben area in 2006. Since then, successful well appraisals have boosted Uganda's proved crude oil reserves from zero in 2010 to 2.5 billion barrels as of the end of 2015. The Ugandan government estimates that the Albertine Graben area contains 6.5 billion barrels of oil in place. Proved natural gas reserves were estimated at 500 billion cubic feet as of the end of 2015. The Lake Albert development project is a major development which expects to achieve around 230,000 bopd when it reaches plateau. Development Plans were approved by the Government in 2016 to develop the first 1.2 billion barrels of oil *(Source: US Dept of Energy, Energy Information Administration—Uganda).*

Our business

In this Offering Memorandum, the words "we," "us," and "our" refer to Tullow Oil plc together with its subsidiaries on a consolidated basis, except where otherwise specified or clear from the context. **Unless otherwise indicated, the commercial reserves and contingent resources data presented in this section have been estimated at our request by ERCE in accordance with PRMS guidelines and definitions. Estimated commercial reserves and contingent resources presented herein may differ from estimates made in accordance with guidelines and definitions used by other companies in the industry or by the SEC. In this Offering Memorandum, we present certain management estimates regarding contingent resources in the South Lokichar Basin in Kenya as of December 31, 2017, including estimates of 1C, 2C and 3C contingent resources. These estimates have been based on reports prepared by management in the fourth quarter of 2017 and have not been audited by ERCE as of the date hereof. Potential noteholders are advised that these resource estimates are subject to the ERCE audit process and may be subject to material changes in connection therewith. See "Presentation of financial and other information." Unless otherwise indicated, all production figures are presented on a net to our working interest basis. Where gross amounts are indicated, they are presented on a total basis—i.e., the actual interest of the relevant license holder in the relevant fields and license areas without deduction for the economic interest of our commercial partners, taxes or royalty interests or otherwise. Our legal interest and effective working interest in the relevant fields and license areas are separately disclosed. See "—Material agreements relating to our assets" for a more detailed discussion of the terms of the agreements governing our interests. Any projections and other forward-looking statements in this section are not guarantees of future performance and actual results could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Risk factors" and "Forward-looking statements."**

Unless otherwise indicated, all references to our interests in licenses, our acreage under license, commercial reserves, contingent resources, production and sales revenue include our Disposed Assets. For more information regarding the characteristics of and results attributable to these assets, please see "Presentation of financial and other information—Sale of assets."

Overview

We are a leading independent oil and gas exploration and production company, with a large and diversified portfolio of assets primarily in sub-Saharan Africa and South America. Since our inception in 1985, we have grown both organically and through acquisitions and have operated or owned interests in oil and gas assets on four continents. We have a large diversified portfolio of assets balanced across material production, near-term development projects and exploration assets, which we believe has the potential to deliver sustainable growth and strong cash flow while allowing us to proactively maintain high environmental, health and safety standards. We believe that we have the right assets, strategy and skills to continue to deliver long-term, sustainable growth.

Our initial operations consisted of oil and gas production in Senegal in the 1980s. Since the 1990s, we have expanded by acquiring companies, assets and interests in licenses in Africa, Europe, South America, the Caribbean and Asia, becoming a more balanced oil and gas exploration and production company, with a notable focus on, and expertise in, high-impact exploration. Since 2006, our drilling, exploration and appraisal campaigns have resulted in basin opening discoveries in Uganda (2006), Ghana (2007), Kenya (2012) and Norway (2013). In 2007, we recorded our largest oil discovery in the Jubilee field, offshore Ghana. Our development team, together with our partners, successfully brought the field on stream in December 2010, approximately 40 months from first discovery, adding significant commercial reserves and production to our portfolio and establishing our deep water development and operatorship capabilities. Those capabilities were further demonstrated in August 2016, as the TEN fields, also offshore Ghana, started production on time and on budget, having been discovered in 2009.

Our portfolio of interests in 89 licenses includes producing assets, near-term development projects and high-impact exploration opportunities across 16 countries. To manage these assets, we have structured our business into three business delivery teams: West Africa, East Africa and New Ventures. As of December 31, 2017, we had commercial reserves of 290.5 mmboe (of which approximately 85% were oil) and aggregate commercial reserves and contingent resources of 1,207.0 mmboe (including Tullow Kenya management estimates of 39.5% of 560 mmbbls as of December 31, 2017) (of which approximately 89.2% were oil). During the year ended December 31, 2017, our average daily production (oil and gas) on a net working interest basis was 87,300 boepd (excluding 7,400 bopd of Jubilee Field Insurance Production-Equivalent Barrels), our revenue was $1.7 billion, our Adjusted EBITDAX was $1.35 billion, our loss after tax was $189 million and our free cash flow was $543 million.

Our portfolio includes producing assets in five countries, primarily in West Africa. Our West African light oil production portfolio generates the majority of our cash flow and, in 2017, it represented 100% of our oil production. Our largest producing asset is the Jubilee field, offshore Ghana, in which we have a 35.48% working interest and which we operate on behalf of our partners Anadarko Petroleum, Kosmos Energy, PetroSA and the Ghana National Petroleum Corporation. We are also the operator and hold a 47.18% working interest in the TEN fields, working with the same commercial partners as at the Jubilee field. Combined production from across the 13 and 5 producing wells at the Jubilee and TEN fields respectively accounted for approximately 58,200 bopd or 67% of our overall production excluding 7,400 bopd of Jubilee Field Insurance Production-Equivalent Barrels for the year ended December 31, 2017. Our other West African light oil production includes non-operated fields offshore Equatorial Guinea, Côte d'Ivoire, and offshore and onshore Gabon.

Our future plans include developing our discoveries in the Lake Albert Rift Basin onshore Uganda and in the South Lokichar Basin onshore Kenya. In Uganda, together with Total Uganda and CNOOC Uganda, we have presented a joint development plan to the Government for projects in the Lake Albert Rift Basin that are expected to deliver combined plateau oil production of approximately 230,000 bopd. Upon anticipated completion of our farm-down to Total Uganda and CNOOC Uganda for a headline consideration of $900 million (the "**Uganda Farm-Down**") in the first half of 2018 and following the expected back-in by the Government of Uganda, we will have a 10% working interest in the upstream project and our share of expected production at plateau will be approximately 23,000 bopd. Prior to first oil, we expect to fund all upstream and pipeline capital investment expected from us with respect to this joint development using the deferred consideration receivable pursuant to the Uganda Farm-Down. In Kenya, we hold a 50% operating interest across multiple blocks in the South Lokichar Basin and aspire to develop these resources through an oil export pipeline from northern Kenya to the port of Lamu; we are proposing a staged development that has a foundation stage targeting 2C gross volumes of around 210 mmboe. The foundation stage is expected to deliver gross production of 60,000 bopd (24,000 bopd net) rising towards 100,000 bopd (40,000 bopd net) as the project evolves and incremental developments are tied in. We anticipate that a FID for the South Lokichar development project will be achieved in 2019 with first oil to follow in 2021 or 2022.

In 2018, we have exploration activity planned over more than 20 licenses across 12 countries in Africa and South America. In recent years, we have focused on enhancing our license and prospect inventory while continuing to actively manage our equity positions and exposure to drilling costs across the portfolio, including through transactions for carried interests. During 2016 and 2017, we focused on replenishing selectively and high grading our exploration portfolio in order to be well positioned for future growth. Following a full re-set of our exploration portfolio, we believe we have a flexible program of low cost, high-impact onshore and offshore wells that we intend to drill in Africa and South America from 2018 to 2020 and beyond.

Our headquarters are in London and we have corporate offices in Dublin and Cape Town, and regional offices in Ghana, Kenya and Uganda. As of December 31, 2017, we had 922 employees and 108 contractors globally, of whom approximately 47% were African nationals. Our ordinary shares are admitted to trading on the main markets of the London Stock Exchange, the Irish Stock Exchange and the Ghana Stock Exchange and we are a constituent of the FTSE 250 index. As of close of trading on March 9, 2018, our market capitalization was approximately £2.65 billion.

Our strategy

Our vision is to continue to be a leading independent oil and gas exploration and production company. We aim to achieve this through having a diversified portfolio of exploration assets, near-term development projects and material production across multiple geographies. We have a clear and consistent cashflow generation driven strategy to achieve this vision, focused on finding light oil. We fund the growth and development of our business through cash flow from operations, monetization of assets and access to debt and equity markets. We monetize our assets by developing our discoveries through to production or by farming down or divesting at appropriate points in the life cycle of the asset. Examples of where we have achieved this include Ghana where we have discovered and developed selected oil assets through to production, and in Uganda, where we have monetized such assets through two farm-downs in 2012 and 2017 (the latter being the Uganda Farm-down, which is subject to completion). See "—Recent developments" and "Our business—Main development assets—Uganda").

Generate stable cash flows by developing and maintaining low-cost, long-life production assets

We maintain, and are continuing to develop, a portfolio of low-cost, long-life assets, which generate the cash flow to fund our growth.

In 2017, our operated assets offshore Ghana, the Jubilee and TEN fields, our non-operated West Africa portfolio and our European gas assets (including insurance, hedging, and disposal proceeds) delivered free cash flow of $543 million at an average realized oil price of $54.2/bbl before hedging and of $58.3/bbl after hedging. This free cash flow generation reflects the strong production performance from the Jubilee and TEN fields and the low average underlying cash operating costs of $11.1/bbl (including Jubilee Field Production-Equivalent Insurance Payments) across our portfolio of producing assets. We are targeting potential (net) production from the Jubilee and TEN fields in 2018 of approximately 57,100 bopd (excluding 10,200 bopd of Jubilee Field Insurance Production-Equivalent Barrels). Minimization of underlying cash operating costs will continue to be a main focus in 2018, when we aim to achieve underlying cash operating costs of around $10/bbl across our portfolio as we realize certain synergies with respect to our Ghana FPSOs and benefit from the exit from our portfolio of some of our most mature, high-cost assets, including the Netherlands, Norway, Mauritania and Congo (Brazzaville).

We have a number of near-term development opportunities to further strengthen our cash flow and grow our commercial reserves. These include the GJFFD, development drilling at the TEN fields that was delayed by the now resolved Ghana/Côte d'Ivoire maritime border dispute proceedings at ITLOS, the Lake Albert development onshore Uganda and development of the South Lokichar Basin onshore Kenya. We believe that the Uganda and Kenya projects will add 23,000 bopd and 24,000 bopd net, respectively, to our total production when they reach first oil which we expect to achieve in 2021 or 2022.

Deliver exploration and appraisal success to replace and grow oil reserves and resources

We plan to build on our exploration and appraisal successes in Ghana, Uganda and Kenya by continuing to explore for high-margin, low-cost oil in conventional geological core plays where we have proven expertise. We actively pursue new acreage, with opportunities evaluated from both a technical and non-technical perspective. We target prospects that sit in under-explored or emergent petroleum systems in geographies and geologies that we know well.

Our exploration focus is on opportunities that offer the best balance between technical risk and cost, while ensuring that the potential commerciality on discovery of the targeted prospects is high.

Over the last three years, we have reset our exploration portfolio through a series of farm-down transactions, country exits and large scale license acquisitions. For example, we exited Guinea, Greenland, Madagascar, Ethiopia and Norway, and we entered into new exploration licenses (some of which remain subject to government approval) in Mauritania and Côte d'Ivoire in Africa, and in Peru, Guyana and Suriname in South America. In 2017, our exploration team continued to focus our budget on reinvigorating our prospect inventory of current licenses and pursuing potential licenses. We evaluated around 90 potential opportunities, with approximately 25% of those evaluated deemed attractive enough to pursue. Further, in 2017, we drilled exploration and appraisal wells in the South Lokichar Basin in northern Kenya and exploration wells in Suriname and undertook extensive 3D, 4D and FTG seismic surveys in eight different countries. In 2018, we plan to conduct low cost seismic activities in Côte d'Ivoire and Mauritania and high-impact drilling in Namibia. In 2019, 2020 and beyond, we plan to drill further high-impact, low-cost, basin-testing prospects in Africa and South America.

Continue to realize value through active portfolio management

Portfolio management is an integral part of our strategy, through which we seek to manage our financial exposure and realize value at an appropriate point in the life cycle of an asset. Partial sales or farm-downs enable us to monetize our assets early in their life cycle, reduce our exposure to exploration and development costs and raise funds to reinvest in our business. We acquire licenses through either competitive license rounds, direct negotiation with host governments or farm-downs from commercial partners. We often acquire licenses at a high equity position before drilling. Following extensive technical and commercial screening we then decide whether to retain our interest in the license and, if so, what level of equity interest is appropriate for the drilling phase. We then seek to farm-down to the appropriate equity interest before committing to drilling. Working or partnering with other companies allows us to share costs and risks. Once discoveries have been delineated, appraised and tested for hydrocarbons, we decide whether to monetize discovered resources early through a farm-down for cash payment or carry or develop the asset through to production for cash flow. For example, in 2017 we reduced our exposure to drilling costs to $11 million from $18 million in the Araku prospect offshore Suriname by farming down our interest from 50% to 30% prior to the start of drilling. Similarly, also in 2017, we reduced our exposure to the development costs associated with the Lake Albert development in Uganda by farming down, subject to expected completion in the first half of 2018, a substantial portion of our interest to Total Uganda and CNOOC Uganda. See "Our Business—Material agreements relating to our assets."

We also regularly evaluate our production portfolio to identify non-core assets for disposal to enable us to focus our resources and capital on higher margin production. For example, from 2015 to 2017, we generated cash proceeds of $126.6 million from the sale of certain of our assets including in Norway, the United Kingdom and the Netherlands.

Notwithstanding our intention to reduce our leverage and our focus on organic growth, we also selectively consider acquisition opportunities as and when they arise. We intend to continue to pursue selective acquisition opportunities that fit our exploration core competencies and value creation objectives while continuing to focus on prudent financial risk management.

Maintain a disciplined approach to financial management and a strong balance sheet

We aim to have a conservative financial profile and strong balance sheet with ample liquidity. Our funding sources include operating cash flow, debt, equity offering proceeds and proceeds of portfolio management activities, such as farm-downs or asset sales. Typically, we fund exploration activities with operating cash flow and equity offering proceeds, and development activities with a combination of operating cash flow, debt and proceeds of portfolio management activities.

In response to a sharp downturn in the oil price in 2015, we reduced our headcount by around 50% between 2014 and 2017, cut exploration budgets and refocused our capital expenditure on the development of the TEN fields in Ghana. In 2017, these initiatives, combined with the high margin cash flow from our producing assets helped us generate $543 million of free cash flow which enabled us to reduce our leverage. As of December 31, 2017, our gearing was 2.6x which was slightly above our policy of operating at a gearing level of less than 2.5x. We expect to continue to apply free cash flow to reduce indebtedness in order to meet this leverage target.

We have a strong track record of raising capital from both debt and equity capital markets and the commercial bank market. We received $723.7 million of net proceeds from our Rights Offering in April 2017 which we used to reduce our debt. We believe that our ability to repeatedly access financial markets, even during difficult macroeconomic periods and in challenging market environments, reflects the strong relationships we maintain with both equity and debt investors and commercial banks and the strength of our assets. We are focused on maintaining a diversified capital structure with a balanced mix of commercial bank debt and capital markets debt, fixed and floating rate interest debt products and staggered maturities. Following the successful refinancing of our $2.5 billion RBL Facilities and amendment of our Corporate Facility in November 2017, as of December 31, 2017, we had total headroom of $1.1 billion consisting of $945 million of availability under our RBL Facilities and Corporate Facility and $138 million of free cash (made up of cash and cash equivalents of $284 million, less joint venture cash of $146 million). See "Capitalization."

We actively manage our exposure to fluctuations in oil and gas prices, currency exchange rates and interest rates. We have an active commodity hedge program through which we hedge our expected sales volumes on a graduated two-year rolling basis, having hedged at any time 60% of our next 12 months expected production and 30% of the following 12 months expected production. The commodity hedge program made a material contribution to our liquidity in 2015, 2016 and 2017, contributing an aggregate net revenue of $838.2 million over that period. We also enter into hedging transactions to manage our interest rates and foreign exchange exposure. We monitor liquidity risk closely through cash flow forecasts and sensitivity analyses. We manage our credit risk by assessing the creditworthiness of potential counterparties before entering into transactions with them, and by continuing to evaluate their creditworthiness after transactions have been initiated.

We maintain insurance policies that we believe are in line with customary industry practices in the jurisdictions in which we do business, and also procure business interruption insurance to protect against loss of production from our material assets. As of December 31, 2017, we had recorded total net insurance proceeds of approximately $365.9 million under our H&M Policy and our BI Policy related to the Turret Remediation Project. See "Presentation of financial and other information" and "Our business—Significant factors affecting results of operation—Insurance."

Our strengths

We believe that the following key strengths differentiate us from our competitors.

Large diversified portfolio of assets balanced across production, development and exploration in multiple geographies

We have a large diverse portfolio of assets balanced across production, development and exploration in multiple geographies and known geologies with a current focus on Africa and South America. By focusing our activities in these core areas, we can capitalize on the regional expertise we have developed over several decades in interpreting specific geological and operational trends, and establish economies of scale with respect to drilling, production, operating and administrative costs. In total, we hold production, development and exploration interests in 89 licenses across 16 countries. We believe the quality, scale and diversification of our portfolio provides a solid foundation for strong cash generation, sustainable growth and adequate risk mitigation.

Our activities include:

Production: In the year ended December 31, 2017, the Jubilee field achieved gross annualized production of 89,600 bopd (net: 31,800 bopd excluding 7,400 bopd of Jubilee Field Insurance Production-Equivalent Barrels). We delivered first oil from the TEN fields in August 2016 and in the year ended December 31, 2017, we achieved gross annualized production of 56,000 bopd (net: 26,400 bopd). For the year ended December 31, 2017, our other producing assets achieved combined net annualized production of 29,100 boepd. Our production generated revenues of $1.7 billion, Adjusted EBITDAX of $1.35 billion, and resulted in loss after tax of $189 million, and free cash flow of $543 million for the year ended December 31, 2017. In 2018, our West Africa working interest oil production is expected to average approximately 76,200 bopd (excluding 10,200 bopd of Jubilee Field Insurance Production-Equivalent Barrels) and our combined working interest gas production at the TEN fields and in Europe is expected to average approximately 3,900 boepd.

Development: We have a number of near-term development projects, including the GJFFD, development drilling at the TEN fields that was delayed by the now-resolved Ghana/Côte d'Ivoire maritime border dispute proceedings at ITLOS, the Lake Albert development in Uganda and the South Lokichar development in Kenya. We also invest in our non-operated producing assets in West Africa to maintain production levels and extend field life, with infill drilling campaigns undertaken in conjunction with our partners.

Exploration and appraisal: In 2018, we have exploration activity planned over more than 20 licenses across 12 countries in Africa and South America. Our exploration campaigns will target both infrastructure-led prospects in Kenya and Côte d'Ivoire and new frontier prospects in Suriname, Guyana and Peru in South America, and Mauritania, Namibia and Zambia in Africa.

Strong cash generation through low-cost production

Due to the light oil focused nature of our production and our control of underlying cash operating costs, we have historically achieved attractive cash margins from our producing assets. For the year ended December 31, 2017, the average realized price per bbl pre-hedging from our oil sales entitlement was $54.2/bbl ($58.3/bbl after hedging) and the average realized price per therm on gas production pre- and post-hedging was 43.0 pence per therm. During the three years ended December 31, 2017, we generated operating cash flow before working capital of $3.0 billion in aggregate.

We have also been successful at reducing our underlying cash operating costs per barrel. This has been principally achieved by decommissioning our more mature fields, costs saving initiatives and realizing economies of scale as our TEN asset has ramped up production. Our overall underlying cash operating costs decreased from $14.3/boe in 2016 to $11.1/boe in 2017 (including Jubilee Field Production-Equivalent Insurance Payments). Our underlying cash operating costs in relation to our operations at the Jubilee and TEN fields were under $8/bbl in 2017 (including Jubilee Field Production-Equivalent Insurance Payments) ahead of our 2018 target (as compared to $9/bbl in 2016 and $10.5/bbl in 2015). For 2018, we continue to target underlying cash operating costs in Ghana of under $8/bbl and target overall underlying cash operating costs of $10/boe.

Proactive and disciplined portfolio management generating liquidity

We have a strong track record of generating liquidity through portfolio management activities by farming down or divesting our assets at appropriate times in the life cycle of an asset. In 2012, we monetized 604 mmboe through completion of a partial farm-down of three blocks in the Lake Albert Rift Basin to Total Uganda and CNOOC Uganda for a headline consideration of $2.9 billion. Between 2015 and 2017, we generated cash proceeds of $126.6 million from the sale of certain of our assets including in Norway, the United Kingdom and the Netherlands. See "Our business—Disposals."

In 2017, we announced that we agreed a substantial farm-down of our assets in Uganda to Total Uganda and CNOOC Uganda for a headline consideration of $900 million. We expect this farm-down to complete in the first half of 2018. See "Our business—Material agreements related to our assets." We continuously evaluate opportunities to monetize other assets in our portfolio.

Proven track record of delivering success across the exploration, development and production lifecycle

We have developed a balanced portfolio of assets through which we have established a proven track record of strong technical production performance, development of complex projects and exploration and appraisal success:

- *Production:* Our portfolio consists of producing assets in five countries, four in West Africa and one in Europe. Our West African light oil production portfolio generates the majority of our cash flow and, in 2017, it represented 100% of our oil production. Combined production at the Jubilee and TEN fields accounted for 58,200 bopd or approximately 67% of our overall production for the year ended December 31, 2017. As operator of our Ghanaian assets, we believe we have built strong expertise in effectively managing production performance, production costs and capital expenditure allocations. We believe that our role as operator of these fields has evidenced to host governments that we can effectively manage strategically important producing assets of material size and scale and key relationships with our partners.

- *Development:* We have established a strong track record as an experienced developer of assets, having brought both the Jubilee and TEN fields offshore Ghana to production. Our development team, together with our partners, successfully brought the Jubilee field on stream in December 2010, approximately 40 months from first discovery, establishing our deep-water development and operatorship capabilities. In August 2016, we further demonstrated our development expertise through the delivery of the TEN project, Ghana's second major oil producing development. Having successfully delivered these two major deep-water developments, both within budget and on time, we believe we have established a strong reputation for delivering complex oilfield developments while acting as operator.

- *Exploration:* We have driven growth through our exploration campaigns, which focus on finding light oil in commercial quantities in conventional geological formations. Since 2006, our efforts have resulted in major basin opening discoveries in Uganda (2006), Ghana (2007), Kenya (2012) and Norway (2013). We aim to build our reserves, resources and future production through targeted and disciplined exploration in high-impact, low cost geographies primarily in Africa and South America where we already have significant experience. In the year ended December 31, 2017, we added to our portfolio interests in six exploration licenses in Peru, in respect of which we are awaiting presidential signature, and eight exploration licenses in Côte d'Ivoire.

Strong financial discipline and financial risk management with a commitment to deleveraging
Strong financial discipline and a culture of financial risk management are firmly embedded in our systems, processes and management approach:

- Following a series of cost reduction initiatives that we initiated at the beginning of 2015, we are on track to deliver over $650 million of cost savings from the business since mid-2015 through to mid-2018, exceeding the original target we set by approximately 30%. Our focus now is to ensure that these underlying savings are sustained year-on-year.

- Reducing our net debt to deleverage our balance sheet continues to be a key objective. We reduced our net debt by 27% from $4.8 billion as of December 31, 2016 to $3.5 billion as of December 31, 2017 using the net proceeds from the Rights Offering and the strong free cash flow generated by our producing assets. This resulted in our gearing reducing to 2.6x as of December 31, 2017 (as compared to 5.1x as of December 31, 2016), which was slightly above our policy of operating at a gearing level of less than 2.5x. Pro forma for the Refinancing, as of December 31, 2017, our total debt was $3.8 billion. See "Presentation of financial and other information", "Description of certain financing arrangements", "Use of proceeds", and "Capitalization." We believe we now have the financial flexibility to invest in our assets to both grow our cash flow and continue to reduce our net debt.

- We take proactive action to address our funding structure and the maturities of our bank debt as demonstrated by the successful refinancing of all our bank debt facilities to date, including the most recent refinancing of our $2.5 billion RBL Facilities and amendment of our Corporate Facility in November 2017. See "Description of certain financing arrangements."

- We have a systematic approach to commodity hedging, executing a two-year graduated rolling hedge program, regularly layering in hedging contracts to substantially hedge our exposure to fluctuations in oil prices. Our hedging program has significantly contributed to our liquidity position in 2015, 2016 and 2017, with aggregate net revenue of approximately $838.2 million during those three years.

- We procure insurance policies which we believe are in line with customary industry practices and we also procure business interruption insurance to protect against loss of production from our material assets. This approach has enabled us to protect our interests at the Jubilee field, offshore Ghana, while the Turret Remediation Project is ongoing. As of January 2018, we had recorded net total insurance proceeds of approximately $365.9 million under our H&M Policy and BI Policy. See "Our business—Significant factors affecting results of operation—Insurance."

Proven track record of operating in emerging markets
We have been active in emerging markets since acquiring our first interests in Senegal in 1986. In 2004, we acquired Energy Africa, marking the start of a strategic focus in acquiring, appraising and developing oil and gas fields in Africa and across emerging markets. We believe that our approach of developing collaborative working relationships with local communities, governments and regulators in our host countries has demonstrated our ability to effectively navigate and operate in these markets. For example, we have continued to operate our assets

in Ghana through four changes of government. We believe our reputation provides a competitive advantage when entering new countries in emerging markets and in bidding for new licenses.

We have a shared prosperity agenda through which we seek to engage positively with local communities, provide investment in healthcare, education, infrastructure development and environmental stewardship, as well as promote the security of our facilities and employees. We have sustained a social license to operate in Africa and South America by working to align our business with the national development priorities of our host countries. In 2017, we supported local economies with $235.6 million spent with local suppliers. We support social and community investment in countries in which we have operations, through our Socio-Economic Investment ("**SEI**") program, which is focused on implementing sustainable projects to help us manage identified socio-economic impacts of our operations on those communities most affected by these activities. In addition to impact mitigation projects, we also support strategic long-term SEI initiatives to ensure that host countries and neighboring communities have access to as many lasting benefits as can be enabled through our in-country activities. These discretionary strategic investments are focused on education and developing local businesses and local skills to participate in the oil and gas industry and wider economy.

Maintain a proactive approach to safe, responsible and sustainable operations

We actively manage the safety of all personnel working in our operations, including through the application of health and safety standards, the implementation of security measures at our facilities and audits of health and safety risks. We manage our EHS performance by measuring leading and lagging indicators in an EHS scorecard which our board of directors sets annually. One of the performance measures we track is lost time injury frequency a recognized industry metric. We monitor our injury rates and benchmark them against industry averages published by the International Oil and Gas Producers Association ("**IOGPA**"). Four lost time injuries were reported in 2017 and none in 2016. See "Our business—Sustainability—Health and Safety." We investigate and document all health, safety and environmental issues which we are aware of, including lost time injuries, and track recommendations and actions to closure with management oversight via monthly "Safe and Sustainable Operations" meetings. Our internal KPIs track both investigation closure and action closure.

We strive to communicate openly and operate transparently, and to demonstrate accountability and strong ethics, which we foster through our Code of Ethical Conduct and compliance training. Consistent with our commitment to revenue transparency and accountability, we were an early adopter of the EUR Accounting Directive, and we started publishing details of our financial payments to national governments in our Annual Report and Accounts in 2013, and also made a number of voluntary disclosures over and above the Directive.

In addition, we are focused on protecting the environment and adhering to international EHS standards, including the IFC's performance standards, which are considered the benchmark for sustainable environmental and social management of major development projects. The IFC, as a lender under our RBL Facilities, plays an active role in monitoring our EHS activities in Ghana, which is currently the only jurisdiction in which we have producing assets that we operate.

Management team with decades of industry experience

Our senior management team has significant oil and gas experience, and a strong track record of delivering growth based on identifying organic and acquisition opportunities. Aidan Heavey, our former Chief Executive Officer and current Non-Executive Chairman, founded Tullow Oil in 1985. The executive directors on our board of directors have extensive oil and gas knowledge and together have more than 75 years of industry experience. Our Chief Executive Officer, Paul McDade, is an engineer with more than 25 years of industry experience. Mr. McDade has worked for us for seventeen years and was our Chief Operating Officer from 2004 to 2017. Our Chief Financial Officer, Les Wood, has extensive industry knowledge having gained international oil and gas experience working at BP for 28 years. Angus McCoss, our exploration director, is a geologist with a PhD in structural geology, with more than 25 years of industry experience.

The non-executive directors on the board bring a broad range of oil and gas industry specific, business, financial, commercial and other relevant experience, which we believe is vital to managing an expanding international company. We believe that our leadership team with its experience and proven track record provides a strong platform to deliver sustainable performance and long-term growth.

Recent developments

Ghana operations

On December 22, 2017, we executed a four-year drilling contract with Maersk Drilling for the deep-water drillship Maersk Venturer. Work relating to the contract commenced in early March 2018 and will cover development drilling on the Jubilee and TEN fields offshore Ghana. The first well currently being drilled is an Ntomme production well in the TEN fields followed by a Jubilee production well located in the north-eastern area of the field. Work is ongoing to finalize the sequence of further wells to increase output from the Jubilee and TEN fields.

With respect to our Jubilee operations, work on the Turret Remediation Project is progressing. We successfully completed a first shut-down in February 2018 in relation to the locking of the bearing. A second shut-down is expected in March / April 2018 and will involve the stabilization of the bearing. A third shut-down of approximately three weeks is expected around year-end 2018 to rotate the FPSO to its permanent heading and install the final spread mooring anchoring system. See "Our business—Main Producing Assets—Ghana—Jubilee Field—Turret Remediation Project." See also, "Risk Factors—Risks relating to our business—Reduced production or unexpected costs in the Jubilee field as a result of the Turret Remediation Project may have a material adverse impact on our business, prospects, financial condition and results of operations."

New license awards

On January 10, 2018, we announced that, subject to presidential signature, we had agreed terms to add six new licenses covering 28,000 square kilometers, offshore Peru, to our portfolio. We have concluded negotiations with Perupetro and agreed to acquire a 100% stake in Blocks Z-64, Z-65, Z-66, Z-67 and Z-68. The agreements are pending approval by supreme decree by the Peruvian Ministry of Energy and Mines and Ministry of Economy and Finance, with formal signing of the licenses anticipated in the first quarter of 2018.

We also announced on January 10, 2018 that we had agreed to acquire a 35% interest in the Z-38 license in Peru through a farm-down from Karoon Gas Australia, subject to government approval. The new acreage will complement our South America position and contains a number of attractive leads and prospects. The Z-38 license is already covered by high quality 3D seismic and includes the Marina prospect which is a potential candidate for drilling in 2019.

On January 17, 2018, the Government of Côte d'Ivoire awarded us two new oil and gas blocks, the CI-520, an onshore block near the country's commercial capital Abidjan, and the CI-524 block, which is adjacent to our acreage in Ghana.

Our history

Aidan Heavey, formerly our Chief Executive Officer and now our Non-Executive Chairman, founded Tullow Oil in 1985. Our initial public offering of Tullow Oil plc (an Irish registered company) occurred on the Third Market of the Irish Stock Exchange in 1988 and, in 1989, the company listed on the Unlisted Securities Market in London and Dublin. This was followed by admission to the Official Lists in Dublin and London in 1994. Following an intra-group re-organization in 2000, we, being the successor company of Tullow Oil plc registered in Ireland and carrying on all business of that company, were listed on the main markets of the London Stock Exchange and the Irish Stock Exchange. We are a constituent company of the FTSE 250 index. In 2011, we established a secondary share listing on the Ghana Stock Exchange.

Since our inception in 1985, we have grown both organically and through acquisitions. Our initial operations consisted of oil and gas production and sales in Senegal in the 1980s and, during the 1990s, we expanded by acquiring license interests through both company and asset acquisitions in the United Kingdom, Bangladesh, Côte d'Ivoire and Pakistan.

Our first major transition began in 2000, with the £201 million acquisition of producing gas fields and related infrastructure in the United Kingdom. In 2004, we acquired Energy Africa which had an extensive portfolio of oil assets across Africa and, in 2005, we purchased the U.K. Schooner and Ketch gas producing assets. These acquisitions transformed us from a predominately gas exploration and production company into a more balanced oil and gas exploration and production company with assets in both Africa and the United Kingdom.

In 2007, we recorded our largest oil discovery to date in the Jubilee field offshore Ghana and completed our $1.1 billion acquisition of Hardman Resources, an Australian-based upstream operator with a significant African and South American footprint.

Since 2006, our focused exploration and appraisal campaigns have resulted in basin opening discoveries in Uganda (2006), Ghana (2007), Kenya (2012) and Norway (2013). During this period, our development team, together with our partners, successfully brought the Jubilee field on stream, adding significant new commercial reserves and establishing our deep water development and operatorship capabilities. Those capabilities were further demonstrated in August 2016, as our TEN fields, also offshore Ghana, started production on time and on budget.

One of our main areas of focus and exploration and appraisal success is the East African Rift Basin. Since acquiring our interests in Uganda through the acquisition of Energy Africa in 2004, we have discovered an estimated 2.3 billion barrels of resources in the East Africa Rift Basin and have steadily increased our exposure through a series of acquisitions (including through our purchase of Hardman Resources in 2007 and our purchase of assets from Heritage Oil and Gas in 2010) and farm-ins. Consistent with our portfolio management strategy, we elected to monetize our Ugandan assets during the appraisal phase. In February 2012, we completed a farm-down of two thirds of our interests to Total Uganda and CNOOC Uganda for a headline consideration of $2.9 billion. In 2017, we agreed, subject to certain conditions including government approvals, a substantial farm-down of our assets in Uganda to Total Uganda and CNOOC Uganda for a headline consideration of $900 million. See "Our business—Material agreements related to our assets." In Kenya, we have had further success in the South Lokichar Basin (in 2014, 2015 and 2017) and in the Kerio Valley Basin (in 2016) after drilling successful exploration and appraisal wells that have increased the commercial potential of both basins. We now have a total of ten discoveries in the South Lokichar Basin, including the Erut discovery announced in 2017.

Overview of our assets

We have interests in 89 licenses across 16 countries, covering exploration, development and production activities, which are managed through three business delivery teams: West Africa, East Africa and New Ventures.

Our key producing assets (the Jubilee and TEN fields) are located offshore Ghana and are operated by us. We also have non-operated producing assets in Côte d'Ivoire, Equatorial Guinea, and Gabon. In addition, we have material development assets in Uganda and Kenya. Our exploration portfolio is focused primarily on Africa and South America.

Our average daily production (oil and gas) on a working interest basis for the 12-month period ended December 31, 2017 was 87,300 boepd (94,700 boepd, including 7,400 bopd of Jubilee Field Insurance Production-Equivalent Barrels). Our net commercial reserves and net contingent resources were 290.5 mmboe and 916.5 mmboe, respectively, as of December 31, 2017, prior to the farm-down of a substantial portion of our interests in Uganda which we expect to complete around the middle of 2018. Our pro forma post Uganda farm-down net commercial reserves and net contingent resources would have been 290.5 mmboe and 595.7 mmboe, respectively, as of December 31, 2017. During the 12-month period ended December 31, 2017, our revenue was $1.7 billion and our operating cash flow before working capital was $1.3 billion.

Summary of our historical reserves, resources and operating data

We retain ERCE as our independent reserves engineer for audit purposes and in connection with our RBL Facilities and Corporate Facility. The commercial reserves and contingent resources classifications used are as defined by the March 2007 PRMS.

Typical to the industry in which we operate, there are a number of uncertainties inherent in estimating quantities of commercial reserves. Therefore, the reserve information in the ERCE Reports represents only estimates. Reserve quantification is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. The accuracy of any reserve estimate is a function of a number of variable factors and assumptions, many of which are beyond our control, including the quality of available data and of engineering and geological interpretation and judgment. As a result, estimates of different engineers may vary. In addition, results of drilling, testing and production subsequent to the date of an estimate may justify revising the original estimate. Accordingly, due to the inherent uncertainties and the limited nature of reservoir data and the inherently imprecise nature of reserves estimates, the initial reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered. The significance of such estimates depends primarily on the accuracy of the assumptions upon which they were based. For a summary of certain assumptions used in the ERCE Reports, see "Presentation of financial and other information—Hydrocarbon data—Presentation in ERCE Reports." Thus, you should not place undue reliance on the ability of the commercial reserves reports prepared by ERCE to predict actual reserves or on comparisons of similar reports concerning companies established in other economic systems. In addition, except to the extent that we acquire additional properties containing commercial reserves or conduct successful exploration and development activities, or both, our commercial reserves will decline as reserves are produced. The following reserve information should be read along with the section entitled "Risk factors—Risks relating to the oil and gas industry."

Potential investors should note that the ERCE Reports have not estimated commercial reserves under the standards of reserves measurement applied by the SEC (the "**SEC basis**") for any of the relevant periods reviewed in the Offering Memorandum, or otherwise. The SEC basis differs from PRMS. See "Presentation of financial and other information."

We report our commercial reserves and contingent resources. Commercial reserves are defined as those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods and government regulations ("**proved reserves**"), plus those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves ("**probable reserves**"). See "Presentation of financial and other information—Hydrocarbon data."

In this Offering Memorandum, references to "contingent resources" are to 2C resources, unless specified otherwise. Pursuant to the classifications and definitions provided by the PRMS, 2C resources are those quantities of estimated contingent resources (being those quantities estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not then considered to be commercially recoverable due to one or more contingencies) that have at least a 50% probability that the quantities actually recovered will equal or exceed this estimate. References in this Offering Memorandum to 1C resources means those quantities of estimated contingent resources that have at least a 90% probability that the quantities actually recovered will equal or exceed this estimate and references in this Offering Memorandum to 3C resources means those quantities of estimated contingent resources that have at least a 10% probability that the quantities actually recovered will equal or exceed this estimate.

The following table presents a summary of our oil and gas commercial reserves and contingent resources. The commercial reserves estimates presented in the table are derived entirely from the ERCE Reports. The contingent resources estimates presented in the table are derived principally from the ERCE Reports. The contingent resources estimates presented below as of December 31, 2015 and December 31, 2016 are derived entirely from ERCE reports. 76% of the total contingent resources estimates presented below as of December 31, 2017 are derived from ERCE reports. Following completion of our appraisal activities in 2017 and the ongoing additional data acquisition activities in 2018, ERCE plan to conduct a full assessment of the Kenya assets in line with our internal policy. Reserves estimates for each field are reviewed by ERCE based on significant new data becoming available or a material change, with a full review of each field undertaken at least every two years. Exceptions are those assets which have zero book value and/or negative net asset value and assets for which commercial reserves do not exceed 5% of our total commercial reserves. Consequently, our assets located in the United Kingdom and in the Netherlands were not audited by ERCE in 2017.

	As of December 31, 2017											
	West & North Africa			East Africa			Europe & Asia			Total		
Resource	Oil (mmbbl)	Gas (bcf)	Total (mmboe)	Oil (mmbbl)	Gas (bcf)	Total (mmboe)	Oil (mmbbl)	Gas (bcf)	Total (mmboe)	Oil (mmbbl)	Gas (bcf)	Total (mmboe)
Commercial Reserves . . .	245.6	254.9	288.1	0	0	0	0.04	14.1	2.4	245.7	268.9	290.5
Contingent Resources . . .	121.2	339.2	177.8	709.8	42.7	716.9	0.13	130.2	21.8	831.2	512.0	916.5
Total	366.8	594.0	465.9	709.8	42.7	716.9	0.2	144.2	24.2	1,076.8	781.0	1,207.0

Source: ERCE Reports and Tullow's management estimates. Contingent resource figures as of December 31, 2015 and December 31, 2016 are derived entirely from ERCE Reports. As of December 31, 2017, 73% of oil contingent resources and 76% of total contingent resources are derived from ERCE Reports, and 27% of oil contingent resources and 24% of total contingent resources are derived from Tullow's management estimates.

The following table sets forth certain information with respect to our commercial reserves and contingent resources as of the years ended December 31, 2015, 2016 and 2017.

	As of December 31,		
	2015	**2016**	**2017**
Commercial Reserves (2P):			
Oil (mmbbl)	287.5	272.0	245.7
Gas (bcf)	206.1	190.0	268.9
Total (mmboe)	**321.9**	**303.7**	**290.5**
Percent oil	**89%**	**90%**	**85%**
Production rate (kboe/d)	73.4	67.1	87.3
Reserve life (years)	12.0	12.4	9.1
Contingent Resources (2C):			
Oil (mmbbl)	846.3	760.8	831.2
Gas (bcf)	771.0	776.6	512.0
Total (mmboe)	**974.8**	**890.2**	**916.5**
Percent oil	**87%**	**85%**	**91%**
Total Commercial Reserves and Contingent Resources:			
Oil (mmbbl)	1,133.9	1,032.8	1,076.8
Gas (bcf)	977.2	966.6	781.0
Total (mmboe)	**1,296.7**	**1,193.9**	**1,207.0**
Percent oil	**87%**	**87%**	**89%**

Source: ERCE Reports and Tullow's management estimates. Contingent resource figures as of December 31, 2015 and December 31, 2016 are derived entirely from ERCE Reports. As of December 31, 2017, 73% of oil contingent resources and 76% of total contingent resources are derived from ERCE Reports, and 27% of oil contingent resources and 24% of total contingent resources are derived from Tullow's management estimates.

Internal controls over reserves estimates

Our policy regarding internal controls over the recording of reserves is structured to objectively and accurately estimate our oil and gas reserve quantities and values in compliance with the March 2007 SPE/WPC/AAPG/SPEE Petroleum Resources Management System ("**PRMS**").

The PRMS definitions and guidelines are designed to provide a common reference for the international petroleum industry, including national reporting and regulatory disclosure agencies, and to support petroleum project and portfolio management requirements. They are intended to improve clarity in global communications regarding petroleum resources.

Our Chief Petroleum Engineer maintains oversight and compliance responsibility for the internal reserve estimate process and provides appropriate data to our independent auditors, ERCE, for the annual estimation of our year-end reserves. As of December 31, 2017, our Chief Petroleum Engineer was supported by a Subsurface Leadership Team of eight engineering and geoscience professionals, and each of which is a full member of a relevant professional body.

Commercial reserves are estimated using standard recognized evaluation techniques. The estimates for each asset are reviewed by ERCE on a rolling basis at a minimum of every two years or more frequently upon the occurrence of a material change in reserves. ERCE completes a quarterly short form report summarizing currently held audited reserves for each asset. When an audit is completed on a single asset, a long form report containing in-depth technical data is also produced. Future development costs are estimated taking into account the level of development required to produce the commercial reserves. ERCE provides us with technical profiles and we then carry out economic modeling to determine economic cut-offs of profiles. These economic cut-offs are provided to ERCE, which then reports commercial reserve figures.

Qualifications of third-party engineers

The technical personnel responsible for preparing the reserve estimates at ERCE meet the requirements regarding qualifications, independence, objectivity and confidentiality set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the PRMS. ERCE is an independent firm of petroleum engineers, geologists, geophysicists and petrophysicists. ERCE does not own an interest in our oil and gas assets and is not employed on a contingent fee basis. See "Presentation of financial and other information."

Production and development

Our portfolio consists of producing assets in five countries including the Jubilee and TEN fields offshore Ghana which we operate. Our West African light oil production portfolio generates the majority of our cash flow and, in 2017, represented 100% of our oil production. Between 2015 and 2017, we sold some of our interests in the United Kingdom, the Netherlands and Norway as part of an ongoing divestment plan, which we believe will free up capital for selective developments and high-impact exploration activities and allow us to concentrate on our core, low-cost production in West Africa.

Our production delivers ongoing cash flow which is used to improve our financial flexibility to invest in long-term exploration campaigns, selective development projects and frontier, long-term growth opportunities in Africa and South America. The growth of our business in Ghana has required us to increase significantly our internal technical, project execution and operating expertise, allowing us to enhance our capability to operate significant oil fields and deliver major development projects. In response to a sharp downturn in the oil price in 2015, we reduced our headcount by around 50% between 2014 and 2017, cut exploration budgets and refocused our capital expenditure on the development of the TEN fields in Ghana.

Since 2010, we have been producing oil from the Jubilee field located in the Deepwater Tano and West Cape Three Points blocks, offshore Ghana. Full year 2017 gross production from the Jubilee field averaged 89,600 bopd (net 35.48% equity interest: 31,800 bopd) excluding 7,400 bopd of Jubilee Field Insurance Production-Equivalent Barrels. Owing to problems with the turret system aboard the Jubilee FPSO, we have received reimbursements under our business interruption insurance cover which equates to an additional 7,400 bopd of net equivalent production for 2017. See "Main producing assets—Ghana—Jubilee—Turret Remediation Project."

On August 17, 2016, the TEN fields produced first oil. Full year 2017 gross production from the TEN fields averaged 56,000 bopd (net 47.18% equity interest: 26,400 bopd). Following the ITLOS decision on September 23, 2017, we received notification from the Government of Ghana allowing us to resume drilling at the TEN fields and drilling resumed in March 2018. Consequently, we expect to ramp up production to utilize the full FPSO design capacity of 80,000 bopd.

In the last quarter of 2017, we signed the TEN Associated Gas ("TAG") Sales Agreement with the Government of Ghana. We expect to start gas sales in the first half of 2018 and forecast gross gas sales equivalent to 4,200 boepd (net: 2,000 boepd) for 2018. See "Main producing assets—Ghana—Tweneboa, Enyenra and Ntomme fields (TEN fields)—Future plans and outlook."

The following table provides a summary of our production portfolio.

Country	Asset	Tullow working interest	Operator(O)/ non-operator (NO)	Fiscal regime	Production for the year ended December 31, 2017 (boepd)	Expiration/ status
					(bopd)	
Oil Production						
Congo (Brazzaville)	M'Boundi	11%	NO	PSC[1]	600	2017[2]
Côte d'Ivoire	Espoir	21.33%	NO	PSC	3,000	2036
Equatorial Guinea	Ceiba	14.25%	NO	PSC	2,000	2029
	Okume Complex	14.25%	NO	PSC	4,200	2034
Gabon	Tchatamba fields	25%	NO	PSC	4,300	2023+
	Limande	40%	NO	Tax[3]	1,800	2031
	Etame Complex[4]	7.50%	NO	PSC	1,100	2021+
	Others[5]	Various	NO	Various[6]	5,800	2031+
Ghana	Jubilee[7]	35.48%	O	PA[8]	31,800	2034+
	Deepwater Tano (TEN fields)	47.18%	O	PA	26,400	2036
Mauritania	Chinguetti	22.26%	NO	PSC	700	2017[10]
Oil Production Sub Total					81,700	
Gas Production						
The Netherlands[9]	Various	4.1-30.00%	NO	Tax	2,200	2017
United Kingdom	Various	6.91%-89.96%	NO	Tax	3,400	2018
Ghana	Deepwater Tano (TEN fields)	47.18%	O	PA	n/a	2036
Gas Production Sub Total					5,600	
Total					87,300[7]	

(1) Under a production sharing contract, the host government takes a share of production determined by the relevant cost recovery mechanism in the contract.

(2) We have entered into an agreement regarding our exit from the M'Boundi field in Congo (Brazzaville), effective July 2017.

(3) Under a corporate tax regime or a concessionary system, the license holders pay income taxes from profits to the host government.

(4) Includes the Etame, Avouma and Ebouri fields.

(5) Includes production from the Echira, Turnix, Niungo, Oba, M'oba and Igongo fields, and the Ezanga Complex, which contains the Onal, Maroc North, Omko, Gwedidi, Mbigou, Maroc, Niembi and Mabounda fields.

(6) PSCs and Tax.

(7) This figure excludes 7,400 bopd of Jubilee Field Insurance Production-Equivalent Barrels.

(8) Under a petroleum agreement. For a description of petroleum agreements in Ghana, see "Certain regulatory regimes—Ghana—Tax regime."

(9) In November 2017, we completed the sale of our entire Netherlands portfolio to HALO and exited the country.

(10) Decommissioning of the Chinguetti field commenced in December 2017.

The following table sets forth certain information with respect to our production volumes and realized pricing (which reflects the impact of derivatives) for the years ended December 31, 2015, 2016 and 2017.

	Year ended December 31,		
	2015	**2016**	**2017**
Production/Sales:			
Working interest production (boepd)	73,400	67,100[2]	87,300[2]
Sales volume (boepd)	67,600	59,900	82,200
Average realized oil price ($/bbl)[1]	67.0	61.4	58.3
Average realized gas price (pence/therm)[1]	41.8	33.9	43.0
Underlying cash operating costs ($/boe)[3]	15.1	14.3	11.1

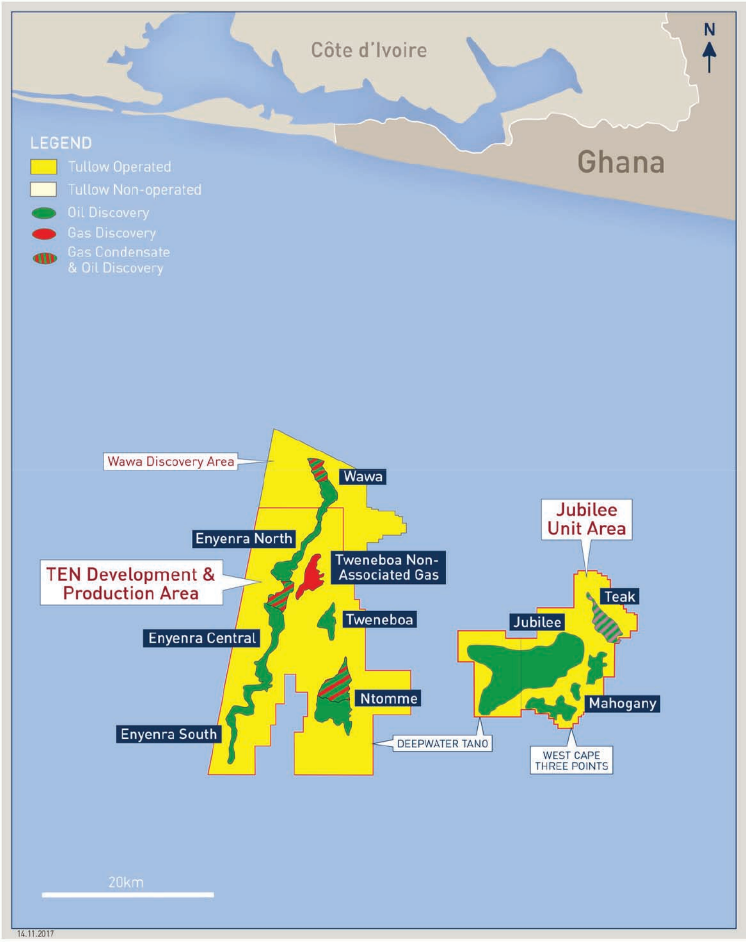
(1) After hedging.

(2) This figure excludes 4,600 bopd and 7,400 bopd of Jubilee Field Insurance Production-Equivalent Barrels as of December 31, 2016 and 2017, respectively.

(3) This figure includes 4,600 bopd and 7,400 bopd of Jubilee Field Insurance Production-Equivalent Insurance Payments as of December 31, 2016 and 2017, respectively.

Main producing assets

Ghana



We have interests in two offshore license blocks which include the Jubilee field and the Tweneboa, Enyenra and Ntomme cluster of fields, which comprise the TEN fields.

Jubilee field

Overview

We have interests in two licenses offshore Ghana where we discovered the Jubilee field in 2007. The field straddles the boundary between two blocks: Deepwater Tano and West Cape Three Points, and we operate the field under a unitization agreement. See "—Material agreements relating to our assets—Ghana—Unitization and unit operating agreement.” The table below sets out key details relating to the field:

Location:	Offshore Ghana
Production Facility:	FPSO Kwame Nkrumah MV21 (owned by us and our commercial partners)
Tullow Working Interest:	35.48%
Operator:	Tullow Ghana Limited
Field Partners:	Anadarko, Kosmos Energy, GNPC and PetroSA
Average production for the year ended December 31, 2017:	Gross: approx. 89,600 bopd / Tullow net: 31,800 bopd
Crude Oil Grade:	API gravity 36.8 degrees

We discovered the Jubilee field in 2007 and, following a development period of approximately 40 months, achieved first oil in November 2010. The Minister of Energy in Ghana formally approved the Jubilee field Phase 1 Development Plan and unitization agreement on behalf of the Government of Ghana in July 2009.

Jubilee is a deep water oil and gas field, located approximately 60 kilometers from the Ghanaian coastline in water depths ranging from 900 meters to 1,700 meters. Jubilee field wells tie back to a FPSO facility via subsea infrastructure. Production is gathered through subsea manifolds and conveyed by subsea flowlines to the FPSO, which has a storage capacity of 1.6 million bbls and is capable of processing 120,000 bopd, 230,000 bwpd and 160 mmscfd of gas. We market our equity share of Jubilee crude oil, making free on board (“**FOB**”) sales from a storage tanker to third-party buyers.

We purchased the FPSO from Jubilee Ghana MV21 B.V., Inc in December 2011, on behalf of the Jubilee partners, while MODEC Management Services Pte Ltd continues to provide operations and maintenance services. We extended the contract to 2024 subject to MODEC continuing to satisfy ongoing conditions.

In the period from first oil to December 31, 2017, we have produced approximately 223 mmbbl of oil. For the year ended December 31, 2017, gross production from the Jubilee field averaged 89,600 bopd (net 35.48% equity interest: 31,800 bopd (39,200 bopd including 7,400 bopd Jubilee Field Insurance Production-Equivalent Barrels)), which accounted for approximately 36% of our total oil and gas production excluding Jubilee Field Production-Equivalent Insurance Payments. Owing to problems with the turret system aboard the Jubilee FPSO, we have recorded reimbursements under our BI Policy, which equates to an additional 7,400 bopd of net equivalent production for 2017. We expect 2018 production from the Jubilee field to average 75,800 bopd (net: 26,900 bopd), which takes into account seven to nine weeks of planned shutdowns associated with the turret remediation work. As of February 28, 2018, we had completed one two-week shutdown of the planned seven to nine weeks of shutdowns currently scheduled to take place in 2018. We expect the BI Policy to reimburse us for an equivalent of 10,200 bopd of annualized net production, increasing our expected effective net production to around 37,100 bopd in 2018. See “—Turret Remediation Project.”

Our net commercial reserves and contingent resources associated with the Jubilee field (including Mahogany, Teak and Akasa) as of December 31, 2017 are shown in the following table.

	Jubilee reserves & resources		
	Oil (mmbbl)	**Gas (bcf)**	**Total (mmboe)**
Commercial Reserves (2P)	119.7	79.0	132.9
Contingent Resources (2C)	41.0	43.7	48.3
Total	**160.7**	**122.7**	**181.2**

Source: ERCE Report.

The gross oil commercial reserves at the Jubilee field are approximately 337 mmboe and gross 2C oil resources (including Mahogany, Teak and Akasa) are approximately 131 mmboe.

Field technical background and development

We discovered the Jubilee field while drilling the Mahogany-1 and Hyedua-1 exploration wells in 2007. The two wells were drilled five kilometers apart and intersected a large continuous accumulation of light sweet crude oil in excellent quality stacked reservoir sandstones. Appraisal drilling commenced in 2008 to define the potential of the greater field area. Ten successful exploratory appraisal wells were drilled and each of these discoveries intersected considerable hydrocarbon columns.

Phase 1 development

The Phase 1 development, which was approved in July 2009, included drilling seventeen wells comprised of nine oil producing wells, six water injector wells and two gas injector wells. We implemented the Phase 1 development using proven subsea production and control systems that tied back to the FPSO, which we permanently moored via a bow-mounted turret and single point mooring system. We offloaded oil to trading tankers. We enhanced production through 100% voidage replacement with down-dip water injectors and up-dip gas injectors, with the reinjected gas to be blown down and recoverable for export as the field is further developed.

Phase 1A development

In January 2012, the Government of Ghana gave written approval for the Phase 1A development, which was designed to extend plateau production and recover additional reserves. The Phase 1A development consisted of eight new wells, all of which have now been drilled. The Phase 1A development successfully increased well production capacity to in excess of 130,000 bopd and, we believe, enhanced the recoverable reserves potential from the Jubilee field.

A capacity test of the FPSO facilities indicated an oil system handling capacity in excess of 120,000 bopd, although recently, higher levels of gas production and limitations on the gas handling facilities mean that the FPSO has operated at an effective capacity of around 115,000 bopd.

In 2015, we drilled two additional Phase 1A wells, which added additional well capacity to the field.

Turret remediation project

In February 2016, we identified an issue with the turret bearing of the Kwame Nkrumah MV21 FPSO at our Jubilee field. As a result, we initiated an investigation and, on March 20, 2016, we shut down production in the Jubilee field. Following the shutdown, we put in place revised offtake procedures utilizing both a DP shuttle and storage tanker. On May 3, 2016, we resumed production at a reduced pace after the approval of a revised case to operate, which included the use of heading control tugs to minimize vessel movement and further deterioration of the bearing. During 2016, we commenced the implementation of an interim solution which involved locking the bearing and the implementation of an interim spread-mooring solution which enabled the heading control tugs to be released with the FPSO held in position by February 2017.

Together with our commercial partners, we have determined that the preferred long-term solution to the turret bearing issue is to convert the FPSO to a permanently spread-moored vessel, with offtake most likely through a new deep-water offloading buoy (the "**Turret Remediation Project**"). This preferred long-term solution has received the consent of the Government of Ghana.

This final solution will involve rotating the vessel to optimum heading as a spread moored vessel and installing a new anchoring system. This is planned to be completed by the end of the first quarter of 2019 with a series of planned shutdowns totaling seven to nine weeks, although we and our commercial partners continue to work to optimize and reduce the shutdown period. As of February 28, 2018, we had completed one two-week shutdown of the planned seven to nine weeks of shutdowns currently scheduled to take place in 2018.

The final phase of the Turret Remediation Project will most likely involve the installation of a deep-water offloading buoy which is currently planned to be installed by 2019. The installation of a deep-water offloading buoy would at that time remove the need for the dynamically positioned shuttle tanker and storage tanker and the associated operating costs.

The capital costs associated with the remediation works, the lost revenue from the shutdown periods and the increased operating costs which have been, and will continue to be, suffered as a result of the turret bearing issue and the consequent reduced production capacity are subject to claims pursuant to two policies of insurance under which we are entitled to recover: a hull and machinery policy (the "**H&M Policy**") and a business interruption insurance policy (the "**BI Policy**"). To date both policies have responded to the incident substantially. We have received monies against both and we continue to submit costs associated with both policies in support of the Turret Remediation Project. An independent assessor concluded a root cause analysis (the "**RCA**") of the turret bearing issue and issued a final RCA report in September 2017, which identified no clear root case. Both the H&M Policy and BI Policy providers used the interim RCA report dated August 2016 and its conclusions in connection with the affirmation of cover, which was received in September 2016 from substantially all of our insurers.

Pursuant to the terms of the H&M Policy, we and our commercial partners are entitled to receive payments relating to steps taken to mitigate further loss (for example, costs in relation to the tugs used for heading control are recoverable as they reduce further damage to the turret) and labor (costs incurred to mitigate against the escalation of claim) and capital costs to reinstate the FPSO to its operating condition prior to the incident. The total claim made under the H&M Policy (on our behalf and on behalf of our commercial partners) is expected to amount to approximately $600 million (recovery under the H&M Policy is limited to, in aggregate, $1,800 million). Pursuant to the terms of the BI Policy, we are entitled to receive both lost production income determined by an agreed price of $60/bbl and relevant lost production, and to be indemnified for costs relating to increased costs of working incurred in respect of supporting production. The total claim made under the BI Policy is expected to amount to approximately $700 million (recovery under the BI Policy is limited to, in aggregate, $900 million).

To the extent recoverable, the insurers are obliged to make payments in respect of claims under the BI Policy for a period of 36 months from May 2016. Accordingly, we will cease to receive any payments in May 2019, irrespective of whether a long-term solution and the return to normal operations has been achieved.

While the lead insurers have affirmed the extent of the cover under each policy, the policies are ones of indemnity such that we are required to incur any costs or suffer any loss prior to submitting a claim under the relevant policy. Insurance proceeds of $220.9 million were recorded in the year ended December 31, 2017. Proceeds related to lost production under the Business Interruption insurance policy of $162.1 million were recorded as other operating income—lost production insurance proceeds in the income statement. Proceeds related to compensation for incremental operating costs under the Business Interruption and Hull and Machinery insurance policies of $50.9 million were recorded within the operating costs line of cost of sales. Proceeds related to compensation for capital costs under the Hull and Machinery insurance policy of $7.9 million were recorded within additions to property, plant and equipment. With effect from November 2017, we and those insurers who have approved the claim have agreed that a payment of $10 million will be made on a monthly basis (during the period between November 2017 and March 2018) under the BI Policy, with adjustments to this figure agreed between ourselves and our insurers on a quarterly basis.

Offtake and marketing

We sell our share of Jubilee crude oil production, typically making FOB sales from an intermediate tanker to third-party buyers' vessels. Sales entitlement volumes of each commercial partner build up onboard the FPSO and other dedicated offtake tankers and a hydrocarbon allocation system records each partner's stock position and allocates and schedules liftings to the most entitled party. At current production levels, there are typically between three and four standard cargos, with approximately 950,000 barrels per cargo, of crude oil exported per month. We increasingly accommodate partial loadings of very large crude carriers ("**VLCCs**"), especially when oil is destined for the Asian market. Jubilee crude oil is light and sweet with no unusual characteristics. Crude oils of this type attract a wide range of refiners and typically command competitive prices in the market.

We manage counterparty credit risks through a variety of instruments provided by banks. Our sales are generally based on a spot sales differential (premium or discount) to an average of Dated Brent crude oil quotes, pricing five days after the bill of lading date or occasionally over the month of delivery.

In November 2014, the Ghana National Gas Company (“**GNGC**”) completed a pipeline and onshore gas processing facility that allows the export of surplus gas produced from the Jubilee field. Jubilee supplied GNGC with an average of approximately 85 mmscfd of gas in 2017.

Since the Jubilee turret bearing issue in March 2016, we have lifted FPSO offtake on dynamically-positioned shuttle tankers. Until the end of 2017, the shuttle tankers were discharged to a nearby VLCC storage tanker with over two million barrels capacity. Once sufficient crude oil was accumulated in the storage tanker, it delivered crude oil to buyers’ export tankers by ship-to-ship transfer. By the end of 2017 a larger shuttle tanker with capacity over 1 million bbls had commenced offtake operations at Jubilee and in 2018 started delivering cargoes directly to export tankers, allowing the storage tanker to be released, simplifying transfer operations and reducing costs. As Jubilee operator, we have entered into time charter arrangements for the use of two shuttle tankers, which could, at our option, be extended, to September 2020.

Future plans and outlook

In December 2015, we submitted the Greater Jubilee Full Field Development Plan to the Government of Ghana (the “GJFFD Plan”). Given the current oil price environment, we submitted a redesigned GJFFD Plan to the Government of Ghana in September 2017 which extended field production and increased commercial reserves, in order to reduce the overall capital requirement and allow flexibility on the timing of capital investment. In October 2017, the Government of Ghana approved the GJFFD Plan which in turn permitted us and our commercial partners to prepare a multiyear incremental drilling program to maximize and sustain oil production and gas export. The initial focus will be infill drilling on the Jubilee field and the completion of a well previously drilled in the Mahogany discovery. Based on data acquired in a 4D seismic survey we conducted in the first quarter of 2017, we have improved the location of GJFFD Plan wells and we commenced drilling in March 2018. To this end, in December 2017, we executed a four year drilling contract for a Maersk Venturer rig for an initial term of four years with early termination provisions exercisable by us on three months’ prior notice. This aligns with our multi-year drilling program of infill wells at an average gross drilling cost of approximately $60 to $70 million per well, as of December 31, 2017, marking a 40% cost reduction since 2015. We commenced drilling in March 2018 and plan to use the rig across both the TEN and Jubilee fields. The first well planned is an Ntomme production well in the TEN fields followed by a Jubilee production well located in the north-eastern area of the field. On average, we expect the duration of drilling each well to completion to be approximately 60-70 days. Work is ongoing to finalize the sequence of further wells to increase output from both the Jubilee and TEN fields. We and our commercial partners continue to evaluate the business case for contracting a second rig that would allow the acceleration of drilling on the TEN and Jubilee fields.

Tweneboa, Enyenra and Ntomme fields (TEN fields)

Overview

The TEN fields, our second major development offshore Ghana, combine production from the Tweneboa, Enyenra and Ntomme fields. These fields are spread across an area of more than 800 square kilometers and are located approximately 20 kilometers to the west of our Jubilee development in the Deepwater Tano license block.

In August 2016, we achieved first oil at our TEN fields, three years after the Government of Ghana approved the Plan of Development.

Location:	Offshore Ghana
Production Facility:	FPSO Prof. John Evans Atta Mills (leased by us on behalf of our commercial partners from T.E.N. Ghana MV25 B.V., a subsidiary of MODEC Inc.)
Tullow Working Interest:	47.18%
Operator:	Tullow Ghana Limited
Field Partners:	Anadarko, Kosmos Energy, PetroSA and GNPC
Average production for the year ended December 31, 2017:	Gross: approx. 56,000 bopd / Tullow net: 26,400 bopd
Crude Oil Grade:	API gravity 32.9 degrees

The TEN fields were designed to develop three deep water oil and gas fields offshore Ghana in water depths ranging from 600 meters to 2,000 meters. The initial discovery, Tweneboa, was made in March 2009, followed by the Enyenra field in July 2010 and the Ntomme in January 2011.

We submitted a plan of development to the Government of Ghana in April 2013 and received approval for this plan of development in May 2013. The approval paved the way for us and our commercial partners to proceed with the development of these discoveries. The estimated capital expenditure costs for the base development plan, which includes up to 24 development wells, excluding FPSO lease costs, is approximately $4.9 billion over the period from 2013 to 2023. We achieved first oil on schedule, on August 17, 2016, and we now have 5 producing wells online. As of December 31, 2016, total gross capital expenditure to first oil was within budget at approximately $4.0 billion. Since 2016, capital expenditure associated with the TEN fields is largely related to the drilling and completion of the remaining 13 production and water injection wells included in the development plan through to December 31, 2023.

Production is gathered through subsea manifolds and conveyed by subsea flowlines to the FPSO, which has a storage capacity of 1.7 million bbls and is capable of processing 80,000 bopd, 132,000 bwpd and 180 mmscfd of gas. The FPSO is designed to remain operational in the field for up to 20 years. We market our equity share of TEN crude oil, making FOB sales from the FPSO to third-party buyers.

In the period from first oil to December 31, 2017, approximately 25.8 mmbbl of oil has been produced for export. Gross annualized production in 2017 averaged 56,000 bopd (net: 26,400 bopd) which was 12% above our forecasted gross oil production guidance for 2017. This strong performance was as a result of production and water injection optimization which continues to be effective with the field performance averaging above 70,000 bopd during November and December 2017 and also during January 2018. In early January 2017, the capacity of the FPSO was successfully tested at an average rate in excess of the design capacity of 80,000 bopd during a 24-hour flow test. We expect 2018 gross oil production from the TEN fields to average 64,000 bopd (net: 30,200 bopd). During 2018, we plan to optimize the rig schedule, drill timing and operations completion to provide upside potential to this initial estimate.

Although the provisional order issued by ITLOS limited our drilling activities in 2016 and 2017, following ITLOS' final decision in September 2017, Tullow subsequently received notification from the Government of Ghana to resume drilling which we started in March 2018. We plan to implement a multi-year incremental drilling program as we seek to ramp up production to utilize the full FPSO design capacity of 80,000 bopd. See "—Future plans and outlook."

In December 2017, we, along with our partners in the TEN fields, as sellers, signed the TEN Associated Gas (TAG) Sales Agreement with the Government of Ghana, as buyers and we anticipate the start of gas sales from TEN in the first half of 2018. Gross gas sales equivalent to 4,200 boepd (net: 2,000 boepd) have been forecast for 2018.

Our net commercial reserves and contingent resources associated with the TEN fields as of December 31, 2017 are shown in the following table.

	TEN reserves & resources		
	Oil (mmbbl)	**Gas (bcf)**	**Total (mmboe)**
Commercial Reserves (2P)	99.5	169.0	127.7
Contingent Resources (2C)	53.6	294.7	102.8
Total	**153.2**	**463.7**	**230.5**

Source: ERCE Report.

The gross oil commercial reserves at the TEN fields are approximately 211 mmbbl and gross oil contingent resources are approximately 114 mmbbl.

Field technical background and development

In March 2009, the Tweneboa-1 exploration well in the Deepwater Tano license, 25 kilometers from the Jubilee field, discovered a highly pressured light hydrocarbon accumulation. The second successful well, Tweneboa-2, was drilled in January 2010. The first discovery at the Enyenra field was made in July 2010. In early 2011, working in 1,600 meters of water, six kilometers southeast of Tweneboa-2, the Ntomme field was discovered, which holds deposits of gas-condensate. An appraisal program was initiated in 2011 with Owo-1RA and continued in 2012 and 2013 with Enyenra-4A, Ntomme-2A and Enyenra-6A. A 3D seismic program over the TEN fields was completed in the second quarter of 2014. Contracts for the FPSO and subsea tenders were awarded in August 2013. The first new development well was successfully drilled at the end of 2013. Subsea installation vessels commenced operations in 2015. As of December 31, 2017, we have drilled 11 of the first oil wells, five of which are producers. We anticipate drilling up to 24 wells in total over the course of the full field development, which are expected to be a mixture of water injection, gas injection and production wells.

Offtake and marketing

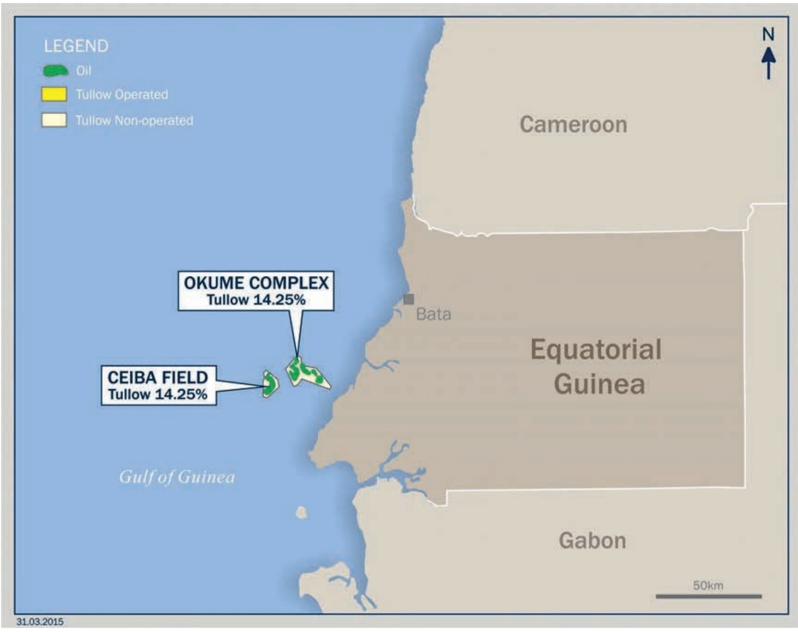
Currently, we generally market the blend of crude oil derived from the TEN fields to which we are directly entitled on an FOB basis, on a similar basis as for our Jubilee crude oil cargoes. A hydrocarbon allocation system, similar to that on the Jubilee cargoes, is in place. During 2017, we lifted ten cargoes of the TEN fields' blend crude oil, nine of which were approximately 950,000 bbls, which included part loadings to VLCCs. The TEN fields' blend crude oil is moderately light and sweet. Our sales to date have been destined for Europe, the USA and China.

Future plans and outlook

Gas production at the TEN fields is currently being primarily reinjected into the reservoir and only a small volume of gas is flared during routine operations. The gas export line between the TEN and Jubilee fields was connected and commissioned in February 2017 and with the recent signing of the TAG Sales Agreement in December 2017, we expect gas exports to commence in 2018.

In December 2017, we executed a four year drilling contract to use the Maersk Venturer rig with early termination provisions exercisable by us on three months' notice. We commenced drilling in March 2018 and plan to use the rig across both the TEN and Jubilee fields. The first well planned is an Ntomme production well in the TEN fields followed by a Jubilee production well located in the north-eastern area of the field. Work is ongoing to finalize the sequence of further wells to increase output from both the Jubilee and TEN fields. We and our commercial partners continue to evaluate the business case for contracting a second rig that would allow the acceleration of drilling on the TEN and Jubilee fields.

Equatorial Guinea



In Equatorial Guinea, we have development and production interests in two offshore licenses, encompassing the Ceiba field and Okume Complex, and our working interest production in these fields was 6,200 bopd in the year ended December 31, 2017. Tullow acquired an interest in the Block G PSC, including the Ceiba field, in 2004 through the acquisition of Energy Africa, a partner in the block from the first discovery. In late November 2017, Kosmos and Trident completed the acquisition of the shares in the Hess licensee entity through a jointly held entity, Kosmos-Trident Equatorial Guinea Inc., and this entity took over as operator.

Ceiba field and Okume Complex (Block G)
Overview

Location:	Offshore Equatorial Guinea
Production Facility:	Sendje Ceiba FPSO
Tullow Working Interest:	14.25%
Operator:	Kosmos-Trident Equatorial Guinea Inc.
Field Partners:	Energy Africa, GEPetrol and Kosmos-Trident Equatorial Guinea Inc.
Average production for the year ended December 31, 2017:	Gross: 43,500 bopd / Tullow Net: 6,200 bopd
Crude Oil Grade:	Ceiba Blend (API gravity 31.5 degrees)

Ceiba field

The Ceiba field lies approximately 35 kilometers offshore Equatorial Guinea in Block G in the Rio Muni Basin. The field was developed in phases, with the first phase including five wells tied back to the FPSO via dual flowlines connected to subsea manifolds. First oil was achieved in November 2000.

The second phase of the development was designed to increase production and water injection capabilities, and it included replacing the FPSO, as well as a drilling campaign of seven wells. In order to maintain pressure and maximize field recovery, the project increased onboard liquids-processing capacity from 60,000 bopd to 160,000 bopd, as well as expanded onboard water-injection facilities to 135,000 bpd of water.

Okume Complex

Discovered in June 2001, the Okume Complex is located approximately 29 kilometers offshore Equatorial Guinea in Block G of the Rio Muni Basin, approximately 25 kilometers northeast of the Ceiba field. The Okume Complex is composed of five fields, Okume, Oveng, Ebano, Elon and Akom North.

The Government of Equatorial Guinea approved the plan of development for the Okume Complex in July 2004. The integrated development involved two tension leg platforms ("**TLPs**"), three satellite platforms, 29 production wells, 16 water injection wells and two gas injection wells. Production flows from the TLPs and platforms to a central processing platform on the shallow-water Elon field and then through a 24 kilometers subsea pipeline to the Sendje Ceiba FPSO. The FPSO has a storage capacity of 2.0 mmbbl of crude oil.

Production commenced at the Okume Complex in December 2006. In the future, these fields may be tied in to produce from the existing infrastructure in the Rio Muni Basin and form part of the Okume Complex.

Our average working interest production in the Ceiba field and Okume Complex was 6,200 bopd in the year ended December 31, 2017 and is forecasted to be approximately 4,800 bopd in 2018. Our commercial reserves and contingent resources associated with the Ceiba field and Okume Complex as of the year ended December 31, 2017 are shown in the following table.

	Ceiba field and Okume Complex Reserves & Resources		
	Oil (mmbbl)	**Gas (bcf)**	**Total (mmboe)**
Commercial Reserves (2P)	7.5	—	7.5
Contingent Resources (2C)	8.3	—	8.3
Total	**15.8**	**—**	**15.8**

Source: ERCE Report.

Offtake and marketing

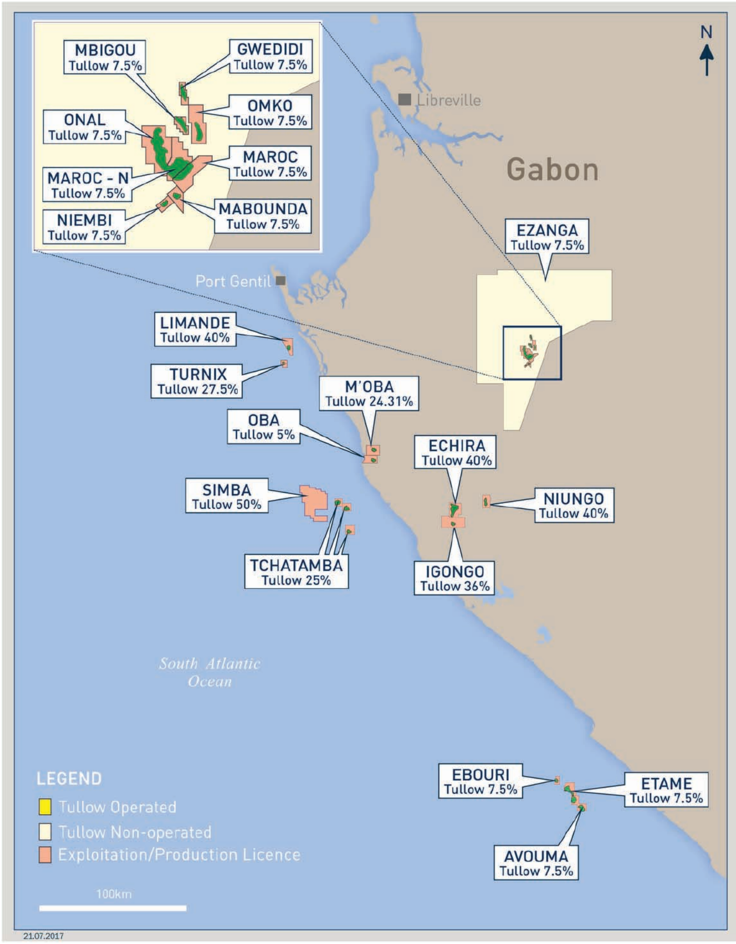
For the past several years, Hess Corporation, as operator, marketed our shares of the Ceiba field and Okume Complex oil sales entitlements, to third parties. Generally, the offtake arrangements involved the use of the Sendje Ceiba FPSO from which crude oil is sold FOB. At current production levels, there is typically one cargo of approximately one million barrels each month. With the disposal by Hess of its interests in Ceiba and Okume, we have agreed the termination of the marketing arrangements and plan to market our own entitlements from these sources as spot cargoes with effect from the end of January 2018.

Future plans and outlook

A major Okume Complex infill drilling program was completed in 2015. The Ceiba and Okume fields' production for the year ended December 31, 2017 was 6,200 bopd which was 27% higher than our expectations of 4,900 bopd for the period.

In November 2014, we acquired a new 4D seismic monitor survey. We received processed results in the first quarter of 2016. We are using these results in the evaluation and selection of current prospects for a Phase 3 drilling campaign, comprising up to nine wells, over Okume/Oveng and Ceiba areas, with execution anticipated in 2019 and 2020 for Okume and Ceiba, respectively.

Gabon



In Gabon, we have 23 license interests and our working interest production from these license interests was 13,000 bopd in the year ended December 31, 2017. The main producing fields in Gabon are the Tchatamba fields, the Limande field and the Ezanga fields.

During 2015, following resolution of a dispute with the Government of Gabon, we regained our 7.5% stake in the Onal Complex producing fields in the Ezanga block (formerly known as the Omoueyi exploration block). This included two small oil discoveries made within the Ezanga block in 2015.

Our commercial reserves and contingent resources in Gabon as of December 31, 2017 are shown in the following table.

	Gabon fields reserves & resources		
	Oil (mmbbl)	Gas (bcf)	Total (mmboe)
Commercial Reserves (2P)	13.8	—	13.8
Contingent Resources (2C)	13.9	—	13.9
Total	**27.7**	—	**27.7**

Source: ERCE Report.

Tchatamba fields

Overview

Location:	Offshore Republic of Gabon
Production Facility:	Fernan Vaz FSO (Oguendjo Field)
Tullow Working Interest:	25.00%
Operator:	Perenco
Field Partners:	Perenco and Oranje Nassau
Average production for the year ended December 31, 2017:	Gross: 17,200 bopd / Tullow Net: 4,300 bopd
Crude Oil Grade:	Oguendjo Blend (API gravity 31.7 degrees)

The Kowe Block, located approximately 20 to 30 kilometers offshore Gabon with a water depth of 50 meters, contains three fields, Tchatamba South, Tchatamba Marin and Tchatamba West (together the "**Tchatamba Fields**"). Discovered between 1995 and 1997, production from the fields started in 1998. A permanent pipeline was constructed directly to the onshore Cap Lopez terminal and completed in 2003. The pipeline is no longer used to transport production to the Cap Lopez terminal as production is now exported to the Fernan Vaz FSO. Our average working interest production from these fields was 4,300 bopd for the year ended December 31, 2017 and is forecasted to be approximately 3,800 bopd for 2018.

Field technical background and development

The primary producing interval in all fields is the Albian age Madiela formation, an extensive, good reservoir quality sequence of sandstone, carbonate and shale. Additionally, the Tchatamba West and South fields produce from the Azile, Cap Lopez and the Anguille formations. At present there are ten producing wells in Tchatamba South, seven wells in Tchatamba Marin and one well in Tchatamba West. The field is subject to strong water drive, as evidenced by the lack of water injection in the field.

Offtake and marketing

A Perenco-operated pipeline transports production from the Tchatamba Fields and, since early 2015, tied in to the Fernan Vaz FSO and blended with oil from the Limande, Turnix and other fields. Oil from this FSO is marketed as "Oguendjo Blend" crude, a light but medium sulphur grade, and sold in cargoes from around 650,000 to 950,000 bbls. The constituent crude oils contributing to the Oguendjo Blend crude are subject to quality banking adjustments to reflect their respective qualities relative to that of the resulting blend. This is calculated by a mutually agreed independent consultant using a refinery netback calculation. It is paid pro rata to inventory per field and recovered as an operating cost.

An offloading buoy was installed to the Fernan Vaz FSO in 2015, which allows for part loadings of VLCCs. This has broadened and strengthened our market access for this crude oil to more distant markets such as those in Asia. We market our own cargoes of Oguendjo Blend crude oil on a spot basis, generally selling at a fixed differential to the Dated Brent crude prices on dates related to the date of the bill of lading.

Future plans and outlook

We completed a successful infill drilling program in 2015 and we continue to work with our operator to progress plans for further infill drilling and re-perforations of existing wells. In 2017, we installed a second processing platform (MOPU-B) on the field, which will allow for increased water handling, H2S treatment and power supply.

Limande

Overview

Location:	Offshore Republic of Gabon
Production Facility:	Fernan Vaz FSO (Oguendjo Field)
Tullow Working Interest:	40.00%
Operator:	Perenco
Field Partners:	None
Average production for the year ended December 31, 2017:	Gross: 4,500 bopd / Tullow Net: 1,800 bopd
Crude Oil Grade:	Oguendjo Blend (API gravity 31.9 degrees)

We hold a 40% interest in the Limande field, which was discovered in 1991 and is located approximately 11 kilometers offshore Gabon. Eni S.p.A. developed the field and Perenco is the current operator. Development drilling commenced in 1998, and the field was brought on stream in the same year. Our average working interest production from the Limande field was 1,800 bopd for the year ended December 31, 2017 and is forecasted to be approximately 1,500 bopd in 2018.

Field technical background

The reservoir is located in the Anguille formation.

Offtake and marketing

We have marketed our share of Limande field oil volumes ourselves since 2013. Limande field crude oil is exported to the FSO, Fernan Vaz for loading to third-party tankers. As is the case of the Tchatamba Fields, Limande production is commingled with other crudes on the Fernan Vaz and sold as the Oguendjo Blend.

Future plans and outlook

The drilling programs on the Perenco operated fields finished in late 2015. Field performance and cost reviews are taking place to inform plans to restart drilling from 2019, particularly in the south of the field.

Ezanga

Overview

Location:	Onshore Republic of Gabon
Production Facility:	Crude Processing Facility (Onal Field)
Tullow Working Interest:	7.5%
Operator:	Maurel & Prom Gabon SA (Pertamina)
Field Partners:	Maurel & Prom Gabon SA (Pertamina) and Republic of Gabon
Average production for the year ended December 31, 2017:	Gross: 24,830 bopd / Tullow Net: 1,860 bopd
Crude Oil Grade:	Ezanga Crude (API gravity 34 degrees)

The Ezanga Complex is located onshore Gabon around 170 kilometers east-south-east of Port Gentil. Discovered in 1990, it consists of eight fields. After we achieved first oil from the Onal field in 2009, other fields were subsequently tied back to the crude processing facility at Onal. Our average working interest production from these fields was 1,860 bopd for the year ended December 31, 2017 and is forecasted to be approximately 1,900 bopd for 2018.

Field technical background

The reservoir is sandstones of the Gres de Base and Kissenda formations.

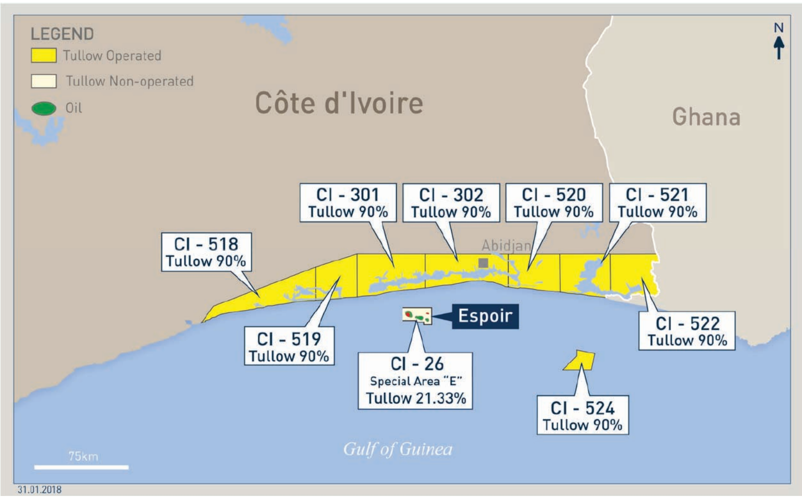
Offtake and marketing

The crude is exported from the Ezanga Complex via pipeline and connects to the Coucal facility which is then exported through the Perenco operated pipeline to the Cap Lopez Terminal.

Future plans and outlook

We expect to drill over 20 wells in the Ezanga Complex during the next five years and ten wells are planned for 2018.

Côte d'Ivoire



Espoir field

In Côte d'Ivoire, we have a development and production interest in one producing field, the offshore Espoir field. We first established interests in Côte d'Ivoire during 1997, and in 2002, we began producing from the Espoir field which is located in license CI-26 Special Area "E."

Overview

Location:	Offshore Côte d'Ivoire
Production Facility:	FPSO Espoir Ivoirien
Tullow Working Interest:	21.33%
Operator:	CNR
Field Partners:	CNR and Petroci Holding
Average production for the year ended December 31, 2017:	Gross: 14,100 boepd / Tullow Net: 3,000 boepd
Crude Oil Grade:	API gravity 31.0 degrees

The Espoir field lies 19 kilometers offshore south of Jacqueville in water depths ranging from 100 meters to 600 meters.

Under the operatorship of CNR, the field has been re-developed in phases, with the first phase commencing production at the end of 2002. The field has experienced declining production levels, and in the year ended December 31, 2017, the East and West Espoir fields averaged 14,100 boepd, of which 3,000 boepd represented our share. In 2018, the Espoir fields are forecasted to produce approximately 13,600 boepd (net: 2,900 boepd).

Our commercial reserves and contingent resources associated with the Espoir field as of December 31, 2017 are shown in the following table.

	Espoir reserves & resources		
	Oil (mmbbl)	**Gas (bcf)**	**Total (mmboe)**
Commercial Reserves (2P)	5.1	6.8	6.2
Contingent Resources (2C)	4.2	0.8	4.3
Total	**9.3**	**7.6**	**10.5**

Source: ERCE Report.

Field technical background and development

The re-development of the Espoir field was centered on a wellhead tower covering the eastern part of the reservoir and an FPSO. The second phase of re-development involved an additional wellhead tower and drilling in the western lobe of the reservoir. The wellhead tower at West Espoir was installed in November 2005 and first production began in mid-2006 with development drilling completed in 2008.

Oil produced from the east and west reservoirs is processed, stored and offloaded from a dedicated FPSO, the Espoir Ivoirien, which is located between the two wellhead towers. Oil is exported by shuttle tanker and gas is taken to shore via a 19 kilometers subsea pipeline.

The FPSO is owned and operated by BW Offshore under contract to the field operator.

Offtake and marketing

We market our share of oil entitlement from the Espoir field. Liftings are normally in cargoes of approximately 650,000 barrels. The delivery arrangements involve the use of the Espoir Ivoirien FPSO, loading to third-party tankers on a regular basis. Our sales are generally on a spot FOB basis at a fixed differential to the Dated Brent crude prices on dates related to the date of the bill of lading.

Future plans and outlook

Planning for the Phase 4 infill program is ongoing, with execution scheduled to start in 2018. Further, we have currently identified five additional wells and continue to work toward identifying more.

In December 2017, we were awarded a 90% interest in two onshore licenses (CI-521 and CI-522) in Côte d'Ivoire, building on the four onshore exploration licenses (CI-518, CI-519, CI-301 and CI-302) we signed in October 2017. We plan to conduct a FTG survey across the full area in the first half of 2018, before acquiring 2D seismic in 2019. These assets significantly enhance our portfolio, with blocks located in a proven petroleum system, as indicated by multiple oil seeps and past production from the Eboinda Oil Sands. If commercial discoveries are made, we would expect a relatively short and low-cost path to production given the maturity of Côte d'Ivoire's oil industry.

On January 17, 2018, the Government of Côte d'Ivoire awarded us two new oil and gas blocks, the CI-520, an onshore block near the country's commercial capital Abidjan, and the CI-524 block, which is adjacent to the TEN fields offshore Ghana.

Main development assets

Uganda and Kenya (East Africa Development)

We have interests in 16 oil discoveries in four blocks in the Lake Albert Basin in Uganda and ten oil discoveries in two blocks in the South Lokichar Basin in Kenya. In Uganda, the exploration and appraisal phase has ended save in respect of the Lyec field for which a full field development plan and production license application was submitted to the Government of Uganda and is awaiting approvals. In August 2016, we achieved a major milestone when the Government of Uganda issued petroleum production licenses for eight development areas covering 12 discoveries. FEED for the pipeline project was completed in December 2017 and FEED for the upstream project commenced in February 2017 and is expected to be completed in May 2018. We together with our commercial partners and the Government of Uganda continue to work to achieve FID by the middle of 2018, with first oil expected to occur approximately three years after FID.

In Kenya, appraisal in the South Lokichar Basin was concluded in October 2017, and in our full assessment of the results, we estimate that the South Lokichar basin contains 1C-2C-3C gross recoverable resource of 240-560-1,230 mmbo, respectively from an overall discovered STOIIP of up to 4 billion barrels. We expect a further risked mean exploration potential of 230 mmbo. We have commenced the transition from Appraisal to Development, with FID currently forecast to occur in 2019 and first oil in 2021 or 2022.

In 2015, we submitted a draft field development plan to the Government of Kenya and provided an update to this draft in September 2017. We had also been working with the

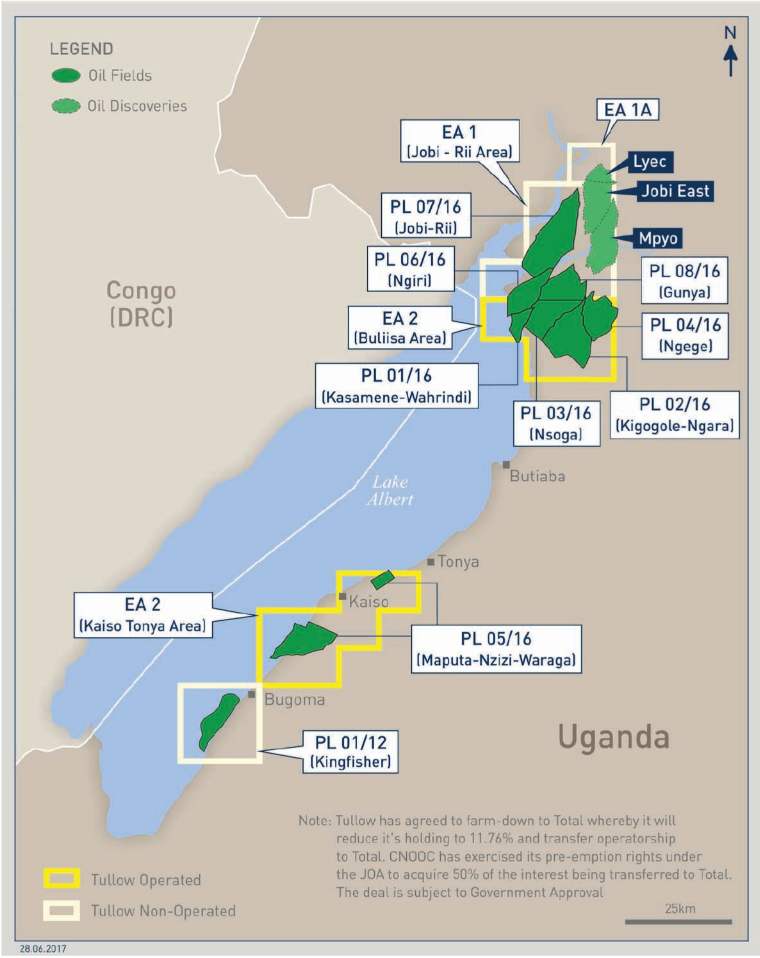
Governments of Kenya and Uganda to progress plans for a joint regional crude oil export pipeline. Regarding the route to market, in April 2016, the two governments announced that they had decided to independently develop separate crude oil export pipelines for their resources, rather than export oil through a joint regional pipeline.

As relates to the Kenya pipeline, on October 25, 2017, we and our commercial partners entered into a Joint Development Agreement (**"JDA"**) with the Government of Kenya setting out a structure for us to progress the development of the export pipeline. The JDA allows important studies to commence such as FEED and ESIA, as well as studies on pipeline financing and ownership. Upstream FEED and ESIAs are expected to commence in the first quarter of 2018.

In April 2016, the Government of Uganda confirmed its decision to route an oil export pipeline through Tanzania to the port of Tanga, providing clarity on the development of Uganda's oil resources. The Government of Uganda has also made significant progress on the constitution of both the Petroleum Authority, the entity mandated to regulate the oil industry, and the Uganda National Oil Company, which will be the government representative in the Uganda joint venture.

On May 26, 2017, the Governments of Uganda and Tanzania signed an Intergovernmental Agreement ("**IGA**") for the pipeline. This has secured a framework for the pipeline routing and allowed discussions to commence with the Governments of Uganda and Tanzania on the Host Government Agreements and other key commercial agreements. The pipeline FEED was completed in December 2017 and the pipeline ESIA continues to progress to plan. The Uganda upstream ESIA is in progress and expected to be submitted for approval in May 2018.

Uganda



We have interests in nine production and two exploration licenses in Uganda: (i) three production licenses covering the former EA1 area (covering Ngiri, Jobi Rii and Gunya fields), Exploration Area 1 (covering the Jobi East and Mpyo discoveries) and Exploration Area 1A (covering the Lyec field); (ii) five production licenses in the former EA2 area (covering Mputa-Nzizi-Waraga, Kigogole-Ngara, Nsoga, Ngege and Kasamene-Wahrindi fields) and (iii) one production license covering the Kingfisher Discovery Area (which formed part of the former Exploration Area 3A). We estimate that we have 1.7 bbls of discovered gross 2C resources in Uganda.

The oil fields are located along the Lake Albert Rift Basin in Uganda. Through our acquisitions of Energy Africa and Hardman Resources in 2004 and 2006 respectively, we acquired a 50% interest in Exploration Areas 1 and 3A and a 100% interest in Exploration Area 2. We acquired the remaining 50% in Exploration Areas 1 and 3A through the purchase of Heritage Oil's interests in July 2010. In March 2011, we signed sale and purchase agreements to farm-down our interests in Exploration Areas 1, 2 and 3A to CNOOC Uganda and Total Uganda for a consideration of $2.9 billion, with each partner taking a one-third interest in each license. In February 2012, we signed two production sharing agreements with the Government of Uganda (one for the Kanywataba prospect area (which formed part of the former Exploration Area 3A) which expired in August 2012 and one for Exploration Area 1A) which allowed us and our commercial partners to complete the farm-down. In February 2012, the Government of Uganda also granted us a production license in respect of the Kingfisher Discovery Area. Subsequently, on January 9, 2017, we announced that we had agreed a further farm-down of our assets in the in Uganda to Total Uganda for a headline consideration of $900 million (the **"Uganda Farm-down"**). Under the sale and purchase agreement, we agreed to transfer 21.57% of our 33.33% interests (the **"Uganda Sale Assets"**) to Total Uganda for a headline consideration of $900 million. Pursuant to the terms of the joint operating agreements in relation to the Lake Albert development, CNOOC Uganda has a right of pre-emption to acquire 50% of the Uganda Sale Assets on identical terms and conditions as those agreed between us and Total Uganda (including as to the amount, structure and timing of the consideration payable to us). On March 16, 2017, CNOOC Uganda exercised its right of pre-emption in respect of the Uganda Sale Assets and on October 11, 2017, we amended and restated the sale and purchase agreement with Total Uganda and entered into an equivalent sale and purchase agreement with CNOOC Uganda, to transfer 10.7843% of our 33.33% interests in the Uganda Sale Assets to each of Total Uganda and CNOOC Uganda on the same terms. In the final quarter of 2017, Total Uganda, CNOOC Uganda and ourselves submitted copies of the signed sale and purchase agreements in accordance with the relevant provisions of the Production Sharing Agreements and Uganda's (Exploration, Development and Production) Act 2013 to the Minister of Energy and Mineral Development for their approval. Accordingly, we are working with the Government of Uganda, CNOOC Uganda and Total Uganda to gain approval of the definitive sale documentation and, subject to approval by the Government of Uganda and satisfaction of the other conditions precedent in the sale and purchase agreements, we expect to conclude the Uganda Farm-down in the first half of 2018.

The aggregate consideration payable by Total Uganda and CNOOC Uganda is split into $200 million in cash, consisting of $100 million payable on completion of the transaction, $50 million payable at FID and $50 million payable at first oil. Upon completion of the farm-down, we will have an 11.76% interest in the upstream and pipeline projects. We expect this to reduce to a 10% interest in the upstream project when the Government of Uganda formally exercises its right to back-in. Although it has not yet been determined what interests the Governments of Uganda and Tanzania will take in the pipeline project, we expect our interests in the upstream and pipeline projects to be aligned.

The remaining $700 million is in deferred consideration and represents reimbursement in cash of a proportion of some of our past exploration costs and payment for development costs. The deferred consideration is payable to us as the upstream and pipeline projects progress and we plan to use these payments to fund our share of the development costs. We expect that the deferred consideration will cover the majority of our estimated share of pre-first oil upstream and pipeline capital expenditure. We expect such share of capital expenditure to range between approximately $75 million and $215 million per year. Any deferred consideration that has not been paid by first oil will be payable to us after first oil and used by us to fund post-first oil capital expenditure. Completion of the transaction is subject to certain conditions, including the approval of the Government of Uganda, after which we will cease to be an operator in Uganda. We expect to complete the disposal in the first half of 2018 and the commercial partners are also working towards reaching a FID around the middle of 2018. We will receive cash payments on completion and payment of deferred consideration for the pre-completion period (including the whole of 2017), with first oil expected to occur approximately three years after FID. We believe this agreement will allow the Lake Albert development to move ahead and increases the likelihood of a FID around the middle of 2018. In line with our post-transaction goal, we have been reducing our operational footprint in Uganda and are now fully prepared for a non-operated presence only.

Our commercial reserves and contingent resources associated with Uganda as of December 31, 2017 prior to giving effect to the Uganda farm-down are shown in the following table.

	Uganda reserves & resources		
	Oil (mmbbl)	Gas (bcf)	Total (mmboe)
Commercial Reserves (2P)	—	—	—
Contingent Resources (2C)	488.6	42.7	495.7
Total	**488.6**	**42.7**	**495.7**

ERCE Report.

In line with the production license applications that were submitted by us and our commercial partners, we, Total Uganda and CNOOC Uganda also presented a joint development proposal to the Government of Uganda, which was based on two main oil and gas processing centers delivering a combined oil production rate of approximately 230,000 bopd at plateau from over 400 wells.

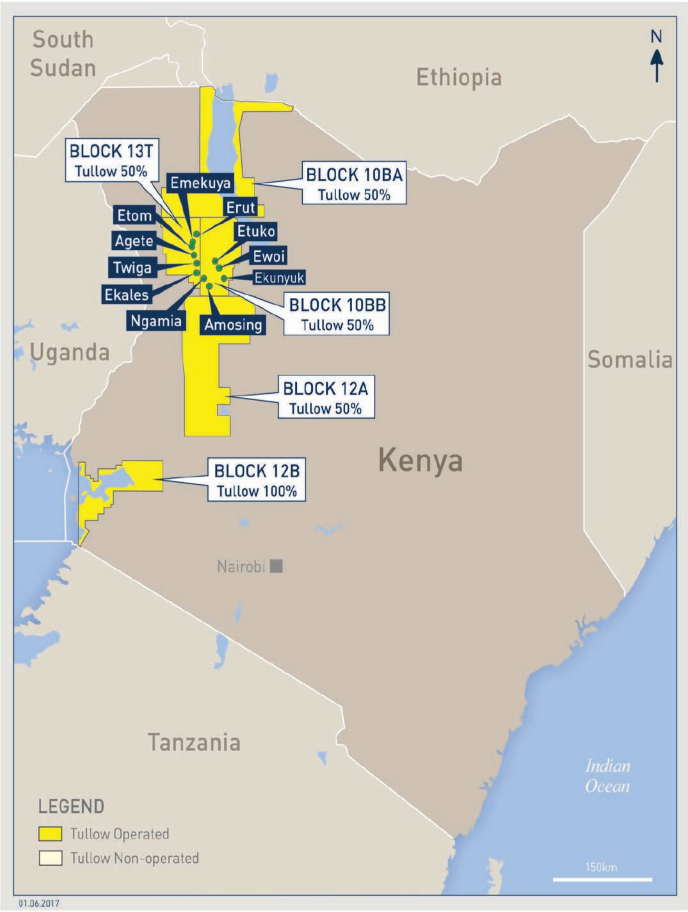
Since 2014, significant progress has been made with the Government of Uganda and our commercial partners regarding the development options for the Lake Albert Basin. In February 2014, we and our commercial partners signed a memorandum of understanding with the Government of Uganda that set out a basin-wide commercialization plan. The memorandum of understanding envisaged an integrated development of the upstream, an export pipeline and a refinery sized initially at 30,000 bopd with the potential to expand to 60,000 bopd to meet available market demand in East Africa. Further, the commercial partnership's application for eight production licenses for the fields covered by the former EA1 and EA2 areas was approved in August 2016. Production license applications have been made for E1 and EA1 fields Jobi East, Lyec and Mpyo and we await approval by the Government of Uganda.

During 2014, pre-project development work continued and included optimization of well designs, the determination of the number of wells to be drilled and the design of the surface infrastructure. All exploration and appraisal drilling in the fields formerly within the EA1 and EA2 areas was also completed. Following completion of the pre-FEED studies and the development optimization work, we and our commercial partners have commenced FEED on the Tilenga development, which is scheduled to be completed in May 2018. CNOOC Uganda drilled a pre-development well in the Kingfisher Discovery Area in January 2015 and has carried out extensive pre-project development work, optimization and, along with Total Uganda and us, has completed FEED for the Kingfisher Development.

We made significant progress on fiscal matters in 2015. In June 2015, the Government of Uganda passed an amendment to the VAT Act to allow VAT exemptions on oil developments. After several years of legal proceedings, on June 22, 2015, we agreed to pay $250 million to the Government of Uganda and the URA as a full and final settlement of our capital gains tax liability. This sum comprises $142 million that we paid to the URA in 2012 and a further amount of $108 million which we paid in three equal installments of $36 million in 2015, 2016 and 2017.

In line with the production license applications that have been approved by the Government of Uganda, we, Total Uganda and CNOOC Uganda presented a joint development proposal that is based on two main oil and gas processing centers delivering a combined oil production rate of 230,000 bopd at plateau from over 400 wells.

Kenya (South Lokichar Basin)



Exploration drilling in the Kenya Rift Basins began in the South Lokichar Basin in January 2012 with the drilling of the Ngamia-1 wildcat well in Block 10BB, and with the drilling of the Twiga South-1 well in Block 13T taking place in August 2012. Flow tests at both wells indicated a cumulative constrained rate of approximately 3,000 bopd gross sweet waxy oil in the order of 27 to 42 degree API with no indication of pressure depletion. Following completion of the Etuko-1 well in Block 10BB and the Ekales-1 and Agete-1 wells in Block 13T, we commenced preliminary appraisal and development studies. The Amosing-1 and Ewoi-1 oil discoveries, our seventh and eighth successful wild-cat exploration wells in the South Lokichar Basin, further supported the decision to commence appraisal and development studies. We now have a total of ten discoveries in the South Lokichar Basin, including the Erut discovery announced in 2017.

Due to the scale of the resources discovered in the South Lokichar Basin, we and our commercial partners initiated discussions with the Government of Kenya and other relevant stakeholders to consider development options.

To facilitate these development activities while engaging in our ongoing exploration and appraisal activities, in February 2013 the Government of Kenya agreed to our proposal to carry out an exploration and evaluation program over a defined "Area of Interest" falling within Blocks 10BB and 13T. This agreement encompasses the basin discoveries and further prospects in Blocks 10BB and 13T. This agreement allows integrated development of the resources within the two blocks, while permitting continued focus on exploration to increase the resource base and concurrently appraising discoveries.

In 2014, we began an accelerated exploration and appraisal program in the South Lokichar Basin in Blocks 10BB and 13T. Key results included net oil pays at the Ngamia-5, Ngamia-6 and Amosing-3 appraisal wells, as well as flow tests at Twiga-South-2A and exploration success at Etom-1 that extended the known oil accumulation northwards in the basin. In parallel, we continued development studies and conceptual engineering work.

In 2015, a 952 square kilometers 3D seismic survey was completed over the discoveries in the South Lokichar Basin and activities focused primarily on appraisal of the South Lokichar Basin to test the extent of previous discoveries and gain important reservoir data for the field development plans. The 3D seismic survey used to locate the Etom-2 well, which encountered the high quality oil reservoir units to date, indicated significant remaining exploration prospectivity within the greater Etom area.

Exploration and appraisal of the South Lokichar Basin continued in 2016 and in 2017. As of October 2017, we had drilled a total of 38 exploration and appraisal wells in the South Lokichar basin, delivering ten discoveries and enabling oil field delineation. We also conducted extended well tests, water injection tests, well interference tests and water-flood trials, all of which firmed up our resource estimates and provided information for planning the development of the oil fields. Following a full assessment of all the exploration and appraisal data, we now estimate, based on management estimates, that the South Lokichar basin contains the following gross recoverable resources: 240-560-1,230 mmbbl (1C—2C—3C) from an overall discovered STOIIP of up to 4 billion barrels. We believe that further exploration upside remains across the South Lokichar Basin. See "Summary Reserves, Resources, Production and Operating Data."

In parallel with the exploration and appraisal program, we carried out optimization on the South Lokichar development, including pre-front end engineering and design ("**pre-FEED**"). An integrated development concept with phasing enabling development of the oil fields in an efficient manner is being pursued. Other activity during 2017 included water injection trials which were successfully completed on the Amosing and Ngamia oil fields in the South Lokichar Basin. Data from the trials demonstrated the viability of water injection for development planning, leading towards a water flood pilot to be undertaken early 2018 at Ngamia to assess longer term injection, in part under production conditions, mimicking the development concept for this field. In terms of development concept, we are proposing a staged development that has a foundation stage targeting 2C gross volumes of around 210 mmboe. The foundation stage is expected to deliver gross production of 60,000 bopd (24,000 bopd net) rising towards 100,000 bopd (40,000 bopd net) as the project evolves and incremental developments are tied in. The estimated gross capital expenditure for upstream and pipeline costs during the foundation stage is approximately $2.9 billion over the period from 2019 to 2022, of which approximately 80% of the spend will be prior to first oil.

In addition to progressing a large scale integrated and phased full field development concept, we and our commercial partners are implementing an Early Oil Pilot Scheme ("**EOPS**") to use road transportation to transfer two thousand barrels of oil per day from the South Lokichar Basin to Mombasa, Kenya. We anticipate that the EOPS will also provide technical and non-technical information that will assist in our full field development planning including utilization of existing upstream wells and oil storage tanks for initial production. Work is already under way on the EOPS, with initial injectivity testing commencing on Ngamia-11 and oil production and water injection facilities being constructed in the field ready to commence production/injection in the first quarter of 2018. We plan to initially store oil produced at the South Lokichar Basin until all necessary consents and approvals are granted and work is completed for the transfer of crude oil to Mombasa by road.

Based on ERCE reports, our commercial reserves and contingent resources associated with Kenya as of December 31, 2016 were as shown in the following table.

	Kenya reserves & resources		
	Oil (mmbbl)	**Gas (bcf)**	**Total (mmboe)**
Commercial Reserves (2P)	—	—	—
Contingent Resources (2C)	143.8	—	143.8
Total	**143.8**	**—**	**143.8**

ERCE report, evaluation as of December 31, 2016.

Management estimates for the Kenya assets as of December 31, 2017, are shown in the following table.

	Kenya reserves & resources		
	Oil (mmbbl)	**Gas (bcf)**	**Total (mmboe)**
Commercial Reserves (2P)	—	—	—
Contingent Resources (2C)	221.2	—	221.2
Total	**221.2**	**—**	**221.2**

The management estimates above are the Company's estimates of reserves and resources that incorporate the latest appraisal information acquired since December 31 2016, which was the date at which ERCE last conducted an audit of the Kenya assets.

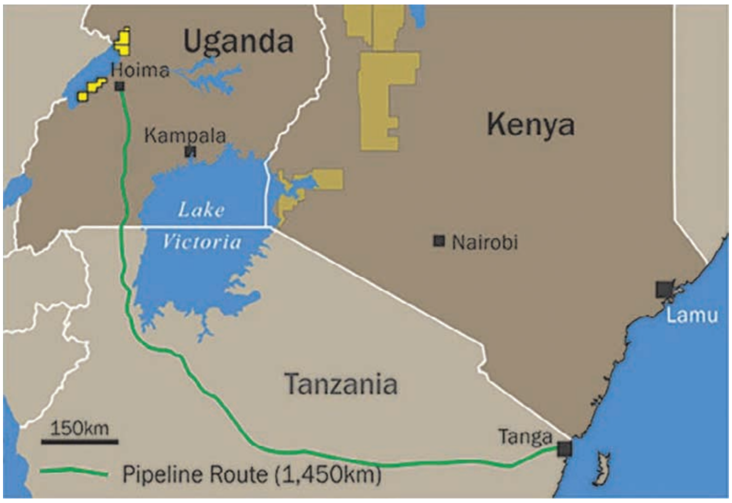
Following completion of appraisal activities in 2017 and ongoing additional data acquisition activities, ERCE plan to conduct a full assessment of the Kenya assets in line with our internal policy.

East Africa Export Pipelines

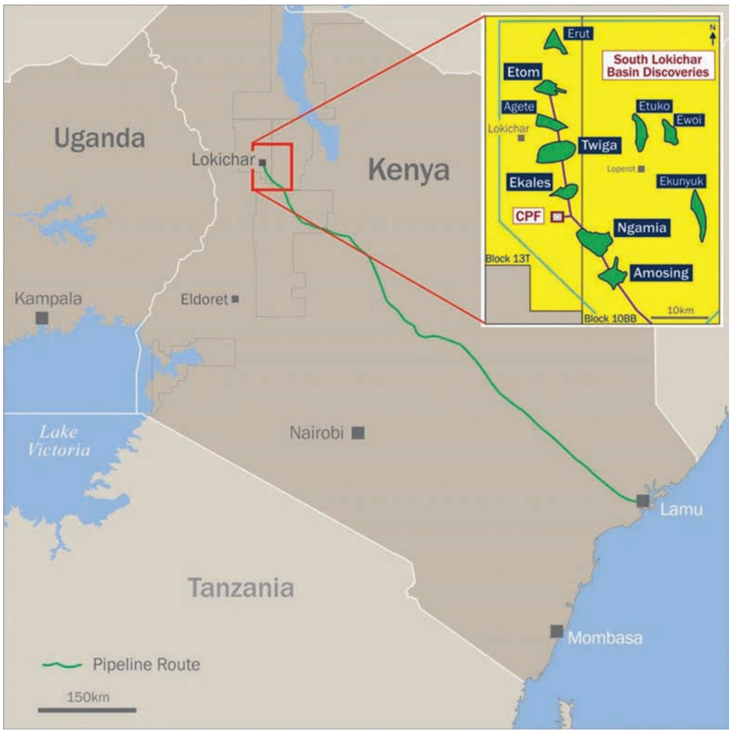
When the scale of the discoveries in Uganda became apparent, we concluded that a refinery based on domestic demand could not support the development of the resources and that a crude oil export line would be needed to commercialize Uganda's resources. The Uganda partnership therefore conducted conceptual studies and a pre-FEED study for a crude oil export pipeline. In February 2014, we and our commercial partners signed a memorandum of understanding with the Government of Uganda that set out a basin-wide commercialization plan. Under this plan, the parties agreed that the upstream development would be linked to a crude oil export pipeline and a refinery sized initially at 30,000 bopd with the potential to expand to 60,000 bopd to meet available market demand.

With the discoveries of oil in Kenya, we and our partners in both countries evaluated the potential for a common approach to development in both Kenya and Uganda. However, in April 2016, the two Governments decided to independently develop separate crude oil export pipelines for their resources, rather than export oil through a joint regional pipeline.

The Government of Uganda has now agreed to a pipeline route through Tanzania from the Ugandan town of Hoima to the Tanzanian port of Tanga. On May 26, 2017, the Governments of Uganda and Tanzania signed an Intergovernmental Agreement ("**IGA**") for the pipeline. This confirmed the pipeline routing and allowed discussions to commence with the Governments of Uganda and Tanzania on the Host Government Agreements and other key commercial agreements. The pipeline FEED and ESIA continue to progress to plan. Upon completion of our farm-down to Total Uganda and CNOOC Uganda, we expect that our share of pre-first oil upstream and pipeline capital expenditure associated with the development project will be funded by the deferred consideration receivable pursuant to the farm-down.



Good progress was made during 2016 and 2017 on a standalone development in Kenya with an export pipeline to Lamu. We and our commercial partners, Africa Oil and Maersk Oil, signed an MOU in July 2016 with the Government of Kenya which confirms the intent of the parties to jointly progress the development of a Kenya crude oil pipeline. As it relates to the Kenya pipeline, on October 25, 2017, we and our commercial partners entered into a Joint Development Agreement ("JDA") with the Government of Kenya setting out a structure for us to progress the development of the export pipeline. The JDA allows important studies to commence such as FEED and ESIA, as well as studies on pipeline financing and ownership. Upstream FEED and ESIAs are expected to commence in the first quarter of 2018.



In August 2017, Total and A.P.Moller-Maersk announced the approval of the acquisition by Total of 100% equity in E&P Company Maersk Oil & Gas A/S (Maersk Oil), a wholly owned subsidiary of A.P. Møller—Mærsk A/S. Formal completion of this transaction is anticipated in the first quarter of 2018 at which point Total will replace Maersk as our commercial partner in Blocks 10BB and 13T in Kenya.

Exploration and appraisal

Since 2006, our efforts have resulted in major basin opening discoveries in Uganda (2006), Ghana (2007), Kenya (2012) and Norway (2013), which have resulted in the addition of approximately 1,230 mmboe of discovered resources.

We believe our exploration and appraisal expertise in frontier areas, which can be remote and challenging, provides us with a key competitive advantage.

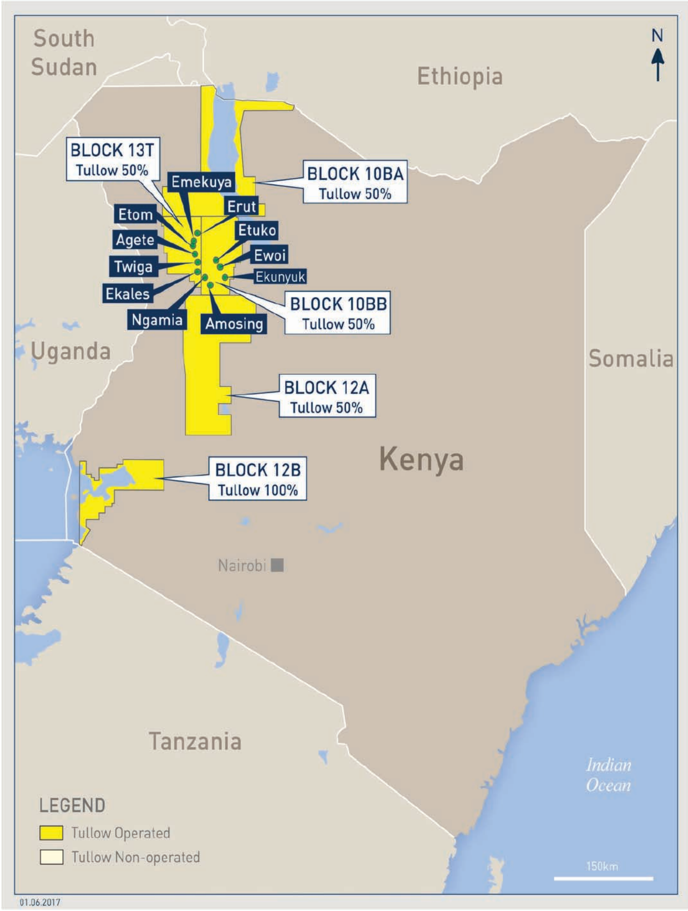
In 2015, we undertook a strategic review of our exploration and appraisal portfolio in light of reduced oil prices and a period of reduced industry exploration activity while continuing to prepare for future potential growth. In order to prepare for increased drilling activity in future years, we focused on enhancing our license and prospect inventory while continuing to actively manage our equity positions and exposure to drilling costs across our portfolio including through transactions to reduce our equity position. During 2016 and 2017, we focused on selectively replenishing and high grading our exploration portfolio so as to be positioned for future potential growth. In recent years, we entered into a number of farmdowns across our exploration portfolio as we prepared to increase exploration activity during 2018 and 2019, subject to prevailing market conditions at such time. See "Our business—Recent Developments." See also "—Disposals."

Our exploration strategy is to explore for high-margin light oil in commercial quantities in conventional geological plays. A proven explorer, our efforts have resulted in multiple basin opening discoveries: Uganda (in 2006), Ghana (in 2007), Kenya (in 2012) and Norway (in 2013). Following our success in Africa, we are now exploring the geological plays in South America. Our three core plays are deep water turbidite systems (e.g., Ghana, Namibia, Suriname and Guyana), oil-prone rift basins (e.g., Uganda, Kenya, and more recently, Zambia) and prolific salt basins (e.g., Mauritania and Gabon). In response to the change in industry conditions and a drive towards a more efficient exploration business, we effectively explore these plays through high grading our license portfolio and through a shift towards simple wells in shallower water and onshore settings. As part of this process, we have exited or are exiting Guinea, Greenland, Madagascar, Ethiopia, Norway, and Pakistan.

We enter licenses at a variety of equity shares through competitive license rounds, direct negotiation with host governments and farm-downs from commercial partners. For example, we have a 50% interest in four of our five Kenyan licenses and 97.5% and 80% interest in our Zambian and Jamaican licenses, respectively, and are the operator in each of these blocks. We have recently signed six licenses onshore Côte d'Ivoire as a result of direct negotiation at high initial equities (we have a 90% working interest in these licenses) and we are awaiting presidential signature for six licenses offshore Peru (in which we have a 100% working interest). We often choose to enter an exploration license at a high equity position before drilling. This allows us to undertake extensive technical studies before deciding what equity level, if any, to retain in the license and what model of joint venture is appropriate for the drilling phase. Partnering with other companies allows us to share our costs and risks. Once discoveries have been delineated, appraised and tested for hydrocarbons, we then decide whether to divest further or develop the asset through to production.

We believe that focusing on oil rather than gas delivers a higher value reward, although the chance of success in oil exploration is lower due to oil being harder to identify in seismic data. In addition to working with strategic partners, we attempt to mitigate risks through the use of innovative exploration technologies including FTG, Controlled Source Electro-Magnetics (**"CSEM"**), and seismic, as well as by analyzing advanced geoscience models prior to commencing drilling. More generally, we try to limit risk by running selected campaigns across multiple basins and countries and at different stages of the exploration process.

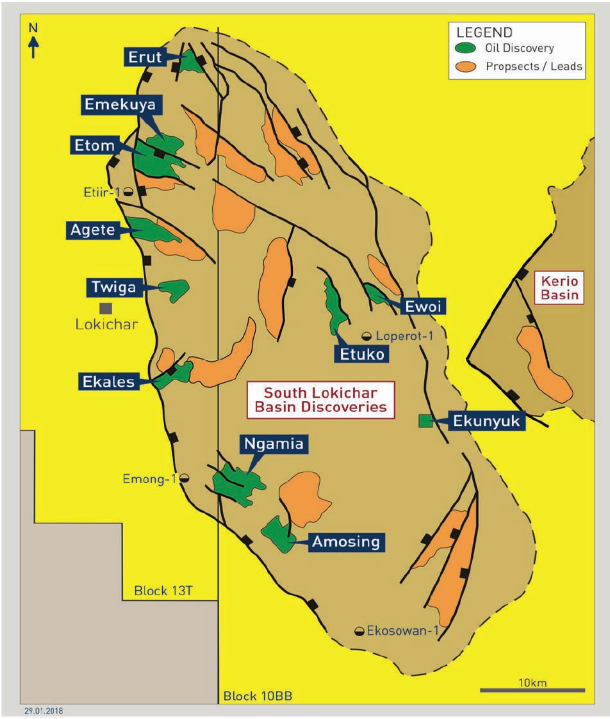
Core exploration and appraisal campaigns
Kenya



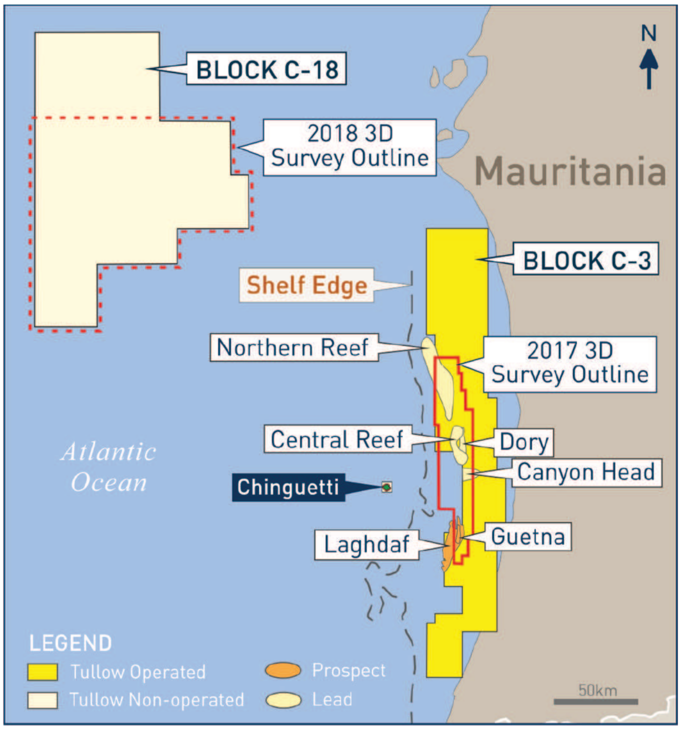
Following our exploration success in Uganda's Lake Albert Rift Basin, we extended our exploration acreage into the prospective East African Rift Basins of Kenya and Ethiopia, which are located 500 kilometers to the east of Lake Albert. Numerous leads and prospects were identified following the acquisition of FTG and seismic surveys across most of the Kenya-Ethiopia license area. The seismic database consists of 7,286 kilometers of 2D seismic surveys and 952 square kilometers of 3D seismic data. In Kenya, we operate five onshore blocks, with a 50% to 100% interest covering approximately 48,300 square kilometers and several rift basins.

These Kenyan blocks include the 10BB and 13T licenses that contain the South Lokichar Basin discoveries, in which we hold a 50% interest. The breakthrough Ngamia-1 well drilled in 2012 opened the South Lokichar Basin as a new oil province with multiple successful follow up wells drilled in 2013, 2014 and 2015 establishing fields across the basin. In March 2016, we announced that Cheptuket-1 had established a working petroleum system to the south in the Kerio Valley Basin of Block 12A. The first additional exploration period for Block 12A has been extended to December 1, 2018 and seismic activity is planned during this period to establish potential follow up options that could be targeted with a future well in Block 12A.

Following a break in activity post Cheptuket-1, drilling re-commenced in the South Lokichar Basin in December 2016 with an exploration and appraisal campaign that targeted a number of new prospects and appraisal opportunities. In 2017, we made a discovery at the Erut-1 well located at the northern limit of the basin, approximately 11 kilometers north of the Etom field. The Erut-1 discovery announced in January 2017 proved that oil had migrated to the northern limit of the South Lokichar Basin, de-risking multiple prospects in this area. We also drilled the Emekuya-1 well which further de-risked the Greater Etom structure and the northern area of the basin. We drilled two further exploration wells, including the Etiir-1 well. While these further two wells were considered non-commercial, they helped delineate the western extent of the Greater Etom structure. Subsequent appraisal activity on Ngamia and Amosing has also helped to map the transition of reservoir quality from good quality outboard fluvial sands to low quality inboard alluvial sands, allowing improved delineation of these two fields. Drilling activity finished in October 2017 and the acquired data is currently being reviewed ahead of identifying candidates for a future drilling campaign targeting untested opportunities.



Mauritania



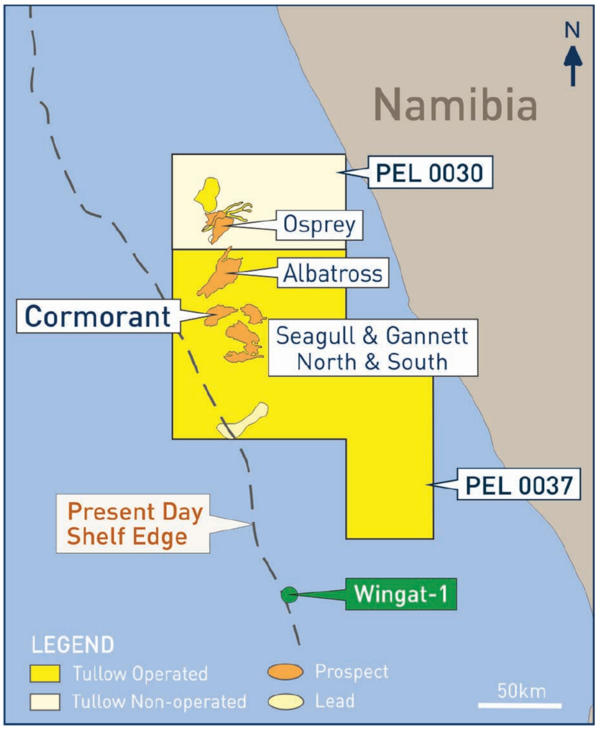
In Mauritania, we have exploration and production activities across a number of offshore licenses. We have a significant exploration acreage position extending along approximately 750 kilometers of coastline.

We identified a number of offshore exploration opportunities in Mauritania building on the knowledge gained from our Ghana campaign. Building on our existing position, we acquired an exploration license for Block C-18 in June 2012. We further increased our exploration acreage by acquiring a 90% interest a license for the shallow water Block C-3 in April 2013. In 2014, we exited from licenses in the C-6 and C-7 blocks.

We commenced a two well exploration program in 2013 and 2014 which resulted in the first oil discovery in Cretaceous aged reservoirs at Fregate-1. The discovery was uncommercial but provided important information on the petroleum system. We have been reviewing and integrating this well data to determine future drilling targets that are likely to include opportunities in the shallower shelf play.

Seismic acquisition activity has continued over the past few years and is an important part of the long-term exploration strategy to quantify the exploration potential and to build up a future prospect inventory. In the second half of 2017, we completed a farm-down of our 90% interest in Block C-18 to Total, Kosmos and BP leaving us with a 15% non-operated interest. A two-year extension to the license terms was also granted. In December 2017, the new operator, Total, commenced a large 9,000 square kilometers 3D seismic survey which is expected to be completed in the first quarter of 2018. In the fourth quarter of 2017, we completed a 3D survey in Block C3 to cover new shallow water plays. In November 2017, we relinquished our interest in Block C-10.

Namibia



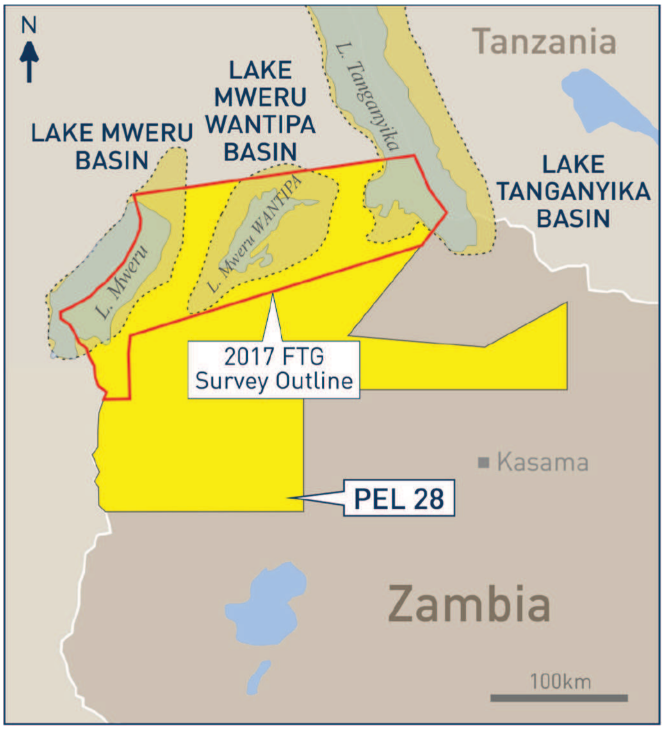
We have exploration interests in Namibia across two offshore licenses and entered these as part of acreage positioning to target an extension of a material oil play in moderate water depth.

In September 2013, we farmed-in to the PEL-0037 license, which covers an extensive area in the Walvis Basin offshore northern Namibia. In October 2014, we increased our position by completing a farm-in to an adjacent offshore exploration license, PEL-0030, which covers Block 2012A and is operated by Eco Oil and Gas (Namibia) (PTY) Ltd.

Interpretation of the 3D survey that was shot in the fourth quarter of 2014 across the PEL-0030 and PEL-0037 licenses has yielded significant prospectivity in shallow water in close proximity to the Wingat well in the adjacent license. We have therefore shifted our attention to shelf-edge plays and continue to assess a number of leads. Specifically, we are focused on cretaceous turbidites located in shallow water in offshore blocks PEL-0037. We have identified a number of leads and prospects in PEL-0037 including Cormorant, Albatross, Seagull North and South and Osprey, with further leads unnamed. We plan to drill the Cormorant prospect in the second half of 2018 and preparations for drilling are under way. The prospect will target light oil and has a number of similarly-sized follow-up prospects in close proximity. The un-risked gross mean resources for these leads exceed 1.0 bboe.

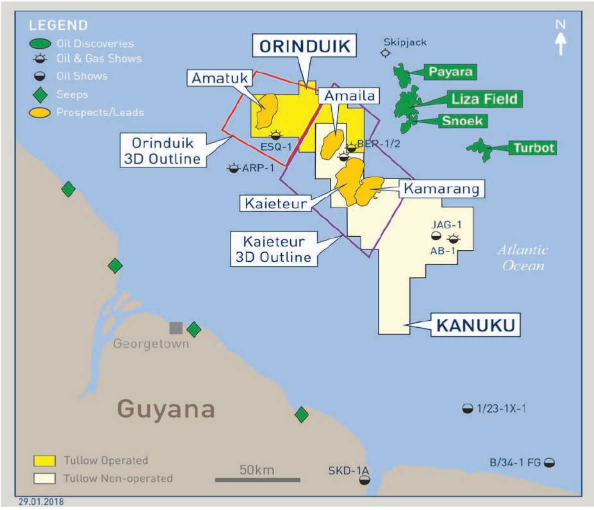
In November 2017, we agreed a farm-down of 15% of the PEL-0030 license to ONGC Videsh leaving us with a 10% working interest. The farmdown of the PEL-0030 license is subject to government and partner approvals with completion expected in the first quarter of 2018. This followed our farmdown of a 30% interest in our PEL-0037 license to ONGC Videsh in October 2017 which left us with a 35% share in the license. We remain interested in neighboring acreage offshore Namibia and continue to assess options as part of our ongoing portfolio replenishment.

Zambia



In June 2016, we extended our East African rift play acreage through the award of Petroleum Exploration License 28 in Block 31, onshore Zambia. The 53,000 square kilometers block builds on our existing low-cost, core East African Tertiary rift basins, giving us access to three further unexplored basins. The acreage is onshore and covers the Mweru, Mweru Wantipa and Lake Tanganyika rifts. During the fourth quarter of 2016, we acquired a 20,000 square kilometer FTG survey covering frontier tertiary age rift basins, followed by a passive seismic survey over targeted areas of interest. We are now processing and interpreting this data and, in line with our business strategy, we intend to farm-down a portion of our equity in this license. We aim to leverage our expertise and success in rift basins in this area in addition to identifying and capturing further underexplored rifts in the region.

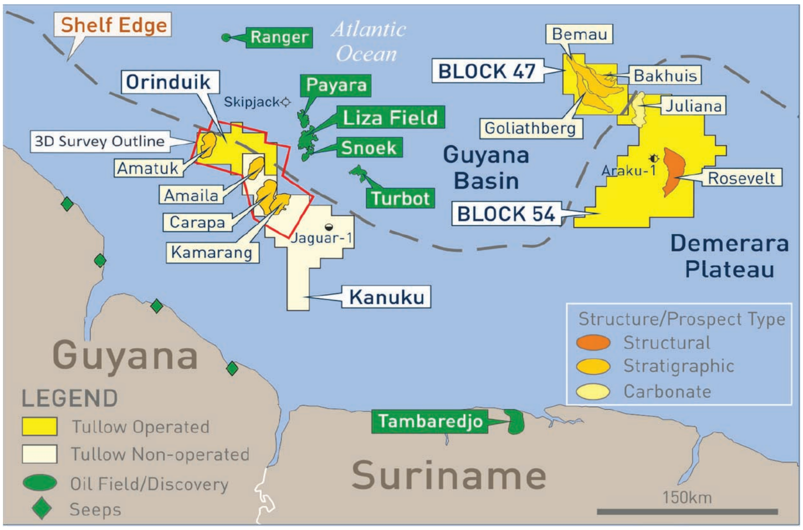
Guyana



We have held licenses in Guyana since 2008. At present we hold a 30% interest in the Kanuku block, operated by Repsol and 60% interest in the Orinduik block which we operate. We have agreed to increase our equity share in the Kanuku license from 30% to 37.5% in a farm-in deal with Repsol and we are awaiting government approval. The Orinduik block was awarded in January 2016. Both blocks are highly prospective, with several leads identified, and are located directly up-dip of the Starbroek license where ExxonMobil and its commercial partners Hess Corporation and CNOOC Nexen have confirmed a world class discovery with a recoverable resource of up to 3.2 Bboe. In 2017, we acquired 6,500 square kilometers of 3D seismic survey data on the Kanuku and Orinduik licenses and we are currently processing the data to mature and rank identified prospects previously mapped on the existing 2D seismic data. Preparations are under way to commence drilling in early 2019. The Kaieteur lead (estimated well cost of approximately $15 million net) is of particular interest.

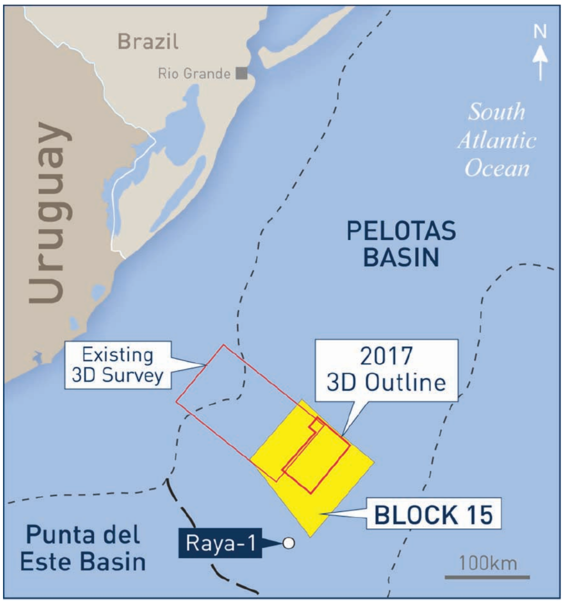
The Kaieteur lead is located in a Jubilee-like setting up-dip of the Liza oil discovery. We remain interested in neighboring acreage both onshore and offshore Guyana and we continue to assess our options as part of our ongoing portfolio replenishment.

Suriname



We have held licenses in Suriname since 2007 and operate both the Block 47 license (80%) and Block 54 license (30%). Both blocks are covered by high quality 3D seismic datasets and cover plays from deep water turbidites to structural traps. In September 2016, we carried out a drop core survey to identify the presence of shallow hydrocarbon leakage. In October 2017, we and our commercial partners, Statoil and Noble drilled the Araku-1 well in Block 54 which was unsuccessful, but did prove the presence of a new petroleum system in the Demerara plateau which is now being followed. At a gross cost of $37 million (net: $11 million), we demonstrated our ability to drill high-risk, high-reward wildcat frontier wells at appropriate equity and at low cost. In August 2017, we completed the farmout of a 20% equity interest in the adjacent Block 47 license offshore Suriname to Ratio Petroleum. A two-year extension was granted for Block 47 where the Goliathberg prospect is a potential drilling candidate for 2019. There are a number of low cost prospects in the block itself and the adjacent acreage. We followed our business strategy by reducing initial equity in Block 54 from the initial 50% equity following positive indications from low cost exploration activities prior to significant spend (such as drilling an exploration well).

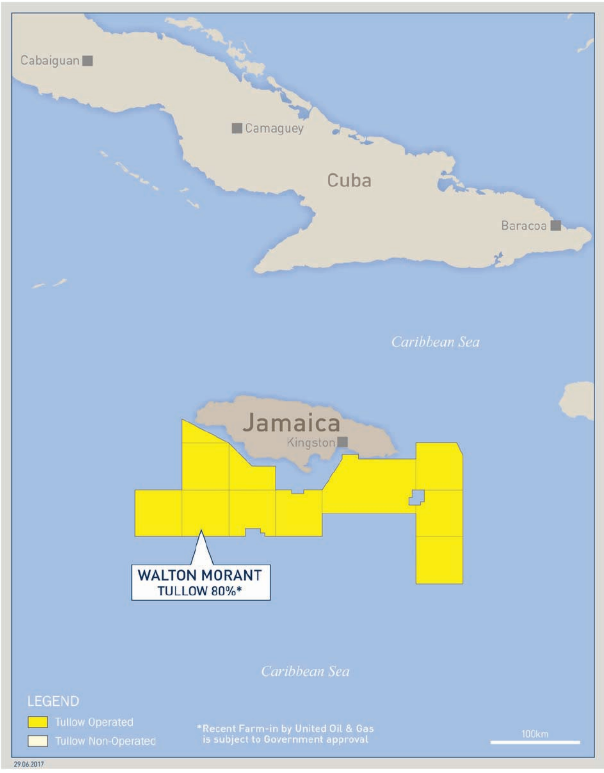
Uruguay



We have held Block 15 offshore Uruguay since 2012. In May 2016, we completed a farm-down of our interest to Statoil in Block 15, reducing our equity from 70% to 35% while retaining operatorship of the block. Our costs were carried fully (with caps) on the 2,500 square kilometer 3D seismic survey that commenced in January 2017 to capture data over high-quality leads identified in Block 15 in the Pelotas Basin. Should we enter the next phase, we would be partially carried on a wildcat well.

The license covers an extensive area (8,030 square kilometers) in the Pelotas Basin offshore Uruguay. The license was awarded in the second offshore licensing round. During the period from 2012 to 2014, we acquired and processed a 2,000 square kilometer 3D survey. Interpretation of this survey has yielded significant prospectivity. In 2017, we completed a 2,500 square kilometer 3D seismic program to capture data over high quality leads identified in Block 15 in the Pelotas Basin and processing is now underway.

Jamaica



In October 2014, we acquired an interest in offshore Jamaica after signing a new production sharing agreement for a large prospective acreage position that includes ten full blocks and one part block in shallow water to the south of the island.

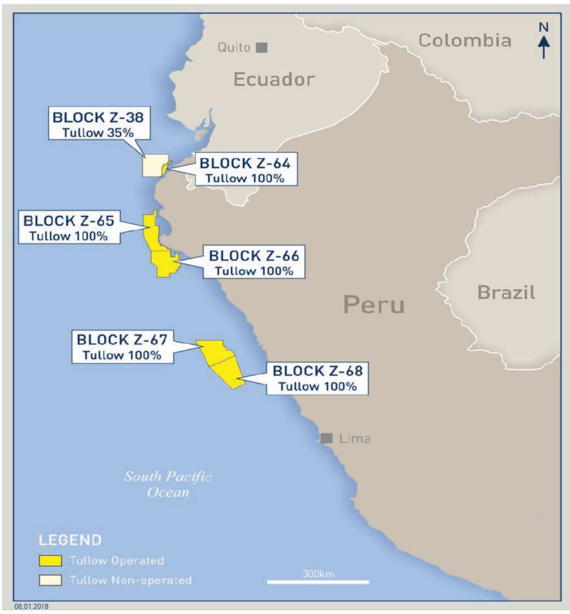
The offshore area to the south of the island has been identified as having good frontier exploration potential and encompasses three geological provinces: the Pedro Bank carbonate platform and the Walton and "Southern" sub basins, which offer tertiary aged clastic and carbonate reservoir targets in both structural and stratigraphic settings. Multiple leads have been identified on existing seismic data which lie in 20 to 2,000 meter water depths.

We have carried out low cost studies, reprocessing work and in 2015, we acquired a bathymetry and geochemical sampling survey. Drop core, thermal and environmental baseline studies have also been completed in the area. In the first quarter of 2016, we acquired a 2D seismic survey followed by an acquisition of a further 680 kilometers of 2D seismic in 2017. In March 2018, we completed a farm-down of 20% of our 100% interest in the Walton Morant license to United Oil & Gas plc. We were also granted a nine-month extension to the license term enabling a 2,100 square kilometer 3D survey to commence in April 2018.

Côte d'Ivoire

In December 2017, we were awarded a 90% interest in two onshore licenses (CI-521 and CI-522) in Côte d'Ivoire, building on the four onshore exploration licenses (CI-518, CI-519, CI-301 and CI-302) we were awarded in October 2017. We plan to conduct a FTG survey across the full area in the first half of 2018, before acquiring a 2D seismic survey in 2019. This position significantly enhances our African New Ventures portfolio, with blocks located in a proven petroleum system, indicated by multiple oil seeps and past production from the Eboinda Oil Sands. If commercial discoveries are made, the maturity of Côte d'Ivoire's oil industry suggests a relatively short and low-cost path to production.

Peru



In January 2018, we announced that we had agreed terms to add six new licenses covering 28,000 square kilometers, offshore Peru, to our portfolio. We have concluded negotiations with

Perupetro and agreed to acquire a 100% stake in Blocks Z-64, Z-65, Z-66, Z67 and Z-68. The agreements are pending approval by supreme decree by the Peruvian Ministry of Energy and Mines and Ministry of Economy and Finance, with formal signing of the licenses anticipated in the first quarter of 2018. We have also agreed to acquire a 35% interest in the Z-38 license through a farm-down from Karoon Gas Australia, subject to government approval. The new acreage will complement our South America position and contains a number of attractive leads and prospects. The Z-38 license is already covered by high quality 3D seismic and includes the Marina prospect which is a potential candidate for drilling in 2019.

Disposals

During 2015 to 2017, we sold certain assets for cash inflows of $126.6 million.

On April 30, 2015, we completed the sale of our operated and non-operated interests in the L12/15 area in the Netherlands, along with non-operated interests in Blocks Q4 and Q5, to AU Energy, a subsidiary of Mercuria Energy Group Ltd.

On June 5, 2015, we farmed-down a 30% operating interest in the exploration licenses for the E10, E11 (including our Vincent discovery), E14, E15c and E18b areas in the Netherlands to GDF Suez E&P Nederland.

In addition, we also decided not to allocate further funding to the Banda gas development project in Mauritania in 2015, and we returned the license to the Government of Mauritania.

On May 16, 2016, we agreed to sell a 20% interest and transfer operatorship of the Bannu West license in Pakistan to Mari Petroleum. The Government of Pakistan's approval of this transfer is nearing completion. On July 19, 2016, we received Government approval of the transfer of operatorship of Block 28 in Pakistan to OGDCL. Upon completion of the Bannu West sale and transfer on March 20, 2017, our position in Pakistan became entirely non-operated. We are in the process of divesting our remaining Pakistan assets and we expect to complete this process in 2018.

In September 2016, we began the process of exiting our Norway business via disposal of a series of discrete asset packages.

We agreed the sale of a first package to Statoil on September 2, 2016 consisting of: (i) a 20% non-operated interest in PL537 (Wisting); (ii) a 40% non-operated interest in PL695; (iii) a 20% non-operated interest in PL843; and (iv) a 20% non-operated interest in PL855. The Norwegian Ministry of Petroleum and Energy approved the transaction on December 15, 2016 and it completed on December 30, 2016.

On September 30, 2016, we agreed the sale of the second package to Aker BP consisting of: (i) a 15% non-operated interest in PL405 (Oda), (ii) a 20% non-operated interest in PL811, (iii) a 20% non-operated interest in PL507, (iv) a 40% operated interest in PL784, (v) a 25% non-operated interest in PL650, (vi) a 30% non-operated interest in PL838, (vii) a 37.5% non-operated interest in PL610; and (viii) a 15% non-operated interest in PL659. The Norwegian Ministry of Petroleum and Energy approved the transaction on December 2, 2016 and it completed on December 9, 2016.

We signed a sale and purchase Agreement with Statoil on November 9, 2016 for a 40% operated interest in PL827S. The Norwegian Ministry of Petroleum and Energy approved transfer of operatorship and the transaction on March 3, 2017 and it completed on March 31, 2017.

We signed a sale and purchase Agreement with ConocoPhillips on November 15, 2016 for a 40% operated interest in PL775 and a 30% non-operated interest in PL626. The Norwegian Ministry of Petroleum and Energy approved the transaction on January 18, 2017 and it completed on January 31, 2017.

We signed a sale and purchase Agreement with Pandion Energy AS (formerly Nord Petroleum), a newly incorporated company consisting of former members of Tullow's Norwegian management team with private equity backing, on December 13, 2016, which was subsequently amended on February 16, 2017 for the remaining active licenses in Norway, namely: (i) a 20% non-operated interest in PL636 (Cara), (ii) a 30% non-operated interest in PL746S, (iii) a 40% operated interest in PL776, (iv) a 50% non-operated interest in PL786 and (v) a 30% non-operated interest in PL826. The Norwegian Ministry of Petroleum and Energy approved the transfer of operatorship of PL 776 and the transaction on June 13, 2017 and it completed on June 22, 2017.

On April 10, 2017, we agreed the sale of the entire issued share capital of Tullow 101 Netherlands B.V. to Hague and London Oil B.V., a wholly owned subsidiary of Hague and London Oil PLC. The assets covered by the sale and purchase Agreement consisted of licenses in the Northern Area and in the JDA: (i) a 30% non-operated interest in License E10, (ii) a 30% non-operated interest in License E11, (iii) a 30% non-operated interest in License E14, (iv) a 20% non-operated interest in License E15c, (v) a 30% non-operated interest in License E18b, (vi) a unitized 4.147% non-operated interest in License E15a, (vii) a unitized 18.357% non-operated interest in License E15b, (viii) a unitized 18.357% non-operated interest in License E18a, (ix) a 10.384% non-operated interest in License E18a Ballot, (x) a unitized 4.147% non-operated interest in License F13a, (xi) a 9.95% non-operated interest in License J9, (xii) a unitized 9.95% non-operated interest in License K8, (xiii) a unitized 9.95% non-operated interest in License K11, (xiv) a unitized 9.95% non-operated interest in License K7, (xv) a unitized 9.95% non-operated interest in License K14a, (xvi) a unitized 9.95% non-operated interest in License K15, (xvii) a unitized 9.95% non-operated interest in License L13 and (xviii) a unitized 2.189% non-operated interest in License K18 Golf. The transaction completed on November 13, 2017.

In the second half of 2017, we completed a farm-down of our 90% interest in Block C-18 in Mauritania to Total, Kosmos and BP, leaving us with a 15% non-operated interest. In November 2017, we also relinquished our interest in Block C-10, Mauritania.

In March 2018, we completed a farm-down of 20% of our 100% interest in the Walton Morant license to United Oil & Gas plc.

Competition

The oil and natural gas industry is highly competitive, and we compete with a substantial number of other companies, many of which have greater resources than we do. Many of these companies explore for, produce and market oil and natural gas, perform refining operations and market the resulting products on a worldwide basis. Our competitors include national oil companies, major international oil and gas companies and independent oil and gas companies. The major national and international oil companies active in Africa and South America include, among others, Addax Sinopec, Anadarko, BP, Chevron, CNOOC, Eni, ExxonMobil, PTTEP, Sasol, Shell, Statoil and Total. The oil and gas business is highly competitive in the search for and acquisition of reserves, in the procurement of rigs and other production equipment, in the production and marketing of oil and gas and in the recruitment and employment of qualified personnel. We expect that the sustained decrease in oil prices may lead to reductions in activity and in the cost of some services and equipment. However, the need for operators to adjust costs to the lower oil price environment means that competition for resources at viable development costs will likely remain a factor.

The primary areas in which we encounter substantial competition are in locating and acquiring desirable acreage for our drilling and development operations, locating and acquiring attractive producing oil and gas assets and obtaining equipment for drilling operations. While actual prices for some assets may fall, this will most likely be commensurate with the need for companies in the sector to reduce costs in a lower oil price environment and competition to secure assets at viable development costs will likely remain. In addition, we compete with oil and gas companies in bidding for exploration and production licenses, PSCs, farm-ins and other contractual interests in licenses that are made available by governments or are for sale by third-parties. Competition for such assets is likely to come from companies already present in the region in which the exploration and production licenses are located as well as new entrants. License bid rounds globally have also become increasingly competitive, particularly in South America. Competition also exists between producers of oil and natural gas and other industries producing alternative energy and fuel, such as solar and wind.

Furthermore, competitive conditions may be affected substantially by various forms of energy legislation and/or regulation considered from time to time by the governments of the jurisdictions in which we operate. It is not possible to predict the nature of any such legislation or regulation that may ultimately be adopted or its effects upon our future operations. Such legislation and regulations may, however, substantially increase the costs of exploring for, developing, producing or marketing natural gas and oil and may prevent or delay the commencement or continuation of a given operation. The effect of these risks cannot be accurately predicted.

Marketing and offtake

In 2017, we made overall sales of oil and gas to more than 15 buyers, comprising principally major oil companies (such as Shell), refiners (such as Tesoro and Phillips 66), trading affiliates of national oil companies (such as Unipec), joint venture operators (such as Eni) and energy utilities (such as EdF). In the years ended December 31, 2015 2016 and 2017, we had sales of greater than 10% to individual customers, however, no purchaser accounted for more than 25% of our total revenues in those years. We respond to evolving market drivers looking to the strongest buyers as they change with time. Buyers are vetted via a formal counterparty approval process which analyses performance, compliance and credit risk. In 2017, we made direct sales totaling over 85% of oil sales volumes in the spot market.

Sales of crude oil from the Jubilee field contributed approximately 40% of our total oil and gas revenues in 2017, 43% in 2016, and 54% in 2015. In 2017, our sales of TEN crude oil contributed approximately 33% of our total oil and gas revenue. Our Jubilee cargos lifted in 2016 and 2017 were sold to eleven different buyers with destinations including China, Italy, Spain, Portugal, South Africa and North America. None of the Jubilee cargos in 2017, individually represented more than 10% of our annual Jubilee revenue. Our TEN cargoes lifted in 2017 were sold to six different buyers with intended destinations of China, the United States

Gulf Coast and West Coast and the Netherlands. None of the TEN cargos in 2017, individually represented more than 12% of our annual TEN revenue. We therefore do not consider there to be any individual buyer concentration risk for buyers of Jubilee and TEN cargos across our other producing assets, due to both marketing dynamics and our marketing track record.

Commodity hedging

We use derivative financial instruments to limit our exposure to fluctuations in oil prices. We have an active commodity hedge program under which we hedge our sales volumes on a graduated two-year rolling basis. Our target hedge level is 60%, built up by hedging in the forward first and second years, using a mix of standard derivative products to protect against downside risks while retaining some upside exposure. As of December 31, 2017, our budgeted net entitlement volumes were hedged at approximately 60% for 2018, 30% for 2019 and 1% for 2020, with average downside protection at $52.23/bbl, $48.87/bbl and $50.00/bbl in 2018, 2019 and 2020, respectively.

Field and commercial partners

The majority of our assets are owned, explored and developed through commercial partnerships with international and national oil and gas companies. When we evaluate whether to enter into a partnership or joint venture, we seek prospective commercial partners who will complement our existing strengths. In particular, we seek commercial partners with technical expertise in exploration, operations, refining or engineering that we do not possess or who own useful infrastructure such as pipelines. Additionally, we aim to work with commercial partners who have strong, existing relationships with the government in the jurisdiction in which the development is planned. We conduct thorough business and financial diligence on all of our prospective commercial partners and strive to ensure they will be able to finance their portion of the development.

During the life-cycle of the commercial partnership or joint venture, we often have a very active role in the technical, financial and administrative management of operations including in situations in which we do not take on an official operator role. We typically maintain involvement with many aspects of operations and review required government submissions. We work closely with our commercial partners to ensure that we remain in compliance with the ongoing obligations under the licenses or agreements pursuant to which we operate.

Seasonality

Seasonal weather conditions and lease stipulations can limit our drilling and producing activities and other oil and natural gas operations in certain areas. These seasonal anomalies can increase competition for equipment, supplies and personnel during the spring and summer months, which could lead to shortages and increase costs or delay our operations. See “Risk factors—Risks relating to the oil and gas industry.”

Sustainability

The Integrated Management System, assurance and risk management

We undertook a major overhaul of our risk, assurance, and performance management processes in 2015 as part of the Major Simplification Project. This program clarified accountabilities for decision-making and identified roles for business delivery, risk management and independent assurance. In late 2015, we launched an Integrated Management System ("**IMS**") to set out all mandatory policies and standards and the controls necessary to ensure that our activities and associated risks are effectively managed. In 2016 and 2017, we implemented the IMS program and it was fully operational by year end with both corporate and business led assurance programs to ensure compliance.

Company culture and ethical behavior

As part of our commitment to managing the way we work ethically and legally, we continually look for ways to engage both internal and external stakeholders on our compliance standards as well as our Code of Ethical Conduct.

Local content and employing local people

In the year ended December 31, 2017, we spent $234.6 million with local suppliers. Our supply chain seeks to create opportunities for local companies and labor forces to participate in the oil and gas sector, both directly and indirectly, and helps to align our social investment strategy with the economic development and local capacity needs of the countries in which we do business. In many cases, because these countries are new to the oil and gas sector, local companies are not yet able to operate to industry standards and specifications. To help further the development of the industry, we run supplier development programs with the aim of further developing the local industry and explaining statutory requirements, safety and auditing standards and workshops to help them to understand our tender process.

We seek to train and bring on board employees who are nationals of the countries in which we do business. As of December 31, 2017, we had a total global workforce of 1,030 employees and contractors. Approximately 47% of our employees were African nationals with local nationals forming a significant portion of in-country workforces in Ghana (76%), Uganda (75%) and Kenya (96%).

Social performance and social investment

One of our fundamental corporate values is to work with integrity and respect for people and the environments in which we do business. The quality of our relationships with host governments, local communities, civil society organizations and other stakeholders is vital to our long-term business success. These groups and individuals may be directly impacted by our activities, or may influence execution of our growth strategy, and failure to manage our relationships with them can expose us to significant business risks. These risks can include project delays and disruption, more onerous regulatory requirements and potentially the loss of our license to operate. We proactively manage our social impacts by:

- endeavoring to develop strong community relationships across all phases of our operations;
- assessing and managing socio-economic impact directly associated with our operations and identified through ESIAs;
- delivering socio-economic investment projects to ensure we leave a legacy of sustainable social and economic benefits in the countries where we operate; and
- Established grievance management processes in all of our operational areas and centrally tracked corporate KPI on grievance closure

Transparency

We believe that the success of the oil and gas industry should bring long-term social and economic benefits to the communities and countries in which we operate. Over the next decade or so many of the African countries in which we operate have the potential to become substantial exporters of oil and gas. We believe that, if well-managed, the development of these non- renewable resources can create a unique window of opportunity to help each economy on the path to sustainable economic growth.

Furthermore, we believe that revenues from natural resources can and should have a transformative effect on the future of emerging economies. We support transparency and disclosure as vital first steps in enabling governments, citizens and international opinion formers to participate in debate and the exchange of ideas on how wealth from oil resources should be managed sustainably and equitably.

In the year ended December 31, 2017, our payments to governments, including payments in kind, amounted to $224 million (2016: $438 million). Payments to all major stakeholders including employees, shareholders, suppliers and communities, as well as governments, brought our total socio-economic contribution to $667 million for the year (2016: $1.0 billion).

Environment

We continuously seek to enhance our environmental protection capacity, systems and processes. The Board has a dedicated Environmental, Health and Safety ("**EHS**") committee, which is responsible for instigating appropriate in-depth reviews of strategically important issues. It also reviews a wide range of leading and lagging indicators to gain insight into how relevant policies and standards and how we are implementing practices in the field.

Health and safety

We believe keeping our wells and the related infrastructure safe and secure is critical to our business. We aim to achieve a safe and healthy work environment by upholding industry good practice and enforcing robust safety procedures at all of our operating sites. We have established safety cases for all operated production facilities and have robust emergency preparedness, incident management and business continuity plans in place.

We use a range of performance measures, including the recognized industry metric Lost Time Injury Frequency ("**LTIF**") to measure safety. We set annual targets for LTIF, which our board of directors agree to as part of overall company objectives. We have rigorous incident reporting procedures in place to ensure that we investigate all near misses and accidents and we take action to prevent recurrence. Safety performance is also a component of our key performance indicators and we have a specific reduction target in 2018 for LTIF.

Our LTIF increased to 0.37 in 2017 (nil in 2016) as a result of four lost time injuries reported in the year. In 2017, there were no Tier 1 process safety incidents and process safety targets were partially achieved for TEN and Jubilee.

We develop and implement a consistent health strategy globally to help minimize health risks arising in the workplace and ensure the health and safety of our people. In the countries in which we do business, we work with local medical services to ensure facilities and standards of care meet our requirements.

Asset protection and security

From time to time, we operate in remote and challenging environments that pose additional security risks. We monitor global events and security incidents to ensure that appropriate security controls are in place to safeguard our people and our operations. We also seek to develop community and security strategies that are sensitive to local concerns, creating a secure environment for both our operations and for local communities.

We are a signatory to the Voluntary Principles on Security and Human Rights ("**VPSHR**"), a human rights guideline designed specifically for oil, gas and mining companies, and began formal participation in the initiative in early 2013. Established in 2000, the VPSHR, an initiative by governments, non- governmental organizations and extractive and energy companies, provides guidance on maintaining the safety and security of operations and ensuring respect for human rights and fundamental freedoms.

In Ghana, for example, we contracted the Ghanaian navy to maintain the security of the Jubilee field and to safeguard seafaring vessels by enforcing several "no go" zones around the offshore rigs. We have provided a "train the trainer" program to Ghanaian navy representatives, which adhere to the guidelines of the VPSHR, and provide an introduction to offshore oil and gas operations.

In Kenya, we have made significant progress in the delivery of VPSHR-related training of private and public security supporting our operations, and we have enhanced our grievance management processes to better manage allegations of human rights abuses by public and private security forces. In 2017, we signed a Memorandum of Understanding with the Government of Kenya in support of our commitment to the VPSHR.

Insurance

Our insurance coverage forms a part of our risk mitigation strategy for our operations. We believe that the extent of our insurance cover is appropriate based on the risks and exposures associated with our business, availability of insurance, cost of cover and oil and gas industry practice. We insure our oil and gas assets and liabilities either within an operational energy insurance package or specific asset policies. Coverage under the terms of these insurances includes physical damage, operators extra expense (well control, seepage, pollution clean-up and re-drill) and third-party liabilities. We place coverage in respect of worldwide oil and gas exploration and production activities. Limits and deductibles in force are in line with international oil industry insurance standards. Where necessary and in accordance with local legislation, we place our insurance policies with resident insurance companies for each relevant venture and reinsure into international insurance markets with lead reinsurers that have a minimum A- or equivalent S&P rating. We believe we have adequately provisioned for, or otherwise protected our operations against business interruption risks consistent with customary industry practices and in line with our internal risk management strategy. We procure hull and machinery insurance for our FPSOs and business interruption insurance to protect against loss of production from our material assets. Where applicable, we procure construction all risks insurance coverage in respect of development projects. Such coverage is generally for works executed anywhere in the world in performance of contracts wherein we are at risk including loss of, or damage to the construction work and the liabilities to third-parties arising therefrom.

Our philosophy is to arrange such other insurance from time to time in respect of our other operations as required and in accordance with industry practice and at levels which we feel adequately provide for our needs and the risks that we face.

We manage all our insurance claims internally, in conjunction with external consultants and our insurers, to ensure that we manage the process effectively and in a timely manner. The Jubilee turret loss, which we declared to various insurers, did not have an effect on our insurance premiums.

Employees

As of December 31, 2015, 2016 and 2017, we had a workforce (comprising employees and long-term contractors) of 1,403, 1,152 and 1,030 individuals, respectively.

The following table sets forth details about our workforce as of December 31, 2015, 2016 and 2017.

	As of December 31,		
	2015	**2016**	**2017**
Executive Directors	5	4	3
Administrative and clerical	127	106	73
Operational	1,143	944	852
Corporate	128	98	102
Total	**1,403**	**1,152**	**1,030**

We believe that we have satisfactory working relationships with our employees and have not experienced any significant labor disputes or work stoppages. The vast majority of our employees are not covered by collective bargaining agreements or members of labor unions.

Anti-corruption laws

We are committed to conducting our business ethically and legally, in compliance with anti-corruption laws. We are subject to the United Kingdom Bribery Act (2010) and we have implemented an anti-bribery and corruption program which is built on the six principles of the United Kingdom Ministry of Justice's adequate procedures guidance, covering anti-corruption policy and procedures, management top-level commitment, risk assessment, communication and training, due diligence, and monitoring and review. Our Code of Ethical Conduct outlines our anti-bribery and corruption controls and sets out compliance standards, procedures and guidelines commensurate with our risk exposure. We operate a "speaking up" process for reporting bribery and corruption issues, including via a confidential mechanism.

Our Ethics & Compliance team executes anti-corruption work in close collaboration with our Legal team. Our Ethics & Compliance Manager reports to our Group General Counsel, and is invited to report to the Audit Committee at least annually.

Legal and arbitration proceedings

We become involved from time to time in various claims and lawsuits arising in the ordinary course of our business. In addition, we may be affected by the various claims and lawsuits of other parties. Other than as discussed below, we are not, nor have we been during the past twelve months, involved in any governmental, legal or arbitration proceedings which, either individually or in the aggregate, have had, or are expected to have, a material adverse effect on our financial position or profitability, nor, so far as we are aware, are any such proceedings pending or threatened.

The ITLOS Dispute

In September 2014, the Government of Ghana submitted a dispute relating to the demarcation of its maritime boundary with Côte d'Ivoire at ITLOS in Hamburg, Germany, the independent judicial body established by the United Nations Convention on the Law of the Sea to adjudicate disputes arising out of the interpretation and application of the Convention. All of the TEN fields were located within a triangular area between Ghana and Côte d'Ivoire's respective interpretations of the correct maritime boundary ("**Disputed Area**"). We were not a party to the ITLOS Dispute.

In February 2015, Côte d'Ivoire requested that ITLOS order certain provisional measures, including the suspension of all ongoing exploration and development operations in the Disputed Area pending a final decision from ITLOS. In April 2015, ITLOS issued a provisional measures order which included, amongst other measures, the requirement that no new drilling take place in the Disputed Area until a final determination on the boundary dispute (the "**ITLOS PMO**"). In accordance with the ITLOS PMO, Ghana ordered Tullow Ghana Limited (being the relevant wholly owned subsidiary of the Company) ("**TGL**") not to undertake any new drilling in the Disputed Area ("**ITLOS Instruction**") and TGL complied with this instruction.

The ITLOS Dispute hearing was held in February 2017 and, in September 2017, ITLOS issued its decision outlining a new maritime boundary between the two countries. The new maritime boundary, as determined by ITLOS, does not affect the TEN fields. Tullow Ghana subsequently received notification from the Government of Ghana to resume drilling which started in March 2018.

Contractual dispute with Seadrill Ghana Operations Limited

In November 2012, TGL entered into a contract with Seadrill Ghana Operations Limited ("**Seadrill**") to provide the West Leo drilling unit (the "**West Leo Contract**") for TGL's drilling operations in Ghana, primarily at the TEN fields. As a result of the effect of the now resolved ITLOS maritime border dispute on the TEN fields, as well as the Government of Ghana not yet having approved the Greater Jubilee Full Field Development Plan, TGL was subject to a drilling moratorium in Ghana which took effect from October 1, 2016.

Due to this drilling moratorium, TGL invoked the force majeure provisions in the West Leo Contract. Under the West Leo Contract, where force majeure subsists for 60 consecutive days (the "**FM Period**") TGL has the option to terminate the contract. On December 1, 2016, TGL terminated the West Leo Contract and believes that it has no further liability to Seadrill under the West Leo Contract following the date of termination.

In October 2016, Seadrill filed claims in the Commercial Court in London, seeking (amongst other matters) a declaration that there has been no force majeure under the West Leo Contract and that TGL was not entitled to terminate the contract for force majeure.

Seadrill has since amended its claims to seek various reliefs from TGL which include a claim for approximately $277 million (before costs and interest). Additionally, Seadrill is also seeking a further declaration that should Seadrill re-let the West Leo drilling unit for a daily rate lower than the daily operating rate under the West Leo Contract (the "**West Leo Re-let Rate**"), TGL should be responsible for the difference between the daily operating rate under the West Leo Contract and the West Leo Re-let Rate for each day the West Leo drilling unit is re-let until June 7, 2018, being the date on which Seadrill assert the West Leo Contract would otherwise have terminated. To date, the rig has not been re-let.

TGL has engaged external counsel to assist it on this dispute and is defending all of Seadrill's claims.

Should TGL be unsuccessful in defending Seadrill's claims, TGL's current estimate of the potential gross liability to TGL and its joint venture partners (subject to the Kosmos ICC arbitration mentioned below) is approximately $230 million (before costs and interests), which includes the amount which TGL would have paid had it terminated the contract on December 1, 2016 for its convenience.

Under the Deepwater Tano Joint Operating Agreement (the **"DWT JOA"**), any liability for Seadrill's claims is shared amongst the joint venture partners in proportion to their interests under the DWT JOA (subject to certain provisions and to the Kosmos ICC arbitration described immediately below). We have a 47% interest under the DWT JOA. See "—Material Agreements relating to our assets—Ghana—Deepwater Tano—Joint operating agreement."

The trial in relation to this dispute is due to take place in May 2018.

Kosmos ICC arbitration in relation to the West Leo Contract

In June 2016, Kosmos Energy Ghana HC ("**Kosmos**") commenced an arbitration against TGL with the International Chamber of Commerce ("**ICC**") to resolve a dispute relating to the approval of certain extensions to the West Leo Contract. TGL has engaged external counsel to assist it and the arbitration hearing took place in London in January 2018. The arbitration and the underlying contract, the DWT JOA, are governed by English law.

Kosmos believes that in 2012 TGL did not obtain the correct permissions from its DWT JOA joint venture partners to enter into certain extensions of the West Leo Contract. Consequently, Kosmos has claimed that it is not responsible for its share (being, approximately 20%) of any costs related to the use of the West Leo drilling unit beyond the approved work program and budget for 2016 and that all costs relating to the period following such 2016 approved work program and budget should not be for the joint account, but for TGL's sole account. TGL disputes this claim for various reasons, including that, since it extended the West Leo Contract in 2012 from a three year to a five year contract, it has kept Kosmos fully informed of the extended term of the West Leo Contract, the applicable rig rate and its intended use for the West Leo drilling unit.

If TGL is unsuccessful in defending the Kosmos arbitration and is also unsuccessful in defending the Seadrill claim (as described above), then TGL's estimated liability to Kosmos would be approximately $55 million (assuming the DWT JOA joint venture partners' gross liability in respect of the Seadrill dispute is approximately $230 million (before costs and interest)). This amount includes demobilization and FM Period rig rate costs relating to the West Leo Contract that TGL believes Kosmos is liable for under the DWT JOA. Anadarko and Petro SA (being the other DWT JOA joint venture partners) have not brought the same or similar claims against TGL nor have they notified us of an intention to do so, however there can be no assurance that they would not do so if Kosmos were to be successful in the above-described arbitration.

TGL has engaged external counsel on this matter. The parties submitted their closing submissions on February 15, 2018, and the Tribunal's award is expected to be delivered approximately three months thereafter.

Equatorial Guinea tax conciliation

Tullow Equatorial Guinea Limited ("**TEGL**") was party to a tax dispute with the Government of Equatorial Guinea which dated back to 2012 and related to the amount of tax assessed for the 2007 and 2008 financial years. The Government of Equatorial Guinea sought $135 million from TEGL in relation to a change in statutory tax rates from those imposed at the time the relevant production sharing agreement was entered into. Although the International Centre for Settlement of Investment Disputes ("**ICSID**") conciliation proceedings relating to this dispute commenced in March 2012, these proceedings were suspended in July 2012 (with a view to reaching a negotiated settlement).

In October 2017, after settlement discussions with the Government of Equatorial Guinea, we and our license partners reached a settlement which resulted in the withdrawal of ICSID proceedings. We consider this matter now settled and, as of December 31, 2017, we have removed the associated contingent liability from our balance sheet.

Potential High Court Dispute and ICC Arbitration with Vallourec

On behalf of itself and the Jubilee field joint venture partners, TGL is claiming losses from Vallourec Oil and Gas France ("**Vallourec**") arising from its supply of damaged oil country tubular goods in 2009. The contracts under which the tubular goods were supplied were governed by English and French law. TGL issued a pre-action protocol letter in respect of each respective contract. In October 2015, TGL and Vallourec entered into standstill agreements which provide that neither party will proceed with a claim unless a party gives the other 28 days' notice to terminate the applicable standstill agreement.

Material agreements relating to our assets

In this section, where a defined term is used in reference to various contracts, it has the meaning for the relevant sub-section in which it is defined. See "Risk Factors—Risks relating to the countries in which we do business" for risks associated with our material agreements in the jurisdictions in which we operate.

Ghana

In Ghana we have interests in two petroleum agreements, the West Cape Three Points petroleum agreement and the Deepwater Tano petroleum agreement. Since 2009, part of the area covered by each of the two agreements has been unitized. See "Certain regulatory regimes—Ghana."

West Cape Three Points ("WCTP")

Petroleum agreement

The West Cape Three Points Petroleum Agreement ("**WCTP PA**") was entered into on July 22, 2004 between the Republic of Ghana, GNPC, Kosmos Energy Ghana HC ("**Kosmos**") and the EO Group ("**EO**"). The WCTP PA has been amended from time to time to reflect various changes in parties and interests under the WCTP PA.

The term is 30 years from ratification by the Government of Ghana at the end of which the parties may negotiate a further agreement. The WCTP PA calls for the establishment of a joint management committee comprised of four members of whom two are required to be representatives of the GNPC with the other two being representatives of the other non-government parties to the contract. The chairperson is designated by GNPC from its members of the joint management committee. Decisions of the joint management committee require unanimity except in relation to work programs, budgets and day-to-day operational matters associated appraisal, development or production operations (which non- government partners are required to make payments on a 100% basis) which only require the consent of the representatives of such non-government parties.

The royalty rate for crude oil is 7.5%, or the cash equivalent. If crude oil is located at water depths greater than 200 meters or if the API gravity of the crude oil is less than 20, then the royalty rate is 5%, or the cash equivalent. The royalty rate for natural gas is 5% The WCTP PA also calls for additional taxes pursuant to an income tax rate of 35%, payments for rental of government property or public lands, certain amounts for surface rentals and other minor taxes, duties, fees and imposts. The parties are required to supply crude oil to meet domestic supply requirements. Such domestic supply obligation is capped at 25% of an individual party's total entitlement after deduction of royalties.

The Ghanaian Government is entitled to additional oil entitlements from the non-government parties' (excluding GNPC) share of petroleum on the basis of the rate of return achieved by such non-government parties during development and production operations only when they have recovered all of their costs. The rate of return is calculated based on a formula in the WCTP PA. The calculation of the value of crude oil is determined based on a variety of factors, including whether the crude oil was sold in an arm's length transaction, market prices and the quality of the crude oil sold.

GNPC holds a 10% participating interest (which is carried throughout the exploration and development phases and only becomes a paying interest during the production phase). GNPC also has the option to acquire an additional paying interest of 2.5% in a commercial discovery by paying its proportionate share of all future petroleum costs and is the sole and unconditional owner of all equipment and other assets used during petroleum operations.

Joint operating agreement

The West Cape Three Points Joint Operating Agreement ("**WCTP JOA**") was entered into on July 22, 2004 between Kosmos and EO. The WCTP JOA has been amended from time to time to reflect the changes of parties and their interests under the WCTP PA and consequently the WCTP JOA. Kosmos is designated as operator.

The WCTP JOA establishes an operating committee comprised of one representative appointed by each party holding a participating interest. Decisions require an affirmative vote of at least two parties (with affiliates counted as one party) collectively holding at least 60% of the participating interests.

The WCTP JOA provides for non-consent rights where proposed operations do not relate to minimum work obligations so that if a party voted against a proposal approved by the operating committee it is entitled not to participate in the operation.

Any transfer of rights under the WCTP PA (other than transfers between affiliates) is subject to the prior written consent of each party.

The following table sets forth the current parties together with participating interests ("**PI**") and relevant carry obligations. The GNPC is not a party to the WCTP JOA.

Party	PI (Development Interest)	PI (Development Interest with GNPC carry)	PI (Production Interest with GNPC carry plus additional interest)
Tullow Ghana	28.5957%	29.3289%	25.6628%
Kosmos	33.4479%	34.3056%	30.0174%
Anadarko	33.4479%	34.3056%	30.0174%
Petro SA Ghana	2.0085%	2.0600%	1.80250%
GNPC	2.5000%	0.0000%	12.5000%
Total	**100.0000%**	**100.0000%**	**100.0000%**

Deepwater Tano ("DWT")

Petroleum agreement

We entered into the Deepwater Tano Petroleum Agreement ("**DWT PA**") on March 10, 2006 between the Republic of Ghana, GNPC, Kosmos and Sabre. The DWT PA has been amended from time to time to reflect various changes in parties, interests and technical operator.

The term is 30 years from ratification by the Government of Ghana, at the end of which the parties may negotiate a further agreement. The DWT PA calls for the establishment of a joint management committee comprised of eight members of whom four are required to be representatives of the GNPC with the other four being representatives of the other non-government parties to the contract. The chairperson is designated by GNPC from its members of the joint management committee. Decisions of the joint management committee require unanimity, except in relation to budget and day-to-day operational matters associated with appraisal, development or production operations that the non- government parties are required to fund in full, which only require the consent of the representatives of such non-government parties.

The royalty rate for crude oil is 5%, or the cash equivalent. If crude oil has an API gravity of less than 18 degrees, then the royalty rate is 4%. The royalty rate for natural gas is 3%, or the cash equivalent. The DWT PA also calls for an income tax rate of 35%, payments for rental of government property or public lands, certain amounts for surface rentals and other minor taxes, duties, fees and imposts. The parties are required to supply crude oil to meet domestic supply requirements; however, such domestic supply obligation will not exceed an individual party's total entitlement of the gross production of crude oil after deduction of royalties.

The Ghanaian Government is entitled to additional oil entitlements from the non-government parties share (excluding GNPC) of petroleum on the basis of the rate of return achieved by the non-government parties during development and production operations only when they have recovered all of their costs.

The rate of return is calculated based on a formula in the DWT PA. The calculation of the value of crude oil is determined based on a variety of factors, including whether the crude oil was sold in an arm's length transaction, market prices and the quality of the crude oil sold.

GNPC holds a 10% participating interest (which is carried throughout the exploration and development phases and only becomes a paying interest during the production phase). GNPC also has the option to acquire an additional paying interest of 5% in a commercial discovery by paying its proportionate share of all future petroleum costs.

Joint operating agreement

We entered into the Deepwater Tano Joint Operating Agreement ("**DWT JOA**") on August 15, 2006 with Sabre and Kosmos. The DWT JOA has been amended from time to time to reflect the changes of parties and their interests under the DWT PA and consequently the DWT JOA. We are designated as operator.

The DWT JOA establishes an operating committee comprised of one representative appointed by each party holding a participating interest. Decisions require an affirmative vote of two or more parties (with affiliates counted as one party) collectively holding more than 66% of the participating interest (apart from decisions which do not involve all parties or proposals to amend or terminate the DWT PA, which require a unanimous vote).

The DWT JOA provides for non-consent rights where proposed operations do not relate to minimum work obligations, so that if a party voted against a proposal approved by the operating committee it is entitled not to participate in the operation. The operator must notify the other parties with respect to any commitment or expenditure for the joint account in excess of $100,000 which applies to an exploration, appraisal, development or production work program and budget (but not including minimum work obligations, workovers of wells and general administrative costs which are listed separately in an approved work program and budget).

Transfers of all or part of a party's participating interest under the DWT JOA are subject to the rights of first refusal of the remaining parties, with the exception of transfers to affiliates.

The following table sets forth the current parties together with participating interests and relevant carry obligations. The GNPC is not a party to the DWT JOA:

Party	PI (Development Interest)	PI (Development Interest with GNPC carry)	PI (Production Interest with GNPC carry plus additional interest)
Tullow Ghana	52.7250%	55.5000%	47.1750%
Kosmos	19.0000%	20.0000%	17.000%
Anadarko	19.0000%	20.0000%	17.000%
Petro SA Ghana	4.2750%	4.5000%	3.8250%
GNPC	5.0000%	0.0000%	15.0000%
Total	**100.0000%**	**100.0000%**	**100.0000%**

Unitization and unit operating agreement

On July 13, 2009, the GNPC entered into a Unitization and Unit Operating Agreement (the "**2009 Jubilee Agreement**") with Tullow Ghana Limited ("**TGL**"), Kosmos, Anadarko, Sabre and EO to develop, operate and exploit, as a single unit, the Jubilee Field which crosses the boundary between the WCTP and DWT contract areas. The 2009 Jubilee Agreement covers the Jubilee Field unit area. Each party's interest in such unit area is based on its participating interest in the WCTP contract area, its participating interest in the DWT contract area and the portion of each of these contract areas that falls within the unit area, as may be re-determined from time to time.

Under this agreement, we are designated as unit operator but each party is responsible for all fees, taxes and other payments due to the Government of Ghana under the WCTP PA and DWT PA (as discussed above).

The 2009 Jubilee Agreement provides for the establishment of a unit operating committee which oversees unit operations and is comprised of one representative from each party. Decisions of the unit operating committee require the affirmative vote of two or more parties (who are not affiliates) holding collectively at least 80% of the unit interests. Certain key matters require the unanimous approval of the parties, including any decision to expand the unit area and voluntary termination of unit operations.

If a party transfers an interest in either of the WCTP PA or DWT PA and corresponding joint operating agreements, it must also transfer a corresponding interest in the 2009 Jubilee Agreement.

The unit interest of the parties in the Jubilee Field may change following a redetermination. The 2009 Jubilee Agreement provides for periodic windows in which partners may call for redetermination, or allows parties holding at least a 10% unit interest to request a redetermination in certain circumstances. Following a redetermination, the participations of the WCTP contract area and the DWT contract area in the Jubilee Field may be adjusted to reflect additional or better data, which will lead to a corresponding change in the unit interests of the parties and correction to their shares of costs incurred and entitlement. On October 18, 2011, each party's interest in the Jubilee field was re-determined (the "**Jubilee Re-determination**"). The following table sets out the allocation of both entitlement to production and percentage share of unit costs for each party with respect to the portion of each of the WCTP and DWT contract areas that fall within the unit area and their aggregate unit interest in the Jubilee field as a result of the Jubilee Redetermination. The Jubilee interests are based on the current tract split between the WCTP and DWT contract areas of 54.3666% (WCTP) and 45.6334% (DWT). The next window in which partners may call for redetermination is in 2021-22. The last such window was in December 2017 and no redetermination was called. Since the redetermination in 2011, participants have elected to not trigger redetermination.

Party	DWT PI	WCTP PI	Unit PI in Jubilee
Tullow Ghana	47.1750%	25.66278%	35.47952%
Kosmos	17.0000%	30.01736%	24.07710%
Anadarko	17.0000%	30.01736%	24.07710%
Petro SA Ghana	3.8250%	1.80250%	2.72544%
GNPC	15.0000%	12.5000%	13.64084%
Total	**100.0000%**	**100.0000%**	**100.0000%**

The following table sets forth each party's responsibility with respect to development expenses under the Jubilee Redetermination:

Party	DWT Development Expenses Responsibility	WCTP Development Expenses Responsibility	Aggregate Development Expenses Responsibility
Tullow Ghana	52.7250%	28.59566%	39.60670%
Kosmos	19.0000%	33.44792%	26.85484%
Anadarko	19.0000%	33.44792%	26.85484%
Petro SA Ghana	4.2750%	2.00850%	3.04278%
GNPC	5.0000%	2.50000%	3.64084%
Total	**100.0000%**	**100.0000%**	**100.0000%**

Capital lease agreement—floating production storage and offloading unit

On August 14, 2013, Tullow Ghana Limited ("**TGL**") entered into an engineering, procurement, installation, commissioning and bareboat charter agreement (the "**TEN FPSO Contract**") with T.E.N. Ghana MV25 B.V. (the "**TEN FPSO Contractor**"), a subsidiary of MODEC Inc., in respect of an FPSO for use at the TEN fields (the "**TEN FPSO**"). TGL, as operator of the TEN fields, entered into the agreement on behalf of itself and its commercial partners.

The TEN FPSO Contractor agreed to design, procure, construct, install and commission the TEN FPSO. TGL will charter and lease the TEN FPSO from the TEN FPSO Contractor for an initial term of ten years commencing on the date on which the TEN FPSO's offshore completion certificate is issued. Upon the expiration of the initial term, TGL has the option to extend the charter period for ten additional and consecutive one year extension periods, provided it gives six months' written notice to the TEN FPSO Contractor prior to the expiration of the initial term or any extension thereto (as the case may be). TGL is responsible for paying the hire cost during the charter period (which costs include a mobilization fee, compensation for demobilization and a specified daily rate).

TGL may terminate the TEN FPSO Contract on not less than 30 days' written notice to the Contractor, provided TGL pays the Contractor hire costs up to the date of termination and, if applicable, interest rate hedging unwinding costs. If the termination occurs during the initial ten year charter period, TGL will also be required to pay demobilization costs and an early termination fee which will be equal to the value of the remaining initial hire period (less 5% Ghanaian withholding tax) discounted using a discount rate of 6.5% per annum on a 360 days per year basis grossed up by 25% in relation to Ghanaian corporate income tax. An early termination payment is also due by TGL in the event that there is an unauthorized requisitioning or taking of the TEN FPSO or TGL terminates the agreement for continuing force majeure. No early termination fee is incurred in the event that termination occurs as a result of other conditions, including the actual or constructive total loss of the TEN FPSO or breach of the Contractor's material obligations under the TEN FPSO Contract. The Contractor is also entitled to terminate the contract during the construction period under certain circumstances, including a material breach of TGL's obligations under the TEN FPSO Contract.

TGL has the option to purchase the TEN FPSO at any time during the charter period, provided that 180 days' written notice is given to the TEN FPSO Contractor. In addition, if the TEN FPSO Contractor wishes to sell the TEN FPSO to a non-affiliated third party during the charter period, TGL has a right of first refusal to purchase the TEN FPSO at the same price and on substantially the same terms as those offered by such third party, and has 60 days within which to exercise such right. Upon any purchase of the TEN FPSO, the TEN FPSO Contract will terminate automatically. The TEN FPSO Contractor may grant a mortgage over the TEN FPSO.

The present value of the future minimum lease payments payable under the TEN FPSO Contract total, in aggregate, $1.6 billion calculated on a gross basis (as TGL has contracted on behalf of its commercial partners). The payments due under the TEN FPSO Contract include a mobilization fee, compensation for demobilization and a specified daily rate.

In addition, on August 14, 2013, TGL entered into an operation and maintenance services contract (the "**TEN O&M Contract**") with the TEN FPSO Contractor pursuant to which the TEN FPSO Contractor will provide certain operation and maintenance services in connection with the TEN FPSO during the initial ten year charter period (the "**O&M Period**"). Upon the expiration of the O&M Period, TGL has the option to extend the TEN O&M Contract for ten additional and consecutive one year extension periods. Provided that TGL has terminated the charter of the TEN FPSO, TGL may terminate the TEN O&M Contract for convenience on giving at least 30 days' notice. In such event, TGL must pay the TEN FPSO Contractor for the services provided to the date of termination and any other amounts owing under the TEN O&M Contract, together with any other cancellation costs incurred by the TEN FPSO Contractor as a result of such termination (including in relation to the demobilization of personnel and equipment). In addition, the parties to the TEN O&M Contract have termination rights typical for a contract of this nature, including as a result of the occurrence of insolvency events or a material breach by the other party of the terms of the TEN O&M Contract. If the TEN FPSO Contract is terminated, the TEN O&M Contract terminates automatically.

Seadrill West Leo

In November 2012, TGL entered into a contract with Seadrill Ghana Operations Limited to provide a West Leo drilling unit for TGL's drilling operations in Ghana, primarily at the TEN fields. This contract was terminated by TGL on December 1, 2016 but is subject to an ongoing dispute. The trial for this dispute is scheduled to commence in May 2018. See "—Legal and arbitration proceedings—Contractual dispute with Seadrill Ghana Operations Limited."

Equatorial Guinea

Ceiba field and Okume Complex

We have development and production interests in two non-operated licenses offshore Equatorial Guinea, encompassing the Ceiba field and the Okume Complex. We acquired such interests through our acquisition of Energy Africa in 2004. Hess Corporation operated the fields until November 2017, when it sold its interest to Trident Energy and Kosmos Energy.

Production sharing contract

The production sharing contract for Block F (containing the Okume Complex) and the production sharing contract for Block G (containing the Ceiba field) were each entered into on March 26, 1997 between the Republic of Equatorial Guinea represented by the Ministry of Mines and Energy of the Republic of Equatorial Guinea ("**Equatorial Guinea**") and Triton Equatorial Guinea, Inc. ("**Triton**") as the contractor. The production sharing contract for Block G was amended on December 15, 2005, such that the boundaries of Block G were amended to include the Okume Complex and Block F was subsequently relinquished (the "**Equatorial Guinea PSC**"). The Equatorial Guinea PSC has been amended from time to time to reflect various changes including as to parties, royalty rates and share of production.

The term of the Equatorial Guinea PSC with respect to a field is thirty years for crude oil and forty years for natural gas, starting on the date of approval as to a commercial discovery from the Ministry of Mines and Energy.

The royalty rate for crude oil ranges from 11% to 16% depending on daily production volumes. The applicable rate increases as production increases. The royalty rate for natural gas production is 10%.

The Equatorial Guinea PSC requires the contractor to pay certain taxes, including income tax, and an annual surface rental fee of $2 per hectare for the contract area. Bonuses ranging from $750,000 to $4,000,000 are payable by the contractor to the Government of Equatorial Guinea upon each of a declaration of a commercial discovery and daily production from a field reaching certain thresholds for 60 consecutive days.

If so required, the contractor shall sell crude oil to the Government of Equatorial Guinea at market rates to meet domestic supply demands.

The contractor is entitled to recover petroleum costs equal to up to 70% of the annual field petroleum production as cost petroleum, following deduction of the royalty. Petroleum costs incurred in a field in excess of production from such field cannot be transferred to another field. Approved work program costs not attributable to a specific field, can be recovered against the production from any field in the contract area.

After deduction of the royalty and cost petroleum, the remaining crude oil is profit oil and is allocated, on a field basis, between the Government of Equatorial Guinea and the contractor. The Government of Equatorial Guinea receives a minimum of 7.7% of such profit oil and can receive a higher percentage as production volumes increase, up to a maximum of 53.8%.

Joint operating agreement—Block G

The Joint Operating Agreement for Block G was entered into on June 1, 1999 between Triton Equatorial Guinea, Inc. and Tullow Equatorial Guinea Limited, formerly Energy Africa Equatorial Guinea Limited, and was subsequently amended and restated on January 1, 2000 (the "**Block G JOA**"). The same parties also signed the Joint Operating Agreement for Field Development and Production for Block G which was confirmed and ratified on January 1, 2001, which came into effect with respect to the Ceiba Field and Okume Complex on the date the development plans for these fields were approved (the "**Block G Field JOA**" and with the Block G JOA, the "**Block G JOAs**"). A jointly owned subsidiary of Kosmos Energy and Trident Energy is currently the operator under the Block G JOAs.

Each of the Block G JOAs establishes an operating committee comprised of one representative and one alternative representative appointed by each party holding a participating interest. Decisions, approvals and actions of the operating committee require the affirmative vote of representatives of parties holding collectively at least 70% of the participating interests. The Block G JOA provides that if there are three or more parties, the vote of at least two parties is required, while the Block G Field JOA provides that if there are four or more parties then the vote of at least three parties is required. Certain decisions require the unanimous consent of the parties, including surrender of all or any part of the field or contract area which is not required under the related production sharing contract.

Under the Block G Field JOA, expenditures relating to the 5% participating interest held by the Government of Equatorial Guinea are carried by the Kosmos-Trident jointly owned subsidiary and Tullow.

Each party can transfer its interest in each of the Block G JOAs provided that no transfer results in the transferor or the transferee holding less than a 10% interest unless otherwise agreed and subject to receipt of government consents and the consent of the co-venturers to the applicable Block G JOA. If a party transfers an interest in the Block G Field JOA, it must also transfer a corresponding interest in the Block G JOA.

The following table sets forth current parties to the Block G JOAs together with their participating interests:

Party	PI in Block G Field JOA
Tullow Equatorial Guinea	14.25%
Kosmos-Trident Equatorial Guinea	80.75%
GEPetrol	5.00%
Total	**100.00%**

Côte d'Ivoire

Espoir

Production sharing contract

On December 20, 1995, the Government of Côte d'Ivoire entered into a production sharing contract with respect to offshore Block CI-26 with Addax Petroleum Côte d'Ivoire Limited ("Addax") and Société Nationale d'Opérations Pétrolières de la Côte d'Ivoire ("Petroci") as the contractor (the "Espoir PSC"). The Espoir PSC has been amended from time to time to revise certain provisions and also reflect various changes in parties and interests within the contractor group which is now comprised of three entities (Petroci, CNR and Tullow Côte d'Ivoire Limited). CNR is the operator. In the event of a commercial discovery, the contractor is entitled to an exclusive exploitation permit, such permit will have a 25 year term, which shall be extended by ten years at the request of the contractor depending on production levels and may be extended by ten years further thereafter depending on the prevailing production levels.

The contract area is divided into Special Zone "E" and the area Outside of Special Zone "E." Special Zone "E" was designated as such because it contains the Espoir Field.

Petroci has a 20% participating interest under the Espoir PSC in Special Zone "E" and pays no petroleum costs with respect to half of such interest. Under the Espoir PSC, the contractor is entitled to recover annually costs incurred in petroleum operations (which includes exploration, appraisal, development and exploitation costs) as follows: (i) in Special Zone "E," it can use up to 80% of crude oil production in a year from a field to cover petroleum costs and (ii) in the area outside of Special Zone "E," it can use between 60% and 80% of crude oil production in a year to cover petroleum costs, subject to the water depths from which the crude oil is obtained. If the field operating costs recovery cap is reached in a year, additional costs can be rolled over for recovery in subsequent years. After the deduction of petroleum costs, the remaining crude oil is profit oil and is distributed between the Government of Côte d'Ivoire and the contractor. The Government of Côte d'Ivoire receives a minimum of 50% of such profit oil and can receive a higher percentage as production volumes increase, up to a maximum of 75% (subject to the water depths from which production is obtained).

The same percentages apply for the sharing of gas production, using a conversion rate of one-barrel to either 5,000 cubic feet or 7,500 cubic feet, depending on the water depths from which the gas is obtained. The contractor's percentage share of the profit oil reduces as production increases and it is proportionately higher in greater water depths.

The government's share of petroleum includes an amount required to cover the contractor's tax obligation in Côte d'Ivoire. The value of the amount of the government's share of petroleum needed to cover such tax is determined using the market value of the petroleum.

The contractor (excluding Petroci) must pay the government bonus amounts when cumulative production in an exploitation area reaches certain levels. Bonus amounts, which range from $2 million to $3 million, are not cost recoverable.

Each year the contractor is required to sell to the Government of Côte d'Ivoire up to 10% of its crude oil and natural gas production to meet domestic supply requirements. The sale price is determined to be equal to 75% of the market value of such production (with the 25% differential being cost recoverable).

Joint operating agreement

The Espoir Joint Operating Agreement ("**Espoir JOA**") was entered into on October 24, 1997 between Petroci, Ranger Oil Côte D'Ivoire S.A.R.L. (now CNR International Côte d'Ivoire S.A.R.L.), Addax Petroleum Côte D'Ivoire Limited and Tullow Côte D'Ivoire Limited. The Espoir JOA has been amended from time to time to reflect the changes of parties and their interests under the Espoir PSC and consequently the Espoir JOA and currently CNR is the operator.

The Espoir JOA establishes an operating committee comprised of one representative and one alternative representative appointed by each party holding a participating interest. Decisions require an affirmative vote of three or more parties collectively holding at least 51% of the participating interests. The surrender of all or part of an area where such surrender is not a mandatory requirement under the Espoir PSC requires the unanimous vote of the partners.

Any transfer of rights under the Espoir JOA to an entity that is neither an affiliate nor an entity that has an interest under the Petroci PSC is subject to receipt of co-venturer consent (which shall not be unreasonably withheld). Any transfer of rights under the Espoir JOA is subject to receipt of any government consents. Where the proposed assignment of an interest is to an entity which is neither an existing Espoir JOA party nor an affiliate (nor an entity to which Petroci is instructed to transfer an interest by the Government of Côte d'Ivoire), it is subject to the pre- emption rights of the other Espoir JOA parties.

The following table sets forth the current parties to the Espoir JOA together with their participating interests:

Party	**PI inside Special Area "E"**	**PI outside Special Area "E"**
Tullow Côte d'Ivoire	21.3333%	24.0000%
CNR	58.6666%	66.0000%
Petroci	20.0000%	10.0000%
Total	**100.0000%**	**100.0000%**

Uganda

All Exploration Areas

Memorandum of understanding

On February 5, 2014, the Government of Uganda, acting through the Ministry of Energy and Mineral Development, entered into a memorandum of understanding with Tullow Uganda Limited, Tullow Uganda Operations Pty Ltd, Total Uganda and CNOOC Uganda (the "**Partners**") (the "**MOU**").

The MOU provides a framework for achieving the objectives of the Government of Uganda in relation to the development of oil and gas resources, in particular the development of a refinery and cross-country pipeline.

The Government of Uganda is to develop the refinery in stages and, at each stage of its refining capacity, the refinery shall have a right of first call on crude oil produced at the exploration areas provided that any excess crude oil which is produced shall be available for export.

The Partners agreed to develop a pipeline (or other viable option) to export the crude oil not supplied to the refinery, and the Government agreed to provide all support required by the Partners in relation to this project including initiating discussions with neighboring countries and providing support to obtain government approvals.

The pricing of crude oil for both sales to the refinery and export shall be in accordance with the PSA relevant for each license area.

Farm-down agreements

On January 9, 2017, we announced that we had agreed a substantial farm-down of our assets in the Lake Albert development in Uganda to Total Uganda. Under the sale and purchase agreement, we agreed to transfer 21.57% of our 33.33% interests in the Uganda Sale Assets to Total Uganda for a headline consideration of $900 million. Pursuant to the terms of the joint operating agreements in relation to the Lake Albert development, CNOOC Uganda (our other commercial partner in the Lake Albert development) has a right of pre-emption to acquire 50% of the Uganda Sale Assets that are the subject of the proposed farm-down on identical terms and conditions as those agreed between us and Total Uganda (including as to the amount, structure and timing of the consideration payable to us). On March 16, 2017, CNOOC Uganda exercised its right of pre-emption in respect of the Uganda Sale Assets and on October 11, 2017, we amended and restated the sale and purchase agreement with Total Uganda and entered into a separate sale and purchase agreement with CNOOC Uganda, to transfer 10.7843% of our 33.33% interests in the Uganda Sale Assets to each of Total Uganda and CNOOC Uganda. In the final quarter of 2017, Total Uganda, CNOOC Uganda and ourselves submitted copies of the signed sale and purchase agreements in accordance with the relevant provisions of the Production Sharing Agreements and Uganda's (Exploration, Development and Production) Act 2013 to the Minister of Energy and Mineral Development for their approval. Accordingly, we are working with the Government of Uganda, CNOOC Uganda and Total Uganda to gain approval of the definitive sale documentation in relation to the farm-down and, subject to certain conditions including approval by the Government of Uganda, we expect to conclude the farm-down in the first half of 2018.

Upon completion of the farm-down, we will have an 11.76% interest in the upstream and pipeline projects. We expect this to reduce to a 10% interest in the upstream project when the Government of Uganda formally exercises its right to back-in. Although it has not yet been determined what interests the Governments of Uganda and Tanzania will take in the pipeline project, we expect our interests in the upstream and pipeline projects to be aligned. The aggregate consideration payable by Total Uganda and CNOOC Uganda is split into $200 million in cash, consisting of $100 million payable on completion of the transaction, $50 million payable at FID and $50 million payable at first oil. The remaining $700 million is in deferred consideration and represents reimbursement in cash of a proportion of some of our past exploration costs and payment for development costs. The deferred consideration is payable to us as the upstream and pipeline projects progress and we plan to use these payments to fund our share of the development costs. We expect that the deferred consideration will exceed our estimated total share of pre-first oil upstream and pipeline capital expenditure of approximately $600 million. We expect such capital expenditure to range between approximately $75 million and $215 million per year. Any deferred consideration that has not been paid by first oil will be payable to us after first oil and used by us to fund post-first oil capital expenditure. Completion of the transaction is subject to certain conditions, including the approval of the Government of Uganda, after which we will cease to be an operator in Uganda. We expect to complete the disposal in the first half of 2018 and the commercial partners are also working towards reaching a FID around mid-year in 2018. We will receive cash payments on completion and payment of deferred consideration for the pre-completion period (including the whole of 2017), with first oil expected to occur three years after FID. We believe this agreement will allow the Lake Albert development to move ahead and increases the likelihood of a FID during 2018. In line with our role post Uganda Farm-down, we have been reducing our operational footprint in Uganda and are now fully prepared for a non-operated presence only.

Exploration Area 2

Production sharing agreement

On October 8, 2001, the Government of Uganda, acting through the Ministry of Energy and Mineral Development, entered into a production sharing agreement with Hardman Petroleum Africa NL and Energy Africa Uganda Limited (the "**Area 2 PSA**"). Due to our acquisition of these two entities, the parties to the Area 2 PSA are now Tullow Uganda Operations Pty Ltd, Total Uganda and CNOOC Uganda (the "**Licensees**").

On August 30, 2016, five production licenses were issued with respect to Exploration Area 2. Each license has a term of 25 years, and the Area 2 PSA is an integral part of each license. A production license issued under the Area 2 PSA may be renewed for a further period of up to five years.

The Area 2 PSA provides that if, during the term of an exploration license, a discovery is made which could be developed and brought into early production to satisfy domestic consumption requirements in Uganda, the government and the Licensees shall meet to determine if such development and production would be economically and technically feasible and, if feasible, the Government of Uganda would purchase production at the market rate. Early production under the Area 2 PSA and the other Uganda PSAs described below has not occurred and is not projected to occur.

The Government of Uganda is entitled to receive a royalty on gross daily production on a scale ranging from 5% to 12.5% based on production volume.

The Licensees are entitled to recover certain costs incurred in exploration, development and production operations as cost petroleum after the deduction of the royalty. Such recovery right is limited to 60% of oil production and 70% of natural gas production per year in each case after royalty deductions with unrecovered costs rolled forward for possible recovery in subsequent years. Following cost recovery in any year, the remaining production is profit oil to be divided among the Licensees and Government of Uganda in a manner in which the government receives 40% to 65% depending upon production volume.

The Licensees are obliged to pay income taxes in addition to any royalties.

The government, or its nominee Uganda National Oil Company Limited, may exercise a back-in right of up to a 15% participating interest, in which case the Licensees will carry the government's (or its nominee's) share of costs, including any past exploration costs, (which are cost recoverable). This back-in right is set out in each of the five production licenses which have been issued in respect of Exploration Area 2, however, the Government of Uganda has not yet formally exercised this right.

The Area 2 PSA gives the Licensees the right to transport petroleum to an ocean port. To implement this provision, the contract entitles the Licensees to construct, operate and maintain an export pipeline, pumping stations, storage and related seaboard terminal facilities. Further, given that Uganda is landlocked, the government agrees to assist the Licensee in negotiating rights of way and other conditions relating to the construction, operation and maintenance of such facilities in relevant neighboring countries. The construction, operation and maintenance of such facilities, including responsibility for transporting petroleum, may be given to a separate pipeline company, which will charge a transportation tariff.

The Licensees are entitled to purchase at the market rate: (i) the government's (or its nominee's) entitlement to production, and (ii) subject to Ugandan domestic supply requirements or government sales, the government's profit oil take. The government may purchase the Licensees' share of crude oil at the market rate to satisfy domestic supply requirements which will be calculated as per the formula in the Area 2 PSA. The Area 2 PSA further provides that if there is early production (as described above), such government purchase will reduce the Licensees' subsequent obligation to supply crude oil for domestic supply requirements.

Joint operating agreement

On February 21, 2012, Tullow Uganda Operations Pty Ltd, Total Uganda and CNOOC Uganda entered into a joint operating agreement (the "Area 2 JOA") with us designated as operator.

The Area 2 JOA establishes an operating committee made up of one representative (and one alternate representative) from each party. The following decisions require the unanimous vote of the parties:

(i) unitization of the contract area; (ii) amendment or voluntary termination of the Area 2 PSC, the Area 2 JOA or agreements pertaining to them; and (iii) voluntary relinquishment of any part of the contract area. The following decisions require the affirmative vote of two or more parties, which are not affiliates, holding collectively over 80% of the participating interests: (i) approval of a development plan;

(ii) determination that a discovery is a commercial discovery; and (iii) approval of work programs and budgets. All other operating committee decisions require the affirmative vote of two or more parties, which are not affiliates, holding collectively over 55% of the participating interests.

Parties may assign a participating interest, but assignments are subject to receipt of government consent and the consent of each co venturer. Further, co-venturers have pre-emption rights on any sale of such interests.

Exploration Area 1

Production sharing agreement

On July 1, 2004, the Government of Uganda, acting through the Ministry of Energy and Mineral Development, entered into a production sharing agreement with Heritage Oil and Gas Limited and Energy Africa Uganda Limited (the "**Area 1 PSA**"). Due to our acquisition of shares in Energy Africa Uganda Limited and Heritage Oil and Gas Limited's interest in the Area 1 PSA, the parties to the Area 1 PSA are now Tullow Uganda Ltd, Total Uganda and CNOOC Uganda (the "**Licensees**").

Three production licenses were issued on August 30, 2016 with respect to Exploration Area 1, with production license applications for the Jobi East and Mpyo fields still pending. Each license has a term of 25 years, and the Area 1 PSA is an integral part of each license. A production license issued under the Area 1 PSA may be renewed for a further period of up to five years.

The material terms of the Area 1 PSA are substantially similar to those of the Area 2 PSA, other than with respect to those matters set out below.

Royalties on natural gas are expected to be negotiated (within agreed parameters) on the discovery of gas. Profit oil will be divided in a manner in which the Government of Uganda receives 45% to 67.5% depending upon production volume.

The Government, or its nominee Uganda National Oil Company Limited, may exercise a back-in right of up to a 15% participating interest, in which case the Licensees will carry the Government's (or its nominee's) share of costs from development to production (which are cost recoverable). This back-in right is set out in each of the three production licenses which have been issued in respect of Exploration Area 1, however, the Government of Uganda has not yet formally exercised this right.

Joint operating agreement

On February 21, 2012, Tullow Uganda Ltd, Total Uganda and CNOOC Uganda entered into a joint operating agreement with respect to the Area 1 PSA (the "**Area 1 JOA**") with Total designated as operator. The material terms of the Area 1 JOA are substantially similar to those contained in the Area 2 JOA.

Exploration Area 1A

Production sharing agreement

On February 3, 2012, the Government of Uganda, acting through the Ministry of Energy and Mineral Development, entered into a production sharing agreement with Tullow Uganda Limited (the "**Area 1A PSA**"). The parties to the Area 1A PSA are now Tullow Uganda Ltd, Total Uganda and CNOOC Uganda (the "**Licensees**").

For the Area 1A PSA to remain in effect, a valid exploration license or production license covering all or part of the contract area needs to have been awarded. A production license issued under the Area 1A PSA will have a 25 year term, and may be renewed for a further period of up to five years.

The material terms of the Area 1A PSA are substantially similar to those contained in the Area 2 PSA, other than with respect to those matters set out below.

The government is entitled to receive an additional royalty as a percentage of the value of recovered reserves calculated on the basis of gross total daily production in boepd on a scale ranging from 2.5% to 15% depending on production volume. An additional royalty is payable on gas sold locally or exported, and is calculated by reference to the volume of gas sold on a scale ranging from 2.5% to 15% according to recovered cumulative gas sales ranging from less than 300 bcf to more than 2 tcf.

Royalties (other than the additional royalty) on natural gas are expected to be negotiated on the discovery of gas. The Licensees' entitlement to cost recovery is calculated after both the royalty and the additional royalty are deducted. Following cost recovery in a year, the remaining production is profit oil to be divided between the government and the Licensee. The profit oil split under the Area 1A PSA follows the same percentage split as the Area 1 PSA.

The Licensees are entitled to purchase at the market rate (i) the government's (or its nominee's) entitlement to production and (ii) subject to Ugandan domestic supply requirements or government sale, the government's production share. The government may purchase, at market rates, the Licensees' share of crude oil at the market rate to satisfy domestic supply requirements.

The Government of Uganda has not yet exercised its back-in rights.

Joint operating agreement

On February 21, 2012, Tullow Uganda Ltd, Total Uganda and CNOOC Uganda entered into a joint operating agreement (the "**Area 1A JOA**") with Total designated as operator. The material terms of the Area 1A JOA are substantially similar to those in the Area 2 JOA.

Kingfisher Discovery Area

Production sharing agreement

On September 8, 2004, the Government of Uganda, acting through the Ministry of Energy and Mineral Development, entered into a production sharing agreement with Heritage Oil and Gas Limited and Energy Africa Uganda Limited (the "**Kingfisher PSA**"). The parties to the Kingfisher PSA are now Tullow Uganda Ltd, Total Uganda and CNOOC Uganda (the "**Licensees**").

A production license was issued on February 3, 2012 with respect to the Kingfisher Discovery Area. The license has a term of 25 years, and the Kingfisher PSA is an integral part of such license. A production license issued under the Kingfisher PSA may be renewed for a further period of up to five years. On September 16, 2013, the Government approved the production license application for the Kingfisher Discovery Area, subject to certain conditions.

The Government, or its nominee Uganda National Oil Company Limited, may exercise a back-in right of up to a 15% participating interest, in which case the Licensees will carry the Government's (or its nominees) share of costs from production to development (which are cost recoverable). This back-in right is set out in each production license, however, the Government has not yet formally exercised this right.

The material terms of the Kingfisher PSA are substantially similar to those in the Area 2 PSA, other than with respect to those matters set out below.

Royalties on natural gas are expected to be negotiated on the discovery of gas. The cost recovery cap is 65% of oil production and 70% of natural gas production per year, in each case after deducting royalties with unrecovered costs rolled forward for possible recovery in subsequent years. Following cost recovery in any year, the remaining production will be profit oil to be divided among the Licensees and Government of Uganda in a manner in which the government receives 43.5% to 66% depending upon production volume.

Joint operating agreement

On February 21, 2012, Tullow Uganda Ltd, Total Uganda and CNOOC Uganda entered into a joint operating agreement (the "**Kingfisher JOA**") with CNOOC Uganda designated as operator. The material terms of the Kingfisher JOA are substantially similar to those contained in the Area 2 JOA.

The parties each hold a one third participating interest in each of the Uganda contract areas subject to the exercise by the government of its back-in rights and to completion of our farm-down to Total Uganda.

Kenya

Block 10BB

Production sharing contract

On October 25, 2007, the Government of Kenya and Africa Oil Turkana Limited (formerly the Turkana Drilling Consortium (Kenya) Limited) entered into a production sharing contract for Block 10BB ("**10BB PSC**").

Tullow Kenya B.V. ("**Tullow Kenya**") became a party to the 10BB PSC with an effective date of July 1, 2010 after acquiring a 50% interest in the rights and obligations of the Contractor from Africa Oil Turkana Limited pursuant to a farm-out agreement. In 2015, Maersk Oil Exploration International K2 Limited became a party to the 10BB PSC pursuant to a farm-out agreement with Africa Oil Turkana Limited dated November 6, 2015. Africa Oil Turkana Limited, Tullow Kenya and Maersk Oil Exploration International K2 Limited together currently constitute the "Contractor" for the purposes of the 10BB PSC.

The 10BB PSC provided for an initial exploration period of three years, which was then extended by 18 months pursuant to (i) a 12-month extension dated July 13, 2009; and (ii) a further six month extension dated November 30, 2011, until July 2012. The 10BB PSC provides for a first additional exploration period of two years, which the Contractor entered into upon expiry of the extension of the initial exploration period. The first additional exploration period was extended for one year pursuant to an extension dated July 11, 2014, until July 25, 2015. The 10BB PSC Also provides for a second additional period of two years, which the Contractor entered into upon expiry of the extension of the first additional extension period. The parties are currently in the second additional exploration period that expires on September 18, 2020 pursuant to an extension letter dated July 14, 2016.

Once a commercial discovery is made, the 10BB PSC will, with respect to a development area, continue for a 25 year term from the date a development plan has been adopted by the Government of Kenya.

The 10BB PSC requires the Contractor to comply with all income tax laws in Kenya, although the Government of Kenya agrees to pay and discharge such taxes on behalf of the Contractor. The Contractor is also obliged to pay annual surface fees ranging from $5 per square kilometers to $30 per square kilometers depending on the phase of exploration and/or development and production, with the highest fee being charged during the development and production period.

The Contractor surrendered 30% of the original contract area at the end of the initial exploration period, as required under the 10BB PSC, and surrendered a further 30% of the remaining contract area at the end of the first additional exploration period.

During the exploration periods, the Contractor is obliged to furnish the Government of Kenya with a 15% bank guarantee and 85% parent company guarantee in respect of the minimum exploration and work obligations. The minimum work program for the second additional exploration period is $25,000,000.

Domestic supply obligations apply in respect of the Contractor's share of crude oil. The quantity of crude oil which the Contractor is obliged to supply to the domestic market in Kenya is determined quarterly by reference to the portion that the Contractor's production bears to overall crude oil production in Kenya.

The Government of Kenya is required to pay the Contractor the average for arm's length sales of crude oil produce for the same area during that time or if no sales at that time fair market price for crude oil purchased for domestic consumption.

The Government of Kenya has a participation/back-in right of up to a 20% participating interest during exploration (where such interest is carried by the Contractor) and development (where costs applicable to such interest will be funded by the Government of Kenya).

The Contractor is obliged, where possible, to employ Kenyan citizens, and give preference to Kenyan goods and services, in the context of its petroleum operations subject to the local content being comparable with non-Kenyan materials and services in terms of price and quality. The Contractor is further obliged to contribute specified amounts of between $100,000 and $1,000,000 per year depending on the phase of exploration and/or development and production, with the highest fee being charged during the development and production period to a Government of Kenya-established industry training fund.

The Contractor is entitled to recover its petroleum costs (i.e., costs and expenditures incurred by the Contractor in exploration, development and production) up to an annual cap of 55% of all crude oil produced and saved from the development area(s) in the applicable fiscal year. Capital expenditure incurred in a development area is recoverable at a rate of 20% per annum. Following cost recovery, the remainder of production is then shared between the Government of Kenya and the Contractor based on percentage splits determined by reference to the average daily production (with the Government of Kenya percentage share increasing at higher production rates and the Contractor receiving between 45% and 22% of total production). Where the value of crude oil exceeds $50 per barrel (calculated on certain FOB delivery terms), the Contractor is required to pay the Government of Kenya a "Second Tier Amount". Such amount is calculated in accordance with a formula based on the value of the crude oil and the Contractor's share of profit oil.

The 10BB PSC provides that in the event there is a change in law which substantially affects the economic benefits of the parties under the contract, the parties are required to make necessary adjustments to the relevant contractual provisions.

Joint operating agreement

Effective July 1, 2010, Africa Oil Turkana Limited assigned a 50% participating interest in Block 10BB to Tullow Kenya and Tullow Kenya became a party to the Joint Operating Agreement for Block 10BB, such agreement being effective as of December 9, 2009 (the "**10BB JOA**") alongside Africa Oil Turkana Limited (30%) and Lion Energy Kenya (10BB) N.V. (20%). On July 29, 2010, Lion Energy Kenya (10BB) N.V. and Africa Oil Turkana Limited entered into an amending agreement in respect of an existing farm out agreement in order to have the effect of reducing Lion Energy Kenya (10BB) N.V.'s interest in Block 10BB from 20% to 10%. On June 24, 2011, Africa Oil Corp acquired Lion Energy Ltd and Lion Energy Kenya (10BB) N.V. assigned its 10% participating interest in Block 10BB to Africa Oil Turkana Limited. In 2015, Africa Oil Turkana Limited assigned 25% of its interest to Maersk Oil Exploration International

K2 Limited (“**Maersk K2**”), pursuant to a farm-out agreement dated November 6, 2015 and thus Maersk K2 became a party to the 10BB JOA. The parties’ current participating interests under the Block 10BB JOA effective March 31, 2015 are as follows:

Party	PI in 10BB
Tullow Kenya	50.00%
Africa Oil Turkana Limited	25.00%
Maersk Oil Exploration International K2 Limited	25.00%
Total	**100.00%**

Under the 10BB JOA, Tullow Kenya is designated as the operator.

The 10BB JOA establishes an operating committee to supervise and direct the joint operations conducted by the operator. The operating committee is comprised of one representative and one alternate representative appointed by each party holding a participating interest. Decisions, approvals and actions of the operating committee require the affirmative vote of representatives of the parties holding collectively at least 60% of the participating interests (other than certain specified matters requiring unanimous approval).

The parties indemnify the operator from all liabilities incurred by the operator in the conduct of the joint operations save for gross negligence or willful misconduct by senior supervisory personnel of the operator.

The 10BB JOA requires the operating committee to approve Authorizations for Expenditure (“**AFEs**”) for line items in excess of $0.5 million (in an exploration/appraised phase) or $5.0 million (in a development and production phase). It also requires approval of contract awards to affiliates, where the contract sum exceeds $100,000,000 in any 12 month period.

Restrictions apply to transfers of participating interests (including indirect transfers such as changes in control of licensee). A transfer resulting in a party holding less than a 10% participating interest is not permitted. Further, any proposed transfer to a third party requires the prior written consent of the non-transferring parties (such consent only to be denied on financial or technical capability grounds) and the non-transferring parties will have a right of first negotiation (both at asset level and on a change of control) in respect of such transfer.

Block 13T

Production sharing contract

On September 17, 2008, the Government of Kenya and Platform Resources Inc. (“**Platform**”) entered into a production sharing contract for Block 13T (“**13T PSC**”).

Tullow Kenya became a party to the 13T PSC on February 16, 2011 after acquiring a 50% interest in the rights and obligations of the Contractor from Africa Oil Kenya B.V. pursuant to a farm-out agreement. In 2015, Maersk Oil Exploration International K3 Limited became a party to the 13T PSC pursuant to a farm-out agreement with Africa Oil Kenya B.V. dated November 6, 2015. Africa Oil Kenya B.V., Tullow Kenya and Maersk Oil Exploration International K3 Limited together currently constitute the “**Contractor**” for purposes of the 13T PSC.

The 13T PSC provided for an initial exploration period of three years, which was extended by nine months until September 17, 2012 pursuant to a letter dated July 27, 2011. The 13T PSC provides for a first additional exploration period of two years, which the Contractor entered into, upon expiry of the extension of the initial exploration period. The first additional exploration period was extended pursuant to an extension dated July 11, 2014, until September 18, 2015. The PSC also provides for a second additional exploration period of two years, which the Contractor entered into upon expiry of the first additional exploration period. The parties are currently in the second additional exploration period which expires on September 18, 2020 pursuant to an extension letter dated July 14, 2016.

The 13T PSC contemplates a 25 year development and production period once a commercial discovery is made and the Government of Kenya has adopted a development plan.

The 13T PSC requires the Contractor to comply with all income tax laws in Kenya, although the Government of Kenya agrees to pay and discharge such taxes on behalf of the Contractor. The Contractor is also obliged to pay annual surface fees ranging from $2 per square kilometers to $50 per square kilometers depending on the phase of exploration and/or development and production.

The Contractor surrendered 25% of the original contract area at the end of the initial exploration period, and is obliged to surrender a further 25% of the remaining contract area at the end of the first additional exploration period.

During the exploration periods, the Contractor is obliged to furnish the Government of Kenya with bank and parent company guarantees in respect of the minimum exploration and work obligations. The minimum work program for the second additional exploration period is $21,000,000.

Domestic supply obligations apply in respect of the Contractor's share of crude oil, with the Government of Kenya to pay the Contractor full market price for such domestic supplies. The quantity of crude oil which the Contractor is obliged to supply to the domestic market in Kenya is determined quarterly by reference to the portion that the Contractor's production bears to overall production of all contractors in Kenya.

The Government of Kenya, either itself or through a nominee (including the National Oil Company of Kenya), has a participation/back-in right of up to 22.5% during exploration (carried by the Contractor until such time as the government elects to convert its participating interest to a full working interest in accordance with the 13T PSC then the parties shall agree to make the necessary adjustments to the 13T PSC, observing the principle of the mutual economic benefits of the parties) and development (to be funded by the Government of Kenya).

The Contractor is obliged to employ Kenyan citizens, and give preference to Kenyan goods and services, in the conduct of its petroleum operations subject to the local content being comparable in terms of price and quality. The Contractor is further obliged to contribute specified amounts to a Government of Kenya-established industry training fund of between $40,000 to $100,000 depending on the phase of exploration and/or development and production, with the highest fee being charged during the development and production period.

The Contractor is entitled to recover its petroleum costs (i.e., costs and expenditures incurred by the Contractor in exploration, development and production.) up to an annual cap of 65% of all crude oil produced and saved from the development area(s) in the applicable fiscal year. Capital expenditure incurred in a development area is recoverable at a rate of 20% per annum. Following cost recovery, the remainder of production is then shared between the Government of Kenya and the Contractor based on percentage splits determined by reference to the average daily production (with the Government of Kenya percentage share increasing at higher production rates and the Contractor recovering between 50% and 25% of total profit oil). When the value of crude oil exceeds

$50 per barrel (calculated on certain FOB delivery terms), the Contractor is required to pay the Government of Kenya a "Second Tier Amount". Such amount is calculated in accordance with a formula based on the value of the crude oil and the Contractor's share of profit oil.

The 13T PSC provides that in the event there is a change in law which substantially affects the economic benefits of the parties under the contract, the parties are required to make necessary adjustments to the relevant contractual provisions.

Joint operating agreement

A Joint Operating Agreement for Block 13T (the "**13T JOA**") was entered into on January 26, 2011 between Africa Oil Kenya B.V. and Tullow Kenya. In 2015, Africa Oil Turkana Limited assigned 25% of its interest to Maersk Oil Exploration International K3 Limited ("**Maersk K3**"), pursuant to a farm-out agreement dated November 6, 2015 and Maersk K3 became a party to the 13T JOA.

The parties' current participating interest in the 13T JOA are as follows:

Party	PI in 13T
Tullow Kenya	50.00%
Africa Oil Kenya B.V.	25.00%
Maersk Oil Exploration International K3 Limited	25.00%
Total	**100.00%**

Under the 13T JOA, Tullow Kenya is designated as operator.

The 13T JOA establishes an operating committee to supervise and direct the joint operations. The operating committee is comprised of one representative and one alternative representative appointed by each party holding a participating interest. Decisions, approvals and actions of the operating committee require the affirmative vote of representatives of the parties holding collectively at least 70% of the participating interests while others require unanimity.

The parties indemnify, to the extent of their participating interest, the operator from all liabilities incurred by the operator in the conduct of the joint operations save for gross negligence or willful misconduct by senior supervisory personnel of the operator.

The 13T JOA requires the operating committee to approve authorizations for expenditure for line items in excess of $0.5 million to $5.0 million depending on the particular phase of exploration, appraisal, development and production. The 13T JOA also requires approval of contract awards to affiliates, where the contract sum exceeds $500,000 in any 12 months.

Restrictions apply to transfers of participating interests (including indirect transfers such as changes in control of licensee). A transfer resulting in a party holding less than a 10% participating interest is not permitted. Further, any proposed transfer to a third party requires the prior written consent of the non-transferring parties and the non-transferring parties will have a right of first negotiation (both at asset level and on a change of control) in respect of such transfer.

Certain regulatory regimes

Ghana

As with most of the country's extractive industrial sectors, Ghana has numerous laws that govern the oil and gas industry, with some laws being industry specific and others being of general application which impact the industry.

Specific laws and regulations impacting the oil and gas industry

There are a variety of laws governing the oil and gas industry in Ghana. The Ghana National Petroleum Corporation Law, 1983 (PNDCL 64) gives the Ghana National Petroleum Corporation (the "**GNPC**") the right to development of the oil sector, oil exploration and production. The Petroleum (Exploration and Production) Act 2016 (Act 919) places the overall authority of the hydrocarbons sector with the Ministry of Petroleum, although the GNPC continues to do administrative and promotional work including attracting foreign investors. Additionally, the National Petroleum Authority Act, 2005 (Act 691) regulates, oversees and monitors activities in the downstream petroleum industry. Further, the Energy Commission Act, 1997 (Act 541) established the Energy Commission. The object of the Energy Commission is to regulate and manage the energy resources in Ghana and coordinate energy policies. The Energy Commission aids in establishing, and enforcing, standards of performance for public utilities engaged in the transmission, wholesale supply, distribution and sale of electricity and natural gas, and promotes and ensures uniform rules of practice for the transmission, wholesale supply, distribution and sale of electricity and natural gas. Finally, the Petroleum Commission Act, 2011 (Act 821) established a petroleum commission (as described below) as the upstream petroleum authority in Ghana.

On November 19, 2013, the Ghanaian Parliament passed the Petroleum (Local Content and Local Participation) Regulations. The legislation was publicly reported in local media as being designed to create jobs and increase the use of local businesses, goods, services, and financing in the Ghanaian oil sector. In particular, the legislation requires a minimum 5% local equity ownership in Ghanaian petroleum agreements and licenses and a minimum 10% local equity ownership in any non- Ghanaian company providing goods and services to oil companies. In addition, the law provides that a specified percentage of managerial and technical employees must be Ghanaian and that Ghanaian companies receive first consideration and preference in supplying goods and services to operators in the Ghanaian oil sector. The requirements set out in the legislation must be met within five years. Enhanced requirements under this legislation are scheduled to apply after ten years. Penalties for non-compliance include personal liability for fines and/or imprisonment. Oil companies are required to provide a local content plan and an annual performance report and submit a quarterly forecast on all contracts over $100,000. The Petroleum Commission has also passed the Petroleum Commission (Fees and Charges) Regulation, 2015 (LI 2221) which sets out a variety of fees for undertaking specified activities in the oil and gas sector in Ghana.

Other relevant legislation includes the Ghana Investment Promotion Centre Act 2013 (Act 865) which affects companies engaged in the oil and gas sector, particularly oil and gas service companies. It stipulates minimum capital requirements for non-Ghanaian investors as well as a minimum equity threshold for Ghanaians of 10%.

Roles of various government agencies

The Ghanaian Ministry of Petroleum (the "**Ministry**") has the overall responsibility for providing policy direction for the energy sector. It is also responsible for creating and implementing general policies for the energy sector. While day to day operating, management and regulation of the petroleum sector is mainly delegated to the GNPC, Ghana National Gas Company Limited and the Petroleum Commission respectively, certain matters are reserved for the Ministry such as entry into petroleum agreements (subject to parliamentary ratification) and approval of plans of development and unitization.

The GNPC was established in 1983 as a national oil company to undertake exploration, development and production activities and to manage the upstream petroleum sector in Ghana. In recent years, the GNPC has become a commercial entity and has adopted an upstream policy and strategy of not directly engaging in exploration activities. The focus of the GNPC is to promote Ghana's exploration potential to attract foreign capital and expertise, evaluate potential investors, negotiate agreements, support direct investment from foreign investors, approve development plans and monitor activities in the industry while still retaining the right to participate as a shareholder in commercially viable fields.

The Petroleum Commission was established by the Petroleum Commission Act 2011 (Act 821) as the regulatory body for the upstream petroleum sector in Ghana in 2011 and began functioning in 2012. The Petroleum Commission took over day to day regulation of the sector from the GNPC. The Petroleum Commission regulates and monitors the management and utilization of Ghana's upstream petroleum resources on behalf of the government. Its role is to ensure optimal utilization of existing and planned petroleum infrastructure and to ensure that contractors, subcontractors and other persons involved in petroleum activities comply with the applicable laws and regulations. The Petroleum Commission also has a mandate to assess and approve appraisal programs and to advise the Ministry on matters related to petroleum activities, including plans of development, plans for the development of petroleum infrastructure and decommissioning plans for petroleum fields and petroleum infrastructure.

Ghana National Gas Company Limited is a mid-stream gas company, which is wholly owned by the Government of Ghana, and was set up to build, own and operate the infrastructure required for the gathering, processing, transporting and marketing of natural gas resources in the country. The National Petroleum Authority was established in 2005 and is responsible for the regulation of the downstream oil and gas sector in Ghana to ensure efficiency, growth and stakeholder satisfaction.

Tax regime

The Petroleum Income Tax Act 1984 (PNDC Law 188) ("**PITA**") established the tax system for petroleum production in Ghana. PITA has been repealed and replaced with the Income Tax Act 2015 (Act 896) ("**ITA**"). It provides that income tax shall be assessed on gross income after deductions of certain expenses incurred in petroleum operations.

The petroleum agreements entered into by contractor entities with the Government of Ghana (based on a model petroleum agreement) provide that contractors will be subject to taxes, duties, fees or other imposts of a minor nature. However, such agreements do not generally define the term "minor nature" and, in some cases, this has led to disputes regarding certain contractor's total tax liabilities.

Licensing and contractual framework

Contractors often enter into farm-out agreements to acquire an interest in another contractor's petroleum agreement mainly with the aim of diversifying risk. These transactions may have various tax implications such as VAT, corporate income tax and capital gains tax. However, each farm-out agreement needs to be analyzed against the framework of the applicable joint venture accounting standards in order to determine which (if any) specific taxes apply.

Companies in Ghana, including those in the oil and gas sector, are required by law to file their annual returns with the Companies Registry four months after their year-end. The annual returns should be filed with the audited accounts of the company. Returns are required to be filed even if no activities are conducted during a year of assessment or production has not commenced. Penalties may apply for non-compliance. In addition to this, quarterly returns are required by the Petroleum Income Tax Act to be filed when production of oil commences.

Foreign exchange controls

On February 5, 2014, the Ghanaian central bank introduced a series of foreign exchange controls, including revised regulations on foreign exchange accounts, foreign currency accounts and repatriation of export proceeds.

In 2016, the Bank of Ghana further amended the foreign exchange controls to stabilize the Ghanaian cedi. In February 2016, it introduced measures to strengthen the Ghanaian cedi against major foreign currencies including prohibiting commercial banks and other financial institutions from issuing cheques and cheque books on foreign exchange accounts ("**FEAs**") and foreign currency accounts ("**FCAs**"). The Bank of Ghana also directed that banks in the country should not grant a foreign currency denominated loan or a foreign currency linked facility to a customer who is not a foreign exchange earner.

Subsequent revisions to the rules on foreign exchange operations have been made including: (a) a limit of $1,000 on over the counter foreign exchange cash withdrawal has been removed; (b) exporters are required to continue to repatriate in full export proceeds in accordance with the terms agreed between trading parties (such proceeds to be credited to their FEAs and converted on an as needs basis); (c) FEAs and FCAs shall be operated as they were prior to February 2014; (d) except for the prohibition on transfers between FEAs and FCAs, all other transfers between accounts shall be permitted; (e) FCAs shall be fed only with unrequited transfers from abroad for investment or embassy transfers and FEAs shall be fed with foreign exchange generated from activities in Ghana such as proceeds from exports of goods and services; (f) the threshold for transfers abroad without initial documentation remains at $50,000, however, where documentation in respect of a transfer remains outstanding, any subsequent import transaction by an importer, irrespective of value, shall only be made on following provision of the documentation required for the current import transaction; (g) importers who use non-cash transfers may continue to accumulate balances of up to $50,000 to meet their legitimate needs abroad subject to the necessary documentation requirements; (h) foreign currency denominated loans may be granted by resident banks to their customers subject to their own internal procedures and processes and in compliance with the risk management guidelines of the Bank of Ghana; and (i) cheques and cheque books may be issued by banks to holders of FEAs and FCAs.

The Bank of Ghana has reiterated that the Ghanaian cedi remains the sole legal tender in Ghana and that any pricing, advertising, invoicing and receiving and making payments for goods and services should be done in Ghanaian cedi, unless otherwise authorized by the Bank of Ghana.

Environmental regime

The Environmental Protection Agency ("**EPA**") is responsible for the enforcement of the environmental laws of Ghana. In enforcing these laws, the EPA ensures that the exploration and development of oil is undertaken in an environmentally friendly manner. The primary environmental laws governing Tullow's operations in Ghana are the Environmental Protection Agency Act 1994 (Act 490) and the Environmental Assessment Regulations 1992 (L.I. 1652), as amended.

Under these laws, Tullow is required to conduct an environmental impact assessment and receive an environmental permit before commencing any activity likely to have an adverse effect on the environment. Amongst other things, the assessment takes account of technology intended to be used, land use, the concerns of the general public, the environmental, health and safety impact of the undertaking and a commitment to avoid any adverse environmental effects upon the implementation of a project. Other aspects of Tullow's operations which require compliance with environmental laws, and which are regularly monitored by the EPA, include levels of flaring, discharge of waste into the seabed and treatment of waste.

The EPA is in the process of enacting regulations specifically for offshore oil and gas operations. The proposed Offshore Environmental Regulations 2015 are presently receiving input from various stakeholders. When passed, the regulations are intended to control pollution resulting from petroleum exploration and the exploitation of Ghana's continental shelf, seabed and subsoil.

The Factories, Offices and Shops Act 1970 (Act 328) aims to protect the health of employees and to ensure safety of workplaces. Amongst other things, this Act regulates removal of dust or fumes, the level of noise and vibrations and the notification of accidents and dangerous occurrences to the appropriate authorities.

The Fisheries Act 2002 (Act 625) prohibits the pollution of fishery waters and imposes a penalty for non- compliance.

The Oil in Navigable Waters Act 1964 (Act 235) (the "**1964 Act**") sets out the regime for the pollution of Ghanaian waters by oil. It also codifies provisions of the International Convention for the Prevention of Pollution of the Sea by Oil of 1954 into Ghanaian law. While the 1964 Act has been repealed by the Marine Pollution Act 2016 (the "**2016 Act**"), any rights accrued under the 1964 Act may remain enforceable against a defaulting party. The 2016 Act empowers the Ghana Maritime Authority to regulate marine pollution. The 2016 Act consolidates the previous legislation in this area and incorporates major international marine pollution conventions that Ghana has ratified and/or adheres to. The 2016 Act addresses regulations for the prevention of pollution by oil, noxious liquid substances in bulk, harmful substances carried by the sea, sewage, and garbage and air pollution from ships. It also includes requirements for the inspection of ships, including tankers and other supply vessels, to ensure that their operations are safe and will not pollute the marine environment.

Back-in Rights

All petroleum agreements grant the GNPC an initial carried interest, of negotiable percentage, in all petroleum operations carried out under the agreement. This initial interest is carried for exploration and development operations, but is a paying interest for production operations. Any petroleum agreement must give the GNPC an option, within 90 days of a commercial discovery being declared, to acquire a further percentage interest in the discovery from the corporation or contractor. This further percentage is subject to negotiation. The GNPC is required to fund its share of costs relating to its additional interest.

Decommissioning

The Petroleum (Exploration and Production) Act 2016 (**"PEP"**) provides that a corporation or contractor shall, in accordance with regulations and best international techniques and practice, submit to the relevant authorities a development plan, including a decommissioning plan, in respect of any petroleum field to be developed directly by the corporation or contractor. The PEP also imposes an obligation on corporations or contractors to restore areas affected by their petroleum operations after they terminate those operations. They are expected to remove any causes of damage or danger to the environment in accordance with regulations and to carry out decommissioning in accordance with the approved development and decommissioning plan. The PEP provides that a contractor or a licensee who is under an obligation to implement an approved decommissioning plan is subject to strict liability towards the Republic for any loss or damage caused in connection with the decommissioning of the facility or other implementation of the decommissioning plan.

Corporations or contractors are expected to establish a decommissioning fund no later than 90 days after the approval of their development plan by the sector minister. The fund must contain sufficient funds for decommissioning and must not be disbursed for any purpose that is not in connection with decommissioning. There is, however, no distinction between decommissioning and abandonment.

Additionally, the Petroleum (Exploration and Production) Act 1984 (P.N.D.C.L. 84) requires that, after the termination of petroleum operations, steps are taken to restore any affected areas, remove all unnecessary equipment that could be the cause of damage or danger to the environment, plug or close off abandoned wells and conserve and protect natural resources. This law was repealed by the PEP but its provisions continue to apply due to Tullow's accrued rights.

Uganda

Uganda has numerous laws that govern the oil and gas industry, with some laws being industry specific, and others being of general application, which impact the oil and gas industry.

Specific laws and regulations impacting the oil and gas industry

The Ugandan constitution is the supreme law of Uganda. The constitution empowers Parliament to make laws regulating the exploitation of minerals, the sharing of royalties arising out of mineral exploitation, the conditions for payment of indemnities arising out of exploitation of minerals and the conditions regarding the restoration of derelict lands.

The Petroleum (Exploration, Development & Production) Act 2013 (the "Upstream Act") has been in effect since April 5, 2013. The purpose of the Upstream Act includes establishing an effective legal framework and institutional structures to ensure that the exploration, development and production of petroleum resources of Uganda is carried out in a sustainable manner, creating a conducive environment for the efficient management of petroleum resources of Uganda and establishing institutions to manage the petroleum resources and regulate petroleum activities. The Act was also designed to regulate petroleum activities including, licensing, exploration, development, production and cessation of petroleum activities or decommissioning and to ensure public safety and the protection of public health and the environment in petroleum activities.

To supplement the Upstream Act, on June 24, 2016, four Upstream Regulations were published, namely:

- the Petroleum (Exploration, Development and Production) Regulations, 2016, which regulate onshore and offshore activities in the upstream petroleum industry and include provisions relating to licensing rounds and applications for a petroleum exploration license, drilling operations, procedures for the approval of work programs and budgets, the development and production of petroleum and pricing and payments;
- the Petroleum (Exploration, Development and Production) (National Content) Regulations, 2016, which impose local content obligations on every licensee, operator, contractor, subcontractor and any other entity involved in petroleum activities in Uganda to promote the training and employment of Ugandans and regulate the provision of goods and services by companies owned by non-Ugandans. The Petroleum Authority of Uganda (the "**PAU**") must monitor national content in petroleum activities and licensees must submit a national content program for approval within 12 months of being granted a license. Preference must be given to Ugandan goods and services and where the goods and services required are not available in Uganda, it must be provided by a company which has entered into a joint venture with a Ugandan company, with the Ugandan company holding a participating interest of not less than 48% in the joint venture. In the event that there is no Ugandan company which neither meets the qualification criteria for a Ugandan company nor possesses the technical and financial competence to deliver the goods and services in question, the PAU may grant a limited and exceptional-case exemption for the goods and services to be provided without the participation of a Ugandan company;
- the Petroleum (Exploration, Development and Production) (Metering) Regulations, 2016, which ensure accurate metering with respect to the calculation of taxes, royalties and fees due to the Government and licensees. Metering equipment and methods must comply with the regulations and appropriate supervision and monitoring requirements are set out in the regulations; and
- the Petroleum (Exploration, Development and Production) (Health, Safety and Environment) Regulations, 2016, which regulate all licensees and parties participating in petroleum activities in Uganda with respect to compliance with health and safety measures. Certain standards must be met and approved by the PAU to ensure best petroleum industry practices and ensure risk assessment and management systems are in place for the protection and safety of all employees.

These new regulations revoked the Petroleum (Exploration and Production) (Conduct of Exploration Operations) Regulations (S.I. 150 1).

The Petroleum (Refining, Conversion, and Transmission & Midstream Storage) Act 2013 (the "**Midstream Act**") has been in effect since July 26, 2013. The purpose of this Act is to operationalize the National Oil and Gas Policy of Uganda by establishing a legal framework to ensure that midstream oil and gas operations in Uganda are carried out in a sustainable manner that guarantees optimum benefits for all Ugandans, enable the development of petroleum refining, gas conversion, pipelines, transmission pipelines and midstream storage facilities and facilitate investment in midstream operations. The Midstream Act is also designed to, among other things, regulate the planning, preparation, licensing, installation and maintenance of facilities for midstream operations and ensure public safety and protection of public health and the environment in relation to midstream operations.

On June 2, 2016, three Midstream Regulations were published, to supplement the Midstream Act, namely: the Petroleum (Refining, Conversion, Transmission and Midstream Storage) Regulations, 2016, the Petroleum (Refining, Conversion, Transmission & Storage) (National Content) Regulations 2016 and the Petroleum (Refining, Conversion, Transmission & Storage) (Health, Safety & Environment) Regulations 2016.

The National Oil & Gas Policy for Uganda has been in effect since February 2008. This policy document is intended to guide the oil and gas industry and it was put in place following the establishment of Uganda's entry into the oil and gas industry and the expected increased investment. The policy addresses the exploration, development and production of the country's oil and gas resources more comprehensively than previous policy documents. The policy contains ten objectives relating to matters such as, but not limited to, licensing, national content, institutional frameworks and the environment. The policy is not on a statutory footing, but it is put into effect through the Upstream Act and the Midstream Act.

The Petroleum Supply Act, which has been in effect since 2003, guides all downstream petroleum activities that involve the importation, exportation, transportation, processing, supply, storage, distribution, marketing, and selling of petroleum products.

Role of the Ministry

The Ugandan Ministry of Energy and Mineral Development (the "**MEMD**") is charged with establishing, promoting the development of, strategically managing and safeguarding the rational and sustainable exploitation and utilization of energy and mineral resources for social and economic development. The key roles and functions of the MEMD include providing policy guidance in the development and exploitation of mineral resources, acquiring, processing and interpreting technical data in order to establish the energy and mineral resource potential of the country, and inspecting, regulating, monitoring and evaluating activities of private companies in the energy and mineral sectors to ensure that resources are developed, exploited and used on a rational and sustainable basis.

The Upstream Act streamlined the institutional framework, which includes the Minister of MEMD, the PAU and the Uganda National Oil Company (the "**UNOC**"). This change was driven by the Government's desire to separate policy, regulation and commercial aspects of the oil and gas industry. The Upstream Act allocates the policy aspects to the Minister, regulatory aspects to the PAU and commercial aspects to the UNOC. The new institutions are now in place with the PAU and UNOC Boards being inaugurated in 2015 and the executive director of PAU and the chief executive officer of UNOC being appointed in 2016.

Licensing

Uganda operates under a two tier regime, with production sharing agreements entered into between an international oil company and the Government and licenses issued by the Ministry of Energy and Mineral Developments for different phases of petroleum operations.

The Upstream Act provides for licensing through open bidding or, in exceptional circumstances, direct applications. According to the Upstream Act, an exploration license shall remain in force for the period stipulated in the license, not to exceed two years after the initial grant of the license. The license is subject to two renewals, with a maximum term of two years each. The appraisal term for a discovery is two years following submission of technical evaluation test results, with a possible extension of two additional years. Thereafter, and within a stipulated time, the licensee has an exclusive right to apply for a petroleum production license which is for an initial duration of twenty years, with a possible extension of five years. However, the existing production sharing agreements stipulate an initial term of twenty five years with a possible five year extension.

Fiscal regime

The tax system in Uganda is governed by the Uganda Revenue Authority (the "**URA**") and the Ministry of Finance, Planning and Economic Development, which deals with policy development. The URA is a semi-autonomous entity that is responsible for tax policies and advising the Ministry of Finance on policy issues. Oil companies are obligated under the law and production sharing agreements to pay all central, local district, administrative or other taxes, duties, levies and other lawful impositions applicable to the licensee.

The Income Tax Act came into effect in July 1997, as amended from time to time. This Act sets out a schedule of taxation of petroleum operations. This Act provides for taxation of the production of petroleum and allows for cost oil and allowable deductible expenditures. This Act also provides the method of taxing petroleum companies in the event that a company transfers their interests to another party. Additionally, the Act prescribes accounting principles to be applied in the taxation of contractors and the taxation of cross border shared petroleum resources. Timelines for filing returns and payment of taxes are also stipulated and it is an offense which carries large fines to not furnish returns or to file inaccurate returns or to fail to make any payment or contribution by the due date.

Other applicable tax laws include the Value Added Tax Act, (as amended) Cap 349 (commenced on 1 July 1996), an act that provides for the imposition and collection of Value Added Tax, and for other purposes connected to that tax; The East African Community Customs Management Act 2004 (commenced on January 1, 2005), an act for the East African Community to make provisions for the management and administration of customs and for related matters; the Tax Appeals Tribunal Act, Cap 345 (commenced on 1 August 1998), an act to establish tax appeals tribunals pursuant to article 152(3) of the Uganda Constitution which is the tribunal of first instance for tax administration related disputes; the Stamp Duty Act 2014 (which came into effect on July 1, 2014), an act to consolidate and amend the law relating to stamp duty and to provide for related matters; and the Tax Procedures Code Act No. 8 of 2014 (which came into effect on July 1, 2016), an act to provide for a code to regulate the procedures for the administration of specified tax laws in Uganda, to harmonise and consolidate the tax procedures under existing tax laws, and to provide for related matters.

Environmental regime

The National Environment Act (Cap 153) is the primary law regarding the protection of the environment and supersedes any other obligations, especially contracts with petroleum companies, regarding the environment. This Act establishes the National Environment Management Authority ("**NEMA**"), which is responsible for the management of environmental issues and the sustainable management of the environment. NEMA, in consultation with other agencies, has the authority to issue guidelines and prescribe measures and standards for the management and conservation of natural resources and the environment. This Act provides for environmental monitoring, the setting of environmental standards, economic and social incentives to achieve these ends, and civil and penal sanctions to enforce these standards.

The National Environment Act is supplemented by numerous regulations including the National Environment (Environmental Assessment Impact) Regulations 1998, the National Environmental (Wetlands, Rivers and Lakeshores Management) Regulations No. 3 of 2000, the National Environment (Noise Standards and Control) Regulations 2003 and the National Environmental (Waste Management) Regulations 1999.

The Ugandan Government is currently reviewing the environmental regime, including the National Environment Act.

In addition to the primary laws and regulations set out above, provisions relating to the environment are also contained within the Upstream Act. Section 3 of the Upstream Act requires licensees and any other person who exercises or performs functions, duties or powers under the Upstream Act in connection with petroleum activities to comply with environmental principles and safeguards as prescribed by the National Environment Act and other applicable laws. Section 3 also requires that a licensee shall contract a separate entity to manage the transportation, storage, treatment or disposal of waste arising out of petroleum activities, but provides that the licensee shall remain responsible for all such activities. This section also requires licensees to ensure that the management of production, transportation, storage, treatment and disposal of waste arising out of petroleum activities is carried out in accordance with environmental principles and safeguards as prescribed under the National Environment Act and other applicable laws. Other key requirements are set out in Part X of the Upstream Act which regulates liability for damage due to pollution and section 100 which sets out restrictions on flaring and gas venting. The Upstream Act is supplemented by the Petroleum (Exploration, Development and Production) (Health, Environment and Safety) Regulations 2016. These regulations address the handling of hazardous material and substances, process safety, fire and explosion protection, emergency preparedness, incident reporting, and other safety and environmental issues.

Back-in rights

The Upstream Act provides that the Government may participate in petroleum activities under the Upstream Act through a specified participating interest of a license, contracts granted under the Upstream Act and in joint ventures established by a joint operating agreement in accordance with licenses and the Upstream Act. The maximum back-in interest for the Government in the existing licenses is limited in the applicable production sharing agreements.

However, in the future, the maximum Government back-in interest will be stipulated when announcing areas for granting of petroleum exploration licenses by the Government.

Decommissioning

Article 24.18 of the production sharing agreement for EA2 provides that the licensee is required, on the expiration or termination of the agreement or on the relinquishment of part of the license area, to (a) remove all equipment and installations from the license area or relinquished area (as applicable) in a manner agreed with the Minister responsible for petroleum activities in terms of an abandonment or decommissioning plan; (b) take all action necessary to prevent hazards to human life, the property of others or the environment; and (c) take all action necessary in accordance with 'good oilfield practice' to reclaim and rehabilitate all lands disturbed by petroleum development and production. Sections 112 to 120 of the Upstream Act also regulate decommissioning. Each of the Area 1 PSA, the Area 1A PSA and the Kingfisher PSA contain identical provisions. Section 112 requires a licensee to submit a decommissioning plan to the PAU before a production license or a specific license to install and operate facilities expires or is surrendered, or before the use of a facility is terminated permanently. The plan is expected to contain proposals for continued production or the shutdown of production, decommissioning of facilities and any other information prescribed by regulation. Section 113 provides for the establishment of a decommissioning fund to be applied to the implementation of a decommissioning. Payments into the fund are made on a quarterly basis following the occurrence of the situations specified in section 113(3), including on notice of surrender and five years before the expiry of the license. The amounts deposited in the decommissioning fund are charged as operating costs subject to the costs recovery limitations stipulated in production sharing agreements or as may be provided by regulation. Where the decommissioning fund is not sufficient to cover the implementation of the decommissioning plan, the licensee, and where applicable, the owner of the facilities, shall cover the costs and expenses to fulfill decommissioning obligations.

Company filings

Foreign companies must meet certain requirements for filing including on registration, on establishment of a place of business, on changes to constitutional documents and on creation of a charge over property in Uganda. Foreign companies are also required to file yearly accounts (subject to certain exemptions).

Kenya

The legal framework and regulation for the licensing, negotiation and conclusion of oil exploration and production in Kenya is principally set out in the Constitution of Kenya (adopted in 2010) (the "**Kenyan Constitution**") and the Petroleum (Exploration & Production) Act (Chapter 308 of the Laws of Kenya) 1984 (Revised Edition 2012) (the **"Petroleum Act"**) and the regulations made under the Petroleum Act.

Specific laws and regulations impacting the oil and gas industry

Under the Kenyan Constitution, the State must ensure that there is sustainable exploitation, utilization and management of the environment and natural resources and also ensure an equitable sharing of any accruing benefits. The Kenyan Constitution also requires that all minerals and mineral oils vest in the national Government in trust for the people of Kenya. The

State is also obliged to put the environment and any natural resources to use for the benefit of the people of Kenya.

The grant of any rights or concessions by or on behalf of any person, including the national government, to another person for the exploitation of any natural resource of Kenya is subject to ratification by the Kenyan parliament.

The Petroleum Act is the primary legislation governing exploration and production of oil and gas in Kenya. Subsidiary legislation under the Petroleum Act includes (a) the Petroleum (Exploration and Production) Regulations 1984; and (b) Petroleum (Exploration and Production) (Training Fund) Regulations 2006. The existing Production Sharing Contracts (**"PSCs"**) between the Government of Kenya and international oil companies have been entered into under the Petroleum Act.

Under the National Energy and Petroleum Policy, 2015 (the "**Policy**"), the Government undertakes upstream petroleum operations through petroleum agreements which may include, production sharing contracts, concession agreements, and service contracts. In addition, the Policy provides that amongst other responsibilities, the Government must establish a regulatory agency for the upstream petroleum operations, develop mechanisms for the sharing of benefits between the national and county governments as well the local communities in accordance with the Kenyan Constitution, and undertake the required process in order to comply with the global standards set by the Extractive Industries Transparency Initiative. In addition, the Policy states that the Government shall restructure the national oil company to separate its midstream and downstream business from its upstream business with the aim of enhancing the capacity of the upstream business.

The Petroleum (Exploration, Development and Production) Bill, 2017 (the "**Bill**") was republished on December 6, 2017 and gazetted on December 15, 2017. This follows the failure by the 11th Parliament (2013-2017) to pass it during its term. The Bill was reintroduced in Parliament and underwent its first reading on February 14, 2018. The Bill provides a framework for the contracting, exploration, development and production of petroleum and establishes the Upstream Petroleum Regulatory Authority (the "**Authority**") to regulate upstream petroleum operations in Kenya. The Bill applies to upstream petroleum operations carried out in Kenya only and excludes midstream and downstream operations. The Cabinet Secretary must publish a national policy on upstream petroleum operations which should be reviewed every five years and companies engaging in upstream petroleum activities must obtain the permission of the Cabinet Secretary and obtain a non-exclusive exploration permit from the Authority. The Cabinet Secretary must also develop an upstream petroleum strategic plan to serve as a guide on the implementation of the national policy on petroleum. Companies engaging in petroleum operations must also act in accordance with a petroleum agreement. The Cabinet Secretary will also review and approve budgets and supervise upstream operations. The Bill also makes new provisions for matters that are not currently covered under the Petroleum Act such as unitization and joint operating agreements that are currently only addressed under PSCs.

The draft Petroleum Exploration, Development and Production (Local Content) Regulations, 2014 (the "**Regulations**") impose certain obligations on anyone conducting upstream petroleum operations. These include giving first consideration to Kenyan citizens in employment and training in petroleum operations and in using services provided by Kenyans and goods manufactured in Kenya. To enter into a petroleum agreement or petroleum license, a 5%

equity participation must be given to an indigenous Kenyan company (other than the National Oil Company). Any non-indigenous Kenyan company which intends to provide goods, works or services to a contractor must incorporate a joint venture company or enter into a favorable business arrangement with an indigenous Kenyan company so that such Kenyan company holds at least 10% of the equity or contract value. A local content plan must also be submitted and the Regulations set out local content levels to be attained for different goods and services. The Regulations, which are drafted under delegated authority of the Cabinet Secretary, will undergo review and public participation once the Bill is enacted before they are operationalized.

The Energy Bill, 2017 (the "**Energy Bill**") was republished on December 29, 2017 and gazetted on January 26, 2018. This follows the failure by the 11th Parliament (2013-2017) to pass it during its term. The Energy Bill is to be reintroduced in Parliament in February 2018 for debate. The Energy Bill regulates midstream and downstream petroleum activities including importing, exporting, storing and selling petroleum and establishes the Energy Regulatory Authority (the "Energy Authority"). The Energy Bill also consolidates laws relating to the energy sector including those relating to coal, geothermal energy, electrical energy and renewables. The Energy Authority has the power to issue, suspend and revoke licenses and permits for all activities in the energy sector. With respect to midstream and downstream petroleum activities, the Bill requires that anyone wishing to refine, import, export, store, transport and sell petroleum crude obtains a license, permit or certificate from the Energy Authority. A permit must also be obtained by anyone who intends to construct a pipeline, refinery or bulk storage facilities.

The draft Energy (Local Content) Regulations, 2014 (the "**Energy Regulations**") sets out local content obligations with respect to energy sources operations. This involves giving first consideration to Kenyan citizens in the employment and training in petroleum operations and using services and goods provided and manufactured in Kenya. Any non-indigenous Kenyan company which intends to provide goods, works or services to a contractor must incorporate a joint venture company or enter into a favorable business arrangement with an indigenous Kenyan company to hold at least 10% of equity or contract value. A local content plan must also be submitted and the Energy Regulations provide the local content levels to be attained for different goods and services. The Energy Regulations, which are drafted under delegated authority of the Cabinet Secretary, will undergo review and public participation once the Bill is enacted before they are operationalized.

Fiscal regime

The Kenya Revenue Authority is responsible for administering taxes in Kenya.

The Income Tax Act (Chapter 470) 1974 (Revised Edition 2016) contains specific provisions that deal with taxation of upstream activities. These include rules for determining the value of sales taxes and transfer pricing. The provisions also give guidance as to the treatment of depreciation of capital expenditure, capitalization and loss and carry back. Timelines for filing returns and the payment of taxes are also stipulated and it is an offense, which carries large fines, not to file returns, to file inaccurate returns or to fail to make any payment or contribution by the stipulated due date. The Tax Procedures Act 2015 harmonizes and consolidates the procedural rules for the administration of tax laws in Kenya.

Additionally, Kenya operates a value added tax ("**VAT**") regime. The current VAT rate is 16%. At present, exports are generally zero rated whereas imports will typically attract a VAT charge.

PSCs generally provide an exemption from VAT and customs duties on the import of goods by international oil companies and their subcontractors. However such VAT relief does not apply to the provision of services.

The East African Community Customs Management Act 2004 provides for the management and administration of the customs departments of Kenya, Uganda, Tanzania, Rwanda and Burundi (the "**East African Community Partner States**").

The Miscellaneous Fees & Levies Act 2016 provides for the imposition of duties, fees and levies on imported or exported goods and predominantly deals with the imposition of (a) export levies; (b) import declaration fees; and (c) the railway development levy. Additionally, it provides exemptions for the East African Community Partner States.

Environmental regime

The Environmental Management and Coordination (Amendment) Act 2015 and its subsidiary regulations set out requirements and procedures for conducting environmental impact assessments, auditing and environmental monitoring in Kenya. Furthermore, they establish environmental standards for water quality, air quality, noise, fossil fuel emission, and waste management and also regulate activities impacting wetlands, river banks, lake/sea shores, and the conservation of biological diversity.

The Environmental Management and Co-ordination Act 1999 (the "**EMCA**") established the National Environment Management Authority ("**NEMA**"), the National Environment Department (the "**NED**"), County Environmental Committees (the "**Committees**"), and the National Environment Tribunal (the "**NET**"). NEMA exercises general supervision and co-ordination over all matters relating to the environment and is the principal government department for the implementation and management of all policies relating to the environment.

NEMA is the administrative body that is responsible for the coordination of the various environmental management activities in Kenya. NEMA is also the principal government authority for implementing all environmental policies. NEMA is also responsible for granting EIA approvals and for monitoring and assessing activities in order to ensure that the environment is not degraded by such project activities.

The NED functions are to investigate any allegations or complaints against any person or against the Authority in relation to the condition of the environment in Kenya. NED may also on its own motion investigate any suspected case of environmental degradation and to make a report of its findings together with its recommendations to the Cabinet Secretary.

The Committees are responsible for the proper management of the environment within the county for which it is appointed. The Committees also develop county strategic environmental action plan for five years.

The NET'S functions include to hear and determine appeals from NEMA's decisions and other actions relating to issuance, revocation or denial of Environmental Impact Assessment (EIA) licenses or amount of money to be paid under the Act and imposition of restoration orders; to give direction to NEMA on any matter of complex nature referred to it by the Director General; and in accordance with the Forest Conservation and Management Act, No. 34 of 2016, NET is mandated to make determination on any matter that remains unresolved after reference to the lowest structure of devolved system set out in the County Government Act, 2012 under section 70.

Back-in rights

The respective PSCs provide for back-in rights for the Government of Kenya.

Decommissioning

The Petroleum Act does not set out any decommissioning obligations. However, the Bill does contain provisions with respect to decommissioning, such that a contractor must submit a field decommissioning plan to the Authority and must establish a decommissioning fund for each development area to be applied to the implementation of the decommissioning plan. The existing PSCs between Tullow Kenya B.V. and the Government of Kenya require that the international oil companies submit a decommissioning plan as part of their submission of a development plan. International oil companies are required to book sufficient accruals for future abandonment and decommissioning operations to cover the expenses which are expected to be incurred under the decommissioning plan. The estimated costs of abandonment and decommissioning operations shall be reviewed on an annual basis and revised, if appropriate.

Management

Board of directors and senior management

The persons set forth below are our current members of the board of directors and our members of senior management. The address for each of our directors and executive officers is Tullow Oil plc, 9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom.

Name	Age	Position
Aidan Heavey	64	Non-Executive Chairman
Paul McDade	54	Chief Executive Officer
Les Wood	56	Chief Financial Officer
Angus McCoss	56	Exploration Director
Jeremy Wilson	53	Senior Independent Non-Executive Director
Tutu Agyare	55	Non-Executive Director
Steve Lucas	63	Non-Executive Director
Anne Drinkwater	62	Non-Executive Director
Mike Daly	64	Non-Executive Director

Mr. Aidan Heavey is the founder of Tullow and was Chief Executive Officer for 31 years. He has played a key role in Tullow's development as a leading independent oil and gas exploration and production group. Mr. Heavey was appointed as non-executive Chairman in April 2017 for a transitional period not exceeding two years. He holds a bachelor of commerce degree from University College, Dublin and qualified as a chartered accountant with the Irish Institute of Chartered Accountants.

Mr. Paul McDade is our Chief Executive Officer and was appointed to this role in April 2017. Mr. McDade was appointed to the board of directors in March 2006. Mr. McDade joined us in 2001 and was appointed Chief Operating Officer following the Energy Africa acquisition in 2004, having previously managed our UK gas business. An engineer with over 30 years' experience, Mr. McDade has worked in various operational, commercial and management roles with Conoco, Lasmo and ERC. He has broad international experience, having worked in the United Kingdom North Sea, Latin America, Africa and South East Asia regions. He holds a bachelor of science degree in civil engineering from the University of Strathclyde and a master's of science degree in Petroleum Engineering from Imperial College, University of London.

Mr. Les Wood is our Chief Financial Officer and was appointed to this role and to our board of directors in June 2017 after acting as interim Chief Financial Officer for six months. Mr. Wood joined us in 2014 as Vice-President for Commercial and Finance. Before joining us, Mr. Wood worked for BP plc for 28 years in various positions including regional CFO roles in Canada and the Middle East. Mr. Wood has an MSc in Inorganic Chemistry from the University of Aberdeen and a BSc in Chemistry from Heriot-Watt University.

Dr. Angus McCoss is our exploration director and was appointed to the board of directors in December 2006, following 21 years of wide-ranging exploration experience, working primarily with Shell in Africa, Europe, China, South America and the Middle East. Dr. McCoss held a number of senior positions at Shell including regional vice present of exploration for the

Americas and general manager of exploration in Nigeria. Dr. McCoss is a non-executive director of Providence Resources plc, an Ireland-based oil and gas exploration company with shares quoted on the AIM in London and the ESM in Dublin. He is also a non-executive director of Ikon Science Limited and a member of the Advisory Board of the industry-backed Energy and Geoscience Institute of the University of Utah. He holds a PhD in structural geology from Queen's University Belfast.

Mr. Jeremy Wilson was appointed as a non-executive director in October 2013 and as our Senior Independent Director in April 2017. Mr. Wilson had a 26-year career at J.P. Morgan, where he held a number of senior positions, most recently as vice chairman of the Energy Group. Mr. Wilson is also a non-executive director of John Wood Group plc (United Kingdom) and a director of The Lakeland Climbing Centre Ltd and the Lakeland Climbing Foundation. He holds a degree in engineering from the University of Cambridge.

Mr. Tutu Agyare was appointed as a non-executive director in August 2010. Mr. Agyare is a managing partner at Nubuke Investments, an asset management firm focused solely on Africa, which he founded in 2007. Previously, he had a 21 year career with UBS Investment Bank, holding a number of senior positions, most recently as the head of European emerging markets, and serving on its board of directors. Mr. Agyare is a director of the Nubuke Foundation, a Ghanaian-based cultural and educational foundation. He holds a degree in mathematics and computing from the University of Ghana.

Mr. Steve Lucas was appointed as a non-executive director in March 2012. A chartered accountant, Mr. Lucas was finance director at National Grid plc from 2002 to 2010. Previously, he worked for 11 years at Royal Dutch Shell and for six years at BG Group, where he served as group treasurer. From 2004 to 2011, Mr. Lucas was a non-executive director of Compass Group where he was chairman of the audit committee. He is a non-executive director of Acacia Mining plc (UK) and Ferrexpo plc. Mr. Lucas holds a bachelor of arts degree in geology from the University of Oxford.

Ms. Anne Drinkwater was appointed as a non-executive director in July 2012. On February 6, 2018, Ms. Drinkwater informed the board that she would not be standing for re-election at the 2018 annual general meeting, which will take place on April 25, 2018, and will therefore cease to be a director with effect from the end of the annual general meeting. Before joining us, Ms. Drinkwater had a long career at BP where she held a number of senior business and operations positions including president and chief executive officer of BP Canada Energy Company, president of BP Indonesia and managing director of BP Norway. Ms. Drinkwater is a non-executive director and the non-executive Deputy Chairman of Aker Solutions ASA (Norway) and is an oil and gas adviser to the Government of the Falkland Islands. She holds a bachelor of technology degree in mathematics from Brunel University.

Dr. Mike Daly was appointed as a non-executive director in June 2014. Dr. Daly had a 28-year career at BP, where he held a number of senior roles, most recently as executive vice president of exploration and as a member of the BP Group's executive team until January 2014. Dr. Daly is a visiting Professor at the University of Oxford, a senior advisor at Macro Advisory Partners and a non-executive director of CGG (an integrated geoscience company based in France and listed on the Euronext and New York Stock Exchanges). He holds a PhD in continental tectonics in central Africa from Leeds University.

Board Committees

The board has established an Audit Committee, a Remuneration Committee, a Nominations Committee and an Environmental, Health and Safety ("**EHS**") Committee. In 2017, we integrated the roles and responsibilities of our Ethics and Compliance Committee into all levels of our business in order to ensure a broader and more effective risk management strategy within the business.

Audit Committee

The purpose of the Audit Committee is to assist the board of directors in fulfilling its responsibilities of oversight and supervision of, among other things:

- the integrity of our financial statements including annual and half-yearly reports, interim management statements and any other formal announcement or disclosure of material financial information relating to its financial performance;
- significant financial reporting issues and judgements, including among others, the going concern and viability statements;
- the adequacy and effectiveness of our internal financial controls and accountancy standards, assessment, clarity and completeness of disclosure as well as the review of information presented with the financial statements, such as the business review and corporate governance statements relating to audit and risk management;
- the annual internal audit plan, its alignment with key risks of the business and coordination with other assurance providers and review of a report on the results of the audit engagement, and findings of the audit;
- the adequacy and effectiveness of the company's internal controls and risk management systems;
- the content of the annual report and accounts, advising the board of directors on whether it is fair, balanced and understandable, and if it provides the information necessary for shareholders to assess Tullow's position, performance, business model and strategy;
- the adequacy of our whistle-blowing system and procedures for detecting fraud;
- the relationship with our external auditor, including appointment, remuneration, terms of engagement, assessing independence and objectivity, ultimately reviewing the findings and assessing the standard and effectiveness of the external audit; and
- the transition period applied under the CMA Order, and ensuring the audit services contract is put out to tender at least every ten years.

The Audit Committee considers annually how our internal audit requirements shall be satisfied and makes recommendations to the board of directors accordingly, as well as on any area it deems needs improvement or action. The Audit Committee meets at least four times a year at appropriate times in our reporting and audit cycle and more frequently if required.

The following table sets out the current members of the Audit Committee.

Name	Position	Type
Steve Lucas	Chairperson	Non-Executive Director
Anne Drinkwater	Member	Non-Executive Director
Jeremy Wilson	Member	Senior Independent Non-Executive Director
Mike Daly	Member	Non-Executive Director

Remuneration Committee

The main responsibilities of the Remuneration Committee are:

- within the terms of the agreed policy, determining and agreeing with the board the remuneration policy for the Chief Executive Officer, the Chairman, Executive Directors and senior management (including pension rights and any compensation payments);
- monitoring the level and structure of remuneration for senior management;
- reviewing the design of share incentive plans and any performance related remuneration scheme for executive directors and designated senior managers for approval by the board and shareholders (as required);
- reviewing the design of share incentive plans for approval by the board and shareholders and determining the policy on annual awards to Executive Directors and Senior Executives under existing plans;
- reviewing and approving calculations of corporate performance measures used in the calculation of awards made under any performance-related remuneration scheme and approving performance-related remuneration awards made to executive directors and designated senior managers;
- reviewing and noting the remuneration trends across our group; and
- agreeing the policy for authorizing claims for expenses.

The remuneration of the non-executive directors is determined by the chairman and the other executive directors outside the framework of the Remuneration Committee.

The following table sets out the current members of the Remuneration Committee.

Name	Position	Type
Tutu Agyare	Chairperson	Non-Executive Director
Jeremy Wilson	Member	Senior Independent Non-Executive Director
Mike Daly	Member	Non-Executive Director

Nominations Committee

The Nominations Committee reviews the size, composition and balance of the board of directors on a regular basis to ensure that the board has the right structure, skills and experience to support the company's current and future activities. This analysis is reviewed and discussed with the board of directors, with the aim of scheduling a progressive refreshment of the board of directors. It is the Nomination Committee's policy, when conducting a search for a new executive or a non-executive director, to appoint external search consultants to provide the Nomination Committee with a list of possible candidates against an agreed role and experience specification, from which a shortlist is produced. External consultants are instructed that diversity is one of the criteria that the Committee will take into consideration in its selection of the shortlist. The Committee also continues to focus on the recruitment, development and retention of a diverse pipeline of managers who will occupy the most senior positions in the Company in the future.

The primary duties are:

- reviewing the structure, size and composition of the board of directors (including the skills, knowledge, experience and diversity) and making recommendations to the board of directors with regard to any changes required;
- identifying and nominating, for the approval of the board of directors, candidates to fill board of directors vacancies as and when they arise;
- succession planning for directors and other senior executives;
- reviewing annually the time commitment required of non-executive directors; and
- making recommendations to the board of directors regarding membership of the Audit, Remuneration and other committees in consultation with the Chair of each Committee.

The following table sets out the current members of the Nominations Committee.

Name	Position	Type
Jeremy Wilson	Chairperson	Senior Independent Non-Executive Director
Aidan Heavey	Member	Non-Executive Chairman
Paul McDade	Member	Chief Executive Officer
Steve Lucas	Member	Non-Executive Director
Anne Drinkwater	Member	Non-Executive Director

Environmental, Health and Safety ("EHS") Committee

The main duties of the EHS Committee are:

- reviewing and providing advice regarding our environmental, health, security and asset protection, and safety policies;
- to monitor our performance, including regulatory compliance, in the progressive implementation of our environmental, health, security and asset protection, and safety policies, including process safety management;
- receiving reports covering matters relating to material environmental, health, security and asset protection, and safety risks; and
- considering material regulatory and technical developments in the fields of environmental, health, security and asset protection, and safety management.

The following table sets out the current members of the EHS Committee.

Name	Position	Type
Anne Drinkwater	Chairperson	Non-Executive Director
Mike Daly	Member	Non-Executive Director
Angus McCoss	Member	Exploration Director

Executive directors' committee

In 2014, the board of directors approved formal terms of reference for the Executive Directors' Committee in accordance with guidance published by the Institute of Chartered Secretaries and Administrators. The Executive Directors' Committee meets regularly and has been constituted to implement our strategy and manage all operational matters except those reserved for the board of directors. Its terms of reference are reviewed and approved at least annually by the full board of directors.

Code of ethical conduct and anti-bribery and corruption program

We aim to ensure that our day-to-day business activities are conducted in a fair, honest and ethical manner. Every person connected with us has individual responsibility for maintaining an ethical workplace. Our managers and leaders are additionally responsible for developing a working environment which encourages compliance and the confidence to openly raise any issues or concerns. The board of directors approved a revised company code of conduct in 2015 (the "**Ethical Code**") which sets out mandatory requirements and guidance on a range of topics. The next revision of the Ethical Code is scheduled for 2018. The Ethical Code has been issued to all staff and it is our policy to provide it to all of our suppliers via our supply chain processes.

We continually review and enhance our anti-bribery and corruption ("**ABC**") program. The program is designed to demonstrate that we have implemented adequate procedures to prevent bribery in line with the UK Ministry of Justice Adequate Procedures Guidance and recognized good practice.

Our comprehensive Ethical Code awareness program includes e-learning training. This aims to ensure that all staff are aware of our zero tolerance approach to corruption, the requirements of its Ethical Code and associated policies and standards. There are a number of ongoing initiatives in support of this program, including an annual certification process for all staff.

Corporate governance

The directors support high standards of corporate governance. As a London Stock Exchange listed company, we are required to state whether we have complied with the relevant provisions of the Corporate Governance Code (the "**Code**") throughout the year and, where the provisions have not been complied with, to provide an explanation as to the reasons for non-compliance. We are also required to explain how we have applied the Main Principles in Section 1 of the Code.

Save as otherwise disclosed, the directors consider that we complied with the provisions set out in Section 1 of the Code during the financial years ended December 31, 2015, 2016 and 2017. It is the Board's view that the Company has complied with all of the provisions of the Code during the year ended December 31, 2017, save for the two provisions set out below.

Section A.3.1. of the Code requires the Chairman on appointment to meet the independence criteria set out in B.1.1 of the Code and that a chief executive should not go on to be chairman of the same company. If exceptionally a board of directors decides that a chief executive should become chairman, the Code requires that the board should consult major shareholders in advance and should set out its reasons to shareholders at the time of the appointment and in the next annual report. On January 11, 2017, the Company announced a number of proposed changes to the board, including the appointment of Aidan Heavey as non-executive Chairman from the conclusion of the 2017 annual general meeting, subject to shareholder approval. The Company consulted with major shareholders in advance of the proposed appointment and set out its reasons to shareholders at the time of the appointment. The appointment is subject to a maximum of two years and the Company has put in place certain mitigations, for example it has extended the responsibilities of the Senior Independent Director. Shareholders approved the appointment of Aidan Heavey as Chairman of the Company at the annual general meeting in April 2017. The Board fully recognizes the Code implications of the change but believes that this is a necessary and temporary deviation from the principles of the Code in order to ensure an orderly transition of key stakeholder relationships held by Aidan as the Company's founder and long-serving chief executive officer as he moves into retirement.

Section E.2.2. of the Code requires that when, in the opinion of the board, a significant proportion of votes have been cast against a resolution at any general meeting, the company should explain when announcing the results of voting what actions it intends to take to understand the reasons behind the vote result. At the Company's annual general meeting in April 2017, the Company proposed a special resolution to dis-apply statutory pre-emption rights up to an additional 5% of the Company's issued share capital in connection with an acquisition or a specified capital investment. The resolution was not passed and a statement was not issued at the time of announcement as engagements with the Company's shareholders following the publication of the notice of meeting but prior to the annual general meeting sufficiently explained to the Company the reasons for the vote, and the board of directors did not consider any further action to understand the votes was required.

As of the date of this Offering Memorandum, the directors expect that the Company will comply with the relevant provisions of the Code in respect of its current financial year.

The board of directors comprises a non-executive chairman, three executive directors and five non-executive directors. With the exception of Aidan Heavey for the reasons set out above, we view all of the non-executive directors as independent within the meaning of "independent" as defined in the Code.

The board of directors has established an Audit Committee, a Remuneration Committee, a Nominations Committee, an EHS Committee, and an Executive Directors' Committee, each of which have defined terms of reference which are summarized above. Each committee and each Director has the authority to seek independent professional advice where necessary to discharge their respective duties in each case at our expense.

Compensation paid to our board of directors and committee members

The Chairman of the Board receives a chairman fee, which was £280,000 in 2017. The other non-executive members of our board of directors receive a base fee, which was £60,000 in 2017. In addition, the senior independent director receives an additional fee of £40,000 per year, the chairmen of the Audit Committee and Remuneration Committee each receive an additional fee of £20,000 per year, and the chairman of the EHS Committee receives an additional fee of £15,000 per year.

Compensation paid to senior management

The aggregate cash compensation (including cash bonuses relating to performance for the year ended December 31, 2017) paid to our executive directors for the year ended December 31, 2017, excluding the non-cash long-term incentive plans described below, pension, retirement and similar benefits, was £4,093,033 million.

Performance share plan

Prior to the introduction of the TIP (as defined below), our Performance Share Plan (the "**PSP**") rewarded participants for delivering returns to shareholders relative to both a group of oil and gas sector peers and the FTSE 100. PSP awards are based on three year performance periods ending in the relevant year. As of December 31, 2017, there were 608,757 awards outstanding under the PSP.

Certain PSP share options granted vest subject to continued employment and total shareholder return targets over three years commencing with the year of grant (with no opportunity to re-test). For the awards granted to executive directors, 70% vest based on our total shareholder return ranked against an international oil and gas sector peer group and 30% vest based on our total shareholder return ranked against FTSE 100 companies. A similar condition applies to other senior executives. No awards vest unless the Remuneration Committee also believes that our underlying financial performance and our performance against other key factors (e.g., EHS) is satisfactory. To the extent that awards vest, they normally remain exercisable until ten years from grant.

As of December 31, 2017, under the PSP, outstanding awards were: Mr. McDade (131,784), and Mr. Springett, our former Chief Financial Officer (139,934).

Deferred share bonus plan

Prior to the introduction of the TIP (see below), any bonus earned by our executive directors that exceeded 75% of salary was deferred under our Deferred Share Bonus Plan (the "**DSBP**") into nil cost share options. These have a three-year vesting period, subject to continued service. Vested awards normally remain exercisable until ten years from grant.

As of December 31, 2017, under the DSBP, outstanding awards were: Mr. McDade (125,835), and Mr. Springett (98,267).

2000 Executive Share Option Scheme

Before the introduction of the PSP in 2005, our executive directors were granted share options under the 2000 Executive Share Option Scheme (the "**2000 Scheme**") with an exercise price equal to market value shortly before grant. All subsisting options under the 2000 Scheme are fully exercisable. Our executive directors are not eligible to receive options under later plans that replaced the 2000 Scheme (the 2010 Share Option Plan and the Employee Share Award Plan).

As of December 31, 2017, the following options under the 2000 Scheme were outstanding: 1,470,840.

Tullow Incentive Plan

The Tullow Incentive Plan (the "**TIP**") has replaced the PSP and DSBP as the primary senior executive incentive arrangement. The first awards were made in early 2014. The TIP, which our shareholders approved at our 2013 annual general meeting, has been designed to better align executive and shareholder interests and simplify remuneration arrangements.

At our annual general meeting on April 26, 2017, we received shareholder approval to make the following changes to the TIP:

- Maximum annual award opportunity for the TIP will be reduced from 600% of base salary to 400% of base salary. The Remuneration Committee shall, however, be given the discretion to increase the maximum TIP award to 500% of base salary if it considers it appropriate and, in the event that we become a member of the FTSE 100 Index, for a full financial year period following becoming a FTSE 100 Index member.

- The Remuneration Committee to be given discretion to settle any portion of the annual cash bonus component of a TIP award in deferred shares.

- Minimum shareholding requirement reduced to 300% of base salary.

Following the end of a financial year, we expect that executive directors will be eligible for an award over shares with a market value of up to 500% of salary, with lower thresholds applicable to other senior executives. Subject to transitional provisions relating to the replacement of the PSP by the TIP, 50% of awards granted to executive directors are granted based on financial, operational (including EHS) and strategic performance targets measured over the previous financial year and 50% are granted based on total shareholder return ranked against the returns of a group of exploration and production companies measured over three financial years ending with that preceding the award date. Other executives have part of their awards based on personal performance. Awards up to 100% of salary (a lower percentage may apply for other executives) of salary are normally payable in cash. Options granted to directors normally vest five years after grant (a shorter vesting period applies to initial grants to executive directors under the transitional provisions mentioned above and to other executives), subject to continuing employment. Options normally remain exercisable ten years after grant.

As of December 31, 2017, under the TIP, outstanding awards were to: Mr. Heavey (1,364,693), Mr. Springett (819,478), Dr. McCoss (771,782), Mr. McDade (771,782) and Mr. Wood (292,692). Mr. Wood's TIP awards granted prior to appointment as an Executive Director have a three-year vesting period.

Tullow employee share award plan

The Tullow Employee Share Award Plan (the "**ESAP**") is our primary non tax-advantaged all employee incentive arrangement. The first awards were made in February 2014. Participants in the ESAP do not participate in the Tullow TIP. Awards of conditional shares and options will not confer any shareholder rights until the awards have vested or the options have been exercised and the participants have received their shares. Holders of awards of forfeitable shares will have shareholder rights from when the awards are made, except they may be required to waive their rights to receive dividends.

As of December 31, 2017, the following options under ESAP were outstanding: 26,594,451.

U.K. Share Incentive Plan

Our executive directors are eligible to participate in our U.K. Share Incentive Plan on the same basis as other U.K. employees. Participating employees are able to invest up to £1,500 (£1,800 from April 6, 2014) in Tullow Oil plc shares each year. For each share purchased, we award a free matching share. Matching shares cannot normally be sold or transferred for three years and are normally subject to forfeiture on a sliding scale if the related purchased shares are sold or employment ceases within that period.

As of December 31, 2017, there were 1,712,499 Ordinary Shares held pursuant to our U.K. Share Incentive Plan.

Principal shareholders

As of March 1, 2018, we have an issued share capital of £138,800,083 comprised of 1,388,000,830 ordinary shares with a par value of 10 pence, each being fully paid up. The following table sets forth certain information concerning the significant shareholders with a notifiable interest of our ordinary shares as notified to us pursuant to the UK Listing Authority's Disclosure and Transparency Rules. We do not have any information other than publicly available information that would confirm the below shareholdings. The actual shareholdings of our shareholders may differ from the below based upon information not disclosed to the public or us.

	Number of shares			
Name of shareholder[1]	**Direct**	**Indirect**	**Total**	**Total percentage of shares owned**[2]
Standard Life Aberdeen plc	—	128,721,895	128,721,895[3]	9.30%
Genesis Asset Managers LLP	54,857,056	—	54,857,056[4]	5.99%
First Names Trust Company	—	38,960,366	38,960,366[5]	5.98%
Prudential plc group of companies	—	69,725,004	69,725,004[6]	5.04%
Commonwealth Bank of Australia	36,836,077	—	36,836,077[7]	4.03%
Majedie Asset Management Limited	—	29,209,276	29,209,276[8]	3.20%

(1) Each group of entities and/or affiliated funds is treated as one shareholder for the purposes of this table, and the names set out in certain cases reflect the name of the relevant parent entity or investment advisor (as applicable).

(2) Percentages are based on the issued ordinary share capital as at the time of notification.

(3) Based on notification to us on 16 August 2017.

(4) Based on notification to us on 4 January 2017.

(5) Based on notification to us on 14 November 2006. First Names Trust Company was formerly known as IFG International Trust Company Ltd.

(6) Based on notification to us on 14 June 2017.

(7) Based on notification to us on 27 March 2017.

(8) Based on notification to us on 17 March 2017.

Certain relationships and related party transactions

In the course of our ordinary business activities, we may from time to time enter into agreements with or render services to related parties. In turn, such related parties may render services or deliver goods to us as part of their business. Purchase and supply agreements between subsidiaries and affiliated companies and with associated companies or shareholders of such associated companies are entered into from time to time within the ordinary course of business.

We believe that all transactions with affiliated companies are negotiated and conducted on a basis equivalent to those that would have been achievable on an arm's-length basis, and that the terms of these transactions are comparable to those currently contracted with unrelated third-party suppliers, manufacturers and service providers.

Description of certain financing arrangements

The following summary of the material terms of certain financing arrangements to which we and certain of our subsidiaries are a party does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. For further information regarding our existing indebtedness, see "Use of proceeds," "Capitalization," and "Management's discussion and analysis of financial condition and results of operations."

We and certain of our subsidiaries have entered into financing arrangements which are summarized below.

Reserves-based lending facilities

We are party to two reserves-based credit facilities that reference the same borrowing base, each of which is summarized below. The borrowing base for these facilities includes assets in Ghana (our interests in the Jubilee and the TEN fields), Gabon (including our interests in the Tchatamba fields), Equatorial Guinea (our interests in the Ceiba field and Okume Complex fields) and Côte d'Ivoire (our interests in the Espoir field).

Senior secured revolving credit facility

We have entered into a senior secured revolving credit facility agreement dated August 22, 2005, as most recently amended and restated pursuant to an amendment and restatement agreement dated November 21, 2017 and as amended, amended and restated or acceded to, from time to time, with, among others, Barclays Bank PLC, BNP Paribas, Credit Agricole Corporate and Investment Bank, Deutsche Bank AG, Amsterdam Branch, DNB (UK) Limited, ING Belgium SA/NV, JPMorgan Chase Bank N.A., London Branch, Lloyds Bank plc, Natixis, Natixis London Branch, Société Générale, Sumitomo Mitsui Banking Corporation Europe Limited, Standard Chartered Bank, The Standard Bank of South Africa Limited and The Standard Bank of South Africa Limited, Isle of Man Branch as mandated lead arrangers, with Lloyds Bank plc as global modelling bank, global technical bank and coordinating technical bank, Natixis as agent and global senior agent, BNP Paribas as security trustee and global technical bank, Credit Agricole Corporate and Investment Bank, ING Bank N.V., DNB Bank ASA and The Standard Bank of South Africa Limited as global technical banks and DNB Bank ASA, London Branch, ING Belgium SA/NV, Natixis and Credit Agricole Corporate and Investment Bank as fronting banks (the "**Senior Secured Revolving Credit Facility Agreement**").

Pursuant to the Senior Secured Revolving Credit Facility Agreement, a revolving facility (the "**Senior Secured Revolving Credit Facility**") has been made available to us and certain of our subsidiaries as borrowers. The Senior Secured Revolving Credit Facility may be utilized in U.S. dollars, pounds sterling or euro by drawing of cash advances and the issue of letters of credit. Borrowings may be used for the purposes of meeting liabilities under the Senior Secured Revolving Credit Facility Agreement in relation to any letter of credit in respect of which demands have been made, funding the capital expenditure program approved by the global technical banks and for general corporate purposes (including acquisitions) and, in the case of any letter of credit issued under the Senior Secured Revolving Credit Facility Agreement, towards providing security, credit enhancement or financial assurance for the performance of (i) any of our exploration, development or production obligations, (ii) any of our obligations under any production sharing, joint operating or similar agreement, (iii) any of our abandonment obligations, (iv) any of our obligations to any tax or customs authorities in respect of unpaid taxes (including VAT) or custom duties or (v) any of our obligations to any environmental agencies.

Borrowers and guarantors

We, Tullow Oil SK Limited, Tullow Côte d'Ivoire Limited, Tullow Oil SPE Limited, Tullow Equatorial Guinea Limited, Tullow Ghana Limited and Tullow Oil International Limited are the original borrowers under the Senior Secured Revolving Credit Facility Agreement. The same entities, as well as Tullow Oil Gabon S.A., are original guarantors under the Senior Secured Revolving Credit Facility Agreement. A mechanism is included in the Senior Secured Revolving Credit Facility Agreement to enable certain of our subsidiaries to accede as additional borrowers or additional guarantors with respect to the Senior Secured Revolving Credit Facility, subject to certain conditions.

Guarantees

Each guarantor listed above has (among other things) provided a guarantee of all amounts payable to each Finance Party (as defined in the Senior Secured Revolving Credit Facility Agreement) by any other borrower or guarantor in connection with the Senior Secured Revolving Credit Facility Agreement.

Security

The Senior Secured Revolving Credit Facility is secured by way of (i) English law share charges granted over the shares in Tullow Oil SK Limited and Tullow Oil SPE Limited; (ii) English law debentures granted by us, Tullow Oil SK Limited and Tullow Oil SPE Limited; (iii) English law accounts charges granted by Tullow Ghana Limited, Tullow Oil Gabon S.A., Tullow Côte d'Ivoire Limited and Tullow Equatorial Guinea Limited; (iv) an English law security assignment in respect of certain rights in subordinated debt granted by each of the guarantors referred to above and certain other group companies; (v) a Gabonese law share pledge granted over the shares in Tullow Oil Gabon S.A.; (vi) Isle of Man law share charges granted over the shares in Tullow Equatorial Guinea Limited and Tullow Gabon Limited; (vii) Jersey law security interest agreements granted over the shares in Tullow Côte d'Ivoire Limited and Tullow Oil International Limited; and (viii) certain French law bank account pledge agreements granted by us and Tullow Oil SK Limited. See "—RBL Lender Intercreditor Agreement" regarding enforcement of this security.

Commitments and additional commitments

The Senior Secured Revolving Credit Facility Agreement provides for a revolving credit facility in an aggregate amount not exceeding the total commitments from time to time. As of January 31, 2018, the total commitments under the Senior Secured Revolving Credit Facility were $2,400 million.

Subject to certain conditions we may request an increase in the commitments up to an aggregate increase of $500.0 million. We cannot make more than four such requests and cannot make any such request after December 31, 2022.

The total amount that may be drawn is limited by a borrowing base amount which is re-determined on a semi-annual basis each March 31 (to review the six-month period starting July 1) and September 30 (to review the six-month period starting January 1). The borrowing base amount is determined using a formula based on cash flow projections for borrowing base assets and is subject to a ceiling of the maximum amount of loans that would result in a debt service coverage ratio of not less than 1.2:1 at all times during the relevant six-month period and the subsequent six-month period.

There may also be an interim recalculation of the borrowing base amount in certain specified circumstances. The making of loans is also subject to customary drawstop events.

Reduction and repayment

The total commitments under the Senior Secured Revolving Credit Facility Agreement must be reduced to zero by the final maturity date, being the earlier of: (i) November 21, 2024; or (ii) the March 31 or September 30 (whichever is later) immediately preceding the first date on which the aggregate commercial reserves for all the relevant borrowing base assets to which the Senior Secured Revolving Credit Facility is referable are projected to be 20% (or less) of the aggregate of initial reserves for all such borrowing base assets as indicated in the Senior Secured Revolving Credit Facility. Subject to certain exceptions, each loan must be repaid on the last day of the relevant interest period relating thereto (which, subject to certain exceptions, may be one, three or six months or any other period agreed between us and the global senior agent), subject to a netting mechanism against amounts drawn on such date. Amounts repaid by a borrower may be re-borrowed, subject to certain exceptions.

The total commitments under the Senior Secured Revolving Credit Facility will reduce by approximately $211 million on each of October 1, 2020, April 1, 2021, October 1, 2021, April 1, 2022, October 1, 2022, April 1, 2023, October 1, 2023, April 1, 2024 and October 1, 2024. Total commitments will fall to nil on the final maturity date.

Mandatory prepayment

If it becomes unlawful in any applicable jurisdiction for a lender to perform its obligations under the Senior Secured Revolving Credit Facility Agreement or to fund or maintain its participation in a loan, the commitment of that lender will be immediately canceled once that lender has notified us (through the global senior agent) of that unlawfulness and, if applicable, all obligations under such commitment will be payable on the last day of the relevant interest period(s) or earlier if required by the lender concerned in certain circumstances.

If we experience certain change of control events, we are obliged to promptly notify the global senior agent, following which the global senior agent shall promptly notify the lenders. Within the 20 business days' period of being notified by the global senior agent, any lender may by notice to us and the global senior agent cancel its commitments (which cancellation shall take place immediately upon notification by the lender). Thereafter, the borrowers must, by no later than ten business days of the end of such 20 business days' notice period, repay such lender's participation in all outstanding loans, together with accrued interest and all other amounts due to that lender under the finance documents, and, in the case of any letter of credit, provide full cash cover in respect of that lender's participation in any outstanding letter of credit. The borrowers must repay and cash cover the participations of all lenders requiring such repayment at the same time.

The Senior Secured Revolving Credit Facility Agreement also includes customary prepayment events and rights related to defaulting lenders, taxes and increased costs.

Voluntary prepayment and cancellation

Subject to payment of break costs (if any), we may voluntarily cancel the available commitments or a borrower may prepay amounts outstanding under the Senior Secured Revolving Credit Facility Agreement without penalty or premium, at any time in whole or in part, subject to a minimum cancellation or prepayment of $10 million (with integral multiples of $10 million), on not less than five business days' (or such shorter period as a two-thirds majority of senior lenders may agree) prior notice to the global senior agent.

Interest and fees

The rate of interest payable on loans under the Senior Secured Revolving Credit Facility is the rate per annum equal to the aggregate of the applicable margin plus LIBOR (in the case of loans in U.S. dollars or pounds sterling) or EURIBOR (in the case of loans in euros). The opening margin is fixed for a certain period, following which the applicable margin varies based on the ratio of consolidated total net borrowings to consolidated EBITDA and the date on which the loan is outstanding. Default interest is also payable, at a rate of 2% per annum higher than the standard rate of interest payable on loans under the Senior Secured Revolving Credit Facility, on overdue amounts. The borrowers are required to pay a commitment fee, quarterly in arrears, based on:

(a) the daily amount (if any) by which the aggregate commitments under the Senior Secured Revolving Credit Facility and the IFC Senior Secured Revolving Credit Facility (the "**Global Commitments**") exceed the amount which is the lower of (i) the sum of the applicable borrowing base amount applicable on that day and $350.0 million and (ii) the Global Commitments applicable on that day (such lower amount being the "**Maximum Available Amount**"), at a percentage rate per annum calculated by multiplying the then applicable margin by a set number; and

(b) the daily amount (if any) by which the Maximum Available Amount exceeds the sum of the outstanding loans under the Senior Secured Revolving Credit Facility and the IFC Senior Secured Revolving Credit Facility, at a percentage rate per annum calculated by multiplying the then applicable margin by a set number.

Each borrower that has requested a letter of credit under the Senior Secured Revolving Credit Facility is also required to pay a commission quarterly in arrears based on:

(a) the daily amount (if any) by which the exposure under each letter of credit (being the daily difference between the face value of each letter of credit and the aggregate amount of all claims thereunder that have been paid, the "**LC Exposure**") exceeds the amount of approved cash cover provided for that letter of credit, at a percentage rate per annum calculated by multiplying the then applicable margin by a set number; and

(b) the daily amount of the LC Exposure under each letter of credit in respect of which approved cash cover has been provided, at a set rate per annum.

Representations and warranties

The Senior Secured Revolving Credit Facility Agreement includes certain customary representations and warranties, given by each borrower and each guarantor (and where expressly provided, certain other key group companies) subject to certain exceptions and appropriate materiality qualifications including (but not limited to) representations with respect to:

- status;
- powers and authority;
- legal validity;
- non-conflict with constitutional documents, laws / regulations or certain documents;
- ranking;
- no insolvency;
- no default;
- accuracy of most recently delivered financial statements;
- compliance with laws including tax laws, anti-bribery, anti-corruption and anti-money laundering laws;
- maintenance of certain insurances; and
- no material adverse change;
- deduction of tax;
- no immunity;
- borrowing base assets;
- authorizations;
- no litigation;
- accuracy of relevant information;
- security;
- environmental matters;
- projections and computer model;
- overseas obligors;
- ownership structure;
- Jubilee field information; and
- sanctions.

Negative covenants

The Senior Secured Revolving Credit Facility Agreement includes certain restrictive covenants, subject to certain agreed exceptions, including, but not limited to, covenants restricting the ability of each borrower and each guarantor (and where expressly provided, certain other key group companies) to, among other things:

- create security;
- dispose of all or any part of borrowing base assets;
- merge or amalgamate with other companies or make acquisitions;
- make a substantial change to the general nature of its business;
- incur financial indebtedness or provide guarantees;
- allow its rights under certain project documents to be terminated, suspended or limited; and
- make loans or extend credit to third-parties.

Affirmative covenants

The Senior Secured Revolving Credit Facility Agreement requires each borrower and each guarantor (and in certain cases, certain other key group companies) to observe certain affirmative covenants, subject to certain exceptions and including, but not limited to, covenants relating to:

- maintenance of corporate existence and relevant authorizations;
- compliance with laws, including environmental laws and regulations;
- payment of taxes;
- certain actions in respect of the borrowing base assets;
- maintenance of insurance;
- ensuring that its obligations under certain finance documents rank at least *pari passu* with its other unsecured obligations;
- using reasonable efforts to incur certain agreed capital expenditures;
- maintenance of ownership of material subsidiaries;
- provision of our financial (including annual audited and semi-annual unaudited consolidated financial statements and group wide funding statement), reserves and other information to lenders;
- compliance with the agreed hedging policy;
- validity and enforceability of security documents;
- contribution of borrowing base assets to net present value; and
- compliance with sanctions.

Financial covenant

The Senior Secured Revolving Credit Facility requires us to comply with a ratio of consolidated total net borrowings to consolidated EBITDA. These financial terms are defined in the Senior Secured Revolving Credit Facility Agreement and may not correspond to similarly titled metrics in our consolidated financial statements, the Indenture or this Offering Memorandum.

The applicable ratio is tested biannually with respect to the most recent financial statements delivered pursuant to the Senior Secured Revolving Credit Facility Agreement. In the event of non-compliance with the applicable ratio, the Senior Secured Revolving Credit Facility Agreement (subject to certain limitations) allows us to procure a cure of such non-compliance by a cash subscription for our ordinary shares and/or receipt of an injection of cash by way of certain subordinated debt such that the ratio is satisfied by reducing consolidated total net borrowings accordingly. No more than one such equity cure can be made within a 12-month period and no more than two equity cures may be made during the period from November 28, 2017 to the final maturity date of the Senior Secured Revolving Credit Facility.

Events of default

The Senior Secured Revolving Credit Facility Agreement sets out certain events of default, the occurrence of which would allow the senior lenders (if a two-thirds majority of the senior lenders so direct) to cancel their commitments and/or declare that all or part of the loans, together with accrued interest and other amounts outstanding are immediately due and payable and/or payable immediately on demand and/or declare that full cash cover in respect of each letter of credit is immediately due and payable and/or exercise or direct the security trustee to exercise any rights available under the finance documents. The events of default include, among other events and subject in certain cases to grace periods, thresholds and other qualifications:

- non-payment of amounts due and payable under a finance document;
- breach of financial covenants or other obligations;
- inaccuracy of a representation in any material respect when made or deemed to be repeated;
- cross-default under the IFC Senior Secured Revolving Credit Facility Agreement (as defined below);
- certain other cross-defaults in respect of indebtedness equal to or in excess of $75 million (or equivalent in other currencies);
- insolvency or insolvency proceedings;
- enforcement of security securing debt or attachment of assets (or analogous event), in each case in excess of $75 million;
- cessation of business;
- invalidity of the finance documents or certain project documents;
- any subsidiary holding an interest in borrowing base assets or any borrower or guarantor ceasing to be wholly-owned by us;
- nationalization or expropriation (or announcement of intent in respect thereof) of all or any part of any borrowing base asset or any oil and gas or revenues derived therefrom in a manner which would result in a material adverse change;
- abandonment of any borrowing base asset that contributes in excess of $100 million to the then applicable net present value (as described therein);

- the making of any judgment or award in litigation, arbitration or administrative proceedings against a borrower and/or a guarantor obligor and/or any other key group company which, after deducting amounts receivable by such obligor or key subsidiary under insurances, is equal to or exceeds $300 million or commencement of any such proceeding where it would result in a material adverse change, if the same were adversely determined;
- our audited financial statements being qualified in any way; and
- material adverse change.

Governing law
The Senior Secured Revolving Credit Facility Agreement is governed by English law.

IFC senior secured revolving credit facility
We have entered into a finance contract in respect of a senior secured revolving credit facility dated May 29, 2009, as most recently amended and restated pursuant to an amendment and restatement agreement dated November 21, 2017 and as amended, amended and restated or acceded to from time to time, with, among others, International Finance Corporation ("**IFC**") as original lender and agent (the "**IFC Senior Secured Revolving Credit Facility Agreement**").

Pursuant to the IFC Senior Secured Revolving Credit Facility Agreement, a revolving facility (the "**IFC Senior Secured Revolving Credit Facility**") has been made available to us and certain of our subsidiaries as borrowers. The IFC Senior Secured Revolving Credit Facility may be utilized in U.S. dollars, pounds sterling or euro by drawing of cash advances. Borrowings may be used for the purposes of funding the capital expenditure program approved by the global technical banks and for general corporate purposes (including acquisitions).

Borrowers and guarantors
The IFC Senior Secured Revolving Credit Facility has the same borrowers and guarantors as the Senior Secured Revolving Credit Facility. A mechanism is included in the IFC Senior Secured Revolving Credit Facility Agreement to enable certain of our subsidiaries to accede as additional borrowers or additional guarantors with respect to the IFC Senior Secured Revolving Credit Facility, subject to certain conditions.

Guarantees
Each guarantor listed above has (among other things) provided a guarantee of all amounts payable to each Finance Party (as defined in the IFC Senior Secured Revolving Credit Facility Agreement) by any other borrower or guarantor in connection with the IFC Senior Secured Revolving Credit Facility Agreement.

Security
The IFC Senior Secured Revolving Credit Facility is secured by the same security that secures the Senior Secured Revolving Credit Facility.

See "—RBL Lender Intercreditor Agreement" regarding enforcement of this security.

Commitments

The IFC Senior Secured Revolving Credit Facility provides for a revolving facility in an aggregate amount not exceeding the total commitments from time to time. As of January 31, 2018, the total commitments under the IFC Senior Secured Revolving Credit Facility were $100 million.

The borrowing base amount is re-determined in a similar manner to that under the Senior Secured Revolving Credit Facility Agreement.

Reduction and repayment

The total commitments under the IFC Senior Secured Revolving Credit Facility Agreement must be reduced to zero by the final maturity date, being the earlier of (i) October 31, 2019 or (ii) the March 31 or September 30 (whichever is later) immediately preceding the first date on which the aggregate commercial reserves for all the relevant borrowing base assets to which the IFC Senior Secured Revolving Credit Facility is referable are projected to be 20% (or less) of the aggregate of initial reserves for all such borrowing base assets. Subject to certain exceptions, each loan must be repaid on the last day of the relevant interest period relating thereto (which, subject to certain exceptions, may be one, three or six months or any other period agreed between us and the global senior agent), subject to a netting mechanism against amounts drawn on such date. Amounts repaid by a borrower may be re-borrowed, subject to certain exceptions.

The total commitments under the IFC Senior Secured Revolving Credit Facility reduce at a rate of approximately $18.2 million per six-month period beginning on April 1, 2018 through September 30, 2018 and approximately $13.6 million during the period from October 1, 2018 through September 30, 2019, with the total commitments falling to zero on the final maturity date.

Mandatory prepayment

If it becomes unlawful in any applicable jurisdiction for a lender to perform its obligations under the IFC Senior Secured Revolving Credit Facility Agreement or to fund or maintain its participation in a loan, the commitment of that lender will be immediately canceled once that lender has notified us (through the global senior agent) of that unlawfulness and, if applicable, all obligations under such commitment will be payable on the last day of the relevant interest period(s) or earlier if required by the lender concerned in certain circumstances.

If we experience certain change of control events, we are obliged to promptly notify the global senior agent, following which the global senior agent shall promptly notify the lenders. Within the 20 business days’ period of being notified by the global senior agent, any lender may by notice to us and the global senior agent cancel its commitments (which cancellation shall take place immediately upon notification by the lender). Thereafter, the borrowers must, by no later than ten business days of the end of such 20 business days’ notice period, repay such lender’s participation in all outstanding loans, together with accrued interest and all other amounts due to that lender under the finance documents. The borrowers must repay the participations of all lenders requiring such repayment at the same time.

The IFC Senior Secured Revolving Credit Facility Agreement also includes customary prepayment events and rights related to defaulting lenders, taxes and increased costs.

Voluntary prepayment and cancellation

Subject to payment of break costs (if any), we may voluntarily cancel the available commitments or a borrower may prepay amounts outstanding under the IFC Senior Secured Revolving Credit Facility Agreement without penalty or premium, at any time in whole or in part, subject to a minimum cancellation or prepayment of $10.0 million (with integral multiples of $10.0 million), on not less than five business days' (or such shorter period as a two-thirds majority of the senior lenders may agree) prior notice to the global senior agent.

Interest and fees

The rate of interest payable on the loans under the IFC Senior Secured Revolving Credit Facility is calculated following substantially the same formula used to determine interest under the Senior Secured Revolving Credit Facility. For a description of the commitment fee payable under the IFC Senior Secured Revolving Credit Facility, see "—Senior secured revolving credit facility—Interest and fees."

Representations and warranties

The IFC Senior Secured Revolving Credit Facility Agreement includes representations and warranties similar to those in the Senior Secured Revolving Credit Facility Agreement (subject to similar exceptions and materiality qualifications). In addition, the IFC Senior Secured Revolving Credit Facility Agreement also includes certain other representations and warranties relating to specific environmental matters and sanctionable practices.

Negative and positive covenants

The IFC Senior Secured Revolving Credit Facility Agreement contains negative and positive covenants applicable to each borrower and each guarantor (and in certain cases, certain other key group companies) similar to, and subject to similar exceptions as, those under the Senior Secured Revolving Credit Facility Agreement.

In addition, the IFC Senior Secured Revolving Credit Facility Agreement requires each borrower and each guarantor (and in certain cases, certain other key group companies) to observe additional covenants, subject to certain exceptions, relating to, amongst other things, the development of the Jubilee, Tweneboa, Enyenra and Ntomme fields in Ghana. These covenants include, but are not limited to:

- provision of an annual monitoring report (in an agreed form);
- notification of certain social, labor, health and safety, security or environmental incidents, accidents or circumstances;
- notification of use of proceeds of a loan other than in relation to the Jubilee or TEN projects;
- compliance with an environmental and social action plan agreed between us and IFC and other specified environmental, social, safety and health standards and implementation of related risk-assessment and risk-management measures;
- permitting rights of access to IFC and its independent compliance ombudsman in relation to certain of our borrowing base assets and employees;

- prohibition on corrupt, fraudulent, coercive, collusive or obstructive practices; and
- publicly disclosing the aggregate amount of national, regional and local payments (in respect of taxes, royalties, bonus and signature payments and all other material payments that are in the nature of taxes, profit share, production share or for rights to access resources) made to the Ghanaian public authorities in each financial year.

Financial covenant

The IFC Senior Secured Revolving Credit Facility requires us to comply with the same ratio of consolidated total net borrowings to consolidated EBITDA for the equivalent measurement periods as set out in the Senior Secured Revolving Credit Facility and provides for the same equity cure options. These financial terms are defined in the IFC Senior Secured Revolving Credit Facility Agreement and may not correspond to similarly titled metrics in our consolidated financial statements, the Indenture or this Offering Memorandum.

Events of default

The IFC Senior Secured Revolving Credit Facility Agreement sets out certain events of default, the occurrence of which would allow the senior lenders (if a two-thirds majority of the senior lenders so directs) to cancel their commitments and/or declare that all or part of the loans, together with accrued interest and other amounts outstanding are immediately due and payable and/or payable immediately on demand. These events of default, including, in certain cases, grace periods, thresholds and other qualifications, are similar to those in the Senior Secured Revolving Credit Facility Agreement.

Governing law

The IFC Senior Secured Revolving Credit Facility Agreement is governed by English law.

RBL Lender Intercreditor Agreement

We have entered into an intercreditor agreement in connection with the Senior Secured Revolving Credit Facility and the IFC Senior Secured Revolving Credit Facility (collectively, the "**RBL Facilities**") dated as of August 22, 2005, as most recently amended and restated pursuant to an amendment and restatement agreement dated November 21, 2017 and as amended, amended and restated or acceded to, from time to time, with, among others, the other borrowers and guarantors of the RBL Facilities (together with us, the "**Obligors**"), the lenders under the RBL Facilities and BNP Paribas as security trustee (the "**RBL Lender Intercreditor Agreement**").

The lenders under the RBL Facilities, certain providers of secured letters of credit (if any) and certain secured hedging counterparties are the only creditors party to the RBL Lender Intercreditor Agreement. For the avoidance of doubt, the trustee for the Notes will not be required to become party to the RBL Lender Intercreditor Agreement.

Ranking and priority

The RBL Lender Intercreditor Agreement provides that liabilities owed by the Obligors to the lenders under the Senior Secured Revolving Credit Facility Agreement and the IFC Senior Secured Revolving Credit Facility Agreement (collectively, the "**Senior Debt Agreements**"), certain banks that act as counterparties to certain secured hedging agreements entered into in accordance with, variously, the RBL Lender Intercreditor Agreement and the Senior Debt Agreements (the "**Hedging Agreements**") and certain providers of secured letters of credit not provided under the Senior Debt Agreements (the "**Non-Facility LC Agreements**") (together with the lenders under the Senior Debt Agreements and the banks acting as counterparties to the Hedging Agreements, the "**Secured Creditors**" and such liabilities being the "**Senior Bank Liabilities**") shall rank *pari passu* and without preference as between the Senior Bank Liabilities.

Senior debt

The RBL Lender Intercreditor Agreement provides that the Senior Secured Revolving Credit Facility and IFC Senior Secured Revolving Credit Facility shall rank *pari passu* at all times and the security documents securing the Senior Debt Agreements shall at all times secure the Senior Secured Revolving Credit Facility and IFC Senior Secured Revolving Credit Facility *pari passu* and on a first ranking basis.

Permitted payments

The RBL Lender Intercreditor Agreement provides that each Obligor may make (and each Secured Creditor may receive and retain) payments in respect of the Senior Bank Liabilities, in each case, in accordance with those respective documents governing such debt, provided that no notice accelerating any of the debt due under the Senior Debt Agreements has been issued following an event of default or, if any such notice has been given, that the relevant instructing group has consented to such payment. On and from the date on which the relevant agent has delivered any such notice pursuant to the terms of a Senior Debt Document and provided a copy to the other agents, the repayment of all Senior Bank Liabilities must be made in accordance with the order set out at "—Application of Proceeds" below.

Entitlement to enforce and accelerate

BNP Paribas (the "**Security Trustee**") acts as security trustee for the Secured Creditors on the terms set in the RBL Lender Intercreditor Agreement which provides that the Security Trustee will exercise rights to enforce (or not to enforce) the security documents securing the Senior Bank Liabilities in accordance with instructions provided by the relevant instructing group. The relevant instructing group for the purposes of enforcement of security is:

(a) prior to the date of irrevocable repayment and discharge of the IFC Senior Secured Revolving Credit Facility:

(i) the lenders under the Senior Debt Agreements and the providers of the Non-Facility LC Agreements who are also lenders under the Senior Debt Agreements whose exposures aggregate more than 66.67% of the total exposures of those parties outstanding under those agreements (the "**Majority Senior Beneficiaries**");

(ii) if the Senior Enforcement Date (as defined below) has occurred and a two-thirds majority of the lenders under the IFC Senior Secured Revolving Credit Facility Agreement have issued a notice in accordance with the RBL Lender Intercreditor Agreement confirming their intention to instruct the Security Trustee to enforce the security documents, the relevant standstill period (30 or 60 days, dependent on the event of default in respect of which enforcement action is to be taken) has elapsed since the date such notice was issued and either the Majority Senior Beneficiaries have instructed the security trustee not to enforce or have not provided any instructions in this respect, a two-thirds majority of the lenders under the IFC Senior Secured Revolving Credit Facility; or

(iii) if the Senior Enforcement Date has occurred and a two-thirds majority of the lenders under the Senior Secured Revolving Credit Facility have issued a notice confirming their intention to instruct the Security Trustee to enforce the security documents, 60 or more days have elapsed since the date such notice was issued and either the Majority Senior Beneficiaries have instructed the security trustee not to enforce or have not provided any instructions in this respect, a two-thirds majority of the lenders under the Senior Secured Revolving Credit Facility; or

(b) on and after the date of irrevocable repayment and discharge of the IFC Senior Secured Revolving Credit Facility:

(i) the Majority Senior Beneficiaries (calculated from the remaining secured creditors); or

(ii) if the Senior Enforcement Date has occurred and a two-thirds majority of the lenders under the Senior Secured Revolving Credit Facility have issued a notice confirming their intention to instruct the Security Trustee to enforce the security documents, 60 or more days have elapsed since the date such notice was issued and either the Majority Senior Beneficiaries have instructed the security trustee not to enforce or have not provided any instructions in this respect, a two-thirds majority of the lenders under the Senior Secured Revolving Credit Facility.

Subject to the above and certain other exceptions, none of the Secured Creditors may take any enforcement action at any time as described in the following paragraphs.

The lenders under the Senior Debt Agreements may accelerate any outstanding loans and cancel commitments under the Senior Debt Agreements if certain events of default have occurred and are continuing and the relevant standstill period (60 days in the case of the Senior Secured Revolving Credit Facility and 30 or 60 days, dependent on the event of default in respect of which acceleration is to be effected, in the case of the IFC Senior Secured Revolving Credit Facility) has elapsed.

A counterparty to a Hedging Agreement may not take any enforcement action at any time except that it may terminate or close out any hedging transaction under a Hedging Agreement and demand repayment of sums outstanding thereunder prior to its stated maturity if, among other things:

(i) certain illegality or tax events have occurred;

(ii) an Obligor has not paid an amount due under a Hedging Agreement to which it is a party and such non-payment has continued for three business days after notice of that default (and such counterparty's intention to terminate or close out) has been given to the Security Trustee and us;

(iii) insolvency proceedings are commenced in respect of any relevant Obligor and are not discharged within one month;

(iv) an agent under a Senior Debt Agreement has issued a notice to accelerate the relevant debt (a "**Senior Enforcement Date**") and all or any amounts accrued or outstanding under the Senior Debt Agreements have become immediately due and payable;

(v) if instructed to do so by the Security Trustee;

(vi) we experience a change of control;

(vii) the Security Trustee has confirmed to the relevant counterparty that no amount under the Senior Debt Agreements is outstanding or is capable of being outstanding; or

(viii) the prior consent of the Security Trustee is obtained.

A provider of a letter of credit pursuant to a Non-Facility LC Agreement may not take any independent enforcement action at any time except that it may exercise its rights to accelerate any liabilities under a Non-Facility LC Agreement or declare such amounts prematurely payable if:

(i) an Obligor has not paid an amount due under a Non-Facility LC Agreements and such non-payment has continued for 21 days after notice of that default (and such provider's intention to accelerate or declare any Non-Facility LC debt prematurely payable) has been given to the Security Trustee;

(ii) insolvency proceedings are commenced in respect of any relevant Obligor and are not discharged within one month;

(iii) the Senior Enforcement Date has occurred and all or any amounts accrued or outstanding under the Senior Debt Agreements have become immediately due and payable;

(iv) the Security Trustee has confirmed to the relevant provider that no amount under the Senior Debt Agreements is outstanding or is capable of being outstanding; or

(v) the prior consent of the Security Trustee is obtained.

Turnover

Subject to certain exceptions, the RBL Lender Intercreditor Agreement requires that if a Secured Creditor receives or recovers a payment or distribution in cash or in kind (including by way of set-off or combination of accounts) in respect of any liabilities which is not permitted by the RBL Lender Intercreditor Agreement or not received in accordance with the provisions described under "—Application of proceeds" then that Secured Creditor will, within three business days of the receipt or recovery, notify the Security Trustee of the same and, within three business days of demand by the Security Trustee, pay such amount to the Security Trustee as the Security Trustee may determine is in excess of the amount such Secured Creditor was otherwise entitled to.

Application of proceeds

The RBL Lender Intercreditor Agreement provides that, subject to the rights of any creditor with prior security or any preferential claim, amounts received from the realization or enforcement of all or any part of the security granted in connection with the Senior Debt

Agreements or otherwise paid to or recovered by the Security Trustee pursuant to the applicable finance documents will be applied in the following order:

(i) first, in or towards payment *pro rata* of any unpaid fees, costs and expenses incurred in connection with the enforcement of any security under any security document or any other enforcement action for recovery of any debt, in each case, by or on behalf of the Security Trustee and any receiver, attorney, agent or similar officer appointed by the Security Trustee, and any other sum due to the Security Trustee under the various finance documents but unpaid;

(ii) second, in or towards payment *pro rata* to: (a) the agent under the Senior Secured Revolving Credit Facility Agreement for application towards the balance of the debt comprised by any unpaid fees, costs and expenses of the Administrative Finance Parties (as defined in the Senior Secured Revolving Credit Facility Agreement) under the Senior Secured Revolving Credit Facility documents and (b) the agent under the IFC Senior Secured Revolving Credit Facility Agreement for application towards the balance of the debt comprised by any unpaid fees, costs and expenses of the Administrative Finance Parties (as defined in the Senior Secured Revolving Credit Facility Agreement) under the IFC Senior Secured Revolving Credit Facility documents;

(iii) third, in or towards payment *pro rata* to the: (a) hedging counterparties under the Hedging Agreements of certain costs due but unpaid under the Hedging Agreements; (b) agents under the Senior Debt Agreements for application towards any debt comprised by any accrued interest, commitment fees, commission or (if not already covered) any other fees due but unpaid under the relevant Senior Debt Agreements; and (c) providers of letters of credit under the Non-Facility LC Agreements for application towards the balance of the debt comprised by of accrued interest, commitment fees, commission and any other fees due but unpaid under the Non-Facility LC Agreements;

(iv) fourth, in or towards payment *pro rata* to the: (a) hedging counterparties under the Hedging Agreements of certain termination payments due but unpaid under the Hedging Agreements; (b) agents under the Senior Debt Agreements for application towards the balance of the debt comprised by any principal or cash cover due but unpaid under the Senior Secured Revolving Credit Facility documents; and (c) providers of letters of credit under the Non-Facility LC Agreements of principal, cash collateral or counter-indemnity amounts due but unpaid under the Non-Facility LC Agreements;

(v) fifth, in or towards payment *pro rata* to the (a) hedging counterparties under the Hedging Agreements of any other sum due but unpaid under the Hedging Agreements; (b) agents under the Senior Debt Agreements towards the balance of the debt comprised by any other sum due but unpaid under the relevant finance documents; and (c) providers of letters of credit under the Non-Facility LC Agreements for application towards the balance of the debt comprised by any other sum due but unpaid under the Non-Facility LC Agreements; and

(vi) sixth, in or towards payment of the surplus, if any, to the relevant Obligor or other person entitled to it.

Amendments

An amendment may be made in respect of the RBL Lender Intercreditor Agreement only with the approval of the Relevant Senior Instructing Group, subject to certain exceptions which include the following:

- an amendment which relates to the definition of certain definitions such as "Majority Senior Lenders", "Majority Senior Beneficiaries" or "Relevant Senior Instructing Group", which requires the consent of all the senior beneficiaries (which includes all the lenders under the RBL Facilities and certain secured providers of letters of credit who are parties to the RBL Lender Intercreditor Agreement);
- an amendment that has the effect of changing or which relates to any provision which expressly requires the consent of any Secured Creditor or group of Secured Creditors (such as the Relevant Senior Instructing Group) may not be effected without the consent of that Secured Creditor or group of Secured Creditors; and
- an amendment that has the effect of changing or which relates to the rights or obligations of the Obligors (or any of them) may not be effected without the consent of the Obligors.

Project accounts

Each Obligor other than certain specified Obligors is required to maintain proceeds accounts (each, a "**Proceeds Account**") and deposit into them any amounts received by such Obligor in connection with (i) the borrowing base assets or (ii) any disposal of a borrowing base asset or of any subsidiary that holds, whether directly or indirectly, any borrowing base asset.

An Obligor generally may withdraw amounts from any Proceeds Account maintained by it at any time and for any purpose. However, an Obligor cannot make any withdrawal from any Proceeds Account if (i) such account would become overdrawn as a result; (ii) the Senior Enforcement Date has occurred; or (iii) any event of default has occurred and is continuing (or if any event of default would result from the withdrawal), unless the Security Trustee has consented to such withdrawal or the withdrawal is expressly permitted under the RBL Lender Intercreditor Agreement.

If any event of default under a Senior Debt Agreement has occurred and is continuing, an Obligor may withdraw amounts from any Proceeds Account maintained by it at the following times and for the following purposes in order of priority:

- first, at any time, in or towards payment of certain permitted expenditures but, unless the Security Trustee otherwise agrees, only to the extent such permitted expenditures have been provided for in the then current consolidated cashflow and debt service projection in respect of the borrowing base assets;
- second, at any time, in or towards payment *pro rata* of any fees, commissions, costs and expenses, accrued interest or hedging costs due but unpaid under the Senior Debt Agreements, Hedging Agreements and the Non-Facility LC Agreements;
- third, at any time, in or towards payment *pro rata* of (a) certain hedging termination payments due but unpaid to a hedge counterparty under the Hedging Agreements to the extent that such hedging termination payments have fallen due for payment as a result of the termination of such Hedging Agreement by that hedge counterparty, (b) any principal

and cash cover in respect of letters of credit due but unpaid under the Senior Debt Agreements and (c) any principal, cash collateral or counter-indemnity obligation in respect of certain secured letters of credit due but unpaid under the Non-Facility LC Agreements; and/or

- at any time, for certain other defined purposes provided the relevant conditions as set out in the RBL Lender Intercreditor Agreement have been met.

In addition, the RBL Lenders Intercreditor Agreement provides that, subject to limited exceptions, each Obligor shall provide that all money received or receivable by it (or to its order) in respect of certain insurance policies are deposited into insurance accounts maintained by us. However, this requirement does not apply to any money received by an Obligor on behalf of any of its co-venturers or project partners that have an interest in the relevant oil or gas field in respect of which insurance proceeds have been received.

We cannot make any withdrawal from any account in the same circumstances where withdrawals from the Proceeds Account are blocked, as described above. Provided that the foregoing conditions are met, we may withdraw any amount from the insurance accounts maintained by us at the following times and for the following purposes in order of priority:

- first, in or towards meeting an Obligor's share of the liabilities in respect of which the relevant insurance proceeds were paid (including its share of the costs of replacing or reinstating an asset in respect of which the relevant insurance proceeds were paid) as and when such liabilities fall due for payment; and

- second, payment into any Proceeds Account.

In addition, we, Tullow Oil SK Limited and any other borrower under the Senior Secured Revolving Credit Facility Agreement that wishes to request letters of credit under the Senior Secured Revolving Credit Facility Agreement must maintain cash collateral accounts and procure that all amounts of cash cover that it is required to provide under the Senior Secured Revolving Credit Facility Agreement (or otherwise elects to provide) in relation to any letter of credit are paid into such cash collateral accounts.

We cannot make any withdrawal from any collateral account in the same circumstances where withdrawals from the Proceeds Account are blocked, as described above. Provided that the foregoing conditions are met, we may withdraw any amount from the collateral accounts maintained by it at the following times and for the following purposes in order of priority:

- first, in or towards the payment to any lender under the Senior Secured Revolving Credit Facility Agreement of amounts due and payable to it under the Senior Secured Revolving Credit Facility Agreement in respect of the relevant letter of credit for which cash cover has been provided; and

- second, if certain conditions are met, payment into any Proceeds Account.

General

The RBL Lender Intercreditor Agreement contains provisions:

- which prohibit the obtaining by any Secured Creditor of further security, guarantees, indemnities or other assurances against financial loss;

- which restrict amendments to the Senior Debt Agreements;
- relating to requirements for the terms of the Hedging Agreements;
- relating to information sharing; and
- relating to customary protections for the Security Trustee and the global technical banks.

Governing law
The RBL Lender Intercreditor Agreement is governed by English law.

Corporate facility

We have entered into a secured revolving credit facility, dated December 14, 2009, as most recently amended pursuant to an amendment letter dated November 21, 2017 and as amended, amended and restated or acceded to from time to time, with, among others, Bank of America Merrill Lynch International Limited, BNP Paribas, Credit Agricole Corporate and Investment Bank, HSBC Bank plc, ING Bank N.V., Natixis, Société Générale, Standard Chartered Bank, The Royal Bank of Scotland plc and The Standard Bank of South Africa Limited as mandated lead arrangers, BNP Paribas as agent and security trustee and Credit Agricole Corporate and Investment Bank as technical bank (the "**Corporate Facility Agreement**").

Pursuant to the Corporate Facility Agreement, a revolving credit facility (the "**Corporate Facility**") has been made available to us as borrower. The Corporate Facility may be utilized in U.S. dollars, pounds sterling or euro by drawing of cash advances. Borrowings may be used for the purposes of funding our and our subsidiaries' oil and gas related expenditure from time to time and for general corporate purposes (including acquisitions).

Borrowers and guarantors
We are the original borrower under the Corporate Facility. We, Tullow Oil SK Limited, Tullow Côte d'Ivoire Limited, Tullow Oil SPE Limited, Tullow Equatorial Guinea Limited, Tullow Ghana Limited, Tullow Oil Gabon S.A., Tullow Oil International Limited, Tullow Uganda Limited, Tullow Uganda Operations Pty. Ltd. and Tullow Kenya B.V. are guarantors under the Corporate Facility. A mechanism is included in the Corporate Facility Agreement to enable certain of our subsidiaries to accede as additional borrowers or additional guarantors with respect to the Corporate Facility, subject to certain conditions.

Security
The Corporate Facility is secured by way of: (i) a first-ranking Isle of Man law share charge granted over the shares in Tullow Uganda Limited; (ii) a first-ranking Western Australia law share mortgage granted over the shares in Tullow Uganda Operations Pty Limited, (iii) second-ranking Jersey law security interest agreements granted over the shares in Tullow Oil International Limited; (iv) a first-ranking Dutch law share pledge granted over the shares in Tullow Kenya B.V. and (v) an English law security assignment in respect of certain rights in subordinated debt granted by each of the guarantors referred to above and certain other group companies.

Commitments

The Corporate Facility provides for a revolving credit facility in an aggregate amount not exceeding the lower of: (i) total commitments from time to time; and (ii) our debt capacity amount, which is calculated by reference to our contingent resources and is re-determined on a semi-annual basis. There may be an interim re-calculation of the debt capacity amount in certain specified circumstances. As of January 31, 2018, the total commitments under the Corporate Facility were $600 million and will reduce to $500 million from April 4, 2018 and to $400 million from October 1, 2018.

Guarantees

Each of the guarantors listed above has (among other things) provided a guarantee of all amounts payable to each Finance Party (as defined in the Corporate Facility Agreement) by any other borrower or guarantor in connection with the Corporate Facility Agreement.

Reduction and repayment

The total commitments made under the Corporate Facility must be reduced to zero by the final maturity date, which will be April 4, 2019. Subject to certain exceptions, each loan must be repaid on the last day of the relevant interest period relating thereto (which, subject to certain exceptions, may be one, two, three or six months or any other period agreed between us and the agent), subject to a netting mechanism against amounts drawn on such date. Amounts repaid by a borrower may be re-borrowed, subject to certain exceptions.

Mandatory prepayment

If it becomes unlawful in any applicable jurisdiction for a lender to perform its obligations under the Corporate Facility Agreement or to fund or maintain its participation in a loan, the commitment of that lender will be immediately canceled once that lender has notified us (through the agent) of that unlawfulness and, if applicable, all obligations under such commitment will be payable on the last day(s) of the relevant interest period(s) or earlier if required by the lender concerned in certain circumstances.

If we experience certain change of control events, we are obliged to promptly notify the agent, following which the agent shall promptly notify the lenders. Within the 20 business days' period of being notified by the agent, any lender may by notice to us and the agent cancel its commitments (which cancellation shall take place immediately upon notification by the lender). Thereafter, the borrower must, by no later than ten business days of the end of such 20 business days' notice period, repay such lender's participation in all outstanding loans, together with accrued interest and all other amounts due to that lender under the finance documents. The borrower must repay the participations of all lenders requiring such repayment at the same time.

If the total commitments under the Senior Secured Revolving Credit Facility are cancelled or reduced to zero on any date or the borrowers under the Senior Secured Revolving Credit Facility are required to repay all loans under the Senior Secured Revolving Credit Facility, then any lender under the Corporate Facility may by notice to us and the agent require that its commitment under the Corporate Facility be reduced to zero and that its outstanding loans be repaid.

If certain material adverse changes have, in the reasonable opinion of a two-thirds majority of the lenders, occurred, a two-thirds majority of the lenders may require that the total commitments under the Corporate Facility be cancelled immediately and that all loans and other outstanding amounts under the Corporate Facility and related finance documents be repaid.

In the event that we or any of our subsidiaries receives cash proceeds from the disposal of any of its Ugandan Assets or Kenyan Assets (as each such term is defined in the Corporate Facility Agreement) to a third party (outside us and our subsidiaries), an amount equal to the lesser of (i) 50% of such cash proceeds plus 50% of any carry component payable in cash attributable to the relevant disposal and (ii) 75% of such cash proceeds, shall be due within five business days of receipt, in prepayment of the Corporate Facility. At the same time as any such prepayment, the aggregate commitments under the Corporate Facility shall be cancelled in a corresponding amount (up to a maximum reduction of $500 million).

The Corporate Facility Agreement also includes customary prepayment events and rights related to defaulting lenders, taxes and increased costs.

Voluntary prepayment and cancellation

Subject to payment of break costs (if any), we may voluntarily cancel the available commitments or prepay amounts outstanding under the Corporate Facility without penalty or premium, at any time in whole or in part, subject to a minimum cancellation or prepayment of $10 million (with integral multiples of $10 million), on not less than five business days' (or such shorter period as a two-thirds majority of the lenders may agree) prior notice to the agent.

Interest and fees

The rate of interest payable on the loans under the Corporate Facility Agreement is the rate per annum equal to the aggregate of a margin plus LIBOR (in the case of loans in U.S. dollars or pounds sterling) or EURIBOR (in the case of loans in euros). The applicable margin varies based on the ratio of consolidated total net borrowings to consolidated EBITDA and the level of utilization of the Corporate Facility. Default interest is also payable, at a rate of 2% per annum higher than the standard rate of interest payable on loans under the Corporate Facility, on overdue amounts.

We are required to pay a commitment fee on available but unutilized commitments under the Corporate Facility, quarterly in arrears at a rate equal to a percentage of the applicable margin.

Representations and warranties

The Corporate Facility Agreement includes certain customary representations and warranties, given by each borrower and each guarantor (and where expressly provided, certain other key group companies) subject to certain exceptions and appropriate materiality qualifications including (but not limited to) representations with respect to:

- status;
- powers and authority;
- legal validity;
- non-conflict with constitutional documents, laws / regulations or certain documents;

- ranking;
- no insolvency;
- no default;
- accuracy of most recently delivered financial statements;
- compliance with laws including tax laws, anti-bribery, anti-corruption and anti-money laundering laws;
- maintenance of insurances; and
- no material adverse change;
- deduction of tax;
- no immunity;
- material assets;
- authorizations;
- no litigation;
- accuracy of relevant information;
- security;
- environmental matters;
- ownership structure;
- Jubilee field information;
- accuracy of debt capacity amount calculation statements; and
- sanctions.

Negative and positive covenants

The Corporate Facility Agreement contains negative and positive covenants applicable to each borrower and each guarantor (and in certain cases, certain other key group companies) similar to, and subject to similar exceptions as, those under the Senior Secured Revolving Credit Facility Agreement, except that the covenant relating to the contribution of borrowing base assets to net present value is not included in the Corporate Facility Agreement.

In addition, the Corporate Facility Agreement requires, to the extent not already provided to the lenders under the Corporate facility, provision by us to the agent of any reports, documents or other information provided to the lenders under the Senior Secured Revolving Credit Facility Agreement.

Financial covenant

The Corporate Facility Agreement requires us to comply with a ratio of consolidated total net borrowings to consolidated EBITDA. These financial terms are defined in the Corporate Facility Agreement and may not correspond to similarly titled metrics in our consolidated financial statements, the Indenture or this Offering Memorandum.

The ratio is tested bi-annually with respect to the most recent financial statements delivered pursuant to the Corporate Facility Agreement. In the event of non-compliance with the ratio, the Corporate Facility Agreement provides for an equity cure option similar to that in the Senior Secured Revolving Credit Facility Agreement.

Events of default

The Corporate Facility Agreement sets out certain events of default, the occurrence of which would allow the lenders (if a two-thirds majority of the lenders so direct) to cancel their commitments and/or declare that all or part of the loans, together with accrued interest and other amounts outstanding are immediately due and payable and/or payable immediately on demand and/or exercise or direct the security trustee to exercise any rights available under the finance documents. These events of default, including, in certain cases, grace periods, thresholds and other qualifications, are similar to those in the Senior Secured Revolving Credit Facility Agreement.

Governing law

The Corporate Facility Agreement is governed by English law.

2020 Senior Notes

On November 6, 2013, the Company issued $650 million in aggregate principal amount of 6% Senior Notes (the "**2020 Senior Notes**"). The 2020 Senior Notes mature on November 1, 2020. The 2020 Senior Notes are guaranteed on a senior subordinated basis by the same guarantors of the Notes (the "**2020 Senior Notes Guarantees**").

The 2020 Senior Notes will be redeemed in full using the proceeds of the Offering and cash on hand.

The Company may redeem all or part of the 2020 Senior Notes at any time on or after November 1, 2016 at a price equal to par plus 50% of the applicable coupon, declining to par plus 25% of the applicable coupon on November 1, 2017 and at par from and after November 1, 2018. Upon the occurrence of certain specified change of control events, the holders of the 2020 Senior Notes will have the right to require the Company to offer to repurchase the 2020 Senior Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase.

The 2020 Senior Notes Indenture limits, among other things, the ability of the Company and its restricted subsidiaries to:

- incur additional debt and issue guarantees and preferred stock;
- make certain payments, including dividends and other distributions, with respect to outstanding share capital;

- repay or redeem subordinated debt or share capital;
- create or incur certain liens;
- impose restrictions on the ability of subsidiaries to pay dividends or make other payments to the Company;
- make certain investments or loans;
- sell, lease or transfer certain assets, including shares of any of the Company's restricted subsidiaries;
- guarantee certain types of other indebtedness without also guaranteeing the Notes;
- expand into unrelated businesses;
- merge or consolidate with other entities, or make certain asset sales; and
- enter into certain transactions with affiliates.

These limitations are, however, subject to a number of important qualifications and exceptions.

The 2020 Senior Notes Indenture also contains customary events of default, including, without limitation, payment defaults, covenant defaults, certain cross-defaults to mortgages, indentures or other instruments, certain events of bankruptcy and insolvency, and judgment defaults.

The 2020 Senior Notes, the 2020 Senior Notes Guarantees and the 2020 Senior Notes Indenture are all governed by New York law.

2022 Senior Notes

On April 8, 2014, the Company issued $650 million in aggregate principal amount of 6¼% Senior Notes (the "**2022 Senior Notes**"). The 2022 Senior Notes mature on April 15, 2022. The 2022 Senior Notes are guaranteed on a senior subordinated basis by the same guarantors of the Notes (the "**2022 Senior Notes Guarantees**").

The Company may redeem all or part of the 2022 Senior Notes at any time on or after April 15, 2017 at a price equal to par plus 75% of the applicable coupon, declining to par plus 50% of the applicable coupon on April 15, 2018, declining to par plus 25% of the applicable coupon on April 15, 2019, and at par from and after April 15, 2020. At any time prior to April 15, 2017, the Company may redeem all or part of the 2022 Senior Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of redemption plus a "make-whole" premium. At any time prior to April 15, 2017, the Company may on one or more occasions redeem up to 35% of the aggregate principal amount of the 2022 Senior Notes, using the net proceeds from certain equity offerings at a redemption price equal to 106.250% of the principal amount of the 2022 Senior Notes, plus accrued and unpaid interest, if any, to the date of redemption; provided that at least 65% of the aggregate principal amount of the 2022 Senior Notes remain outstanding after the redemption. Upon the occurrence of certain specified change of control events, the holders of the 2022 Senior Notes will have the right to require the Company to offer to repurchase the 2022 Senior Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase.

The 2022 Senior Notes Indenture limits, among other things, the ability of the Company and its restricted subsidiaries to:

- incur additional debt and issue guarantees and preferred stock;
- make certain payments, including dividends and other distributions, with respect to outstanding share capital;
- repay or redeem subordinated debt or share capital;
- create or incur certain liens;
- impose restrictions on the ability of subsidiaries to pay dividends or make other payments to the Company;
- make certain investments or loans;
- sell, lease or transfer certain assets, including shares of any of the Company's restricted subsidiaries;
- guarantee certain types of other indebtedness without also guaranteeing the Notes;
- expand into unrelated businesses;
- merge or consolidate with other entities, or make certain asset sales; and
- enter into certain transactions with affiliates.

These limitations are, however, subject to a number of important qualifications and exceptions.

The 2022 Senior Notes Indenture also contains customary events of default, including, without limitation, payment defaults, covenant defaults, certain cross-defaults to mortgages, indentures or other instruments, certain events of bankruptcy and insolvency, and judgment defaults.

The 2022 Senior Notes, the 2022 Senior Notes Guarantees and the 2022 Senior Notes Indenture are all governed by New York law.

Convertible bonds

On July 12, 2016, Tullow Oil (Jersey) Limited (the "**Convertible Bonds Issuer**"), the Company, as parent guarantor and Tullow Congo Limited, Tullow Côte d'Ivoire Limited, Tullow Equatorial Guinea Limited, Tullow Exploration & Production Netherlands B.V., Tullow Ghana Limited, Tullow Oil Gabon S.A., Tullow Oil International Limited, Tullow Oil SK Limited, Tullow Oil SPE Limited, Tullow Uganda Limited, Tullow Uganda Operations Pty Ltd., as subsidiary guarantors (collectively the "**Convertible Bonds Subsidiary Guarantors**" and together with the Company, the "**Convertible Bonds Guarantors**") and Deutsche Trustee Company Limited (the "**Convertible Bonds Trustee**") entered into a trust deed for $300 million aggregate principal amount of 6.625% guaranteed convertible bonds due 2021 (the "**Convertible Bond Trust Deed**"), listed on the Official List of the Channel Islands Securities Exchange Authority Limited and admitted to trading on the market of the International Stock Exchange.

The Convertible Bonds Trust Deed provides that the Convertible Bonds Trustee will act as trustee of the Convertible Bonds Trust Deed and that the Convertible Bonds Guarantors will provide certain guarantees. The Company guarantees all payments due from, and the delivery of preference shares in the Company ("**Preference Shares**") by, the Convertible Bonds Issuer under the Convertible Bonds Trust Deed and the terms and conditions of the Convertible Bonds (the "**Convertible Bonds Terms and Conditions**"). Each Convertible Bonds Subsidiary Guarantor jointly and severally guarantees on a senior subordinated basis all payments due from the Convertible Bonds Issuer under the Convertible Bonds Trust Deed and the Convertible Bonds Terms and Conditions and all payments due from the Company in respect of the same (the "**Convertible Bonds Subordinated Guarantee**"). The Convertible Bonds Subsidiary Guarantors do not guarantee the Company's guarantee of the Convertible Bonds Issuer's obligations in respect of delivering Preference Shares. Any claims of bondholders under the Convertible Bonds Subordinated Guarantee will rank subordinate in right and priority of payment to such Convertible Bonds Subsidiary Guarantor's obligations under certain senior financing agreements in accordance with the terms of the Guarantee Subordination Agreement (as defined below). See "—Guarantee Subordination Agreement."

The Convertible Bonds Guarantors' obligations are continuing and remain in full force and effect until no sum remains payable under the Convertible Bonds Trust Deed or the Convertible Bonds Terms and Conditions. The Convertible Bonds Guarantors also each provide an indemnity for the benefit of bondholders.

The Convertible Bonds Trust Deed contains covenants from the Convertible Bond Issuer, the Company and the Convertible Bonds Subsidiary Guarantors (including the Convertible Bond Issuer's covenant to pay) for the benefit of the Convertible Bonds Trustee and bondholders and governs the Convertible Bonds Trustee's role and conditions of engagement. The Convertible Bonds Trustee is granted the ability to waive default, consent to amendments and consent to substitution of the Convertible Bond Issuer in certain limited circumstances. The Convertible Bonds Trustee can retire on giving notice or be removed by an extraordinary resolution of bondholders but such retirement or removal will not be effective unless a successor trustee has been appointed, subject to certain conditions.

The Convertible Bonds Terms and Conditions provide that each $200,000 principal amount of a Bond is convertible into Preference Shares and each Preference Share will be allotted at a price equal to the paid up value of $200,000 (a "**Conversion Right**"). This Conversion Right may be exercised at the option of a bondholder from August 22, 2016 to the close of business on the date falling seven days prior to July 12, 2021 or any other relevant maturity date, subject to certain conditions and exceptions. All Preference Shares issued will be automatically and mandatorily transferred to the Company who will issue or transfer and deliver ordinary shares in the Company (the "**Ordinary Shares**") to the bondholder in consideration for the receipt of Preference Shares. The Calculation Agent (as defined below) will determine the number of Ordinary Shares allotted by reference to an exchange price which may be adjusted in accordance with the Convertible Bonds Terms and Conditions. The initial exchange price for Conversion Rights was $3.52 per Ordinary Share. Following the Rights Offering, the exchange price for Conversion Rights was adjusted from the initial exchange price to $3.0002 per Ordinary Share.

The Company and the Convertible Bond Issuer give various undertakings in favor of the bondholders. The Convertible Bond Issuer has the option to redeem all outstanding bonds at their principal amount plus accrued and unpaid interest at any time after July 29, 2019 (if a volume weighted average price threshold is met) or if 85% or more of the Convertible Bonds have been converted. Bondholders can redeem on a change of control in the Company or release and no replacement of all of the Convertible Bonds Subsidiary Guarantors. The events of default in the Convertible Bonds Terms and Conditions include non-payment, breach of obligations, cross-default, non-compliance with a judgment, unenforceable guarantees, various insolvency events and the Convertible Bond Issuer ceasing to be a wholly owned subsidiary.

The Convertible bond deed poll

The conversion and exchange rights of convertible bondholders are guaranteed by the Company on a senior basis pursuant to a deed poll dated July 12, 2016 entered into by the Company in favor of the holders of Preference Shares in the Company (the "**Convertible Bonds Deed Poll**"). The Convertible Bond Deed Poll provides for an undertaking to be given by the Company to each holder of preference shareholders in the Company (a "**Preference Shareholder**") to make due and punctual payment of the aggregate paid-up value of the Preference Shares, dividends and other amounts expressed to be payable, subject to certain conditions. The Company further undertakes that after the exercise of a Conversion Right, it will issue or transfer and deliver Ordinary Shares in accordance with the Convertible Bond Terms and Conditions. The Company's obligations under the Convertible Bond Deed Poll are not subordinated.

The Convertible Bond Deed Poll is a continuing guarantee and will remain in full force and effect until all amounts payable in respect of the Preference Shares have been paid in full at which point it will cease to have effect. The release of the Company is accordingly limited. The terms of the Convertible Bond Deed Poll provide that the Company shall be liable to Preference Shareholders as if it were the principal debtor and subrogated to all or any rights of the Preference Shareholders against the Convertible Bond Issuer. The Convertible Bond Deed Poll can only be amended by deed poll.

Guarantee subordination agreement

The following description is a summary of certain provisions in the Guarantee Subordination Agreement. It does not restate the Guarantee Subordination Agreement in its entirety. As such, you are urged to read the Guarantee Subordination Agreement because it, and not the description that follows, defines certain rights of the holders of the Notes.

By purchasing a Note, Noteholders shall be deemed to have agreed to, and accepted the terms and conditions of, the Guarantee Subordination Agreement and to have authorized the Trustee to accede to the Guarantee Subordination Agreement on their behalf.

In connection with the issuance of the 2020 Senior Notes, we entered into a subordination agreement (the "**Guarantee Subordination Agreement**") on November 6, 2013. In connection with the issuance of the 2022 Senior Notes, the trustee for the 2022 Senior Notes acceded to the Guarantee Subordination Agreement on April 8, 2014. In connection with the issuance of the Convertible Bonds, on July 12, 2016, the Guarantee Subordination Agreement was amended and restated and the Convertible Bonds Trustee acceded to the Guarantee Subordination Agreement. In connection with this issuance of Notes, the Trustee will accede to the Guarantee Subordination Agreement. The Guarantee Subordination Agreement governs the relationships and relative priorities among: (i) the creditors of the RBL Facilities (the "**RBL Creditors**"); (ii) the creditors of the Corporate Facility (the "**Corporate Creditors**"); (iii) certain banks that act as counterparties to hedging agreements (the "**Hedging Banks**"); (iv) certain providers of secured letters of credit under the Non-Facility LC Agreements (the "**LC Providers**" and together with the RBL Creditors, the Corporate Creditors and the Hedging Banks, the "**Senior Creditors**"); (v) the trustee for the 2020 Senior Notes, the trustee for the 2022 Senior Notes, the Convertible Bonds Trustee and the Trustee for the relevant Notes on its own behalf and on behalf of the Noteholders (the "**Notes Creditors**").

In this description:

- "**Group**" refers to all of our subsidiaries for the time being but, for the avoidance of doubt, not Tullow Oil plc;
- "**Notes Issuer**" refers to us (but the definition in the Guarantee Subordination Agreement will also capture certain of our wholly-owned subsidiaries which may in future issue notes and on-lend the proceeds of such issuance to us);
- each member of the Group (excluding any Notes Issuer) that is a borrower or guarantor under the Debt Documents is referred to as a "**Debtor**" and are collectively referred to as the "**Debtors**";
- "**Senior Finance Documents**" refers to (among others) each of the RBL Facilities, the Corporate Facility and each other document defined as a "Finance Document" under the RBL Lender Intercreditor Agreement;
- "**Notes Documents**" refers to each of the Guarantee Subordination Agreement, the 2020 Senior Notes, 2022 Senior Notes, the note guarantees relating to the end of the 2020 Senior Notes, 2022 Senior Notes and the Notes, and the 2020 Senior Notes Indenture, the 2022 Senior Notes Indenture, the Convertible Bonds, the note guarantees relating to the Convertible Bonds, the Convertible Bonds Trust Deed, and the Indenture; and
- "**Debt Documents**" refers to (among others) each of the RBL Facilities, the Corporate Facility and the Notes Documents.

Ranking and priority

The Guarantee Subordination Agreement will provide that the liabilities owed by the Debtors to the Senior Creditors under the Senior Finance Documents (the "**Senior Liabilities**") and the liabilities owed by the Guarantors to the Notes Creditors under the Notes Documents (the "**Notes Guarantee Liabilities**") will rank in right and priority of payment in the following order:

- first, the Senior Liabilities *pari passu* and without any preference between them; and
- second, the Notes Guarantee Liabilities, *pari passu* and without preference between them.

The parties to the Guarantee Subordination Agreement will agree that the liabilities owed by any Notes Issuer to the Notes Creditors under the Notes Documents, certain amounts owed to the Trustee under the Notes Documents and certain Notes security enforcement and preservation costs (if any) are senior obligations (and are therefore not Notes Guarantee Liabilities) and the Guarantee Subordination Agreement does not purport to rank, postpone and/or subordinate any of them in relation to the other liabilities.

The Guarantee Subordination Agreement will not purport to rank any of the Senior Liabilities as between themselves or any of the Notes Guarantee Liabilities as between themselves. In addition, the Guarantee Subordination Agreement will not purport to rank any of the liabilities of any Notes Issuer.

Permitted payments

Until the Senior Discharge Date (as defined below), the Guarantee Subordination Agreement will only permit Debtors to pay any amounts due to the Notes Creditors with respect to the Notes Guarantee Liabilities if:

- no Stop Notice (as defined below) is outstanding and no Senior Payment Default (as defined below) has occurred and is continuing;
- the requisite consent of the lenders under each of the RBL Facilities and the Corporate Facility has been obtained; or
- the payment is of:
    - costs, commissions, taxes, fees payable to solicitation agents or other administrative service providers in connection with any consent process (provided that no portion of such fees may be payable to, or received by, the Noteholders) and expenses incurred in respect of (or reasonably incidental to) the Notes Documents (or any of them);
    - additional amounts payable as a result of the tax gross-up provisions relating to the Notes Guarantee Liabilities and amounts in respect of currency indemnities in the Notes Documents;
    - any amount not exceeding $2,250,000 (or its equivalent in other currencies) in aggregate in any twelve-month period; or
    - the principal amount of the liabilities in respect of the Notes on or after the final maturity date thereof (*provided that* such maturity date is as contained in the relevant Note Document in its original form).

The "**Senior Discharge Date**" means the date on which all Senior Liabilities have been fully and wholly discharged to the satisfaction of the relevant Representative (as defined below) and the Senior Creditors are under no further obligations to provide financial accommodation to any Debtor under any Senior Finance Document.

A "**Senior Payment Default**" refers to a default arising by reason of a failure by the Company or certain of its subsidiaries to pay on the due date any amount payable by them in connection with any of the Senior Finance Documents other than an amount not exceeding $1,000,000 (or its equivalent in any currency).

The agent representatives (each a "**Representative**") of the lenders under each of the RBL Facilities and the Corporate Facility (each in accordance with its underlying documents) may serve a notice (a "**Stop Notice**") specifying that an event of default (other than a Senior Payment Default) under any of the RBL Facilities and the Corporate Facility (as applicable) is outstanding and suspend the payment of any Notes Guarantee Liabilities until the earliest of: (i) the date on which such relevant event of default is waived, remedied or cured in accordance with the relevant document, is no longer continuing or otherwise ceases to exist; (ii) the date falling 179 days after the date of receipt by the Trustee of the Stop Notice; (iii) the date on which the liabilities owed to the relevant Senior Creditors under the RBL Facilities or the

Corporate Facility under which such event of default occurred have been fully and finally discharged and the relevant Senior Creditors are under no further obligation to provide financial accommodation to any Debtor under any Senior Finance Document; (iv) the date on which the Representative that served the Stop Notice cancels such Stop Notice; (v) if a Standstill Period (as defined below) is already in effect, the date on which the aforementioned Standstill Period expires; and (vi) the date on which the Trustee takes any enforcement action that is permitted under the Guarantee Subordination Agreement. Each Stop Notice is to be issued within 60 days of receipt of notice of such default, only one notice may be served within any 360 day period, not more than one such notice may be served in respect of the same event or set of circumstances and no such notice may be served in respect of an event of default which has been notified to the relevant Representative at the time at which an earlier Stop Notice was issued. Notwithstanding the foregoing, a Notes Issuer will not be prevented from making a payment from its own assets if such payment is in respect of any of its obligations under the Notes in respect of which such Stop Notice has been delivered and such payment is not financed by a payment to such Notes Issuer by a member of the Group which is prohibited as described in this paragraph.

Restrictions on enforcement

While any Senior Liabilities are outstanding, the Guarantee Subordination Agreement will only permit Notes Creditors to take enforcement action against a Debtor in respect of any Notes Guarantee Liabilities: (i) if a Standstill Period (as defined below) in respect of an event of default under the Notes Documents (other than one arising solely by reason of a cross default (other than a payment cross default) to any Senior Finance Document) (a "**Notes Default**") has elapsed and such event of default is outstanding at the end of that Standstill Period; (ii) in circumstances where the Senior Creditors take enforcement action in relation to a Debtor (provided that Notes Creditor action is limited to taking the same action against a guarantor in respect of the Notes Guarantee Liabilities (a "Notes Guarantor") as that taken by the Senior Creditors); and (iii) if certain insolvency, liquidation or other similar enforcement events with respect to a Notes Guarantor have occurred and such actions are taken with respect to such Notes Guarantor (subject to certain limited exceptions).

In this section, a "**Standstill Period**" refers to the period beginning on the date (the "**Start Date**") the Representatives receive a notice from the Trustee notifying them of a Notes Default and ending on the earlier of (i) the date falling 179 days after the Start Date; (ii) the date on which the Senior Creditors take enforcement action in relation to a Notes Guarantor; (iii) the date of certain insolvency, liquidation or other similar enforcement events occurring in relation to a Notes Guarantor against whom such actions have been taken (subject to certain limited exceptions); (iv) the expiry of another Standstill Period outstanding at the date such first mentioned Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy); (v) the date on which a Notes Default occurs for failure to pay principal at the original scheduled maturity of the Notes; and (vi) the date on which the relevant Representatives consent to the relevant Notes Creditors taking enforcement action in respect of that Notes Default. In the circumstances described in item (ii) above, the Standstill Period is only brought to an end to allow the Notes Creditors to take the same enforcement action against a Notes Guarantor as that taken by the Senior Creditors.

Turnover

Turnover by the notes creditors

The Guarantee Subordination Agreement will also provide that if at any time prior to the Senior Discharge Date, a Notes Creditor (subject to certain exceptions for the Trustee) receives or recovers a payment or distributes of, on account of or in relation to any Notes Guarantees Liabilities which is not a permitted under the Guarantee Subordination Agreement, it will:

- in relation to receipts and recoveries from a guarantor of the RBL Facilities and the Corporate Facility (or from any person that is a Notes Guarantor and has granted security for the RBL Facilities and the Corporate Facility): (i) hold the received or recovered amount on trust for the relevant Representatives; (ii) promptly notify the relevant Representatives of such receipt or recovery and request that each Representative confirm the amount of Senior Liabilities outstanding under the relevant documents; and (iii) pay or distribute such amounts to the relevant Representatives on a *pari passu* basis for application in accordance with the terms of the relevant RBL Facilities and/or the Corporate Facility (as applicable);

- in relation to receipts and recoveries from a guarantor of only the RBL Facilities (or from any person that is a Notes Guarantor and has granted security only for the RBL Facilities): (i) hold the received or recovered amount on trust for the relevant Representative; (ii) promptly notify the relevant Representative of such receipt or recovery and request that such Representative confirm the amount of Senior Liabilities outstanding under the relevant document; and (iii) pay or distribute such amounts to the relevant Representatives on a *pari passu* basis for application in accordance with the terms of the RBL Facilities; and

- in relation to receipts and recoveries from a guarantor of only the Corporate Facility (or from any person that is a Notes Guarantor and has granted security only for the Corporate Facility): (i) hold the received or recovered amount on trust for the relevant Representative; (ii) promptly notify the relevant Representative of such receipt or recovery and request that each Representative confirm the amount of Senior Liabilities outstanding under the relevant document; and (iii) pay or distribute such amounts to the relevant Representatives on a *pari passu* basis for application in accordance with the terms of the Corporate Facility.

- Pending payment, the relevant Notes Creditor shall hold the relevant amount(s) on trust for the relevant Representative.

Turnover by the representatives

The Guarantee Subordination Agreement shall provide that if any Representative collects, receives or recovers any amounts following the exercise any of its rights described under the caption "—Filing of claims" below and, after the Senior Discharge Date, that Representative continues to hold any such amounts so collected, received or recovered, that Representative shall promptly pay all such amounts to the Trustee for application in accordance with the terms of the Notes Documents.

Filing of claims

After the occurrence of certain insolvency, liquidation or other similar enforcement events in respect of a Notes Guarantor, each Representative will be authorized under the Guarantee Subordination Agreement to: (i) demand, sue, prove and give receipt for any or all of that Debtor's Notes Guarantee Liabilities; (ii) collect and receive all distributions on, or on account of, any or all of that Notes Guarantor's Notes Guarantee Liabilities; and (iii) file claims, take proceedings and do all other things the relevant Representative considers reasonably necessary to recover that Notes Guarantor's Notes Guarantee Liabilities.

Option to purchase

The Guarantee Subordination Agreement will provide that the Trustee may, at the direction of one or more of the Notes Creditors (each a "**Purchasing Notes Creditor**") and by giving at least ten business days' notice to the relevant Representatives, at any time when a Stop Notice is outstanding and any enforcement action has been taken by or on behalf of a Senior Creditor, require the transfer to them of all, but not part, of the rights and obligations in respect of the Senior Liabilities if (subject to limited exceptions): (i) the transfer is lawful; (ii) any conditions relating to such a transfer contained in the relevant documents are complied with; (iii) payment in full in cash of an amount equal to the Senior Liabilities outstanding and certain other costs and expenses relating to the transfer; (iv) as a result of that transfer the Senior Creditors have no further actual or contingent liability to any Debtor under the relevant Debt Documents; (v) an indemnity is provided from each Purchasing Notes Creditor (other than the Trustee or from an acceptable third- party) in a satisfactory form in respect of all losses which may be sustained or incurred by any Senior Creditor in consequence of any sum received or recovered by any Senior Creditor from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Senior Creditor for any reason; and (vi) the transfer is made without recourse to, or representation or warranty from, the Senior Creditors.

Release of guarantees in respect of the notes

The Guarantee Subordination Agreement will provide that if a disposal of shares or assets of any member of the Group is effected pursuant to any enforcement action taken pursuant to the Senior Finance Documents, any guarantees in respect of the Notes from any of our subsidiaries whose shares or the shares of its direct or indirect holding company are sold will be released and any security in respect of the shares and assets of any such subsidiary will be released if: (i) the proceeds of such sale or disposal are in cash (or substantially in cash); (ii) all present and future obligations owed to the creditors under the Senior Finance Documents by a member of the Group are unconditionally released and discharged or sold or disposed of concurrently with such sale; and (iii) such sale or disposal (including any sale or disposal of any claim) is made pursuant to a public auction or where an independent investment bank or an internationally recognized firm of accountants has delivered an opinion to the Trustee in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances.

General

The Guarantee Subordination Agreement will contain provisions dealing with:

- incurrence of future debt that will allow certain agents with respect to the creditors of that debt to accede to the Guarantee Subordination Agreement and benefit from, and be subject to, the provisions described above (including, for the avoidance of doubt, as creditors in respect of Senior Liabilities); and
- customary protections for the Trustee.

Governing law

The Guarantee Subordination Agreement is governed by and construed in accordance with English law.

Hedging arrangements

We maintain certain commodity hedges to manage our exposure to movements in oil and gas prices. In addition, we hold a small portfolio of interest rate derivatives and, at times, a small portfolio of foreign exchange derivatives. In connection with these activities, we have entered into International Swaps and Derivatives Association master agreements with several hedging partners. Certain of the Initial Purchasers have entered and may from time to time enter into hedging arrangements with us and our affiliates. For a further discussion of our current hedging arrangements, see "Management's discussion and analysis of financial condition and results of operation—Significant factors affecting results of operations—Derivative financial instruments."

Description of notes

Tullow Oil plc (the "**Company**") will issue the Notes under an indenture (the "Indenture") among, *inter alios,* the Company, the Guarantors, Deutsche Trustee Company Limited, as trustee (the "**Trustee**"), Deutsche Bank Trust Company Americas, as Principal Paying Agent, Transfer Agent and Registrar and Deutsche Bank AG, London Branch, as London Paying Agent in a private transaction that is not subject to the registration requirements of the U.S. Securities Act. The terms of the Notes include those set forth in the Indenture. The Indenture will not incorporate, by reference or otherwise, include or be subject to any of the provisions of the U.S. Trust Indenture Act of 1939, as amended. See "Notice to Investors."

The following description is a summary of the material provisions of the Indenture and the Notes and refers to the Guarantee Subordination Agreement and certain other agreements relating to the Notes. This description does not restate those agreements in their entirety. We urge you to read the Indenture, the Notes and the Guarantee Subordination Agreement because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture, the form of Note and the Guarantee Subordination Agreement are available as set forth below under "—Additional information."

You can find the definitions of certain terms used in this "Description of Notes" under the subheading "—Certain definitions." Certain defined terms used in this "Description of Notes" but not defined below under "—Certain definitions" or elsewhere in this description have the meanings assigned to them in the Indenture. For purposes of this "Description of Notes," the term "Company" refers only to Tullow Oil plc and not to any of its subsidiaries, and unless the context requires otherwise, references in this "Description of Notes" to the Notes include the Notes and any additional Notes that are issued.

The Company, the Trustee, the Registrar, the Transfer Agent and the Paying Agent will be entitled to treat the registered Holder of a Note as the owner of it for all purposes. Only registered Holders will have rights under the Indenture.

There is currently no public market for the Notes. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange (the "Exchange") and to trade on the Euro MTF Market of the Exchange. There are no assurances that the Notes will be admitted to the Official List of the Exchange. The Company may also choose to list on another recognized stock exchange.

Brief description of the Notes and the Note Guarantees

The Notes

The Notes will be:

- general obligations of the Company;
- *pari passu* in right of payment with all existing and future obligations of the Company that are not expressly contractually subordinated in right of payment to the Notes, including under the RBL Facilities, the Corporate Facility, the 2022 Senior Notes Indenture and the Company's guarantee of the Convertible Bonds;

- senior in right of payment to all future obligations of the Company that are subordinated in right of payment to the Notes;
- effectively subordinated to all existing and future secured obligations of the Company, including obligations under the RBL Facilities and the Corporate Facility, to the extent of the value of the property and assets securing such obligations, unless such assets also secure the Notes on an equal and ratable or senior basis;
- structurally subordinated to all existing and future obligations of the Company's Subsidiaries that do not guarantee the Notes, including any trade payables and letters of credit issued by such Subsidiaries and any obligations of Tullow Oil (Jersey) Limited under the Convertible Bonds; and
- guaranteed on a senior subordinated basis by the Guarantors, subject to limitations under applicable law as set forth below under the caption "—Note Guarantees."

The Note Guarantees

The Notes will be guaranteed by the Guarantors. Each Note Guarantee will be:

- a senior subordinated obligation of that Guarantor;
- subordinated in right of payment to all existing and future senior obligations of that Guarantor, including, where applicable, such Guarantor's obligations under the RBL Facilities and the Corporate Facility;
- *pari passu* in right of payment with all future senior subordinated obligations of that Guarantor, including any Guarantees of the 2022 Senior Notes and the Convertible Bonds;
- senior in right of payment to all future obligations of that Guarantor that are expressly contractually subordinated to that Guarantor's Note Guarantee; and
- effectively subordinated to all existing and future secured obligations of that Guarantor (including under the RBL Facilities and the Corporate Facility where applicable), to the extent of the value of the property and assets securing such obligations, unless such assets also secure the Note Guarantees on an equal and ratable or senior basis.

Not all of the Company's Subsidiaries will guarantee the Notes on the Issue Date and the Company will not have any obligation to cause any of its Subsidiaries to guarantee the Notes in the future (except as required under the circumstances described below under the caption "—Certain covenants—Limitation on guarantees of indebtedness by restricted subsidiaries"). In the event of a bankruptcy, liquidation or reorganization of any Subsidiary that is not a Guarantor, such Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company or a Guarantor. On a *pro forma* basis after giving effect to the offering of the Notes and the redemption in full of the 2020 Senior Notes, as of and for the year ended December 31, 2017, the Company's Subsidiaries that are not the Guarantors collectively represented 4.3% of the Company's consolidated sales revenue and 2.8% of the Company's consolidated property, plant and equipment fixed assets. As of December 31, 2017, such non-Guarantors were obligors on $300 million, or 8%, of the Company's consolidated third-party debt. See "Risk factors—Risks relating to the Notes and our structure—The Notes and Note Guarantees will be structurally subordinated to the liabilities and preference shares (if any) of our non-Guarantor subsidiaries."

As of the Issue Date, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "—Certain covenants—Designation of restricted and unrestricted subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Principal, maturity and interest

The Company will issue $800.0 million in aggregate principal amount of Notes in this offering. The Company may issue additional Notes (the "**Additional Notes**") under the Indenture from time to time after this offering. Any issuance of Additional Notes is subject to all of the covenants in the Indenture, including the covenant described below under the caption "—Certain covenants—Incurrence of indebtedness and issuance of preferred stock." The Notes and any Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The Company will issue Notes in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof. For so long as the Notes are listed on the Official List of the Exchange and admitted to trading on the Euro MTF Market and the rules of the Exchange so require, the Company will publish a notice of any change in these denominations in accordance with the requirements of such rules. The Notes will mature on March 1, 2025.

Interest on the Notes will accrue at the rate of 7.000% per annum and will be payable semi-annually in arrears on March 1 and September 1, commencing on September 1, 2018. Interest on overdue principal and interest, if any, will accrue at a rate that is 1.0% higher than the then applicable interest rate on the Notes. The Company will make each interest payment to the holders of record on the immediately preceding February 15 and August 15. The reimbursement price of the Notes at maturity will be 100% of the principal amount then outstanding

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period shall end on (but not include) the relevant interest payment date.

The rights of holders of beneficial interests in the Notes to receive the payments on such Notes are subject to applicable procedures of DTC, Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the holder of such Notes will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of receiving payments on the Notes

Principal, premium, if any, interest and Additional Amounts (as defined below), if any, on the Global Notes (as defined below) will be payable at the specified office or agency of the Paying Agent; *provided* that all such payments with respect to Notes represented by one or more Global Note registered in the name of or held by a nominee of the common depositary for DTC, Euroclear and Clearstream will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof, in accordance with the procedures of DTC, Euroclear and Clearstream.

Principal, premium, if any, interest and Additional Amounts, if any, on any Definitive Registered Notes (as defined below) will be payable at the specified office or agency of the Paying Agent maintained for such purpose. In addition, interest on the Definitive Registered Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Registered Notes.

Transfer and exchange

Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**144A Global Note**"). Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Reg S Global Note**" and, together with the 144A Global Note, the "**Global Notes**"). The Global Notes will, upon issuance, be deposited with and registered in the name of the nominee for the common depositary for the accounts of DTC, Euroclear and Clearstream.

Ownership of interests in the Global Notes ("Book-Entry Interests") will be limited to persons that have accounts with DTC or persons that may hold interests through such participants, including through Euroclear and Clearstream. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "Notice to investors." In addition, transfers of Book-Entry Interests between participants in DTC, participants in Euroclear or participants in Clearstream will be effected by DTC, Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by DTC, Euroclear or Clearstream and their respective participants.

Book-Entry Interests in a 144A Global Note, or the "144A Book-Entry Interests," may be transferred to a person who takes delivery in the form of Book-Entry Interests in a Reg S Global Note, or the "Reg S Book-Entry Interests," only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act. During the 40-Day Period (as defined in "Book-entry, delivery and form"), Reg S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with applicable transfer restrictions and any applicable securities laws of any state of the United States or any other jurisdiction. See "Notice to Investors."

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If definitive Notes in registered form ("Definitive Registered Notes") are issued, they will be issued only in denominations of $200,000 and integral multiples of $1,000 in excess thereof upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by DTC from the participant which owns the relevant Book-Entry Interest. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Company in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "Notice to investors."

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in denominations of $200,000 in principal amount or integral multiples of $1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder, among other things, to furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at DTC, Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder of the Notes, other than any transfer taxes or similar governmental charges payable in connection with such transfer or exchange.

Notwithstanding the foregoing, the Company is not required to register the transfer of any Definitive Registered Notes:

(1) for a period of 15 calendar days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 calendar days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 calendar days prior to the record date with respect to any interest payment date applicable to such Notes; or

(4) which the holder of the Notes has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

Paying agent and registrar for the Notes

The Company will maintain one or more paying agents (each, a "Paying Agent") for the Notes. The initial Paying Agents will be Deutsche Bank Trust Company Americas in New York (the "Principal Paying Agent") and Deutsche Bank AG, London Branch in London.

The Company will also maintain both a registrar (the "Registrar") and a transfer agent (the "Transfer Agent") in the Borough of Manhattan, City of New York. The initial Registrar will be Deutsche Bank Trust Company Americas, and the initial Transfer Agent will be Deutsche Bank Trust Company Americas. The Registrar will maintain a register reflecting record ownership of the Global Notes and any Definitive Registered Notes outstanding from time to time, and the Transfer Agent will facilitate transfers of any Definitive Registered Notes on behalf of the Company.

The Company may change any Paying Agent, the Registrar or the Transfer Agent without prior notice to the holders of the Notes. For so long as the Notes are listed on the Official List of the Exchange and its rules so require, the Company will publish a notice of any change of Paying Agent, Registrar or Transfer Agent, to the extent and in the manner required by such rules, post such notice on the official website of the Exchange. The Company or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Note Guarantees

The Notes will be guaranteed by the Guarantors, which comprise all of the Company's current Subsidiaries that are (i) borrowers or guarantors under the RBL Facilities and (ii) borrowers or guarantors under the Corporate Facility. Such entities are also, or will become on the Issue Date, guarantors of the 2022 Senior Notes and (other than the Company) the Convertible Bonds. The Note Guarantees will be joint and several obligations of the Guarantors. The obligations under the Note Guarantees will be subordinated in right of payment to the Guarantors' obligations under the RBL Facilities and the Corporate Facility, where applicable, and may be subordinated in right of payment to the Guarantors' future senior obligations, and will be *pari passu* in right of payment with the Guarantors' obligations under the Guarantees of the 2022 Senior Notes and the Convertible Bonds. The obligations of the Guarantors will be contractually limited under the applicable Note Guarantees to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. See "Notice to Investors." The 2022 Senior Notes Indenture contains substantially similar limitations. For a description of such limitations, see "Risk factors—Risks relating to the Notes and our structure—Each Note Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability."

The Note Guarantees will be subject to the terms of the Guarantee Subordination Agreement. Each Note Guarantee will be limited to the maximum amount that would not render such Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required to comply with corporate benefit, financial assistant and other laws.

Note Guarantees release

The Note Guarantee of a Guarantor will be automatically and unconditionally released and discharged without any further action by the Company, the relevant Guarantor or the Trustee, and such Guarantor's obligations under the Note Guarantee, the Indenture, the Guarantee

Subordination Agreement and any Additional Guarantee Subordination Agreement will terminate and be of no further force and effect:

(1) in connection with any sale or other disposition of all or substantially all of the properties or assets of that Guarantor (including by way of merger, amalgamation or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, if the sale or other disposition does not violate the provisions set forth below under "—Repurchase at the option of holders—Asset sales" and, in each case, as not prohibited by the Indenture;

(2) in connection with any sale or other disposition of the Capital Stock of that Guarantor (whether by direct sale or through a holding company) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, if the sale or other disposition does not violate the provisions set forth below under "—Repurchase at the option of holders—Asset sales" and as a result of such disposition such Guarantor no longer qualifies as a Subsidiary of the Company;

(3) if the Company designates such Guarantor (or any parent entity thereof) as an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;

(4) upon repayment in full of the Notes or upon Legal Defeasance or Covenant Defeasance as described below under the caption "—Legal defeasance and covenant defeasance" or upon satisfaction and discharge of the Indenture as described under the caption "—Satisfaction and discharge";

(5) upon the liquidation or dissolution of such Guarantor; *provided* that no Default or Event of Default has occurred or is continuing;

(6) as described under "—Amendment, supplement and waiver";

(7) upon such Guarantor consolidating or amalgamating with, merging into or transferring all of its properties or assets to the Company or another Guarantor, and as a result of, or in connection with, such transaction such Guarantor dissolving or otherwise ceasing to exist;

(8) as described in the fourth paragraph of the covenant described below under "—Certain covenants—Limitation on guarantees of indebtedness by restricted subsidiaries"; or

(9) in connection with certain enforcement actions taken by the creditors under the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement.

A substantial portion of the operations of the Company are conducted through its Subsidiaries. Claims of creditors of non-guarantor Subsidiaries, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred and minority stockholders (if any) of those Subsidiaries generally will have priority with respect to the assets over Holders. The Notes and each Note Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of Subsidiaries of the Company (other than the Guarantors).

Although the Indenture will limit the incurrence of Indebtedness (which includes Disqualified Stock and Preferred Stock of Restricted Subsidiaries), the limitation will be subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness under the Indenture. See "—Certain covenants—Incurrence of indebtedness and issuance of preferred stock."

Upon any occurrence giving rise to a release as specified above, the Trustee will execute, at the cost of the Company, any documents reasonably requested by the Company in order to evidence the release, discharge and termination in respect of such Note Guarantee. Neither the Company, any Guarantor nor the Trustee will be required to make a notation on the Notes to reflect any such release, termination or discharge.

Subordination of the Note Guarantees

On the Issue Date, the Trustee shall accede to the Guarantee Subordination Agreement entered into on November 6, 2013 (and amended and restated on July 12, 2016) by the Company, the trustee under the 2020 Senior Notes Indenture and the agents and security trustee under the RBL Facilities and the Corporate Facility, and acceded to by the trustee under the 2022 Senior Notes Indenture on April 8, 2014 and by the trustee under the Convertible Bond Trust Deed on July 12, 2016, as described under "Description of certain financing arrangements—Guarantee Subordination Agreement." The Note Guarantees will be subordinate in right of payment to outstanding obligations under the Senior Debt of the Guarantors. In addition, the payment on each Note Guarantee will be subject to provisions in the Guarantee Subordination Agreement relating to payment blockage, restrictions on enforcement, turnover, release and other customary senior debt protections. See "Description of certain financing arrangements—Guarantee subordination agreement."

Additional amounts

All payments made by or on behalf of the Company under or with respect to the Notes or any of the Guarantors with respect to any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction for, or on account of, such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Company or any Guarantor is then incorporated, organized, engaged in business for tax purposes or otherwise resident for tax purposes or any political subdivision thereof or therein or (2) any jurisdiction from or through which payment is made by or on behalf of the Company or any Guarantor (including the jurisdiction of any Paying Agent) or any political subdivision thereof or therein (each, a "Tax Jurisdiction") will at any time be required to be made from any payments made by or on behalf of the Company under or with respect to the Notes or any of the Guarantors with respect to any Note Guarantee, including payments of principal, redemption price, purchase price, interest or premium, the Company or the relevant Guarantor, as applicable, will pay such additional amounts (the "Additional Amounts") as may be necessary in order that the net amounts received in respect of such payments by each holder after such withholding or deduction (including any such withholding or deduction from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided, however,* that no Additional Amounts will be payable with respect to:

(1) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any present or former connection between the holder (or between a fiduciary, settler,

beneficiary, member or shareholder of, or possessor of a power over, the relevant holder, if the relevant holder is an estate, nominee, trust, partnership, limited liability company or corporation) or the beneficial owner of the Notes and the relevant Tax Jurisdiction (including being a resident of such jurisdiction for Tax purposes), other than the mere holding of such Note, the enforcement of rights under such Note or under a Note Guarantee or the receipt of any payments in respect of such Note or a Note Guarantee;

(2) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period);

(3) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;

(4) Taxes imposed on or with respect to a payment made to a holder or beneficial owner of Notes who would have been able to avoid such withholding or deduction by presenting (where presentation is required) the relevant Notes to another Paying Agent;

(5) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes or with respect to any Note Guarantee;

(6) any Taxes, to the extent such Taxes are withheld or deducted by reason of the failure of the holder or beneficial owner of Notes to comply with any reasonable written request of the Company, addressed to the holder and made at least 60 days before any such withholding or deduction is to be made, to satisfy any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally entitled to satisfy such requirement;

(7) any Taxes imposed pursuant to Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (the "Code"), any current or future regulations or official interpretations thereof, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to section 1471(b)(1) of the Code;

(8) any Tax that is imposed on or with respect to any payment made to any holder who is a fiduciary or partnership or an entity that is not the sole beneficial owner of such payment, to the extent that a beneficiary or settlor (for tax purposes) with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual holder of the applicable Note; or

(9) any combination of items (1) through (8) above.

In addition to the foregoing, the Company and the Guarantors will also pay and indemnify the Trustee, Paying Agent and holders for any present or future stamp, issue, registration, court or documentary taxes, or any other excise or property taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto), which are levied by any Tax Jurisdiction on the execution, delivery, issuance, enforcement or registration of any of the Notes, the Indenture or any Note Guarantee or any other document referred to therein, except for any such taxes imposed or levied as a result of a transfer after the Issue Date.

If the Company or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Note Guarantee, the Company or the relevant Guarantor, as the case may be, will deliver to the Trustee and Paying Agent on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 30 days prior to that payment date, in which case the Company or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officers' Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officers' Certificate must also set forth any other information reasonably necessary to enable any Paying Agent to pay Additional Amounts to holders on the relevant payment date. The Trustee and Paying Agent shall be entitled to rely solely on such Officers' Certificate as conclusive proof that such payments are necessary.

The Company or the relevant Guarantor will make all withholdings and deductions for, or on account of, Taxes required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Company or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Company or the relevant Guarantor will furnish to the Trustee (or to a holder upon written request), within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Company or the Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by such entity.

Whenever in the Indenture or in this "Description of Notes" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or any other amount payable under, or with respect to, any of the Notes or any Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture or any transfer by a holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Company or any Guarantor is incorporated, organized, engaged in business for tax purposes or otherwise resident for tax purposes or any political subdivision thereof or therein or any jurisdiction from or through which such successor Person makes any payment on the Notes (or any Note Guarantee) or any political subdivision thereof or therein.

Optional redemption

Except as otherwise described below, the Notes will not be redeemable at the Company's option prior to maturity. The Company and any Restricted Subsidiary may, however, acquire, or cause to be acquired, the Notes by means other than a redemption, whether pursuant to a tender offer, open market purchase or otherwise, so long as the acquisition does not violate the terms of the Indenture.

Prior to March 1, 2021, the Company may, at its option, on any one or more occasions, redeem up to 35% of the aggregate principal amount of the Notes (including any Additional Notes issued after the Issue Date) at a redemption price equal to 107.000% of the principal amount thereof, plus accrued and unpaid interest thereon to, but excluding, the redemption date, subject to the right of the holders on the relevant record date to receive interest due on the relevant interest payment date, with all or a portion of the net proceeds of one or more Equity Offerings; *provided* that at least 65% of the aggregate principal amount of the Notes issued under the Indenture remains outstanding immediately after the occurrence of such redemption; and *provided, further,* that such redemption shall occur within 180 days of the date of the closing of any such Equity Offering.

In addition, at any time prior to March 1, 2021, the Company may also redeem, in whole or in part, the Notes at a redemption price equal to 100% of the principal amount of Notes to be redeemed, plus the Applicable Premium in respect of, and accrued and unpaid interest to, but excluding, the redemption date, subject to the rights of the holders on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding two paragraphs and except pursuant to "—Redemption for changes in taxes," the Notes will not be redeemable at the Company's option prior to March 1, 2021.

On or after March 1, 2021, the Company may on any one or more occasions redeem all or a part of the Notes at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the Notes redeemed, to, but excluding, the applicable date of redemption, if redeemed during the twelve-month period beginning on March 1 of the years indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	Redemption price
2021	103.500%
2022	101.750%
2023 and thereafter	100.000%

All redemptions of the Notes will be made upon not less than 10 days' nor more than 60 days' prior notice, except that a redemption notice may be made more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. Unless the Company defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Notice of any redemption including, without limitation, upon an Equity Offering may, at the Company's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of the related Equity Offering. If such redemption is subject to the satisfaction of one or more conditions precedent, the related notice shall describe each such condition and, if applicable, shall state that, in the Company's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied or waived (*provided* that (x) the Company shall issue a notice to the Holders on or prior to the original redemption date stating the reason for such delay and the new redemption date and (y) in no event shall such date of redemption be delayed to a date later than 60 days after the date on which such notice of delay was given), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the redemption date, or by the redemption date so delayed.

Optional redemption upon certain tender offers

In connection with any tender offer or other offer to purchase for all of the Notes (including any Change of Control Offer and Asset Sale Offer), if holders of not less than 90% of the aggregate principal amount of the then outstanding Notes validly tender and do not validly withdraw such Notes in such tender offer or other offer and the Issuer, or any third party making such tender offer or other offer in lieu of the Issuer, purchases all of the Notes validly tendered and not validly withdrawn by such holders, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' notice, given not more than 30 days following such purchase date, to redeem all Notes of the applicable series that remain outstanding following such purchase at a price equal to the price paid (excluding any early tender premium , incentive or similar payment) to each other holder in such tender offer or other offer, plus, to the extent not included in the tender offer payment or other offer payment, accrued and unpaid interest and Additional Amounts, if any, thereon, to, but excluding, the date of such redemption. In determining whether the holders of at least 90% of the aggregate principal amount of the applicable series of the then outstanding Notes have validly tendered and not withdrawn such Notes in a tender or offer or other offer to purchase for all of the Notes of the applicable series, as applicable, Notes of the applicable series owned by an affiliate of the Company, or any successor thereof, shall be deemed to be outstanding for the purpose of such tender offer or other offer, as applicable.

Redemption for changes in taxes

The Company may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 10 nor more than 60 days' prior notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described in "—Selection and notice"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption (a "Tax Redemption Date") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the Notes on the relevant record date to receive interest due on an interest payment date that is on or prior to the Tax Redemption Date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Company or a Guarantor is or would be required to pay Additional Amounts, and the Company or Guarantor cannot avoid any such payment obligation by taking reasonable measures available to it, and the requirement arises as a result of:

(1) any amendment to, or change in, the laws or treaties (or any regulations or rulings promulgated thereunder) of a relevant Tax Jurisdiction which change or amendment becomes

effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date); or

(2) any amendment to, or change in, an official position, or the introduction of an official position, regarding the interpretation, administration or application of such laws, regulations, treaties or rulings (including by virtue of a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) which amendment, change or introduction becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date).

The Company will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Company or Guarantor would be obligated to make such payment or withholding if a payment in respect of the Notes or Note Guarantees was then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company will deliver to the Trustee an opinion of independent tax counsel of recognized standing reasonably acceptable to the Trustee, to the effect that there has been such amendment or change or introduction which would entitle the Company to redeem the Notes under this provision of the Indenture. In addition, before the Company publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee an Officers' Certificate to the effect that the obligation to pay Additional Amounts cannot be avoided by the Company or Guarantor taking reasonable measures available to it.

The Trustee will accept and shall be entitled to rely on such Officers' Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of the Notes.

Mandatory redemption

The Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Company may be required to offer to purchase the Notes as described under the captions "—Repurchase at the option of holders—Change of control" and "—Asset sales."

Repurchase at the option of holders

Change of control

If a Change of Control occurs, each holder of Notes will have the right to require the Company to repurchase all or any part (equal to $200,000 or an integral multiple of $1,000 in excess thereof) of that holder's Notes pursuant to an offer (the "Change of Control Offer") on the terms set forth in the Indenture. In the Change of Control Offer, the Company will offer a payment in cash (the "Change of Control Payment") equal to 101% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest on the Notes repurchased to the date of purchase (the "Change of Control Payment Date"), subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Company will mail a notice to each holder (with a copy to the Trustee) or otherwise deliver a notice (with a copy to the Trustee) in accordance with the procedures described under "—Selection and notice," describing the transaction or transactions that constitute the Change of Control and offering to repurchase

Notes on the Change of Control Payment Date specified in the notice, which date will be no earlier than 10 days and no later than 60 days from the date such notice is mailed or delivered, pursuant to the procedures required by the Indenture and described in such notice.

On the Change of Control Payment Date, the Company will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Principal Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Principal Paying Agent the Notes properly accepted.

The Principal Paying Agent will promptly mail or cause to be delivered to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount of $200,000 or an integral multiple of $1,000 in excess thereof. Any Note so accepted for payment will cease to accrue interest on and after the Change of Control Payment Date unless the Company defaults in making the Change of Control Payment. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described herein that require the Company to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture will not contain provisions that permit the holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Company will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption of all outstanding Notes has been given pursuant to the Indenture as described above under the caption "—Optional redemption," unless and until there is a default in payment of the applicable redemption price.

The occurrence of certain events that would constitute a Change of Control could constitute a default under the RBL Facilities and the Corporate Facility and would require that the Company make an offer to repurchase the 2022 Senior Notes if then outstanding. In addition, upon the occurrence of a "change of control" under the Convertible Bonds Trust Deed (as defined therein), each holder of Convertible Bonds will have the right to require the Issuer redeem its respective Convertible Bonds at par together with accrued and unpaid interest. Future debt of the Company or its Subsidiaries may also contain descriptions of certain change of control events that, if they occurred, would constitute a default under such debt or require such debt to be repurchased. In addition, the exercise by the holders of the Notes of their right to require the Company to purchase the Notes could cause a default under, or require a repurchase of, other debt, even if the Change of Control itself does not, due to the financial effect of the purchase on the Company. If a Change of Control Offer is made, there can be no assurance that the Company will have sufficient funds or other resources to pay the Change of Control Payment for all the Notes that might be delivered by holders thereof seeking to accept the Change of Control Offer and to repurchase any other debt that may be required to be repaid following a change of control. See "Risk factors—Risks relating to the Notes and our structure—We may not be able to obtain the funds required to repurchase the Notes upon a change of control."

A Change of Control Offer may be made in advance of a Change of Control, and conditioned upon the occurrence of such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making the Change of Control Offer.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of the Notes to require the Company to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the properties or assets of the Company and its Restricted Subsidiaries may be uncertain.

The provisions under the Indenture relating to the Company's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the consent of the holders of a majority in aggregate principal amount of the Notes.

If and for so long as the Notes are listed on the Official List of the Exchange and admitted for trading on the Euro MTF Market and the rules of the Exchange so require, the Company will publish notices relating to the Change of Control Offer, to the extent and in the manner required by such rules, on the official website of the Exchange.

Asset sales

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) the Company (or a Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(i) any liabilities, as shown on the most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Note Guarantee) that are assumed by the transferee of any such assets pursuant to an agreement that releases the Company or such Restricted Subsidiary from further liability or indemnifies the Company or such Restricted Subsidiary against further liabilities;

(ii) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion;

(iii) any Capital Stock or other assets of the kind referred to in clauses (3) or (4) of the next paragraph of this covenant;

(iv) Indebtedness (other than Subordinated Obligations) of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Company and each other Restricted Subsidiary are released from any Guarantee of such Indebtedness in connection with such Asset Sale;

(v) consideration consisting of Indebtedness of the Company or any Guarantor received from Persons who are not the Company or any Restricted Subsidiary;

(vi) accounts receivable of a business retained by the Company or any Restricted Subsidiary, as the case may be, following the sale of such business; and

(vii) any Designated Non-Cash Consideration received by the Company or any Restricted Subsidiary in such Asset Sales having an aggregate Fair Market Value, taken together with all other Designated Non-Cash Consideration received pursuant to this clause (g) that is at that time outstanding, not to exceed the greater of (x) $500.0 million and (y) 5.0% of Consolidated Total Assets at the time of the receipt of such Designated Non-Cash Consideration (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Company or one of its Restricted Subsidiaries may apply such Net Proceeds (at the option of the Company or such Restricted Subsidiary):

(1) to purchase the Notes pursuant to an offer to all holders of Notes at a purchase price equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase (a “Notes Offer”);

(2) to repay Senior Debt;

(3) to invest in Additional Assets;

(4) to make a capital expenditure; or

(5) to enter into a binding commitment to apply the Net Proceeds pursuant to clause (2), (3) or (4) of this paragraph; *provided* that such binding commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (x) the date on which such repayment, investment or expenditure is consummated, and (y) the 180th day following the expiration of the aforementioned 365-day period.

Pending the final application of any Net Proceeds, the Company or any Restricted Subsidiary may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Indenture. Any Net Proceeds from Asset Sales that are not applied or invested pursuant to the second paragraph of this covenant will constitute "Excess Proceeds."

When the aggregate amount of Excess Proceeds exceeds $50.0 million, within ten Business Days thereof, the Company will make an offer (an "Asset Sale Offer") to all holders of Notes and may make an offer to all holders of other Indebtedness that is *pari passu* with the Notes or any Note Guarantees to purchase, prepay or redeem with the proceeds of sales of assets the maximum principal amount of Notes and such other *pari passu* Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price for the Notes in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company or any of its Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds or if the aggregate amount of Notes tendered pursuant to a Notes Offer exceeds the amount of the Net Proceeds so applied, the Trustee, a Paying Agent or the Registrar will select the Notes and such other *pari passu* Indebtedness, if applicable, to be purchased on a *pro rata* basis (or, in the case of Notes issued in global form as discussed under "Book-entry, delivery and form," based on a method that most nearly approximates a *pro rata* selection as the Trustee, a Paying Agent or the Registrar deems fair and appropriate) unless otherwise required by applicable law or applicable stock exchange or depositary requirements, based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Company will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to a Change of Control Offer, an Asset Sale Offer or a Notes Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control, Asset Sale or Notes Offer provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control, Asset Sale or Notes Offer provisions of the Indenture by virtue of such compliance.

Selection and notice

If less than all of the Notes are to be redeemed at any time, the Trustee, a Paying Agent or the Registrar will select Notes for redemption on a *pro rata* basis (or, in the case of Notes issued in global form as discussed under "Book-Entry, Delivery and Form," based on a method that most nearly approximates a *pro rata* selection) unless otherwise required by law or applicable stock exchange or depository requirements.

No Notes of $200,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 10 days but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

If the Company elects to redeem the Notes or portions thereof and requests the Trustee to distribute to the holders any amounts deposited in trust (which, for the avoidance of doubt, will include accrued and unpaid interest to the date fixed for redemption) prior to the date fixed for redemption in accordance with the provisions described below under the caption "—Satisfaction and discharge," the applicable redemption notice will state that holders will receive such amounts deposited in trust prior to the date fixed for redemption and mention the payment date.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note and will be collectible at the offices of the Paying Agent. Notes called for redemption without condition become due on the date fixed for redemption. In the case of Notes represented by global certificates, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof.

Neither the Trustee, any Paying Agent nor the Registrar shall be liable for any such selections made by it in accordance with the provisions described in the three preceding paragraphs.

For Notes which are represented by global certificates held on behalf of DTC, notices may be given by delivery of the relevant notices to DTC in accordance with its applicable procedures for communication to entitled account holders in substitution for any required mailing. So long as any Notes are listed on the Official List of the Exchange and admitted to trading on the Euro MTF Market and the rules of the Exchange so require, any notice to the holders of the Notes (whether represented by global certificates or held in definitive form) shall also be published, to the extent and in the manner required by such rules, on the official website of the Exchange and, in connection with any redemption, the Company will notify the Exchange of any change in the principal amount of Notes outstanding.

Certain covenants

Restricted payments

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any such payment or distribution made in connection with any merger, amalgamation or consolidation involving the Company or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Company's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company and other than dividends or distributions payable to the Company or a Restricted Subsidiary of the Company);

(2) repurchase, redeem or otherwise acquire or retire for value (including, without limitation, any such purchase, redemption, acquisition or retirement made in connection with any merger,

amalgamation or consolidation involving the Company) any Equity Interests of the Company or any direct or indirect parent of the Company;

(3) make any principal payment on or with respect to, or repurchase, redeem, defease or otherwise acquire or retire for value, prior to the Stated Maturity thereof, any Indebtedness of the Company or any Guarantor that is expressly contractually subordinated in right of payment to the Notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among the Company and/or any of its Restricted Subsidiaries), except (i) a payment of principal at the Stated Maturity thereof or (ii) the repurchase, redemption or other acquisition of Indebtedness in anticipation of satisfying a sinking fund obligation, principal installment or scheduled maturity, in each case due within one year of the date of such repurchase, redemption or other acquisition; or

(4) make any Restricted Investment;

(all such payments and other actions set forth in clauses (1) through (4) above being collectively referred to as "Restricted Payments"), unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(2) the Company would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable two half-year reference period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption "—Incurrence of indebtedness and issuance of preferred stock"; and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries since the Issue Date (including Restricted Payments permitted below by clauses (1), (13) and (14) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph), is equal to or less than the sum, without duplication, of:

(a) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from January 1, 2018 to the end of the Company's most recently ended fiscal half-year for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(b) 100% of the aggregate net cash proceeds received, the Fair Market Value of marketable securities received and the Fair Market Value of other property received by the Company since the Issue Date as a contribution to its common capital or from the issue or sale of Equity Interests of the Company (other than Disqualified Stock) or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Company or a Restricted Subsidiary that have been converted into or exchanged, directly or indirectly, for Equity Interests of the Company (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Company); *plus*

(c)

(i) to the extent that any Restricted Investment that was made after the Issue Date is (x) sold, disposed of or otherwise cancelled, liquidated or repaid, 100% of the aggregate amount received in cash and the Fair Market Value of the marketable securities and other property received by the Company or any Restricted Subsidiary, or (y) made in an entity that subsequently becomes a Restricted Subsidiary, 100% of the Fair Market Value of the Restricted Investment of the Company and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; *plus*

(ii) to the extent that any Unrestricted Subsidiary of the Company designated as such after the Issue Date is redesignated as a Restricted Subsidiary or is merged, amalgamated or consolidated with or into the Company or a Restricted Subsidiary, or all or substantially all of the properties or assets of such Unrestricted Subsidiary are transferred to the Company or a Restricted Subsidiary, the Fair Market Value of the property received by the Company or Restricted Subsidiary or the Company's Restricted Investment in such Subsidiary as of the date of such redesignation, merger, amalgamation, consolidation or transfer of properties or assets, to the extent such Investments reduced the Restricted Payments capacity under this clause (c) and were not previously repaid or otherwise reduced; *plus*

(d) 100% of any dividends or distributions received in cash by the Company or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Company for such period.

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Indenture;

(2) the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Company; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (3)(b) of the preceding paragraph;

(3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Company or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness for the purpose of such repurchase, redemption, defeasance or other acquisition or retirement for value;

(4) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary of the Company to the holders of its Equity Interests (other than the Company or any Restricted Subsidiary) on no more than a pro rata basis;

(5) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the defeasance, repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Restricted Subsidiary of the Company held by any of the Company's (or any of its Restricted Subsidiaries') current or former officers, directors, employees or consultants pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed $20.0 million per year (with unused amounts in any calendar year being permitted to be carried over into succeeding calendar years) and *provided*, *further*, that such amount in any calendar year may be increased by an amount not to exceed (A) the cash proceeds from the sale of Equity Interests of the Company or a Restricted Subsidiary received by the Company or a Restricted Subsidiary during such calendar year, in each case to members of management, directors or consultants of the Company, any of its Restricted Subsidiaries or any of its direct or indirect parent companies, to the extent the cash proceeds from the sale of Equity Interests have not otherwise been applied to the making of Restricted Payments pursuant to clause (3)(b) of the preceding paragraph or clause (2) of this paragraph and (B) the cash proceeds of key man life insurance policies;

(6) the defeasance, repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Restricted Subsidiary of the Company held by any of the Company's (or any of its Restricted Subsidiaries') current or former directors or employees in connection with the exercise or vesting of any equity compensation (including, without limitation, stock options, restricted stock and phantom stock) in order to satisfy the Company's or such Restricted Subsidiary's tax withholding obligation with respect to such exercise or vesting;

(7) repurchases of Subordinated Obligations at a purchase price not greater than (i) 101% of the principal amount of such Subordinated Obligations and accrued and unpaid interest thereon in the event of a Change of Control or (ii) 100% of the principal amount of such Subordinated Obligations and accrued and unpaid interest thereon in the event of an Asset Sale, in each case plus accrued interest, in connection with any change of control offer or asset sale offer required by the terms of such Indebtedness, but only if:

(a) in the case of a Change of Control, the Company has first complied with and fully satisfied its obligations under the provisions described under "—Repurchase at the option of holders—Change of control"; or

(b) in the case of an Asset Sale, the Company has complied with and fully satisfied its obligations in accordance with the covenant under the heading, "—Repurchase at the option of holders—Asset sales";

(8) the repurchase, redemption or other acquisition for value of Capital Stock of the Company representing fractional shares of such Capital Stock in connection with a merger, consolidation, amalgamation or other combination involving the Company or any other transaction permitted by the Indenture;

(9) the repurchase of Equity Interests deemed to occur upon the exercise of stock options or warrants to the extent such Equity Interests represent a portion of the exercise price of those stock options or warrants;

(10) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Company or any Restricted Subsidiary of the Company issued on or after the Issue Date in accordance with the Fixed Charge Coverage Ratio test described below under the caption "—Incurrence of indebtedness and issuance of preferred stock";

(11) payments of cash, dividends, distributions, advances or other Restricted Payments by the Company or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of any such Person;

(12) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, (a) advances or loans to any future, present or former officer, director, employee or consultant of the Company or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Equity Interests of the Company (other than Disqualified Stock), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement; *provided* that the total aggregate amount of Restricted Payments made under this subclause (a) does not exceed $1.0 million in any calendar year or (b) advances, grants or loans in relation to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust, whether made directly to any such plan or trust or to the trustees of any such plan or trust, to pay for the purchase or other acquisition for value of Equity Interests of the Company (other than Disqualified Stock); *provided* that the total aggregate amount of Restricted Payments made under this subclause (b) does not exceed $50.0 million in any calendar year;

(13) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the repurchase of Equity Interests of the Company to be held as treasury stock; *provided* that the total aggregate amount of Restricted Payments made under this clause (13) does not exceed $250.0 million plus the cash proceeds from the sale of such Equity Interests of the Company from treasury stock since the Issue Date;

(14) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the declaration and payment of dividends on the Capital Stock of the Company of an amount per annum not to exceed 18 pence per share;

(15) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, other Restricted Payments in an aggregate amount not to exceed $500.0 million since the Issue Date; and

(16) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, Restricted Payments aggregating up to an amount equivalent to 50% of the net cash proceeds received by the Company or any of its Restricted Subsidiaries from all dispositions (including, without limitation, any farm-out or lease) of oil and gas properties subsequent to the Issue Date; *provided* that, after giving *pro forma* effect to any such Restricted Payment (and any related transactions), the Consolidated Leverage Ratio of the Company does not exceed 2.0 to 1.0.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment (or, in the case of a dividend, on the date of declaration) of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any cash Restricted Payment shall be its face amount. The Company, in its sole discretion, may classify any Investment or other Restricted Payment as being made in part under one of the provisions of this covenant (or, in the case of any Investment, the clauses of Permitted Investments) and in part under one or more other such provisions (or, as applicable, clauses). Unsecured Indebtedness shall not be deemed to be subordinate or junior to secured Indebtedness by virtue of its nature as unsecured Indebtedness.

Incurrence of indebtedness and issuance of preferred stock

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided, however,* that the Company may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock and any Restricted Subsidiary of the Company may incur Indebtedness (including Acquired Debt) or issue preferred stock, if the Fixed Charge Coverage Ratio for the Company's most recently ended two full fiscal half-years for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or preferred stock is issued, as the case may be, would have been at least 2.25 to 1.0, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, at the beginning of such two half-year reference period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness or issuances of Disqualified Stock or preferred stock (collectively, "Permitted Debt"):

(1) the incurrence by the Company and any Restricted Subsidiary of additional Indebtedness under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) not to exceed the greatest of (x) $4.5 billion, (y) an amount equal to the sum of $650.0 million plus any amounts permitted to be drawn at such time under all Borrowing Base Facilities of the Company and its Restricted Subsidiaries and (z) an amount equal to the sum of $1.1 billion *plus* 30% of Consolidated Total Assets determined as of the date of such incurrence, plus in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, costs and expenses (including underwriting commissions paid as discounts) incurred in connection with such refinancing;

(2) the incurrence by the Company of the 2022 Senior Notes and any Guarantee thereof by a Guarantor and the incurrence by Tullow Oil (Jersey) Limited of the Convertible Bonds and any Guarantee thereof by the Company or a Guarantor;

(3) the incurrence by the Company and its Restricted Subsidiaries of the Existing Indebtedness;

(4) the incurrence by the Company of Indebtedness represented by the Notes to be issued on the date of the Indenture and the incurrence by any Guarantor of a Note Guarantee at any time;

(5) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness:

(a) incurred for the purpose of financing all or any part of the purchase price, lease expense, charter expense, rental payments or cost of design, development, construction, transportation, installation, migration or improvement of any FPSO used or useful in the Oil and Gas Business; or

(b) represented by Capital Lease Obligations, mortgage financings or purchase money obligations or other Indebtedness, in each case, incurred for the purpose of financing all or any part of the purchase price, lease expense, charter expense, rental payments or cost of design, development, construction, transportation, installation, migration or improvement of property, plant or equipment or other assets used in the business of the Company or any of its Restricted Subsidiaries (including any reasonably related fees or expenses incurred in connection therewith), in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to extend, renew, refund, refinance, replace, exchange, defease or discharge any Indebtedness incurred pursuant to this clause (5)(b), not to exceed the greater of (x) $225.0 million and (y) 2.25% of Consolidated Total Assets at any time outstanding,

in each case, whether such Indebtedness is incurred for the charter of, leasing of or direct purchase of or the purchase of the Capital Stock of any Person owning such property, plant or equipment or other assets (including any Indebtedness deemed to be incurred in connection with such purchase) (it being understood that any such Indebtedness may be incurred after the acquisition or purchase or the design, development, construction, transportation, installation, migration or the making of any improvement with respect to any such property, plant or equipment or other assets);

(6) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to extend, renew, refund, refinance, replace, exchange, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the Indenture to be incurred under the first paragraph of this covenant or clauses (2), (3), (4), (5) or (15) of this paragraph or this clause (6);

(7) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries; *provided, however*, that:

(a) if the Company or any Guarantor is the obligor on such Indebtedness and the payee is not the Company or a Guarantor, such Indebtedness must be ((i) except in respect of the intercompany current liabilities incurred in the ordinary course of business in connection with the cash management operations of the Company and its Restricted Subsidiaries and (ii) only to the extent legally permitted) expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of the Company, or the Note Guarantee, in the case of a Guarantor; and

(b) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary of the Company and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary of the Company will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (7);

(8) the issuance by any of the Company's Restricted Subsidiaries to the Company or to any of its Restricted Subsidiaries of shares of preferred stock; *provided, however,* that:

(a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Company or a Restricted Subsidiary of the Company; and

(b) any sale or other transfer of any such preferred stock to a Person that is not either the Company or a Restricted Subsidiary of the Company,

will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (8);

(9) the incurrence by the Company or any of its Restricted Subsidiaries of Hedging Obligations not for speculative purposes (as determined in good faith by a responsible accounting or financial officer of the Company);

(10) the Guarantee by the Company or any Restricted Subsidiary of Indebtedness of the Company or a Restricted Subsidiary of the Company that was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being Guaranteed is subordinated to or *pari passu* with the Notes or a Note Guarantee, as applicable, then the Guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness Guaranteed;

(11) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within 30 Business Days;

(12) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in respect of self-insurance obligations or captive insurance companies or consisting of the financing of insurance premiums in the ordinary course of business;

(13) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness arising from agreements of the Company or any of its Restricted Subsidiaries providing for indemnification, obligations in respect of earnouts or other adjustment of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or Capital Stock of a Subsidiary; *provided* that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and its Restricted Subsidiaries in connection with such disposition;

(14) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in respect of (A) letters of credit, bid, performance, appeal, surety and similar bonds, completion guarantees, judgment, advance payment, customs, VAT or similar instruments issued for the account of the Company and any of its Restricted Subsidiaries in the ordinary course of business (in each case, other than an obligation for money borrowed), including Guarantees and obligations of the Company or any of its Restricted Subsidiaries with respect to letters of credit or similar instruments supporting such obligations or in respect of self-insurance and workers compensation obligations or (B) any customary cash management, cash pooling or netting or setting off arrangements with banks or other financial institutions;

(15) Indebtedness or preferred stock of a Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is acquired by the Company or any of its Restricted Subsidiaries or merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any of its Restricted Subsidiaries in accordance with the Indenture and Indebtedness incurred by the Company or any of its Restricted Subsidiaries, in each case, (a) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by or was merged into the Company or any of its Restricted Subsidiaries or (b) otherwise in connection with, or in contemplation of, such acquisition; *provided, however,* with respect to this clause (15) that at the time of the acquisition or other transaction pursuant to which such Indebtedness was either deemed to be incurred or was incurred, (x) the Company would have been able to incur $1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving effect to the incurrence of such Indebtedness or issuance of such preferred stock pursuant to this clause (15) or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition or other transaction;

(16) Guarantees by the Company or any of its Restricted Subsidiaries of any Management Advances;

(17) Guarantees by the Company or any Restricted Subsidiary granted to any trustee of any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust scheme approved by the Board of Directors of the Company, so long as the proceeds of the Indebtedness so Guaranteed are used to purchase Equity Interests of the Company (other than Disqualified Stock); *provided* that the amount of any net cash proceeds from the sale of such Equity Interests of the Company will be excluded from clause (3)(b) of the first paragraph of the covenant described above under the caption "—Certain covenants—Restricted payments" and will not be considered to be net cash proceeds from an Equity Offering for purposes of the "Optional redemption" provisions of the Indenture;

(18) Guarantees by the Company or any of its Restricted Subsidiaries of pension fund obligations of the Company or any Restricted Subsidiary required by law or regulation;

(19) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in connection with one or more standby letters of credit, Guarantees, performance bonds or other reimbursement obligations, in each case, issued in the ordinary course of business and not in connection with the borrowing of money or the obtaining of an advance or credit (other than advances or credit for goods and services in the ordinary course of business and on

terms and conditions that are customary in the Oil and Gas Business, and other than the extension of credit represented by such letter of credit, Guarantee or performance bond itself);

(20) the incurrence by the Company or any Restricted Subsidiary of Indebtedness through the provision of bonds, Guarantees, letters of credit or similar instruments required by any national or international maritime commission or authority or other governmental or regulatory agencies, including, without limitation, customs authorities; in each case, for vessels owned or chartered by, and in the ordinary course of business of, the Company or any of its Restricted Subsidiaries at any time outstanding not to exceed the amount required by such governmental or regulatory authority;

(21) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in the form of customer deposits and advance payments received in the ordinary course of business from customers for purchases in the ordinary course of business; and

(22) the incurrence by the Company or any of its Restricted Subsidiaries of additional Indebtedness or the issuance of Disqualified Stock by the Company or preferred stock by any Restricted Subsidiary in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to extend, renew, refund, replace, exchange, defease or discharge any Indebtedness incurred pursuant to this clause (22), not to exceed the greater of (x) $325.0 million and (y) 3.25% of Consolidated Total Assets determined as of the date of such incurrence or issuance.

For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness incurred pursuant to and in compliance with this covenant:

(1) in the event that an item or portion of an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (22) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company, in its sole discretion, will be permitted to classify such item or portion of an item of Indebtedness on the date of its incurrence and only be required to include the amount and type of such Indebtedness in one of such clauses and from time to time to reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant;

(2) Guarantees of, or obligations in respect of letters of credit relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included; and

(3) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness.

The amount of any Indebtedness outstanding as of any date will be:

(1) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;

(2) in respect of Hedging Obligations, either (a) zero if such Hedging Obligation is incurred pursuant to clause (9) of the second paragraph of this covenant or (b) the notional amount of such Hedging Obligation if not incurred pursuant to such clause;

(3) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(4) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(i) the Fair Market Value of such assets at the date of determination; and

(ii) the amount of the Indebtedness of the other Person.

Accrual of interest, accrual of dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of preferred stock as Indebtedness due to a change in accounting principles and the payment of dividends in the form of additional shares of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be the principal amount or liquidation preference thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Company as of such date (and, if such Indebtedness is not permitted to be incurred as of such date under this "—Incurrence of indebtedness and issuance of preferred stock" covenant, the Company shall be in Default of this covenant).

For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a different currency shall be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred; *provided, however*, that (i) if such Indebtedness denominated in non-U.S. dollar currency is subject to a Currency Exchange Protection Agreement with respect to U.S. dollars, the amount of such Indebtedness expressed in U.S. dollars will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and (ii) the U.S. dollar-equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date. The principal amount of any refinancing Indebtedness incurred in the same currency as the Indebtedness being refinanced will be the U.S. dollar-equivalent of the Indebtedness refinanced determined on the date such Indebtedness was originally incurred, except that to the extent that:

(1) such U.S. dollar-equivalent was determined based on a Currency Exchange Protection Agreement, in which case the refinancing Indebtedness will be determined in accordance with the preceding sentence; and

(2) the principal amount of the refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, in which case the U.S. dollar-equivalent of such excess will be determined on the date such refinancing Indebtedness is being incurred.

The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Permitted Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind securing Indebtedness upon any of its property or assets (whether now owned or hereafter acquired), except Permitted Liens, unless the Notes or Note Guarantees, as applicable, are secured by a Lien on such property or assets on an equal and ratable basis with the Indebtedness so secured until such time as such Indebtedness is no longer so secured by that Lien.

Dividend and other payment restrictions affecting subsidiaries

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Company or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries;

(2) make loans or advances to the Company or any of its Restricted Subsidiaries; or

(3) sell, lease or transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries,

provided that (x) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness incurred by the Company or any Restricted Subsidiary, shall not be deemed to constitute such an encumbrance or restriction.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) (i) agreements governing Existing Indebtedness, Credit Facilities and the Convertible Bonds and (ii) the 2022 Senior Notes Indenture, the 2022 Senior Notes and Guarantees thereof, in each case as in effect on the Issue Date, and any amendments, restatements, modifications, renewals, supplements, increases, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, increases, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date or will not adversely affect in any material respect the Company's ability to make principal or interest payments on the Notes as they become due (in each case, as determined in good faith by a responsible accounting or financial officer of the Company);

(2) the Indenture, the Notes (including Additional Notes) and the Note Guarantees;

(3) applicable law, rule, regulation or order or the terms of any license, authorization, approval, concession or permit or similar restriction;

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

(5) customary non-assignment and similar provisions in contracts, leases and licenses (including, without limitation, licenses of intellectual property) entered into in the ordinary course of business;

(6) purchase money obligations for property (including Capital Stock) acquired in the ordinary course of business, Capital Lease Obligations and mortgage financings that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;

(7) any agreement for the sale or other disposition of assets, including without limitation an agreement for the sale or other disposition of the Capital Stock or assets of a Restricted Subsidiary, that restricts distributions by the applicable Restricted Subsidiary pending the sale or other disposition;

(8) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced or will not adversely affect in any material respect the Company's ability to make principal or interest payments on the Notes as they become due (in each case, as determined in good faith by a responsible accounting or financial officer of the Company);

(9) Liens permitted to be incurred under the provisions of the covenant described above under the caption "—Liens" that limit the right of the debtor to dispose of the assets subject to such Liens;

(10) provisions limiting the disposition or distribution of assets or property in, or transfer of Capital Stock of, joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment), which limitations are applicable only to the assets, property or Capital Stock that are the subject of such agreements;

(11) agreements governing other Indebtedness of the Company or any of its Restricted Subsidiaries permitted to be incurred in accordance with the covenant described under the caption "—Incurrence of indebtedness and issuance of preferred stock," and any amendments, restatements, modifications, renewals, supplements, increases, refundings, replacements or refinancings of those agreements; *provided* that any such encumbrance or restriction contained in such Indebtedness are not materially more restrictive taken as a whole than customary in comparable financings in such jurisdictions as such Indebtedness is being incurred or will not adversely affect in any material respect the Company's ability to make principal or interest payments on the Notes as they become due (in each case, as determined in good faith by a responsible accounting or financial officer of the Company);

(12) supermajority voting requirements existing under corporate charters, bylaws, stockholders agreements, joint venture agreements and similar documents and agreements;

(13) customary provisions restricting subletting or assignment of any lease governing a leasehold interest;

(14) encumbrances or restrictions contained in Hedging Obligations permitted from time to time under the Indenture;

(15) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case under contracts entered into in the ordinary course of business; and

(16) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (15), or in this clause (16); *provided* that the terms and conditions of any such encumbrances or restrictions are not materially more restrictive taken as a whole with respect to such dividend and other payment restrictions than those under or pursuant to the agreement so extended, renewed, refinanced or replaced or will not adversely affect in any material respect the Company's ability to make principal or interest payments on the Notes as they become due (in each case, as determined in good faith by a responsible accounting or financial officer of the Company).

Merger, consolidation or sale of assets

The Company

The Company will not, directly or indirectly (i) consolidate, amalgamate or merge with or into another Person (whether or not the Company is the surviving corporation) or (ii) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) the Company is the surviving corporation; or (b) the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made is an entity organized or existing under the laws of any member state of the European Union as in effect on December 31, 2003, Switzerland, Norway, Canada, Australia, Japan, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of the Company under the Notes and the Indenture pursuant to a supplemental indenture in a form reasonably acceptable to the Trustee;

(3) immediately after such transaction or transactions, no Default or Event of Default exists;

(4) the Company or the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at

the beginning of the applicable two half-year reference period (i) be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "—Incurrence of indebtedness and issuance of preferred stock" or (ii) have a Fixed Charge Coverage Ratio not less than it was immediately prior to giving effect to such transaction;

(5) each Guarantor (unless it is the other party to the transactions above, in which case clause (2) shall apply) shall have by supplemental indenture confirmed that its Guarantee shall apply to such Person's obligations in respect of the Indenture and the Notes and shall continue to be in effect; and

(6) the Company shall have delivered to the Trustee an Officers' Certificate and an opinion of counsel, each stating that such consolidation, amalgamation, merger or disposition and such supplemental indenture (if any) comply with this covenant; *provided* that in giving an opinion of counsel, counsel may rely on an Officers' Certificate as to any matters of fact.

The surviving entity will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture, but, in the case of a lease of all or substantially all of its properties or assets, the Company will not be released from the obligation to pay the principal of and interest and premium, if any, on the Notes.

The Guarantors

A Guarantor (other than any Guarantor whose Note Guarantee is to be released in accordance with the terms of the Note Guarantee and the Indenture as described under "—Note Guarantees release") may not sell or otherwise dispose of all or substantially all of its properties or assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person), another Person, other than the Company or another Guarantor, unless:

(1) immediately after giving effect to that transaction, no Default or Event of Default exists; and

(2) either:

(a) such Guarantor is the surviving entity;

(b) the Person acquiring the property in any such sale or other disposition or the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Company or another Guarantor) unconditionally assumes, pursuant to a supplemental indenture substantially in the form specified in the Indenture, all the obligations of such Guarantor under such Indenture, its Note Guarantee, the Guarantee Subordination Agreement and any Additional Guarantee Subordination Agreement on the terms set forth therein; or

(c) the Net Proceeds of such sale or other disposition are applied in accordance with the provisions of the Indenture described under the caption "—Repurchase at the option of holders—Asset sales."

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the properties or assets of a Person.

Clauses (3) and (4) of the first paragraph of this covenant will not apply to any merger, consolidation or amalgamation of the Company or any Restricted Subsidiary with or into an Affiliate solely for the purpose of reincorporating the Company or such Restricted Subsidiary in another jurisdiction. Nothing in the Indenture will prevent and this covenant will not apply to (i) any Restricted Subsidiary consolidating or amalgamating with, merging with or into or disposing of all or part of its properties or assets to the Company, (ii) the Company merging with or into a Restricted Subsidiary for the purpose of reincorporating the Company in another jurisdiction, and (iii) any Restricted Subsidiary consolidating or amalgamating with, merging with or into or disposing of all or part of its properties or assets to another Restricted Subsidiary.

Transactions with affiliates

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each, an "Affiliate Transaction") involving aggregate payments or consideration in excess of $20.0 million, unless:

(1) the Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person (as determined in good faith by a responsible accounting or financial officer of the Company); and

(2) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $50.0 million, the Company delivers to the Trustee a resolution of the Board of Directors of the Company set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Company.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) transactions between or among the Company and/or its Restricted Subsidiaries;

(2) Restricted Payments not prohibited by the provisions of the Indenture described above under the caption "—Restricted payments" and Permitted Investments;

(3) transactions with a Person (other than an Unrestricted Subsidiary of the Company) that is an Affiliate of the Company solely because the Company owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) any customary directors' fees, indemnification and similar arrangements (including the payment of directors' and officers' insurance premiums), consultant agreements, employment agreements, collective bargaining agreements, severance agreements, any other compensation or employee benefit plans or arrangements (including stock option, stock appreciation, stock

incentive or stock ownership or similar plans) or legal fees (as determined in good faith by a majority of the disinterested members of the Board of Directors of the Company or, so long as the Company remains listed on the London Stock Exchange, otherwise in compliance with the Company's code of corporate governance) and payments, awards, grants or issuances of securities pursuant thereto;

(5) any issuance of Equity Interests (other than Disqualified Stock) of the Company to Affiliates of the Company;

(6) transactions with a joint venture or similar entity which would constitute an Affiliate Transaction solely because the Company owns, directly or through a Restricted Subsidiary, an Equity Interest in, can designate one or more members of the board of, or otherwise controls, such joint venture or similar entity;

(7) transactions pursuant to, or contemplated by any agreement or arrangement in effect on the Issue Date and as described in this Offering Memorandum under the caption "Certain relationships and related party transactions," and transactions pursuant to any amendment, modification, supplement or extension thereto; *provided* that any such amendment, modification, supplement or extension to the terms thereof, taken as a whole, is not materially more disadvantageous to the holders of the Notes than the original agreement or arrangement as in effect on the Issue Date;

(8) (i) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services or providers of employees or other labor, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture that are fair to the Company or the Restricted Subsidiaries, in the reasonable determination of the senior management of the Company, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person and (ii) to the extent constituting Affiliate Transactions, transactions with any governmental agency or entity in connection with the Oil and Gas Business;

(9) payments or other transactions pursuant to any tax sharing agreement or arrangement among the Company or any of its Restricted Subsidiaries and any other Person with which the Company or any of its Restricted Subsidiaries files or filed a consolidated tax return or with which the Company or any of its Restricted Subsidiaries is or was part of a consolidated group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation; *provided, however*, that such payments, and the value of such transactions, shall not exceed the amount of tax that the Company or such Restricted Subsidiaries would owe if such Person was not a member of such consolidated or tax advantageous group;

(10) transactions between the Company or any Restricted Subsidiary and any Person, a director of which is also a director of the Company or any Restricted Subsidiary and such director is the sole cause for such Person to be deemed an Affiliate of the Company or any Restricted Subsidiary; *provided, however,* that such director shall abstain from voting as a director of the Company or such Restricted Subsidiary, as the case may be, on any matter involving such other Person;

(11) the transfer, pledge or other disposition of all or any portion of Equity Interests of Unrestricted Subsidiaries; and

(12) any participation in a public tender or exchange offer for securities or debt instruments issued by the Company or any of its Subsidiaries that are conducted on arm's-length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer.

Limitation on lines of business

The Company will not, and will not permit any Restricted Subsidiary to, engage in any business other than the Oil and Gas Business, except to the extent as would not be material to the Company and its Restricted Subsidiaries taken as a whole.

Limitation on guarantees of indebtedness by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary that is not a Guarantor, directly or indirectly, to Guarantee, assume or in any other manner become liable for the payment of any Public Indebtedness of the Company (other than the Notes) or a Guarantor (other than a Guarantee of the Notes), unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for a Guarantee of payment of the Notes by such Restricted Subsidiary which Note Guarantee will be senior in right of payment to or *pari passu* in right of payment with such Restricted Subsidiary's Guarantee of such other Indebtedness unless such other Indebtedness is Senior Debt, in which case the Note Guarantee may be subordinated in right of payment to the Senior Debt of such additional Guarantor.

The foregoing paragraph will not be applicable to any Guarantees of any Restricted Subsidiary:

(1) existing on the date of the Indenture;

(2) that existed at the time such Person became a Restricted Subsidiary if the Guarantee was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary;

(3) arising due to the granting of a Permitted Lien; or

(4) given to a bank or trust company having combined capital and surplus and undivided profits of not less than $250.0 million, whose debt has a rating, at the time such Guarantee was given, of at least "A" or the equivalent thereof by S&P and at least "A2" or the equivalent thereof by Moody's, in connection with the operation of cash management programs established for the Company's benefit or that of any Restricted Subsidiary.

In addition, notwithstanding anything to the contrary herein:

(1) no Guarantee shall be required if such Guarantee could reasonably be expected to give rise to or result in (A) personal liability for the officers, directors or shareholders of such Restricted Subsidiary, (B) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to the Company or such Restricted Subsidiary or (C) any significant cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (B) undertaken in connection with, such Guarantee, which cannot be avoided through measures reasonably available to the Company or the Restricted Subsidiary; and

(2) each such Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Guarantees granted pursuant to this provision will be released as set forth under "—Note Guarantees release." A Guarantee of a future Guarantor will be deemed to provide by its terms that it shall be automatically and unconditionally released and discharged if at the date of such release either (i) there is no Indebtedness of such Guarantor outstanding which was incurred after the Issue Date and which could not have been incurred in compliance with the Indenture if such Guarantor had not been designated as a Guarantor, or (ii) there is no Indebtedness of such Guarantor outstanding which was incurred after the Issue Date and which could not have been incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee shall take all necessary actions, including the granting of releases or waivers under the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be either (1) a Restricted Investment made as of the time of the designation that will reduce the amount available for Restricted Payments under the covenant described above under the caption "—Restricted payments" or (2) a Permitted Investment under one or more clauses of the definition of Permitted Investments, as determined in good faith by a responsible accounting or financial officer of the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a copy of a resolution of the Board of Directors of the Company giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption "—Restricted payments." If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Company as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "—Incurrence of indebtedness and issuance of preferred stock," the Company will be in default of such covenant.

The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of the Company; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption "—Incurrence of indebtedness and issuance of preferred stock," calculated on a *pro forma* basis as if such designation had occurred at the beginning of the two half-year reference period; and (2) no Default or Event of Default would be in existence following such designation.

Reports

(1) The Company will make available, upon request, to any holder of Notes or prospective purchaser of Notes in the United States, in connection with any sale thereof, the information specified in Rule 144A(d)(4) under the U.S. Securities Act, unless the Company is subject to Section 13 or 15(d) of the U.S. Exchange Act at or prior to the time of such request.

(2) So long as any Notes are outstanding, the Company shall furnish to the Trustee (which shall distribute the same to a holder of Notes upon such holder's written request):

(i) within 120 days after the end of each of the Company's fiscal years beginning with the fiscal year ending December 31, 2018, annual reports containing the following information with a level of detail that is substantially comparable and similar in scope to this Offering Memorandum: (a) audited consolidated balance sheet of the Company as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company for the two most recent fiscal years (and comparative information for the end of the prior fiscal year), including complete notes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information, together with any explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, unless the *pro forma* information has been previously provided; *provided* that such *pro forma* financial information will be provided only to the extent required to be disclosed by the U.K. Listing Authority and London Stock Exchange or, in the event the Company is no longer listed on the London Stock Exchange, to the extent available without unreasonable expense; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations including a discussion of financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, all material affiliate transactions, Indebtedness and material financing arrangements and all material debt instruments; and (e) material risk factors and material recent developments; *provided that* (for so long as the U.K. Listing Authority and London Stock Exchange require annual reports and the Company is subject to such requirements) any item of disclosure that complies in all material respects with the requirements of the U.K. Listing Authority and London Stock Exchange for annual reports with respect to such item will be deemed to satisfy the Company's obligations under this clause (i) with respect to such item;

(ii) within 90 days after the end of the Company's first fiscal half-year in each fiscal year beginning with the half-year ending June 30, 2018, semi-annual reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such six-month period and unaudited condensed statements of income and cash flow for the year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year period for the Company, together with condensed note disclosure; (b) *pro forma* income statement and balance sheet information of the Company, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the period as to which such report relates; *provided* that such *pro forma* financial information will be provided only to the extent required to be disclosed by the U.K. Listing Authority and London Stock Exchange or, in the event the Company is no longer listed on the London Stock Exchange, to the extent available without unreasonable expense; (c) an operating and financial review of the unaudited financial statements including a discussion of the consolidated financial condition and results of operations of the Company and any material change between the current half-year period and the corresponding period of the prior year; and (d) material recent developments; *provided that* (for so long as the U.K. Listing Authority and London Stock Exchange require interim reports and the Company is subject to such requirements) any item of disclosure that complies in all material respects with the requirements of the U.K. Listing Authority and London Stock Exchange for interim reports with respect to such item will be deemed to satisfy the Company's obligations under this clause (ii) with respect to such item; and

(iii) promptly after the occurrence of any material acquisition, disposition or restructuring of the Company and its Restricted Subsidiaries, taken as a whole, or any senior executive officer changes at the Company or changes in auditors of the Company or other material event that the Company announces publicly, a report containing a description of such event (but only to the extent that such acquisition, disposition, restructuring, change or event has been required to be publicly announced or disclosed by the U.K. Listing Authority and London Stock Exchange for so long as the Company is subject to such requirements);

provided, however, that any reports set out in this paragraph delivered to the Trustee via e-mail or other electronic means shall be deemed to have been "furnished" to the Trustee in accordance with the terms of this paragraph.

All financial statements, other than any *pro forma* financial information provided pursuant to clauses (i) and (ii) of the second paragraph of this covenant, shall be prepared in accordance with IFRS on a consistent basis for the periods presented. Except as provided for above, no report need include separate financial statements for the Company or Subsidiaries of the Company or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

If the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the semi-annual and annual financial information required pursuant to clauses (i) and (ii) of the second paragraph of this covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

The Company will also make available copies of all reports required by clauses (i)—(iii) of the second paragraph of this covenant either (i) on the Company's website or (ii) publicly available through substantially comparable means (as determined by an Officer of the Company in good faith) (it being understood that, without limitation, making such reports available on

Bloomberg or another private electronic information service will constitute substantially comparable public availability).

Notwithstanding the foregoing, the Company will be deemed to have provided such information to the Trustee, the holders of the Notes and prospective holders of the Notes if such information referenced in clauses (i), (ii) or (iii) of the second paragraph of this covenant has been posted to the Company's website.

In addition, in the case of furnishing the information pursuant to clauses (i) and (ii) of the second paragraph of this covenant, the Company will promptly thereafter hold a conference call with holders of the Notes hosted by an Officer of the Company to discuss the operations of the Company and its Subsidiaries in respect of the relevant period. The Company will also make available copies of all reports required by clauses (i) and (ii) of the second paragraph of this covenant, if and so long as the Notes are listed on the Official List of the Exchange and the rules of the Exchange so require, at the specified office of a Paying Agent.

Delivery of any information, documents and reports to the Trustee pursuant to this "*Reports*" covenant is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein, including the Company's compliance with any of its covenants under the Indenture.

Suspension of covenants when Notes rated investment grade

If on any date following the Issue Date:

(1) the Notes have achieved Investment Grade Status; and

(2) no Default or Event of Default shall have occurred and be continuing on such date,

then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (such period, the "Suspension Period"), the covenants specifically listed under the following captions in this Offering Memorandum will no longer be applicable to the Notes and any related default provisions of the Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries:

(1) "—Repurchase at the option of holders—Asset sales";

(2) "—Restricted payments";

(3) "—Incurrence of indebtedness and issuance of preferred stock";

(4) "—Dividend and other payment restrictions affecting subsidiaries";

(5) "—Designation of restricted and unrestricted subsidiaries";

(6) "—Transactions with affiliates";

(7) "—Limitation on guarantees of indebtedness by restricted subsidiaries";

(8) clause (4) of the first paragraph of the covenant described under "—Merger, consolidation or sale of assets"; and

(9) "—Limitation on lines of business."

Such covenants will not, however, be of any effect with regard to the actions of the Company and the Restricted Subsidiaries properly taken during the continuance of the Suspension Period; *provided* that (1) with respect to the Restricted Payments made after any such reinstatement (a "Reversion Date"), the amount of Restricted Payments will be calculated as though the covenant described under the caption "—Restricted payments" had been in effect prior to, but not during, the Suspension Period and (2) all Indebtedness incurred, or Disqualified Stock or preferred stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to clause (3) of the second paragraph of the caption "—Incurrence of indebtedness and issuance of preferred stock." Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

The Company shall notify the Trustee and the holders that the two conditions set forth in the first paragraph under this heading have been satisfied, *provided* that such notification shall not be a condition for the suspension of the covenants set forth above to be effective. The Trustee shall not be obligated to notify holders that the two conditions set forth in the first paragraph under this heading have been satisfied.

There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Maintenance of listing

The Company will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on the Euro MTF Market for so long as such Notes are outstanding; *provided* that if the Company is unable to obtain admission to listing of the Notes on the Exchange or if at any time the Company determines that it will not so list or maintain such listing, it will use its commercially reasonable efforts to obtain and maintain a listing of such Notes on another recognized stock exchange.

Financial Calculations for Limited Condition Acquisitions

When calculating the availability under any basket or ratio under the Indenture, in each case in connection with a Limited Condition Acquisition, the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Company, be the date the definitive agreements for such Limited Condition Acquisition are entered into and such baskets or ratios shall be calculated on a *pro forma* basis after giving effect to such Limited Condition Acquisition and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable reference period for purposes of determining the ability to consummate any such Limited Condition Acquisition (and not for purposes of any subsequent availability of any basket or ratio). For the avoidance of doubt, (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in Consolidated Total Assets of the Company or the target company) subsequent to such date of determination and at or prior to the consummation of the relevant Limited Condition Acquisition, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the Limited Condition Acquisition and the related transactions are permitted hereunder and (y) such baskets or ratios shall not be tested at the time of consummation of such Limited Condition Acquisition or related transactions; *provided*, *further*, that if the Company elects to have such determinations occur at the time of entry into such definitive agreements, any such transactions (including any

Incurrence of Indebtedness and the use of proceeds thereof) shall be deemed to have occurred on the date the definitive agreements are entered and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such Limited Condition Acquisition.

Events of default and remedies

Each of the following is an "Event of Default":

(1) default for 30 days in the payment when due of interest or Additional Amounts, if any, with respect to the Notes (whether or not prohibited by the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement);

(2) default in the payment when due (at final maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes (whether or not prohibited by the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement);

(3) failure by the Company or any Guarantor to comply with the provisions described under the caption "—Certain covenants—Merger, consolidation or sale of assets";

(4) failure by the Company for 30 days after written notice to the Company by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding to comply with any of the provisions described under the caption "—Repurchase at the option of holders—Change of control" above;

(5) failure by the Company or relevant Guarantor for 60 days after written notice to the Company by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding to comply with any of the other agreements in the Indenture (other than a default in performance, or breach, of a covenant or agreement which is specifically dealt with in clauses (1), (2), (3) or (4)), or the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement;

(6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created, after the Issue Date, if that default:

(a) is caused by a failure to pay principal of such Indebtedness at final maturity thereof after giving effect to any applicable grace periods provided in such Indebtedness and such failure to make any payment has not been waived or the maturity of such Indebtedness has not been extended (a "Payment Default"); or

(b) results in the acceleration of such Indebtedness prior to its express maturity,
and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $100.0 million or more;

(7) failure by the Company or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, to pay final and non-appealable

judgments entered by a court or courts of competent jurisdiction aggregating in excess of $100.0 million (net of any amount with respect to which a reputable and solvent insurance company has acknowledged liability in writing), which judgments are not paid, discharged, stayed or fully bonded for a period of 60 days (or, if later, the date when payment is due pursuant to such judgment);

(8) except as permitted by the Indenture (including with respect to any limitations), any Note Guarantee of a Significant Subsidiary is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor that is a Significant Subsidiary or any Person acting on behalf of any such Guarantor that is a Significant Subsidiary, denies or disaffirms its obligations under its Note Guarantee; and

(9) certain events of bankruptcy or insolvency described in the Indenture with respect to the Company or any Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company, all then outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all of the then outstanding Notes to be due and payable immediately by notice in writing to the Company and, in case of a notice by holders, also to the Trustee specifying the respective Event of Default and that it is a notice of acceleration.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or Additional Amounts or premium, if any.

Subject to the provisions of the Indenture relating to the duties of the Trustee in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes unless such holders have offered to the Trustee and, if requested, the Trustee has received security and/or indemnity satisfactory to it against any loss, liability or expense. Except (subject to the provisions described under "—Amendment, supplement and waiver") to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding Notes have requested the Trustee to pursue the remedy;

(3) such holders have offered the Trustee and, if requested, the Trustee has received security and/or indemnity satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer and the receipt of security and/or indemnity; and

(5) holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may, on behalf of the holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture, if the rescission would not conflict with any judgment or decree, except a continuing Default or Event of Default in the payment of interest or Additional Amounts or premium on, or the principal of, the Notes held by a non-consenting holder (which may only be waived with the consent of holders of at least 90% of the aggregate principal amount of the then outstanding Notes).

The Indenture will provide that (i) if a Default occurs for a failure to deliver a report or a certificate in connection with another default (an "Initial Default"), then at the time such Initial Default is cured such Default for a failure to deliver a report or required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "—Certain Covenants—Reports" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report, notice or certificate, even though such delivery is not within the prescribed period specified in the Indenture.

The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture.

Additional Guarantee Subordination Agreements

The Indenture will provide that, subject to the covenants contained therein, at the request of the Company, at or prior to any time that the Company or any of the Company's Restricted Subsidiaries Guarantees or otherwise incurs any Senior Debt that is permitted to be incurred pursuant to the covenants described under the heading "—Certain covenants—Incurrence of indebtedness and issuance of preferred stock" and "—Certain covenants—Liens," the Company, any relevant Guarantor and the Trustee may (without the consent of the holders of the Notes), either amend and/or restate the Guarantee Subordination Agreement or enter into with the creditors and/or representatives of creditors with respect to such Senior Debt a subordination agreement or deed (each, an "Additional Guarantee Subordination Agreement"), in either such case on substantially similar terms to the terms of the Guarantee Subordination Agreement (where applicable) with respect to the subordination in right of payment, payment blockage, restrictions on enforcement, turnover, release and other customary senior debt protections (or, in the case of any such terms, terms more favorable to the holders of the Notes).

Such amendment and/or restatement of the Guarantee Subordination Agreement or such entry into an Additional Guarantee Subordination Agreement, as the case may be, will not impose any personal obligations on the Trustee or adversely affect the rights, duties, liabilities or immunities of the Trustee or the holders of Notes under the Indenture, the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement or result in the Trustee or the holders of the Notes being in breach, or otherwise in violation, of the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement.

The Indenture will also provide that, at the direction of the Company and without the consent of the holders of the Notes, the Trustee will, upon the direction of the Company, from time to time enter into one or more amendments to the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement to: (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) increase the amount of Indebtedness of the types covered by the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement in a manner not prohibited by the Indenture and in a manner substantially consistent with the ranking and terms of such Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement; (iii) add Guarantors or other parties (such as representatives of new issuances of Indebtedness) thereto; (iv) make any change necessary or desirable, in the good faith determination of an Officer of the Company, in order to implement any transactions permitted under the caption "—Certain covenants—Merger, consolidation or sale of assets"; *provided* that any such change does not adversely affect the rights of the holders of the Notes in any material respect; or (v) make any other such change thereto that does not adversely affect the rights of the holders of the Notes in any material respect; *provided* that the Trustee shall not be obligated to enter into any amendment to the extent such amendment imposes any personal obligations on the Trustee or, in the reasonable opinion of the Trustee, adversely affects the Trustee's rights, duties, liabilities or immunities under the Indenture, the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement.

The Company shall not otherwise direct the Trustee to enter into any amendment or restatement of the Guarantee Subordination Agreement or enter into any Additional Guarantee Subordination Agreement without the consent of the holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted as described below under "—Amendment, supplement and waiver."

The Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement may be discharged at the option of the Company if at the date of such discharge the Indebtedness of the Company or a Restricted Subsidiary in respect of Senior Liabilities (as defined in the Guarantee Subordination Agreement or any relevant Additional Guarantee Subordination Agreement) has been discharged or refinanced. The Trustee shall take all necessary actions to effectuate the discharge of the Guarantee Subordination Agreement or any relevant Additional Guarantee Subordination Agreement in accordance with these provisions, subject to customary protections and indemnifications.

Each holder of a Note, by accepting such Note, will be deemed to have:

(1) appointed and authorized the Trustee to give effect to such provisions;

(2) authorized the Trustee to become a party to the Guarantee Subordination Agreement and any Additional Guarantee Subordination Agreements;

(3) agreed to be bound by such provisions and the provisions of the Guarantee Subordination Agreement and any Additional Guarantee Subordination Agreements; and

(4) irrevocably appointed the Trustee to act on its behalf to enter into and comply with such provisions and the provisions of the Guarantee Subordination Agreement and any Additional Guarantee Subordination Agreements.

No personal liability of directors, officers, employees and stockholders

No director, officer, employee, incorporator or stockholder of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, the Indenture or the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes. The waiver may not be effective to waive liabilities under U.S. federal or other applicable securities laws.

Legal defeasance and covenant defeasance

The Company may at any time, at its option, elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of the Guarantors discharged with respect to their Note Guarantees ("Legal Defeasance") except for:

(1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest (including Additional Amounts) or premium, if any, on, such Notes when such payments are due from the trust referred to below;

(2) the Company's obligations with respect to the Notes concerning registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Company's and the Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have the obligations of the Company and the Guarantors released with respect to certain covenants (including the Company's obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment or, solely with respect to the Company, bankruptcy, receivership, rehabilitation and insolvency events) described under "—Events of default and remedies" will no longer constitute an Event of Default with respect to the Notes. If the Company exercises either its Legal Defeasance or Covenant Defeasance option, each Guarantor will be released and relieved of any obligations under its Note Guarantee.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the Trustee (or such other entity designated or appointed as agent by the Trustee for this purpose), in trust, for the benefit of the holders of the Notes, cash in U.S. dollars, non-callable U.S. Government Obligations or a combination of cash in U.S. dollars and non-callable U.S. Government Obligations, in amounts as will be sufficient to pay the principal of, or interest (including Additional Amounts) and premium, if any, on, the outstanding Notes on the stated date for payment thereof or on the applicable

redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Company must deliver to the Trustee an opinion of United States counsel reasonably acceptable to the Trustee confirming that (a) the Company has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company must deliver to the Trustee an opinion of United States counsel reasonably acceptable to the Trustee confirming that the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(5) the Company must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the holders of Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding any creditors of the Company or others; and

(6) the Company must deliver to the Trustee an Officers' Certificate and an opinion of counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

For the avoidance of doubt, all cash and securities deposited with the Trustee (or such other entity designated or appointed as agent by the Trustee for this purpose) to hold in trust pursuant to this section or "—Satisfaction and discharge" shall not be subject to subordination pursuant to the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement.

Amendment, supplement and waiver

Except as provided in the next two succeeding paragraphs, the Indenture, the Notes, the Note Guarantees, the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement may be amended or supplemented with the consent of the Company and the holders of a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture, the Notes, the Note Guarantees, the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Unless consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), without the consent of the Company and each holder of Notes affected, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting holder):

(1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption or repurchase of the Notes (other than provisions relating to the covenants described above under the caption "—Repurchase at the option of holders");

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(4) waive a Default or Event of Default in the payment of principal of, or interest, Additional Amounts or premium, if any, on, the Notes (except a rescission of acceleration of the Notes by the holders of a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);

(5) make any Note payable in money other than that stated in the Notes;

(6) waive a redemption or repurchase payment with respect to any Note (other than a payment required by one of the covenants described above under the caption "—Repurchase at the option of holders");

(7) modify or release any of the Note Guarantees in any manner adverse to the holders of the Notes, other than in accordance with the terms of the Indenture and the Guarantee Subordination Agreement (or any Additional Guarantee Subordination Agreement);

(8) impair the right of any holder of Notes to institute suit for the enforcement of any payment on or with respect to such holder's Notes or any Note Guarantee in respect thereof;

(9) make any change to the ranking of the Notes or Note Guarantees, in each case in a manner that adversely affects the rights of the holders of the Notes; or

(10) make any change in the preceding amendment, supplement and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of Notes, the Company, the Guarantors and the Trustee may amend or supplement the Indenture, the Notes, the Note Guarantees, the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement for the purposes described under "—Additional Guarantee Subordination Agreements" or:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Notes (that are in registered form for U.S. federal income tax purposes) in addition to or in place of certificated Notes;

(3) to provide for the assumption of the Company's or a Guarantor's obligations to holders of Notes and Note Guarantees in the case of a transaction described under "—Certain covenants—Merger, consolidation or sale of assets";

(4) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder in any material respect;

(5) to conform the text of the Indenture, the Notes or the Note Guarantees to any provision of this "Description of Notes" to the extent that such provision in this "Description of Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Note Guarantees;

(6) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the Issue Date;

(7) to allow any Guarantor to Guarantee the Notes or to evidence the release of Note Guarantees pursuant to the terms of the Indenture;

(8) to the extent necessary to provide for the granting of a security interest for the benefit of any Person; *provided* that the granting of such security interest is not prohibited under the Indenture; or

(9) to evidence and provide for the acceptance and appointment of a successor trustee under the Indenture, the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement or to provide for the accession by the Trustee to the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement.

In formulating its opinion on such matters, the Trustee shall be entitled to rely absolutely on such evidence as it deems appropriate, including opinions of counsel and Officers' Certificates.

The consent of the holders of Notes is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

For the avoidance of doubt, no amendment to, or deletion of any of the covenants described under "—Certain Covenants," or action taken in compliance with the covenants in effect at the time of such action, shall be deemed to impair or affect any rights of any holder of Notes to receive payment of principal of, or premium, if any, or interest on, the Notes.

Satisfaction and discharge

The Indenture and the Note Guarantees will be discharged and will cease to be of further effect as to all Notes issued thereunder (except as to surviving rights to transfer or exchange Notes and as otherwise specified in the Indenture), when:

(1) either:

(a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the Registrar for cancellation; or

(b) all Notes that have not been delivered to the Registrar for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year, and the Company or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee (or such other entity designated or appointed as agent by the Trustee for this purpose) as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable U.S. Government Obligations or a combination of cash in U.S. dollars and non-callable U.S. Government Obligations, in amounts as will be sufficient, without consideration of any reinvestment of any interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Registrar for cancellation for principal, premium, Additional Amounts, if any, and accrued interest to the date of final maturity or redemption;

(2) in the case of clause (1)(b), no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound;

(3) the Company or any Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and

(4) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at final maturity or on the redemption date, as the case may be.

In addition, the Company must deliver an Officers' Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied; *provided* that any such counsel may rely on any Officers' Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2), (3) and (4)).

If requested in writing by the Company to the Trustee and Paying Agent (which request may be included in the applicable notice of redemption or pursuant to the above referenced Officer's Certificate), the Trustee shall distribute any amounts deposited to the Holders prior to Stated Maturity or the redemption date, as the case may be; *provided* that the Holders shall have received at least three Business Days notice from the Company prior to such earlier repayment date. For the avoidance of doubt, the distribution and payment to holders prior to the maturity or redemption date as set forth above shall not include any negative interest, present value adjustment, break cost or any additional premium on such amounts. To the extent the Notes are represented by a global note deposited with a depositary for a clearing system, any payment to the beneficial holders holding interests as a participant of such clearing system shall be subject to the then applicable procedures of the clearing system.

Listing

Application has been made to list the Notes on the Official List of the Exchange and for admission and trading on the Euro MTF Market. There can be no assurance that the application will be accepted. The listing agent is Deutsche Bank Luxembourg S.A.

Judgment currency

Any payment on account of an amount that is payable in U.S. dollars which is made to or for the account of any holder or the Trustee in lawful currency of any other jurisdiction (the "Judgment Currency"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Company or any Guarantor, shall constitute a discharge of the Company or the Guarantor's obligation under the Indenture and the Notes or Note Guarantee, as the case may be, only to the extent of the amount of U.S. dollars with such holder or the Trustee, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of U.S. dollars that could be so purchased is less than the amount of U.S. dollars originally due to such holder or the Trustee, as the case may be, the Company and the Guarantors shall indemnify and hold harmless the holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture or the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Concerning the Trustee

The Company shall deliver written notice to the Trustee within 30 days of becoming aware of the occurrence of a Default or an Event of Default. If the Trustee becomes a creditor of the Company or any Guarantor, the Indenture will limit the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; *however*, if it acquires any conflicting interest, it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture will provide that if an Event of Default of which notice has been provided to the Trustee in accordance with the Indenture has occurred and is continuing, the Trustee will be required, in the exercise of its rights or powers, to use the degree of care of a prudent person in the conduct of his or her own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee and, if requested, the Trustee has received security and/or indemnity satisfactory to it against any loss, liability or expense.

The Company and the Guarantors jointly and severally will indemnify the Trustee for certain claims, liabilities and expenses incurred without gross negligence, fraud or willful misconduct on its part, arising out of or in connection with its duties.

Additional information

Anyone who receives this Offering Memorandum may, following the Issue Date, obtain a copy of the Indenture, the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement without charge by writing to Tullow Oil plc, Investor Relations, 9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom, care of Chris Perry.

So long as the Notes are listed on the Official List of the Exchange and admitted for trading on the Euro MTF Market and the rules of the Exchange shall so require, copies, current and future, of all of the Company's annual audited consolidated financial statements and the Company's unaudited consolidated interim financial statements may be obtained, free of charge, during normal business hours at the offices of the Paying Agent.

Consent to jurisdiction and service of process

The Indenture will provide that each of the Company and the Guarantors will appoint CT Corporation System as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Note Guarantees brought in any U.S. federal or New York state court located in the City of New York and will submit to such non-exclusive jurisdiction.

Governing Law

The Indenture and the Notes, and the rights and duties of the parties thereunder, shall be governed by and construed in accordance with the laws of the State of New York. The Guarantee Subordination Agreement and the rights and duties of the parties thereunder is governed by and construed in accordance with the laws of England and Wales.

Enforceability of judgments

Since substantially all of the assets of the Company and the Guarantors are outside the United States, any judgment obtained in the United States against the Company or any Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts and any redemption price and any purchase price with respect to the Notes or the Note Guarantees, may not be collectable within the United States. See "Service of process and enforcement of civil liabilities."

Prescription

Claims against the Company or any Guarantor for the payment of principal or Additional Amounts, if any, on the Notes will not be permitted ten years after the applicable due date for payment thereof. Claims against the Company or any Guarantor for the payment of interest, premium or any Additional Amounts on the Notes will not be permitted five years after the applicable due date for payment of interest, premium or any Additional Amounts.

Certain definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"*2020 Senior Notes*" means the Company's $650,000,000 aggregate principal amount of 6% Senior Notes due 2020 issued under the 2020 Senior Notes Indenture.

"*2022 Senior Notes*" means the Company's $650,000,000 aggregate principal amount of 6¼% Senior Notes due 2022 issued under the 2022 Senior Notes Indenture.

"*2020 Senior Notes Indenture*" means that certain indenture, dated as of November 6, 2013 and as amended or waived from time to time, among the Company, the guarantors named therein, Deutsche Trustee Company Limited, as trustee, Deutsche Bank Trust Company Americas, as registrar, transfer agent and principal paying agent and Deutsche Bank AG, London Branch, as London paying agent.

"*2022 Senior Notes Indenture*" means that certain indenture, dated as of April 4, 2014 and as amended or waived from time to time, among the Company, the guarantors named therein, Deutsche Trustee Company Limited, as trustee, Deutsche Bank Trust Company Americas, as registrar, transfer agent and principal paying agent and Deutsche Bank AG, London Branch, as London paying agent.

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Additional Assets*" means:

(1) any property or assets used or useful in the Oil and Gas Business;

(2) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or any of its Restricted Subsidiaries; or

(3) Capital Stock constituting a Minority Interest in any Person that at such time is a Restricted Subsidiary;

provided, however, that any such Restricted Subsidiary described in clause (2) or (3) is primarily engaged in the Oil and Gas Business.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"*Applicable Premium*" means, with respect to any Note at any time, the greater of (a) 1.0% of the principal amount of such Note and (b) the excess of:

(1) the present value at such time of (i) the redemption price of the Note on March 1, 2021 (such redemption price being set forth in the table appearing under the caption "—Optional Redemption"), plus (ii) all required interest payments due on the Note through March 1, 2021 (excluding accrued but unpaid interest to the redemption date) discounted back to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a rate equal to the Treasury Rate as of such time plus 50 basis points; over

(2) the then-outstanding principal amount of the Note.

The Company shall calculate the Applicable Premium and, for the avoidance of doubt, calculation of the Applicable Premium shall not be a duty or obligation of the Trustee, the Registrar or any Paying Agent.

"*Asset Sale*" means:

(1) the sale, lease, conveyance or other disposition of any assets or rights (including by way of a Production Payment but excluding an operating lease entered into in the ordinary course of the Oil and Gas Business); *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption "—Repurchase at the option of holders—Change of control" and/or the provisions described above under the caption "—Certain covenants—Merger, consolidation or sale of assets" and not by the provisions described under the caption "—Repurchase at the option of holders—asset sales"; and

(2) the issuance of Equity Interests in any of the Company's Restricted Subsidiaries or the sale by the Company or its Restricted Subsidiaries of Equity Interests in any of the Company's Subsidiaries.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than $50.0 million;

(2) a transfer or other disposition of assets or Equity Interests between or among the Company and/or its Restricted Subsidiaries;

(3) an issuance or sale of Equity Interests by a Restricted Subsidiary of the Company to the Company or to a Restricted Subsidiary of the Company;

(4) the sale, lease or other disposition of products, services, Hydrocarbons or mineral products inventory or accounts receivable or other assets in the ordinary course of business;

(5) the abandonment, farm-out, lease or sublease of any oil and gas properties or the forfeiture or other disposition of such properties (including the transfer or disposition of such properties in exchange for carry) in whole or in part (for the avoidance of doubt, whether by direct sale or disposition or through a sale or disposition of shares), in each case in the ordinary course of business;

(6) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Company or any Restricted Subsidiary to such Person) related to such assets;

(7) any sale or other disposition of damaged, unserviceable, worn-out or obsolete assets in the ordinary course of business;

(8) the sale or other disposition of cash or Cash Equivalents or other financial assets in the ordinary course of business;

(9) for purposes of the covenant described above under the heading "—Repurchase at the option of holders—Asset sales" only, the making of a Permitted Investment or a disposition subject to the covenant described above under the caption "—Certain covenants—Restricted payments";

(10) the sale or other disposition (whether or not in the ordinary course of business) of crude oil and natural gas properties in whole or in part (for the avoidance of doubt, whether by direct sale or disposition or through a sale or disposition of shares); *provided* that at the time of such sale or other disposition such properties do not have associated with them any proved and probable reserves;

(11) any Asset Swap;

(12) granting of Liens not prohibited by the covenant described under the caption "—Certain covenants—Liens";

(13) the licensing or sublicensing of intellectual property, including, without limitation, licenses for seismic data or other general intangibles and licenses, leases or subleases of other property, in the ordinary course of business and which do not materially interfere with the business of the Company and its Restricted Subsidiaries taken as a whole;

(14) a surrender or waiver of contract rights, oil and gas leases or the settlement, release or surrender of contract, tort or other claims of any kind;

(15) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(16) any sale or other disposition of any oil and gas properties or interests therein to any governmental authority that is (i) a result of a relinquishment to, or a compulsory or involuntary acquisition by, such authority or (ii) made in connection with acquiring, renewing or retaining, as applicable, any other oil and gas properties or interests awarded by such governmental authority; *provided* that any cash or Cash Equivalents received in connection with any such sale or other disposition must be applied in accordance with the covenant described under "—Repurchase at the option of holders—Asset sales";

(17) foreclosure, condemnation or any similar action with respect to any property or other assets;

(18) any Production Payments and Reserve Sales; *provided* that any such Production Payments and Reserve Sales, other than incentive compensation programs on terms that are reasonably customary or shall become customary in the Oil and Gas Business for geologists, geophysicists and other providers of technical services to the Company or a Restricted Subsidiary, shall have been created, incurred, issued, assumed or Guaranteed in connection with the financing of, and within 60 days after the acquisition of, the property that is subject thereto; and

(19) the issuance of Equity Interests in any of the Company's Restricted Subsidiaries in connection with the settlement or conversion of the Convertible Bonds or other similar convertible debt instruments issued by the Company or any of its Restricted Subsidiaries.

"*Asset Swap*" means any substantially contemporaneous (and in any event occurring within 180 days of each other) purchase and sale or exchange (including, without limitation, by way of any farm-out, farm-in, lease or sublease) of any assets or properties or interests therein used or useful in the Oil and Gas Business between the Company or any of its Restricted Subsidiaries and another Person; *provided* that the Fair Market Value of the properties or assets or interests therein traded or exchanged by the Company or such Restricted Subsidiary (together with any cash) is reasonably equivalent (as determined in good faith by a responsible accounting or financial officer of the Company) to the Fair Market Value of the properties or assets or interests therein (together with any cash) to be received by the Company or such Restricted Subsidiary, and *provided further* that any net cash received must be applied in accordance with the provisions described above under the caption "—Repurchase at the option of holders— asset sales" if then in effect.

"*Bank Credit Facilities*" means any Credit Facility that does not constitute Public Indebtedness.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the U.S. Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "Beneficial Ownership," "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the board of directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Borrowing Base Facilities*" means one or more debt facilities, instruments or arrangements incurred by the Company, any Restricted Subsidiary or any Finance Subsidiary with banks providing for revolving credit loans, term loans or letters of credit, or other Indebtedness, pursuant to a reserves and/or resources-based borrowing base or other asset-backed base and/or calculation based on the present value of estimated future oil and gas revenues and/or development financing, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any promissory notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Borrowing Base Facilities" shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers, issuers or guarantors thereunder, (3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in London, Luxembourg or New York or another place of payment under the Indenture are authorized or required by law to close.

"*Calculation Date*" has the meaning given in the definition of "Fixed Charge Coverage Ratio."

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or, membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person,

but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully guaranteed or insured by the government of the United States of America, a member state of the European Union on December 31, 2003, Switzerland, Norway, Canada, Australia or Japan (including, in each case, any agency or

instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the United States, the relevant member state of the European Union, Switzerland, Norway, Canada, Australia or Japan, as the case may be, having maturities of not more than fifteen months from the date of acquisition, the long-term debt of which is rated at the time of acquisition thereof is at least "A-" or the equivalent thereof by S&P, or "A3" or the equivalent thereof by Moody's or the equivalent rating category of another internationally recognized rating agency;

(2) certificates of deposit, time deposits, eurodollar time deposits, money market deposits, overnight bank deposits or bankers' acceptances (and similar instruments) having maturities of not more than fifteen months from the date of acquisition thereof issued by any commercial bank, the long-term debt of which is rated at the time of acquisition thereof at least "A-" or the equivalent thereof by S&P, or "A3" or the equivalent thereof by Moody's or the equivalent rating category of another internationally recognized rating agency, and having combined capital and surplus in excess of $250.0 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's, or carrying an equivalent rating by an internationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof;

(5) in the case of any Restricted Subsidiary of the Company located outside the United States, Canada and the European Union, any substantially similar investment to the kinds described in clauses (2) and (3) of this definition obtained in the ordinary course of business and (i) with the highest ranking obtainable in the applicable jurisdiction or (ii) with any bank, trust company or similar entity, which would rank, in terms of combined capital and surplus and undivided profits or the ratings on its long-term debt, among the top five banks in such jurisdiction; and

(6) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (4) above.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d) of the U.S. Exchange Act);

(2) the adoption of a plan relating to the liquidation or dissolution of the Company; or

(3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any "person" (as defined above) becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Company, measured by voting power rather than number of shares.

"*Clearstream*" means Clearstream Banking, *société anonyme* and its successors.

"*Consolidated Cash Flow*" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period *plus* the following, without duplication:

(1) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Restricted Subsidiaries in connection with a sale of assets (together with any related provision for taxes and any related non-recurring charges relating to any premium or penalty paid, write-off of deferred financing costs or other financial recapitalization charges in connection with redeeming or retiring any Indebtedness prior to its Stated Maturity) to the extent deducted in calculating such Consolidated Net Income; *plus*

(2) taxes based on income or profits of such Person and its Restricted Subsidiaries for such period to the extent deducted in calculating such Consolidated Net Income; *plus*

(3) the Fixed Charges of such Person and its Restricted Subsidiaries for such period to the extent deducted in calculating such Consolidated Net Income; *plus*

(4) depreciation, depletion, amortization (including, without limitation, amortization of intangibles and deferred financing fees but excluding amortization of prepaid cash expenses that were paid in a prior period), impairment and other non-cash charges and expenses (including, without limitation, write downs and impairment of property, plant, equipment and intangible and other long lived assets and the impact of purchase accounting on the Company and its Restricted Subsidiaries for such period), of such Person and its Restricted Subsidiaries (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) for such period to the extent deducted in calculating such Consolidated Net Income; *plus*

(5) any expenses, charges or other costs related to the issuance of any Capital Stock, or any Permitted Investment, acquisition, disposition, recapitalization or listing or the incurrence of Indebtedness permitted to be incurred under the covenant described above under the caption "—Certain covenants—Incurrence of indebtedness and issuance of preferred stock" (including any refinancing thereof) whether or not successful, including (i) such fees, expenses or charges related to any incurrence of Indebtedness issuance and (ii) any amendment or other modification of any incurrence, in each case to the extent deducted in calculating such Consolidated Net Income; *plus*

(6) any foreign currency translation losses (including losses related to currency remeasurements of Indebtedness); *plus*

(7) the amount of any minority interest expense consisting of subsidiary income attributable to Minority Interests of third parties in any non-wholly owned Restricted Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Equity Interests held by such parties; *plus*

(8) if such Person accounts for its oil and natural gas operations using successful efforts or a similar method of accounting, consolidated exploration and abandonment expense and write-offs of the Company and its Restricted Subsidiaries; *plus*

(9) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in

the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income; *plus*

(10) payments received or that become receivable with respect to expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income; *minus*

(11) non-cash items increasing such Consolidated Net Income for such period (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (10) of the definition of Consolidated Net Income) , other than items that were accrued in the ordinary course of business; and *minus*

(12) the sum of (a) the amount of deferred revenues that are amortized during such period and are attributable to reserves that are subject to Volumetric Production Payments and (b) amounts recorded in accordance with IFRS as repayments of principal and interest pursuant to Dollar-Denominated Production Payments,

in each case, on a consolidated basis and determined in accordance with IFRS.

"*Consolidated Leverage*" means, as of any date of determination, with respect to any specified Person, the total amount of Indebtedness under Credit Facilities of such Person and its Restricted Subsidiaries on a consolidated basis (excluding Hedging Obligations and excluding letters of credit).

"*Consolidated Leverage Ratio*" means, as of any date of determination, with respect to any specified Person, the ratio of (a) the Consolidated Leverage of such Person on such date to (b) the Consolidated Cash Flow of the Person for the two most recent half-year periods ending immediately prior to such date for which internal financial statements are available. For purposes of calculating the Consolidated Cash Flow for such period:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the two half-year reference period or subsequent to such reference period, and on or prior to the date of determination, or that are to be made on the date of determination, will be given *pro forma* effect as if they had occurred on the first day of the two half-year reference period;

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of on or prior to the date of determination (including transactions giving rise to the need to calculate such Consolidated Leverage Ratio) will be excluded;

(3) any Person that is a Restricted Subsidiary on the date of determination will be deemed to have been a Restricted Subsidiary at all times during such two half-year reference period; and

(4) any Person that is not a Restricted Subsidiary on the date of determination will be deemed not to have been a Restricted Subsidiary at any time during such two half-year reference period.

For purposes of this definition, whenever *pro forma* effect is to be given to a transaction, the *pro forma* calculation shall be determined in good faith by a responsible accounting or financial officer of the Company and may include anticipated expense and cost reduction synergies. In determining the amount of Indebtedness in respect of borrowed money outstanding on any date of determination, *pro forma* effect will be given to any incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness in respect of borrowed money on such date. Any undrawn amounts under revolving credit Indebtedness shall be deemed not to be outstanding.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiaries), determined in accordance with IFRS; *provided* that:

(1) the net income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person;

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph under the caption "—Certain covenants—Restricted payments," any net income (but not loss) of any Restricted Subsidiary (other than any Guarantor) will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to such Person (or any Guarantor that holds the Equity Interests of such Restricted Subsidiary, as applicable) by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture, (c) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that taken as a whole, are not materially less favorable to the holders of the Notes than such restrictions in effect on the Issue Date and (d) any restriction listed under clauses (1), (2), (3), (4) or (11) of the second paragraph of the covenant described above under the caption "—Certain covenants—Dividend and other payment restrictions affecting subsidiaries") except that such Person's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to such Person or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than any Guarantor), to the limitation contained in this clause);

(3) the cumulative effect of a change in accounting principles will be excluded;

(4) income resulting from transfers of assets (other than cash) between such Person or any of its Restricted Subsidiaries, on the one hand, and an Unrestricted Subsidiary, on the other hand, will be excluded;

(5) any gain (loss) realized upon the sale or other disposition of any property, plant or equipment of such Person or its consolidated Restricted Subsidiaries (including pursuant to any sale or leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by a responsible accounting or financial officer of such Person) and any gain (loss) realized upon the sale or other disposition of any Capital Stock of any Person will be excluded;

(6) any "ceiling limitation" or other asset impairment writedowns on oil and gas properties will be excluded;

(7) any unrealized non-cash gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;

(8) any non-cash compensation charge or expense arising from any grant of stock, stock option or other equity-based award will be excluded;

(9) to the extent deducted in the calculation of net income, any non-cash or non-recurring charges associated with any premium or penalty paid, write-off of deferred financing costs or other financial recapitalization charges in connection with redeeming or retiring any Indebtedness prior to its Stated Maturity will be excluded; and

(10) (a) extraordinary, exceptional, unusual or non-recurring gains, losses or charges, (b) any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events) or (c) any non-cash charges or reserves in respect of any restructurings, redundancy, integration or severance, or other post-employment arrangements, signing, retention or completion bonuses, transaction costs, acquisition costs, business optimization, system establishment, software or information technology implementation or development, costs related to governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes, litigation or any asset impairment charges, in each case will be excluded.

"*Consolidated Total Assets*" means the total assets of the Company and its Subsidiaries on a consolidated basis, as shown on the most recent consolidated balance sheet of the Company prepared in accordance with IFRS.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person Guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness ("primary obligations") of any other Person (the "primary obligor"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof; or

(4) for the avoidance of doubt, any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions, or similar claims, obligations or contributions or social security or wage taxes.

"*continuing*" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"*Convertible Bonds*" means the $300,000,000 aggregate principal amount of 6.625 per cent. Guaranteed Convertible Bonds due 2021 issued by Tullow Oil (Jersey) Limited and constituted by the Convertible Bonds Trust Deed.

"*Convertible Bonds Trust Deed*" means the trust deed governing the Convertible Bonds dated July 12, 2016 between, *inter alios*, Tullow Oil (Jersey) Limited, the Company, as parent guarantor, the other guarantors party thereto and Deutsche Trustee Company Limited, as trustee.

"*Corporate Facility*" means the secured revolving credit facility agreement dated as of December 14, 2009, as most recently amended and restated pursuant to an amendment and restatement agreement dated November 21, 2017 and as amended, restated, acceded to or otherwise modified or varied from time to time, entered into by, among others, Tullow Oil plc as the borrower and BNP Paribas as Agent.

"*Credit Facilities*" means, one or more debt facilities, capital markets indentures, instruments or arrangements incurred by the Company, any Restricted Subsidiary or any Finance Subsidiary (including the RBL Facilities and Corporate Facility or commercial paper facilities and overdraft facilities) with banks, funds or other institutions or investors, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables) or letters of credit, notes or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks, funds, institutions or investors and whether provided under the RBL Facilities and Corporate Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any promissory notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facilities" shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers, issuers or guarantors thereunder, (3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Exchange Protection Agreement*" means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the Fair Market Value of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as "Designated Non-Cash Consideration" pursuant to an Officers' Certificate, setting forth the basis of such valuation, *less* the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-Cash Consideration.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature; *provided* that only the portion of Capital Stock which so matures or is mandatorily redeemable, or is so redeemable at the option of the holder thereof prior to such date, will be deemed to be Disqualified Stock. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company to repurchase or redeem such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "—Certain covenants—Restricted payments." For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock, such Fair Market Value to be determined as set forth herein.

"*Dollar-Denominated Production Payments*" means production payment obligations recorded as liabilities in accordance with IFRS, together with all undertakings and obligations in connection therewith.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Equity Offering*" means any public or private sale of Capital Stock (other than Disqualified Stock and other than to a Subsidiary of the Company) by the Company after the Issue Date.

"*Euroclear*" means Euroclear Bank SA/NV and its successors, as operator of the Euroclear System.

"*Existing Indebtedness*" means Indebtedness of the Company and its Restricted Subsidiaries (other than Indebtedness under the RBL Facilities, the Corporate Facility, the 2022 Senior Notes Indenture and the Convertible Bonds) outstanding on the Issue Date after giving *pro forma* effect to the use of proceeds of the Notes as set forth in the Offering Memorandum.

"*Fair Market Value*" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, as determined in good faith by a responsible accounting or financial officer of the Company.

"*Finance Subsidiary*" means a wholly owned subsidiary of the Company that is formed for the purpose of borrowing funds or issuing securities and lending the proceeds to the Company or a Guarantor and that conducts no business other than as may be reasonably incidental to, or related to, the foregoing.

"*Fitch*" means Fitch, Inc. or any successor to its ratings business.

"*Fixed Charge Coverage Ratio*" means, with respect to any specified Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, Guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary course working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Company) to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable two full half-year reference period; *provided*, *however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness incurred on the Calculation Date (and, for the avoidance of doubt, not reclassified on such Calculation Date) pursuant to the provisions described in the second paragraph under "—Certain covenants—Incurrence of indebtedness and issuance of preferred stock" or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the application of the proceeds of any Indebtedness incurred pursuant to the provisions described in the second paragraph under "—Certain covenants—Incurrence of indebtedness and issuance of preferred stock."

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers, consolidations or otherwise (including acquisitions of assets used or useful in the Oil and Gas Business), or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the two half-year reference period or subsequent to such reference period

and on or prior to the Calculation Date or that are to be made on the Calculation Date, will be given *pro forma* effect (including Pro Forma Cost Savings) as if they had occurred on the first day of the two half-year reference period;

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such two half-year reference period; and

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such two half-year reference period.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense (net of interest income) of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (excluding any interest attributable to Dollar-Denominated Production Payments but including, without limitation, amortization of discount (but not debt issuance costs, commissions, fees and expenses), non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments), the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings), and net of the effect of all payments made or received pursuant to Hedging Obligations (excluding amortization of fees) in respect of interest rates; *plus*

(2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; *plus*

(3) any interest on Indebtedness of another Person that is Guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, to the extent paid in cash by such Person or any of its Restricted Subsidiaries; *plus*

(4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of Disqualified Stock of such Person or any series of preferred stock of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of such Person (other than Disqualified Stock) or to the Person or a Restricted Subsidiary of such Person, *times* (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current statutory tax rate of such Person, expressed as a decimal.

"*FPSO*" means any floating storage and offloading unit, floating storage and production unit or floating production, storage and offloading unit and any related infrastructure in connection with the foregoing.

"*Guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to maintain financial statement conditions or otherwise), or entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term "Guarantee" will not include the endorsements for collection or deposit in the ordinary course of business or any obligation to the extent it is payable only in Capital Stock of the guarantor that is not Disqualified Stock. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantee Subordination Agreement*" means the subordination agreement dated November 6, 2013 (and amended and restated on July 12, 2016), between, among others, the Company, the trustee under the 2020 Senior Notes Indenture and the facility agents and security trustee under the RBL Facilities and Corporate Facility, acceded to by the trustee under the 2022 Senior Notes Indenture on April 8, 2014 and by the trustee under the Convertible Bonds Trust Deed on July 12, 2016, and to which the Trustee will accede to on the Issue Date, as amended, restated or otherwise modified or varied from time to time.

"*Guarantors*" means, collectively, Tullow Oil SK Limited, Tullow Cote d'Ivoire Limited, Tullow Oil SPE Limited, Tullow Equatorial Guinea Limited, Tullow Ghana Limited, Tullow Oil Gabon S.A., Tullow Oil International Limited, Tullow Uganda Limited, Tullow Uganda Operations Pty Ltd. and Tullow Kenya B.V. and any other Person that Guarantees the Notes in accordance with the provisions of the Indenture, and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the Indenture.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements, other agreements or arrangements designed to manage interest rates or interest rate risk;

(2) any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates;

(3) any forward contract, commodity futures contract, commodity option agreement, commodity swap agreement, cap, floor, ceiling or collar agreement or other similar agreement or arrangement designed to protect against fluctuations in the price of commodities used, produced, processed or sold by that Person or any of its Restricted Subsidiaries at the time; and

(4) other agreements or arrangements designed to protect such Person against fluctuations in interest rates, commodity prices or currency exchange rates, including Currency Exchange Protection Agreements.

"*Hydrocarbons*" means oil, gas, casing head gas, drip gasoline, natural gasoline, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and all constituents, elements or compounds thereof and products refined or processed therefrom.

"*IFRS*" means International Financial Reporting Standards issued by the International Accounting Standards Board and its predecessors as endorsed by the European Union and in effect on the Issue Date, or, solely with respect to the covenant described under the heading "—Certain Covenants—Reports," as in effect from time to time, provided that at any date after the Issue Date, the Company may make an irrevocable election to establish that "IFRS" shall mean IFRS as in effect on a date that is on or prior to the date of such election (except with respect to the covenant described under the caption "Reports" which shall mean IFRS as in effect from time to time). For the avoidance of doubt, the impact of IFRS 16 Leases and any successor standard thereto shall be disregarded with respect to all ratios, calculations and determinations based upon IFRS to be calculated or made, as the case may be, pursuant to the Indenture and (without limitation) any lease, concession or license of property that would be considered an operating lease under IFRS as of the Issue Date and any guarantee given by the Company or any Restricted Subsidiary in the ordinary course of business solely in connection with, and in respect of, the obligations of the Company or any Restricted Subsidiary under any such operating lease shall be accounted for in accordance with IFRS as in the effect on the Issue Date.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of bankers' acceptances (or reimbursement obligations in respect thereof except to the extent any such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence);

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property due more than one year after such property is acquired;

(6) representing any Hedging Obligations;

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however,* that the amount of such Indebtedness will be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness of such other Persons; and

(8) the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person (including, with respect to any Production Payment, any warranties or guarantees of production or payment by such Person with respect to such Production Payment, but excluding other contractual obligations of such Person with respect to such Production Payment);

provided that the foregoing indebtedness (other than letters of credit and Hedging Obligations) shall be included in this definition of Indebtedness only if, and to the extent that, the indebtedness would appear as a liability upon a balance sheet of such Person prepared in accordance with IFRS; *provided* that, notwithstanding any consolidation under IFRS, the preceding items shall not constitute "Indebtedness" for purposes hereof if (i) such Indebtedness is incurred by an orphan vehicle whose shares are not owned by such specified Person or any of its Subsidiaries and (ii) such Indebtedness is neither guaranteed by, nor secured by the assets of, such specified Person or any of its Subsidiaries. Notwithstanding the foregoing, indebtedness shall be included in the definition of Indebtedness after deducting any receivable due from another Person (other than the Company and its Restricted Subsidiaries) who has an interest in an asset financed with such indebtedness to the Company or any Restricted Subsidiary in respect of such other Person's interest in the relevant asset. Subject to clause (8) of the preceding sentence, neither Dollar-Denominated Production Payments nor Volumetric Production Payments shall be deemed to be Indebtedness.

The term "Indebtedness" shall not include:

(1) any lease of property which would be considered an operating lease under IFRS;

(2) for the avoidance of doubt, Contingent Obligations;

(3) any obligation of a Person in respect of a farm-in agreement or similar arrangement whereby such Person agrees to pay all or a share of the drilling, completion or other expenses of an exploratory or development well (which agreement may be subject to a maximum payment obligation, after which expenses are shared in accordance with the working or participation interest therein or in accordance with the agreement of the parties) or perform the drilling, completion or other operation on such well in exchange for an ownership interest in an oil or gas property;

(4) in-kind obligations relating to net oil or natural gas balancing positions arising in the ordinary course of business;

(5) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; or

(6) Capital Lease Obligations arising under, or contained in, transport or pipeline agreements entered into in the ordinary course of business.

"*Investment Grade Status*" shall occur when the Notes are rated as follows by two of the following three Rating Agencies: Baa3 or better by Moody's, BBB—or better by S&P and/or BBB—or better by Fitch (or, if any such entity ceases to rate the Notes, the equivalent investment grade credit rating from any other "nationally recognized statistical rating organization," as that term is defined for purposes of Section 3(a)(62) of the U.S. Exchange Act, selected by the Company as a replacement agency).

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding endorsements of negotiable instruments and documents in the ordinary course of business, and commission, travel and similar advances to officers, employees and consultants made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS. If the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Company's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "—Certain covenants—Restricted payments." The acquisition by the Company or any Subsidiary of the Company of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption "—Certain covenants—Restricted payments." Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value and, to the extent applicable, shall be determined based on the equity value of such Investment.

"*Issue Date*" means March 23, 2018.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof.

"*Limited Condition Acquisition*" means any acquisition, including by way of merger, amalgamation or consolidation, by the Company or one or more of its Subsidiaries the consummation of which is not conditioned upon the availability of, or on obtaining, third-party financing.

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers or employees of any Company or any Restricted Subsidiary:

(1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;

(2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or

(3) in the ordinary course of business and (in the case of this clause (3)) not exceeding $10.0 million in the aggregate outstanding at any time.

"*Minority Interest*" means the percentage interest represented by any shares of stock of any class of Capital Stock of a Restricted Subsidiary of the Company that are not owned by the Company or a Restricted Subsidiary of the Company.

"*Moody's*" means Moody's Investors Service, Inc. or any successor to its ratings business.

"*Net Proceeds*" means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration or Cash Equivalents received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation:

(1) all legal, accounting, investment banking, commissions and other fees and expenses incurred, title and recording tax expenses, and all Taxes required to be paid or accrued as a liability under IFRS, as a consequence of such Asset Sale;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Sale, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Sale, or by applicable law be repaid out of the proceeds from such Asset Sale;

(3) all distributions and other payments required to be made to holders of Minority Interests in Subsidiaries or joint ventures as a result of such Asset Sale; and

(4) the deduction of appropriate amounts to be provided by the seller as a reserve, in accordance with IFRS, or held in escrow, in either case for adjustment in respect of the sale price or for any liabilities associated with the assets disposed of in such Asset Sale and retained by the Company or any Restricted Subsidiary after such Asset Sale.

"*Non-Recourse Debt*" means Indebtedness:

(1) as to which neither the Company nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;

(2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of the Company or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity; and

(3) the explicit terms of which provide there is no recourse to the stock or assets of the Company or any of its Restricted Subsidiaries, except as contemplated by clause (26) of the definition of Permitted Liens.

"*Note Guarantee*" means the Guarantee by each Guarantor of the Company's Obligations under the Indenture and the Notes pursuant to the Indenture.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Officer*" means, with respect to any Person, a member of the Board of Directors, the chief executive officer, the president, the chief financial officer, any vice president, the treasurer, any managing director, any responsible accounting or financial officer, the secretary or the equivalent position of any of the foregoing or any other Person that the Board of Directors of such Person shall designate for such purpose.

"*Officers' Certificate*" means a certificate signed on behalf of any Person by one or more Officers.

"*Offering Memorandum*" means this offering memorandum dated March 16, 2018.

"*Oil and Gas Business*" means:

(1) the acquisition, exploration, exploitation, development, production, operation and disposition of interests in oil, natural gas, natural gas liquids, liquefied natural gas and other Hydrocarbon and mineral properties or products produced in association with the foregoing;

(2) the gathering, marketing, distributing, treating, refining, processing, storing, selling and transporting of any production from oil, natural gas, natural gas liquids, liquefied natural gas and other Hydrocarbon and mineral properties (whether or not such properties are owned by the Company and/or its Subsidiaries) and products produced in association therewith;

(3) any other related energy business, including power generation and electrical transmission business, from oil, natural gas and other Hydrocarbons and minerals produced substantially from properties in which the Company or its Restricted Subsidiaries, directly or indirectly, participates;

(4) any business relating to oil and gas field seismic mapping, sales, service and technology development; and

(5) any business or activity relating to, arising from, or necessary, appropriate or incidental to the activities described in clauses (1), (2), (3) or (4) of this definition.

"*Permitted Business Investments*" means Investments made in the ordinary course of, and of a nature that is or shall become customary in, the Oil and Gas Business, as a means of actively exploiting, exploring for, acquiring, developing, producing, processing, gathering, marketing, distributing, storing or transporting oil, natural gas or other Hydrocarbons and minerals (including with respect to plugging and abandonment) through agreements, transactions, interests or arrangements that permit one to share risks or costs, comply with regulatory requirements regarding local ownership or satisfy other objectives customarily achieved through the conduct of the Oil and Gas Business jointly with third parties, including without limitation:

(1) direct or indirect ownership of crude oil, natural gas, other restricted Hydrocarbon and minerals properties or any interest therein or gathering, transportation, processing, storage or related systems or ancillary real property interests;

(2) Investments in the form of or pursuant to operating agreements, joint ventures, processing agreements, farm-in agreements, farm-out agreements, development agreements, production sharing agreements, area of mutual interest agreements, contracts for the sale, transportation or exchange of crude oil and natural gas and other Hydrocarbons and minerals, participation agreements, unitization agreements, pooling arrangements, joint bidding agreements, service contracts, partnership agreements (whether general or limited), subscription agreements, stock purchase agreements, stockholder agreements and other similar agreement (including for

limited liability companies) or other similar or customary agreements, in each case made or entered into with third parties (including Unrestricted Subsidiaries); and

(3) direct or indirect ownership interests in drilling rigs, FPSOs and common processing facilities and in each case related equipment, including, without limitation, transportation equipment.

"*Permitted Investments*" means:

(1) any Investment in the Company or in a Restricted Subsidiary of the Company;

(2) any Investment in cash and Cash Equivalents;

(3) any Investment by the Company or any Restricted Subsidiary of the Company in any Person whose primary business is the Oil and Gas Business, if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary of the Company; or

(b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its properties or assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company;

(4) (4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "—Repurchase at the option of holders—Asset sales";

(5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company;

(6) any Investments received in compromise or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (B) litigation, arbitration or other disputes with Persons who are not Affiliates;

(7) Investments represented by Hedging Obligations;

(8) receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided, however,* that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances;

(9) surety and performance bonds and workers' compensation, utility, lease, tax, performance and similar deposits and prepaid expenses in the ordinary course of business;

(10) Guarantees of Indebtedness permitted under the covenant contained under the caption "—Certain covenants—Incurrence of indebtedness and issuance of preferred stock";

(11) guarantees by the Company or any of its Restricted Subsidiaries of operating leases (other than Capital Lease Obligations) or of other obligations that do not constitute Indebtedness, in each case entered into by any Restricted Subsidiary in the ordinary course of business;

(12) Investments of a Restricted Subsidiary acquired after the Issue Date or of any entity merged into the Company or merged into or consolidated or amalgamated with a Restricted Subsidiary in accordance with the covenant described under "—Certain covenants—Merger, consolidation or sale of assets" to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger, consolidation or amalgamation and were in existence on the date of such acquisition, merger or consolidation;

(13) Permitted Business Investments;

(14) Investments received as a result of a foreclosure by the Company or any of its Restricted Subsidiaries with respect to any secured Investment in default;

(15) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(16) Guarantees of performance or other obligations (other than Indebtedness) arising in the ordinary course in the Oil and Gas Business, including obligations under oil and natural gas exploration, development, joint operating, and related agreements and licenses, concessions or operating leases related to the Oil and Gas Business;

(17) Investments in the Notes and any other Indebtedness of the Company or any Restricted Subsidiary;

(18) Management Advances;

(19) payroll, commission, travel, relocation and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business, in each case to the extent the same constitutes an Investment;

(20) any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and similar deposits made in the ordinary course of business by the Company or any Restricted Subsidiary;

(21) receivables or working capital loans or other such similar forms of credit support owing to the Company or any Restricted Subsidiary of the Company and advances to suppliers, contractors or builders, in each case payable or dischargeable in accordance with such trade terms as the Company or such Restricted Subsidiary deems reasonable under the circumstances;

(22) (a) loans or grants customary or advisable in the Oil and Gas Business in respect of community development projects or economic development activities in Africa, as appropriate for the Company's regions of operation or consistent with past practice or counterparty requirements (including loans or grants made to Invest in Africa) and (b) Investments made with funds received by the Company and its Restricted Subsidiaries from grants or donations from third parties; and

(23) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (23) that are at the time outstanding, not to exceed the greater of (x) $250.0 million and (y) 2.5% of Consolidated Total Assets; *provided* that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described above under the caption "—Certain covenants—Restricted payments," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (3) of the definition of "Permitted Investments" and not this clause.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens securing Indebtedness incurred under (i) Bank Credit Facilities pursuant to the first paragraph of the covenant entitled "—Certain covenants—Incurrence of indebtedness and issuance of preferred stock" and (ii) Credit Facilities pursuant to clause (1) of the second paragraph of the covenant entitled "—Certain covenants—Incurrence of indebtedness and issuance of preferred stock";

(2) Liens in favor of the Company or any Restricted Subsidiary;

(3) Liens on property of a Person existing at the time such Person is merged with or into or consolidated or amalgamated with the Company or any Subsidiary of the Company; *provided* that such Liens were in existence prior to the contemplation of such merger, consolidation or amalgamation and do not extend to any assets other than those of the Person merged into or consolidated or amalgamated with the Company or the Subsidiary;

(4) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Company or any Subsidiary of the Company; *provided* that such Liens were in existence prior to such acquisition, and not incurred in contemplation of, such acquisition;

(5) Liens existing on the Issue Date;

(6) Liens on Capital Stock of and assets of any Restricted Subsidiary that is not a Guarantor that secures Indebtedness of such Restricted Subsidiary or any other Restricted Subsidiary that is not a Guarantor;

(7) Liens for taxes, assessments or governmental charges or claims that (x) are not yet due and payable or (y) that are being contested in good faith by appropriate proceedings;

(8) survey exceptions, easements or reservations of, or rights of others for, licenses, rights of way, gas and oil pipelines, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(9) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;

(10) Liens in favor of customs and revenue authorities arising as a matter of law to secure payments of customs duties in connection with the importation of goods;

(11) any attachment, prejudgment or judgment Lien that does not constitute an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(12) Liens created for the benefit of (or to secure) the Notes (or the Note Guarantees);

(13) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Indenture; provided, however, that:

(a) the new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

(b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such extension, renewal, refunding, refinancing, replacement, exchange, defeasance or discharge;

(14) Liens for the purpose of securing (a) all or any part of the purchase price, lease expense, rental payments or cost of design, construction, installation or improvement of any FPSO used or useful in the Oil and Gas Business and any Permitted Refinancing Indebtedness in respect thereof permitted to be incurred under the Indenture and (b) the payment of all or a part of the purchase price of, or Capital Lease Obligations with respect to, or the repair, improvement or construction cost of, assets or property acquired or repaired, improved or constructed in the ordinary course of business;

(15) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained or deposited with a depositary institution;

(16) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(17) Liens in respect of Production Payments and Reserve Sales, *provided* such Liens are limited to the property that is the subject of such Production Payment and Reserve Sale;

(18) Liens on pipelines and pipeline facilities that arise by operation of law;

(19) Liens arising under oil and gas leases or subleases, assignments, farm-out agreements, farm-in agreements, division orders, contracts for the sale, purchase, exchange, transportation, gathering or processing of Hydrocarbons, unitizations and pooling designations, declarations, orders and agreements, development agreements, partnership agreements, operating agreements, royalties, royalty trusts, working interests, carried working interests, net profit interests, joint interest billing arrangements, joint venture agreements, participation agreements, production sales contracts, area of mutual interest agreements, gas balancing or

deferred production agreements, injection, repressuring and recycling agreements, salt water or other disposal agreements, seismic or geophysical permits or agreements, licenses, sublicenses and other agreements which are customary in the Oil and Gas Business; *provided, however*, in all instances that such Liens are limited to the assets that are subject to the relevant agreement, program, order or contract;

(20) any (a) interest or title of a lessor or sublessor under any lease, Liens reserved in oil, gas or other Hydrocarbons, mineral leases for bonus, royalty or rental payments and for compliance with the terms of such leases; (b) restriction or encumbrance that the interest or title of such lessor or sublessor may be subject to (including without limitation, ground leases or other prior leases of the demised premises, mortgages, mechanics' liens, tax liens, and easements); or (c) subordination of the interest of the lessee or sublessee under such lease to any restrictions or encumbrance referred to in the preceding subclause (b);

(21) Liens arising under the Indenture in favor of the Trustee for its own benefit and similar Liens in favor of other trustees, agents and representatives arising under instruments governing Indebtedness permitted to be incurred under the Indenture, provided*, however,* that such Liens are solely for the benefit of the trustees, agents or representatives in their capacities as such and not for the benefit of the holders of the Indebtedness;

(22) Liens securing Hedging Obligations, which obligations are permitted by clause (9) of the second paragraph of the covenant described under "—Certain covenants—Incurrence of indebtedness and issuance of preferred stock";

(23) Liens upon specific items of inventory, receivables or other goods (or the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances or receivables securitizations issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory, receivables or other goods (or the proceeds thereof);

(24) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;

(25) (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord, contractor or other third party on property over which the Company or any Restricted Subsidiary has easement rights or on any real property leased by the Company or any Restricted Subsidiary (including those arising from progress or partial payments by a third party relating to such property or assets) and subordination or similar agreements relating thereto and (ii) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(26) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(27) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of the Company or any Restricted Subsidiary's business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;

(28) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(29) Liens on any proceeds loan made by the Company or any Restricted Subsidiary in connection with any future incurrence of Indebtedness permitted under the Indenture and securing that Indebtedness;

(30) Liens created on any asset of the Company or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Company or a Restricted Subsidiary securing any loan to finance the acquisition of such assets;

(31) Liens over treasury stock of the Company or a Restricted Subsidiary purchased or otherwise acquired for value by the Company or such Restricted Subsidiary pursuant to a stock buy-back scheme or other similar plan or arrangement;

(32) Liens with respect to Indebtedness of the Company or any Subsidiary of the Company with respect to Indebtedness at any one time outstanding that does not exceed the greater of (x) $125.0 million and (y) 1.25% of Consolidated Total Assets as determined on the date of incurrence of such Indebtedness after giving *pro forma* effect to such incurrence and the application of the proceeds therefrom;

(33) the following ordinary course items:

(a) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;

(b) landlords', carriers', warehousemen's, mechanics', materialmen's, repairmen's or the like Liens arising by contract or statute in the ordinary course of business;

(c) pledges or deposits made in the ordinary course of business (A) in connection with leases, tenders, bids, statutory obligations, surety or appeal bonds, government contracts, performance bonds and similar obligations, (B) in connection with workers' compensation, unemployment insurance and other social security legislation (including, in each case, Liens to secure letters of credit issued to assure payment of such obligations) or (C) to secure plugging and abandonment obligations;

(d) Liens arising from Uniform Commercial Code financing statement filings under U.S. state law (or similar filings under applicable jurisdictions) regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;

(e) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings in the ordinary course of business;

(f) leases, licenses, subleases and sublicenses of assets in the ordinary course of business; and

(g) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities; and

(34) any extension, renewal, refinancing or replacement, in whole or in part, of any Lien described in the foregoing clauses (2) through (33) (but excluding clauses (14) and (32)); *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that

secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, renew, refund, refinance, replace, exchange, defease or discharge other Indebtedness of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided* that:

(1) the aggregate principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness being extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has (a) a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (ii) after the final maturity date of the Notes and (b) has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged;

(3) if the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged is expressly contractually subordinated in right of payment to the Notes or the Note Guarantees, as the case may be, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes or the Note Guarantees, as the case may be, on terms at least as favorable to the holders of Notes or the Note Guarantees, as the case may be, as those contained in the documentation governing the Indebtedness being extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged; and

(4) if the Company or any Guarantor was the obligor on the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged, such Indebtedness is incurred either by the Company, a Finance Subsidiary or by a Guarantor.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Production Payments*" means, collectively, Dollar-Denominated Production Payments and Volumetric Production Payments.

"*Production Payments and Reserve Sales*" means the grant or transfer by the Company or a Restricted Subsidiary of the Company to any Person of a royalty, overriding royalty, net profits interest, Production Payment, partnership or other interest in oil and gas properties, reserves or the right to receive all or a portion of the production or the proceeds from the sale of production attributable to such properties where the holder of such interest has recourse solely to such production or proceeds of production, subject to the obligation of the grantor or transferor to operate and maintain, or cause the subject interests to be operated and maintained, in a reasonably prudent manner or other customary standard or subject to the obligation of the grantor or transferor to indemnify for environmental, title or other matters customary in the Oil and Gas Business, including any such grants or transfers pursuant to incentive compensation programs on terms that are reasonably customary in the Oil and Gas Business for geologists, geophysicists and other providers of technical services to the Company or a Subsidiary of the Company.

"*Pro Forma Cost Savings*" means, without duplication, with respect to any period, reductions in costs and related adjustments that have been actually realized or are projected in good faith by a responsible accounting or financial officer of the Company to result from reasonably identifiable and factually supportable actions or events, but only if such reductions in costs and related adjustments are so projected by the Company to be realized during the consecutive two half-year reference period commencing after the transaction giving rise to such calculation.

"*Public Indebtedness*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (x) a public offering or (y) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A under the U.S. Securities Act (or Rule 144A and Regulation S under the U.S. Securities Act) whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale. For the avoidance of doubt, the term "Public Indebtedness" shall not be construed to include any Indebtedness issued to institutional investors in a direct placement of such Indebtedness that is not underwritten by an intermediary (it being understood that, without limiting the foregoing, a financing that is distributed to not more than fifteen Persons (*provided* that multiple managed accounts and affiliates of any such Persons shall be treated as one Person for the purposes of this definition) shall be deemed not underwritten), or any commercial bank or similar Indebtedness, receivables financing, Capital Lease Obligation or recourse transfer of any financial asset or any other type of Indebtedness incurred in a manner not customarily viewed as a "securities offering."

"*Rating Agencies*" means (1) S&P, (2) Moody's, (3) Fitch and (4) if S&P, Moody's, Fitch or any of these shall not make a rating of the Notes available, an internationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody's, Fitch or any of these, as the case may be.

"*RBL Facilities*" means, collectively, (i) the senior secured revolving credit facility agreement dated as of August 22, 2005, as most recently amended and restated pursuant to an amendment and restatement agreement dated November 21, 2017 and as amended, restated, acceded to or otherwise modified or varied from time to time, entered into by, among others, Tullow Oil plc as an original borrower and Natixis as agent and (ii) the senior secured revolving credit facility agreement dated as of May 29, 2009, as most recently amended and restated pursuant to an amendment and restatement agreement dated November 21, 2017 and as amended, restated, acceded to or otherwise modified or varied from time to time, entered into by, among others, Tullow Oil plc as an original borrower and International Finance Corporation as lender and agent.

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary. Unless the context requires otherwise, each reference to a Restricted Subsidiary herein is to a Restricted Subsidiary of the Company.

"*S&P*" means Standard & Poor's Ratings Services and any successor to its ratings business.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Senior Debt*" means, whether outstanding on the Issue Date or thereafter incurred, all amounts payable by, under or in respect of all other Indebtedness of the Company or any Guarantor, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company or such Guarantor at the rate specified in the documentation with respect thereto whether or not a claim for post-filing interest is allowed in such proceeding) and fees relating thereto; *provided*, *however*, that Senior Debt will not include

(a) any Indebtedness incurred in violation of the Indenture;

(b) any obligation of (i) the Company to any Restricted Subsidiary or (ii) any Guarantor to the Company or any Restricted Subsidiary;

(c) any liability for taxes owed or owing by the Company or any Restricted Subsidiary;

(d) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities);

(e) any Indebtedness, guarantee or obligation of the Company or any Guarantor that is evidenced by an instrument that expressly provides, in the case of the Company, that it is subordinate in right of payment to the Notes, or in the case of any Guarantor, that it is subordinate or *pari passu* in right of payment with the Note Guarantee of such Guarantor; or

(f) any Capital Stock.

"*Significant Subsidiary*" means, at the date of determination, any Restricted Subsidiary that, together with its Subsidiaries which are Restricted Subsidiaries, (i) for the most recent fiscal year, accounted for more than 10% of the consolidated revenues of the Company or (ii) as of the end of the most recent fiscal year, was the owner of more than 10% of the consolidated assets of the Company.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof; *provided* that, for the avoidance of doubt, in the case of debt securities that are by their terms convertible into Capital Stock (or cash or a combination of cash and Capital Stock based on the value of the Capital Stock) of the Company, any obligation to offer to repurchase such debt securities on a date(s) specified in the original terms of such securities, which obligation is not subject to any condition or contingency, will be treated as a Stated Maturity date of such convertible debt securities.

"*Subordinated Obligation*" means any Indebtedness of the Company (whether outstanding on the Issue Date or thereafter incurred) which is subordinate or junior in right of payment to the Notes pursuant to a written agreement or any Indebtedness of a Guarantor (whether outstanding on the Issue Date or thereafter incurred) which is subordinate or junior in right of payment to the Note Guarantee pursuant to a written agreement, as the case may be.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of its Voting Stock is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof);

(2) any corporation, association or other business entity of which that Person or one or more of the other Subsidiaries of that Person (or any combination thereof), directly or indirectly, has the right to appoint a majority of the directors, managers or trustees, as applicable, or has the operational control of the corporation, association or other business entity and the financial results of such corporation, association or other business entity are consolidated with the financial results of such Person or one or more of the other Subsidiaries of that Person (or any combination thereof); and

(3) any partnership, joint venture, limited liability company or similar entity of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Tax*" means any tax, duty, levy, impost, assessment or other governmental charge of whatever nature (including penalties, interest and any other additions thereto). "Taxes" and "Taxation" shall be construed to have corresponding meanings.

"*Treasury Rate*" means, in respect of any redemption date, the yield to maturity as of the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (or, if such statistical release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to March 1, 2021; *provided, however,* that if the period from the redemption date to March 1, 2021 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. The Company will calculate the Treasury Rate no later than the second (and no earlier than the fourth) Business Day preceding the applicable redemption date.

"*U.S. dollars*" or "*$*" means the lawful currency of the United States of America.

"*U.S. Government Obligations*" means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

"*Unrestricted Subsidiary*" means any Subsidiary of the Company that is designated by the Board of Directors of the Company as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by the covenant described above under the caption "—Certain covenants—Transactions with affiliates," is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company; and

(3) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

All Subsidiaries of an Unrestricted Subsidiary shall also be Unrestricted Subsidiaries.

"*U.S. Exchange Act*" means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*U.S. Securities Act*" means the United States Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*Volumetric Production Payments*" means production payment obligations recorded as deferred revenue in accordance with IFRS, together with all related undertakings and obligations.

"*Voting Stock*" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

Book-entry, delivery and form

General

The Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "**Regulation S Global Note**").

The Notes sold within the United States to qualified institutional buyers, pursuant to Rule 144A, will initially be represented by a global note in registered form without interest coupons attached (the "**144A Global Note**" and, together with the Regulation S Global Note, the "**Global Notes**"). On the closing date the Global Notes will be deposited with a custodian of DTC and registered in the name of Cede & Co., as nominee of DTC.

Investors who are qualified institutional buyers and who purchase Notes in reliance on Rule 144A may hold their interests in a Rule 144A Global Note directly through DTC if they are DTC participants, or indirectly through organizations that are DTC participants. Investors who hold beneficial interests in a Regulation S Global Note may hold such interests directly through Euroclear and Clearstream if they are participants in these systems, or indirectly through organizations that are participants in Euroclear or Clearstream. Euroclear and Clearstream will hold interests in the Regulation S Global Note on behalf of their participants through their respective depositaries, which in turn will hold the interests in the Regulation S Global Note in customers' securities accounts in the depositaries' names on the books of DTC. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC and its participants. The Book-Entry Interests in the Global Notes will be issued only in denominations of $200,000 and integral multiples of $1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, DTC will credit on its book-entry registration and transfer systems a participant's account with the interest beneficially owned by such a participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interests in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or "holder" of Notes under the Indenture for any purpose.

So long as the Notes are held in global form, DTC (or its nominee) will be considered the holders of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of DTC and indirect participants must rely on the procedures of DTC and the participants through which they own Book-Entry Interests to exercise any rights of holders under the Indenture.

None of the Company, Guarantor, the Trustee, the Principal Paying Agent, the Transfer Agent, the Registrar or the London Paying Agent under the Indenture, nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Issuance of definitive registered notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive Notes in registered form (the "**Definitive Registered Notes**"):

- if DTC notifies the Company that it is unwilling or unable to continue to act as depository and the Company does not appoint a successor depository within 120 days;
- if the Company, at its option but subject to DTC's rules, notifies the Trustee in writing that it elects to exchange in whole, but not in part, the Global Note for Definitive Registered Notes; or
- if DTC so requests following an event of default under the Indenture.

In such an event, the registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of DTC or the Company, as applicable (in accordance with its customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in "Notice to investors," unless that legend is not required by the Indenture or applicable law.

Redemption of global notes

In the event any Global Note, or any portion thereof, is redeemed, DTC will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by DTC in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of DTC, if fewer than all of the Notes are to be redeemed at any time, DTC will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of less than $200,000 in principal amount may be redeemed in part.

Payments on global notes

The Company will make payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) to the Principal Paying Agent. The Principal Paying Agent will, in turn, make such payments to DTC or its nominee, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture, the Company, the Trustee, the Paying Agent, the Transfer Agent and the Registrar will treat the registered holder of the Global Notes (i.e., the nominee for DTC) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Company nor the Trustee, the Paying Agent, the Transfer

Agent or the Registrar or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- DTC, Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

To tender Book-Entry Interests in the change of control offer, the holder of the applicable Global Note must, within the period specified in such offer, give notice of such tender to the Principal Paying Agent and specify the principal amount of Book-Entry Interests to be tendered.

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Notes through DTC in dollars.

Action by owners of book-entry interests

DTC has advised the Company that it will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. DTC will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of DTC reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in DTC will be done in accordance with DTC rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of DTC and in accordance with the provisions of the Indenture.

The Global Notes will bear a legend to the effect set forth in “Notice to investors.” Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in “Notice to investors.”

During the period ending 40 days after the commencement of the offering of the Notes (the “**40-Day Period**”), beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the Trustee a certificate (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “Notice to Investors” and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

After the expiration of the 40-day Period, beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note without compliance with these certification requirements.

Subject to the foregoing, and as set forth in “Notice to investors” Book-Entry Interests may be transferred and exchanged as described under “Description of Notes—Transfer and exchange.” Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book- Entry Interests in a Global Note only as described under “Description of Notes—Transfer and exchange” and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See “Notice to investors.”

Transfers involving an exchange of a Regulation S Book-Entry Interest for 144A Book-Entry Interest will be done by DTC by means of an instruction originating from the Trustee through the DTC Deposit/Withdrawal at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the 144A Global Note. The policies and practices of DTC may prohibit transfers of Book-Entry Interests in the Regulation S Global Note prior to the expiration of the 40-Day Period. Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Information concerning DTC

All Book-Entry Interests will be subject to the operations and procedures of DTC, as applicable. The Company provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Company nor the Initial Purchasers are responsible for those operations or procedures. DTC has advised the Company that it is:

- a limited purpose trust company organized under New York Banking Law;
- a "banking organization" under New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of transactions among its participants. It does this through electronic book-entry changes in the accounts of securities participants, eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC's owners are the NYSE Euronext and the National Association of Securities Dealers, Inc. and a number of its direct participants. Other parties, such as banks, brokers and dealers and trust companies, who clear through or maintain a custodial relationship with a direct participant, also have access to the DTC system and are known as indirect participants.

Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in DTC or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through DTC will receive distributions attributable to the 144A Global Note only through DTC participants.

Global clearance and settlement under the book-entry system

The Notes represented by the Global Notes are expected to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore be required by DTC to be settled in immediately available funds. You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through DTC, Euroclear and Clearstream on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, there may be problems with completing transactions involving DTC on the same business day as in the United States.

Although DTC currently follow the foregoing procedures to facilitate transfers of interests in the Global Notes among participants in DTC, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Company, any Guarantor, the Trustee, the Principal Paying Agent, the Transfer Agent, the Registrar, the London Paying Agent or any of their respective agents will have any responsibility for the performance by DTC or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

Initial settlement

Initial settlement for the Notes will be made in dollars. Book-Entry Interests owned through DTC accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of DTC participants on the Business Day following the settlement date against payment for value on the settlement date.

Secondary market trading

The Book-Entry Interests will trade through participants of DTC and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Taxation

Certain U.S. federal income tax considerations

The following is a discussion of certain U.S. federal income tax considerations of the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is based upon the United States Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations issued thereunder (the "**Treasury Regulations**"), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. This discussion is limited to consequences relevant to a U.S. holder (as defined below), except for the discussion of Additional Notes (as defined below) and FATCA (as defined under "*—Foreign Account Tax Compliance Act*"). This discussion does not address the impact of the U.S. federal Medicare tax on net investment income or the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. No rulings from the U.S. Internal Revenue Service (the "**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances or to holders subject to special rules, such as financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities (or investors in such entities), persons liable for alternative minimum tax, persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction and persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (i.e., the first price at which a substantial amount of the Notes is sold for money, not including sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of Section 1221 of the Code.

For purposes of this discussion, a "**U.S. holder**" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A holder that is a partnership, and partners in such partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of U.S. federal estate and gift tax laws, the U.S. federal Medicare tax on net investment income, and state, local, non-U.S. or other tax laws.

Payments of stated interest

Payments of stated interest on a Note (including additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. holder as ordinary interest income at the time the interest is received or accrued, in accordance with the U.S. holder's method of accounting for U.S. federal income tax purposes.

Any non-U.S. withholding tax paid by a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. Interest on the notes generally will be income from sources outside the United States and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income. The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their tax advisors regarding the availability of foreign tax credits.

Sale, exchange, retirement, redemption or other taxable disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss in an amount equal to the difference between the amount realized upon such disposition (other than amounts attributable to accrued and unpaid stated interest, which will be taxable as ordinary interest income as described above) and the U.S. holder's adjusted tax basis in the Note. A U.S. holder's adjusted tax basis in a Note generally will equal the cost of the Note to the U.S. holder.

Any gain or loss recognized by a U.S. holder on the sale, exchange, retirement, redemption or other taxable disposition of a Note will generally be U.S. source capital gain or loss and will be long-term capital gain or loss if the U.S. holder has held the Note for more than one year at the time of the sale, exchange, retirement, redemption or other taxable disposition. In the case of an individual U.S. holder, any such gain may be eligible for preferential U.S. federal income tax rates if the U.S. holder satisfies certain prescribed minimum holding periods. The deductibility of capital losses is subject to limitations.

Additional Notes

The Issuer may issue additional notes ("**Additional Notes**") as described under "*Description of the Notes*." These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes in some cases may be treated as a separate series for U.S. federal income tax purposes. In such case, the Additional Notes may be considered to have original issue discount for U.S. federal income tax purposes, which may adversely affect the market value of the original Notes if the Additional Notes are not otherwise distinguishable from the original Notes.

Information reporting and backup withholding

In general, payments of interest and the proceeds from sales or other dispositions (including retirements or redemptions) of Notes held by a U.S. holder may be required to be reported to the IRS unless the U.S. holder is an exempt recipient and, when required, demonstrates this fact. In addition, a U.S. holder that is not an exempt recipient may be subject to backup withholding unless it provides a taxpayer identification number and otherwise complies with applicable certification requirements.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the appropriate information is timely furnished to the IRS.

Information with respect to foreign financial assets

Certain U.S. holders who are individuals and who hold an interest in "specified foreign financial assets" (as defined in section 6038D of the Code) are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). Under certain circumstances, an entity may be treated as an individual for purposes of the foregoing rules. U.S. holders should consult their tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Notes, including the significant penalities for noncompliance.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "FATCA"), a "foreign financial institution" may be required to withhold U.S. tax on certain "passthru" payments made after December 31, 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining foreign passthru payments are filed generally would be "grandfathered", and thus not subject to the rules regarding foreign passthru payments, unless materially modified after such date. Accordingly, if the Company is treated as a foreign financial institution, FATCA withholding would apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. However, if Additional Notes are issued after the expiration of the grandfather period, have the same CUSIP or ISIN as the original Notes issued hereby, and are subject to withholding under FATCA, then withholding agents may treat all the notes, including the Notes issued hereby, as subject to withholding under FATCA. Non-U.S. governments have entered into agreements with the United States to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

Certain United Kingdom tax considerations

The following applies only to the position of persons who are the absolute beneficial owners of Notes. It is a summary of current United Kingdom law and published HM Revenue & Customs ("**HMRC**") practice (which may not be binding on HMRC), both of which may be subject to change (sometimes with retrospective effect), relating only to the United Kingdom withholding tax treatment of payments of interest and premium on the Notes and stamp tax considerations on the issue or transfer of the Notes. This summary does not deal with other United Kingdom tax consequences of acquiring, holding or disposing of the Notes. The United Kingdom tax treatment of prospective noteholders depends on their individual circumstances and may be subject to change in the future.

This description does not purport to constitute legal or tax advice and does not describe all of the tax considerations that may be relevant to a prospective noteholder. Prospective noteholders who are in doubt as to their own tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, should consult their professional advisers.

Interest on the Notes

Payment of interest on the Notes

Payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax provided that the Notes continue to be listed on a "recognized stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Luxembourg Stock Exchange is a "recognized stock exchange". The Notes will satisfy this requirement if they are officially listed in Luxembourg in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Euro MTF of the Luxembourg Stock Exchange in accordance with the rules of the Luxembourg Stock Exchange. Provided, therefore, that the Notes remain so listed and admitted to trading, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction for or on account of United Kingdom income tax where interest on the Notes is paid to a company that is the beneficial owner and, at the time the payment is made, the Company reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, including in the event the Notes are not or cease to be listed on a "recognized stock exchange", an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20%). However, where an applicable double taxation treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a noteholder, HMRC can issue a direction to the Company to pay interest to the noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double taxation treaty).

Any premium payable on redemption may be treated as a payment of interest for United Kingdom tax purposes and may accordingly be subject to the withholding tax treatment described above.

Payments by a Guarantor

If a Guarantor makes any payments in respect of interest on the Notes (or in respect of other amounts due under the Notes other than the repayment of amounts subscribed for such Notes) such payments may be subject to United Kingdom withholding tax at the basic rate (currently 20%) subject to such relief as may be available under the provisions of any applicable double taxation treaty following a direction by HMRC or any other exemption which may apply. Such payments by a Guarantor may not, however, be eligible for the exemptions from the obligation to withhold tax described in the paragraphs above.

Further United Kingdom tax issues

Interest and any premium on the Notes constitutes United Kingdom source income for United Kingdom tax purposes and may be subject to United Kingdom income tax or corporation tax by way of assessment (including self-assessment) even where paid without withholding or deduction. Accordingly, and subject to certain exceptions applying to various categories of investors (including, in particular, exceptions applying to persons not resident in the United Kingdom), investors may be subject to United Kingdom tax by assessment (including self-assessment) on such payments of interest and premium even when paid without withholding.

Noteholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom by or through whom interest is paid or credited. The details provided to HMRC may, in certain cases, be passed on to the tax authorities of the jurisdiction in which the noteholder is resident for taxation purposes.

The references to "interest" above are to "interest" as understood for the purposes of United Kingdom tax law. They do not take into account any different definition of "interest" or "principal" that may prevail under any other tax law or that may apply under the terms and conditions of the Notes or any related document.

Stamp duty and stamp duty reserve tax

No United Kingdom stamp duty or stamp duty reserve tax should be payable on the issue or transfer of the Notes.

Certain Australian tax considerations

Prospective holders of Notes should consult their own tax advisers concerning the consequences, in their particular circumstances, under Australian tax laws, and under the laws of any other taxing jurisdiction, of the ownership of or any dealing in the Notes. Any such dealing would need to comply with the selling restrictions and securities laws generally.

Interest withholding tax

The Company does not intend to issue Notes as agent of any Australian resident entities or in respect of any permanent establishments in Australia. It is intended that no interest is to be paid from Australia on the Notes. On that basis Australian interest withholding tax ("**IWT**") should not be payable on the interest paid by the Company.

It is unclear whether payments under the guarantee by a Guarantor incorporated under the laws of Australia will constitute payments of interest so defined, but the better view is that such payments are not payments of interest or amounts in the nature of interest and, as such, no IWT should be payable in respect of such payments. The Commissioner of Taxation in Australia has issued a public guidance that such payments may be interest for IWT purposes. If the guarantee payments are treated as interest for IWT purposes, a rate of 10% IWT should generally apply, unless an exemption is available.

Income tax

Payment of principal and interest to a Noteholder who is a non-Australian resident and who, during the taxable year, does not hold the Notes in the course of carrying on business at or through a permanent establishment in Australia ("**Offshore Holders**"), will not be subject to Australian income taxes. Australian residents or non-Australian residents who hold the Notes in the course of carrying on business at or through a permanent establishment in Australia ("**Australian Holders**") may be assessed for Australian tax purposes on income either received or accrued to them in respect of the Notes. Whether income will be recognized on a cash receipts or accruals basis will depend upon the tax status of the particular Noteholder and the terms and conditions of the Notes. Special rules apply to the taxation of Australian residents who hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia, which vary depending on the country in which that permanent establishment is located.

Gains on disposal or redemption of Notes

Offshore Holders will not be subject to Australian income tax on gains realized during that year on the sale or redemption of the Notes provided such gains do not have an Australian source or if the non-Australian resident is not holding the Notes in carrying on business at or through a permanent establishment in Australia. A gain arising on the sale of Notes by a non-Australian resident holder to another non-Australian resident where the Notes are sold outside Australia and all negotiations are conducted, and documentation executed outside Australia, would not generally be regarded as having an Australian source.

Deemed interest

There are specific rules that can apply to treat a portion of the purchase price of Notes as interest for IWT purposes when certain Notes originally issued at a discount or with a maturity premium or which do not pay interest at least annually are sold to an Australian Holder. If the Notes are not issued at a discount and do not have a maturity premium then these rules should not apply to the Notes.

Stamp duty and other taxes

No *ad valorem* stamp, issue, registration or similar taxes are payable in Australia on the issue or transfer of any Notes. Neither the issue nor receipt of the Notes will give rise to a liability for goods and services tax ("**GST**") in Australia on the basis that the supply of Notes will comprise either an input taxed financial supply or (in the case of an offshore subscriber) a

GST-free supply. Furthermore, neither the payment of principal or interest by the Company, nor the disposal or redemption of the Notes, would give rise to any GST liability in Australia.

Taxation of foreign exchange gains and losses

Divisions 775 and 960 of the Income Tax Assessment Act of 1997 of Australia (the "**Australian Tax Act**") contain rules to deal with the taxation consequences of foreign exchange transactions. The rules are complex and may apply to any Australian Holders that hold Notes that are not denominated in Australian dollars. Any such Noteholders should consult their professional advisors for advice as to how to tax account for any foreign exchange gains or losses arising from their holding of those Notes.

Taxation of financial arrangements ("TOFA")

Division 230 of the Australian Tax Act contains a code for the tax- timing and character treatment of gains and losses in relation to financial arrangements. The regime contains a number of different methods for bringing to account for tax purposes gains and losses in relation to "financial arrangements". These rules may affect the time at which any Australian tax is applied in respect of the Notes.

General tax considerations

Payments by a Guarantor

If a Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than a repayment of amounts subscribed for the Notes) it is possible that such payments may be subject to withholding tax at applicable rates subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply.

Plan of distribution

Subject to the terms and conditions set forth in a purchase agreement (the "**Purchase Agreement**") dated on or about the date of this Offering Memorandum by and among the Company, the Guarantors and the Initial Purchasers, we have agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from us, together with all other Initial Purchasers, Notes in the aggregate principal amount of $800 million.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel.

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page hereof. After the initial offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice. Sales in the United States will be made through certain affiliates of the Initial Purchasers which are registered as U.S. broker-dealers.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Purchase Agreement provides that we will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 60 days after the date hereof, we will not, and the Guarantors will not, without the prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any debt securities issued or guaranteed by the Company or any of the Guarantors and having a tenor of more than one year (other than the Notes and Guarantees).

The Notes and the Note Guarantees have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and to certain persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act. Resales of the Notes are restricted as described under "Notice to investors."

Each Initial Purchaser represents warrants and agrees that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to us or the Guarantors; and

- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchaser that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this Offering Memorandum and resale of the Notes. See "Notice to investors."

We and the Guarantors have also agreed that we will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbor of Rule 144A and Regulation S under the U.S. Securities Act to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. We have applied, through our listing agent, to list the Notes on the Official List of the Luxembourg Stock Exchange and trade the Notes on the Euro MTF, however, we cannot assure you that the Notes will be approved for listing or that such listing will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchaser without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "Risk factors—Risks relating to the Notes and our structure—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited."

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be five business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes. Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next two business days will be required, by virtue of the fact that the Notes initially will settle in T + 5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own legal advisor.

In connection with the offering, J.P. Morgan (the "**Stabilizing Manager**"), or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over allot the Offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the U.S. Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed to cover short positions. Penalty bids permit the Initial Purchaser to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

The Initial Purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory, mergers and acquisitions and commercial banking services to us and our affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. Initial Purchasers and/or their affiliates are lenders (and in the case of Natixis, agents) under our RBL Facilities and/or Corporate Facility. Certain of the Initial Purchasers and/or their affiliates have entered and may from time to time enter into hedging arrangements with us and our affiliates, act as our equity brokers and are advising us, or have advised us, on the sale of our Disposed Assets. In addition, the former vice chairman of the Global Energy Group at J.P. Morgan, one of the Initial Purchasers, became one of our non-executive directors in October 2013 and continues to serve as a senior adviser to the firm. In addition, in the ordinary course of their business activities, the Initial Purchasers may make or hold a broad array of investments and actively trade debt and equity securities and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments may involve instruments of the Company and its affiliates (including the 2022 Notes, the Notes and the RBL Facilities).

Notice to investors

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Note Guarantees have not been and will not be registered under the U.S. Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Notes offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) in reliance on Rule 144A under the U.S. Securities Act and in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

We have not registered and will not register the Notes or the Note Guarantees under the U.S. Securities Act and, therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, we are offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States to "qualified institutional buyers," commonly referred to as "QIBs," as defined in Rule 144A in compliance with Rule 144A; and

- outside the United States in an offshore transaction in accordance with Regulation S.

We use the terms "offshore transaction," "U.S. person" and "United States" with the meanings given to them in Regulation S.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the Initial Purchasers as follows:

(1) You understand and acknowledge that the Notes and the Note Guarantees have not been registered under the U.S. Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, including sales pursuant to Rule 144A under the U.S. Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) You are not our "affiliate" (as defined in Rule 144 under the U.S. Securities Act) or acting on our behalf and you are either:

  (a) a QIB, within the meaning of Rule 144A under the U.S. Securities Act and are aware that any sale of these Notes to you will be made in reliance on Rule 144A under the U.S. Securities Act, and such acquisition will be for your own account or for the account of another QIB; or

  (b) you are purchasing the Notes in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

(3) You acknowledge that none of us, the Guarantors, or the Initial Purchasers, nor any person representing any of them, has made any representation to you with respect to us or the offer or sale of any of the Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.

(4) You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

(5) You agree on your own behalf and on behalf of any investor account or accounts for which you are purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "**Resale Restriction Termination Date**") that is one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the date of the original issue and the last date on which we or any of our affiliates were the owner of such Notes (or any predecessor thereto) only (i) to us, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the U.S. Securities Act or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to our and the trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing in the Indenture is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS ACQUIRING THIS SECURITY IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "**RESALE RESTRICTION TERMINATION DATE**") WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY)] [IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S)], ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("**RULE 144A**"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING IN THE INDENTURE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(6) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.

(7) You acknowledge that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

(8) You acknowledge that the Registrar will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth therein have been complied with.

(9) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes is no longer accurate, it shall promptly notify the initial purchasers. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(10) You understand that no action has been taken in any jurisdiction (including the United States) by us or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "Plan of distribution."

Legal matters

The validity of the Notes, the Note Guarantees and certain other legal matters are being passed upon for us by Latham & Watkins (London) LLP with respect to matters of U.S. federal, New York state and English law. Certain legal matters will be passed upon for the Initial Purchasers by Vinson & Elkins RLLP with respect to matters of U.S. federal, New York state and English law. Vinson & Elkins RLLP may represent us from time to time in matters unrelated to this offering.

Independent auditors

Our consolidated financial statements as of and for the years ended December 31, 2015, 2016 and 2017 included in this Offering Memorandum have been audited by Deloitte LLP, independent auditors, as stated in their report appearing herein.

Independent petroleum engineers

Estimates of our gas and oil commercial reserves and contingent resources as of December 31, 2015, 2016 and 2017 included in this Offering Memorandum were based in part upon a reserve report prepared by independent petroleum engineers, ERC Equipoise Limited. We have included these estimates in reliance on the authority of such firm as an expert in such matters.

Available information

Each purchaser of Notes from an Initial Purchaser will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to the Offering Memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to clause (1) above, no person has been authorized to give any information or to make any representation concerning the Notes or each Note Guarantee offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by either us or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, unless we are then subject to Section 13 or 15(d) under the U.S. Exchange Act, make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request should be directed to Tullow Oil plc, Investor Relations, 9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom, care of Chris Perry.

We are not subject to the periodic reporting and other information requirements of the U.S. Exchange Act. We are a listed company on the Official List of the London Stock Exchange and while we remain listed on the Official List of the London Stock Exchange, we must comply with the reporting requirements established by the Companies Act 2006, as amended, and the Disclosure & Transparency Rules of the United Kingdom Listing Authority. In addition to our ongoing reporting obligations under these regulations, we must send the United Kingdom Listing Authority our preliminary annual results and our annual financial report. We must also send our semi-annual financial reports, along with interim management statements. Pursuant to the Indenture, we will agree to furnish periodic information to the holders of the Notes. See "Description of Notes—Certain covenants—Reports."

So long as the Notes are admitted to trading on the Euro MTF and to listing on the Official List of the Luxembourg Stock Exchange, and the rules and regulations of such stock exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the Luxembourg Listing Agent.

Service of process and enforcement of civil liabilities

We are incorporated under the laws of England and Wales and the Guarantors are organized under the laws of England and Wales, Australia, Gabon, Isle of Man, Jersey and the Netherlands.

Most of our directors, officers and other executives are neither residents nor citizens of the United States. Furthermore, most of our assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, us or the Guarantors or to enforce against them, us or the Guarantors judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, we and the Guarantors have appointed, or will appoint, an agent for the service of process in New York. It may be possible for investors to effect service of process within England and Wales, Australia, Gabon, Isle of Man, Jersey and the Netherlands upon those persons, us or the Guarantors provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 and any relevant rules of court applicable in such jurisdictions are complied with.

There is doubt that a lawsuit based upon U.S. federal or state securities laws could be brought in an original action or an action to enforce judgments of U.S. federal or state courts in England and Wales, Australia, Gabon, Isle of Man, Jersey and the Netherlands. Therefore, a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based on United States federal or state securities laws, may not be recognized in such jurisdictions.

Australia

Recognition of foreign judgments

A foreign judgment must first be either registered in Australia under the *Foreign Judgments Act 1991* (Cth) ("**Act**") or recognised at common law, before it can be enforced. The Act only applies to judgments of certain courts made in foreign jurisdictions with which Australian has reciprocal arrangements (e.g. United Kingdom). Importantly, the Act does not extend to any court of the United States. United States' judgments must be enforced at common law.

At common law, a judgment in personam is prima facie entitled to recognition and enforceable if:

i. it is for a fixed or readily calculable monetary sum;

ii. it is final and conclusive (this is broad notion and a judgment may be final and conclusive even if there are pending appellate proceedings or an application for the judgment to be set aside);

iii. the foreign court exercised jurisdiction over the defendant in the foreign proceedings in a form recognised by Australian law (e.g. the defendant was present in, or voluntarily submitted to, the foreign jurisdiction); and

iv. the parties to the enforcement proceedings are the same as those in the foreign judgment.

However, a defendant may resist enforcement at common law on certain limited bases, the principal ones being:

i. the foreign judgment was obtained by fraud;

ii. enforcement of the foreign judgment is contrary to public policy (e.g. where it is penal, which may capture United States judgments giving effect to the civil penalty provisions of United States' securities laws);

iii. the foreign court acted contrary to natural justice; or

iv. where the foreign judgment was made in antitrust proceedings, the judgment may be barred from enforcement pursuant to the *Foreign Proceedings* (*Excess of Jurisdiction*) Act 1984 (Cth).

On the other hand, if the foreign jurisdiction is recognised under the Act, registration may be sought under the Act. Registration applications may be made ex parte, and the requirements and process for registration under the Act are more straightforward than the common law. The judgment is registrable and must be registered if it is:

i. for a fixed sum;

ii. final and conclusive (which extends to interlocutory judgments; and similar principles to the common law apply in respect of appeals);

iii. made in civil proceedings or in respect of a civil claim in criminal proceedings; and

iv. not wholly satisfied and not incapable of enforcement in the foreign jurisdiction.

A registered judgment is enforceable as if the judgment had originally been given by the relevant Australian court. However, a defendant can apply, within a specified time period, to have the registered judgment set aside if any of the above criterion are no longer, or never were, satisfied. The defendant can also apply to set aside on the grounds set out in s 7(2) of the Act, including that the foreign judgment was obtained by fraud, that the foreign court did not exercise jurisdiction in a form recognised by the Act, or that enforcement of the judgment would be contrary to public policy (which is congruent with the common law notion of public policy).

Gabon

The following matters relate to the enforceability of certain foreign and U.S. court judgments in Gabon.

Recognition of foreign judgments

A foreign court judgment will only be enforceable in Gabon after a Gabonese court issues an exequatur order. In considering whether to issue an exequatur order, the Gabonese court will review the following:

i. the competent court to hear the disputes is not a Gabonese court;

ii. the foreign court judgment is issued by a competent foreign court in accordance with the applicable laws in the relevant jurisdiction;

iii. the defendant has been given the opportunity to defend his case;

iv. the dispute has been given an exact solution in accordance with the applicable laws in the relevant jurisdiction;

v. the Gabonese court has not already issued a decision for the same dispute;

vi. no proceedings relating to the same dispute are ongoing in Gabon; and

vii. the foreign court judgment is not in breach of Gabonese public order.

While the Gabonese court does not reopen the dispute or reconsider the merits of the case, the Gabonese court is authorized by Gabonese laws to reduce the sanction pronounced by the foreign court.

The party applying for an exequatur is required to submit to the Gabonese court the following documents:

i. the original notification document of the foreign court judgment to the parties;

ii. the original foreign court judgment; and

iii. Clerk certificate evidencing that the judgment is final and definitive and is not subject to appeal.

Isle of Man

The following matters relate to the enforceability of certain foreign and U.S. court judgments in the Isle of Man.

Recognition of foreign judgments

As a general rule, foreign judgments, including judgments obtained in courts outside the Isle of Man predicated upon civil liabilities cannot be directly enforced in the Isle of Man, although an exception to this rule occurs where the Judgments (Reciprocal Enforcement) (Isle of Man) Act 1968 as amended (the "**1968 Act**") applies.

The 1968 Act provides for the registration and enforcement in the Isle of Man of judgments given in the superior courts of countries which accord reciprocal treatment to judgments given in the Isle of Man. Presently, the reciprocating countries and their superior courts include the following:

i. High Court of Justice, Court of Appeal, or the Supreme Court of England and Wales;

ii. Scotland Court of Session, Sheriff Court;

iii. Northern Ireland Supreme Court of Judicature;

iv. Jersey Royal Court, Court of Appeal; and

v. Guernsey Royal Court, Court of Appeal.

Not all judgments given by such superior courts can be registered. The registration procedure set out in the 1968 Act applies only to judgments or orders given or made in civil proceedings, or in criminal proceedings for the payment of a sum of money in respect of compensation or damages to an injured party. In addition, the judgment must:

i. be final and conclusive as between the parties (whether or not an appeal in the foreign court is pending or possible);

ii. provide for the payment of a sum of money, but not in respect of taxes or similar charges, or a fine or other penalty;

iii. be for a moneys sum which has not been wholly satisfied; and

iv. be able to be enforced by execution.

Further detailed provisions in relation to the enforcement of foreign judgments in the Isle of Man are contained in the 1968 Act. If a foreign judgment falls within the 1968 Act, the judgment creditor must use the registration procedure, as further described in the 1968 Act.

Under Isle of Man common law, a foreign judgment in personam given by the court of a foreign country (such as the United States of America) not covered by the 1968 Act with jurisdiction to give that judgment may be recognized and enforced in the Isle of Man courts by an action for the amount due under it provided that the judgment: (i) is for a debt or definite sum of money (not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty); (ii) is final and conclusive; (iii) was not obtained by fraud; (iv) is not one whose enforcement would be contrary to public policy in the Isle of Man; and (v) was not obtained in proceedings which were opposed to natural justice in the Isle of Man.

Where registration of a foreign judgment under the 1968 Act is not available, and the foreign judgment is not otherwise enforceable by an action based on the foreign judgment, it will be necessary for a holder of a foreign judgment to commence fresh proceedings in the Isle of Man, which proceedings might, inter alia, involve a re-examination of the merits of the case.

Jersey

The following matters relate to the enforceability of certain foreign and U.S. court judgments in Jersey.

Recognition of foreign judgments
As a general rule, foreign judgments, including judgments obtained in courts outside of Jersey predicated upon civil liabilities and any judgment obtained in courts outside of Jersey predicated upon United States federal securities laws, cannot be directly enforced in Jersey, although an exception to this rule occurs where the Judgments (Reciprocal Enforcement) (Jersey) Law 1960, as amended (the "1960 Law"), applies.

The 1960 Law provides for the registration and enforcement in Jersey of judgments given in the superior courts of countries which accord reciprocal treatment to judgments given in Jersey. Presently, the reciprocating countries and their superior courts are as follows:

i. High Court of Justice, Court of Appeal, or the Supreme Court of England and Wales;

ii. Scotland Court of Session, Sheriff Court;

iii. Northern Ireland Supreme Court of Judicature;

iv. Isle of Man Her Majesty's High Court of Justice (including the Staff of Government)

v. Division); and

vi. Guernsey Royal Court, Court of Appeal.

Not all judgments given by such superior courts can be registered. The registration procedure set out in Part 2 of the 1960 Law applies only to judgments or orders given or made in civil proceedings, or in criminal proceedings for the payment of a sum of money in respect of compensation or damages to an injured party. It does not apply to judgments given by such superior courts on appeal from an inferior court nor, for example, to an English County Court judgment given in proceedings later transferred to the High Court for enforcement. In addition, the judgment must:

i. be final and conclusive as between the parties (whether or not an appeal in the foreign court is pending or possible);

ii. provide for the payment of a sum of money, but not in respect of taxes or similar charges, or a fine or other penalty;

iii. be for a moneys sum which has not been wholly satisfied; and

iv. be able to be enforced by execution.

Further detailed provisions in relation to the enforcement of foreign judgments in Jersey are contained in the 1960 Law. If a foreign judgment falls within Part 2 of the 1960 Law, the judgment creditor must use the registration procedure, as further described in the 1960 Law.

Where registration under the 1960 Law is not available, it will be necessary for a holder of a foreign judgment to commence fresh proceedings in Jersey, which proceedings might, *inter alia*, involve a re-examination of the merits of the case.

The Netherlands

United states judgments

In the absence of an applicable treaty between the United States of America and the Netherlands, a judgment against the Guarantor incorporated in the Netherlands (or any of its directors) rendered by a United States court will not be enforced by the courts of the Netherlands. In order to obtain a judgment which is enforceable in the Netherlands, the claim must be reheard on the merits before a competent Netherlands court. A binding effect of the judgment obtained in the United States should generally be obtained if proper service of process has been given and if the judgment rendered by the United States court:

i. results from proceedings compatible with Netherlands concepts of due process;

ii. does not contravene public policy of the Netherlands;

iii. the jurisdiction of the United States court has been based on an internationally acceptable ground; and

iv. the judgment by the United States court is not incompatible with a judgment rendered between the same parties by a Netherlands court, or with an earlier judgment rendered between the same parties by a non-Netherlands court in a dispute that concerns the same subject and is based on the same cause, provided that the earlier judgment qualifies for recognition in the Netherlands.

English judgments

Final and enforceable judgments rendered by an English court will be enforced by the courts in the Netherlands subject to the provisions of Council Regulation (EC) No. 1215/2012, Council Regulation (EC) 805/2004 (as amended) and the Dutch Code on Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*). It should be noted that, following the United Kingdom's exit from the EU, there may be uncertainty regarding the legal basis for enforcing final and enforceable judgments rendered by English courts in the Netherlands.

Certain insolvency law considerations

The following is a brief description of certain insolvency law considerations in the jurisdictions in which Note Guarantees are initially being provided. The descriptions below do not purport to be complete or discuss all of the limitations or considerations that may affect the Notes or the Note Guarantees. Proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes and the Note Guarantees. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations. See "Risk factors—Risks relating to the Notes and our structure—The insolvency laws of England and Wales, Australia, Gabon, Isle of Man, Jersey and the Netherlands may not be as favorable to you as insolvency laws of jurisdictions with which you may be familiar and may preclude noteholders from recovering payments due on the Notes."

England and Wales

The Company and two Note Guarantors are companies incorporated under the laws of England and Wales (the "**English Obligors**"). Therefore, any insolvency proceedings by or against the English Obligors would likely be based on English insolvency laws. However, pursuant to the EU Insolvency Regulation, where a company incorporated under English law has its "center of main interests" in a member state of the European Union (**"Member State"**) other than the United Kingdom, then the main insolvency proceedings for that company may be opened in the Member State in which its center of main interest is located and be subject to the laws of that Member State. Similarly, the U.K. Cross-Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross-Border Insolvency in Great Britain, provide that a foreign (i.e. non-European) court may have jurisdiction where any English company has a center of its main interests in such foreign jurisdiction, or where it has an "establishment" (being a place of operations in such foreign jurisdiction, where it carries out a non-transitory economic activity with human means and assets or services).

The EC Regulation No. 2015/848 on Insolvency Proceedings (the "**EU Insolvency Regulation**") applies to insolvencies which commence after 26 June 2017 in place of the EU Insolvency Regulation. The EU Insolvency Regulation codifies case law on the determination of a company's center of main interests and introduces a concept whereby such determination will be subject to increased scrutiny if the relevant company's registered office has been moved in the three month period prior to the request for the opening of insolvency proceedings. Such three month period will also impact any determination made in relation to an "establishment" (in respect of which secondary proceedings can be opened). At this stage it is not possible to conclusively determine what, if any, impact there might be in relation to the Notes. Further, it remains to be seen what impact the recent vote by the United Kingdom to leave the European Union will have on the regulatory environment in the European Union and the United Kingdom, and on the applicability of European Union law in the United Kingdom.

Administration

The English insolvency statutes empower English courts to make an administration order in respect of an English company or a company with its center of main interest in England in certain circumstances. Without limitation and subject to specific conditions, an administration order can be made if the court is satisfied that the relevant company is or is likely to become "unable to pay its debts" and that the administration order is reasonably likely to achieve the purpose of administration. A company is unable to pay its debts if it is insolvent on a "cash flow" basis (unable to pay its debts as they fall due) or if it is insolvent on a "balance sheet" basis (the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities). Such insolvency is presumed if, among other matters, the company fails either to satisfy a creditor's statutory demand for a debt exceeding £750 or to satisfy in full or in part a judgment debt (or similar court order). Without limitation and subject to specific conditions, an English company, the directors of such company or the holder of a qualifying floating charge, where the floating charge has become enforceable, may also appoint an administrator out of court, and different procedures apply according to the identity of the appointor. The purpose of an administration is comprised of three parts that must be looked at successively: rescuing the company as a going concern or, if that is not reasonably practicable, achieving a better result for the company's creditors as a whole than would be likely upon immediate liquidation or, if neither of those objectives is reasonably practicable, and the interests of the creditors as a whole are not unnecessarily harmed thereby, realizing property to make a distribution to one or more secured or preferential creditors.

Certain rights of creditors, including secured creditors, are curtailed in an administration. Upon the appointment of an administrator, no step may be taken to enforce security over the company's property except with the consent of the administrator or permission of the court. The same requirements for consent or permission apply to the commencement, institution or continuation of legal process (including legal proceedings, execution, distress or diligence) against the company or property of the company. In either case, a court will consider discretionary factors in determining any application for leave in light of the hierarchy of statutory objectives of administration described above.

Accordingly, if either the Company or any Note Guarantor incorporated in England were to enter into administration, the Notes and the Note Guarantees could not be enforced while the relevant company was in administration, without the permission of the court or consent of the administrator. There can be no assurance that the Trustee would obtain this permission of the court or consent of the administrator.

In addition, an administrator is given wide powers to conduct the business and, subject to certain requirements under the Insolvency Act 1986 (the **"Insolvency Act"**), dispose of the property of a company in administration (including property subject to a floating charge).

However, the general prohibition against enforcement by secured creditors without consent of the administrator or permission of the court, and the administrator's powers with respect to property subject to a floating charge, do not apply to any security interest created or arising under a security financial collateral arrangement within the meaning of the Financial Collateral Agreements (No. 2) Regulations 2003 (as amended) (SI 2003/3226) (U.K.). A financial collateral arrangement includes (subject to certain other conditions) a security interest over shares in a company, where both the collateral provider and collateral taker are non-natural persons.

Administrative receivership

The holder of a qualifying floating charge that has been created since September 15, 2003 over all or substantially all of the assets of an English company can generally no longer appoint an administrative receiver of that company. There are exceptions to this rule, the most relevant exception relating to certain capital markets transactions that are expected to incur at least £50 million of debt for the relevant English Obligor during the life of the arrangement where the arrangement involves the issue of a "capital market investment" (as defined in the Insolvency Act).

If an administrative receiver has been appointed, an administrator can only be appointed by the court (and not by the company, its directors or the holder of a qualifying floating charge using the out of court procedure) and then only if the person who appointed the administrative receiver consents or the court considers that the security pursuant to which the administrative receiver was appointed is invalid. If an administrator is appointed, any administrative receiver will vacate office. Additionally any receiver who may be appointed over part of the company's property must resign if required to do so by the administrator.

Liquidation/winding-up

Liquidation is a company dissolution procedure under which the assets of a company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the Insolvency Act. There are two forms of winding-up: (i) compulsory liquidation, by order of the court; and (ii) voluntary liquidation, by resolution of the company's members. The primary ground for the compulsory winding up of an insolvent company is that it is unable to pay its debts (as defined in Section 123 of the Insolvency Act). A creditor's voluntary liquidation (other than as an exit from administration) is effected by a resolution of the members, not the creditors, but once in place is subject to some degree of control by the creditors.

The effect of a compulsory winding-up differs in a number of respects from that of a voluntary winding-up. In a compulsory winding-up, under Section 127 of the Insolvency Act, any disposition of the company's property made after the commencement of the winding-up is, unless sanctioned by the court, void. Subject to certain exceptions, when an order is made for the winding up of a company by the court, it is deemed (by Section 129 of the Insolvency Act) to have commenced from the time of the presentation of the winding-up petition. Once a winding-up order is made by the court, a stay of all proceedings against the company will be imposed. No legal action may be continued or commenced against the company without permission of the court.

In the context of a voluntary liquidation however, there is no equivalent to the retrospective effect of a winding up order; the winding up commences on the passing of the resolution to wind up. As a result, there is no equivalent of Section 127 of the Insolvency Act. There is also no automatic stay in the case of a voluntary winding-up—it is for the liquidator, or any creditor or shareholder of the company, to apply for a stay.

Priority on insolvency

With the exception of the Prescribed Part (as defined below), distributions generally cannot be made to a class of creditors until the claims of the creditors in a prior ranking class have been paid in full. Unless creditors have agreed otherwise, distributions are made on a pari passu basis, that is, the assets are distributed in proportion to the debts due to each creditor within a class.

The general priority on insolvency is as follows (in descending order of priority):

First ranking: holders of fixed charge security and creditors with a proprietary interest in assets in the possession (but not full legal and beneficial ownership) of the debtor but only to the extent the value of the secured assets covers that indebtedness;

Second ranking: expenses of the insolvent estate (there are statutory provisions setting out the order of priority in which expenses are paid);

Third ranking: preferential creditors. Ordinary preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (i) contributions to occupational and state pension schemes; (ii) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person; (iii) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the insolvency date; and (iv) bank and building deposits eligible for compensation under the Financial Services Compensation Scheme ("**FSCS**") up to the statutory limit. As between one another, ordinary preferential debts rank equally. Secondary preferential debts include bank and building deposits eligible for compensation under the FSCS to the extent that claims exceed the statutory limit;

Fourth ranking: holders of floating charge security, according to the priority of their security. This would include any floating charge that was stated to be a fixed charge in the document that created it but which, on a proper interpretation, was rendered a floating charge. However, before distributing asset realizations to the holders of floating charges, the Prescribed Part (as defined below) must, subject to certain exceptions, be set aside for distribution to unsecured creditors;

Fifth ranking:

- firstly, provable debts of unsecured creditors and any secured creditor to the extent of any unsecured shortfall, in each case including accrued and unpaid interest on those debts up to the date of commencement of the relevant insolvency proceedings. These debts rank equally among themselves unless there are subordination agreements in place between any of them. To pay the secured creditors any unsecured shortfall, the insolvency officeholder can only use realizations from unsecured assets, as secured creditors are not entitled to any distribution from the Prescribed Part unless the Prescribed Part is sufficient to pay out all unsecured creditors;

- secondly, interest on the company's unsubordinated debts (at the higher of the applicable contractual rate and the official rate) in respect of any period after the commencement of liquidation, or after the commencement of any administration which either preceded such liquidation or which had been converted into a distributing administration. However, in the case of interest accruing on amounts due under the Notes or the Note Guarantees, such interest due to the holders of the Notes may, if there are sufficient realizations from the secured assets, be discharged out of such security recoveries; and

- thirdly, non-provable liabilities, being liabilities that do not fall within any of the categories above and therefore are only recovered in the (unusual) event that all categories above are fully paid.

Sixth ranking: shareholders. If after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

Subject to the above order of priority, subordinated creditors are ranked according to the terms of the subordination language in the relevant documentation.

An insolvency practitioner of the company will generally be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors (after making full provision for preferential creditors and expenses out of floating charge realizations) (the "**Prescribed Part**"). Under current law, this ring-fence applies to 50 per cent. of the first £10,000 of floating charge realizations and 20 per cent. of the remainder over £10,000, with a maximum aggregate cap of £600,000. The Prescribed Part must be made available to unsecured creditors unless the cost of doing so would be disproportionate to the resulting benefit to creditors.

Avoidance of transactions

Under English insolvency law, the liquidator or administrator of a company may, among other things, apply to the court to unwind a transaction entered into by such company, if such company was unable to pay its debts (as defined in Section 123 of the Insolvency Act) at the time of, or as a result of, the transaction and enters into liquidation or administration proceedings within two years of the completion of the transaction as set out in the Insolvency Act.

A transaction might be subject to a challenge if it was entered into by a company "at an undervalue", that is, it involved a gift by the company, the company received no consideration or the company received consideration of significantly less value in money or money's worth than the benefit given by such company. However, a court generally will not intervene if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and at the time it did so there were reasonable grounds for believing the transaction would benefit such company. Where the relevant transaction was made with a connected person, there is a presumption that the company was insolvent at the time, unless it can be shown otherwise. There can be no assurance that the issuance of the Notes will not be challenged by a liquidator or administrator.

Similarly, a liquidator or administrator of any Note Guarantor incorporated in England could apply to the court to unwind the issue of its Note Guarantee if such liquidator or administrator believed that the issue of such Note Guarantee constituted a transaction at an undervalue. There can be no assurance that the provision of the Note Guarantees will not be challenged by a liquidator or administrator.

If the liquidator or administrator can show that the Company or one of the Note Guarantors has given "preference" to any person within six months of the onset of liquidation or administration (or two years if the preference is to a "connected person") (as set out in the Insolvency Act) and, at the time of the preference, the Company or that Note Guarantor was unable to pay its debts at the time of, or as a result of, the preferential transaction, a court has the power, among other things, to void the preferential transaction. For these purposes, a company gives preference to a person if that person is one of the company's creditors (or a surety or guarantor for any of the company's debts or liabilities) and the company takes an action which has the effect of putting that person into a position which, in the event of the company going into insolvent liquidation, will be better than the position that person would have been in if that thing had not been done. The court may not make an order avoiding a preferential transaction unless it is satisfied that the company was influenced by a desire to put that person in a better position.

In addition, if it can be shown that a transaction entered into by an English company was at an undervalue and was made for the purpose of putting assets beyond the reach of creditors or otherwise prejudicing a person's claim against the company, then the transaction may be set aside by the court as a transaction defrauding creditors. Any person who is a "victim" of the transaction, and not just liquidators or administrators, may assert such a claim. There is no statutory time limit within which a claim must be made (subject to the normal statutory limitation periods) and the company need not be insolvent at the time of, or as a result of, the transaction.

A liquidator has the power to disclaim onerous property, which is any unprofitable contract or other property of the company that cannot be sold, readily sold or may give rise to a liability to pay money or perform any other onerous act. A contract may be unprofitable if it gives rise to prospective liabilities and imposes continuing financial obligations on a company that may be detrimental to creditors. However, this power does not apply to an executed contract, nor can it disturb accrued rights and liabilities.

Where creditors are asked to submit formal proofs of claim for their debts, any debt of a company payable in a currency other than pounds sterling (such as dollars in the case of the Notes) must be converted into pounds sterling at a single exchange rate for that currency determined by the office-holder by reference to the exchange rates prevailing on the date when the company went into liquidation or administration. This provision overrides any agreement between the parties. Accordingly, in the event the Company's or Note Guarantor's liquidation or administration, holders of the Notes may be subject to exchange rate risk between the date that such liquidation or administration and receipt of any amounts to which such holders of the Notes may become entitled.

Company voluntary arrangements

Pursuant to Part I of the Insolvency Act, a company (by its directors, administrator or liquidator as applicable) may propose a company voluntary arrangement to the company's shareholders and creditors which entails a compromise, or other arrangement, with respect to the company's unsecured debts. The company may propose whatever compromise they consider appropriate in accordance with the duties of the directors, administrator or liquidator (as applicable) and, provided that compromise is approved by the requisite majority of creditors, it will bind all unsecured creditors of the company who were entitled to vote or would have been entitled to vote had they had notice of the meeting.

In order for the company voluntary arrangement to be passed, it must be approved by both: 75% or more in value of the creditors present and voting at the creditors' meeting called to approve the arrangement provided that no more than 50% in value of the creditors that are unconnected with the company vote against it.

Scheme of arrangement

Although it is not an insolvency proceeding, pursuant to Part 26 of the Companies Act 2006, the English courts have jurisdiction to sanction a scheme of arrangement that effects a compromise of a company's liabilities between a company and its creditors (or any class of its creditors). The English Obligors may be able to pursue a scheme in respect of their financial liabilities. In addition, a non-UK Note Guarantor which is liable to be wound up under the UK Insolvency Act and has a "sufficient connection" to England and Wales could also pursue a scheme. In practice, a non-English company is likely to satisfy the first limb of this test and the second limb has been found to be satisfied where, amongst other things, the company's "center of main interests" is in England, the company's finance documents are English law governed, or the company's finance documents have been amended in accordance with their terms to be governed by English law. Ultimately, each case will be considered on its particular facts and circumstances so previous cases will not necessarily determine whether or not any of the grounds of the second limb are satisfied in the present case.

Before the court considers the sanction of a scheme of arrangement, affected creditors will vote on the proposed compromise or arrangement in respect of their claims in a single class or in a number of classes, depending on the rights of such creditors that will be affected by the proposed scheme and any new rights that such creditors are given under the scheme. Such compromise can be proposed by the company or its creditors. If a majority in number representing 75% or more by value of those creditors present and voting at the meeting(s) of each class of creditors vote in favor of the proposed scheme, irrespective of the terms and approved thresholds contained in the finance documents, then that scheme will (subject to the sanction of the court and delivery of the sanction order to the registrar of companies) be binding on all affected creditors, including those affected creditors who did not participate in the vote and those who voted against the scheme. The scheme then needs to be sanctioned by the court at a sanction hearing where the court will review the fairness of the scheme and consider whether it is reasonable. The court has the discretion as to whether to sanction the scheme as approved, make an order conditional upon modifications being made or reject the scheme.

Australia

Under Australian insolvency laws, the following types of proceedings (together referred to in this section as insolvency proceedings) may be commenced against a Guarantor incorporated under the laws of Australia (the "**Australian Guarantor**"):

Administration

In circumstances of insolvency or near-insolvency, an administrator may be appointed. The primary objective of the administration regime is to shift control of an insolvent or near insolvent company out of the hands of directors to an independent administrator, who is then given, via statutory moratorium, time to assess whether the company can and should be salvaged or should be put into liquidation.

The moratorium period runs for the length of the administration, the length of which may vary. This does not prevent the holder of a security interest over the whole, or substantially the whole, of a company's property enforcing its security interest during the decision period of 13 business days following the administrator's appointment. The holder of such a security interest may in these circumstances appoint a receiver in relation to the relevant assets of the company.

Only the following persons can appoint an administrator to a company:

- the company, through its directors, if they resolve that the company is insolvent or is likely to become insolvent at some future time;
- a secured creditor entitled to enforce a security interest over the whole or substantially the whole of the property of the company, if the security interest has become enforceable and the company is not already in winding up; and
- a liquidator or provisional liquidator, if the liquidator or provisional liquidator believes that the company is insolvent or is likely to become insolvent at some future time.

The appointment of an administrator vests control of the company's business, property and affairs in the administrator, who acts as the company's agent. The directors' and other officers' powers are suspended (although they must assist the administrator). An administrator has the power to control the company's business, property and affairs, carry on its business and among other things, perform any function and exercise any power of the company and its officers to the exclusion of the directors and shareholders.

The administrator must convene (and preside over) at least two creditors' meetings within set time frames (subject to applicable extensions by the court). In the ordinary course the administration will end in one of three outcomes, as decided by resolution of creditors at the second, or main, creditors' meeting:

- a deed of company arrangement is executed between the administrator and the company, setting out arrangements between the creditors, the company and other stakeholders with a view to maximizing returns to creditors and possibly salvaging the company;
- the company is wound up, which leads automatically to a creditors' voluntary winding up (discussed further in—"Liquidation" below), meaning that the winding up will be under the control of a liquidator subject to supervision by the court (the administrator would normally become the liquidator); or
- the administration otherwise comes to an end (for example, because the company is solvent or has been restored to solvency), in which case control of the company and its assets would revert to the directors.

Liquidation

The objective of a liquidation is that the company's assets be liquidated and distributed among creditors and shareholders according to statutory priority rules, and the company's existence be brought to an end by deregistration.

Liquidations can be:

- initiated by a special resolution of the shareholders. Where a nominated person is appointed as liquidator, the company is solvent and the directors file a declaration of solvency with the Australian Securities and Investments Commission ("**ASIC**"), the liquidation proceeds as a members' voluntary winding up;

- where the company is insolvent and no declaration is made, a meeting of creditors is held and the liquidation proceeds as a creditors' voluntary winding up;
- ordered by ASIC if the company fails to lodge required documents in certain time periods or if ASIC has reason to believe the company is not carrying on business or if the order is in the public interest; and
- court-ordered, that is (a) a compulsory winding up, for insolvency, by order of the court on the application of the company, a creditor, a contributory, a director, a liquidator or provisional liquidator, ASIC and certain other persons; or (b) winding up at the request of a range of interested persons on a number of other grounds.

The appointment of a liquidator does not affect the rights of secured creditors to appoint a receiver or otherwise enforce against the secured property during the liquidation. Whatever is left (if anything) after secured assets are realized and secured creditors paid in full comes under the control of the liquidator who distributes among unsecured creditors and shareholders.

The liquidator's primary objective is to maximize the pool of cash available for distribution to unsecured creditors, and therefore liquidators may take actions such as challenging the validity of security interests (since secured assets are not otherwise available to the liquidator) and setting aside other "voidable" transactions (discussed further in—"Voidable transactions" below).

Upon appointment of a liquidator, the powers to manage the affairs of the company are transferred from the directors (and shareholders) to the liquidator, who must exercise those powers for the benefit of creditors as a whole.

Receivership

If the Australian Guarantor were to grant security over its assets in favor of a creditor, a receiver may be appointed by such secured creditor over specific assets or over the whole business of the company, depending on the terms of the security. The primary objective is to take possession and control of secured asset(s) away from the directors and use them to repay the relevant secured creditor. On the Issue Date, claims of the Noteholders are unsecured, and so they have no right to appoint a receiver.

Ipso facto clauses

An ipso facto clause is a provision in a contract which allows Party A to terminate or amend a contract upon the occurrence of a specific insolvency event in relation to Party B, regardless of Party B's ability to continue to perform the contract. In the case of a contract entered into on or after July 1, 2018, a stay may be imposed preventing Party A from enforcing its right under an ipso facto clause against Party B where the specific event is associated with insolvency—for example, the appointment of a voluntary administrator or controller to Party B or an application for a scheme of arrangement relating to Party B. As the Issue Date will occur before July 1, 2018 this does not apply to the Notes but amendment and restatement after that date could result in it applying.

Timing

It is difficult to provide certainty in relation to the timeframes for insolvency proceedings. Timing will depend on the nature of the goals of the interested parties, the ability to realize the assets of the company and whether any enforcement is contested.

Voidable transactions

Certain transactions (referred to as voidable transactions) may, by order of the court, be set aside or modified on application of a liquidator of an Australian company. The transactions must have been entered into, or an act must have been done for the purpose of giving effect to it, within certain time periods before the commencement of the insolvency process.

Insolvent transactions

A transaction will be an insolvent transaction if it is an unfair preference given by an Australian company or an uncommercial transaction of an Australian company where at the time of entering into the transaction the company is insolvent or where the company becomes insolvent because of entering into the transaction.

A transaction is an unfair preference given by an Australian company to a creditor if the Australian company and the creditor are both parties to the transaction, and the transaction results in the creditor receiving a larger return in respect of an unsecured debt claim than the creditor would receive if the transaction were set aside and the creditor were to prove for the debt in the winding up of the company.

A transaction is an uncommercial transaction of an Australian company if it may be expected that a reasonable person in the circumstances of the company would not have entered into the transaction having regard to the benefit for and detriment to the company, of entering into the transaction, the respective benefits to other parties to the transaction, and any other relevant matter.

A court cannot make an order in respect of an insolvent transaction if the order materially prejudices a right or interest of a party to the transaction. A party will be materially prejudiced if:

- the person became a party to the transaction in good faith;
- at the time when the person became a party to the transaction (i) the person had no reasonable grounds for suspecting that the company was insolvent at that time or would become insolvent because of entering into the transaction or a person doing an act or making an omission, for the purpose of giving effect to the transaction; and (ii) a reasonable person in such person's circumstances would have no grounds for so suspecting; and
- the person provided valuable consideration under the transaction or changed its position in reliance on the transaction.

Unreasonable director-related transactions

A payment made by an Australian company, conveyance, transfer or other disposition of property of an Australian company, issue of securities by an Australian company or incurrence of an obligation (including a contingent obligation) to make such a payment, disposition or issue is an unreasonable director-related transaction of the company if:

- the payment, disposition or issue is, or is to be made, to a director of the company, close associate of a director of the company or a person on behalf of, or for the benefit of, either of such persons; and
- it may be expected that a reasonable person in the company's circumstances would not have entered into the transaction having regard to:
    (i) the benefits to the company of entering into the transaction;
    (ii) the detriment to the company of entering into the transaction;
    (iii) the respective benefits to other parties to the transaction of entering into it; and
    (iv) any other relevant matter.

Transactions made after winding up or administration commences
There are provisions which render void any disposition of property of an Australian company effected after the commencement of its winding up by an Australian court. These provisions do not apply to exempt dispositions, which include dispositions made by a liquidator or an administrator, and a payment on or prior to the date of the winding up order by an Australian bank in good faith and in the ordinary course of banking business.

There are also provisions which render void a transaction or dealing purported to be entered into by an Australian company under administration unless entered into, or consented to, by the administrator or entered into under an order of a court.

Priority
In certain circumstances, the following claims may rank in priority (either in whole or in part) to an Australian company's other creditors:

- claims for the costs of administration and realization;
- certain claims arising by operation of law or specifically charged by statute (including, without limitation, local government rates and land tax); and
- certain claims in relation to unpaid audit fees, unpaid wages, superannuation, accrued holiday pay and long service leave and compensation for injuries.

Mandatory insolvency set-off
Under the Corporations Act 2001 of Australia, there is a mandatory and self-executing set-off for mutual dealings between an insolvent company and its creditors. Section 553C of the Corporations Act provides for an automatic set off on the liquidation of a corporation for mutual debts. This may have the effect of giving priority to an unsecured creditor who is able to set off a debt against the insolvent corporation rather than having to pay its debt and prove for the amount owing to it in the insolvent estate of the debtor. However, a person is not entitled to claim the benefit of the set-off if at the time of giving to or receiving credit from the company, the person had notice that the company was insolvent.

Australian guarantee limitations

The Indenture will provide that the Australian Guarantor acknowledges that it is the intention of all parties to the Indenture that its Guarantee not constitute a fraudulent transfer or conveyance for the purposes of any bankruptcy law or any similar law, or voidable preference, financial assistance or improper corporate benefit, or violate the corporate purpose of the Australian Guarantor or any applicable capital maintenance or similar laws or regulations affecting the rights of creditors generally under any applicable law or regulation. To give effect to this intention, the parties to the Indenture will agree that the obligations of the Australian Guarantor will be limited to the maximum amount that will, after giving effect to such maximum amount and all other contingent and fixed liabilities of the Australian Guarantor that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under the Guarantee, result in the obligations under such Guarantee not constituting either a fraudulent transfer or conveyance or voidable preference, financial assistance or improper corporate benefit, or violating the corporate purpose of the Australian Guarantor or any applicable capital maintenance or similar laws or regulations affecting the rights of creditors generally under any applicable law or regulation.

Gabon

The three steps discussed below are applicable to corporate insolvency proceedings against a Gabonese company under the OHADA Uniform Act on collective proceedings of September 10, 2015, (the "**Insolvency Uniform Act**") to the extent that it has its registered office or its main interest in Gabon.

Preventive settlement (règlement préventif)

The preventive settlement, as set out under article 2 of the Insolvency Uniform Act, is a proceeding designed to prevent a debtor company's insolvency or the cessation of activities of such company, and to permit the clearing of its debts by way of a composition agreement (*concordat préventif*). In this proceeding, the competent court is petitioned by a debtor who states his economic and financial situation and presents the prospects for the redress of the company. After the submission of the composition agreement, the court issues a decision suspending any individual proceedings, including provisional measures and enforcement measures that may already have been initiated by creditors against the debtor, and also prohibits any new individual proceedings. The judge also then appoints an expert who assesses the debtor's financial situation and reports to the judge. Where the debtor provides a serious composition agreement, the court has the authority to approve the composition agreement and issue a decision of preventive settlement. Alternatively, if the court establishes the cessation of payment, it must pronounce a court supervised administration or the liquidation of assets of the debtor as explained below.

Court supervised administration (redressement judiciaire)

A court supervised administration is a proceeding designed to save the debtor company and to clear its debts by way of a composition with creditors (*concordat de redressement*). This proceeding is aimed at debtors who are unable to meet their liabilities with their available assets. When such a judgment is pronounced, it results in the continuation of the debtor's business activities, with assistance from an administrator, the suspension and prohibition of any individual proceedings, the declaration and verification of claims and the ratification or approval of a composition proposal. This is then followed by the payment of creditors and the continuation of the debtor's business activities. If the court does not approve the composition proposal or if the composition is cancelled due to the failure of the debtor to honor its commitments, the court then has the authority to convert the court supervised administration into a procedure whereby assets are liquidated.

Liquidation of assets (liquidation des biens)

The liquidation of assets is a procedure for the purpose of disposing of the debtor company's assets to clear its debts. A judge would order liquidation when it appears that the debtor has not made a serious proposal for reorganization that would allow for its creditor's financial recovery and the clearing of its liabilities. When such a judgment is pronounced, it results in the removal of the debtor from the administration and the disposition of the company's assets, declaration and verification of creditor's claims, winding-up of the debtor company, disposition of its assets or sale of its business and payment of claims.

Other

The court supervised administration and the liquidation of assets may be initiated at the request of the debtor, a creditor or the competent court on the basis of information provided by the public prosecutor, the company's auditor or shareholders.

A judgment resulting in the initiation of insolvency proceedings (the bankruptcy order) rendered by a Gabonese court has the effect of forming either a single body of creditors (*la masse des créanciers*) which is represented by an insolvency receiver (*syndic*) for court supervised administration or a collective body (*état d'union*) in respect of liquidation of assets.

The Insolvency Uniform Act provides that the judgment resulting in the initiation of insolvency proceedings suspends and prohibits any individual proceedings against the company as well as any payment of creditors. Such suspension is also applicable to secured creditors. In addition, the opening judgment shall have the effect of suspending the accrual of legal and contractual interests and interest on overdue payments.

Any acts carried out by the debtor during the pre-bankruptcy handling period (*période suspecte*) starting from the date of the cessation of payments up to the date of the judgment are not effective against third-parties. The period of cessation of payments must be within 18 months of the court's decision.

The period of cessation of payments does not result in automatic termination of ongoing contracts except for *intuitu personae* contracts. Only the insolvency receiver is entitled to require the execution of any ongoing contracts subject to the provision by the other party of the services promised. If the contract is bilateral (*synallagmatique*) and if the insolvency receiver has not provided the promised service, the other party is entitled to raise the *exception non adimpleti* principle.

For the realization of the debtor company's assets, only the insolvency receiver is entitled to undertake the sale of the company's assets, the collection and the settlement of debts. The amount arising from the sales and the collections are immediately deposited in a special banking account. A judge would then order creditors to share this amount. In this respect and in the event of liquidation of the company, creditors are paid in accordance with Article 225 (immovable) and Article 226 (movable) of the Uniform Act on Security.

The creditors' ranking is as follows in respect of immovable properties:

- First, the creditors owed legal costs incurred in the process leading to the sale of the property and in the actual distribution of the assets;
- Second, the creditors of highly preferred wages;
- Third, the creditors having a mortgage and individual creditors registered within the legal deadline, each according to the rank of his registration in the land register;
- Fourth, the creditors with a general lien requiring registration and following their ranking at the registry of commerce;
- Fifth, the creditors with a general lien not requiring registration; and
- Sixth, the unsecured creditors.

The creditors' ranking is as follows in respect of movable properties:

- First, the creditors owed legal costs incurred in the process leading to the sale of the property and in the actual distribution of the assets;
- Second, the creditors who incurred the cost in conserving the debtor's property in the interest of the creditor with older debts;
- Third, the creditors of highly preferred wages;
- Fourth, the creditors guaranteed by a general lien subject to registration or a pledge;
- Fifth, the creditors with a special personal property lien;
- Sixth, the creditors with a general lien not requiring registration; and
- Seventh, the unsecured creditors.

Gabon guarantee limitations

The Indenture will provide that nothing in the Indenture shall be construed to create upon the Gabon Guarantor more onerous obligations than those of the Company as principal debtor.

Unless otherwise agreed in writing, nothing in the Indenture shall be construed to increase the Gabon Guarantor's obligations to an amount exceeding the maximum amount guaranteed as expressly agreed by the Gabon Guarantor in words and in figures. Where the two differ, the guarantee shall be good for the amount in words.

The guarantee is valid only if the principal debtor's obligations have been validly established.

The Gabon Guarantor may invoke against the creditors (i.e. the Trustee and the holders of the Notes) the exceptions inherent in the obligations belonging to the principal debtor, which tend to reduce, extinguish or defer the principal debtor's obligations.

Notwithstanding any clause in the Indenture to the contrary, shortening of the term of the principal debtor's obligations shall not automatically extend to the Gabon Guarantor, which shall only be required to pay on the due date determined at the time when the guarantee was provided.

If the creditors fail to inform the Gabon Guarantor of any payment default within one month following a formal notice of payment addressed to the principal debtor, the Gabon Guarantor cannot be required to pay any penalties or default interests accrued between the date of the default and the date on which the Gabon Guarantor is informed.

Jersey

Insolvency

There are two principal regimes for corporate insolvency in Jersey: *désastre* and winding-up.

The principal type of insolvency procedure available to creditors under Jersey law is an application for an Act of the Royal Court of Jersey (the "**Royal Court**") under the Bankruptcy (Désastre) (Jersey) Law 1990, as amended (the "**Jersey Bankruptcy Law**") declaring the property of a debtor to be *en désastre* (a declaration). On a declaration of désastre, title and possession of the property of the debtor vest automatically in the Viscount, an official of the Royal Court (the "**Jersey Viscount**"). With effect from the date of declaration, an unsecured creditor has no remedy against the property or person of the debtor, and may not commence or continue any legal proceedings to recover the debt, but may prove in the désastre.

Additionally, the shareholders of a company (but not its creditors) can instigate a winding-up of an insolvent company which is known as a creditors' winding up pursuant to Chapter 4 of Part 21 of the Companies (Jersey) Law 1991, as amended (the "**Jersey Companies Law**"). On a creditors' winding up, a liquidator is appointed, and the creditors may determine who should be appointed. The liquidators will stand in the shoes of the directors and administer the winding up, gather in assets, settle claims and distribute assets as appropriate. After the commencement of the winding up, no action can be taken or continued against the company except with the leave of court. The corporate state and capacity of the company continues until the end of the winding up procedure, when the company is dissolved. The Jersey Companies Law requires a creditor of a company (subject to appeal) to be bound by an arrangement entered into by the company and its creditors immediately before or in the course of its winding up if (inter alia) three quarters in number and value of the creditors acceded to the arrangement.

Administrators, receivers and statutory and non-statutory requests for assistance

The Insolvency Act 1986 (either as originally enacted or as amended, including by the provisions of the Enterprise Act 2002) does not apply in Jersey and receivers, administrative receivers and administrators are not part of the laws of Jersey. Accordingly, the Courts of Jersey may not recognize the powers of an administrator, administrative receiver or other receiver appointed in respect of Jersey situs assets.

However, under Article 49(1) of the Jersey Bankruptcy Law, the Jersey court may assist the courts of prescribed countries and territories in all matters relating to the insolvency of any person to the extent that the Jersey court thinks fit. These prescribed jurisdictions include the United Kingdom. Further, in doing so, the Royal Court may have regard to the United Nations Commission on International Trade Law ("**UNCITRAL**") model law, even though the model law has not been (and is unlikely to be) implemented as a separate law in Jersey.

If (i) a request comes from a prescribed country but not by a court of such country or (ii) from a non-prescribed country, then the application will be considered by the Royal Court by virtue of its inherent jurisdiction having regard to principles of comity. If insolvency proceedings are afoot in another jurisdiction in relation to the company, the nature and extent of the cooperation from Jersey is likely to depend on the nature of the requesting country's insolvency regime. If the requesting country adheres to principals of territoriality, as opposed to universality, and, for instance, ring-fences assets for local creditors, full cooperation is highly unlikely. If, however, the jurisdiction applies similar fundamental principles as Jersey, the Royal Court's approach is more likely to be similar to the position where prescribed countries are involved.

In the case of both statutory and non-statutory requests for assistance, it should not be assumed that the UNCITRAL provisions will automatically be followed. That is a matter for the discretion of the Royal Court. It would also be wrong to assume for European countries that the position will be in accordance with the EU Insolvency Regulation. Jersey does not form part of the European Community for the purposes of implementation of its directions. Accordingly, the EU Insolvency Regulation does not apply as a matter of Jersey domestic law and the automatic test of center of main interests does not apply as a result.

Transactions at an undervalue

Under Article 17 of the Jersey Bankruptcy Law and Article 176 of the Jersey Companies Law the court may, on the application of the Jersey Viscount (in the case of a company whose property has been declared *en désastre*) or liquidator (in the case of a creditors' winding up), set aside a transaction (including any guarantee or security interest) entered into by a company with any person (the "other party") at an undervalue. There is a five-year look-back period from the date of commencement of the winding up or declaration of *désastre* during which transactions are susceptible to examination pursuant to this rule (the "relevant time"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction at an undervalue, the determination of the relevant time and the effect of entering into such a transaction with a person connected with the company or with an associate of the company. If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the position to what it would have been in if the transaction had not been entered into. In any proceedings, it is for the Jersey Viscount or liquidator to demonstrate that the Jersey company was insolvent unless a beneficiary of the transaction was a connected person or associate of the Company, in which case there is a presumption of insolvency and the connected person must demonstrate the Jersey company was not insolvent when it entered the transaction in such proceedings.

Preference

Under Article 17A of the Jersey Bankruptcy Law and Article 176A of the Jersey Companies Law, the court may, on the application of the Jersey Viscount (in the case of a company whose property has been declared "en désastre") or liquidator (in the case of a creditors' winding up), set aside a preference (including any guarantee or security interest) given by the company to any person (the "other party"). There is a twelve-month look- back period from the date of commencement of the winding up or declaration of *désastre* during which transactions are susceptible to examination pursuant to this rule (the "relevant time"). The Jersey Bankruptcy

Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a preference, the determination of the relevant time and the effect of entering into a preference with a person connected with the company or with an associate of the company. A transaction will constitute a preference if it has the effect of putting a creditor of the Jersey company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into an insolvent winding up) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into If the court determines that the transaction constituted such a preference, the court has very wide powers for restoring the position to what it would have been if that preference had not been given (although there is protection for a third-party who enters into one of the transactions in good faith and without notice). However, for the court to do so, it must be shown that in deciding to give the preference the Jersey company was influenced by a desire to produce the preferential effect. In any proceedings, it is for the Jersey Viscount or liquidator to demonstrate that the Jersey company was insolvent at the relevant time and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that the company was not influenced by such a desire.

Extortionate credit transactions

Under Article 17C of the Jersey Bankruptcy Law and Article 179 of the Jersey Companies Law, the court may, on the application of the Jersey Viscount (in the case of a company whose property has been declared *en désastre*) or liquidator (in the case of a creditors' winding up), set aside a transaction providing credit to the debtor company which is or was extortionate. There is a three-year look-back period from the date of commencement of the winding up or declaration of *désastre* during which transactions are susceptible to examination pursuant to this rule (the "relevant time"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction which is extortionate.

Disclaimer of onerous property

Under Article 15 of the Jersey Bankruptcy Law, the Jersey Viscount may within six months following the date of the declaration of *désastre* and under Article 171 of the Jersey Companies Law, a liquidator may within six months following the commencement of a creditors' winding up, disclaim any onerous property of the company. Onerous property is defined to include any moveable property, a contract lease or other immoveable property if it is situated outside of Jersey that is unsaleable or not readily saleable or is such that it might give rise to a liability to pay money or perform any other onerous act, and includes an unprofitable contract.

A disclaimer operates to determine, as of the date it is made, the "rights, interests and liabilities of the company in or in respect of the property disclaimed" but "shall not, except so far as is necessary for the purpose of releasing the company from liability, affect the rights or liabilities of any other person." A person sustaining loss or damage in consequence of a disclaimer is deemed to be a creditor of the company to the extent of the loss or damage and may prove for the same in the *désastre* or creditors' winding up. The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) in relation to the powers of the court in respect of disclaimed property.

Jersey guarantee limitations

The Indenture will provide that any right which at any time any guarantor incorporated under the laws of Jersey (a "**Jersey Guarantor**") has under the existing or future laws of Jersey whether by virtue of the *droit de discussion* or otherwise to require that recourse be had to the assets of any other person before any claim is enforced against such guarantor in respect of its obligations under the Indenture will be irrevocably and unconditionally abandoned and waived.

Each Jersey Guarantor will undertake in the Indenture that if at any time any person indemnified or having the benefit of a guarantee under the Indenture sues such guarantor in respect of any such obligations and the person in respect of whose obligations the indemnity or guarantee is given is not sued also, such guarantor shall not claim that such person be made a party to the proceedings and each Jersey Guarantor will agree to be bound by its indemnity or guarantee whether or not it is made a party to legal proceedings for the recovery of the amount due or owing to the person indemnified or having the benefit of a guarantee, as aforesaid, by the person in respect of whose obligations the indemnity or guarantee is given and whether the formalities required by any law of Jersey whether existing or future in regard to the rights or obligations of sureties shall or shall not have been observed.

The Indenture will also provide that any right which each Jersey Guarantor may have under the existing or future laws of Jersey whether by virtue of the *droit de division* or otherwise to require that any liability under the Indenture be divided or apportioned with any other person or reduced in any manner whatsoever will be irrevocably and unconditionally abandoned and waived.

The Netherlands

Tullow Kenya B.V. (the **"Dutch Guarantor"**) is incorporated under Dutch law.

In respect of the Dutch Guarantor's "center of main interests" (as such term is used in the EU Insolvency Regulation), the following shall be noted. The center of main interests is presumed, according to the EU Insolvency Regulation, to be the place of a company's registered office. In European case law it is held that the center of main interests must be identified by reference to criteria that are both objective and ascertainable by third parties, in order to ensure legal certainty and foreseeability concerning the determination of the court with jurisdiction to open the main insolvency proceedings. Furthermore, from case law, it is known that, where the bodies responsible for a company's management and supervision are in the same place as its registered office and the management decisions of that company are taken, in a manner that is ascertainable by third parties, in that place, the presumption of the center of main interests is wholly applicable.

That presumption may be rebutted where, from the viewpoint of third parties, the place in which a company's central administration is located is not the same as that of its statutory seat (*statutaire zetel*). In that event, the simple presumption laid down by the European Union legislature in favor of the statutory seat of that company can be rebutted if factors which are both objective and ascertainable by third parties enable it to be established that an actual situation exists which is different from that which locating it at that statutory seat is deemed to reflect. Those factors must be assessed in a comprehensive manner, account being taken of the individual circumstances of each particular case.

The Dutch Guarantor has its statutory seat in the Netherlands but its registered address is located in the United Kingdom, its directors comprising three United Kingdom residents and one South African resident. The articles of association (*statuten*) of the Dutch Guarantor stipulate that, unless the management board (*bestuur*) decides otherwise, meetings of the management board shall be held in the United Kingdom

Consequently, any assessment as to the center of main interests of the Dutch Guarantor may lead to the conclusion that this center of main interests will be either in the Netherlands or in the United Kingdom.

If the Dutch Guarantor's center of main interests will be deemed to be in the Netherlands, in the event of its insolvency, insolvency proceedings with respect to it may be initiated under, and be governed by, Dutch insolvency law. The insolvency laws of the Netherlands and, in particular, the provisions of the Dutch Bankruptcy Act (*Faillissementswet*) may be less favorable to your interests as creditors than the bankruptcy laws of the United States or another jurisdiction with which you may be familiar, including in respect of priority of creditors, the ability to obtain post-petition interest or to effect a restructuring, and the duration of the insolvency proceedings, and may limit the ability of Noteholders to enforce the terms of the Guarantee granted by the Dutch Guarantor. Thus, your ability to recover payments due on the Notes may be more limited than it might have been under the laws of other jurisdictions with which you may be familiar.

The following is a brief description of certain aspects of the insolvency laws of the Netherlands. There are two primary insolvency regimes under Dutch law: the first, moratorium of payment (*surseance van betaling*), is intended to facilitate the reorganization of a debtor's debts and enable the debtor to continue as a going concern. The second, bankruptcy (*faillissement*), is designed to liquidate and distribute the assets of a debtor to its creditors. Creditors will solely by reason of a guarantee granted by a Dutch company not qualify as secured creditors under Dutch bankruptcy law.

Moratorium of payment

An application for a moratorium of payment can only be made by the debtor itself if it foresees its inability to continue to pay its debts as they fall due. Once the application is filed, the Dutch court will immediately (*dadelijk*) grant a provisional moratorium and appoint an administrator (*bewindvoerder*). The debtor is only entitled to administer and dispose of its assets with the consent of the administrator. A meeting of creditors is required to decide on the definitive moratorium. If a draft composition (*ontwerp-akkoord*) is filed simultaneously with the application for moratorium of payments, the Dutch court can order that the composition will be processed before a decision on a definitive moratorium. If the composition is accepted and subsequently ratified (*gehomologeerd*) by the Dutch court, the provisional moratorium ends. The definitive moratorium will generally be granted unless a qualified minority (more than one-quarter in amount of claims held by creditors represented at the creditors' meeting or more than one-third in number of creditors represented at such creditors' meeting) of the unsecured non-preferential creditors withholds its consent or if there is no prospect that the debtor will in the future be able to pay its debts as they fall due (in which case the debtor will generally be declared bankrupt). The moratorium of payments only affects unsecured non-preferential creditors.

Unlike Chapter 11 proceedings under U.S. bankruptcy law, during which both secured and unsecured creditors are generally barred from seeking to recover on their claims during a moratorium of payment, under Dutch law, secured and preferential creditors (including tax and social security authorities) may enforce their rights against assets of the company in moratorium of payments to satisfy their claims as if there were no moratorium of payment. A recovery under Dutch law could, therefore, involve a sale of assets that does not reflect the going concern value of the debtor. This could reduce the potential recovery of a holder of Notes in Dutch moratorium of payment proceedings. However, the court may order a "cooling off period" (*afkoelingsperiode*) for a maximum period of four months during which, *inter alia*, enforcement actions by secured or preferential creditors are barred unless they benefit from certain eligible financial collateral arrangements. Also in a definitive moratorium of payment, a composition (*akkoord*) may be offered to creditors. A composition will be binding on all unsecured and non-preferential creditors if it is (i) approved by a simple majority of the meeting of the recognized and of the admitted creditors representing at least 50% of the amount of the recognized and of the admitted claims, and (ii) subsequently ratified (*gehomologeerd*) by the court. Upon request by the debtor or the administrator, the court or supervisory judge (*rechter-commissaris*) if appointed, can decide to adopt the proposed but rejected composition as if it were approved if (i) three-fourths the number of the creditors represented, acknowledged and admitted at the creditors' meeting approved the composition and (ii) the rejection of the composition is caused by one or more creditors such that, taking all circumstances into consideration, especially the percentage of the claim that such creditor(s) would receive in case the estate is liquidated and distributed, such creditor(s) reasonably could not have voted against the composition. Consequently, a moratorium of payment could delay and reduce the recovery of a Noteholder. Interest payments that fall due on or after the date on which a moratorium of payments is granted cannot be claimed in a composition.

Bankruptcy

At the request of the debtor itself, one or more of its creditors or, in case of public interest, the public prosecutor, the competent court may open bankruptcy proceedings in respect of a debtor that has ceased to pay its debts. Under Dutch bankruptcy proceedings, the assets of a debtor are generally liquidated and the proceeds distributed to the debtor's creditors on a *pari passu* basis and certain creditors (such as secured creditors and preferential creditors) will have special rights that may adversely affect the interests of holders of the Notes. During Dutch bankruptcy proceedings, secured creditors may, subject to certain limitations such as the above mentioned cooling off period, proceed against the assets that secure their claims to satisfy their claims. A recovery under Dutch law, therefore, could involve a sale of assets in a manner that does not reflect the going concern value of the debtor. This could reduce the potential recovery of a holder of Notes in Dutch bankruptcy proceedings.

The claim of a creditor may be limited depending on the date the claim becomes due and payable in accordance with its terms. Generally, claims of holders of the Notes which were not due and payable by their terms on the date of a bankruptcy and that mature more than one year after the opening of the bankruptcy of the Dutch Guarantor would be admissible only for their net present value. Each of these claims will have to be submitted to the receiver to be verified by the receiver in accordance with the applicable provisions of the Dutch Bankruptcy

Act or, if concluded by the receiver, declared binding by the competent court and to the extent applicable, the collective settlement agreement within the meaning of the Dutch Act on Collective Settlement of Mass Claims (*Wet collectieve afwikkeling massaschade*). "Verification" under Dutch law means that the receiver verifies the value of the claim and whether and to what extent it may be admitted in the bankruptcy proceedings. The valuation of claims that otherwise would not have been payable at the time of the bankruptcy proceedings may be based on the net present value analysis or the applicable collective settlement agreement. These procedures could cause holders of the notes to recover less than the nominal amount of their claim. Creditors that wish to dispute the valuation of their or other claims by the receiver may need to commence court proceedings. Such proceedings or proceedings for granting a collective settlement agreement binding effect could cause payments to the holders of Notes to be delayed compared with holders of undisputed claims or where no such agreement has been concluded. In a bankruptcy, a composition may be offered to the unsecured and non-preferential creditors unless the receiver concluded a collective settlement agreement which the receiver has requested the competent court to grant binding effect and provided it has not been finally determined that such request will not be granted. A composition in bankruptcy will be binding upon all unsecured and non-preferential creditors, if (i) it is approved by a simple majority of the meeting of the recognized and admitted creditors representing at least 50% of the amount of the recognized and of the admitted claims and (ii) it is subsequently ratified (*gehomologeerd*) by the court. Interest payments that fall due on or after the date on which the bankruptcy proceedings are opened cannot be verified in the bankruptcy. The proceeds resulting from the liquidation of the bankrupt estate may not be available for distribution for several years and may be insufficient to satisfy unsecured creditors such as the Noteholders.

Actio Pauliana

Dutch law provides generally that certain transactions with a creditor entered into (or payments made voluntarily by) the debtor are subject to avoidance if both parties to the transaction (or the payor and payee) knew or should have known that the transaction or payment would prejudice other creditors. Such knowledge is presumed by law for all transactions performed within one year of the adjudication before bankruptcy or within one year before the date the claim of fraudulent conveyance is made, if it is also established that one of the statutory conditions is fulfilled. These conditions include, but are not limited to, situations in which the value of the obligation of the debtor materially exceeds the value of the obligation of the creditor, or the debtor pays or grants security for debts which are not yet due. Transactions that were entered into under a prior contractual obligation to do so, or payments made that were due and payable, could be avoided if (i) the benefiting party knew that the application for bankruptcy of the debtor was filed at the moment of payment or (ii) the debtor and the payee engaged in this payment acting in concert in order to prejudice other creditors. Accordingly, if a court of competent jurisdiction were to find that the guaranteeing of the Notes met the foregoing criteria, the court could avoid the Guarantee provided all other applicable conditions are met. Upon such avoidance, the court could enter a judgment against holders of the Notes ordering them to return any amounts previously paid under the Guarantee. If the Guarantee were avoided, holders of the Notes would cease to have a direct claim against the Dutch Guarantor, but they would retain their rights against us and any other Guarantors, although no assurance can be given that our entities' respective assets would be sufficient to satisfy our obligations under the Notes in full.

If the center of main interests of the Dutch Guarantor will be deemed to be in the United Kingdom, in the event of its insolvency, insolvency proceedings with respect to it may be initiated under, and be governed by, English law.

See "—England and Wales."

Dutch guarantee limitations

The Guarantee of the Dutch Guarantor may be subject to certain limitations on validity and enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.

Enforcement of the Guarantee of the Dutch Guarantor may be subject to certain generally available defenses, including those relating to corporate benefit, fraudulent conveyance or transfer, voidable preference, corporate purpose and capital maintenance. In making a determination as to the enforceability or validity of the Guarantee granted by the Dutch Guarantor, a court may consider a number of factors, including whether the Dutch Guarantor derives commercial benefit from the giving of the Guarantee, whether the Guarantee was granted on an arm's length basis and in compliance with the Dutch Guarantor's constitutional documents, and whether the Dutch Guarantor's other creditors are prejudiced by the granting of the Guarantee.

If a court were to find the Guarantee of the Dutch Guarantor void, unenforceable or otherwise ineffective as a result of local laws or defenses, the holders of the Notes would cease to have any claim in respect of the Dutch Guarantor and would be creditors solely of the Issuer and any remaining Guarantors.

Isle of Man

Winding up

An Isle of Man company can be wound up in one of three ways:

- by the court;
- voluntarily; or
- subject to supervision of the court.

Winding up by the court

The circumstances in which a company may be wound-up by the court include:

- where the company has by special resolution resolved that it should be wound-up by the court;
- where the company is unable to pay its debts (within the meaning of Section 163 of the Isle of Man Companies Act 1931 (as amended) (the "**1931 Act**")); or
- the court is of the opinion that it is just and equitable that the company should be wound-up.

An application to the court for the winding-up of a company must be made by way of a petition and may be made by the company, the Isle of Man Treasury, any creditor or any shareholder of the company.

Any disposition of the company's property and any transfer of shares or alteration in the status of the members of the company after commencement of the winding-up shall, unless the court otherwise orders, be void. In addition, once a winding-up order has been made, or a provisional liquidator has been appointed, no legal action may be continued or commenced against the company without leave of the court.

Voluntary winding up

The shareholders and creditors of a company have the power to appoint a liquidator to the company. Any transfer of shares, not being a transfer made to or with the sanction of the liquidator, and any alteration in the status of the members of the company, made after the commencement of a voluntary winding up, shall be void. In addition, there is no automatic stay on proceedings against the company, although a liquidator (or creditor or shareholder) may apply to the court for such a stay.

Winding up subject to the supervision of the court

In the event that a company has passed a resolution that it will be voluntarily wound-up, the court may order that the voluntary winding-up shall continue subject to the supervision of the court on such terms as the court sees fit.

Liquidation

A liquidator has the power to disclaim any onerous property, which is any unprofitable contract and any other property of the company that cannot be sold, readily sold or may give rise to a liability to pay money or perform any other onerous act. A contract may be unprofitable if it gives rise to prospective liabilities and imposes continuing financial obligations on the company that may be detrimental to creditors. However, this power cannot disturb accrued rights and liabilities under an executed contract. The effect of liquidation is to bring the company's business to an end (except as far as it is needed to continue as part of the winding-up process), ensures that the assets of the company are used to pay off its debts and that creditors in the same class are treated equally.

If the liquidator can show that an Isle of Man Guarantor has given a preference to any person within four months ending with the commencement of a winding up of that company and, at the time of the preference, the Isle of Man Guarantor was unable to pay its debts within the meaning of Section 163 of the 1931 Act or became unable to pay its debts within the meaning of that section in consequence of the preferential transaction, a court has the power, among other things, to void the preferential transaction. For these purposes, a company gives preference to a person if that person is one of the company's creditors (or a surety or guarantor for any of the company's debts or liabilities) and the company takes an action which has the effect of putting that person into a position which, in the event of the company going into insolvent liquidation, will be better than the position that that person would have been in if such action had not been taken. The court will not make an order avoiding a preferential transaction unless it is satisfied that the preferential act was done or suffered to be done with the substantial or dominant view of giving that person a preference over other creditors. The foregoing may affect transactions entered into or payments made by an Isle of Man Guarantor during the relevant period prior to its liquidation. (Unlike the hardening provisions in the U.K. insolvency legislation, the relevant Isle of Man legislation does not recognize the concept of connected persons.)

Fraudulent transactions

By virtue of section 4 of the Isle of Man Fraudulent Assignments Act 1736, an assignment or disposition of property by a company entered into with a view to defrauding creditors is void and of no effect. This provision may be used at any time by a creditor whether or not the relevant company is in liquidation. The Isle of Man courts have held that transactions will only be void under the Fraudulent Assignments Act 1736 if there is an intention to defraud creditors and that it will be a question of fact in each case whether or not the transaction is *bona fide* or "a contrivance to defraud creditors." However a transaction will be void if it is entered into when the debtor is insolvent or with the intent to leave a debtor insolvent and unable to pay creditors. Transactions entered into on an arm's length basis are unlikely to constitute transactions which are capable of being avoided under this statute.

Preference

By virtue of the Isle of Man Preferential Payments Act 1908 (as amended) and the Isle of Man Recovery of Rents Act 1954, certain preferential debts are payable in a winding up of an Isle of Man company in priority to other creditors save for certain secured debts. Preferential debts include all debts due to the Crown or to any person on behalf of the Crown; national insurance contributions (up to 12 months); any sum in respect of occupational pension scheme contributions and state scheme premiums; remuneration of employees within the previous eight weeks capped at £250 for every complete week; any amount owed by way of accrued holiday remuneration; arrears of rent arising in the previous 12 months; and all rates due and payable within the previous 12 months.

Other

Isle of Man law does not recognize the concept of an administrator or an administrative receiver, nor does it recognize transactions at an undervalue.

Isle of Man guarantee limitations

The Indenture will provide that any term or provision of the Indenture to the contrary notwithstanding, the maximum aggregate amount of the obligations guaranteed thereunder by any Guarantor incorporated under the laws of the Isle of Man shall not exceed the maximum amount that can be thereby guaranteed by the applicable Isle of Man Guarantor without rendering the guarantee, as it relates to such Isle of Man Guarantor, voidable under applicable laws relating to fraudulent assignment, fraudulent preference, improper corporate benefit or similar laws affecting the rights of creditors generally.

Listing and general information

1. Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be traded on the Luxembourg Stock Exchange's Euro MTF.

2. So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Euro MTF and the rules of such exchange shall so require, (i) copies of our articles of association and those of the Guarantors, the Indenture and the Note Guarantees will be available free of charge at the specified office of the Paying Agent in New York referred to in paragraph 5 below and (ii) copies of all of our annual and interim consolidated financial statements and those for all subsequent fiscal periods will be available free of charge during normal business hours on any weekday at the offices of our Paying Agent in New York referred to in paragraph 5 below.

3. We accept responsibility for the information contained in this Offering Memorandum. To the best of our knowledge, except as otherwise noted, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum.

4. Neither we nor any of our subsidiaries is a party to any litigation that, in our judgment, is material in the context of the issue of the Notes, except as disclosed herein.

5. We will have appointed Deutsche Bank Trust Company Americas as our Principal Paying Agent and our Transfer Agent. We reserve the right to vary such appointment and shall publish notice of such change of appointment in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or the Luxembourg Stock Exchange's website. Information on the Luxembourg Stock Exchange's website does not form part of this Offering Memorandum. The Paying Agent in New York will act as intermediary between the holders of the Notes and us so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Euro MTF.

6. The Notes have been accepted for clearance through the facilities of DTC. The Rule 144A Global Notes have a CUSIP of 899415AE3 and the Regulation S Global Notes have a CUSIP of G91237AA8. The Rule 144A Global Notes have an ISIN of US899415AE32 and the Regulation S Global Notes have an ISIN of USG91237AA87. The Rule 144A Global Notes have a Common Code of 179153815 and the Regulation S Global Notes have a Common Code of 179950324.

7. The Company is incorporated as a public limited company under the laws of England and Wales with registered number 3919249. Both its registered office and its principal place of business are located at 9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom and its telephone number is +44 20 3249 8801.

8. The following is a brief description of the Guarantors that will guarantee the Notes from the date on which the Notes are issued:

Company	Jurisdiction	Registered Office
Tullow Uganda Operations Pty Ltd.	Australia (State of Western Australia)	Level 3 46 Ord Street West Perth Western Australia 6005
Tullow Oil SK Limited	England and Wales	9 Chiswick Park 566 Chiswick High Road London W4 5XT United Kingdom
Tullow Oil SPE Limited	England and Wales	9 Chiswick Park 566 Chiswick High Road London W4 5XT United Kingdom
Tullow Oil Gabon S.A.	Gabon	Rue Louise Charron-Fortin, Quartier Batterie IV Libreville BP: 9773—Gabon
Tullow Equatorial Guinea Limited	Isle of Man	First Names House, Victoria Road Douglas Isle of Man IM2 4DF
Tullow Uganda Limited	Isle of Man	First Names House, Victoria Road Douglas Isle of Man IM2 4DF
Tullow Côte d'Ivoire Limited . .	Jersey	44 Esplanade, St Helier, Jersey JE4 9WU
Tullow Ghana Limited	Jersey	44 Esplanade, St Helier, Jersey JE4 9WU
Tullow Oil International Limited	Jersey	44 Esplanade, St Helier, Jersey JE4 9WU
Tullow Kenya B.V.	The Netherlands	9 Chiswick Park 566 Chiswick High Road London W4 5XT United Kingdom

Glossary

"1C" . . . . low estimate scenario of contingent resources. Pursuant to the classifications and definitions provided by the PRMS, 1C resources is that quantity of contingent resources that have at least 90% a probability of equaling or exceeding the amounts actually recovered.

"2C" . . . . best estimate scenario of contingent resources. Pursuant to the classifications and definitions provided by the PRMS, 2C resources is that quantity of estimated contingent resources that in the "best estimate" scenario has a probability of at least 50% of equaling or exceeding the amounts actually recovered

"2P" . . . . proved reserves plus probable reserves. Pursuant to the classifications and definitions provided by the PRMS, "proved reserves" is defined as those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations and "probable reserves" is defined as those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves

"3C" . . . . high estimate scenario of contingent resources. Pursuant to the classifications and definitions provided by the PRMS, 3C resources is that quantity of estimated contingent resources that in the "high estimate" scenario has a probability of at least 10% of equaling or exceeding the amounts actually recovered

"3D seismic" . . . . geophysical data that depicts the subsurface strata in three dimensions

"4D seismic" . . . . geophysical data that involves comparing the results of 3D seismic surveys at different times in the life of an oil and/or gas field

"accumulation" . . . . an individual body of moveable petroleum. A known accumulation (one determined to contain Reserves or Contingent Resources) must have been penetrated by a well

"appraisal well" . . . . well drilled to assess characteristics (such as flow rate or volume) of a proven hydrocarbon accumulation

"barrel" or "b" or "bbl" . a stock tank barrel, a standard measure of volume for oil, condensate and natural gas liquids, which equals 42 US gallons

"back-in rights" . . . . a reversionary interest in a lease which allows a party to a specified share of the working interest when the assignee has recovered specified costs from production

"bcf" . . . . billions of cubic feet

"Block" . . . . an area of licensed territory comprising one or more licenses

"boe" . . . . barrels of oil equivalent

"boepd" . . . . barrels of oil equivalent per day

"bopd" . . . . barrels of oil per day

"Brent"	a particular type of crude oil that is a light, sweet oil produced in the North Sea with most of it being refined in Northwest Europe. Brent is a benchmark oil
"bwpd"	barrels of water per day
"burner tip"	the physical point at which natural gas is consumed
"crude oil"	unrefined oil
"commercial reserves"	those quantities of oil and gas anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions
"contingent resources"	those quantities of oil and gas estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies
"Dated Brent"	a cargo of Brent that has been assigned a date when it will be loaded onto a tanker
"EOPS"	Early Oil Pilot Scheme
"ESIA"	Environmental and Social Impact Assessments
"exploration well"	a well drilled to find hydrocarbons in an unproved area or to extend significantly a known oil or natural gas reservoir
"farm-in"	to acquire an interest in a license from another party
"farm-down" or "farm-out"	to assign an interest in a license to another party
"FID"	Final investment decision
"field"	an area consisting of either a single reservoir or multiple reservoirs, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition
"formation"	a body of rock that is sufficiently distinctive and continuous that it can be mapped
"FPSO"	a floating production, storage and offloading vessel used by the offshore oil and gas industry for the processing of hydrocarbons and for storage of oil
"FSO"	a floating storage and offloading vessel used only to store and offload oil (and not process it)
"FTG survey"	full tensor gradiometry gravity survey, a form airborne gravity survey
"Full Tensor Gradiometry" or "FTG"	a method of measuring the density of the subsurface to detect subsurface anomalies, which can then be used to more accurately locate oil, gas and mineral deposits
"hydrocarbons"	compounds formed primarily from the elements hydrogen and carbon and existing in solid, liquid or gaseous forms
"lifting"	the process of loading a tanker with oil
"mmbbl"	million barrels of oil

“mmboe” . . . . million barrels of oil equivalent

“overlift” . . . . oil lifted at a field by a commercial partner at the balance sheet date that exceeds such partner’s working interest in such field

“play” . . . . a project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in an effort to define specific leads or prospects

“Petroleum Resources Management System” or “PRMS” . . . . definitions for the assessment, classification and categorization of hydrocarbon resources jointly set out by the Society of Petroleum Engineers (SPE), the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers (SPEE) in March 2007

“possible reserves” . . . . those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than probable reserves

“probable reserves” . . . . those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves

“production” . . . . the cumulative quantity of oil and gas that has been recovered at a given date

“production sharing (contract) (agreement)” or “PSC” . . . . contract by which the host government takes a share of production determined by the relevant cost recovery mechanism in the contract

“production well” . . . . . a well drilled to obtain production from a proven oil or gas field. Production wells may be used either to extract hydrocarbons from a field or to inject water or gas into a reservoir to improve production

“prospect” . . . . a project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target

“proved reserves” . . . . . are those quantities of oil and gas, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations

“reservoir” . . . . a subsurface body of rock having sufficient porosity and permeability to store and transmit fluids. A reservoir is a critical component of a complete oil and gas system

“seal” . . . . a relatively impermeable rock, commonly shale, anhydrite or salt, that forms a barrier or cap above and around reservoir rock such that fluids cannot migrate beyond the reservoir. A seal is a critical component of a complete oil and gas system

“seismic survey” . . . . . . a method by which an image of the earth’s subsurface is created through the generation of shockwaves and analysis of their reflection from rock strata. Such surveys can be done in two or three dimensional form. See “3D seismic” and “4D seismic”

“single point mooring” .	a loading buoy anchored offshore that serves as a mooring point and interconnect for tankers loading or offloading gas or liquid products
“subsea manifold”	a large metal piece of equipment, made up of pipes and valves and designed to transfer oil or gas from wellheads into a pipeline
“underlift”	oil lifted at a field by a commercial partner at the balance sheet date that is less than its working interest in such field
“upstream”	activities related to the exploration, appraisal, development and extraction of crude oil, condensate and gas
“VLCCs”	very large crude carriers
“wellhead”	all connections, valves, nozzles, pressure gauges, thermometers, installed at the exits from a production well
“wildcat”	wells drilled outside of and not in the vicinity of known oil or gas fields
“workover”	refers to any kind of oil well intervention involving invasive techniques, such as repairing lines and casing or removing sand build up

Index to financial statements

Note: The audited consolidated financial statements as of and for the years ended December 31, 2015, 2016 and 2017 have been extracted from our annual reports in such years. Certain page references in the financial statements are to the annual reports of that year and not to this Offering Memorandum. For the avoidance of doubt, our annual reports are not incorporated by reference into this Offering Memorandum or these financial statements.

Financial statements

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Group Financial Statements for each financial year. Under that law the directors are required to prepare the group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the Parent Company Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the Group Financial Statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;

- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

By order of the Board

Paul McDade
Chief Executive Officer

6 February 2018

Les Wood
Chief Financial Officer

6 February 2018

Independent auditor's report for the Group and Company financial statements

Opinion on financial statements of Tullow Oil plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Tullow Oil plc (the 'Parent Company') and its subsidiaries (together the 'Group') which comprise:

- the Group income statement;
- the Group statement of comprehensive income and expense;
- the Group and Parent Company balance sheets;
- the Group and Parent Company statements of changes in equity;
- the Group cash flow statement;
- the Group and Parent Company statements of accounting policies;
- the related notes 1 to 31 to the Group financial statements; and
- the related notes 1 to 7 to the Parent Company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • the carrying value of Exploration and Evaluation ('E&E') assets; • the carrying value of Property, Plant and Equipment ('PP&E'); and • provision for onerous service contracts.
Materiality	The materiality that we used for the Group in the current year was \$50 million (2016: \$44 million) which represents approximately 2 per cent of net assets and approximately 4 per cent of Adjusted EBITDAX. The Parent Company materiality that we used in the current year was \$40 million (2016: \$20 million) which represents approximately 1 per cent of the Company's net assets.
Scoping	The Group comprises three reporting units and the corporate business unit, all of which were included in our assessment of the risks of material misstatement. Full scope audits were performed on those operations audited by the Group team and by the component teams in Ghana and Gabon. Specified audit procedures were performed in all of the Group's other locations. The materialities applied to components ranged from \$25 million to \$40 million (2016: \$20 million to \$30 million).
Significant changes in our approach	There have been no significant changes to our approach to the audit, aside from our conclusion that the going concern assumption was not a key audit matter for this year's audit. Following the completion of the Group's refinancing process in respect of its Reserves Based Lending facility in November 2017 we concluded that the going concern assumption was not a key audit matter for the year ended 31 December 2017.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement on page 34 about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

the disclosures on pages 42 - 49 that describe the principal risks and explain how they are being managed or mitigated;

the directors' confirmation on page 34 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or

the directors' explanation on pages 48 - 49 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

In the prior year, the going concern assumption was also included as a key audit matter. Following the completion of the Group's refinancing process in respect of its Reserves Based Lending facility in November 2017 we concluded that the going concern assumption was not a key audit matter for the year ended 31 December 2017.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of exploration and evaluation ('E&E') assets

Key audit matter description	The carrying value of E&E assets as at 31 December 2017 is $1,933.4 million and the Group has written off E&E expenditure totalling $143.4 million in the year then ended. The assessment of the carrying value of E&E assets requires management to exercise judgement as described in the 'critical accounting judgements' section of the Annual Report and Accounts on page 126. Management's assessment requires consideration of a number of factors, including, but not limited to, the Group's intention to proceed with a future work programme for a prospect or licence, the likelihood of licence renewal and the success of drilling and geological analysis to date. We have pinpointed the key audit matter in this area to those E&E assets in the Group's portfolio which are at higher risk of future impairment in both Kenya and Ghana. The costs capitalised in respect of Kenya constitute $1,058.2 million of the Group's E&E assets. Please refer to note 10 on page 135 of the Annual Report and Accounts and the Audit Committee Report on page 67 for further information.
How the scope of our audit responded to the key audit matter	We evaluated management's assessment of E&E assets held on the balance sheet at 31 December 2017 with reference to the criteria of IFRS 6 Exploration for and Evaluation of Mineral Resources and the Group's accounting policy (see page 123). Our work to assess the assets at higher risk of future impairment included, but was not limited to, the following audit procedures: • participating in meetings with operational and finance staff in Kenya, Ghana and London to discuss Exploration and Appraisal activities; • challenging management to provide confirmations of budget allocations, confirmations of the licence phase and ongoing appraisal activity; and • challenging management to provide evidence in respect of the continuance or otherwise of appraisal activity, licence validity, the status of applications for licence extensions and management's expectations of approval, their consideration of the likelihood of recovery of the balance sheet value and conclusion on commerciality where relevant.
Key observations	We are satisfied that the assets have been treated in accordance with the criteria of IFRS 6 and Tullow's E&E accounting policy. In some circumstances the costs of wells from exploration continue to be held on the balance sheet for a significant period of time while development plans are finalised and government consent is obtained, for example in Kenya.

Based on the audit evidence gathered, we are satisfied that the judgements made by management are reasonable.

Carrying value of Property, Plant and Equipment ('PP&E')

Key audit matter description	In 2017 Tullow recognised an impairment charge of $539.1 million against the value of its PP&E assets, of which $535.5 million relates to the TEN asset. Please refer to note 11 on page 136 and the Audit Committee Report on page 67 for further details. As described in the 'key sources of estimation uncertainty' section of the Annual Report and Accounts on page 126, the assessment of the carrying value of PP&E assets requires management to compare it against the recoverable amount of the asset. The calculation of the recoverable amount requires judgement in estimating future oil and gas prices, the applicable asset discount rate and the cost and production profiles of reserves estimates. We have identified the TEN asset in Ghana as the Group's only field whose impairment assessment represents a key audit matter as a result of its material size and sensitivity to changes in underlying assumptions. Given the asset's importance to the Group in terms of future production and the judgemental nature of the determination of its recoverable amount, we also considered there to be a fraud risk that the assumptions applied to the valuation are inappropriate.
How the scope of our audit responded to the key audit matter	We examined management's assessment of impairment indicators, which concluded that continued volatility in the oil price during the year represented an indicator of impairment for the Group's oil and gas assets. The assumptions that underpin management's calculation of the recoverable amounts of the TEN asset are inherently judgemental. Our audit work therefore assessed the reasonableness of management's key assumptions when calculating its recoverable amount. Specifically our work included, but was not limited to, the following procedures: • benchmarking and analysis of oil price assumptions against forward curves and other market data; • agreement of hydrocarbon production profiles and proven and probable reserves to third-party reserve reports; • verification of estimated future costs by agreement to approved budgets and assessment of their appropriateness with reference to field production profiles, with involvement from Deloitte petroleum engineering experts; • recalculation and benchmarking of discount rates applied, with involvement from Deloitte industry valuation specialists; and • consideration of evidence of management bias in the assumptions selected and the application of professional scepticism to address the risk of fraud.

Key observations	• The assumptions made by management when determining the TEN asset's recoverable amount fall within a reasonable range, although we note that the discount rate applied is towards the lower end of this range. • Overall, we are satisfied that the recoverability of the assets has been assessed in accordance with the requirements of IAS 36 Impairment of Assets. • Management has disclosed the impact of sensitivities of both the discount rate and commodity prices in the PP&E note on page 137.

Provision for onerous service contracts

Key audit matter description	In 2016 the Group reduced its future work programmes in response to lower commodity prices and certain legal restrictions, and in consequence a number of service contracts became onerous. Judgement is required to estimate the appropriate level of provision required for the onerous element of the contracts and the ultimate outcome of the contract claims in line with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The assumptions made include the estimated usage under the contract, the likelihood of cash outflows and the valuation of any liability arising, including consideration of any contract claims and disputes. Contract provisions are included in the Group's disclosure of key sources of estimation uncertainty on page 127. Please refer the Audit Committee Report on page 67 of the Annual Report and Accounts. These provisions are included within $135 million of 'other provisions' in note 22 on page 145, and disclosed within 'other contingent liabilities' in note 27 on page 150.
How the scope of our audit responded to the key audit matter	We performed the following procedures to gain assurance that all claims have been identified and to challenge whether, in line with IAS 37, management has appropriately recognised a provision where the likelihood of a payment by the Group is probable, or a contingent liability where it is possible that the Group will make a payment: • obtained an update on the latest claims from in-house legal counsel and reviewed the documentation and correspondence with counterparties and external legal counsel as applicable for each potentially material claim; • challenged management to demonstrate compliance with the requirements of IAS 37 and assessed this on a case by case basis; and • performed corroborative enquiries of senior management regarding any additional claims.
Key observations	We are satisfied that the estimates made by management are reasonable based on the audit evidence gathered.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	Group: $50 million (2016: $44 million) Parent Company: $40 million (2016: $20 million)
Basis for determining materiality	Group: Approximately 2 per cent of Group net assets, consistent with the prior year approach. Parent Company: Approximately 1 per cent of the Parent Company's net assets.
Rationale for the benchmark applied	Group: We have determined materiality based on the net asset position of the Group, reflecting the long-term value of the Group in its portfolio of exploration and development assets and their associated reserves and resources. We have determined that using a balance sheet metric, rather than a profit-based metric, will provide a more stable base for materiality. However, for reference we note that materiality equates to approximately 4 per cent of the alternative performance measure Adjusted EBITDAX. Management has presented a reconciliation of Adjusted EBITDAX to loss from continuing activities on page 35 of the Annual Report and Accounts. Parent Company: We have determined materiality based on the net asset position of the Company as its principal activity is to hold investments in subsidiaries and external debt.

Net assets $2,716 million

Group materiality $50 million

Component materiality range

$25 million to $40 million

Audit committee reporting threshold $2.5 million

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $2.5 million (2016: $2.2 million) in respect of both the Group and Parent Company, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

The Group comprises three reporting units and the corporate business unit, all of which were included in our assessment of the risks of material misstatement. Full scope audits were performed on those operations audited by the Group team and by the component teams in Ghana and Gabon. Specified audit procedures were performed at the Group's other locations. The materialities applied to components ranged from $25 million to $40 million (2016: $20 million to $30 million).

The Group team took direct responsibility for the audit work in certain locations including the UK, Kenya and Uganda as well as the consolidation process. The Group team planned and oversaw the work performed by component auditors; the level of direct involvement varied by location and included, at a minimum, a review of the reports provided on the results of the work undertaken by the component audit teams.

In addition, the senior statutory auditor and senior members of his Group audit team visited Ghana and Gabon to direct and review the audit work performed by the component auditors.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable*—the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting*—the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

- *Directors' statement of compliance with the UK Corporate Governance Code*—the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the directors on 1 August 2002 to audit the financial statements for the year ended 31 December 2002 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 16 years, covering the years ended 31 December 2002 to 31 December 2017.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Dean Cook

Dean Cook MA FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP Statutory Auditor
London, United Kingdom
6 February 2018

Group income statement
Year ended 31 December 2017

	Notes	2017 $m	2016 $m
Continuing activities			
Sales revenue	2	**1,722.5**	1,269.9
Other operating income—lost production insurance proceeds	6	**162.1**	90.1
Cost of sales	4	**(1,069.3)**	(813.1)
Gross profit		**815.3**	546.9
Administrative expenses	4	**(95.3)**	(116.4)
Restructuring costs	4	**(14.5)**	(12.3)
Loss on disposal	9	**(1.6)**	(3.4)
Goodwill impairment		**—**	(164.0)
Exploration costs written off	10	**(143.4)**	(723.0)
Impairment of property, plant and equipment, net	11	**(539.1)**	(167.6)
Provision for onerous service contracts, net	22	**1.0**	(114.9)
Operating profit/(loss)		**22.4**	(754.7)
(Loss)/gain on hedging instruments	20	**(11.8)**	18.2
Finance revenue	5	**42.0**	26.4
Finance costs	5	**(351.7)**	(198.2)
Loss from continuing activities before tax		**(299.1)**	(908.3)
Income tax credit	7	**110.6**	311.0
Loss for the year from continuing activities		**(188.5)**	(597.3)
Attributable to:			
Owners of the Company		**(189.5)**	(599.9)
Non-controlling interest	25	**1.0**	2.6
		(188.5)	(597.3)
Loss per ordinary share from continuing activities	8	**¢**	¢
Basic		**(14.7)**	(55.8)
Diluted		**(14.7)**	(55.8)

Comparative basic and diluted loss per ordinary share from continuing activities have been re-presented as a result of the Rights Issue (note 8).

Group statement of comprehensive income and expense
Year ended 31 December 2017

	Notes	2017 $m	2016 $m
Loss for the year		**(188.5)**	(597.3)
Items that may be reclassified to the income statement in subsequent periods			
Cash flow hedges			
Gain/(loss) arising in the year	20	**6.7**	(135.3)
Reclassification adjustments for items included in loss on realisation	20	**(161.8)**	(415.2)
Exchange differences on translation of foreign operations		**9.0**	17.1
Other comprehensive loss		**(146.1)**	(533.4)
Tax relating to components of other comprehensive loss	20	**24.3**	108.8
Net other comprehensive loss for the year		**(121.8)**	(424.6)
Total comprehensive expense for the year		**(310.3)**	(1,021.9)
Attributable to:			
Owners of the Company		**(311.3)**	(1,024.5)
Non-controlling interest		**1.0**	2.6
		(310.3)	(1,021.9)

Group balance sheet
As at 31 December 2017

	Notes	2017 $m	2016 $m
ASSETS			
Non-current assets			
Intangible exploration and evaluation assets	10	**1,933.4**	2,025.8
Property, plant and equipment	11	**5,254.7**	5,362.9
Investments	12	**1.0**	1.0
Other non-current assets	13	**789.8**	175.7
Derivative financial instruments	20	**0.8**	15.8
Deferred tax assets	23	**724.5**	758.9
		8,704.2	8,340.1
Current assets			
Inventories	14	**168.0**	155.3
Trade receivables	15	**171.4**	118.4
Other current assets	13	**768.3**	838.9
Current tax assets	7	**57.7**	138.3
Derivative financial instruments	20	**1.8**	91.7
Cash and cash equivalents	16	**284.0**	281.9
Assets classified as held for sale	17	**873.1**	837.1
		2,324.3	2,461.6
Total assets		**11,028.5**	10,801.7
LIABILITIES			
Current liabilities			
Trade and other payables	18	**(1,025.6)**	(916.1)
Provisions	22	**(230.8)**	(51.9)
Borrowings	19	**—**	(591.5)
Current tax liabilities		**(45.0)**	(83.1)
Derivative financial instruments	20	**(53.1)**	(5.9)
		(1,354.5)	(1,648.5)
Non-current liabilities			
Trade and other payables	18	**(1,422.6)**	(112.3)
Borrowings	19	**(3,606.4)**	(4,388.4)
Provisions	22	**(801.6)**	(1,106.7)
Deferred tax liabilities	23	**(1,101.2)**	(1,292.4)
Derivative financial instruments	20	**(25.8)**	(10.9)
		(6,957.6)	(6,910.7)
Total liabilities		**(8,312.1)**	(8,559.2)
Net assets		**2,716.4**	2,242.5
EQUITY			
Called-up share capital	24	**208.2**	147.5
Share premium	24	**1,326.8**	619.3
Equity component of convertible bonds		**48.4**	48.4
Foreign currency translation reserve		**(223.2)**	(232.2)
Hedge reserve	20	**(2.6)**	128.2
Other reserves		**740.9**	740.9
Retained earnings		**607.5**	778.0
Equity attributable to equity holders of the Company		**2,706.0**	2,230.1
Non-controlling interest	25	**10.4**	12.4
Total equity		**2,716.4**	2,242.5

Approved by the Board and authorised for issue on 6 February 2018.

Paul McDade
Chief Executive Officer

Les Wood
Chief Financial Officer

Group statement of changes in equity
Year ended 31 December 2017

	Notes	Share capital $m	Share premium $m	Equity component of convertible bonds $m	Foreign currency translation reserve[1] $m	Hedge reserve[2] $m	Other reserves[3] $m	Retained earnings $m	Total $m	Non-controlling interest[4] $m	Total equity $m
At 1 January 2016		147.2	609.8	—	(249.3)	569.9	740.9	1,336.4	3,154.9	19.8	3,174.7
Loss for the year		—	—	—	—	—	—	(599.9)	(599.9)	2.6	(597.3)
Hedges, net of tax	20	—	—	—	—	(441.7)	—	—	(441.7)	—	(441.7)
Currency translation adjustments		—	—	—	17.1	—	—	—	17.1	—	17.1
Issue of convertible bonds	19	—	—	48.4	—	—	—	—	48.4	—	48.4
Issue of employee share options	24	0.3	9.5	—	—	—	—	—	9.8	—	9.8
Vesting of PSP shares		—	—	—	—	—	—	(9.4)	(9.4)	—	(9.4)
Share-based payment charges	26	—	—	—	—	—	—	50.9	50.9	—	50.9
Distribution to non-controlling interests	25	—	—	—	—	—	—	—	—	(10.0)	(10.0)
At 1 January 2017		**147.5**	**619.3**	**48.4**	**(232.2)**	**128.2**	**740.9**	**778.0**	**2,230.1**	**12.4**	**2,242.5**
Loss for the year		—	—	—	—	—	—	**(189.5)**	**(189.5)**	**1.0**	**(188.5)**
Hedges, net of tax	20	—	—	—	—	**(130.8)**	—	—	**(130.8)**	—	**(130.8)**
Currency translation adjustments		—	—	—	**9.0**	—	—	—	**9.0**	—	**9.0**
Issue of shares—Rights Issue	24	**60.0**	**693.8**	—	—	—	—	—	**753.8**	—	**753.8**
Issue of employee share options	24	**0.7**	**13.7**	—	—	—	—	—	**14.4**	—	**14.4**
Vesting of PSP shares		—	—	—	—	—	—	**(15.2)**	**(15.2)**	—	**(15.2)**
Share-based payment charges	26	—	—	—	—	—	—	**34.2**	**34.2**	—	**34.2**
Distribution to non-controlling interests	25	—	—	—	—	—	—	—	—	**(3.0)**	**(3.0)**
At 31 December 2017		**208.2**	**1,326.8**	**48.4**	**(223.2)**	**(2.6)**	**740.9**	**607.5**	**2,706.0**	**10.4**	**2,716.4**

1. The foreign currency translation reserve represents exchange gains and losses arising on translation of foreign currency subsidiaries, monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and exchange gains or losses arising on long-term foreign currency borrowings which are a hedge against the Group's overseas investments.

2. The hedge reserve represents gains and losses on derivatives classified as effective cash flow hedges.

3. Other reserves include the merger reserve and the treasury shares reserve which represents the cost of shares in Tullow Oil plc purchased in the market and held by the Tullow Oil Employee Trust to satisfy awards held under the Group's share incentive plans (note 26).

4. Non-controlling interest is described further in note 25.

Group cash flow statement
Year ended 31 December 2017

	Notes	2017 $m	2016 $m
Cash flows from operating activities			
Loss before taxation		**(299.1)**	(908.3)
Adjustments for:			
Depreciation, depletion and amortisation	11	**592.2**	466.9
Loss on disposal	9	**1.6**	3.4
Goodwill impairment		**—**	164.0
Exploration costs written off	10	**143.4**	723.0
Impairment of property, plant and equipment, net	11	**541.1**	167.6
Provision for onerous service contracts, net	22	**(1.0)**	114.9
Payment under onerous service contracts	22	**—**	(132.0)
Decommissioning expenditure	22	**(25.7)**	(23.0)
Share-based payment charge	26	**33.9**	43.9
Loss/(gain) on hedging instruments	20	**11.8**	(18.2)
Finance revenue	5	**(42.0)**	(26.4)
Finance costs	5	**351.7**	198.2
Operating cash flow before working capital movements		**1,307.9**	774.0
Decrease/(increase) in trade and other receivables		**122.0**	(99.4)
Increase in inventories		**(20.8)**	(47.8)
Decrease in trade payables		**(251.4)**	(29.8)
Cash generated from operating activities		**1,157.7**	597.0
Income taxes received/(paid)		**65.2**	(84.5)
Net cash from operating activities		**1,222.9**	512.5
Cash flows from investing activities			
Proceeds from disposals	9	**8.0**	62.8
Purchase of intangible exploration and evaluation assets	31	**(189.7)**	(275.2)
Purchase of property, plant and equipment	31	**(117.8)**	(756.0)
Interest received		**3.1**	1.2
Net cash used in investing activities		**(296.4)**	(967.2)
Cash flows from financing activities			
Net proceeds from issue of share capital		**768.1**	9.9
Debt arrangement fees	31	**(56.4)**	(31.7)
Repayment of borrowings	31	**(1,613.6)**	(769.1)
Drawdown of borrowings	31	**305.0**	1,187.5
Issue of convertible bond		**—**	300.0
Repayment of obligations under finance leases		**(62.6)**	(3.3)
Finance costs paid		**(265.4)**	(284.0)
Distribution to non-controlling interests	25	**(3.0)**	(10.0)
Net cash (used in)/provided by financing activities		**(927.9)**	399.3
Net decrease in cash and cash equivalents		**(1.4)**	(55.4)
Cash and cash equivalents at beginning of year	16	**281.9**	355.7
Foreign exchange gain/(loss)		**3.5**	(18.3)
Cash and cash equivalents at end of year	16	**284.0**	281.9

Accounting policies
Year ended 31 December 2017

(a) General information

Tullow Oil plc is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is Tullow Oil plc, Building 9, Chiswick Park, 566 Chiswick High Road, London W4 5XT. The primary activity of the Group is the discovery and production of oil and gas.

(b) Adoption of new and revised standards

Standards not affecting the reported results or the financial position

New and revised Standards and Interpretations adopted in the current year did not have any significant impact on the amounts reported in these Financial Statements.

At the date of authorisation of these Financial Statements, the following Standards and Interpretations which have not been applied in these Financial Statements, but will have an impact on future Financial Statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU:

IFRS 9 Financial instruments

The Group will adopt IFRS 9 Financial Instruments for the year commencing 1 January 2018. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, introduces a new impairment model for financial assets, as well as new rules for hedge accounting. It replaces the old standard of IAS 39 in its entirety.

The classification and measurement of financial assets is now based on the entity's business model for managing the financial asset, and the contractual cash flow characteristics of the financial asset.

The classification and measurement of financial liabilities is materially consistent with that required by IAS 39 with the exception of the treatment of modification or exchange of financial liabilities which do not result in de-recognition. The Group has identified that retrospective application of IFRS 9 will increase the carrying value of the Reserves Based Lending credit facility by $144 million, as a retrospective modification loss as a result of the November 2017 refinancing of the facility. This will reduce opening retained earnings in 2018, as well as lowering the finance costs recognised over the life of the facility compared to the treatment under IAS 39. No other material impact as a result of IFRS 9's classification and measurement requirements has been identified.

The new impairment model requires the recognition of 'expected credit losses', in contrast to the requirement to recognise 'incurred credit losses' under IAS 39.

The Group has undertaken an assessment of the classification and measurement requirements, as well as the new impairment model, and does not expect a significant impact on the financial statements.

Accounting policies (continued)
Year ended 31 December 2017

The new hedge accounting rules will align the hedge accounting treatments more closely with the Group risk management strategy, and address previous inconsistencies and weakness in the hedge accounting model in IAS 39. The Group plans to adopt the hedge accounting requirements of IFRS 9.

The Group has identified a change in the treatment of the 'cost of hedging' of options upon adoption, specifically with respect to the fair value movement of time value.

The fair value movement of time value, to the extent which it relates to the hedged item, will be presented in a separate component in the statement of comprehensive income and expenses. This will have the effect of reducing the amount presented in the income statement under gain/loss on hedging instruments, with the cost of hedging being reflected within sales revenue on maturity of the hedge.

This requirement will be applied retrospectively on adoption of IFRS 9.

The new standard will also expand the Group's disclosure requirements on financial instruments, and in particular the impact of hedge accounting in its financial statements. Extended disclosures in the initial period of adoption will also be required.

IFRS 15 Revenue from contracts with customers

The adoption of IFRS 15 Revenue from Contracts with Customers, which the Group will adopt for the year commencing 1 January 2018, will impact the disclosures of revenue arrangements. Tullow has completed its detailed assessment of the implications of adopting the standard, and has concluded that it will not have a material quantitative impact on the financial results of the Group. As such, no material financial impact is expected on transition. However, Tullow will include increased qualitative disclosures regarding the terms of the Group's sales arrangements, including the basis for determining pricing, significant payment terms, and elements of variable consideration (if any).

IFRS 16 Leases

The adoption of IFRS 16 Leases, which the Group will adopt for the year commencing 1 January 2019, will impact both the measurement and disclosures of leases over a low value threshold and with terms longer than one year. The lease expense recognition pattern for lessees will generally be accelerated. Additional lease liabilities and right of use assets are expected to be recorded. Where leases are contracted by Tullow as operator of a Joint Venture these lease liabilities are expected to be recorded on a gross basis, along with additional Joint Venture receivables to represent Joint Venture partner contributions expected to meet the lease obligations. The cash flow statement will be affected as payments for the principal portion of the lease liability will be presented within financing activities. Tullow is in the process of identifying all lease agreements that exist across the Group. Tullow has yet to complete its full assessment of the expected financial impact of transition to IFRS 16.

Accounting policies (continued)
Year ended 31 December 2017

(c) Changes in accounting policy

The Group's accounting policies are consistent with the prior year.

(d) Basis of accounting

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Financial Statements have also been prepared in accordance with IFRS as adopted by the European Union and therefore the Group Financial Statements comply with Article 4 of the EU IAS Regulation.

The Financial Statements have been prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value and assets classified as held for sale which are carried at fair value less cost to sell. The Financial Statements are presented in US dollars and all values are rounded to the nearest $0.1 million, except where otherwise stated. The Financial Statements have been prepared on a going concern basis.

The principal accounting policies adopted by the Group are set out below.

(e) Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power over an investee entity, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. The Group does not have any material non-controlling interests.

The results of subsidiaries acquired or disposed of during the year are included in the Group income statement from the transaction date of acquisition, being the date on which the Group gains control, and will continue to be included until the date that control ceases.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Joint arrangements

The Group is engaged in oil and gas exploration, development and production through unincorporated joint arrangements; these are classified as joint operations in accordance with IFRS 11. The Group accounts for its share of the results and net assets of these joint operations.

Accounting policies (continued)
Year ended 31 December 2017

In addition, where Tullow acts as Operator to the joint operation, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint operation are included in the Group's balance sheet.

(f) Assets classified held for sale

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition, management views this trigger as signature of a Sales and Purchase Agreement or Board approval. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets classified as held for sale and the corresponding liabilities are classified with current assets and liabilities on a separate line in the balance sheet.

(g) Revenue

Sales revenue represents the sales value, net of VAT, of the Group's share of liftings in the year together with the gain/loss on realisation of cash flow hedges and tariff income. Revenue is recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(h) Over/underlift

Lifting or offtake arrangements for oil and gas produced in certain of the Group's jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production less stock is underlift or overlift. Underlift and overlift are valued at market value and included within receivables and payables respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis.

In respect of redeterminations, any adjustments to the Group's net entitlement of future production are accounted for prospectively in the period in which the make-up oil is produced. Where the make-up period extends beyond the expected life of a field an accrual is recognised for the expected shortfall.

(i) Inventory

Inventories, other than oil products, are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, costs of production and transportation and manufacturing expenses. Net realisable value is determined by reference to prices existing at the balance sheet date.

Oil product is stated at net realisable value and changes in net realisable value are recognised in the income statement.

(j) Foreign currencies

The US dollar is the presentation currency of the Group. For the purpose of presenting consolidated Financial Statements, the assets and liabilities of the Group's non-US dollar-denominated functional entities are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Currency translation adjustments arising on the restatement of opening net assets of non-US dollar subsidiaries, together with differences between the subsidiaries' results translated at average rates versus closing rates, are recognised in the statement of comprehensive income and expense and transferred to the foreign currency translation reserve. All resulting exchange differences are classified as equity until disposal of the subsidiary. On disposal, the cumulative amounts of the exchange differences are recognised as income or expense.

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated into functional currency at the exchange rate ruling at the balance sheet date, with a corresponding charge or credit to the income statement. However, exchange gains and losses arising on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment. In addition, exchange gains and losses arising on long-term foreign currency borrowings which are a hedge against the Group's overseas investments are dealt with in reserves.

(k) Exploration, evaluation and production assets

The Group adopts the successful efforts method of accounting for exploration and evaluation costs. Pre-licence costs are expensed in the period in which they are incurred. All licence acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalised in cost centres by well, field or exploration area, as appropriate. Interest payable is capitalised insofar as it relates to specific development activities.

These costs are then written off as exploration costs in the income statement unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment.

All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities is amortised in accordance with the Group's depletion and amortisation accounting policy.

Accounting policies (continued)
Year ended 31 December 2017

Cash consideration received on farm-down of exploration and evaluation assets is credited against the carrying value of the asset.

(l) Commercial reserves

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent statistical probability that it will be less.

(m) Depletion and amortisation

All expenditure carried within each field is amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field-by-field basis or by a group of fields which are reliant on common infrastructure. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to recover the commercial reserves remaining. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs.

In order to discount the future cash flows the Group calculates CGU-specific discount rates. The discount rates are based on an assessment of a relevant peer group's post-tax Weighted Average Cost of Capital (WACC). The post-tax WACC is subsequently grossed up to a pre-tax rate. The Group then deducts any exploration risk premium which is implicit within a peer group's WACC and subsequently applies additional country risk premium for CGUs in Gabon and Congo, an element of which is determined by whether the assets are onshore or offshore.

Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single CGU for impairment purposes.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any amortisation that would have been charged since the impairment.

(n) Decommissioning

Provision for decommissioning is recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value at a risk-free discount rate, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is included as a finance cost.

(o) Property, plant and equipment

Property, plant and equipment is stated in the balance sheet at cost less accumulated depreciation and any recognised impairment loss. Depreciation on property, plant and equipment other than production assets is provided at rates calculated to write off the cost less the estimated residual value of each asset on a straight line basis over its expected useful economic life of between three and five years.

(p) Finance costs and debt

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Finance costs of debt are allocated to periods over the term of the related debt at a constant rate on the carrying amount. Arrangement fees and issue costs are deducted from the debt proceeds on initial recognition of the liability and are amortised and charged to the income statement as finance costs over the term of the debt.

(q) Share issue expenses and share premium account

Costs of share issues are written off against the premium arising on the issues of share capital.

(r) Taxation

Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred corporation tax is recognised on all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted. Deferred tax is measured on a non-discounted basis.

Deferred tax is provided on temporary differences arising on acquisitions that are categorised as Business Combinations. Deferred tax is recognised at acquisition as part of the assessment of

the fair value of assets and liabilities acquired. Any deferred tax is charged or credited in the income statement as the underlying temporary difference is reversed.

Petroleum Revenue Tax (PRT) is treated as an income tax and deferred PRT is accounted for under the temporary difference method. Current UK PRT is charged as a tax expense on chargeable field profits included in the income statement and is deductible for UK corporation tax.

(s) Pensions

Contributions to the Group's defined contribution pension schemes are charged to operating profit on an accruals basis.

(t) Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates, interest rates and movements in oil and gas prices.

Derivative financial instruments are stated at fair value.

The purpose for which a derivative is used is established at inception. To qualify for hedge accounting, the derivative must be highly effective in achieving its objective and this effectiveness must be documented at inception and throughout the period of the hedge relationship. The hedge must be assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For the purpose of hedge accounting, hedges are classified as either fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges, where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or forecast transaction.

For cash flow hedges, the portion of the gains and losses on the hedging instrument that is determined to be an effective hedge is taken to other comprehensive income and the ineffective portion, as well as any change in time value, is recognised in the income statement. The gains and losses taken to other comprehensive income are subsequently transferred to the income statement during the period in which the hedged transaction affects the income statement.

A similar treatment applies to foreign currency loans which are hedges of the Group's net investment in the net assets of a foreign operation.

Gains or losses on derivatives that do not qualify for hedge accounting treatment (either from inception or during the life of the instrument) are taken directly to the income statement in the period.

Accounting policies (continued)
Year ended 31 December 2017

(u) Convertible bonds

Where bonds issued with certain conversion rights are identified as compound instruments, the liability and equity components are separately recognised.

The fair value of the liability component on initial recognition is calculated by discounting the contractual stream of future cash flows using the prevailing market interest rate for similar non-convertible debt.

The difference between the fair value of the liability component and the fair value of the whole instrument is recorded as equity.

Transaction costs are apportioned between the liability and the equity components of the instrument based on the amounts initially recognised.

The liability component is subsequently measured at amortised cost using the effective interest rate method, in line with our other financial liabilities.

The equity component is not remeasured.

On conversion of the instrument, equity is issued and the liability component is derecognised. The original equity component recognised at inception remains in equity. No gain or loss is recognised on conversion.

(v) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. A finance lease is recognised when the Group enters the uncancellable lease period and obtains the right to use the asset as intended. All other leases are classified as operating leases and are charged to the income statement on a straight line basis over the term of the lease.

From the commencement of the lease assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

(w) Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. The Group has share-based awards that are equity settled and cash settled as defined by IFRS 2. The fair value of the equity settled awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Group's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

The fair values were calculated using a binomial option pricing model with suitable modifications to allow for employee turnover after vesting and early exercise. Where necessary, this model is supplemented with a Monte Carlo model. The inputs to the models include: the share price at date of grant; exercise price; expected volatility; expected dividends; risk-free rate of interest; and patterns of exercise of the plan participants.

For cash settled awards, a liability is recognised for the goods or service acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in the income statement.

(x) Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL); 'held-to-maturity' investments; 'available- for-sale' (AFS) financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(y) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(z) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(aa) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. The Group chooses not to disclose the effective interest rate for debt instruments that are classified as at fair value through profit or loss.

(ab) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

(ac) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(ad) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(ae) Insurance proceeds

Insurance proceeds related to lost production under the Business Interruption insurance policy are recorded as other operating income in the income statement. Proceeds related to compensation for incremental operating costs under the Business Interruption and Hull and Machinery insurance policies are recorded within the operating costs line of cost of sales. Proceeds related to compensation for capital costs under the Hull and Machinery insurance policy where no asset is disposed are recorded within additions to property, plant and equipment.

(af) Critical accounting judgements

The Group assesses critical accounting judgements annually. The following are the critical judgements, apart from those involving estimations which are dealt with in policy (ag), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

- Recognition of finance lease liabilities (note 21):

The Group has a contract with a supplier for the lease of the TEN field (Ghana) FPSO. Management was required to exercise judgement to determine when the FPSO should be recognised as a finance lease in accordance with IAS 17, what discount rate to apply to future minimum lease payments and the expected length of the contract. The finance lease was recognised as of 1 August 2017 on the issue of the Certificate of Offshore Completion for the FPSO. Management were not able to identify a rate implicit in the lease contract as such has used its incremental cost of borrowing to discount future minimum lease payments. Finally given the number of potential options for the length of the contract management has selected the most economically efficient outcome.

• Recognition of assets held for sale (note 17):

The Group signed a sales and purchase agreement for farm-down of a portion of its interest in Uganda on 9 January 2017. Management has exercised judgement in determining the present value of the consideration expected from the sale, and that this disposal met the requirements of IFRS 5 and that the associated assets and liabilities should be retained as held for sale. The critical judgement in determining that the assets were held for sale was the probability of completion within twelve months. Management continue to conclude that the sale is highly probable within twelve months.

• Carrying value of intangible exploration and evaluation assets (note 10):

The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment in accordance with the Group's accounting policy. The process of determining whether there is an indicator for impairment or calculating the impairment requires critical judgement.

The key areas in which management has applied judgement and estimation are as follows: the Group's intention to proceed with a future work programme for a prospect or licence; the likelihood of licence renewal or extension; the assessment of whether sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale, and the success of a well result or geological or geophysical survey.

(ag) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

• Carrying value of property, plant and equipment (note 11):

Management performs impairment reviews on the Group's property, plant and equipment assets at least annually with reference to indicators in IAS 36 Impairment of Assets. Where indicators of impairments or impairment reversals are present and an impairment or impairment reversal test is required, the calculation of the recoverable amount requires estimation of future cash flows within complex impairment models.

Accounting policies (continued)
Year ended 31 December 2017

Key assumptions and estimates in the impairment models relate to: commodity prices that are based on forward curves for two years, mid-term price assumptions for three years after this and the long-term inflated corporate economic assumption thereafter, pre-tax discount rates that are adjusted to reflect risks specific to individual assets, commercial reserves and the related cost profiles.

Commercial reserves estimates used in the calculation of DD&A and impairment of property, plant and equipment (note 11):

Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Group's oil and gas assets. The Group estimates its reserves using standard recognised evaluation techniques. The estimate is reviewed at least twice annually by management and is regularly reviewed by independent consultants.

Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to host governments under the terms of the Production Sharing Contracts. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

- Presumption of going concern:

Refer to page 32.

- Decommissioning costs (note 22):

There is uncertainty around the cost of decommissioning as cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new technology or experience at other assets. The expected timing, work scope, amount of expenditure and risk weighting may also change. Therefore significant estimates and assumptions are made in determining the provision for decommissioning.

The estimated decommissioning costs are reviewed annually by an internal expert and the results of this review are then assessed alongside estimates from Operators. Provision for environmental clean-up and remediation costs is based on current legal and contractual requirements, technology and price levels.

- Provisions for onerous service contracts (note 22):

Due to the historical reduction in original planned future work programmes the Group identified a number of onerous service contracts in prior years. Management has estimated the value of any future economic outflows associated with these contracts.

Notes to the Group financial statements
Year ended 31 December 2017

Note 1. Segmental reporting

The information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focused on three Business Delivery Teams, West Africa including non-operated producing European assets, East Africa and New Ventures. Therefore the Group's reportable segments under IFRS 8 are West Africa; East Africa; and New Ventures. The following tables present revenue, loss and certain asset and liability information regarding the Group's reportable business segments for the years ended 31 December 2017 and 31 December 2016.

	Notes	West Africa $m	East Africa $m	New Ventures $m	Unallocated $m	Total $m
2017						
Sales revenue by origin		**1,722.5**	**—**	**—**	**—**	**1,722.5**
Other operating income—lost production insurance proceeds		**—**	**—**	**—**	**162.1**	**162.1**
Segment result		**86.9**	**(2.2)**	**(133.9)**	**183.0**	**133.8**
Loss on disposal						**(1.6)**
Unallocated corporate expenses						**(109.8)**
Operating profit						**22.4**
Loss on hedging instruments						**(11.8)**
Finance revenue						**42.0**
Finance costs						**(351.7)**
Loss before tax						**(299.1)**
Income tax credit						**110.6**
Loss after tax						**(188.5)**
Total assets		**7,857.2**	**2,585.2**	**306.0**	**280.1**	**11,028.5**
Total liabilities		**(4,295.6)**	**(169.2)**	**(97.1)**	**(3,750.2)**	**(8,312.1)**
Other segment information						
Capital expenditure:						
Property, plant and equipment	11	**43.1**	**1.1**	**0.3**	**5.6**	**50.1**
Intangible exploration and evaluation assets	10	**5.5**	**257.5**	**56.0**	**—**	**319.0**
Depreciation, depletion and amortisation	11	**(577.1)**	**(0.5)**	**—**	**(14.6)**	**(592.2)**
Impairment of property, plant and equipment	11	**(539.1)**	**—**	**—**	**—**	**(539.1)**
Exploration costs written off	10	**(6.9)**	**(2.3)**	**(134.2)**	**—**	**(143.4)**

Capital expenditure on property, plant, and equipment excludes the addition of the TEN FPSO right of use asset of $837.6 million.

All sales are to external customers. Included in revenue arising from West Africa are revenues of approximately $357.9 million, $316.3 million and $287.7 million relating to the Group's customers who each contribute more than 10% of total sales revenue (2016: $213.0 million and $92.7 million relating to the Group's largest customers). As the sales of oil and gas are made on

Notes to the Group financial statements (continued)
Year ended 31 December 2017

global markets and are highly liquid, the Group does not place reliance on the largest customers mentioned above.

Unallocated expenditure and net liabilities include amounts of a corporate nature and not specifically attributable to a reportable segment. The liabilities comprise the Group's external debt and other non-attributable corporate liabilities. The unallocated capital expenditure for the period comprises the acquisition of non-attributable corporate assets.

	Notes	West Africa $m	East Africa $m	New Ventures $m	Unallocated $m	Total $m
2016						
Sales revenue by origin		1,269.9	—	—	—	1,269.9
Other operating income—lost production insurance proceeds		—	—	—	90.1	90.1
Segment result		269.9	(341.0)	(512.3)	(39.2)	(622.6)
Loss on disposal						(3.4)
Unallocated corporate expenses						(128.7)
Operating loss						(754.7)
Gain on hedging instruments						18.2
Finance revenue						26.4
Finance costs						(198.2)
Loss before tax						(908.3)
Income tax credit						311.0
Loss after tax						(597.3)
Total assets		7,701.7	2,383.5	467.2	249.3	10,801.7
Total liabilities		(3,200.9)	(157.6)	(142.0)	(5,058.7)	(8,559.2)
Other segment information						
Capital expenditure:						
Property, plant and equipment	11	817.0	0.3	0.4	0.8	818.5
Intangible exploration and evaluation assets	10	9.9	137.4	144.1	—	291.4
Depreciation, depletion and amortisation	11	(450.4)	(0.9)	(1.0)	(14.6)	(466.9)
Impairment of property, plant and equipment	11	(167.2)	—	(0.4)	—	(167.6)
Exploration costs written off	10	(7.7)	(341.0)	(374.3)	—	(723.0)
Goodwill impairment		—	—	(164.0)	—	(164.0)

Notes to the Group financial statements (continued)
Year ended 31 December 2017

Sales revenue and non-current assets by origin	Sales revenue 2017 $m	Sales revenue 2016 $m	Non-current assets 2017 $m	Non-current assets 2016 $m
Congo	**8.8**	22.8	—	—
Côte d'Ivoire	**42.3**	61.3	**74.5**	108.6
Equatorial Guinea	**92.2**	141.4	**134.7**	166.1
Gabon	**251.8**	241.2	**161.9**	206.0
Ghana	**1,196.1**	666.6	**5,675.1**	5,188.8
Mauritania	**13.8**	23.9	—	—
Netherlands	**29.4**	31.5	—	113.0
UK	**88.1**	81.2	—	0.4
Other	—	—	—	—
Total West Africa	**1,722.5**	1,269.9	**6,046.2**	5,782.9
Kenya	—	—	**1,064.8**	936.9
Uganda	—	—	**574.4**	489.1
Total East Africa	—	—	**1,639.2**	1,426.0
Norway	—	—	**13.5**	12.1
Other	—	—	**194.6**	264.1
Total New Ventures	—	—	**208.1**	276.2
Unallocated	—	—	**85.4**	80.3
Total revenue / non-current assets	**1,722.5**	1,269.9	**7,978.9**	7,565.4

Non-current assets excludes derivative financial instruments and deferred tax assets.

Note 2. Total revenue

	Notes	2017 $m	2016 $m
Sales revenue (excluding tariff income)			
Oil and gas revenue from the sale of goods		**1,592.6**	886.2
Gain on realisation of cash flow hedges	20	**110.0**	363.0
		1,702.6	1,249.2
Tariff income		**19.9**	20.7
Total sales revenue		**1,722.5**	1,269.9
Other operating income—lost production insurance proceeds	6	**162.1**	90.1
Total revenue		**1,884.6**	1,360.0

Finance revenue has been presented as part of net financing costs (refer to note 5).

Notes to the Group financial statements (continued)
Year ended 31 December 2017

Note 3. Staff costs

The average monthly number of employees and contractors (including Executive Directors) employed by the Group worldwide was:

	2017 Number	2016 Number
Administration	**563**	628
Technical	**609**	710
Total	**1,172**	1,338

Staff costs in respect of those employees were as follows:

	2017 $m	2016 $m
Salaries	**183.5**	203.3
Social security costs	**6.9**	7.5
Pension costs	**14.8**	16.6
	205.2	227.4

The decrease in staff costs is due to decreased employee numbers as a result of continued cost reduction initiatives. A proportion of the Group's staff costs shown above is recharged to the Group's Joint Venture partners, a proportion is allocated to operating costs and a proportion is capitalised into the cost of fixed assets under the Group's accounting policy for exploration, evaluation and production assets with the remainder classified as an administrative overhead cost in the income statement. The net staff cost recognised in the income statement was $48.0 million (2016: $59.8 million).

Details of Directors' remuneration, Directors' transactions and Directors' interests are set out in the part of the Directors' Remuneration Report described as having been audited, which forms part of these Financial Statements.

Notes to the Group financial statements (continued)
Year ended 31 December 2017

Note 4. Other costs

	Notes	2017 $m	2016 $m
Operating loss is stated after charging/(deducting):			
Operating costs		**386.2**	377.2
Operating lease payments		**62.5**	21.0
Depletion and amortisation of oil and gas assets	11	**574.3**	448.5
Underlift, overlift and oil stock movements		**(2.3)**	(76.5)
Share-based payment charge included in cost of sales	26	**1.1**	2.7
Other cost of sales		**47.5**	40.2
Total cost of sales		**1,069.3**	813.1
Share-based payment charge included in administrative expenses	26	**32.8**	41.2
Depreciation of other fixed assets	11	**17.9**	18.4
Relocation costs associated with restructuring		**1.6**	(0.5)
Cash administrative costs		**43.0**	57.3
Total administrative expenses		**95.3**	116.4
Total restructuring costs		**14.5**	12.3
Fees payable to the Company's auditor for:			
The audit of the Company's annual accounts		**0.3**	0.3
The audit of the Company's subsidiaries pursuant to legislation		**1.6**	1.8
Total audit services		**1.9**	2.1
Non-audit services:			
Audit-related assurance services—half-year review		**0.3**	0.4
Corporate finance services		**1.1**	—
Other services		**0.1**	0.2
Total non-audit services		**1.5**	0.6
Total		**3.4**	2.7

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated Financial Statements are required to disclose such fees on a consolidated basis.

Corporate finance services included services in relation to the Rights Issue. Other services include ad-hoc assurance services in relation to the Group's JV agreements. The ratio of audit services to non-audit services is 1.3:1.

Details of the Company's policy on the use of the auditor for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity are safeguarded are set out in the Audit Committee Report on pages 65 to 70. No services were provided pursuant to contingent fee arrangements.

Notes to the Group financial statements (continued)
Year ended 31 December 2017

Note 5. Net financing costs

	Notes	2017 $m	2016 $m
Interest on bank overdrafts and borrowings		**290.7**	304.7
Interest on obligations under finance leases		**46.1**	1.8
Total borrowing costs		**336.8**	306.5
Less amounts included in the cost of qualifying assets	10,11	**(66.5)**	(138.8)
		270.3	167.7
Finance and arrangement fees		**2.8**	5.4
Other interest expense		**1.8**	—
Foreign exchange losses		**57.1**	—
Unwinding of discount on decommissioning provisions	22	**19.7**	25.1
Total finance costs		**351.7**	198.2
Interest income on amounts due from joint venture partners for finance leases		**(21.0)**	—
Other finance revenue		**(21.0)**	(26.4)
Total finance revenue		**(42.0)**	(26.4)
Net financing costs		**309.7**	171.8

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.5% (2016: 6.5%) to cumulative expenditure on such assets.

Note 6. Insurance proceeds

During 2017 the Group continued to issue insurance claims in respect of the Jubilee turret remediation project. Insurance proceeds of $220.9 million were recorded in the year ended 31 December 2017 (2016: $145.0 million). Proceeds related to lost production under the Business Interruption insurance policy of $162.1 million (2016 $90.1 million) were recorded as other operating income—lost production insurance proceeds in the income statement. Proceeds related to compensation for incremental operating costs under the Business Interruption and Hull and Machinery insurance policies of $50.9 million (2016: $31.8 million) were recorded within the operating costs line of cost of sales (see note 4). Proceeds related to compensation for capital costs under the Hull and Machinery insurance policy of $7.9 million (2016: $23.1 million) were recorded within additions to property, plant and equipment (see note 11).

Notes to the Group financial statements (continued)
Year ended 31 December 2017

Note 7. Taxation on loss on ordinary activities

Analysis of credit for the year

	Notes	2017 $m	2016 $m
Current tax			
UK corporation tax		**30.1**	67.3
Foreign tax		**6.2**	(18.5)
Total corporate tax		**36.3**	48.8
UK petroleum revenue tax		**(2.1)**	(1.1)
Total current tax		**34.2**	47.7
Deferred tax			
UK corporation tax		**(8.7)**	9.4
Foreign tax		**(114.6)**	(369.8)
Total deferred corporate tax		**(123.3)**	(360.4)
Deferred UK petroleum revenue tax		**(21.5)**	1.7
Total deferred tax	23	**(144.8)**	(358.7)
Total tax credit		**(110.6)**	(311.0)

Factors affecting tax credit for the period

The tax rate applied to profit on ordinary activities in preparing the reconciliation below is the UK corporation tax rate applicable to the Group's non-upstream UK profits. The difference between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax applicable to UK profits of 19% (2016: 20%) to the loss before tax is as follows:

	2017 $m	2016 $m
Group loss on ordinary activities before tax	**(299.1)**	(908.3)
Tax on Group loss on ordinary activities at the standard UK corporation tax rate of 19% (2016: 20%)	**(56.8)**	(181.7)
Effects of:		
Non-deductible exploration expenditure	**21.6**	25.8
Other non-deductible expenses	**12.6**	22.7
Derecognition of deferred tax previously recognised	**—**	30.2
Recognition of deferred tax previously unrecognised	**(21.5)**	—
Impairment of goodwill	**—**	127.9
Utilisation of tax losses not previously recognised	**(0.3)**	(9.5)
Net losses not recognised	**18.4**	61.7
Petroleum revenue tax (PRT)	**—**	(6.7)
Adjustment relating to prior years	**1.9**	(2.1)
Adjustments to deferred tax relating to change in tax rates	**12.6**	(0.8)
Higher rate of taxation on Norway losses	**13.1**	(286.4)
Other tax rates applicable outside the UK and Norway	**(88.0)**	(86.8)
PSC income not subject to corporation tax	**(15.4)**	(1.6)
Tax incentives for investment	**(2.8)**	(3.7)
Other income not subject to corporation tax	**(6.0)**	—
Group total tax credit for the year	**(110.6)**	(311.0)

The Finance Act 2016 further reduced the main rate of UK corporation tax applicable to all companies subject to corporation tax, except for those within the oil and gas ring fence, to 19% from 1 April 2017 and 17% from 1 April 2020. These changes were substantively enacted on 6 September 2016 and hence the effect of the change on the deferred tax balances has been included, depending upon when deferred tax is expected to reverse.

The Group's profit before taxation will continue to arise in jurisdictions where the effective rate of taxation differs from that in the UK, such as Ghana (35%), Gabon (55%), and Equatorial Guinea (35%). Furthermore, unsuccessful exploration expenditure is often incurred in jurisdictions where the Group has no taxable profits, such that no related tax benefit arises. Accordingly, the Group's tax charge will continue to vary according to the jurisdictions in which pre-tax profits and exploration costs written off arise.

The Group has tax losses of $3,642.0 million (2016: $2,844.0 million) that are available for offset against future taxable profits in the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group due to uncertainty of recovery.

The Group has recognised deferred tax assets of $530.0 million (2016: $535.3 million) in relation to tax losses only to the extent of anticipated future taxable income or gains in relevant jurisdictions.

No deferred tax liability is recognised on temporary differences of $7.9 million (2016: $8.2 million) relating to unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Tax relating to components of other comprehensive income

During 2017 $24.3 million (2016: $108.8 million) of tax has been recognised through other comprehensive income of which $24.9 million (2016: $107.8 million) is current and $0.6 million (2016: $1.0 million) is deferred tax relating to all debit (2016: credits) on cash flow hedges arising in the year.

Current tax assets

As at 31 December 2017, current tax assets were $57.7 million (2016: $138.3 million) of which $44.6m relates to the UK (2016: $29.0 million) and $3.1 million relates to Norway (2016: $90.0 million), where 78% of exploration expenditure is refunded as a tax refund in the year following the incurrence of such expenditure.

Note 8. Loss per ordinary share

Basic loss per ordinary share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per ordinary share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued if employee and other share options or the convertible bonds were converted into ordinary shares. Due to losses incurred in 2017 and 2016 all potential ordinary shares are antidilutive.

Comparative basic and diluted earnings per share and weighted average number of shares have been re-presented as a result of the Rights Issue. The shares in issue have been amended by an adjustment factor to reflect the bonus element inherent in a discounted Rights Issue, and to allow meaningful comparison between periods.

	2017 $m	2016 $m
Loss		
Net loss attributable to equity shareholders	**(189.5)**	(599.9)
Effect of dilutive potential ordinary shares	**—**	—
Diluted net loss attributable to equity shareholders	**(189.5)**	(599.9)

	2017 Number	2016 Number
Number of shares		
Basic weighted average number of shares	**1,286,235,130**	1,069,701,289
Dilutive potential ordinary shares	**44,294,728**	121,082,933
Diluted weighted average number of shares	**1,330,529,858**	1,190,784,222

Note 9. Disposals

The divestment of the Norway business completed during 2017. During 2016, four licences, including the Wisting oil discovery, were sold to Statoil, eight licences, including the Oda asset, were sold to Aker BP ASA and two further licences were sold to ConocoPhillips. A further two sales were executed in December 2016 and completed during 2017 with two separate parties. These sales, covering a further 13 licences include the 2016 Cara oil and gas discovery. The Group no longer holds any licences on the Norwegian Continental Shelf.

On 10 November 2017 Tullow completed the sale of its remaining Dutch assets to Hague and London Oil plc (HALO). This resulted in a loss on disposal of $1.6m.

Note 10. Intangible exploration and evaluation assets

	Notes	2017 $m	2016 $m
At 1 January		**2,025.8**	3,400.0
Additions	1	**319.0**	291.4
Disposals	9	**(40.0)**	—
Amounts written-off		**(143.4)**	(723.0)
Write-off associated with Norway-contingent consideration provision		**—**	(36.5)
Transfer to property, plant, and equipment	11	**(188.7)**	—
Net transfer to assets held for sale	17	**(43.4)**	(912.3)
Currency translation adjustments		**4.1**	6.2
At 31 December		**1,933.4**	2,025.8

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Included within 2017 additions is $66.5 million (note 5) of capitalised interest (2016: $50.2 million). The Group only capitalises interest in respect of intangible exploration and evaluation assets where it is considered that development is ongoing.

Transfers to property, plant, and equipment related to the Greater Jubilee Full Field Development plan approval and the cost associated with the Mahogany and Teak discovery.

The below table provides a summary of the exploration costs written off on a pre and post-tax basis by country.

Country	CGU	Rationale for 2017 write-off	2017 Pre-tax write-off/ (reversal) $m	2017 Post-tax write-off/ (reversal) $m	2017 Remaining recoverable amount $m
Kenya	Country	a	**2.3**	**2.3**	**1,058.2**
Madagascar	Various	d	**(4.0)**	**(4.0)**	**—**
Mauritania	Blocks C6, C10 & C18	b,c	**71.1**	**71.1**	**22.4**
Netherlands	Licence E18 & F16	e	**6.2**	**3.2**	**—**
Pakistan	Various	e	**36.1**	**36.1**	**5.5**
Suriname	Block 31 & Coronie	a	**10.3**	**10.3**	**30.7**
Other	Various	b	**4.3**	**2.8**	**—**
New Ventures	Various	f	**17.1**	**17.1**	**—**
Total write-off			**143.4**	**138.9**	

a. Current year unsuccessful drilling results.

b. Current year expenditure and actualisation of accruals associated with CGUs previously written off.

c. Licence relinquishments.

d. Country exit.

e. Revision of value based on disposal/farm-down activities (note 17).

f. New Ventures expenditure is written off as incurred.

Note 11. Property, plant, and equipment

	Notes	2017 Oil and gas assets $m	2017 Other fixed assets $m	2017 Total $m	2016 Oil and gas assets $m	2016 Other fixed assets $m	2016 Total $m
Cost							
At 1 January		**10,772.5**	**251.9**	**11,024.4**	10,439.9	289.5	10,729.4
Additions	1,6	**880.7**	**7.0**	**887.7**	816.9	1.6	818.5
Disposals		**(362.6)**	**(1.6)**	**(364.2)**	(276.1)	(2.7)	(278.8)
Transfer from intangible assets	10	**188.7**	**—**	**188.7**	—	—	—
Currency translation adjustments		**113.3**	**22.4**	**135.7**	(208.2)	(36.5)	(244.7)
At 31 December		**11,592.6**	**279.7**	**11,872.3**	10,772.5	251.9	11,024.4
Depreciation, depletion, and amortisation							
At 1 January		**(5,500.8)**	**(160.7)**	**(5,661.5)**	(5,360.0)	(165.0)	(5,525.0)
Charge for the year	4	**(574.3)**	**(17.9)**	**(592.2)**	(448.5)	(18.4)	(466.9)
Impairment loss		**(584.5)**	**—**	**(584.5)**	(184.3)	(0.4)	(184.7)
Reversal of impairment loss		**43.4**	**—**	**43.4**	10.9	—	10.9
Disposal		**300.0**	**1.7**	**301.7**	276.1	2.6	278.7
Currency translation adjustments		**(109.1)**	**(15.4)**	**(124.5)**	205.0	20.5	225.5
At 31 December		**(6,425.3)**	**(192.3)**	**(6,617.6)**	(5,500.8)	(160.7)	(5,661.5)
Net book value at 31 December		**5,167.3**	**87.4**	**5,254.7**	5,271.7	91.2	5,362.9

The 2017 additions include capitalised interest of $nil (note 5) in respect of the TEN development project (2016: $88.6 million). The carrying amount of the Group's oil and gas assets includes an amount of $816.7 million (2016: $17.8 million) in respect of assets held under finance leases. The currency translation adjustments arose due to the movement against the Group's presentation currency, USD, of the Group's UK and Dutch assets which have functional currencies of GBP and EUR respectively. The 2017 income statement impairment charge is net of $2.0 million of insurance proceeds (2016: $6.2 million).

	Trigger for 2017 impairment/ (reversal)	2017 Impairment/ (reversal) $m	Pre-tax discount rate assumption
Limande and Turnix CGU (Gabon)	a	**23.5**	13%
Echira, Niungo, and Igongo CGU (Gabon)	b	**(12.8)**	15%
M'boundi (Congo)	c	**(16.1)**	n/a
Espoir (Côte d'Ivoire)	a	**18.3**	10%
Ceiba and Okume (Equatorial Guinea)	b	**(7.1)**	10%
TEN (Ghana)	a,c	**535.5**	10%
Jubilee (Ghana)	d	**(2.0)**	n/a
Netherlands CGU	e	**7.2**	n/a
UK "CGU"[f]	b	**(7.4)**	n/a
Impairment		**539.1**	

a. Decrease to long-term price assumptions (refer to accounting policy on significant estimates).

b. Increase to short-term price assumptions (Dated Brent forward curve)

c. Change to decommissioning estimate.

d. Impairment of a component of the asset covered by insurance proceeds. This cash item does not impact the carrying value of property, plant, and equipment.

e. Revision of value based on disposal/farm-down activities (note 17).

f. The fields in the UK are grouped into one CGU as all fields within those countries share critical gas infrastructure.

During 2017 and 2016 the Group applied the following nominal oil price assumptions for impairment assessments:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 onwards
2017	Forward curve	Forward curve	$59/bbl	$66/bbl	$68/bbl	$75/bbl inflated at 2%
2016	Forward curve	Forward curve	$70/bbl	$70/bbl	$90/bbl	$90/bbl

The prices assumed in 2017 decreased due to downward revisions by expert forecasters. Oil prices stated above are benchmark prices to which an individual field price differential is applied. All impairment assessments are prepared on a value-in-use basis using discounted future cash flows based on 2P reserves profiles. A reduction or increase in the two year forward curve of $20/bbl, based on the approximate volatility of the oil price over the previous two years, and a reduction or increase medium and long term price assumption of $15/bbl, based on the range seen in external oil price market forecasts, are considered to be reasonably possible changes for the purposes of sensitivity analysis. Decreases to oil prices specified above would increase the impairment charge by $1,189.7 million, whilst increases to oil prices specified above would result in a credit to the impairment charge of $1,024.1m. A 1% increase in the pre-tax discount rate would increase the impairment by $152.5 million. A 1% decrease in the pre-tax discount rate would decrease the impairment by $139.7 million The Group believes a 1% change in the pre-tax discount rate to be a reasonable possibility based on historical analysis of the Group's and a peer group of companies' impairment discount rates.

Note 12. Investments

	2017 $m	2016 $m
Unlisted investments	**1.0**	1.0

The fair value of these investments is not materially different from their carrying value.

Note 13. Other assets

	2017 $m	2016 $m
Non-current		
Amounts due from joint venture partners	**731.7**	127.3
Uganda VAT recoverable	**34.9**	35.9
Other non-current assets	**23.2**	12.5
	789.8	175.7
Current		
Amounts due from joint venture partners	**567.8**	560.4
Underlifts	**37.1**	34.9
Prepayments	**38.2**	26.3
VAT and WHT recoverable	**5.4**	5.7
Other current assets	**119.8**	211.6
	768.3	838.9

The increase in amounts due from joint venture partners relates to the recognition of the TEN FPSO finance lease (refer to note 21 for details). Other current assets have decreased due to the increased timeliness of the receipt of funds from insurers.

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Note 14. Inventories

	2017 $m	2016 $m
Warehouse stocks and materials	**46.5**	57.6
Oil stocks	**121.5**	97.7
	168.0	155.3

Inventories include a provision of $20.7 million (2016: $31.4 million) for warehouse stock and materials where it is considered that the net realisable value is lower than the original cost. The decrease in the provision during 2017 is associated with disposal of inventory provided for in previous periods, resulting in an income statement charge of $nil (2016: $nil).

Note 15. Trade receivables

Trade receivables comprise amounts due for the sale of oil and gas. No current receivables are overdue, therefore none have been impaired and no allowance for doubtful debt has been recognised (2016: $nil).

Note 16. Cash and cash equivalents

	Notes	2017 $m	2016 $m
Cash at bank	20	**284.0**	281.9

Cash and cash equivalents includes an amount of $146.0 million (2016: $140.9 million) which the Group holds as operator in joint venture bank accounts. In addition to the cash held in joint venture bank accounts the Group had $16.1 million (2016: $20.3 million) held in restricted bank accounts.

Note 17. Assets classified as held for sale

In 2017, Tullow announced that it had agreed a substantial farm-down of its assets in Uganda. Under the Sale and Purchase Agreement, Tullow has agreed to transfer 21.57% of its 33.33% Uganda interests for a total consideration of $900 million. Upon completion, the farm-down will leave Tullow with an 11.76% interest in the upstream and pipeline projects. This is expected to reduce to a 10% interest in the upstream project when the Government of Uganda formally exercises its back-in right. Although it has not yet been determined what interests the Governments of Uganda and Tanzania will take in the pipeline project, Tullow expects its interests in the upstream and pipeline projects to be aligned.

The consideration is split into $200 million in cash, consisting of $100 million payable on completion of the transaction, $50 million payable at FID and $50 million payable at first oil.

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The remaining $700 million is in deferred consideration and represents reimbursement in cash of a proportion of Tullow's past exploration and development costs. The deferred consideration is payable to Tullow as the upstream and pipeline projects progress and these payments will be used by Tullow to fund its share of the development costs. Tullow expects the deferred consideration to cover its share of upstream and pipeline development capex to first oil and beyond. Completion of the transaction is subject to certain conditions, including the approval of the Government of Uganda, after which Tullow will cease to be an operator in Uganda. The disposal is expected to complete in mid-2018.

The estimated fair value of the consideration was $829.7 million on recognition which, when compared to the carrying value of the Group's interest in Uganda, resulted in an exploration write-off of $330.4 million in 2016. The fair value of the deferred consideration was calculated using expected timing of receipts based on management's best estimate of the expected capital profile of the project discounted at the relevant counterparty's cost of borrowing. Additions to this value have been recognised in relation to capitalised interest. The present value of the consideration will be determined on completion and assessed against the carrying value of the net assets of the disposal group. This represents a level 3 financial asset.

The divestment of the Norway business was completed during 2017 with $7.4 million of assets held for sale at 31 December 2016 being disposed in full during 2017. Consequently, there were no Norwegian assets held for sale at 31 December 2017.

The divestment of the Netherlands business was completed during 2017 with $113.1 million of assets held for sale at 30 June 2017 being disposed in full. Consequently, there were no Netherlands assets held for sale at 31 December 2017.

The major classes of assets and liabilities comprising the assets classified as held for sale as at 31 December 2017 were as follows:

	Uganda 2017 $m	**Total 2017 $m**	**Uganda 2016 $m**	**Norway 2016 $m**	**Total 2016 $m**
Intangible exploration and evaluation assets	**873.1**	**873.1**	829.7	7.4	837.1
Total assets classified as held for sale	**873.1**	**873.1**	829.7	7.4	837.1
Net assets of disposal groups	**873.1**	**873.1**	829.7	7.4	837.1

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Note 18. Trade and other payables

Current liabilities

	Notes	2017 $m	2016 $m
Trade payables		**83.3**	46.9
Other payables		**114.5**	124.6
Overlifts		**30.4**	6.9
Accruals		**552.0**	721.2
VAT and other similar taxes		**17.3**	14.6
Current portion of finance lease	21	**228.1**	1.9
		1,025.6	916.1

Payables related to operated joint ventures (primarily related to Ghana and Kenya) are recorded gross with the debit representing the partners' share recognised in amounts due from joint venture partners (note 13). The change in trade payables and in other payables predominantly represents timing differences and levels of work activity.

Non-current liabilities

	Notes	2017 $m	2016 $m
Other non-current liabilities		**105.1**	87.7
Non-current portion of finance lease	21	**1,317.5**	24.6
		1,422.6	112.3

Trade and other payables are non-interest bearing except for finance leases (note 21).

Note 19. Borrowings

	2017 $m	2016 $m
Current		
Bank borrowings—Revolving Norwegian exploration finance facility	—	83.4
Bank borrowings—Reserves Based Lending credit facility	—	508.1
	—	591.5
Non-current		
Bank borrowings—after one year but within two years		
Reserves Based lending credit facility	—	906.2
Revolving credit facility	—	364.6
Bank borrowings—after two years but within five years		
Reserves Based lending credit facility	**811.0**	1,561.7
6.0% Senior Notes due 2020	**642.5**	647.6
6.25% Senior Notes due 2022	**643.5**	651.0
6.625% Convertible bonds due 2021	**256.9**	257.3
Bank borrowings—more than five years		
Reserve-Based lending credit facility	**1,252.5**	—
	3,606.4	4,388.4
Carrying value of total borrowings	**3,606.4**	4,979.9

The Group has provided security in respect of certain of these borrowings in the form of share pledges, as well as fixed and floating charges over certain assets of the Group.

In February 2017, the Company agreed a 12 month extension to the maturity of the Revolving credit facility (RCF) to April 2019. The commitments were reduced from $1,000 million to $600 million in the year. The facility incurs interest on outstanding debt at US dollar LIBOR plus an applicable margin.

In November 2017, the Company completed the refinancing of the Reserves Based lending credit facility (RBL). Commitments were reduced from $3,255 million from the beginning of the year to $2,500 million. The $2,500 million of credit facilities are split between a commercial bank facility of $2,400 million and an International Finance Corporation facility of $100 million. The refinancing was concluded to not result in a substantial modification to the previous facility. Consequently, previously deferred costs are to be amortised over the life of the refinanced facility.

The RBL facility incurs interest on outstanding debt at US dollar LIBOR plus an applicable margin. The outstanding debt is repayable in line with the amortisation of bank commitments over the period to the final maturity date of 21 November 2024, with an initial three-year grace period, or such time as is determined by reference to the remaining reserves of the assets, whichever is earlier.

In November 2017, the Revolving Norwegian exploration finance facility (EFF) of NOK 1,000 million was repaid in full and cancelled. The facility was used to finance certain exploration activities on the Norwegian Continental Shelf which were eligible for a tax refund.

At 31 December 2017, available headroom under the RBL and RCF facilities amounted to $945 million; $345 million under the RBL and $600 million under the RCF. At 31 December 2016, the available headroom under the facilities amounted to $875 million; $255 million under the RBL, $620 million under the RCF and $nil under the EFF.

Capital management

The Group defines capital as the total equity and net debt of the Group. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Group's ability to continue as a going concern. Tullow is not subject to any externally imposed capital requirements. To maintain or adjust the capital structure, the Group may put in place new debt facilities, issue new shares for cash, repay debt, engage in active portfolio management, adjust the dividend payment to shareholders, or undertake other such restructuring activities as appropriate. No significant changes were made to the capital management objectives, policies or processes during the year ended 31 December 2017. The Group monitors capital on the basis of the gearing, being net debt divided by adjusted EBITDAX and maintains a policy target of below 2.5x. A summary of the gearing calculation and a reconciliation of the metric to IFRS measures can be found in the finance review on page 33.

Note 20. Financial instruments

Financial risk management objectives

The Group is exposed to a variety of risks including commodity price risk, interest rate risk, credit risk, foreign currency risk and liquidity risk. The Group holds a portfolio of commodity derivative contracts, with various counterparties, covering its underlying oil and gas businesses. The Group holds a mix of fixed and floating rate debt as well as a portfolio of interest rate derivatives. The use of derivative financial instruments is governed by the Group's policies approved by the Board of Directors. Compliance with policies and exposure limits are monitored and reviewed internally on a regular basis. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

Fair values of financial assets and liabilities

With the exception of the Senior Notes and the convertible bonds, the Group considers the carrying value of all its financial assets and liabilities to be materially the same as their fair value. The fair value of the Senior Notes, as determined using market values at 31 December 2017, was $1,310.7 million (2016: $1,223.1 million) compared to carrying values of $1,286.0 million (2016: $1,298.7 million).

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The fair value of the convertible bonds, as determined using market values, as at 31 December 2017, was $374.0 million (2016: $395.5 million) compared to the carrying value of $256.9 million (2016: $257.3 million).

The Group has no material financial assets that are past due. No material financial assets are impaired at the balance sheet date. All financial assets and liabilities with the exception of derivatives are measured at amortised cost.

Fair values of derivative instruments

All derivatives are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement, unless the derivatives have been designated as a cash flow hedge. Fair value is the amount for which the asset or liability could be exchanged in an arm's length transaction at the relevant date. Where available, fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

The Group's derivative carrying and fair values were as follows:

Assets/liabilities	2017 Less than 1 year $m	2017 1-3 years $m	2017 Total $m	2016 Less than 1 year $m	2016 1-3 years $m	2016 Total $m
Cash flow hedges						
Oil derivatives	**(3.7)**	**4.4**	**0.7**	139.7	40.2	179.9
Gas derivatives	**—**	**—**	**—**	(1.4)	—	(1.4)
Interest rate derivatives	**0.8**	**—**	**0.8**	(1.0)	0.6	(0.4)
	(2.9)	**4.4**	**1.5**	137.3	40.8	178.1
Deferred premium						
Oil derivatives	**(49.4)**	**(28.4)**	**(77.8)**	(51.5)	(35.9)	(87.4)
	(49.4)	**(28.4)**	**(77.8)**	(51.5)	(35.9)	(87.4)
Total assets	**1.8**	**0.8**	**2.6**	91.7	15.8	107.5
Total liabilities	**(53.1)**	**(25.8)**	**(78.9)**	(5.9)	(10.9)	(16.8)

Derivatives' maturity and the timing of their recycling into income or expense coincide.

The following provides an analysis of the Group's financial instruments measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data.

All the Group's derivatives are Level 2 (2016: Level 2). There were no transfers between fair value levels during the year.

For financial instruments which are recognised on a recurring basis, the Group determines whether transfers have occurred between levels by reassessing categorisation (based on the lowest-level input which is significant to the fair value measurement as a whole) at the end of each reporting period.

Offset of financial assets and financial liabilities

Deferred premiums on derivatives are settled at the same time as the maturity of the derivative contracts, with the cash flows settled on a net basis. Netting agreements are also in place to enable the Group and its counterparties to set-off liabilities against available assets in the event that either party is unable to fulfil its contractual obligations. The following table provides the offsetting relationship within assets and liabilities in the balance sheet.

31 December 2017	Gross amounts recognised $m	Gross amounts offset in Group balance sheet $m	Net amounts presented in Group balance sheet $m
Derivative assets	**5.6**	**(3.0)**	**2.6**
Derivative liabilities	**(4.1)**	**(74.8)**	**(78.9)**
Deferred premiums	**(77.8)**	**77.8**	**—**

31 December 2016	Gross amounts recognised $m	Gross amounts offset in Group balance sheet $m	Net amounts presented in Group balance sheet $m
Derivative assets	165.7	(58.2)	107.5
Derivative liabilities	12.4	(29.2)	(16.8)
Deferred premiums	(87.4)	87.4	—

Commodity price risk

The Group uses a number of derivatives to mitigate the commodity price risk associated with its underlying oil and gas revenues. Such commodity derivatives will tend to be priced using benchmarks, such as Dated Brent, D-1 Heren and M-1 Heren, which correlate as far as possible to the underlying oil and gas revenues respectively. The Group hedges its estimated oil and gas revenues on a portfolio basis, aggregating its oil revenues from substantially all of its African oil interests and its gas revenues from substantially all of its UK gas interests.

As at 31 December 2017 and 31 December 2016, all of the Group's oil and gas derivatives have been designated as cash flow hedges. The Group's oil and gas hedges have been assessed to be 'highly effective' within the range prescribed under IAS 39 using regression analysis. There is, however, the potential for a degree of ineffectiveness inherent in the Group's oil hedges arising from, among other factors, the discount on the Group's underlying African crude relative to Brent and the timing of oil liftings relative to the hedges. There is also the potential for a degree of ineffectiveness inherent in the Group's gas hedges which arises from, among other factors, daily field production performance.

The following table demonstrates the timing, volumes and the average floor price protected for the Group's commodity hedges:

Hedging position as at 31 December 2017	2018	2019	2020
Oil volume (bopd)	**45,000**	**22,232**	**997**
Average floor price protected ($/bbl)	**52.23**	**48.87**	**50.00**
Gas volume (mmscfd)	—	—	—
Average floor price protected (p/therm)	—	—	—

Hedging position as at 31 December 2016	2017	2018	2019
Oil volume (bopd)	42,500	22,000	7,979
Average floor price protected ($/bbl)	60.23	51.88	45.53
Gas volume (mmscfd)	3.67	—	—
Average floor price protected (p/therm)	40.47	—	—

The following table demonstrates the sensitivity of the Group's derivative financial instruments to reasonably possible movements in Dated Brent oil price and UK D-1 Heren and M-1 Heren natural gas prices:

		Effect on equity	
	Market movement	2017 $m	2016 $m
Brent oil price	25%	**(139.0)**	(145.0)
Brent oil price	(25%)	**115.5**	183.6
UK D-1 Heren and M-1 Heren natural gas price	25%	—	(2.3)
UK D-1 Heren and M-1 Heren natural gas price	(25%)	—	2.3

The following assumptions have been used in calculating the sensitivity in movement of oil and gas prices: the pricing adjustments relate only to the point forward mark-to-market (MTM) valuations, the price sensitivities assume there is no ineffectiveness related to the oil and gas hedges and the sensitivities have been run only on the intrinsic element of the hedge as management considers this to be the material component of oil and gas hedge valuations.

Fair value movements recognised in the income statement

Fair value movements relating to the non-intrinsic element of the commodity derivatives have been immediately recognised in the income statement during the year, and were as follows:

(Loss)/profit on hedging instruments	2017 $m	2016 $m
Cash flow hedges		
Oil derivatives		
Time value	**(11.8)**	18.2
	(11.8)	18.2
Total net (loss)/profit for the year in the income statement	**(11.8)**	18.2

Hedge reserve summary

The hedge reserve represents the portion of deferred gains and losses on hedging instruments deemed to be effective cash flow hedges. The movement in the reserve for the period is recognised in other comprehensive income.

The following table summarises the hedge reserve by type of derivative, net of tax effects:

Hedge reserve by derivative type	2017 $m	2016 $m
Cash flow hedges		
Gas derivatives	**—**	(1.1)
Oil derivatives	**(3.5)**	129.7
Interest rate derivatives	**0.9**	(0.4)
	(2.6)	128.2

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The deferred gains and losses in the hedge reserve are subsequently transferred to the income statement during the period in which the hedged transaction affects the income statement. The tables below show the impact on the hedge reserve and on sales revenue during the year:

Deferred amounts in the hedge reserve	**2017 $m**	**2016 $m**
At 1 January	**128.2**	569.9
Reclassification adjustments for items included in the income statement on realisation:		
Gas derivatives—transferred to sales revenue	**0.2**	(0.9)
Oil derivatives—transferred to sales revenue	**(161.1)**	(416.7)
Interest rate derivatives—transferred to finance costs	**(0.9)**	2.4
Subtotal	**(161.8)**	(415.2)
Revaluation gains/(losses) arising in the year	**6.7**	(135.3)
Movement in current and deferred tax	**24.3**	108.8
	(130.8)	(441.7)
At 31 December	**(2.6)**	128.2

Reconciliation to sales revenue	**2017 $m**	**2016 $m**
Gas derivatives—transferred to sales revenue	**0.2**	(0.9)
Oil derivatives—transferred to sales revenue	**(159.8)**	(416.7)
Deferred premium paid	**49.6**	54.6
Net gains from commodity derivatives in sales revenue (note 2)	**(110.0)**	(363.0)

Cash flow and interest rate risk

Subject to parameters set by management the Group seeks to minimise interest costs by using a mixture of fixed and floating debt. Floating rate debt comprises bank borrowings at interest rates fixed in advance from overnight to three months at rates determined by US dollar LIBOR, Sterling LIBOR and Norwegian NIBOR. Fixed rate debt comprises Senior Notes, convertible bonds, bank borrowings at interest rates fixed in advance for periods greater than three months or bank borrowings where the interest rate has been fixed through interest rate hedging. The Group hedges its floating interest rate exposure on an ongoing basis through the use of interest rate swaps. The mark-to-market position of the Group's interest rate portfolio as at 31 December 2017 is an asset of $0.8 million (2016: $0.4 million liability). Interest rate hedges are included in fixed rate debt in the table below.

The interest rate profile of the Group's financial assets and liabilities, excluding trade and other receivables and trade and other payables, at 31 December 2017 and 2016 was as follows:

	2017 Cash at bank $m	2017 Fixed rate debt $m	2017 Floating rate debt $m	2017 Total $m	2016 Cash at bank $m	2016 Fixed rate debt $m	2016 Floating rate debt $m	2016 Total $m
US$	**219.4**	**(1,900.0)**	**(1,855.0)**	**(3,535.6)**	200.8	(1,900.0)	(3,080.0)	(4,779.2)
Euro	**3.1**	**—**	**—**	**3.1**	8.6	—	—	8.6
Sterling	**21.4**	**—**	**—**	**21.4**	33.1	—	—	33.1
Other	**40.1**	**—**	**—**	**40.1**	39.4	—	(83.8)	(44.4)
	284.0	**(1,900.0)**	**(1,855.0)**	**(3,471.0)**	281.9	(1,900.0)	(3,163.8)	(4,781.9)

Cash at bank consisted mainly of deposits which earn interest at rates set in advance for periods ranging from overnight to one month by reference to market rates.

The following table demonstrates the sensitivity of the Group's financial instruments to reasonably possible movements in interest rates:

		Effect on finance costs		Effect on equity	
	Market movement	2017 $m	2016 $m	2017 $m	2016 $m
Interest rate	100 basis points	**(21.6)**	(31.6)	**(18.3)**	(26.5)
Interest rate	(25) basis points	**5.4**	7.9	**5.8**	6.1

Credit risk

The Group has a credit policy that governs the management of credit risk, including the establishment of counterparty credit limits and specific transaction approvals. The primary credit exposures for the Group are its receivables generated by the marketing of crude oil and amounts due from JV partners (including in relation to their share of the TEN FPSO finance lease). These exposures are managed at the corporate level. The Group's crude sales are predominantly made to international oil market participants including the oil majors, trading houses and refineries. JV partners are predominantly international major oil and gas market participants. Counterparty evaluations are conducted utilising international credit rating agency and financial assessments. Where considered appropriate, security in the form of trade finance instruments from financial institutions with an appropriate credit ratings, such as letters of credit, guarantees and credit insurance, are obtained to mitigate the risks.

The Group generally enters into derivative agreements with banks who are lenders under the Reserve-Based lending credit facility. Security is provided under the facility agreement which mitigates non-performance risk. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties. The maximum financial exposure due to credit risk on the Group's financial assets, representing the sum of cash and cash equivalents, investments, derivative assets, trade receivables, current tax assets and other current assets, as at 31 December 2017 was $2,217.7 million (2016: $1,661.7 million).

Foreign currency risk

The Group conducts and manages its business predominately in US dollars, the operating currency of the industry in which it operates. The Group also purchases the operating currencies of the countries in which it operates routinely on the spot market. From time to time the Group undertakes certain transactions denominated in other currencies. These exposures are often managed by executing foreign currency financial derivatives. There were no material foreign currency financial derivatives in place at the 2017 year end (2016: $nil). Cash balances are held in other currencies to meet immediate operating and administrative expenses or to comply with local currency regulations.

As at 31 December 2017, the only material monetary assets or liabilities of the Group that were not denominated in the functional currency of the respective subsidiaries involved were $45.1 million in non-US-dollar denominated cash and cash equivalents (2016: $16.9 million).

The following table demonstrates the sensitivity of the Group's financial instruments to reasonably possible movements in US dollar exchange rates:

		Effect on profit before tax		Effect on equity	
	Market movement	2017 $m	2016 $m	2017 $m	2016 $m
US$/foreign currency exchange rates	20%	**(7.5)**	(2.7)	**(7.5)**	(2.7)
US$/foreign currency exchange rates	(20%)	**11.3**	4.0	**11.3**	4.0

Liquidity risk

The Group manages its liquidity risk using both short and long-term cash flow projections, supplemented by debt financing plans and active portfolio management. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework covering the Group's short, medium and long-term funding and liquidity management requirements.

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's producing assets and delays to development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capability and flexibility of the Group. The

Group had $1.1 billion (2016: $1.0 billion) of total facility headroom and free cash as at 31 December 2017.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate	Less than 1 month $m	1-3 months $m	3 months to 1 year $m	1-5 years $m	5+ years $m	Total $m
31 December 2017							
Non-interest bearing	**n/a**	**50.9**	**194.6**	**—**	**—**	**105.1**	**350.6**
Finance lease liabilities	**7.1%**	**18.3**	**39.3**	**172.1**	**866.1**	**930.2**	**2,026.0**
Fixed interest rate instruments	**7.5%**						
Principal repayments		**—**	**—**	**—**	**1,600.0**	**—**	**1,600.0**
Interest charge		**9.9**	**—**	**89.6**	**279.8**	**—**	**379.3**
Variable interest rate instruments	**7.2%**		**—**				
Principal repayments		**—**	**—**	**—**	**811.0**	**1,344.0**	**2,155.0**
Interest charge		**10.4**	**20.9**	**85.9**	**420.4**	**95.9**	**633.5**
		89.5	**245.8**	**347.6**	**3,977.3**	**2,475.2**	**7,144.4**

	Weighted average effective interest rate	Less than 1 month $m	1-3 months $m	3 months to 1 year $m	1-5 years $m	5+ years $m	Total $m
31 December 2016							
Non-interest bearing	n/a	21.0	167.3	4.7	—	87.7	280.7
Finance lease liabilities	6.5%	0.3	0.8	2.4	14.5	17.6	35.6
Fixed interest rate instruments	7.5%						
Principal repayments		—	—	—	950.0	650.0	1,600.0
Interest charge		9.9	—	89.6	359.0	20.3	478.8
Variable interest rate instruments	5.9%						
Principal repayments		—	55.0	536.9	2,871.9	—	3,463.8
Interest charge		14.4	28.6	120.2	151.9	—	315.1
		45.6	251.7	753.8	4,347.3	775.6	6,174.0

The Group has interest rate swaps that fix $300.0 million (2016: $300.0 million) of variable interest rate risk. The impact of these derivatives on the classification of fixed and variable rate instruments has been excluded from the above tables.

Note 21. Obligations under finance leases

	Notes	2017 $m	2016 $m
Amounts payable under finance leases:			
—Within one year		**229.6**	3.5
—Within two to five years		**866.1**	14.5
—After five years		**930.3**	17.6
		2,026.0	35.6
Less future finance charges		**(480.4)**	(9.1)
Present value of lease obligations		**1,545.6**	26.5
Amount due for settlement within 12 months	18	**228.1**	1.9
Amount due for settlement after 12 months	18	**1,317.5**	24.6

The Group's finance leases are the TEN FPSO and the Espoir FPSO (2016: Espoir FPSO). The finance lease for the TEN FPSO met the criteria for recognition on 1 August 2017. A finance lease liability has been recorded at a gross value of $1,521.0 million as Tullow entered the lease on behalf of the TEN Joint Venture. The present value of the lease liability unwinds over the expected life of the lease and is reported within finance costs as interest on obligations under finance leases. A receivable from Joint Venture partners of $719.0 million has been recognised in other assets to reflect the value of future payments that will be met by cash calls from partners. The present value of the receivable from Joint Venture Partners unwinds over the expected life of the lease and is reported within finance revenue. The net cash outflows of $62.6 million related to the lease agreement since its recognition as a finance lease have been reported in the repayment of obligations under finance leases line in the cash flow statements. A right of use property, plant, and equipment asset of $807.7 million was also recorded at 31 December 2017. Prior to recognition as a finance lease, it was accounted for as an operating lease, and included as operating lease payments within cost of sales (note 4).

The fair value of the Group's lease obligations approximates the carrying amount. The average expected remaining lease term as at 31 December 2017 was 7 years (2016: 10 years). For the year ended 31 December 2017, the effective borrowing rate was 7.1% (2016: 6.5%).

Notes to the Group financial statements (continued)
Year ended 31 December 2017

Note 22. Provisions

	Notes	Decommissioning 2017 $m	Other provisions 2017 $m	Total 2017 $m	Decommissioning 2016 $m	Other provisions 2016 $m	Total 2016 $m
At 1 January		**1,014.4**	**144.2**	**1,158.6**	1,008.8	243.3	1,252.1
New provisions and changes in estimates		**(33.6)**	**(9.2)**	**(42.8)**	57.1	71.4	128.5
Disposals		**(100.7)**	**—**	**(100.7)**	—	—	—
Payments		**(33.7)**	**—**	**(33.7)**	(23.0)	(132.0)	(155.0)
Transfer to accruals		**—**	**—**	**—**	—	(35.0)	(35.0)
Unwinding of discount	5	**19.7**	**—**	**19.7**	25.1	—	25.1
Currency translation adjustment		**31.3**	**—**	**31.3**	(53.6)	(3.5)	(57.1)
At 31 December		**897.4**	**135.0**	**1,032.4**	1,014.4	144.2	1,158.6
Current provisions		**103.2**	**127.6**	**230.8**	49.0	2.9	51.9
Non-current provisions		**794.2**	**7.4**	**801.6**	965.4	141.3	1,106.7

Included within other provisions is provision for onerous service contracts and provision for restructuring costs. Due to the historical reduction in original planned future work programmes the Group identified a number of onerous service contracts in prior years. The expected unutilised capacity has been provided for in 2016 and 2017 resulting in an income statement credit of $1.0 million (2016: charge of $114.9 million).

Notes to the Group financial statements (continued)
Year ended 31 December 2017

The decommissioning provision represents the present value of decommissioning costs relating to the European and African oil and gas interests.

	Inflation assumption	Discount rate assumption	Cessation of production assumption	2017 $m	2016 $m
Congo	n/a	n/a	n/a	—	18.3
Côte d'Ivoire	2%	3%	2026	**49.7**	48.1
Equatorial Guinea	2%	3%	2028-2029	**133.9**	130.0
Gabon	2%	3%	2021-2034	**55.8**	54.2
Ghana	2%	3%	2034-2036	**278.0**	267.6
Mauritania	2%	3%	2018	**120.7**	130.9
Netherlands	n/a	n/a	n/a	—	100.7
UK	2%	3%	2018-2020	**259.3**	264.6
				897.4	1,014.4

Note 23. Deferred taxation

	Accelerated tax depreciation $m	Decommissioning $m	Revaluation of financial assets $m	Tax losses $m	Other timing differences $m	Provision for onerous service contracts $m	Deferred PRT $m	Total $m
At 1 January 2016	(1,224.8)	198.2	(0.5)	235.4	(88.1)	—	10.6	(869.2)
Credit/(debit) to income statement	10.2	(67.4)	—	300.0	72.9	44.7	(1.7)	358.7
Credit to other comprehensive income	—	—	1.0	—	—	—	—	1.0
Exchange differences	(2.7)	(20.0)	—	(0.1)	0.4	—	(1.6)	(24.0)
At 1 January 2017	**(1,217.3)**	**110.8**	**0.5**	**535.3**	**(14.8)**	**44.7**	**7.3**	**(533.5)**
Credit/(debit) to income statement	**79.8**	**59.8**	—	**(8.1)**	**(8.2)**	—	**21.5**	**144.8**
Debit to other comprehensive income	—	—	**(0.6)**	—	—	—	—	**(0.6)**
Exchange differences	**(0.8)**	**10.0**	—	**2.8**	**(1.1)**	—	**1.7**	**12.6**
At 31 December 2017	**(1,138.3)**	**180.6**	**(0.1)**	**530.0**	**(24.1)**	**44.7**	**30.5**	**(376.7)**

	2017 $m	2016 $m
Deferred tax liabilities	**(1,101.2)**	(1,292.4)
Deferred tax assets	**724.5**	758.9
	(376.7)	(533.5)

No deferred tax has been provided on unremitted earnings of overseas subsidiaries, as the Group has no plans to remit these to the UK in the foreseeable future. Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the level of deferred tax assets recognised which can result in a charge or credit in the period in which the change occurs.

Note 24. Called up equity share capital and share premium account

Allotted equity share capital and share premium

	Equity share capital allotted and fully paid		Share premium
	Number	$m	$m
Ordinary shares of 10 pence each			
At 1 January 2016	911,576,706	147.2	609.8
Issued during the year			
—Exercise of share options	2,905,254	0.3	9.5
At 1 January 2017	**914,481,960**	**147.5**	**619.3**
Issued during the year			
—Rights issue	**466,925,724**	**60.0**	**693.8**
—Exercise of share options	**5,159,652**	**0.7**	**13.7**
At 31 December 2017	**1,386,567,336**	**208.2**	**1,326.8**

The Company does not have a maximum authorised share capital.

Note 25. Non-controlling interest

The non-controlling interest relates to Tulipe Oil SA (Tulipe), where the Group has a 50% controlling shareholding, whose place of business is Gabon. Distributions to non-controlling interests were $3.0 million (2016: $10.0 million).

Notes to the Group financial statements (continued)
Year ended 31 December 2017

Note 26. Share-based payments

Analysis of share-based payment charge

	Notes	2017 $m	2016 $m
Tullow Incentive Plan		**11.1**	9.3
2005 Performance Share Plan		**0.4**	0.9
2005 Deferred Share Bonus Plan		**1.7**	—
Employee Share Award Plan		**20.4**	38.3
2010 Share Option Plan and 2000 Executive Share Option Scheme		**—**	1.5
UK & Irish Share Incentive		**0.6**	0.9
Total share-based payment charge		**34.2**	50.9
Capitalised to intangible and tangible assets		**0.3**	7.0
Expensed to operating costs	4	**1.1**	2.7
Expensed as administrative cost	4	**32.8**	41.2
Total share-based payment charge		**34.2**	50.9

Tullow Incentive Plan (TIP)

Under the TIP, Senior Management can be granted nil exercise price options, normally exercisable from three (five years in the case of the Company's Directors) to 10 years following grant provided an individual remains in employment. The size of awards depends on both annual performance measures and Total Shareholder Return (TSR) over a period of up to three years. There are no post-grant performance conditions. No dividends are paid over the vesting period; however, an amount equivalent to the dividends that would have been paid on the TIP shares during the vesting period if they were 'real' shares, will also be payable on exercise of the award. There are further details of the TIP in the Remuneration Report on pages 76 to 98.

The weighted average remaining contractual life for TIP awards outstanding at 31 December 2017 was 7.0 years.

2005 Performance Share Plan (PSP)

Under the PSP, Senior Management could be granted nil exercise price options, normally exercisable between three and 10 years following grant. Awards made before 8 March 2010 were made as conditional awards to acquire free shares on vesting. To provide flexibility to participants, those awards were converted into nil exercise price options. All PSP awards are fully vested.

The weighted average remaining contractual life for PSP awards outstanding at 31 December 2017 was 1.5 years.

Notes to the Group financial statements (continued)
Year ended 31 December 2017

2005 Deferred Share Bonus Plan (DSBP)

Under the DSBP, the portion of any annual bonus above 75% of the base salary of a Senior Executive nominated by the Remuneration Committee was deferred into shares. Awards normally vest following the end of three financial years commencing with that in which they were granted. They were granted as nil exercise price options, normally exercisable from when they vest until 10 years from grant. Awards granted before 8 March 2010 as conditional awards to acquire free shares were converted into nil exercise price options to provide flexibility to participants. A dividend equivalent is paid over the period from grant to vesting. From 2014, Senior Executives participate in the TIP instead of the DSBP.

The weighted average remaining contractual life for DSBP awards outstanding at 31 December 2017 was 3.6 years.

Employee Share Award Plan (ESAP)

Most Group employees are eligible to be granted nil exercise price options under the ESAP. These are normally exercisable from three to 10 years following grant. An individual must normally remain in employment for three years from grant for the share to vest. Awards are not subject to post-grant performance conditions.

Phantom options that provide a cash bonus equivalent to the gain that could be made from a share option (being granted over a notional number of shares) have also been granted under the ESAP in situations where the grant of share options was not practicable.

The weighted average remaining contractual life for ESAP awards outstanding at 31 December 2017 was 7.3 years.

2010 Share Option Plan (2010 SOP) and 2000 Executive Share Option Scheme (2000 ESOS)

Participation in the 2010 SOP and 2000 ESOS was available to most of the Group's employees. Options have an exercise price equal to market value shortly before grant and are normally exercisable between three and 10 years from the date of the grant subject to continuing employment.

Options granted prior to 2011 were granted under the 2000 ESOS where exercise was subject to a performance condition. Performance was measured against constituents of the FTSE 100 index (excluding investment trusts). 100% of awards vested if the Company's TSR was above the median of the index companies over three years from grant. The 2010 SOP was replaced by the ESAP for grants from 2014. During 2013 phantom options were granted under the 2010 SOP to replace certain options granted under the 2000 ESOS that lapsed as a result of performance conditions not being satisfied. These replacement phantom options provide a cash bonus equivalent to the gain that could be made from a share option (being granted over a notional number of shares with a notional exercise price). Phantom options have also been granted under the 2010 SOP and the 2000 ESOS in situations where the grant of share options was not practicable.

Options outstanding at 31 December 2017 had exercise prices of 468p to 1305p (2016: 365p to 1530p) and remaining contractual lives between 72 days and 5.6 years. The weighted average remaining contractual life is 3.4 years.

UK & Irish Share Incentive Plans (SIPs)

These are all-employee plans set up in the UK and Ireland, to enable employees to save out of salary up to prescribed monthly limits. Contributions are used by the SIP trustees to buy Tullow shares ('Partnership Shares') at the end of each three-month accumulation period. The Company makes a matching contribution to acquire Tullow shares ('Matching Shares') on a one-for-one basis. Under the UK SIP, Matching Shares are subject to time-based forfeiture over three years on leaving employment in certain circumstances or if the related Partnership Shares are sold. The fair value of a Matching Share is its market value when it is awarded.

Under the UK SIP: (i) Partnership Shares are purchased at the lower of their market values at the start of the accumulation period and the purchase date (which is treated as a three-month share option for IFRS 2 purposes and therefore results in an accounting charge), and (ii) Matching Shares vest over the three years after being awarded (resulting in their accounting charge being spread over that period).

Under the Irish SIP: (i) Partnership Shares are bought at the market value at the purchase date (which does not result in any accounting charge), and (ii) Matching Shares vest over the two years after being awarded (resulting in their accounting charge being spread over that period).

The following table illustrates the number and average weighted share price at grant or weighted average exercise price (WAEP) of, and movements in, share options under the TIP, PSP, DSBP, ESAP and 2010 SOP / 2000 ESOS.

In March 2017 the Company carried out a Rights Issue with each holder of 49 shares receiving 25 rights to subscribe for new shares at a price of 130p per share. In accordance with the Plan rules, the number of outstanding awards as at 17 March 2017 has been multiplied by 1.1732 and the option exercise prices and previously calculated fair values for these awards have been divided by 1.1732 to allow for the rights issue.

	Outstanding as at 1 January	Adjustment for the rights issue during the year	Granted during the year	Exercised during the year	Forfeited/ expired during the year	Outstanding at 31 December	Exercisable at 31 December
2017 TIP—number of shares	**10,926,267**	**1,831,317**	**4,830,968**	**(484,603)**	**(350,502)**	**16,753,447**	**925,639**
2017 TIP—average weighted share price at grant	**287.1**	**275.6**	**206.6**	**782.0**	**242.8**	**249.2**	**782.0**
2016 TIP—number of shares	3,801,426	—	7,134,968	—	(10,127)	10,926,267	43,610
2016 TIP—average weighted share price at grant	547.3	—	147.7	—	782.0	287.1	782.0
2017 PSP—number of shares	**910,004**	**120,362**	**—**	**(495,163)**	**36,708**	**571,911**	**571,911**
2017 PSP—average weighted share price at grant	**882.0**	**870.9**	**—**	**888.2**	**797.6**	**868.9**	**868.9**
2016 PSP—number of shares	4,208,862	—	—	(283,867)	(3,014,991)	910,004	910,004
2016 PSP—average weighted share price at grant	1,125.7	—	—	962.0	1,214.7	882.0	882.0
2017 DSBP—number of shares	**205,704**	**35,627**	**—**	**(140,508)**	**123,279**	**224,102**	**224,102**
2017 DSBP—average weighted share price at grant	**1,215.5**	**1,215.5**	**—**	**1,209.4**	**1,121.4**	**1,260.5**	**1,260.5**
2016 DSBP—number of shares	466,097	—	—	(137,114)	(123,279)	205,704	205,704
2016 DSBP—average weighted share price at grant	1,226.7	—	—	1,338.2	1,121.4	1,215.5	1,215.5
2017 ESAP—number of shares	**23,760,819**	**3,856,502**	**5,346,309**	**(4,459,032)**	**(1,815,484)**	**26,689,114**	**7,623,417**
2017 ESAP—average weighted share price at grant	**280.8**	**271.2**	**206.6**	**382.1**	**213.3**	**252.2**	**346.8**
2016 ESAP—number of shares	17,067,908	—	11,315,031	(2,495,408)	(2,126,712)	23,760,819	3,330,615
2016 ESAP—average weighted share price at grant	380.7	—	147.7	354.9	287.4	280.8	281.5
2017 SOP/ESOS—number of shares	**10,006,370**	**1,596,194**	**—**	**—**	**(1,726,197)**	**9,876,367**	**9,876,367**
2017 SOP/ESOS—WAEP	**1,192.9**	**1,041.2**	**—**	**—**	**863.8**	**1,047.6**	**1,047.6**
2016 SOP/ESOS—number of shares	14,466,011	—	—	(3,362)	(4,456,279)	10,006,370	10,006,370
2016 SOP/ESOS—WAEP	1,160.9	—	—	1,219.0	1,088.9	1,192.9	1,192.9
2017 Phantoms—number of phantom shares	**1,252,745**	**215,079**	**—**	**—**	**(37,956)**	**1,429,868**	**1,429,868**
2017 Phantoms—WAEP	**1,274.4**	**1,086.5**	**—**	**—**	**1084.7**	**1,086.5**	**1,086.5**
2016 Phantoms—number of phantom shares	1,518,439	—	—	—	(265,694)	1,252,745	1,252,745
2016 Phantoms—WAEP	1,274.5	—	—	—	1,274.4	1,274.4	1,274.4

The options granted during the year were valued using a proprietary binomial valuation.

Notes to the Group financial statements (continued)
Year ended 31 December 2017

The following table details the weighted average fair value of awards granted and the assumptions used in the fair value expense calculations.

	2017 TIP	2017 ESAP	2016 TIP	2016 ESAP
Weighted average fair value of awards granted	206.6p	206.6p	147.7p	147.7p
Weighted average share price at exercise for awards exercised	210.0p	195.5p	—	282.1p
Principal inputs to options valuations model:				
Weighted average share price at grant	206.6p	206.6p	147.7p	147.7p
Weighted average exercise price	0.0p	0.0p	0.0p	0.0p
Risk-free interest rate per annum	0.1%	0.1%	0.4 - 0.7%	0.4%
Expected volatility per annum(1)	60%	60%	45 - 50%	50%
Expected award life (years)(2)	3.0	3.0	3.5	3.0
Dividend yield per annum	n/a	0.0%	n/a	0.0%
Employee turnover before vesting per annum(3)	5% / 0%	5%	5% / 0%	5%

1. Expected volatility was determined by calculating the historical volatility of the Company's share price over a period commensurate with the expected life of the awards.

2. The expected life is the average expected period from date of grant to exercise allowing for the Company's best estimate of participants' expected exercise behaviour.

3. Zero turnover is assumed for TIP awards made to executives and Directors, 5% per annum for TIP awards to Senior Management.

	2017 PSP	2016 PSP	2017 DSBP	2016 DSBP	2017 SOP/ESOS	2016 SOP/ESOS(1)
Weighted average share price at exercise for awards exercised	**198.9p**	254.6p	**204.1p**	213.5p	**n/a**	255.7p

1. Includes the replacement phantom awards made during 2013.

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Note 27. Commitments and contingencies

	2017 $m	2016 $m
Capital commitments	**185.0**	108.4
Operating lease commitments		
Due within one year	**9.2**	143.7
After one year but within two years	**9.5**	105.9
After two years but within five years	**28.2**	319.9
Due after five years	**47.7**	464.8
	94.6	1,034.3
Contingent liabilities		
Performance guarantees	**115.6**	85.1
Other contingent liabilities	**185.3**	156.6
	300.9	241.7

Where Tullow acts as operator of a joint venture the capital commitments reported represent Tullow's net share of these commitments.

Where Tullow is non-operator the value of capital commitments is based on committed future work programmes.

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases on office properties are negotiated for an average of six years and rentals are fixed for an average of six years. During 2017 the TEN FPSO lease changed from an operating lease to a finance lease (refer to note 21 for further details).

Performance guarantees are in respect of abandonment obligations, committed work programmes and certain financial obligations.

Other contingent liabilities include amounts for ongoing legal disputes with third parties where we consider the likelihood of a cash outflow to be higher than remote but not probable. The timing of any economic outflow if it were to occur would likely range between one year and five years.

Notes to the Group financial statements (continued)
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Note 28. Related party transactions

The Directors of Tullow Oil plc are considered to be the only key management personnel as defined by IAS 24—Related Party Disclosures.

	2017 $m	2016 $m
Short-term employee benefits	**6.7**	8.9
Post-employment benefits	**0.8**	1.0
Amounts awarded under long-term incentive schemes	**2.6**	3.7
Share-based payments	**2.5**	2.6
	12.6	16.2

Short-term employee benefits

These amounts comprise fees paid to the Directors in respect of salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

Post-employment benefits

These amounts comprise amounts paid into the pension schemes of the Directors.

Amounts awarded under long-term incentive schemes

These amounts relate to the shares granted under the annual bonus scheme that are deferred for three years under the Deferred Share Bonus Plan (DSBP) and Tullow Incentive Plan (TIP).

Share-based payments

This is the cost to the Group of Directors' participation in share-based payment plans, as measured by the fair value of options and shares granted, accounted for in accordance with IFRS 2 Share-based Payments.

There are no other related party transactions. Further details regarding transactions with the Directors of Tullow Oil plc are disclosed in the Remuneration Report on pages 76 to 98.

Note 29. Events since 31 December 2017

There has not been any event since 31 December 2017 that has resulted in a material impact on the year end results.

Note 30. Pension schemes

The Group operates defined contribution pension schemes for staff and Executive Directors. The contributions are payable to external funds which are administered by independent trustees. Contributions during the year amounted to $14.8 million (2016: $16.6 million). As at 31 December 2017, there was a liability of $nil (2016: $nil) for contributions payable included in other payables.

Note 31. Cash flow statement reconciliations

Purchases of intangible exploration and evaluation assets	2017 $m
Additions to intangible exploration and evaluation assets	**319.0**
Associated cash flows	
Purchases of intangible exploration and evaluation assets	**(189.7)**
Non cash movements / presented in other cash flow lines	
Capitalised interest	**(66.5)**
Movement in working capital	**(62.8)**

Purchases of property, plant and equipment	2017 $m
Additions to property, plant and equipment	**887.7**
Associated cash flows	
Purchases of property, plant and equipment	**(117.8)**
Non cash movements / presented in other cash flow lines	
Decommissioning asset additions	**23.6**
Finance lease additions	**(837.6)**
Movement in working capital	**44.1**

Movement in borrowings	2017 $m	2016 $m	Movement
Current borrowings	—	(591.5)	**591.5**
Non-current borrowings	(3,606.4)	4,388.4	**782.0**
Total borrowings	(3,606.4)	4,979.9	**1,373.5**
Associated cash flows			
Debt arrangement fees			**(56.4)**
Repayment of borrowings			**(1,613.6)**
Drawdown of borrowings			**305.0**
Non cash movements / presented in other cash flow lines			
Amortisation of arrangement fees and accrued interest			**(8.5)**

Company balance sheet
As at 31 December 2017

	Notes	2017 $m	2016 $m
ASSETS			
Non-current assets			
Investments	1	**5,415.3**	7,398.0
Intercompany derivative asset	6	**—**	—
		5,415.3	7,398.0
Current assets			
Other current assets	3	**2,136.3**	1,431.4
Intercompany derivative asset	6	**—**	—
Cash at bank		**6.3**	6.7
		2,142.6	1,438.1
Total assets		**7,557.9**	8,836.1
LIABILITIES			
Current liabilities			
Trade and other creditors	4	**(465.9)**	(343.6)
Borrowings	5	**—**	(508.1)
Intercompany derivative liability	6	**(35.6)**	(50.0)
		(501.5)	(901.7)
Non-current liabilities			
Borrowings	5	**(3,349.5)**	(4,131.1)
Intercompany derivative liability	6	**(13.4)**	(17.2)
		(3,362.9)	(4,148.3)
Total liabilities		**(3,864.4)**	(5,050.0)
Net assets		**3,693.5**	3,786.1
Capital and reserves			
Called-up share capital	7	**208.2**	147.5
Share premium	7	**1,326.8**	619.3
Other reserves		**851.9**	850.8
Retained earnings		**1,306.6**	2,168.5
Total equity		**3,693.5**	3,786.1

During the year the Company made a loss of $880.9 million (2016: $253.4 million loss).

Approved by the Board and authorised for issue on 6 February 2018.

P. McDade

Les Wood

Paul McDade
Chief Executive Officer

Les Wood
Chief Financial Officer

Company statement of changes in equity
As at 31 December 2017

	Share capital $m	Share premium $m	Other reserves $m	Retained earnings $m	Total equity $m
At 1 January 2016	147.2	609.8	850.8	2,380.4	3,988.2
Loss for the year	—	—	—	(253.4)	(253.4)
Issue of employee share options	0.3	9.5	—	—	9.8
Vesting of PSP shares	—	—	—	(9.4)	(9.4)
Share-based payment charges	—	—	—	50.9	50.9
At 1 January 2017	**147.5**	**619.3**	**850.8**	**2,168.5**	**3,786.1**
Loss for the year	**—**	**—**	**—**	**(880.9)**	**(880.9)**
Issue of shares—Rights Issue	**60.8**	**693.8**	**—**	**—**	**753.8**
Issue of employee share options	**0.7**	**13.7**	**—**	**—**	**14.4**
Vesting of PSP shares	**—**	**—**	**—**	**(15.2)**	**(15.2)**
Capital contribution	**—**	**—**	**1.1**	**—**	**1.1**
Share-based payment charges	**—**	**—**	**—**	**34.2**	**34.2**
At 31 December 2017	**208.2**	**1,326.8**	**851.9**	**1,306.6**	**3,693.5**

Company accounting policies
As at 31 December 2017

(a) General information

Tullow Oil plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is Tullow Oil plc, Building 9, Chiswick Park, 566 Chiswick High Road, London W4 5XT. The Financial Statements are presented in US dollars and all values are rounded to the nearest $0.1 million, except where otherwise stated. Tullow Oil plc is the ultimate Parent of the Tullow Oil Group.

(b) Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. The Financial Statements have therefore been prepared in accordance with Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of an income statement, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the Group accounts.

The Financial Statements have been prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value.

The Company has applied the exemption from the requirement to publish a separate profit and loss account for the parent company set out in section 408 of the Companies Act 2006.

During the year the Company made a loss of $880.9 million (2016: $253.4 million loss).

(c) Going concern

Refer to page F-90.

(d) Foreign currencies

The US dollar is the reporting currency of the Company. Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date, with a corresponding charge or credit to the income statement. However, exchange gains and losses arising on long-term foreign currency borrowings, which are a hedge against the Company's overseas investments, are dealt with in reserves.

Company accounting policies (continued)
As at 31 December 2017

(e) Investments

Fixed asset investments, including investments in subsidiaries, are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

(f) Derivative financial instruments

The Company uses derivative financial instruments to manage the Group's exposure to fluctuations in movements in oil and gas prices.

Derivative financial instruments are stated at fair value.

The purpose for which a derivative is used is established at inception. To qualify for hedge accounting, the derivative must be highly effective in achieving its objective and this effectiveness must be documented at inception and throughout the period of the hedge relationship. The hedge must be assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For the purpose of hedge accounting, hedges are classified as either fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges, where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or forecast transaction.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the derivative and the hedged item at fair value is recognised immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the income statement.

For cash flow hedges, the portion of the gains and losses on the hedging instrument that is determined to be an effective hedge is taken to other comprehensive income and the ineffective portion, as well as any change in time value, is recognised in the income statement. The gains and losses taken to other comprehensive income are subsequently transferred to the income statement during the period in which the hedged transaction affects the income statement. A similar treatment applies to foreign currency loans which are hedges of the Group's net investment in the net assets of a foreign operation.

Gains or losses on derivatives that do not qualify for hedge accounting treatment (either from inception or during the life of the instrument) are taken directly to the income statement in the period.

Company accounting policies (continued)
As at 31 December 2017

(g) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(h) Share issue expenses

Costs of share issues are written off against the premium arising on the issues of share capital.

(i) Finance costs of debt

Finance costs of debt are recognised in the profit and loss account over the term of the related debt at a constant rate on the carrying amount.

Interest-bearing borrowings are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(j) Taxation

Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred corporation tax is recognised on all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted. Deferred tax is measured on a non-discounted basis.

Deferred tax is provided on temporary differences arising on acquisitions that are categorised as business combinations. Deferred tax is recognised at acquisition as part of the assessment of the fair value of assets and liabilities acquired. Any deferred tax is charged or credited in the income statement as the underlying temporary difference is reversed.

(k) Capital management

The Company defines capital as the total equity of the Company. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Company's ability to continue as a going concern. Tullow is not subject to any externally imposed capital requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital, issue new shares for cash, repay debt, and put in place new debt facilities.

Company accounting policies (continued)
As at 31 December 2017

(l) Critical accounting judgements and key sources of estimation uncertainty

- Financial instruments (note 6):

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The Directors of the Company have determined appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

- Investments (note 1):

The Company is required to assess the carrying values of each of its investments in subsidiaries for impairment. The net assets of certain of the Company's subsidiaries are predominantly intangible exploration and evaluation (E&E) and property, plant and equipment assets.

Where facts and circumstances indicate that the carrying amount of an E&E asset held by a subsidiary may exceed its recoverable amount, by reference to the specific indicators of impairment of E&E assets, an impairment test of the asset is performed by the subsidiary undertaking and the asset is impaired by any difference between its carrying value and its recoverable amount. The recognition of such an impairment by a subsidiary is used by the Company as the primary basis for determining whether or not there are indications that the investment in the related subsidiary may also be impaired, and thus whether an impairment test of the investment carrying value needs to be performed. The results of exploration activities are inherently uncertain and the assessment of impairment of E&E assets by the subsidiary, and that of the related investment by the Company, is judgemental.

For property, plant and equipment, the value of assets/fields supporting the investment value is assessed by estimating the discounted future cash flows based on management's expectations of future oil and gas prices and future costs.

In order to discount the future cash flows the Group calculates CGU-specific discount rates. The discount rates are based on an assessment of a relevant peer group's post-tax Weighted Average Cost of Capital (WACC). The post-tax WACC is subsequently grossed up to a pre-tax rate. The Group then deducts any exploration risk premium which is implicit within a peer group's WACC.

Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single CGU for impairment purposes.

Notes to the Company financial statements
Year ended 31 December 2017

Note 1. Investments

	2017 $m	2016 $m
Shares at cost in subsidiary undertakings	**5,414.3**	7,397.0
Unlisted investments	**1.0**	1.0
	5,415.3	7,398.0

During 2017, the Company decreased its investments in subsidiaries undertakings by $429.0 million (2016: $3,690.2 million); an additional impairment of $1,553.8 million (2016: $1,177.6 million) was recognised against the Company's investments in subsidiaries to fund losses incurred by Group service companies and exploration and production companies.

The Company's subsidiary undertakings as at 31 December 2017 are listed on pages 175 and 176. The principal activity of all companies relates to oil and gas exploration, development and production.

Note 2. Deferred tax

The Company has tax losses of $513.3 million (2016: $494.4 million) that are available indefinitely for offset against future non-ring-fenced taxable profits in the Company. A deferred tax asset of $nil (2016: $nil) has been recognised in respect of these losses on the basis that the Company does not anticipate making non-ring-fenced profits in the foreseeable future.

Note 3. Other current assets

Amounts falling due within one year

	2017 $m	2016 $m
Other debtors	**12.3**	29.1
Due from subsidiary undertakings	**2,124.0**	1,402.3
	2,136.3	1,431.4

The amounts due from subsidiary undertakings include $1,528.0 million (2016: $1,373.3 million) that incurs interest at LIBOR plus 0.5% - 4.5%. The remaining amounts due from subsidiaries accrue no interest. All amounts are repayable on demand. During the year a provision of $124.0 million (2016: $172.5 million) was made in respect of the recoverability of amounts due from subsidiary undertakings.

Notes to the Company financial statements (continued)
Year ended 31 December 2017

Note 4. Trade and other creditors

Amounts falling due within one year

	2017 $m	2016 $m
VAT and other similar taxes	—	0.7
Accrued interest	**22.7**	—
Due to subsidiary undertakings	**443.2**	342.9
	465.9	343.6

Note 5. Borrowings

	2017 $m	2016 $m
Current		
Bank borrowings—Reserve Based Lending credit facility	—	508.1
Non-current		
Bank borrowings—after one year but within two years		
Reserve-Based lending credit facility	—	906.2
Revolving credit facility	—	364.6
Bank borrowings—after two years but within five years		
Reserve-Based lending credit facility	**811.0**	1,561.7
6.0% Senior Notes due 2020	**642.5**	647.6
6.25% Senior Notes due 2022	**643.5**	651.0
Bank borrowings—more than five years		
Reserve-Based lending credit facility	**1,252.5**	—
	3,349.5	4,131.1
Carrying value of total borrowings	**3,349.5**	4,639.2
Accrued interest and unamortised fees	**105.5**	40.8
External borrowings	**3,455.0**	4,680.0

Term loans are secured by fixed and floating charges over the oil and gas assets of the Group.

Note 6. Financial instruments

Disclosure exemptions adopted

Where equivalent disclosures for the requirements of IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurements have been included in the 2017 Annual Report and

Accounts of Tullow Oil plc, the Company has adopted the disclosure exemptions available to the Company's accounts.

Financial risk management objectives

The Company follows the Group's policies for managing all its financial risks.

Fair values of derivative instruments

All derivatives are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement, unless the derivatives have been designated as cash flow or fair value hedges. Fair value is the amount for which the asset or liability could be exchanged in an arm's length transaction at the relevant date. Where available, fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

On 29 June 2017, the Company terminated the intercompany oil derivative trade previously entered on 15 April 2016 with a wholly owned subsidiary, in exchange for a termination payment of $40.1 million.

This intercompany transaction does not impact the Group's oil derivative contracts with external counterparties, which it continues to transact and hold in line with the Group's commodity price risk management objectives.

On the same day, the Company entered into a new intercompany oil derivative trade with the same subsidiary, to purchase downside oil price protection up to 31 December 2020, for a deferred consideration of $69.1 million.

The Company's derivative carrying and fair values were as follows

Assets/liabilities	2017 Less than 1 year $m	2017 1 - 3 years $m	2017 Total $m	2016 Less than 1 year $m	2016 1 - 3 years $m	2016 Total $m
Intercompany oil derivatives	**(35.6)**	**(13.4)**	**(49.0)**	(50.0)	(17.2)	(67.0)
Total assets	**—**	**—**	**—**	—	—	—
Total liabilities	**(35.6)**	**(13.4)**	**(49.0)**	(50.0)	(17.2)	(67.0)

The following provides an analysis of the Company's financial instruments measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Notes to the Company financial statements (continued)
Year ended 31 December 2017

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data.

All of the Company's derivatives are Level 2 (2016: Level 2). There were no transfers between fair value levels during the year.

For financial instruments which are recognised on a recurring basis, the Company determines whether transfers have occurred between levels by reassessing categorisation (based on the lowest-level input which is significant to the fair value measurement as a whole) at the end of each reporting period.

Income statement summary

Derivative fair value movements during the year which have been recognised in the income statement were as follows.

Loss on derivative instruments	2017 $m	2016 $m
Intercompany oil derivatives	**(58.3)**	(27.6)

Cash flow and interest rate risk

The interest rate profile of the Company's financial assets and liabilities, excluding trade and other receivables and trade and other payables, at 31 December 2017 and 2016 was as follows:

	2017 Cash at bank $m	2017 Fixed rate debt $m	2017 Floating rate debt $m	2017 Total $m	2016 Cash at bank $m	2016 Fixed rate debt $m	2016 Floating rate debt $m	2016 Total $m
US$	**6.2**	**(1,300.0)**	**(1,855.0)**	**(3,148.8)**	7.7	(1,300.0)	(3,380.0)	(4,672.3)
Euro	**0.1**	**—**	**—**	**0.1**	—	—	—	—
Sterling	**—**	**—**	**—**	**—**	—	—	—	—
Other	**—**	**—**	**—**	**—**	0.1	—	—	0.1
	6.3	**(1,300.0)**	**(1,855.0)**	**(3,148.7)**	7.8	(1,300.0)	(3,380.0)	(4,672.2)

Cash at bank consisted mainly of deposits which earn interest at rates set in advance for periods ranging from overnight to one month by reference to market rates.

Notes to the Company financial statements (continued)
Year ended 31 December 2017

Liquidity risk

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Weighted average effective interest rate	Less than 1 month $m	1 - 3 months $m	3 months to 1 year $m	1 - 5 years $m	5+ years $m	Total $m
31 December 2017							
Non-interest bearing . .	**n/a**	**465.9**	**—**	**—**	**—**	**—**	**465.9**
Fixed interest rate							
instruments	**7.5%**						
Principal repayments		**—**	**—**	**—**	**1,300.0**	**—**	**1,300.0**
Interest charge		**—**	**—**	**79.6**	**220.2**	**—**	**299.8**
Variable interest rate							
instruments	**7.2%**						
Principal repayments		**—**	**—**	**—**	**811.0**	**1,344.0**	**2,155.0**
Interest charge		**10.4**	**20.9**	**85.9**	**420.4**	**95.9**	**633.5**
		476.3	**20.9**	**165.5**	**2,751.6**	**1,439.9**	**4,854.2**

	Weighted average effective interest rate	Less than 1 month $m	1 - 3 months $m	3 months to 1 year $m	1 - 5 years $m	5+ years $m	Total $m
31 December 2016							
Non-interest bearing . .	n/a	343.6	—	—	—	—	343.6
Fixed interest rate							
instruments	7.1%						
Principal repayments		—	—	—	941.7	650.0	1,591.7
Interest charge		14.5	—	94.1	395.5	20.3	524.4
Variable interest rate							
instruments	5.9%						
Principal repayments		—	55.0	453.1	2,871.9	—	3,380.0
Interest charge		14.2	28.2	118.4	151.9	—	312.7
		372.3	83.2	665.6	4,361.0	670.3	6,152.4

Notes to the Company financial statements (continued)
Year ended 31 December 2017

Sensitivity analysis

The following analysis is intended to illustrate sensitivity to changes in market variables, being Dated Brent oil prices and US dollar exchange rates. The analysis is used internally by management to monitor derivatives and assesses the financial impact of reasonably possible movements in key variables.

		Impact on profit before tax	
	Market movement	2017 $m	2016 $m
Brent oil price	25%	—	—
Brent oil price	(25%)	**0.4**	28.6
US$/foreign currency exchange rates	20%	—	—
US$/foreign currency exchange rates	(20%)	—	—

The following assumptions have been used in calculating the sensitivity in movement of oil prices: the pricing adjustments relate only to the point forward mark-to-market (MTM) valuations and the sensitivities have been run only on the intrinsic element of the derivatives as management considers this to be the material component of oil derivative valuations.

Note 7. Called up equity share capital and share premium account

Allotted equity share capital and share premium

	Equity share capital allotted and fully paid Number	Share capital $m	Share premium $m
At 1 January 2016	911,576,706	147.2	609.8
Issued during the year			
—Exercise of share options	2,905,254	0.3	9.5
At 1 January 2017	**914,481,960**	**147.5**	**619.3**
Issued during the year			
—Rights issue	**466,925,724**	**60.0**	**693.8**
—Exercise of share options	**5,159,652**	**0.7**	**13.7**
At 31 December 2017	**1,386,567,336**	**208.2**	**1,326.8**

The Company does not have an authorised share capital. The par value of the Company's shares is 10 pence.

Five-year financial summary

	2017 $m	2016 $m	2015 $m	2014 $m	2013(*) $m
Group income statement					
Sales revenue	**1,722.5**	1,269.9	1,606.6	2,212.9	2,646.9
Other operating income—lost production insurance proceeds	**162.1**	90.1	—	—	—
Cost of sales	**(1,069.3)**	(813.1)	(1,015.3)	(1,116.7)	(1,153.8)
Gross profit	**815.3**	546.9	591.3	1,096.2	1,493.1
Administrative expenses	**(95.3)**	(116.4)	(193.6)	(192.4)	(218.5)
Restructuring costs	**(14.5)**	(12.3)	(40.8)	—	—
(Loss)/profit on disposal	**(1.6)**	(3.4)	(56.5)	(482.4)	29.5
Goodwill impairment	**—**	(164.0)	(53.7)	(132.8)	—
Exploration costs written off	**(143.4)**	(723.0)	(748.9)	(1,657.3)	(870.6)
Impairment of property, plant and equipment	**(539.1)**	(167.6)	(406.0)	(595.9)	(52.7)
Provision for onerous service contracts	**1.0**	(114.9)	(185.5)	—	—
Operating profit/(loss)	**22.4**	(754.7)	(1,093.7)	(1,964.6)	380.8
Profit/(loss) on hedging instruments	**(11.8)**	18.2	(58.8)	50.8	(19.7)
Finance revenue	**42.0**	26.4	4.2	9.6	43.7
Finance costs	**(351.7)**	(198.2)	(149.0)	(143.2)	(91.6)
(Loss)/profit from continuing activities before taxation	**(299.1)**	(908.3)	(1,297.3)	(2,047.4)	313.2
Taxation	**110.6**	311.0	260.4	407.5	(97.1)
(Loss)/profit for the year from continuing activities	**(188.5)**	(597.3)	(1,036.9)	(1,639.9)	216.1
(Loss)/earnings per share					
Basic—¢	**(14.7)**	(55.8)	(97.0)	(153.6)	20.3
Diluted—¢	**(14.7)**	(55.8)	(97.0)	(153.6)	20.2
Dividends paid	**—**	—	—	182.3	167.4
Group balance sheet					
Non-current assets	**8,704.2**	8,340.1	9,506.8	9,335.1	9,439.3
Net current assets/(liabilities)	**969.8**	813.1	259.2	747.4	637.0
Total assets less current liabilities	**9,674.0**	9,153.2	9,766.0	10,082.5	10,076.3
Long-term liabilities	**(6,957.6)**	(6,910.7)	(6,591.3)	(6,062.2)	(4,629.9)
Net assets	**2,716.4**	2,242.5	3,174.7	4,020.3	5,446.4
Called up equity share capital	**208.2**	147.5	147.2	147.0	146.9
Share premium	**1,326.8**	619.3	609.8	606.4	603.2
Equity component of convertible bonds	**48.4**	48.4	—	—	—
Foreign currency translation reserve	**(223.2)**	(232.2)	(249.3)	(205.7)	(155.1)
Hedge reserve	**(2.6)**	128.2	569.9	401.6	2.3
Other reserves	**740.9**	740.9	740.9	740.9	740.9
Retained earnings	**607.5**	778.0	1,336.4	2,305.8	3,984.7
Equity attributable to equity holders of the Parent	**2,706.0**	2,230.1	3,154.9	3,996.0	5,322.9
Non-controlling interest	**10.4**	12.4	19.8	24.3	123.5
Total equity	**2,716.4**	2,242.5	3,174.7	4,020.3	5,446.4

* All comparative figures have been re-presented to align disclosure of impairments of property, plant and equipment on the face of the income statement with 2014.

Financial statements
Statement of directors’ responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial statements for each financial year. Under that law the directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 “Reduced Disclosure Framework”. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period.

In preparing the Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 Reduced Disclosure Framework have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance; and
- make an assessment of the Group’s ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Aidan J Heavey

Aidan Heavey
Chief Executive Officer

7 February 2017

Les Wood

Les Wood
Interim Chief Financial Officer

7 February 2017

Independent auditor's report for the Group and Company financial statements

Opinion on financial statements of Tullow Oil plc

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 'Reduced Disclosure Framework'; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The Financial Statements that we have audited comprise:

- the Group income statement;
- the Group statement of comprehensive income;
- the Group and Parent Company balance sheets;
- the Group cash flow statement;
- the Group and Parent Company statements of changes in equity;
- the Group statement of accounting policies;
- related notes 1 to 31 to the Group financial statements;
- the Parent Company statement of accounting policies; and
- related notes 1 to 7 to the Parent Company Financial Statements.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and United Kingdom Accounting Standards (United

Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Summary of our audit approach

Key risks	The key risks that we identified in the current year were: • the carrying value of Exploration and Evaluation ('E&E') assets; • the carrying value of Property, Plant and Equipment ('PP&E') assets; • the going concern assumption; and • provision for onerous service contracts. In the prior year provision for tax claims was also included as a key risk in our audit opinion. Whilst this remains a judgemental area, following the resolution over the past two years of some of the largest exposures, the impact on audit strategy and allocation of resources was lower in 2016. In addition, there is a new key risk relating to the provision for onerous service contracts.
Materiality	The materiality that we used in the current year was $44 million (2015: $60 million) which is less than 2 per cent of net assets. This equates to less than 5 per cent of pre-tax loss.
Scoping	Our Group audit scope included a full audit of all three reporting units which account for 100 per cent of the Group's total revenue, loss before tax and net assets. The materialities used for these components ranged from $20 million to $30 million.
Significant changes in our approach	There have been no significant changes in our approach to the audit.

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the group

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note (ah) to the Financial Statements and the Directors' statement on the longer-term viability of the group on page 52.	We confirm that we have nothing material to add or draw attention to in respect of these matters.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the Directors' confirmation on page 40 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 46-53 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in note (ah) to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; and
- the Directors' explanation on pages 52-53 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agree with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Carrying value of exploration and evaluation ('E&E') assets

Risk description See note 11 and the Audit Committee Report on page 69 for further details	The carrying value of E&E assets as at 31 December 2016 is $2,025.8 million, and the group has written off E&E expenditure totalling $723.0 million in the year. The assessment of the carrying value requires management to exercise judgement as described in the 'critical accounting judgements' section of the Annual Report on page 124. Management's assessment requires consideration of a number of factors, including but not limited to, the group's intention to proceed with a future work programme for a prospect or licence, the likelihood of licence renewal, and the success of drilling and geological analysis to date. As disclosed in note 9, the sale of a portion of the group's interest in E&E assets in Uganda was announced subsequent to the year end. This resulted in a write down of $330.4 million to both the portion held for sale and the retained interest based on the fair value of the total expected consideration.
How the scope of our audit responded to the risk	We evaluated management's assessment of E&E assets carried forward with reference to the criteria of IFRS 6: Exploration for and Evaluation of Mineral Resources and the Group's accounting policy (see page 121). The audit procedures we performed included obtaining an understanding of the Group's ongoing E&E activity by interviewing operational and finance staff covering all key locations, and gathering audit evidence to assess the value of E&E assets carried forward. Such evidence included approved project budgets, and confirmations of ongoing appraisal activity and the licence phase. Where an asset has demonstrated indicators of impairment but has been retained on the balance sheet, we have gathered evidence to assess the status of appraisal activity, allocation of budget and any conclusion on commerciality. Where an asset has been impaired we have challenged management on the events that led to the impairment, including by reference to future budgeted expenditure. We have also challenged management on the inputs to the fair value calculation of the consideration receivable from the Uganda farm-down with specific focus on the expected timing of receipt of the consideration.
Key observations	We are satisfied that the assets have been treated in accordance with the criteria of IFRS 6 and Tullow's E&E accounting policy.

	In some circumstances the costs of wells from exploration continue to be held on the balance sheet for a significant period of time while development plans are finalised and government consent is obtained, for example in Kenya and Uganda where development is considered to be highly likely. Based on the audit evidence we have gathered we are satisfied that management has reached these conclusions appropriately.

Carrying value of property, plant and equipment ('PP&E') assets

Risk description See note 12 and the Audit Committee Report on page 69 for further information.	The Group holds PP&E assets of $5,362.9 million as at 31 December 2016 and has recorded PP&E impairments of $167.6 million in 2016. As described in the 'critical accounting judgements' section of the Annual Report on page 124, the assessment of the carrying value of PP&E assets requires management to exercise judgement in identifying indicators of impairment, such as a decrease in oil price or a downgrade of proved and probable reserves. When such indicators are identified, management must make an estimate of the recoverable amount of the asset, which is then compared against the carrying value. The calculation of the recoverable amount requires judgement in estimating future oil and gas prices, the applicable asset discount rate, and the cost and production profiles of reserves estimates.
How the scope of our audit responded to the risk	We examined management's assessment of impairment indicators, which concluded that the continuation of low oil prices during the year represented an indicator of impairment for a number of assets with limited headroom. The assumptions that underpin management's calculation of the recoverable amount of oil and gas assets are inherently judgemental. Our audit work therefore assessed the reasonableness of management's key assumptions in calculating the recoverable amount of each asset. Specifically our work included, but was not limited to, the following procedures: • benchmarking and analysis of oil and gas price assumptions against forward curves, peer information and other market data; • recalculation of the recoverable amount of the assets using a reasonable range of oil prices developed from third-party forecasters; • agreement of hydrocarbon production profiles and proved and probable reserves to third-party reserve reports; • verification of estimated future costs by agreement to approved budgets and where applicable, third-party data; and • the recalculation and benchmarking of discount rates applied, with involvement from Deloitte industry valuation specialists.

Key observations	Our recalculation of the recoverable amount of the assets resulted in a judgemental misstatement just above our reporting threshold that arose as a result of the oil price assumptions adopted by management falling outside of what we consider to be a reasonable range at various points in the forecast. Notwithstanding the matter noted above, we are satisfied that the recoverability of the assets has been assessed in accordance with the requirements of IAS 36: Impairment of Assets. Management has disclosed the impact of sensitivities of both the discount rate and commodity prices in the PP&E note on page 134.

Going concern assumption

Risk description See note (ah) and the Audit Committee Report on page 69 for further information.	The group is dependent upon its ability to generate sufficient cashflows to meet scheduled loan repayments and covenant requirements and hence to operate within its existing debt facilities. Commodity price volatility in the oil and gas sector continues to place increased pressure on these cashflows and the ability of the Group to comply in the future with covenant ratios. The going concern assumption is also dependent upon group specific considerations, such as the contractual amortisation of debt facilities, performance of the Group's operating assets, the continued receipt of insurance proceeds relating to the Jubilee field in Ghana and the timing of cash outflows in respect of onerous service contracts.
How the scope of our audit responded to the risk	Management's going concern forecasts include a number of assumptions related to future cashflows and associated risks. Our audit work has focused on evaluating and challenging the reasonableness of these assumptions and their impact on the forecast period. Specifically, we obtained, challenged and assessed management's going concern forecasts, and performed procedures, including: • Challenging management as to the reasonableness of pricing assumptions applied, based on benchmarking to market data; • Verifying the consistency of key inputs relating to future costs and production to other financial and operational information obtained during our audit; and • Performing sensitivity analysis on management's "base case", including applying downside scenarios such as lower oil prices, reduced production and restricted insurance proceeds, and considering the mitigating actions highlighted by management in the event that they were required.
Key observations	Management has concluded that the going concern basis remains appropriate after performing a detailed forecast of liquidity and covenant compliance for a period of 12 months from the date of approval of the 2016 Annual Report and Accounts.

	We are satisfied that the going concern assumption remains appropriate given the headroom available in management's base case, together with the mitigating actions available to management should a liquidity shortfall arise in reasonable downside scenarios as discussed in note (ah).

Provision for onerous service contracts

Risk description See note 23 and the Audit Committee Report on page 69 for further information.	In response to lower commodity prices and certain legal restrictions, the group has reduced its planned future work programmes and in consequence a number of service contracts have become onerous. Judgement is required to estimate the appropriate level of provision required for the onerous element of the contracts and the ultimate outcome of contract claims. The assumptions made include the estimate of usage under the contract, likelihood of cash outflows and the valuation of any liability arising, including consideration of any contract claims and disputes. The Group has included contract provisions in their disclosure of key sources of uncertainty on page 125. Management has disclosed a charge of $114.9 million in note 23 to the financial statements.
How the scope of our audit responded to the risk	Our audit work included challenging the key assumptions through consideration of correspondence with the counterparties and review of internal and external legal opinions as applicable.
Key observations	We are satisfied that the judgements made by management are reasonable, based on the audit evidence gathered.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows

Group materiality	$44 million (2015: $60 million)
Basis for determining materiality	This is below 2 per cent of net assets and this base is consistent with the prior year. The absolute decrease is driven by the decrease in the Group's net assets.
Rationale for the benchmark applied	We have determined materiality based on the net asset position of the group, reflecting the long-term value of the Group in its portfolio of exploration and development assets and their associated reserves and resources. It is not currently appropriate to determine materiality based on a profit metric given the Group's loss-making position, driven by the sustained low oil price environment; however, materiality equates to less than 5 per cent of pre-tax loss.

Group materiality $44 million

Component materiality range $20 million to $30 million

Audit committee reporting threshold $2.2 million

Net assets $2,242.5 million

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $2.2 million (2015: $1.6 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements. The threshold has increased relative to 2015 to align with industry practice.

An overview of the scope of our audit

Our group audit scope for the current and prior year included a full audit of all (2015: all) reporting unit locations based on our assessment of the risks of material misstatement and of the materiality of the Group's business operations at those locations. These reporting units account for 100 per cent of the Group's total revenue, loss before tax and net assets (2015: 100 per cent). The materialities used for these components ranged from $20 million to $30 million (2015: $20 million to $35 million).

The group team audits the UK, Kenya and Uganda reporting units directly. Their involvement in the work performed by component auditors varies by location and includes, at a minimum, a review of the reports provided on the results of the work undertaken by the component audit teams.

In addition, the senior statutory auditor or senior members of his group audit team visited the: Gabon and Ghana to direct and review the audit work performed by the component auditors. In addition, we visited Kenya and Uganda as part of our work on these components.

At the Parent Company level we also tested the consolidation process.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception	
Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company Financial Statements are not in agreement with the accounting records and returns.	We have nothing to report in respect of these matters.
Directors' remuneration Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.	We have nothing to report arising from these matters.
Corporate Governance Statement Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code.	We have nothing to report arising from our review.
Our duty to read other information in the Annual Report	

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit;
- or otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Dean Cook MA FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
7 February 2017

Group income statement
Year ended 31 December 2016

	Notes	2016 $m	2015 $m
Continuing activities			
Sales revenue	2	**1,269.9**	1,606.6
Other operating income—lost production insurance proceeds	6	**90.1**	—
Cost of sales	4	**(813.1)**	(1,015.3)
Gross profit		**546.9**	591.3
Administrative expenses	4	**(116.4)**	(193.6)
Restructuring costs	4	**(12.3)**	(40.8)
Loss on disposal	9	**(3.4)**	(56.5)
Goodwill impairment	10	**(164.0)**	(53.7)
Exploration costs written off	11	**(723.0)**	(748.9)
Impairment of property, plant and equipment, net	12	**(167.6)**	(406.0)
Provision for onerous service contracts, net	23	**(114.9)**	(185.5)
Operating loss		**(754.7)**	(1,093.7)
Gain/(loss) on hedging instruments	21	**18.2**	(58.8)
Finance revenue	2	**26.4**	4.2
Finance costs	5	**(198.2)**	(149.0)
Loss from continuing activities before tax		**(908.3)**	(1,297.3)
Income tax credit	7	**311.0**	260.4
Loss for the year from continuing activities		**(597.3)**	(1,036.9)
Attributable to:			
Owners of the Company		**(599.9)**	(1,034.8)
Non-controlling interest	26	**2.6**	(2.1)
		(597.3)	(1,036.9)
Loss per ordinary share from continuing activities	8	**¢**	¢
Basic		**(65.8)**	(113.6)
Diluted		**(65.8)**	(113.6)

Group statement of comprehensive income and expense
Year ended 31 December 2016

	Notes	2016 $m	2015 $m
Loss for the year		**(597.3)**	(1,036.9)
Items that may be reclassified to the income statement in subsequent periods			
Cash flow hedges			
(Loss)/gains arising in the year	21	**(135.3)**	513.0
Reclassification adjustments for items included in (loss)/profit on realisation	21	**(415.2)**	(302.4)
Exchange differences on translation of foreign operations		**17.1**	(43.6)
Other comprehensive (loss)/income		**(533.4)**	167.0
Tax relating to components of other comprehensive (loss)/income	21	**108.8**	(42.3)
Net other comprehensive (loss)/income for the year		**(424.6)**	124.7
Total comprehensive expense for the year		**(1,021.9)**	(912.2)
Attributable to:			
Owners of the Company		**(1,024.5)**	(910.1)
Non-controlling interest		**2.6**	(2.1)
		(1,021.9)	(912.2)

Group balance sheet
As at 31 December 2016

	Notes	2016 $m	2015 $m
ASSETS			
Non-current assets			
Goodwill	10	—	164.0
Intangible exploration and evaluation assets	11	**2,025.8**	3,400.0
Property, plant and equipment	12	**5,362.9**	5,204.4
Investments	13	**1.0**	1.0
Other non-current assets	14	**175.7**	223.4
Derivative financial instruments	21	**15.8**	218.7
Deferred tax assets	24	**758.9**	295.3
		8,340.1	9,506.8
Current assets			
Inventories	15	**155.3**	107.2
Trade receivables	16	**118.4**	80.8
Other current assets	14	**838.9**	763.2
Current tax assets	7	**138.3**	127.6
Derivative financial instruments	21	**91.7**	406.5
Cash and cash equivalents	17	**281.9**	355.7
Assets classified as held for sale	18	**837.1**	—
		2,461.6	1,841.0
Total assets		**10,801.7**	11,347.8
LIABILITIES			
Current liabilities			
Trade and other payables	19	**(916.1)**	(1,110.6)
Provisions	23	**(51.9)**	(187.0)
Borrowings	20	**(591.5)**	(73.8)
Current tax liabilities		**(83.1)**	(208.3)
Derivative financial instruments	21	**(5.9)**	(2.1)
		(1,648.5)	(1,581.8)
Non-current liabilities			
Trade and other payables	19	**(112.3)**	(99.3)
Borrowings	20	**(4,388.4)**	(4,262.4)
Provisions	23	**(1,106.7)**	(1,065.1)
Deferred tax liabilities	24	**(1,292.4)**	(1,164.5)
Derivative financial instruments	21	**(10.9)**	—
		(6,910.7)	(6,591.3)
Total liabilities		**(8,559.2)**	(8,173.1)
Net assets		**2,242.5**	3,174.7
EQUITY			
Called-up share capital	25	**147.5**	147.2
Share premium	25	**619.3**	609.8
Equity component of convertible bonds		**48.4**	—
Foreign currency translation reserve		**(232.2)**	(249.3)
Hedge reserve	21	**128.2**	569.9
Other reserves		**740.9**	740.9
Retained earnings		**778.0**	1,336.4
Equity attributable to equity holders of the Company		**2,230.1**	3,154.9
Non-controlling interest	26	**12.4**	19.8
Total equity		**2,242.5**	3,174.7

Approved by the Board and authorised for issue on 7 February 2017.

Aidan Heavey
Chief Executive Officer

Les Wood
Interim Chief Financial Officer

Group statement of changes in equity
Year ended 31 December 2016

	Notes	Share capital $m	Share premium $m	Equity component of convertible bonds $m	Foreign currency translation reserve[1] $m	Hedge reserve[2] $m	Other reserves[3] $m	Retained earnings $m	Total $m	Non-controlling interest[4] $m	Total equity $m
At 1 January 2015		147.0	606.4	—	(205.7)	401.6	740.9	2,305.8	3,996.0	24.3	4,020.3
Loss for the year		—	—	—	—	—	—	(1,034.8)	(1,034.8)	(2.1)	(1,036.9)
Hedges, net of tax	21	—	—	—	—	168.3	—	—	168.3	—	168.3
Currency translation adjustments		—	—	—	(43.6)	—	—	—	(43.6)	—	(43.6)
Issue of employee share options	25	0.2	3.4	—	—	—	—	—	3.6	—	3.6
Vesting of PSP shares		—	—	—	—	—	—	(1.9)	(1.9)	—	(1.9)
Share-based payment charges	27	—	—	—	—	—	—	67.3	67.3	—	67.3
Distribution to non-controlling interests	26	—	—	—	—	—	—	—	—	(2.4)	(2.4)
At 1 January 2016		**147.2**	**609.8**	**—**	**(249.3)**	**569.9**	**740.9**	**1,336.4**	**3,154.9**	**19.8**	**3,174.7**
Loss for the year		**—**	**—**	**—**	**—**	**—**	**—**	**(599.9)**	**(599.9)**	**2.6**	**(597.3)**
Hedges, net of tax	21	**—**	**—**	**—**	**—**	**(441.7)**	**—**	**—**	**(441.7)**	**—**	**(441.7)**
Currency translation adjustments		**—**	**—**	**—**	**17.1**	**—**	**—**	**—**	**17.1**	**—**	**17.1**
Issue of convertible bonds	20	**—**	**—**	**48.4**	**—**	**—**	**—**	**—**	**48.4**	**—**	**48.4**
Issue of employee share options	25	**0.3**	**9.5**	**—**	**—**	**—**	**—**	**—**	**9.8**	**—**	**9.8**
Vesting of PSP shares		**—**	**—**	**—**	**—**	**—**	**—**	**(9.4)**	**(9.4)**	**—**	**(9.4)**
Share-based payment charges	27	**—**	**—**	**—**	**—**	**—**	**—**	**50.9**	**50.9**	**—**	**50.9**
Distribution to non-controlling interests	26	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(10.0)**	**(10.0)**
At 31 December 2016		**147.5**	**619.3**	**48.4**	**(232.2)**	**128.2**	**740.9**	**778.0**	**2,230.1**	**12.4**	**2,242.5**

1. The foreign currency translation reserve represents exchange gains and losses arising on translation of foreign currency subsidiaries, monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and exchange gains or losses arising on long-term foreign currency borrowings which are a hedge against the Group's overseas investments.

2. The hedge reserve represents gains and losses on derivatives classified as effective cash flow hedges.

3. Other reserves include the merger reserve and the treasury shares reserve which represents the cost of shares in Tullow Oil plc purchased in the market and held by the Tullow Oil Employee Trust to satisfy awards held under the Group's share incentive plans (note 27).

4. Non-controlling interest is described further in note 26.

Group cash flow statement
Year ended 31 December 2016

	Notes	2016 $m	2015[1] $m
Cash flows from operating activities			
Loss before taxation		**(908.3)**	(1,297.3)
Adjustments for:			
Depreciation, depletion and amortisation	4	**466.9**	580.1
Loss on disposal	9	**3.4**	56.5
Goodwill impairment	10	**164.0**	53.7
Exploration costs written off	11	**723.0**	748.9
Impairment of property, plant and equipment, net	12	**167.6**	406.0
Provision for onerous service contracts, net	23	**114.9**	185.5
Payment under onerous service contracts	23	**(132.0)**	—
Provision for inventory	15	**—**	22.2
Decommissioning expenditure	23	**(23.0)**	(40.8)
Share-based payment charge	27	**43.9**	48.7
(Gain)/loss on hedging instruments	21	**(18.2)**	58.8
Finance revenue	2	**(26.4)**	(4.2)
Finance costs	5	**198.2**	149.0
Operating cash flow before working capital movements		**774.0**	967.1
Increase in trade and other receivables		**(99.4)**	(26.5)
(Increase)/decrease in inventories		**(47.8)**	9.0
(Decrease)/increase in trade payables		**(29.8)**	(6.3)
Cash generated from operating activities		**597.0**	943.3
Income taxes (paid)/received		**(84.5)**	34.9
Net cash from operating activities		**512.5**	978.2
Cash flows from investing activities			
Proceeds from disposals	9	**62.8**	55.8
Purchase of intangible exploration and evaluation assets		**(275.2)**	(647.6)
Purchase of property, plant and equipment		**(756.0)**	(1,092.0)
Interest received		**1.2**	4.2
Net cash used in investing activities		**(967.2)**	(1,679.6)
Cash flows from financing activities			
Net proceeds from issue of share capital		**9.9**	3.5
Debt arrangement fees		**(31.7)**	(25.7)
Repayment of borrowings		**(769.1)**	(191.8)
Drawdown of borrowings		**1,187.5**	1,168.8
Issue of convertible bond		**300.0**	—
Repayment of obligations under finance leases		**(3.3)**	(3.3)
Finance costs paid		**(284.0)**	(203.6)
Distribution to non-controlling interests	26	**(10.0)**	(2.4)
Net cash generated by financing activities		**399.3**	745.5
Net (decrease)/increase in cash and cash equivalents		**(55.4)**	44.1
Cash and cash equivalents at beginning of year	17	**355.7**	319.0
Foreign exchange loss		**(18.3)**	(7.4)
Cash and cash equivalents at end of year	17	**281.9**	355.7

1. An amount of $372.8 million has been represented between movements in trade payables and purchase of property plant and equipment related to movements in capital accruals. This reduced the cash outflow for the purchase of property, plant and equipment in 2015 from $1,464.8m to $1,092.0m, with a corresponding adjustment to the cash flow from changes in trade payables, resulting in the net cash inflow from increases in trade payables of $366.5m becoming a net cash outflow from decreases in trade payables of $6.3m.

Accounting policies
Year ended 31 December 2016

(a) General information

Tullow Oil plc is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is Tullow Oil plc, Building 9, Chiswick Park, 566 Chiswick High Road, London, W4 5XT. The primary activity of the Group is the discovery and production of oil and gas.

(b) Adoption of new and revised standards

Standards not affecting the reported results or the financial position

New and revised Standards and Interpretations adopted in the current year did not have any significant impact on the amounts reported in these Financial Statements.

At the date of authorisation of these Financial Statements, the following Standards and Interpretations which have not been applied in these Financial Statements, but will have an impact on future Financial Statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9 Financial Instruments

IFRS 16 Leases

The adoption of IFRS 9 Financial Instruments which the Group will adopt for the year commencing 1 January 2018 will impact both the measurement and disclosures of financial instruments. The adoption of IFRS 16 Leases which the Group will adopt for the year commencing 1 January 2019 will impact both the measurement and disclosures of leases.

(c) Changes in accounting policy

The Group's accounting policies are consistent with the prior year.

(d) Basis of accounting

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Financial Statements have also been prepared in accordance with IFRS as adopted by the European Union and therefore the Group Financial Statements comply with Article 4 of the EU IAS Regulation.

The Financial Statements have been prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value and assets classified as held for sale which are carried at fair value less cost to sell. The Financial Statements are presented in US dollars and all values are rounded to the nearest $0.1 million, except where otherwise stated. The Financial Statements have been prepared on a going concern basis.

The principal accounting policies adopted by the Group are set out below.

Accounting policies (continued)
Year ended 31 December 2016

(e) Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power over an investee entity, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. The Group does not have any material non-controlling interests.

The results of subsidiaries acquired or disposed of during the year are included in the Group income statement from the transaction date of acquisition, being the date on which the Group gains control and will continue to be included until the date that control ceases.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Joint arrangements

The Group is engaged in oil and gas exploration, development and production through unincorporated joint arrangements; these are classified as joint operations in accordance with IFRS 11. The Group accounts for its share of the results and net assets of these joint operations. In addition, where Tullow acts as Operator to the joint operation, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint operation are included in the Group's balance sheet.

(f) Assets classified held for sale

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition, management views this trigger as signature of a Sales and Purchase Agreement or Board approval. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets classified as held for sale and the corresponding liabilities are classified with current assets and liabilities on a separate line in the balance sheet.

Accounting policies (continued)
Year ended 31 December 2016

(g) Revenue

Sales revenue represents the sales value, net of VAT, of the Group's share of liftings in the year together with the gain/loss on realisation of cash flow hedges and tariff income. Revenue is recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(h) Over/underlift

Lifting or offtake arrangements for oil and gas produced in certain of the Group's jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production less stock is underlift or overlift. Underlift and overlift are valued at market value and included within receivables and payables respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis.

In respect of re-determinations, any adjustments to the Group's net entitlement of future production are accounted for prospectively in the period in which the make-up oil is produced. Where the make-up period extends beyond the expected life of a field an accrual is recognised for the expected shortfall.

(i) Inventory

Inventories, other than oil product, are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses. Net realisable value is determined by reference to prices existing at the balance sheet date.

Oil product is stated at net realisable value and changes in net realisable value are recognised in the income statement.

(j) Foreign currencies

The US dollar is the presentation currency of the Group. For the purpose of presenting consolidated Financial Statements, the assets and liabilities of the Group's non-US dollar-denominated functional entities are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Currency translation adjustments arising on the restatement of opening net assets of non-US dollar subsidiaries, together with differences between the subsidiaries' results translated at average rates versus closing rates, are recognised in the statement of comprehensive income and expense and transferred to the foreign currency translation reserve. All resulting exchange differences are classified as equity until disposal of the subsidiary. On disposal, the cumulative amounts of the exchange differences are recognised as income or expense.

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated into functional currency at the exchange rate ruling at the balance sheet date, with a corresponding charge or credit to the income statement. However, exchange gains and losses arising on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment. In addition, exchange gains and losses arising on long-term foreign currency borrowings which are a hedge against the Group's overseas investments are dealt with in reserves.

(k) Goodwill

The Group allocates goodwill to cash-generating units (CGUs) or groups of CGUs that represent the assets acquired as part of the business combination.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount, using the 'Fair value less cost to sell' method, of each CGU (or group of CGUs) to which goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

(l) Exploration, evaluation and production assets

The Group adopts the successful efforts method of accounting for exploration and evaluation costs. Pre-licence costs are expensed in the period in which they are incurred. All licence acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalised in cost centres by well, field or exploration area, as appropriate. Interest payable is capitalised insofar as it relates to specific development activities.

These costs are then written off as exploration costs in the income statement unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment.

All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities is amortised in accordance with the Group's depletion and amortisation accounting policy.

Cash consideration received on farm-down of exploration and evaluation assets is credited against the carrying value of the asset.

Accounting policies (continued)
Year ended 31 December 2016

(m) Commercial reserves

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent statistical probability that it will be less.

(n) Depletion and amortisation

All expenditure carried within each field is amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field-by-field basis or by a group of fields which are reliant on common infrastructure. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to recover the commercial reserves remaining. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs.

In order to discount the future cash flows the Group calculates CGU specific discount rates. The discount rates are based on an assessment of the Group's and a relevant peer group post-tax Weighted Average Cost of Capital (WACC). The post-tax WACC is subsequently grossed up to a pre-tax rate. The Group then deducts any exploration risk premium which is implicit within the Group's and peer group's WACC and subsequently applies additional country risk premium for CGUs in Gabon and Congo, an element of which is determined by whether the assets are onshore or offshore.

Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single cash-generating unit for impairment purposes.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any amortisation that would have been charged since the impairment.

(o) Decommissioning

Provision for decommissioning is recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is included as a finance cost.

(p) Property, plant and equipment

Property, plant and equipment is stated in the balance sheet at cost less accumulated depreciation and any recognised impairment loss. Depreciation on property, plant and equipment other than production assets is provided at rates calculated to write off the cost less the estimated residual value of each asset on a straight-line basis over its expected useful economic life of between three and five years.

(q) Finance costs and debt

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Finance costs of debt are allocated to periods over the term of the related debt at a constant rate on the carrying amount. Arrangement fees and issue costs are deducted from the debt proceeds on initial recognition of the liability and are amortised and charged to the income statement as finance costs over the term of the debt.

(r) Share issue expenses and share premium account

Costs of share issues are written off against the premium arising on the issues of share capital.

(s) Taxation

Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred corporation tax is recognised on all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted. Deferred tax is measured on a non-discounted basis.

Deferred tax is provided on temporary differences arising on acquisitions that are categorised as Business Combinations. Deferred tax is recognised at acquisition as part of the assessment of

the fair value of assets and liabilities acquired. Any deferred tax is charged or credited in the income statement as the underlying temporary difference is reversed.

Petroleum Revenue Tax (PRT) is treated as an income tax and deferred PRT is accounted for under the temporary difference method. Current UK PRT is charged as a tax expense on chargeable field profits included in the income statement and is deductible for UK corporation tax.

(t) Pensions

Contributions to the Group's defined contribution pension schemes are charged to operating profit on an accruals basis.

(u) Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates, interest rates and movements in oil and gas prices.

Derivative financial instruments are stated at fair value.

The purpose for which a derivative is used is established at inception. To qualify for hedge accounting, the derivative must be highly effective in achieving its objective and this effectiveness must be documented at inception and throughout the period of the hedge relationship. The hedge must be assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For the purpose of hedge accounting, hedges are classified as either fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges, where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or forecast transaction.

For cash flow hedges, the portion of the gains and losses on the hedging instrument that is determined to be an effective hedge is taken to other comprehensive income and the ineffective portion, as well as any change in time value, is recognised in the income statement. The gains and losses taken to other comprehensive income are subsequently transferred to the income statement during the period in which the hedged transaction affects the income statement. A similar treatment applies to foreign currency loans which are hedges of the Group's net investment in the net assets of a foreign operation.

Gains or losses on derivatives that do not qualify for hedge accounting treatment (either from inception or during the life of the instrument) are taken directly to the income statement in the period.

Accounting policies (continued)
Year ended 31 December 2016

(v) Convertible bonds

Where bonds issued with certain conversion rights are identified as compound instruments, the liability and equity components are separately recognised.

The fair value of the liability component on initial recognition is calculated by discounting the contractual stream of future cash flows using the prevailing market interest rate for similar non-convertible debt.

The difference between the fair value of the liability component and the fair value of the whole instrument is recorded as equity.

Transaction costs are apportioned between the liability and the equity components of the instrument based on the amounts initially recognised.

The liability component is subsequently measured at amortised cost using the effective interest rate method, in line with our other financial liabilities.

The equity component is not remeasured.

On conversion of the instrument, equity is issued and the liability component is derecognised. The original equity component recognised at inception remains in equity. No gain or loss is recognised on conversion.

(w) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. A finance lease is recognised when the Group enters the uncancellable lease period and obtains the right to use to the asset as intended. All other leases are classified as operating leases and are charged to the income statement on a straight-line basis over the term of the lease.

From the commencement of the lease assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

(x) Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. The Group has share-based awards that are equity settled and cash settled as defined by IFRS 2. The fair value of the equity settled awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Group's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

The fair values were calculated using a binomial option pricing model with suitable modifications to allow for employee turnover after vesting and early exercise. Where necessary, this model is supplemented with a Monte Carlo model. The inputs to the models include: the share price at date of grant; exercise price; expected volatility; expected dividends; risk free rate of interest; and patterns of exercise of the plan participants.

For cash settled awards, a liability is recognised for the goods or service acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in the income statement.

(y) Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL); 'held-to-maturity' investments; 'available- for-sale' (AFS) financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(z) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(aa) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ab) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. The Group chooses not to disclose the effective interest rate for debt instruments that are classified as at fair value through profit or loss.

(ac) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

(ad) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(ae) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(af) Insurance proceeds

Insurance proceeds related to lost production under the Business Interruption insurance policy are recorded as other operating income in the income statement. Proceeds related to compensation for incremental operating costs under the Business Interruption and Hull and Machinery insurance policies are recorded within the operating costs line of cost of sales. Proceeds related to compensation for capital costs under the Hull and Machinery insurance policy where no asset is disposed are recorded within additions to property, plant and equipment.

(ag) Critical accounting judgements

The Group assesses critical accounting judgements annually. The following are the critical judgements, apart from those involving estimations (which are dealt with in policy (ah), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

- Recognition of finance lease liabilities;

The Group has a contract with a supplier for the lease of the TEN field (Ghana) FPSO. Management were required to exercise judgement determining whether the FPSO should be recognised as a finance lease in accordance with IAS 17 as at 31 December 2016.

Accounting policies (continued)
Year ended 31 December 2016

The key judgement involved in determining that a finance lease should not be recognised was assessment of key contractual clauses that due to the delays in commissioning and the fact that the Certificate of Offshore Completion was not issued before 31 December 2016 the non-cancellable lease period had not commenced and the Group had not obtained the right of use of the vessel in its intended form. Therefore commencement of the lease had not occurred and the finance lease asset and liability were not recognised at the balance sheet date. If management had concluded the recognition criteria had been met then a $1.6 billion finance lease would have been recognised on the balance sheet.

- Recognition of assets held for sale (note 18);

The Group signed a sales and purchase agreement for farm-down of a portion of its interest in Uganda to Total on 9 January 2017. Management has exercised judgement in determining that this disposal met the requirements of IFRS 5 and that the associated assets and liabilities should be transferred to held-for-sale.

The critical judgement in determining that the assets were held-for-sale was regarding the point that management were committed to the sale. The sales and purchase agreement was signed after the balance sheet date on 9 January 2017, however the Board had approved the transaction in December 2016 and at which point the sale was highly probable. If management had concluded that the sale was not high probable this would result in the reclassification of $829.7 million assets held-for-sale back into intangible exploration and evaluations assets.

(ah) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- Carrying value of intangible exploration and evaluation assets (note 11);

The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment in accordance with the Group's accounting policy. The process of determining whether there is an indicator for impairment or calculating the impairment requires critical estimation.

The key areas in which management has applied judgement and estimation are as follows: the Group's intention to proceed with a future work programme for a prospect or licence; the likelihood of licence renewal or extension; and the success of a well result or geological or geophysical survey.

- Carrying value of property, plant and equipment (note 12);

Management performs impairment reviews on the Group's property, plant and equipment assets at least annually with reference to indicators in IAS 36 Impairment of Assets. Where

Accounting policies (continued)
Year ended 31 December 2016

indicators are present and an impairment test is required, the calculation of the recoverable amount requires estimation of future cash flows within complex impairment models.

Key assumptions and estimates in the impairment models relate to: commodity prices that are based on forward curves for two years, the mid-term price assumption for three years after this, and the long-term corporate economic assumptions thereafter, pre-tax discount rates that are adjusted to reflect risks specific to individual assets, commercial reserves and the related cost profiles.

- Commercial reserves estimates used in the calculation of DD&A and impairment of property, plant and equipment (note 12);

Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Group's oil and gas assets. The Group estimates its reserves using standard recognised evaluation techniques. The estimate is reviewed at least twice annually by management and is regularly reviewed by independent consultants.

Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to host governments under the terms of the Production Sharing Contracts. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

- Presumption of going concern;

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices and different production rates from the Group's producing assets. In the currently low commodity price environment, the Group has taken appropriate action to reduce its cost base and had $1.0 billion of debt liquidity headroom and free cash at the end of 2016. The Group's forecasts show that the Group will be able to operate within its current debt facilities and have sufficient financial headroom for the 12 months from the date of approval of the 2016 Annual Report and Accounts.

Notwithstanding our forecasts of liquidity headroom throughout the 12 month period, risk remains in relation to the volatility of the oil price environment, operational performance of the Group's assets, their impact on operating cash flows and the Group's currently contracted debt maturity profiles, such that the Group's liquidity position may deteriorate within the assessment period.

To mitigate these risks and to fulfil the Group's objective to reduce net debt, the Group continues to closely monitor cash flow projections and will take mitigating actions in advance to maintain our liquidity. Actions available to the Group include additional funding options, further rationalisation of our cost base including cuts to discretionary capital expenditure and portfolio management.

Accounting policies (continued)
Year ended 31 December 2016

Based on the analysis above and the level of mitigating actions available, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

- Decommissioning costs (note 23);

Decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new technology or experience at other assets. The expected timing, work scope, amount of expenditure and risk weighting may also change. Therefore significant estimates and assumptions are made in determining the provision for decommissioning.

The estimated decommissioning costs are reviewed annually by an internal expert and the results of this review are then assessed alongside estimates from Operators. Provision for environmental clean-up and remediation costs is based on current legal and contractual requirements, technology and price levels.

- Provisions for onerous service contracts (note 23).

Due to the reduction in planned future work programmes the Group has identified a number of onerous service contracts. In order to calculate the provisions management has estimated the expected future usage of the contracts and its estimated liability under the contract.

Notes to Group financial statements
Year ended 31 December 2016

Note 1. Segmental reporting

The information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focused on three Business Delivery Teams, West Africa (including non-operated producing European assets), East Africa and New Ventures. Therefore the Group's reportable segments under IFRS 8 are West Africa; East Africa; and New Ventures. The following tables present revenue, loss and certain asset and liability information regarding the Group's reportable business segments for the years ended 31 December 2016 and 31 December 2015.

	Notes	West Africa $m	East Africa $m	New Ventures $m	Unallocated $m	Total $m
2016						
Sales revenue by origin		**1,269.9**	**—**	**—**	**—**	**1,269.9**
Other operating income—lost production insurance proceeds		**—**	**—**	**—**	**90.1**	**90.1**
Segment result		**269.9**	**(341.0)**	**(512.3)**	**(39.2)**	**(622.6)**
Loss on disposal						**(3.4)**
Unallocated corporate expenses						**(128.7)**
Operating loss						**(754.7)**
Gain on hedging instruments						**18.2**
Finance revenue						**26.4**
Finance costs						**(198.2)**
Loss before tax						**(908.3)**
Income tax credit						**311.0**
Loss after tax						**(597.3)**
Total assets		**7,701.7**	**2,383.5**	**467.2**	**249.3**	**10,801.7**
Total liabilities		**(3,200.9)**	**(157.6)**	**(142.0)**	**(5,058.7)**	**(8,559.2)**
Other segment information						
Capital expenditure:						
Property, plant and equipment	12	**817.0**	**0.3**	**0.4**	**0.8**	**818.5**
Intangible exploration and evaluation assets	11	**9.9**	**137.4**	**144.1**	**—**	**291.4**
Depreciation, depletion and amortisation	12	**(450.4)**	**(0.9)**	**(1.0)**	**(14.6)**	**(466.9)**
Impairment of property, plant and equipment	12	**(167.2)**	**—**	**(0.4)**	**—**	**(167.6)**
Exploration costs written off	11	**(7.7)**	**(341.0)**	**(374.3)**	**—**	**(723.0)**
Goodwill impairment	10	**—**	**—**	**(164.0)**	**—**	**(164.0)**

Notes to Group financial statements (continued)
Year ended 31 December 2016

All sales are to external customers. Included in revenue arising from West Africa are revenues of approximately $213.0 million and $92.7 million relating to the Group's largest customers (2015: $314.9 million and $164.2 million relating to the Group's largest customers). As the sales of oil and gas are made on global markets and are highly liquid, the Group does not place reliance on the largest customers mentioned above.

Unallocated expenditure and net liabilities include amounts of a corporate nature and not specifically attributable to a reportable segment. The liabilities comprise the Group's external debt and other non-attributable corporate liabilities. The unallocated capital expenditure for the period comprises the acquisition of non-attributable corporate assets.

	Notes	West Africa $m	East Africa $m	New Ventures $m	Unallocated $m	Total $m
2015						
Sales revenue by origin		1,606.6	—	—	—	1,606.6
Segment result		(189.7)	(28.3)	(461.2)	(123.6)	(802.8)
Loss on disposal						(56.5)
Unallocated corporate expenses						(234.4)
Operating loss						(1,093.7)
Loss on hedging instruments						(58.8)
Finance revenue						4.2
Finance costs						(149.0)
Loss before tax						(1,297.3)
Income tax credit						260.4
Loss after tax						(1,036.9)
Total assets		7,510.5	2,601.6	1,011.2	224.5	11,347.8
Total liabilities		(3,085.8)	(341.4)	(331.8)	(4,414.1)	(8,173.1)
Other segment information						
Capital expenditure:						
Property, plant and equipment	12	1,245.0	0.5	1.5	11.2	1,258.2
Intangible exploration and evaluation assets	11	23.1	399.6	203.6	—	626.3
Depreciation, depletion and amortisation	12	(553.2)	(1.1)	(1.2)	(24.6)	(580.1)
Impairment of property, plant and equipment	12	(406.0)	—	—	—	(406.0)
Exploration costs written off	11	(380.0)	(28.3)	(340.6)	—	(748.9)
Goodwill impairment	10	—	—	(53.7)	—	(53.7)

Sales revenue and non-current assets by origin	Sales revenue 2016 $m	Sales revenue 2015 $m	Non-current assets 2016 $m	Non-current assets 2015 $m
Congo	**22.8**	39.7	**—**	12.2
Côte d'Ivoire	**61.3**	91.8	**108.6**	159.1
Equatorial Guinea	**141.4**	176.1	**166.1**	218.6
Gabon	**241.2**	284.3	**206.0**	234.5
Ghana	**666.6**	869.1	**5,188.8**	4,891.0
Mauritania	**23.9**	18.9	**—**	—
Netherlands	**31.5**	57.5	**113.0**	115.5
UK	**81.2**	69.2	**0.4**	6.0
Other	**—**	—	**—**	0.5
Total West Africa	**1,269.9**	1,606.6	**5,782.9**	5,637.4
Kenya	**—**	—	**936.9**	880.6
Uganda	**—**	—	**489.1**	1,593.5
Total East Africa	**—**	—	**1,426.0**	2,474.1
Norway	**—**	—	**12.1**	474.8
Other	**—**	—	**264.1**	297.7
Total New Ventures	**—**	—	**276.2**	772.5
Unallocated	**—**	—	**80.3**	108.8
Total revenue / non-current assets	**1,269.9**	1,606.6	**7,565.4**	8,992.8

Non-current assets excludes derivative financial instruments and deferred tax assets.

Note 2. Total revenue

	Notes	2016 $m	2015 $m
Sales revenue (excluding tariff income)			
Oil and gas revenue from the sale of goods		**886.2**	1,225.6
Gain on realisation of cash flow hedges	21	**363.0**	365.2
		1,249.2	1,590.8
Tariff income		**20.7**	15.8
Total sales revenue		**1,269.9**	1,606.6
Other operating income—lost production insurance proceeds	6	**90.1**	—
Finance revenue		**26.4**	4.2
Total revenue		**1,386.4**	1,610.8

Notes to Group financial statements (continued)
Year ended 31 December 2016

Note 3. Staff costs

The average monthly number of employees and contractors (including Executive Directors) employed by the Group worldwide was:

	2016 Number	2015 Number
Administration	**628**	785
Technical	**710**	928
Total	**1,338**	1,713

Staff costs in respect of those employees were as follows:

	2016 $m	2015 $m
Salaries	**203.3**	325.5
Social security costs	**7.5**	13.0
Pension costs	**16.6**	20.9
	227.4	359.4

The decrease in staff costs is due to decreased employee numbers as a result of the Major Simplification Project. A proportion of the Group's staff costs shown above is recharged to the Group's joint venture partners, a proportion is allocated to operating costs and a proportion is capitalised into the cost of fixed assets under the Group's accounting policy for exploration, evaluation and production assets with the remainder classified as an administrative overhead cost in the income statement. The net staff cost recognised in the income statement was $59.8 million (2015: $124.7 million).

Details of Directors' remuneration, Directors' transactions and Directors' interests are set out in the part of the Directors' Remuneration Report described as having been audited which forms part of these Financial Statements.

Notes to Group financial statements (continued)
Year ended 31 December 2016

Note 4. Other costs

	Notes	2016 $m	2015 $m
Operating loss is stated after charging:			
Operating costs		**377.2**	406.3
Operating lease payments		**21.0**	—
Depletion and amortisation of oil and gas assets	12	**448.5**	551.2
Underlift, overlift and oil stock movements		**(76.5)**	(1.5)
Share-based payment charge included in cost of sales	27	**2.7**	0.8
Other cost of sales		**40.2**	58.5
Total cost of sales		**813.1**	1,015.3
Share-based payment charge included in administrative expenses	27	**41.2**	47.9
Depreciation of other fixed assets	12	**18.4**	28.9
Relocation costs associated with Major Simplification Project		**(0.5)**	5.9
Cash administrative costs		**57.3**	110.9
Total administrative expenses		**116.4**	193.6
Total restructuring costs	23	**12.3**	40.8
Fees payable to the Company's auditor for:			
The audit of the Company's annual accounts		**0.3**	0.4
The audit of the Company's subsidiaries pursuant to legislation		**1.8**	2.1
Total audit services		**2.1**	2.5
Non-audit services:			
Audit related assurance services—half-year review		**0.4**	0.4
Tax compliance services		**—**	0.1
Corporate finance services		**—**	0.1
Other services		**0.2**	0.2
Total non-audit services		**0.6**	0.8
Total		**2.7**	3.3

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated Financial Statements are required to disclose such fees on a consolidated basis.

Tax compliance services include assistance in connection with enquiries from local fiscal authorities. Other services include ad-hoc assurance services in relation to the Group's JV agreements. The ratio of audit services to non-audit services is 3.5:1.

Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and

Notes to Group financial statements (continued)
Year ended 31 December 2016

objectivity are safeguarded are set out in the Audit Committee report on pages 69 to 73. No services were provided pursuant to contingent fee arrangements.

Note 5. Finance costs

	Notes	2016 $m	2015 $m
Interest on bank overdrafts and borrowings		**304.7**	246.3
Interest on obligations under finance leases		**1.8**	2.0
Total borrowing costs		**306.5**	248.3
Less amounts included in the cost of qualifying assets	11,12	**(138.8)**	(160.1)
		167.7	88.2
Finance and arrangement fees		**5.4**	16.8
Other interest expense		**—**	2.7
Foreign exchange losses		**—**	13.0
Unwinding of discount on decommissioning provisions	23	**25.1**	28.3
Total finance costs		**198.2**	149.0

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.5% (2015: 6.15%) to cumulative expenditure on such assets.

Note 6. Insurance proceeds

During 2016 the Group issued insurance claims in respect of the Jubilee turret remediation project. Insurance proceeds of $145.0 million were recorded in the year ended 31 December 2016 (2015: $nil). Proceeds related to lost production under the Business Interruption insurance policy of $90.1 million (2015 $nil) were recorded as other operating income—lost production insurance proceeds in the income statement. Proceeds related to compensation for incremental operating costs under the Business Interruption and Hull and Machinery insurance policies of $31.8 million (2015: $nil) were recorded within the operating costs line of cost of sales (see note 4). Proceeds related to compensation for capital costs under the Hull and Machinery insurance policy of $23.1 million (2015: $nil) were recorded within additions to property, plant and equipment (see note 12).

Notes to Group financial statements (continued)
Year ended 31 December 2016

Note 7. Taxation on loss on ordinary activities

Analysis of credit in for the year

	Notes	2016 $m	2015 $m
Current tax			
UK corporation tax		**67.3**	(3.5)
Foreign tax		**(18.5)**	94.9
Total corporate tax		**48.8**	91.4
UK petroleum revenue tax		**(1.1)**	(0.3)
Total current tax		**47.7**	91.1
Deferred tax			
UK corporation tax		**9.4**	6.9
Foreign tax		**(369.8)**	(354.0)
Total deferred corporate tax		**(360.4)**	(347.1)
Deferred UK petroleum revenue tax		**1.7**	(4.4)
Total deferred tax	24	**(358.7)**	(351.5)
Total tax credit		**(311.0)**	(260.4)

Factors affecting tax credit for the period

The tax rate applied to profit on ordinary activities in preparing the reconciliation below is the UK corporation tax rate applicable to the Group's non-upstream UK profits. The difference between the total current tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax applicable to UK profits of 20% (2015: 20%) to the loss before tax is as follows:

	2016 $m	2015 $m
Group loss on ordinary activities before tax	**(908.3)**	(1,297.3)
Tax on Group loss on ordinary activities at the standard UK corporation tax rate of 20% (2015: 20%)	**(181.7)**	(259.5)
Effects of:		
Non-deductible exploration expenditure	**25.8**	114.7
Other non-deductible expenses	**22.7**	97.7
Derecognition of deferred tax previously recognised	**30.2**	—
Impairment of goodwill	**127.9**	10.7
Utilisation—tax losses not previously recognised	**(9.5)**	—
Net losses not recognised	**61.7**	15.8
Petroleum revenue tax (PRT)	**(6.7)**	(4.4)
UK corporation tax deductions for current PRT	**—**	2.2
Adjustment relating to prior years	**(2.1)**	(14.9)
Adjustments to deferred tax relating to change in tax rates	**(0.8)**	(1.0)
Higher rate of taxation on Norway losses	**(286.4)**	(132.7)
Other tax rates applicable outside the UK and Norway	**(86.8)**	(164.6)
PSC income not subject to corporation tax	**(1.6)**	(28.5)
Uganda capital gains tax	**—**	108.2
Tax incentives for investment	**(3.7)**	(4.1)
Group total tax credit for the year	**(311.0)**	(260.4)

The Finance Act 2016 further reduced the main rate of UK corporation tax applicable to all companies subject to corporation tax, except for those within the oil and gas ring fence, to 19% from 1 April 2017 and 17% from 1 April 2020. These changes were substantively enacted on 6 September 2016 and hence the effect of the change on the deferred tax balances has been included, depending upon when deferred tax is expected to reverse.

The Group's profit before taxation will continue to arise in jurisdictions where the effective rate of taxation differs from that in the UK. Furthermore, unsuccessful exploration expenditure is often incurred in jurisdictions where the Group has no taxable profits, such that no related tax benefit arises. Accordingly, the Group's tax charge will continue to vary according to the jurisdictions in which pre-tax profits and exploration costs written off arise.

The Group has tax losses of $2,844.0 million (2015: $1,802.0 million) that are available for offset against future taxable profits in the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group due to uncertainty of recovery.

Notes to Group financial statements (continued)
Year ended 31 December 2016

No deferred tax liability is recognised on temporary differences of $8.2 million (2015: $8.5 million) relating to unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Tax relating to components of other comprehensive income

During 2016 $108.8 million (2015: $42.3 million) of tax has been recognised through other comprehensive income of which $107.8 million (2015: $43.2 million) is current and $0.9 million (2015: $0.9 million) is deferred tax relating to all credits (2015: charges) on cash flow hedges arising in the year.

Current tax assets

As at 31 December 2016, current tax assets were $138.3 million (2015: $127.6 million) of which $90.0 million (2015: $55.0 million) relates to Norway, where 78% of exploration expenditure is refunded as a tax refund in the year following the incurrence of such expenditure.

Note 8. Loss per ordinary share

Basic loss per ordinary share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per ordinary share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued if employee and other share options or the convertible bonds were converted into ordinary shares. Due to losses made in 2016 and 2015 all potential ordinary shares are antidilutive.

	2016 $m	2015 $m
Loss		
Net loss attributable to equity shareholders	**(599.9)**	(1,034.8)
Effect of dilutive potential ordinary shares	—	—
Diluted net loss attributable to equity shareholders	**(599.9)**	(1,034.8)

	2016 Number	2015 Number
Number of shares		
Basic weighted average number of shares	**911,936,308**	911,252,238
Dilutive potential ordinary shares	**121,082,933**	25,070,398
Diluted weighted average number of shares	**1,033,019,241**	936,322,636

Note 9. Disposals

The divestment of the Norway business is progressing well with two deals completed before year-end and one in January 2017. Four licences, including the Wisting oil discovery, have been sold to Statoil, eight licences, including the Oda asset, have been sold to Aker BP ASA and two further licences have been sold to ConocoPhillips. A further two sales were executed in December 2016 with two separate parties. These sales, covering a further 13 licences, and which include the 2016 Cara oil and gas discovery, are on track to complete in the first quarter of 2017. In aggregate, the Norway asset sales are expected to yield proceeds of up to $0.2 billion. Once completed, the Group will no longer hold any licences on the Norwegian Continental Shelf. These plus other disposals result in an income statement loss of $3.4 million and a cash inflow of $62.8 million.

On 30 April 2015, Tullow completed the sale of its operated and non-operated interests in the L12/15 area and Blocks Q4 and Q5 to AU Energy. The consideration was €64 million ($53.5 million), producing a profit after tax of $7.4 million and a loss before tax of $46.3 million. On 5 June 2015, Tullow completed the farm-down to GDF Suez E&P Nederland of 30% equity and the operatorship of Exploration Licences E10, E11 (including Tullow's Vincent discovery), E14, E15c and E18b. These plus other disposals result in an income statement loss of $56.5 million and a cash inflow of $55.8 million.

Note 10. Goodwill

	2016 $m	2015 $m
At 1 January	**164.0**	217.7
Impairment	**(164.0)**	(53.7)
At 31 December	**—**	164.0
Related deferred tax at 31 December	—	(89.0)
Goodwill net of associated deferred tax	—	75.0

The Group's goodwill of $350.5 million arose from the acquisition of Spring Energy in 2013 and is allocated to the group of cash-generating units (CGUs) that represent the assets acquired. Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. The goodwill balance results solely from the requirement to recognise a deferred tax liability on an acquisition, calculated as the difference between the tax effect of the fair value of the acquired assets and liabilities and their tax bases. As a result, for the purposes of testing goodwill for impairment, the related deferred tax liabilities recognised on acquisition are included in the group of CGUs. The above table details the net impact of goodwill and the related deferred tax on the CGU.

In assessing goodwill for impairment the Group has compared the carrying value of goodwill and the carrying value of the related group of CGUs with the recoverable amounts of those CGUs. The carrying value of goodwill and the related group of CGUs together was $171.4 million (2015: $264.5 million) and the recoverable amount, assessed as fair value less cost to sell, of the CGUs was $7.4 million (2015: $210.8 million), resulting in an impairment of $164.0 million (2015: $53.7 million). The cumulative impairment is $350.5 million (2015: $186.5 million).

Key assumptions

During 2016, sales agreements were signed for a number of the Group's Norwegian licences with the remainder being relinquished. As a result, the related exploration and evaluation assets were written down to their fair values, which were equal to the consideration per the sales agreements, at 31 December 2016. These fair values did not support the remaining goodwill recorded that arose from the acquisition of Spring Energy.

Note 11. Intangible exploration and evaluation assets

	Notes	2016 $m	2015 $m
At 1 January		**3,400.0**	3,660.8
Additions	1	**291.4**	626.3
Disposals	9	**—**	(5.2)
Amounts written-off		**(723.0)**	(748.9)
Write-off associated with Norway contingent consideration provision		**(36.5)**	—
Net transfer to assets held for sale	18	**(912.3)**	—
Transfer to property, plant and equipment	12	**—**	(63.6)
Currency translation adjustments		**6.2**	(69.4)
At 31 December		**2,025.8**	3,400.0

Included within 2016 additions is $50.2 million (note 5) of capitalised interest (2015: $49.7 million). The Group only capitalises interest in respect of intangible exploration and evaluation assets where it is considered that development is ongoing.

Notes to Group financial statements (continued)
Year ended 31 December 2016

The below table provides a summary of the exploration costs written off on a pre-and post-tax basis by country.

Country	CGU	Rationale for 2016 write-off	2016 Current year expenditure written-off $m	2016 Prior year expenditure written-off $m	2016 Post-tax write off $m	2016 Pre-tax write off $m	2016 Remaining recoverable amount $m
Ethiopia	Country	b	**1.9**	**—**	**1.9**	**1.9**	**—**
Gabon	Arouwe licence	b	**1.0**	**—**	**1.0**	**1.6**	**—**
Ghana	New Ventures	f	**2.3**	**—**	**2.3**	**3.5**	**—**
Guinea	Country	b	**5.6**	**—**	**5.6**	**5.6**	**—**
Greenland	Country	b	**1.0**	**—**	**1.0**	**1.0**	**—**
Kenya	Blocks 10A & L8	b	**(2.6)**	**—**	**(2.6)**	**(2.6)**	**—**
Madagascar	Country	b, d	**4.1**	**21.5**	**25.6**	**25.6**	**—**
Mauritania	Blocks C6, C7 & C18	b, c	**0.2**	**9.3**	**9.5**	**9.5**	**—**
Mozambique	Country	b	**(1.0)**	**—**	**(1.0)**	**(1.0)**	**—**
Netherlands	Licence E18 & F16	b	**0.8**	**—**	**0.8**	**1.5**	**49.0**
Norway	Country	a, b, c, d, e	**17.8**	**61.0**	**78.8**	**286.9**	**7.1**
Pakistan	Kup well	a	**1.9**	**8.8**	**10.7**	**10.7**	**—**
Suriname	Block 31 & Coronie	b, c	**1.3**	**18.0**	**19.3**	**19.3**	**—**
Uganda	Country	e	**—**	**247.8**	**247.8**	**330.4**	**453.1**
Other	Various	b	**4.9**	**—**	**4.9**	**4.9**	**—**
New Ventures	Various	f	**18.4**	**—**	**18.4**	**24.2**	**—**
Total write-off			**57.6**	**366.4**	**424.0**	**723.0**	

a. Current year unsuccessful drilling results.

b. Current year expenditure and actualisation of accruals associated with CGUs previously written off

c. Licence relinquishments.

d. Country exit.

e. Revision of value based on disposal/farm-down activities (note 18)

f. New Ventures expenditure is written off as incurred

Notes to Group financial statements (continued)
Year ended 31 December 2016

Note 12. Property, plant and equipment

	Notes	2016 Oil and gas assets $m	2016 Other fixed assets $m	2016 Total $m	2015 Oil and gas assets $m	2015 Other fixed assets $m	2015 Total $m
Cost							
At 1 January		**10,439.9**	**289.5**	**10,729.4**	9,240.3	283.7	9,524.0
Additions	1,5	**816.9**	**1.6**	**818.5**	1,235.1	23.1	1,258.2
Disposals		**(276.1)**	**(2.7)**	**(278.8)**	(6.2)	(3.6)	(9.8)
Transfer from intangible assets	11	**—**	**—**	**—**	63.6	—	63.6
Currency translation adjustments		**(208.2)**	**(36.5)**	**(244.7)**	(92.9)	(13.7)	(106.6)
At 31 December		**10,772.5**	**251.9**	**11,024.4**	10,439.9	289.5	10,729.4
Depreciation, depletion and amortisation							
At 1 January		**(5,360.0)**	**(165.0)**	**(5,525.0)**	(4,489.1)	(147.9)	(4,637.0)
Charge for the year	4	**(448.5)**	**(18.4)**	**(466.9)**	(551.2)	(28.9)	(580.1)
Impairment loss		**(184.3)**	**(0.4)**	**(184.7)**	(467.2)	—	(467.2)
Reversal of impairment loss		**10.9**	**—**	**10.9**	61.2	—	61.2
Disposal		**276.1**	**2.6**	**278.7**	6.4	3.6	10.0
Currency translation adjustments		**205.0**	**20.5**	**225.5**	79.9	8.2	88.1
At 31 December		**(5,500.8)**	**(160.7)**	**(5,661.5)**	(5,360.0)	(165.0)	(5,525.0)
Net book value at 31 December		**5,271.7**	**91.2**	**5,362.9**	5,079.9	124.5	5,204.4

The 2016 additions include capitalised interest of $88.6 million (note 5) in respect of the TEN development project (2015: $110.4 million). The carrying amount of the Group's oil and gas assets includes an amount of $17.8 million (2015: $27.4 million) in respect of assets held under finance leases. The currency translation adjustments arose due to the movement against the Group's presentation currency, USD, of the Group's UK and Dutch assets which have functional currencies of GBP and EUR respectively. The 2016 income statement impairment charge includes $6.2 million of insurance proceeds.

	Trigger for 2016 impairment	2016 Impairment $'m	Pre-tax discount rate assumption	Short-term price assumption	Mid-term price assumption	Long-term price assumption
UK GCU[(d)]	b	48.0	n/a	n/a	n/a	n/a
Limande CGU[(e)] (Gabon)	a	3.1	13%	2yr forward curve	$70/bbl	$90/bbl
Echira CGU[(e)] (Gabon)	a	2.2	15%	2yr forward curve	$70/bbl	$90/bbl
Etame CGU[(e)] (Gabon)	a	1.5	13%	2yr forward curve	$70/bbl	$90/bbl
Oba CGU (Gabon)[(e)]	a	(10.9)	15%	2yr forward curve	$70/bbl	$90/bbl
M'boundi (Congo)	a	6.4	12%	2yr forward curve	$70/bbl	$90/bbl
Espoir (Côte d'Ivoire)	a	12.3	10%	2yr forward curve	$70/bbl	$90/bbl
TEN (Ghana)	a	97.0	10%	2yr forward curve	$70/bbl	$90/bbl
Jubilee (Ghana)	c	3.7	n/a	n/a	n/a	n/a
Chinguetti (Mauritania)	b	10.1	n/a	n/a	n/a	n/a
Impairment		173.4				

a. Delay in estimated step up to oil and gas mid-term and long-term price assumptions (refer to accounting policy on significant estimates).

b. Increase in decommissioning estimate.

c. Impairment of a component of the asset which is covered by insurance proceeds

d. The fields in the UK are grouped into one CGU as all fields within those countries share critical gas infrastructure.

e. The Limande, Echria, Etame and Oba CGUs in Gabon comprise a number of fields which share export infrastructure.

All impairment assessments are prepared on a Value In Use basis using discounted future cash flows based on 2P reserves profiles. The principal assumptions are oil price and the pre-tax discount rate which are nominal. Oil prices stated above are benchmark prices to which an individual field price differential is applied.

Based on the approximate volatility of the 2016 oil price, a reduction in the forward curve of $20/bbl is considered to be a reasonably possible change for the purposes of sensitivity analysis. This would increase the impairment charge by $487.8 million. A $15/bbl reduction in both the mid-term and the long-term price assumption assumed, which is based on the range seen in external oil price market forecasts, would increase the impairment charge by $744.4 million.

A 1% increase in the pre-tax discount rate would increase the impairment by $129.3 million. The Group believes a 1% increase in the pre-tax discount rate to be a reasonable possibility based on historical analysis of the Group's and a peer group of companies' impairment discount rates.

Note 13. Investments

	2016 $m	2015 $m
Unlisted investments	**1.0**	1.0

The fair value of these investments is not materially different from their carrying value.

Note 14. Other assets

	2016 $m	2015 $m
Non-current		
Amounts due from joint venture partners	**127.3**	161.8
Uganda VAT recoverable	**35.9**	50.3
Other non-current assets	**12.5**	11.3
	175.7	223.4
Current		
Amounts due from joint venture partners	**560.4**	584.4
Underlifts	**34.9**	2.4
Prepayments	**26.3**	77.9
VAT & WHT recoverable	**5.7**	9.2
Other current assets	**211.6**	89.3
	838.9	763.2

The decrease in amounts due from joint venture partners relates to the decrease in operated current liabilities, which are recorded gross with the corresponding debit recognised as an amount due from joint venture partners, in Kenya and Ghana. Other current assets have increased due to accrued insurance proceeds.

Note 15. Inventories

	2016 $m	2015 $m
Warehouse stocks and materials	**57.6**	66.0
Oil stocks	**97.7**	41.2
	155.3	107.2

Inventories include a provision of $31.4 million (2015: $65.2 million) for warehouse stock and materials where it is considered that the net realisable value is lower than the original cost. The decrease in the provision during 2016 is associated with disposal of inventory provided for in previous periods, resulting in an income statement charge of $nil (2015: $22.2 million, included in exploration costs written-off).

Note 16. Trade receivables

Trade receivables comprise amounts due for the sale of oil and gas. No current receivables are overdue, therefore none have been impaired and no allowance for doubtful debt has been recognised (2015: $nil million).

Notes to Group financial statements (continued)
Year ended 31 December 2016

Note 17. Cash and cash equivalents

	Notes	2016 $m	2015 $m
Cash at bank	21	**281.9**	355.7

Cash and cash equivalents includes an amount of $140.9 million (2015: $169.5 million) which the Group holds as operator in joint venture bank accounts. In addition to the cash held in joint venture bank accounts the Group has $20.3 million (2015: $16.1 million) held in restricted bank accounts.

Note 18. Assets classified as held for sale

On 9 January 2017, Tullow announced that it had agreed a substantial farm-down of its assets in Uganda to Total. Under the Sale and Purchase Agreement, Tullow has agreed to transfer 21.57% of its 33.33% Uganda interests to Total for a total consideration of $900 million. Upon completion, the farm-down will leave Tullow with an 11.76% interest in the upstream and pipeline projects. This is expected to reduce to a 10% interest in the upstream project when the Government of Uganda formally exercises its right to back-in. Although it has not yet been determined what interests the Governments of Uganda and Tanzania will take in the pipeline project, Tullow expects its interests in the upstream and pipeline projects to be aligned.

The consideration is split into $200 million in cash, consisting of $100 million payable on completion of the transaction, $50 million payable at FID and $50 million payable at first oil. The remaining $700 million is in deferred consideration and represents reimbursement by Total in cash of a proportion of Tullow's past exploration and development costs. The deferred consideration is payable to Tullow as the upstream and pipeline projects progress and these payments will be used by Tullow to fund its share of the development costs. Tullow expects the deferred consideration to cover its share of upstream and pipeline development capex to first oil and beyond. Completion of the transaction is subject to certain conditions, including the approval of the Government of Uganda, after which Tullow will cease to be an operator in Uganda. The disposal is expected to complete in 2017.

The estimated fair value of the consideration is $829.7 million which when compared to the carrying value of the Group's interest in Uganda resulted in an exploration write-off of $330.4 million. The fair value of the deferred consideration was calculated using expected timing of receipts based on management's best estimate of the expected capital profile of the project discounted at Total's cost of borrowing. This represents a level 3 financial asset.

The divestment of the Norway business is progressing well with two deals completed before year-end and one in January 2017. Four licences, including the Wisting oil discovery, have been sold to Statoil, eight licences, including the Oda asset, have been sold to Aker BP ASA and two further licences have been sold to ConocoPhillips. A further two sales were executed in December 2016 with two separate parties. These sales, covering a further 13 licences, and which include the 2016 Cara oil and gas discovery, are on track to complete in the first quarter of 2017. In aggregate, the Norway asset sales are expected to yield proceeds of up to $0.2 billion. Once completed, the Group will no longer hold any licences on the Norwegian Continental Shelf. Combined with the transactions that completed in 2016, transfer to assets held for sale of the Norwegian assets was $82.6 million of which $7.4 million remained as held for sale at 31 December 2016.

The major classes of assets and liabilities comprising the assets classified as held for sale as at 31 December 2016 are as follows:

	Uganda 2016 $m	Norway 2016 $m	Total 2016 $m
Intangible exploration and evaluation assets	**829.7**	**7.4**	**837.1**
Total assets classified as held for sale	**829.7**	**7.4**	**837.1**
Net assets of disposal groups	**829.7**	**7.4**	**837.1**

Note 19. Trade and other payables

Current liabilities

	Notes	2016 $m	2015 $m
Trade payables		**46.9**	24.0
Other payables		**124.6**	61.2
Overlifts		**6.9**	3.7
Accruals		**721.2**	993.3
VAT and other similar taxes		**14.6**	26.9
Current portion of finance lease	22	**1.9**	1.5
		916.1	1,110.6

Payables related to operated joint ventures (primarily related to Ghana and Kenya) are recorded gross with the debit representing the partners' share recognised in amounts due from joint venture partners (note 14). The increase in trade payables and in other payables predominantly represent timing differences.

Notes to Group financial statements (continued)
Year ended 31 December 2016

Non-current liabilities

	Notes	2016 $m	2015 $m
Other non-current liabilities		**87.7**	72.8
Non-current portion of finance lease	22	**24.6**	26.5
		112.3	99.3

Trade and other payables are non-interest bearing except for finance leases (note 22).

Note 20. Borrowings

	2016 $m	2015 $m
Current		
Short-term borrowings—Revolving Norwegian Exploration Finance facility	**83.4**	59.6
Bank loans—Reserves Based Lending credit facility	**508.1**	14.2
	591.5	73.8
Non-current		
Bank borrowings—After one year but within two years		
Reserve Based Lending credit facility	**906.2**	800.0
Revolving credit facility	**364.6**	—
Bank borrowings—After two years but within five years		
Reserve Based Lending credit facility	**1,561.7**	2,165.6
6.0% Senior notes due 2020	**647.6**	646.4
6.25% Senior notes due 2022	**651.0**	650.4
6.625% Convertible bonds due 2021	**257.3**	—
	4,388.4	4,262.4
Carrying value of total borrowings	**4,979.9**	4,336.2

The Group has provided security in respect of certain of these borrowings in the form of share pledges, as well as fixed and floating charges over the assets of the Group.

During the year, the commitments on the Reserve Based Lending credit facility ('RBL') were reduced from $3,700 million to $3,255 million in line with the amortisation schedule. The Company also secured $345 million of new commitments on this facility from our existing lenders which will take effect from 1 April 2017 by exercising an accordion facility.

The facility incurs interest on outstanding debt at Sterling or US dollar LIBOR plus an applicable margin. The outstanding debt is repayable in line with the amortisation of bank commitments over the period to the final maturity date of 6 November 2019, or such time as is determined by reference to the remaining reserves of the assets, whichever is earlier.

In April 2016, the Company agreed a twelve month extension to the maturity of the Revolving credit facility ('RCF') to April 2018. The commitments remain at $1 billion until April 2017, when commitments reduce to $800 million. The facility incurs interest on outstanding debt at US dollar LIBOR plus an applicable margin.

In July 2016, the Company completed an offering of $300 million of convertible bonds due 2021, with a coupon of 6.625% per annum payable semi-annually. The net proceeds were used for general corporate purposes and to fund capital investment. The bonds are convertible into fully paid Ordinary Shares of the Company at a fixed exchange price of $3.52 during the conversion period, subject to customary adjustment provisions.

At initial recognition, the liability and equity component of the convertible bonds have been separately recognised, and the carrying value of the liability component as at 31 December 2016 is $257.3 million. The equity component at initial recognition is $48.4 million, and is not subsequently remeasured. Transaction costs are apportioned between the liability and the equity components of the instrument based on the amounts initially recognised.

In December 2016, the commitments on the Revolving Norwegian Exploration Finance facility ('EFF') were reduced from NOK 2,250 million to NOK 1,000 million. The facility is used to finance certain exploration activities on the Norwegian Continental Shelf which are eligible for a tax refund. The facility is available for drawings until 31 December 2017, and its final maturity date is either the date when the 2017 tax reimbursement claims are received or 31 December 2018, whichever is the earlier. The facility incurs interest on outstanding debt at NIBOR plus an applicable margin.

At 31 December 2016, the undrawn borrowings under the three facilities amounted to $875 million; $255 million under the RBL, $620 million under the RCF and $nil under the EFF. At 31 December 2015, the available headroom under the three facilities amounted to $1,686 million; $686 million under the RBL, $1,000 million under the RCF and $nil under the EFF.

Capital management

The Group defines capital as the total equity and net debt of the Group. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Group's ability to continue as a going concern. Tullow is not subject to any externally-imposed capital requirements. To maintain or adjust the capital structure, the Group may put in place new debt facilities, issue new shares for cash, repay debt, engage in active portfolio management, adjust the dividend payment to shareholders, or undertake other such restructuring activities as appropriate. No significant changes were made to the capital management objectives, policies or processes during the year ended 31 December 2016.The Group monitors capital on the basis of the net debt to adjusted EBITDAX ratio, a summary of this calculation can be found in the finance review on page x.

Notes to Group financial statements (continued)
Year ended 31 December 2016

Note 21. Financial instruments

Financial risk management objectives

The Group is exposed to a variety of risks including commodity price risk, interest rate risk, credit risk, foreign currency risk and liquidity risk. The Group holds a portfolio of commodity derivative contracts, with various counterparties, covering its underlying oil and gas businesses. The Group holds a mix of fixed and floating rate debt as well as a portfolio of interest rate derivatives. The use of derivative financial instruments (derivatives) is governed by the Group's policies approved by the Board of Directors. Compliance with policies and exposure limits is monitored and reviewed internally on a regular basis. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

Fair values of financial assets and liabilities

With the exception of the senior notes and the convertible bonds, the Group considers the carrying value of all its financial assets and liabilities to be materially the same as their fair value. The fair value of the Senior notes, as determined using market values at 31 December 2016, was $1,223.1 million (2015: $884.0 million) compared to carrying values of $1,555.9 million (2015: $1,296.8 million).

The fair value of the convertible bonds, as determined using market values, as at 31 December 2016, was $395.5 million (2015: n/a).

The Group has no material financial assets that are past due. No financial assets are impaired at the balance sheet date. All financial assets and liabilities with the exception of derivatives are measured at amortised cost.

Fair values of derivative instruments

All derivatives are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement, unless the derivatives have been designated as a cash flow hedge. Fair value is the amount for which the asset or liability could be exchanged in an arm's length transaction at the relevant date. Where available, fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

Notes to Group financial statements (continued)
Year ended 31 December 2016

The Group's derivative carrying and fair values were as follows:

Assets/liabilities	2016 Less than 1 year $m	2016 1-3 years $m	2016 Total $m	2015 Less than 1 year $m	2015 1-3 years $m	2015 Total $m
Cash flow hedges						
Oil derivatives	**139.7**	**40.2**	**179.9**	458.9	265.2	724.1
Gas derivatives	**(1.4)**	**—**	**(1.4)**	1.1	—	1.1
Interest rate derivatives	**(1.0)**	**0.6**	**(0.4)**	(2.1)	1.1	(1.0)
	137.3	**40.8**	**178.1**	457.9	266.3	724.2
Deferred premium						
Oil derivatives	**(51.5)**	**(35.9)**	**(87.4)**	(53.5)	(47.6)	(101.1)
	(51.5)	**(35.9)**	**(87.4)**	(53.5)	(47.6)	(101.1)
Total assets	**91.7**	**15.8**	**107.5**	406.5	218.7	625.2
Total liabilities	**(5.9)**	**(10.9)**	**(16.8)**	(2.1)	—	(2.1)

Derivatives' maturity and the timing of their recycling into income or expense coincide.

The following provides an analysis of the Group's financial instruments measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data.

All the Group's derivatives are Level 2 (2015: Level 2). There were no transfers between fair value levels during the year.

For financial instruments which are recognised on a recurring basis, the Group determines whether transfers have occurred between levels by reassessing categorisation (based on the lowest-level input which is significant to the fair value measurement as a whole) at the end of each reporting period.

Offset of financial assets and financial liabilities

Deferred premiums on derivatives are settled at the same time as the maturity of the derivative contracts, with the cash flows settled on a net basis. Netting agreements are also in place to enable the Group and its counterparties to set-off liabilities against available assets in the event that either party is unable to fulfil its contractual obligations. The following table provides the offsetting relationship within assets and liabilities in the balance sheet.

31 December 2016	Gross amounts recognised $m	Gross amounts offset in group balance sheet $m	Net amounts presented in group balance sheet $m
Derivative assets	**165.7**	**(58.2)**	**107.5**
Derivative liabilities	**12.4**	**(29.2)**	**(16.8)**
Deferred premiums	**(87.4)**	**87.4**	**—**

31 December 2015	Gross amounts recognised $m	Gross amounts offset in Group balance sheet $m	Net amounts presented in Group balance sheet $m
Derivative assets	726.3	(101.1)	625.2
Derivative liabilities	(2.1)	—	(2.1)
Deferred premiums	(101.1)	101.1	—

Commodity price risk

The Group uses a number of derivatives to mitigate the commodity price risk associated with its underlying oil and gas revenues. Such commodity derivatives will tend to be priced using benchmarks, such as Dated Brent, D-1 Heren and M-1 Heren, which correlate as far as possible to the underlying oil and gas revenues respectively. The Group hedges its estimated oil and gas revenues on a portfolio basis, aggregating its oil revenues from substantially all of its African oil interests and its gas revenues from substantially all of its UK gas interests.

As at 31 December 2016 and 31 December 2015, all of the Group's oil and gas derivatives have been designated as cash flow hedges. The Group's oil and gas hedges have been assessed to be 'highly effective' within the range prescribed under IAS 39 using regression analysis. There is, however, the potential for a degree of ineffectiveness inherent in the Group's oil hedges arising from, among other factors, the discount on the Group's underlying African crude relative to Brent and the timing of oil liftings relative to the hedges. There is also the potential for a degree of ineffectiveness inherent in the Group's gas hedges which arises from, among other factors, daily field production performance.

Notes to Group financial statements (continued)
Year ended 31 December 2016

The following table demonstrates the timing, volumes and the average floor price protected for the Group's commodity hedges:

Hedging position as at 31 December 2016	2017	2018	2019
Oil Volume (bopd)	**42,500**	**22,000**	**7,979**
Average floor price protected ($/bbl)	**60.23**	**51.88**	**45.53**
Gas Volume (mmscfd)	**3.67**	—	—
Average floor price protected (p/therm)	**40.47**	—	—

Hedging position as at 31 December 2015	2016	2017	2018
Oil Volume (bopd)	36,511	23,000	9,500
Average floor price protected ($/bbl)	75.15	72.94	62.09
Gas Volume (mmscfd)	0.61	—	—
Average floor price protected (p/therm)	63.00	—	—

The following table demonstrates the sensitivity of the Group's derivative financial instruments to reasonable possible movements in Dated Brent oil price, UK D-1 Heren and M-1 Heren Natural gas prices:

		Effect on Equity	
	Market movement	2016 $m	2015 $m
Brent oil price	25%	**(145.0)**	(256.5)
Brent oil price	(25%)	**183.6**	286.0
UK D-1 Heren and M-1 Heren natural gas price	25%	**(2.3)**	(0.3)
UK D-1 Heren and M-1 Heren natural gas price	(25%)	**2.3**	0.3

The following assumptions have been used in calculating the sensitivity in movement of oil and gas prices; the pricing adjustments relate only to the point forward mark-to-market (MTM) valuations, the price sensitivities assume there is no ineffectiveness related to the oil and gas hedges and the sensitivities have been run only on the intrinsic element of the hedge as management consider this to be the material component of oil and gas hedge valuations.

Notes to Group financial statements (continued)
Year ended 31 December 2016

Fair value movements recognised in income statement

Fair value movements relating to the non-intrinsic element of the commodity derivatives have been immediately recognised in the income statement during the year, and were as follows:

Profit/(loss) on hedging instruments:	2016 $m	2015 $m
Cash flow hedges		
Gas derivatives		
Time value	—	(0.2)
	—	(0.2)
Oil derivatives		
Time value	18.2	(58.6)
	18.2	(58.6)
Total net profit/(loss) for the year in the income statement	18.2	(58.8)

Hedge reserve summary

The hedge reserve represents the portion of deferred gains and losses on hedging instruments deemed to be effective cash flow hedges. The movement in the reserve for the period is recognised in other comprehensive income.

The following table summarises the hedge reserve by type of derivative, net of tax effects:

Hedge reserve by derivative type	2016 $m	2015 $m
Cash flow hedges		
Gas derivatives	**(1.1)**	0.4
Oil derivatives	**129.7**	570.6
Interest rate derivatives	**(0.4)**	(1.1)
	128.2	569.9

Notes to Group financial statements (continued)
Year ended 31 December 2016

The deferred gains and losses in the hedge reserve are subsequently transferred to the income statement during the period in which the hedged transaction affects the income statement. The tables below show the impact on the hedge reserve and on sales revenue during the year:

Deferred amounts in the hedge reserve	**2016 $m**	**2015 $m**
At 1 January	**569.9**	401.6
Reclassification adjustments for items included in income statement on realisation:		
Gas derivatives—transferred to sales revenue	**(0.9)**	(3.4)
Oil derivatives—transferred to sales revenue	**(416.7)**	(412.9)
Interest rate derivatives—transferred to finance costs	**2.4**	3.5
Subtotal	**(415.2)**	(412.8)
Revaluation (losses)/gains arising in the year	**(135.3)**	623.4
Movement in current and deferred tax	**108.8**	(42.3)
	(441.7)	168.3
At 31 December	**128.2**	569.9

Reconciliation to sales revenue	**2016 $m**	**2015 $m**
Gas derivatives—transferred to sales revenue	**(0.9)**	(3.4)
Oil derivatives—transferred to sales revenue	**(416.7)**	(412.9)
Deferred premium paid	**54.6**	51.1
Net gains from commodity derivatives in sales revenue (note 2)	**(363.0)**	(365.2)

Cash flow and interest rate risk

Subject to parameters set by management the Group seeks to minimise interest costs by using a mixture of fixed and floating debt. Floating rate debt comprises bank borrowings at interest rates fixed in advance from overnight to three months at rates determined by US dollar LIBOR, Sterling LIBOR and Norwegian NIBOR. Fixed rate debt comprises senior notes, convertible bonds, bank borrowings at interest rates fixed in advance for periods greater than three months or bank borrowings where the interest rate has been fixed through interest rate hedging. The Group hedges its floating interest rate exposure on an ongoing basis through the use of interest rate swaps. The mark-to-market position of the Group's interest rate portfolio as at 31 December 2016 is a liability of $0.4 million (2015: $1.0 million liability). Interest rate hedges are included in fixed rate debt in the table below.

Notes to Group financial statements (continued)
Year ended 31 December 2016

The interest rate profile of the Group's financial assets and liabilities, excluding trade and other receivables and trade and other payables, at 31 December 2016 and 2015 was as follows:

	2016 Cash at bank $m	2016 Fixed rate debt $m	2016 Floating rate debt $m	2016 Total $m	2015 Cash at bank $m	2015 Fixed rate debt $m	2015 Floating rate debt $m	2015 Total $m
US$	**200.8**	**(1,900.0)**	**(3,080.0)**	**(4,779.2)**	258.2	(1,600.0)	(2,557.3)	(3,899.1)
Euro	**8.6**	**—**	**—**	**8.6**	28.4	—	—	28.4
Sterling	**33.1**	**—**	**—**	**33.1**	19.1	—	(156.9)	(137.8)
Other	**39.4**	**—**	**(83.8)**	**(44.4)**	50.0	—	(60.8)	(10.8)
	281.9	**(1,900.0)**	**(3,163.8)**	**(4,781.9)**	355.7	(1,600.0)	(2,775.0)	(4,019.3)

Cash at bank consisted mainly of deposits which earn interest at rates set in advance for periods ranging from overnight to one month by reference to market rates.

The following table demonstrates the sensitivity of the Group's financial instruments to reasonable possible movements in interest rates:

		Effect on Finance costs		Effect on Equity	
	Market movement	2016 $m	2015 $m	2016 $m	2015 $m
Interest rate	100 basis points	**(31.6)**	(27.7)	**(26.5)**	(20.3)
Interest rate	(25) basis points	**7.9**	6.9	**6.1**	3.5

Credit risk

The Group has a credit policy that governs the management of credit risk, including the establishment of counterparty credit limits and specific transaction approvals. The primary credit exposures for the Group are its receivables generated by the marketing of crude oil and amounts due from JV partners. These exposures are managed at the corporate level. The Group's crude sales are predominantly made to international oil market participants including the oil majors, trading houses and refineries. JV partners are predominantly international major oil and gas market participants. Counterparty evaluations are conducted utilising international credit rating agency and financial assessment. Where considered appropriate, security in the form of trade finance instruments from financial institutions with an appropriate credit rating, such as letters of credit, guarantees and credit insurance are obtained to mitigate the risks.

The Group generally enters into derivative agreements with banks who are lenders under the Reserves Based Lending credit facility. Security is provided under the facility agreement which mitigates non-performance risk. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties. The maximum financial exposure due to credit risk on the Group's financial assets, representing the sum of cash and cash equivalents, investments, derivative assets, trade receivables, current tax assets and other current assets, as at 31 December 2016 was $1,661.7 million (2015: $2,176.9 million).

Foreign currency risk

The Group conducts and manages its business predominately in US dollars, the operating currency of the industry in which it operates. The Group also purchases the operating currencies of the countries in which it operates routinely on the spot market. From time to time the Group undertakes certain transactions denominated in other currencies. These exposures are often managed by executing foreign currency financial derivatives. There were no material foreign currency financial derivatives in place at the 2016 year-end (2015: $nil). Cash balances are held in other currencies to meet immediate operating and administrative expenses or to comply with local currency regulations.

As at 31 December 2016, the only material monetary assets or liabilities of the Group that were not denominated in the functional currency of the respective subsidiaries involved were $16.9 million in non-US dollar denominated cash and cash equivalents (2015: $49.7 million) and £nil cash drawings under the Group's borrowing facilities (2015: £106.0 million). The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are net assets of $16.9 million (2015: net liabilities of $107.2 million).

The following table demonstrates the sensitivity of the Group's financial instruments to reasonable possible movements in US dollar exchange rates:

		Effect on profit before tax		Effect on equity	
	Market movement	2016 $m	2015 $m	2016 $m	2015 $m
US$/foreign currency exchange rates	20%	**(2.7)**	(7.7)	**(2.7)**	23.7
US$/foreign currency exchange rates	(20%)	**4.0**	11.5	**4.0**	(19.9)

Liquidity risk

The Group manages its liquidity risk using both short- and long-term cash flow projections, supplemented by debt financing plans and active portfolio management. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework covering the Group's short-, medium- and long-term funding and liquidity management requirements.

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's producing assets and delays to development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capability and flexibility of the Group. The

Notes to Group financial statements (continued)
Year ended 31 December 2016

Group had $1.0 billion (2015: $1.9 billion) of total facility headroom and free cash as at 31 December 2016. The Group's forecast, taking into account the risks described above, show that the Group will be able to operate within its current debt facilities and have sufficient financial headroom for the 12 months from the date of approval of the 2016 Annual Report and Accounts.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate	Less than 1 month $m	1-3 months $m	3 months to 1 year $m	1-5 years $m	5+ years $m	Total $m
31 December 2016							
Non-interest bearing	**n/a**	**21.0**	**167.3**	**4.7**	**—**	**87.7**	**280.7**
Finance lease liabilities	**6.5%**	**0.3**	**0.8**	**2.4**	**14.5**	**17.6**	**35.6**
Fixed interest rate instruments	**7.5%**						
Principal repayments		**—**	**—**	**—**	**950.0**	**650.0**	**1,600.0**
Interest charge		**9.9**	**—**	**89.6**	**359.0**	**20.3**	**478.8**
Variable interest rate instruments	**5.9%**						
Principal repayments		**—**	**55.0**	**536.9**	**2,871.9**	**—**	**3,463.8**
Interest charge		**14.4**	**28.6**	**120.2**	**151.9**	**—**	**315.1**
		45.6	**251.7**	**753.8**	**4,435.0**	**687.9**	**6,174.0**

	Weighted average effective interest rate	Less than 1 month $m	1-3 months $m	3 months to 1 year $m	1-5 years $m	5+ years $m	Total $m
31 December 2015							
Non-interest bearing	n/a	46.9	47.4	21.5	—	72.8	188.6
Finance lease liabilities	6.5%	0.3	0.8	2.2	14.5	21.3	39.1
Fixed interest rate instruments	6.5%						
Principal repayments		—	—	—	650.0	650.0	1,300.0
Interest charge		—	—	79.6	318.5	60.9	459.0
Variable interest rate instruments	6.0%						
Principal repayments		—	—	75.0	3,000.0	—	3,075.0
Interest charge		10.0	20.1	90.1	206.0	—	326.2
		57.2	68.3	268.4	4,189.0	805.0	5,387.9

Notes to Group financial statements (continued)
Year ended 31 December 2016

The Group has interest rate swaps that fix $300.0 million (2015: $300.0 million) of variable interest rate risk. The impact of these derivatives on the classification of fixed and variable rate instruments has been excluded from the above tables.

Note 22. Obligations under finance leases

	Notes	2016 $m	2015 $m
Amounts payable under finance leases:			
—Within one year		**3.5**	3.3
—Within two to five years		**14.5**	14.5
—After five years		**17.6**	21.3
		37.6	39.1
Less future finance charges		**(9.1)**	(11.1)
Present value of lease obligations		**26.5**	28.0
Amount due for settlement within 12 months	19	**1.9**	1.5
Amount due for settlement after 12 months	19	**24.6**	26.5

The Group's only finance lease is the Espoir FPSO (2015: Espoir FPSO). The fair value of the Group's lease obligations approximates the carrying amount. The average remaining lease term as at 31 December 2016 was 10 years (2015: 11 years). For the year ended 31 December 2016, the effective borrowing rate was 6.5% (2015: 6.5%).

Note 23. Provisions

	Notes	Decommissioning 2016 $m	Other provisions 2016 $m	Total 2016 $m	Decommissioning 2015 $m	Other provisions 2015 $m	Total 2015 $m
At 1 January		**1,008.8**	**243.3**	**1,252.1**	1,192.9	67.5	1,260.4
New provisions and changes in estimates		**57.1**	**71.4**	**128.5**	(147.4)	177.1	29.7
Disposals		**—**	**—**	**—**	0.8	0.3	1.1
Payments		**(23.0)**	**(132.0)**	**(155.0)**	(40.8)	—	(40.8)
Transfer to accruals		**—**	**(35.0)**	**(35.0)**	—	—	—
Unwinding of discount	5	**25.1**	**—**	**25.1**	28.3	0.1	28.4
Currency translation adjustment		**(53.6)**	**(3.5)**	**(57.1)**	(25.0)	(1.7)	(26.7)
At 31 December		**1,014.4**	**144.2**	**1,158.6**	1,008.8	243.3	1,252.1
Current provisions		**49.0**	**2.9**	**51.9**	—	187.0	187.0
Non-current provisions		**965.4**	**141.3**	**1,106.7**	1,008.8	56.3	1,065.1

Notes to Group financial statements (continued)
Year ended 31 December 2016

Included within other provisions is provision for onerous service contracts and provision for restructuring costs. Due to the reduction in planned future work programmes the Group has identified a number of onerous service contracts. The expected unutilised capacity has been provided for in 2015 and 2016 resulting in an income statement charge of $114.9 million (2015: $185.5 million). During 2016, the Group incurred $12.3 million (2015: $44.9 million) in respect of restructuring costs. A provision in respect of contingent consideration due on the acquisition of Spring Energy has been released in 2016 ($43.5 million) as the Group concluded that payment of such consideration is not probable.

The decommissioning provision represents the present value of decommissioning costs relating to the European and African oil and gas interests.

	Inflation assumption	Discount rate assumption	Cessation of production assumption	2016 $m	2015 $m
Congo	2%	3%	2027	**18.3**	15.2
Côte d'Ivoire	2%	3%	2026	**48.1**	53.3
Equatorial Guinea	2%	3%	2028 - 2029	**130.0**	126.2
Gabon	2%	3%	2021 - 2034	**54.2**	61.0
Ghana	2%	3%	2034 - 2036	**267.6**	257.7
Mauritania	2%	3%	2017	**130.9**	121.4
Netherlands	2%	3%	2020 - 2036	**100.7**	90.5
UK	2%	3%	2015 - 2018	**264.6**	283.5
				1,014.4	1,008.8

Note 24. Deferred taxation

	Accelerated tax depreciation $m	Decommissioning $m	Revaluation of financial assets $m	Tax losses $m	Other timing differences $m	Provision for onerous contracts $m	Deferred PRT $m	Total $m
At 1 January 2015	(1,480.4)	131.8	(1.6)	95.5	(4.6)	—	6.7	(1,252.6)
Credit/(debit) to income statement	217.8	73.1	0.2	139.7	(83.7)	—	4.4	351.5
Credit to other comprehensive income	—	—	0.9	—	—	—	—	0.9
Exchange differences	37.8	(6.7)	—	0.2	0.2		(0.5)	31.0
At 1 January 2016	**(1,224.8)**	**198.2**	**(0.5)**	**235.4**	**(88.1)**	**—**	**10.6**	**(869.2)**
Credit/(debit) to income statement	**10.2**	**(67.4)**	**—**	**300.0**	**72.9**	**44.7**	**(1.7)**	**358.7**
Credit to other comprehensive income	**—**	**—**	**1.0**	**—**	**—**	**—**	**—**	**1.0**
Exchange differences	**(2.7)**	**(20.0)**	**—**	**(0.1)**	**0.4**	**—**	**(1.6)**	**(24.0)**
At 31 December 2016	**(1,217.3)**	**110.8**	**0.5**	**353.3**	**(14.8)**	**44.7**	**7.3**	**(533.5)**

	2016 $m	2015 $m
Deferred tax liabilities	**(1,292.4)**	(1,164.5)
Deferred tax assets	**758.9**	295.3
	(533.5)	(869.2)

No deferred tax has been provided on unremitted earnings of overseas subsidiaries, as the Group has no plans to remit these to the UK in the foreseeable future. Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the level of deferred tax assets recognised which can result in a charge or credit in the period in which the change occurs.

Note 25. Called up equity share capital and share premium account

Allotted equity share capital and share premium

	Equity share capital allotted and fully paid		Share premium
	Number	$m	$m
Ordinary shares of 10 pence each			
At 1 January 2015	910,661,631	147.0	606.4
Issued during the year			
—Exercise of share options	915,075	0.2	3.4
At 1 January 2016	**911,576,706**	**147.2**	**609.8**
Issued during the year			
—Exercise of share options	**2,905,254**	**0.3**	**9.5**
At 31 December 2016	**914,481,960**	**147.5**	**619.3**

The Company does not have a maximum authorised share capital.

Note 26. Non-controlling interest

The non-controlling interest relates to Tulipe Oil SA (Tulipe), where the Group has a 50% controlling shareholding whose place of business is Gabon. Distributions to non-controlling interests were $10.0 million (2015: $2.4 million).

Notes to Group financial statements (continued)
Year ended 31 December 2016

Note 27. Share-based payments

Analysis of share-based payment charge

	Notes	2016 $m	2015 $m
Tullow Incentive Plan		**9.3**	12.3
2005 Performance Share Plan		**0.9**	7.9
2005 Deferred Share Bonus Plan		**—**	1.0
Employee Share Award Plan		**38.3**	30.8
2010 Share Option Plan and 2000 Executive Share Option Scheme		**1.5**	14.8
UK & Irish Share Incentive		**0.9**	0.5
Total share-based payment charge		**50.9**	67.3
Capitalised to intangible and tangible assets		**7.0**	18.6
Expensed to operating costs	4	**2.7**	0.8
Expensed as administrative cost	4	**41.2**	47.9
Total share-based payment charge		**50.9**	67.3

Tullow Incentive Plan (TIP)

Under the TIP, Senior Management can be granted nil exercise price options, normally exercisable from three (five years in the case of the Company's Directors) to ten years following grant provided an individual remains in employment. The size of awards depends on both annual performance measures and Total Shareholder Return (TSR) over a period of up to three years. There are no post-grant performance conditions. No dividends are paid over the vesting period, however an amount equivalent to the dividends that would have been paid on the TIP shares during the vesting period if they were 'real' shares, will also be payable on exercise of the award. There are further details of the TIP in the Directors' Remuneration Report on pages 80 to 100.

The weighted average remaining contractual life for TIP awards outstanding at 31 December 2016 was 7.7 years.

2005 Performance Share Plan (PSP)

Under the PSP, Senior Management could be granted nil exercise price options, normally exercisable between three and ten years following grant. Awards made before 8 March 2010 were made as conditional awards to acquire free shares on vesting. To provide flexibility to participants, those awards were converted into nil exercise price options. Awards vest subject to a Total Shareholder Return (TSR) performance condition, 50% (70% for awards granted to Directors in 2013, 2012 and 2011) of an award is tested against a comparator group of oil and gas companies. The remaining 50% (30% for awards granted to Directors in 2013, 2012 and 2011) is tested against constituents of the FTSE 100 index (excluding investment trusts).

Performance is measured over a fixed three-year period starting on 1 January prior to grant, and an individual must normally remain in employment for three years from grant for the shares to vest. No dividends are paid over the vesting period. There are further details of PSP award performance measurement in the Directors' Remuneration Report on pages 80 to 100. From 2014, senior executives participate in the TIP instead of the PSP.

The weighted average remaining contractual life for PSP awards outstanding at 31 December 2016 was 1.8 years.

2005 Deferred Share Bonus Plan (DSBP)

Under the DSBP, the portion of any annual bonus above 75% of the base salary of a senior executive nominated by the Remuneration Committee was deferred into shares. Awards normally vest following the end of three financial years commencing with that in which they were granted. They were granted as nil exercise price options, normally exercisable from when they vest until ten years from grant. Awards granted before 8 March 2010 as conditional awards to acquire free shares were converted into nil exercise price options to provide flexibility to participants. A dividend equivalent is paid over the period from grant to vesting. From 2014, senior executives participate in the TIP instead of the DSBP.

The weighted average remaining contractual life for DSBP awards outstanding at 31 December 2016 was 4.3 years.

Employee Share Award Plan (ESAP)

Most Group employees are eligible to be granted nil exercise price options under the ESAP. These are normally exercisable from three to ten years following grant. An individual must normally remain in employment for three years from grant for the share to vest. Awards are not subject to post-grant performance conditions.

Phantom options that provide a cash bonus equivalent to the gain that could be made from a share option (being granted over a notional number of shares) have also been granted under the ESAP in situations where the grant of share options was not practicable.

The weighted average remaining contractual life for ESAP awards outstanding at 31 December 2016 was 7.7 years.

2010 Share Option Plan (2010 SOP) and 2000 Executive Share Option Scheme (2000 ESOS)

Participation in the 2010 SOP and 2000 ESOS was available to most of the Group's employees. Options have an exercise price equal to market value shortly before grant and are normally exercisable between three and ten years from the date of the grant subject to continuing employment.

Notes to Group financial statements (continued)
Year ended 31 December 2016

Options granted prior to 2011 were granted under the 2000 ESOS where exercise was subject to a performance condition. Performance was measured against constituents of the FTSE 100 index (excluding investment trusts). 100% of awards vested if the Company's TSR was above the median of the index companies over three years from grant. The 2010 SOP was replaced by the ESAP for grants from 2014. During 2013 phantom options were granted under the 2010 SOP to replace certain options granted under the 2000 ESOS that lapsed as a result of performance conditions not being satisfied. These replacement phantom options provide a cash bonus equivalent to the gain that could be made from a share option (being granted over a notional number of shares with a notional exercise price). Phantom options have also been granted under the 2010 SOP and the 2000 ESOS in situations where the grant of share options was not practicable.

Options outstanding at 31 December 2016 had exercise prices of 365p to 1530p (2015: 349p to 1530p) and remaining contractual lives between eight days and seven years. The weighted average remaining contractual life is 4.1 years.

UK & Irish Share Incentive Plans (SIPs)

These are all-employee plans set up in the UK and Ireland, to enable employees to save out of salary up to prescribed monthly limits. Contributions are used by the SIP trustees to buy Tullow shares ('Partnership Shares') at the end of each three-month accumulation period. The Company makes a matching contribution to acquire Tullow shares ('Matching Shares') on a one-for-one basis. Under the UK SIP, Matching Shares are subject to time-based forfeiture over three years on leaving employment in certain circumstances or if the related Partnership Shares are sold. The fair value of a Matching Share is its market value when it is awarded.

Under the UK SIP: (i) Partnership Shares are purchased at the lower of their market values at the start of the accumulation period and the purchase date (which is treated as a three-month share option for IFRS 2 purposes and therefore results in an accounting charge), and (ii) Matching Shares vest over the three years after being awarded (resulting in their accounting charge being spread over that period). Under the Irish SIP: (i) Partnership Shares are bought at the market value at the purchase date (which does not result in any accounting charge), and (ii) Matching Shares vest over the two years after being awarded (resulting in their accounting charge being spread over that period).

Notes to Group financial statements (continued)
Year ended 31 December 2016

The following table illustrates the number and average weighted share price ("WAEP") at grant or WAEP of, and movements in, share options under the TIP, PSP, DSBP, ESAP and 2010 SOP / 2000 ESOS.

	Outstanding as at 1 January	Granted during the year	Exercised during the year	Forfeited/ expired during the year	Outstanding at 31 December	Exercisable at 31 December
2016 TIP—number of shares	**3,801,426**	**7,134,968**	**—**	**(10,127)**	**10,926,267**	**43,610**
2016 TIP—average weighted share price at grant	**547.3**	**147.7**	**—**	**782.0**	**287.1**	**782.0**
2015 TIP—number of shares	1,580,577	2,436,183	—	(215,334)	3,801,426	820,010
2015 TIP—average weighted share price at grant	782.0	406.1	—	673.0	547.3	552.7
2016 PSP—number of shares	**4,208,862**	**—**	**(283,867)**	**(3,014,991)**	**910,004**	**910,004**
2016 PSP—average weighted share price at grant	**1125.7**	**—**	**962.0**	**1214.7**	**882.0**	**882.0**
2015 PSP—number of shares	6,972,729	—	(223,711)	(2,540,156)	4,208,862	1,814,024
2015 PSP—average weighted share price at grant	1230.2	—	892.4	1433.0	1125.7	997.7
2016 DSBP—number of shares	**466,097**	**—**	**(137,114)**	**(123,279)**	**205,704**	**205,704**
2016 DSBP—average weighted share price at grant	**1226.7**	**—**	**1338.2**	**1121.4**	**1215.5**	**1215.5**
2015 DSBP—number of shares	491,916	—	(25,819)	—	466,097	315,589
2015 DSBP—average weighted share price at grant	1240.0	—	1480.0	—	1226.7	1219.9
2016 ESAP—number of shares	**17,067,908**	**11,315,031**	**(2,495,408)**	**(2,126,712)**	**23,760,819**	**3,330,615**
2016 ESAP—average weighted share price at grant	**380.7**	**147.7**	**354.9**	**287.4**	**280.8**	**281.5**
2015 ESAP—number of shares	3,306,981	15,516,608	(155,107)	(1,600,574)	17,067,908	651,595
2015 ESAP—average weighted share price at grant	779.7	304.2	730.3	429.0	380.7	688.7
2016 SOP/ESOS—number of shares	**14,466,011**	**—**	**(3,362)**	**(4,456,279)**	**10,006,370**	**10,006,370**
2016 SOP/ESOS—WAEP	**1160.9**	**—**	**1219.0**	**1088.9**	**1192.9**	**1192.9**
2015 SOP/ESOS—number of shares	16,343,605	—	(531,106)	(1,346,488)	14,466,011	9,894,040
2015 SOP/ESOS—WAEP	1128.8	—	201.8	1149.6	1160.9	1139.3
2016 Phantoms—number of phantom shares	**1,518,439**	**—**	**—**	**(265,694)**	**1,252,745**	**1,252,745**
2016 Phantoms—WAEP	**1274.5**	**—**	**—**	**1274.4**	**1274.4**	**1274.4**
2015 Phantoms—number of phantom shares	2,229,052	—	—	(710,613)	1,518,439	1,518,439
2015 Phantoms—WAEP	1274.5	—	—	1274.6	1274.5	1274.5

The options granted during the year were valued using a proprietary binomial valuation.

Notes to Group financial statements (continued)
Year ended 31 December 2016

The following table details the weighted average fair value of awards granted and the assumptions used in the fair value expense calculations.

	2016 TIP	2016 ESAP	2015 TIP	2015 ESAP
Weighted average fair value of awards granted	**147.7p**	**147.7p**	406.1p	304.2p
Weighted average share price at exercise for awards exercised	**—**	**282.1p**	—	319.0
Principal inputs to options valuations model:				
Weighted average share price at grant	**147.7p**	**147.7p**	406.1p	304.2p
Weighted average exercise price	**0.0p**	**0.0p**	0.0p	0.0p
Risk-free interest rate per annum	**0.4 - 0.7%**	**0.4%**	0.9 - 1.3%	0.5 - 1.0%
Expected volatility per annum[1]	**45 - 50%**	**50%**	32 - 36%	32 - 41%
Expected award life (years)[2]	**3.5**	**3.0**	3.3	2.2
Dividend yield per annum	**n/a**	**0.0%**	n/a	0.0%
Employee turnover before vesting per annum[3]	**5% / 0%**	**5%**	5% / 0%	5%

1. Expected volatility was determined by calculating the historical volatility of the Company's share price over a period commensurate with the expected life of the awards.

2. The expected life is the average expected period from date of grant to exercise allowing for the Company's best estimate of participants' expected exercise behaviour.

3. Zero turnover is assumed for TIP awards made to executives and Directors, 5% per annum for TIP awards to senior management.

	2016 PSP	2015 PSP	2016 DSBP	2015 DSBP	2016 SOP/ESOS[1]	2015 SOP/ESOS[1]
Weighted average share price at exercise for awards exercised	**254.6p**	294.5p	**213.5p**	384.6p	**255.7p**	409.0p

1. Includes the replacement phantom awards made during 2013.

Notes to Group financial statements (continued)
Year ended 31 December 2016

Note 28. Commitments and contingencies

	2016 $m	2015 $m
Capital commitments	**108.4**	1,614.5
Operating lease commitments		
Due within one year	**143.7**	8.4
After one year but within two years	**105.9**	8.4
After two years but within five years	**319.9**	25.2
Due after five years	**464.8**	39.3
	1,034.3	81.3
Contingent liabilities		
Performance guarantees	**85.1**	130.9
Other contingent liabilities	**156.6**	32.0
	241.7	162.9

Where Tullow acts as operator of a joint venture the capital commitments reported represent Tullow's net share of these commitments. Where Tullow is non-operator the value of capital commitments is based on committed future work programmes.

Operating lease payments represent rentals payable by the Group for certain of its office properties and a lease for an FPSO vessel for use on TEN filed in Ghana. The TEN FPSO is expected to be recognised as a finance lease in the first half of 2017. Leases on office properties are negotiated for an average of six years and rentals are fixed for an average of six years.

Performance guarantees are in respect of abandonment obligations, committed work programmes and certain financial obligations.

Other contingent liabilities include amounts for ongoing legal disputes with third parties where we consider the likelihood of a cash outflow to be higher than remote but not probable.

Notes to Group financial statements (continued)
Year ended 31 December 2016

Note 29. Related party transactions

The Directors of Tullow Oil plc are considered to be the only key management personnel as defined by IAS 24—Related Party Disclosures.

	2016 $m	2015 $m
Short-term employee benefits	**8.9**	10.0
Post-employment benefits	**1.0**	1.1
Amounts awarded under long-term incentive schemes	**3.7**	4.2
Share-based payments	**2.6**	5.7
	16.2	21.0

Short-term employee benefits

These amounts comprise fees paid to the Directors in respect of salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

Post-employment benefits

These amounts comprise amounts paid into the pension schemes of the Directors.

Amounts awarded under long-term incentive schemes

These amounts relate to the shares granted under the annual bonus scheme that are deferred for three years under the Deferred Share Bonus Plan (DSBP) and Tullow Incentive Plan (TIP).

Share-based payments

This is the cost to the Group of Directors' participation in share-based payment plans, as measured by the fair value of options and shares granted, accounted for in accordance with IFRS 2—Share-based Payments.

There are no other related party transactions. Further details regarding transactions with the Directors of Tullow Oil plc are disclosed in the Directors' Remuneration Report on pages 80 to 100.

Note 30. Subsequent events

On 5 January 2017, Tullow announced that Ian Springett, CFO, has taken an extended leave of absence to undergo treatment for a medical condition, with Les Wood, Vice President Finance and Commercial, appointed Interim CFO.

On 9 January 2017, Tullow announced that it had agreed a substantial farm-down of its assets in Uganda to Total. For further details please see above.

On 11 January 2017 the Group announced that Paul McDade, currently Chief Operating Officer, will be appointed Chief Executive Officer following Tullow's Annual General Meeting on 26 April 2017. This follows an internal and external process led by Tullow's Nominations Committee. At the same time, after six years on Tullow's Board and five as Chairman, Simon Thompson will step down from the Board. Aidan Heavey, Chief Executive Officer and founder of Tullow Oil, will succeed Mr. Thompson as Chairman of the Group for a transitional period of up to but not exceeding two years. Ann Grant, Senior Independent Director, will retire at the AGM after nine years' service on the Board. Jeremy Wilson, a non-executive Director of Tullow and Chairman of the Remuneration Committee, will succeed Ms Grant as Senior Independent Director.

On 17 January 2017 the Group announced that the Erut-1 well in Block 13T, Northern Kenya, had discovered a gross oil interval of 55 metres with 25 metres of net oil pay at a depth of 700 metres. The overall oil column for the field is estimated to be 100 to 125 metres.

Note 31. Pension schemes

The Group operates defined contribution pension schemes for staff and Executive Directors. The contributions are payable to external funds which are administered by independent trustees. Contributions during the year amounted to $16.6 million (2015: $20.5 million). As at 31 December 2016, there was a liability of $nil (2015: $nil) for contributions payable included in other payables.

Company balance sheet
As at 31 December 2016

	Notes	2016 $m	2015 $m
ASSETS			
Non-current assets			
Investments	1	**7,398.0**	4,885.4
Intercompany derivative asset	6	**—**	217.6
		7,398.0	5,103.0
Current assets			
Other current assets	3	**1,431.4**	3,475.5
Intercompany derivative asset	6	**—**	405.4
Cash at bank		**6.7**	3.4
		1,438.1	3,884.3
Total assets		**8,836.1**	8,987.3
LIABILITIES			
Current liabilities			
Trade and other creditors	4	**(343.6)**	(722.5)
Borrowings	5	**(508.1)**	(14.2)
Intercompany derivative liability	6	**(50.0)**	—
		(901.7)	(736.7)
Non-current liabilities			
Borrowings	5	**(4,131.1)**	(4,262.4)
Intercompany derivative liability	6	**(17.2)**	—
		(4,148.3)	(4,262.4)
Total liabilities		**(5,050.0)**	(4,999.1)
Net assets		**3,786.1**	3,988.2
Capital and reserves			
Called-up share capital	7	**147.5**	147.2
Share premium	7	**619.3**	609.8
Other reserves		**850.8**	850.8
Retained earnings		**2,168.5**	2,380.4
Total equity		**3,786.1**	3,988.2

Approved by the Board and authorised for issue on 7 February 2017.

Aidan Heavey
Chief Executive Officer

Les Wood
Interim Chief Financial Officer

Company statement of changes in equity
As at 31 December 2016

	Share capital $m	Share premium $m	Other reserves $m	Retained earnings $m	Total equity $m
At 1 January 2015	147.0	606.4	850.8	3,579.8	5,184.0
Loss for the year	—	—	—	(1,264.8)	(1,264.8)
Issue of employee share options	0.2	3.4	—	—	3.6
Vesting of PSP shares	—	—	—	(1.9)	(1.9)
Share-based payment charges	—	—	—	67.3	67.3
At 1 January 2016	**147.2**	**609.8**	**850.8**	**2,380.4**	**3,988.2**
Loss for the year	**—**	**—**	**—**	**(253.4)**	**(253.4)**
Issue of employee share options	**0.3**	**9.5**	**—**	**—**	**9.8**
Vesting of PSP shares	**—**	**—**	**—**	**(9.4)**	**(9.4)**
Share-based payment charges	**—**	**—**	**—**	**50.9**	**50.9**
At 31 December 2016	**147.5**	**619.3**	**850.8**	**2,168.5**	**3,786.1**

Company accounting policies
As at 31 December 2016

(a) General information

Tullow Oil plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is Tullow Oil plc, Building 9, Chiswick Park, 566 Chiswick High Road, London, W4 5XT. The Financial Statements are presented in US dollars and all values are rounded to the nearest $0.1 million, except where otherwise stated. Tullow Oil plc is the ultimate parent of the Tullow Oil Group.

(b) Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The Financial Statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of an income statement, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the Group accounts.

The Financial Statements have been prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value.

During the year the Company made a loss of $253.4 million (2015: $1,264.8 million loss).

(c) Going concern

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, and different production rates from the Group's producing assets. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capability and flexibility of the Group. In the currently low commodity price environment, the Group has taken appropriate action to reduce its cost base and had $0.9 billion of debt liquidity headroom and free cash at the end of 2016. The Group's forecast, taking into account the risks described above, show that the Group will be able to operate within its current debt facilities and have sufficient financial headroom for the 12 months from the date of approval of the 2016 Annual Report and Accounts.

Based on the analysis above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

Company accounting policies (continued)
As at 31 December 2016

(d) Foreign currencies

The US dollar is the reporting currency of the Company. Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date, with a corresponding charge or credit to the income statement. However, exchange gains and losses arising on long-term foreign currency borrowings, which are a hedge against the Company's overseas investments, are dealt with in reserves.

(e) Investments

Fixed asset investments, including investments in subsidiaries, are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

(f) Derivative financial instruments

The Company uses derivative financial instruments to manage the Group's exposure to fluctuations in movements in oil and gas prices.

Derivative financial instruments are stated at fair value.

The purpose for which a derivative is used is established at inception. To qualify for hedge accounting, the derivative must be highly effective in achieving its objective and this effectiveness must be documented at inception and throughout the period of the hedge relationship. The hedge must be assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For the purpose of hedge accounting, hedges are classified as either fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges, where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or forecast transaction.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from re-measuring the derivative and the hedged item at fair value is recognised immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the income statement.

For cash flow hedges, the portion of the gains and losses on the hedging instrument that is determined to be an effective hedge is taken to other comprehensive income and the ineffective portion, as well as any change in time value, is recognised in the income statement. The gains and losses taken to other comprehensive income are subsequently transferred to the income statement during the period in which the hedged transaction affects the income statement. A similar treatment applies to foreign currency loans which are hedges of the Group's net investment in the net assets of a foreign operation.

Gains or losses on derivatives that do not qualify for hedge accounting treatment (either from inception or during the life of the instrument) are taken directly to the income statement in the period.

(g) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(h) Share issue expenses

Costs of share issues are written off against the premium arising on the issues of share capital.

(i) Finance costs of debt

Finance costs of debt are recognised in the profit and loss account over the term of the related debt at a constant rate on the carrying amount.

Interest-bearing borrowings are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(j) Taxation

Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred corporation tax is recognised on all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted. Deferred tax is measured on a non-discounted basis.

Deferred tax is provided on temporary differences arising on acquisitions that are categorised as Business Combinations. Deferred tax is recognised at acquisition as part of the assessment of the fair value of assets and liabilities acquired. Any deferred tax is charged or credited in the income statement as the underlying temporary difference is reversed.

(k) Capital management

The Company defines capital as the total equity of the Company. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Company's ability to continue as a going concern. Tullow is not subject to any externally imposed capital requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital, issue new shares for cash, repay debt, and put in place new debt facilities.

(l) Critical accounting judgements and key sources of estimation uncertainty

- Financial instruments (note 6)

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The Directors of the Company have determined appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

- Investments (note 1)

The Company is required to assess the carrying values of each of its investments in subsidiaries for impairment. The net assets of certain of the Company's subsidiaries are predominantly intangible exploration and evaluation (E&E) assets. Where facts and circumstances indicate that the carrying amount of an E&E asset held by a subsidiary may exceed its recoverable amount, by reference to the specific indicators of impairment of E&E assets, an impairment test of the asset is performed by the subsidiary undertaking and the asset is impaired by any difference between its carrying value and its recoverable amount. The recognition of such an impairment by a subsidiary is used by the Company as the primary basis for determining whether or not there are indications that the investment in the related subsidiary may also be impaired, and thus whether an impairment test of the investment carrying value needs to be performed. The results of exploration activities are inherently uncertain, and the assessment of impairment of E&E assets by the subsidiary, and that of the related investment by the Company, is judgemental.

Notes to the Company financial statements
Year ended 31 December 2016

Note 1. Investments

	2016 $m	2015 $m
Shares at cost in subsidiary undertakings	**7,397.0**	4,884.4
Unlisted investments	**1.0**	1.0
	7,397.3	4,885.4

During 2016, the Company increased its investments in subsidiaries undertakings by $3,690.2 million (2015: $1,245.6 million) this was partially offset by recognising an impairment of $1,177.6 million (2015: $1,279.8 million) was against the Company's investments in subsidiaries to fund losses incurred by Group service companies and exploration companies.

The Company's subsidiary undertakings as at 31 December 2016 are listed on page 154. The principal activity of all companies relates to oil and gas exploration, development and production.

Note 2. Deferred tax

The Company has tax losses of $494.4 million (2015: $359.9 million) that are available indefinitely for offset against future non-ring-fenced taxable profits in the Company. A deferred tax asset of $ nil (2015: nil) has been recognised in respect of these losses on the basis that the Company does not anticipate making non-ring-fenced profits in the foreseeable future.

Note 3. Other current assets

Amounts falling due within one year

	2016 $m	2015 $m
Other debtors	**29.1**	—
Due from subsidiary undertakings	**1,402.3**	3,475.5
	1,431.4	3,475.5

The amounts due from subsidiary undertakings include $1,373.3 million (2015: $2,951.0 million) that incurs interest at LIBOR plus 0.5%-4.5%. The remaining amounts due from subsidiaries accrue no interest. All amounts are repayable on demand. During the year a provision of $172.5 million (2015: $174.8 million) was made in respect of the recoverability of amounts due from subsidiary undertakings.

Notes to the Company financial statements (continued)
Year ended 31 December 2016

Note 4. Trade and other creditors

Amounts falling due within one year

	2016 $m	2015 $m
VAT and other similar taxes	**0.7**	—
Due to subsidiary undertakings	**342.9**	722.5
	343.6	722.5

Note 5. Borrowings

	2016 $m	2015 $m
Current		
Bank borrowings—Reserve Based Lending credit facility	**508.1**	14.2
Non-current		
Bank borrowings—After one year but within two years		
Reserve Based Lending credit facility	**906.2**	800.0
Revolving credit facility	**364.6**	—
Bank borrowings—After two years but within five years		
Reserve Based Lending credit facility	**1,561.7**	2,165.6
6.0% Senior notes due 2020	**647.6**	646.4
6.25% Senior notes due 2022	**651.0**	650.4
	4,131.1	4,262.4
Carrying value of total borrowings	**4,639.2**	4,276.6
Accrued interest and unamortised fees	**40.8**	37.6
External borrowings	**4,680.0**	4,314.2

Term loans are secured by fixed and floating charges over the oil and gas assets of the Group.

Note 6. Financial instruments

Disclosure exemptions adopted

Where equivalent disclosures for the requirements of IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurements have been included in the 2016 Annual Report and Accounts of Tullow Oil plc, the Company has adopted the disclosure exemptions available to the Company's accounts.

Notes to the Company financial statements (continued)
Year ended 31 December 2016

Financial risk management objectives

The Company follows the Group's policies for managing all its financial risks.

Fair values of derivative instruments

All derivatives are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement, unless the derivatives have been designated as cash flow or fair value hedges. Fair value is the amount for which the asset or liability could be exchanged in an arm's length transaction at the relevant date. Where available fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

On 15 April 2016, the Company terminated the intercompany derivative trade previously entered on 22 December 2015 with a wholly owned subsidiary, in exchange for a termination receipt of $550.1 million. This terminated the Company's right to receive from the subsidiary all future receipts, and its obligations to the subsidiary to assume all future liabilities under the Group's existing and future oil derivative contracts with external counterparties.

This intercompany transaction does not impact the Group's oil derivative contracts with external counterparties, which it continues to transact and hold in line with the Group's commodity price risk management objectives.

On the same day, the Company entered into a new intercompany derivative trade with the same subsidiary, to purchase downside oil price protection up to 31 December 2018, for a deferred consideration of $137.0 million.

The Company's derivative carrying and fair values were as follows

Assets/liabilities	2016 Less than 1 year $m	2016 1 - 3 years $m	2016 Total $m	2015 Less than 1 year $m	2015 1-3 years $m	2015 Total $m
Intercompany oil derivatives	**(50.0)**	**(17.2)**	**(67.0)**	405.4	217.6	623.0
Total assets	—	—	—	405.4	217.6	623.0
Total liabilities	**(50.0)**	**(17.2)**	**(67.0)**	—	—	—

The following provides an analysis of the Company's financial instruments measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Notes to the Company financial statements (continued)
Year ended 31 December 2016

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data.

All of the Company's derivatives are Level 2 (2015: Level 2). There were no transfers between fair value levels during the year.

For financial instruments which are recognised on a recurring basis, the Company determines whether transfers have occurred between levels by reassessing categorisation (based on the lowest-level input which is significant to the fair value measurement as a whole) at the end of each reporting period.

Income statement summary

Derivative fair value movements during the year which have been recognised in the income statement were as follows

Loss on derivative instruments	**2016 $m**	**2015 $m**
Intercompany oil derivatives	**(27.6)**	(53.3)

Cash flow and interest rate risk

The interest rate profile of the Company's financial assets and liabilities, excluding trade and other receivables and trade and other payables, at 31 December 2016 and 2015 was as follows:

	2016 Cash at bank $m	**2016 Fixed rate debt $m**	**2016 Floating rate debt $m**	**2016 Total $m**	**2015 Cash at bank $m**	**2015 Fixed rate debt $m**	**2015 Floating rate debt $m**	**2015 Total $m**
US$	**7.7**	**(1,300.0)**	**(3,380.0)**	**(4,672.3)**	2.1	(1,300.0)	(2,857.3)	(4,155.2)
Euro	**—**	**—**	**—**	**—**	0.2	—	—	0.2
Sterling	**—**	**—**	**—**	**—**	0.1	—	(156.9)	(156.8)
Other	**0.1**	**—**	**—**	**0.1**	1.0	—	—	1.0
	7.8	**(1,300.0)**	**(3,380.0)**	**(4,672.2)**	3.4	(1,300.0)	(3,014.2)	(4,310.8)

Cash at bank consisted mainly of deposits which earn interest at rates set in advance for periods ranging from overnight to one month by reference to market rates.

Notes to the Company financial statements (continued)
Year ended 31 December 2016

Liquidity risk

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Weighted average effective interest rate	Less than 1 month $m	1 - 3 months $m	3 months to 1 year $m	1 - 5 years $m	5+ years $m	Total $m
31 December 2016							
Non-interest bearing . .	**n/a**	**343.6**	**—**	**—**	**—**	**—**	**343.6**
Fixed interest rate instruments	**7.1%**						
Principal repayments		**—**	**—**	**—**	**941.7**	**650.0**	**1,591.7**
Interest charge		**14.5**	**—**	**94.1**	**395.5**	**20.3**	**524.4**
Variable interest rate instruments	**5.9%**						
Principal repayments		**—**	**55.0**	**453.1**	**2,871.9**	**—**	**3,380.0**
Interest charge		**14.2**	**28.2**	**118.4**	**151.9**	**—**	**312.7**
		372.3	**83.2**	**665.6**	**4,361.0**	**670.3**	**6,152.4**

	Weighted average effective interest rate	Less than 1 month $m	1 - 3 months $m	3 months to 1 year $m	1 - 5 years $m	5+ years $m	Total $m
31 December 2015							
Non-interest bearing . .	n/a	722.5	—	—	—	—	722.5
Fixed interest rate instruments	6.5%						
Principal repayments		—	—	—	650.0	650.0	1,300.0
Interest charge		—	—	79.6	318.5	60.9	459.0
Variable interest rate instruments	6.0%						
Principal repayments		—	—	14.2	3,000.0	—	3,014.2
Interest charge		9.9	19.7	88.5	206.0	—	324.1
		732.4	19.7	182.3	4,174.5	710.9	5,819.8

Notes to the Company financial statements (continued)
Year ended 31 December 2016

Sensitivity analysis

The following analysis is intended to illustrate sensitivity to changes in market variables, being Dated Brent oil prices and US dollar exchange rates. The analysis is used internally by management to monitor derivatives and assesses the financial impact of reasonably possible movements in key variables.

		Impact on Profit before tax	
	Market movement	2016 $m	2015 $m
Brent oil price	25%	—	(286.0)
Brent oil price	(25%)	**28.6**	256.5
US$/foreign currency exchange rates	20%	—	(31.4)
US$/foreign currency exchange rates	(20%)	—	31.4

The following assumptions have been used in calculating the sensitivity in movement of oil prices; the pricing adjustments relate only to the point forward mark-to-market (MTM) valuations, the sensitivities have been run only on the intrinsic element of the derivatives as management consider this to be the material component of oil derivative valuations.

Note 7. Called up equity share capital and share premium account

Allotted equity share capital and share premium

	Equity share capital allotted and fully paid Number	Share capital $m	Share premium $m
At 1 January 2015	910,661,631	147.0	606.4
Issued during the year			
—Exercise of share options	915,075	0.2	3.4
At 1 January 2016	**911,576,706**	**147.2**	**609.8**
Issued during the year			
—Exercise of share options	**2,905,254**	**0.3**	**9.5**
At 31 December 2016	**914,481,960**	**147.5**	**619.3**

The Company does not have an authorised share capital. The par value of the Company's shares is 10 pence.

Five year financial summary

	2016 $m	2015 $m	2014 $m	2013* $m	2012* $m
Group income statement					
Sales revenue	**1,269.9**	1,606.6	2,212.9	2,646.9	2,344.1
Other operating income—lost production insurance proceeds	**90.1**	—	—	—	—
Cost of sales	**(813.1)**	(1,015.3)	(1,116.7)	(1,153.8)	(968.0)
Gross profit	**546.9**	591.3	1,096.2	1,493.1	1,376.1
Administrative expenses	**(116.4)**	(193.6)	(192.4)	(218.5)	(191.2)
Restructuring costs	**(12.3)**	(40.8)	—	—	—
(Loss)/profit on disposal	**(3.4)**	(56.5)	(482.4)	29.5	702.5
Goodwill impairment	**(164.0)**	(53.7)	(132.8)	—	—
Exploration costs written off	**(723.0)**	(748.9)	(1,657.3)	(870.6)	(670.9)
Impairment of property, plant and equipment	**(167.6)**	(406.0)	(595.9)	(52.7)	(31.3)
Provision for onerous service contracts	**(114.9)**	(185.5)	—	—	—
Operating (loss)/profit	**(754.7)**	(1,093.7)	(1,964.6)	380.8	1,185.2
(Loss)/profit on hedging instruments	**18.2**	(58.8)	50.8	(19.7)	(19.9)
Finance revenue	**26.4**	4.2	9.6	43.7	9.6
Finance costs	**(198.2)**	(149.0)	(143.2)	(91.6)	(59.0)
(Loss)/profit from continuing activities before taxation	**(908.3)**	(1,297.3)	(2,047.4)	313.2	1,115.9
Taxation	**311.0**	260.4	407.5	(97.1)	(449.7)
(Loss)/profit for the year from continuing activities	**(597.3)**	(1,036.9)	(1,639.9)	216.1	666.2
(Loss)/earnings per share					
Basic—¢	**(65.8)**	(113.6)	(170.9)	18.6	68.8
Diluted—¢	**(65.8)**	(113.6)	(170.9)	18.5	68.4
Dividends paid	**—**	—	182.3	167.4	173.2
Group balance sheet					
Non-current assets	**8,340.1**	9,506.8	9,335.1	9,439.3	8,087.6
Net current assets/(liabilities)	**813.1**	259.2	747.4	637.0	65.4
Total assets less current liabilities	**9,153.2**	9,766.0	10,082.5	10,076.3	8,153.0
Long-term liabilities	**(6,910.7)**	(6,591.3)	(6,062.2)	(4,629.9)	(2,831.4)
Net assets	**2,242.5**	3,174.7	4,020.3	5,446.4	5,321.6
Called up equity share capital	**147.5**	147.2	147.0	146.9	146.6
Share premium	**619.3**	609.8	606.4	603.2	584.8
Equity component of convertibles bonds	**48.4**	—	—	—	—
Foreign currency translation reserve	**(232.2)**	(249.3)	(205.7)	(155.1)	(167.8)
Hedge reserve	**128.2**	569.9	401.6	2.3	(6.5)
Other reserves	**740.9**	740.9	740.9	740.9	740.9
Retained earnings	**778.0**	1,336.4	2,305.8	3,984.7	3,931.2
Equity attributable to equity holders of the parent	**2,230.1**	3,154.9	3,996.0	5,322.9	5,229.2
Non-controlling interest	**12.4**	19.8	24.3	123.5	92.4
Total equity	**2,242.5**	3,174.7	4,020.3	5,446.4	5,321.6

* All comparative figures have been re-presented to align disclosure of impairments of property, plant and equipment on the face of the income statement with 2014.

Financial Statements
Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Parent Company Financial Statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

Company

In preparing the Parent Company Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Group

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- The Financial Statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Aidan J Heavey

Aidan Heavey
Chief Executive Officer

9 February 2016

Ian Springett
Chief Financial Officer

9 February 2016

Independent Auditor's Report for the Group and Company Financial Statements

Opinion on Financial Statements of Tullow Oil plc

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The Financial Statements comprise the Group Income Statement, the Group Statement of Comprehensive Income and Expense, the Group and Company Balance Sheets, the Group Statement of Changes in Equity, the Group Cash Flow Statement, the Group Accounting Policies with related notes 1 to 31 and the Company Accounting Policies with related notes 1 to 10. The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group	As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note (af) to the Financial Statements and the Directors' statement on the longer-term viability of the Group on page 55. We have nothing material to add or draw attention to in relation to: • the Directors' confirmation on page 114 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures on page 52 that describe those risks and explain how they are being managed or mitigated; • the Directors' statement in note (af) to the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the Financial Statements; • the Directors' explanation on page 78 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.
Independence	We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement	The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

The Audit Committee has requested that while not required under International Standards on Auditing (UK and Ireland), we include in our report any significant key observations in respect of these assessed risks of material misstatement.

Carrying value of Exploration and Evaluation ("E&E") assets

Risk description	The carrying value of E&E assets at 31 December 2015 is $3,400.0 million, and the Group has written off E&E expenditure totalling $748.9 million in the year. See note 11 for further details. The assessment of the carrying value requires management to exercise judgement as described in the "critical accounting judgements" section of the Annual Report on page 128. Management's assessment requires consideration of a number of factors, including but not limited to, the Group's intention to proceed with a future work programme for a prospect or licence, the likelihood of licence renewal, and the success of drilling and geological analysis to date.
How the scope of our audit responded to the risk	We evaluated management's assessment of E&E assets carried forward with reference to the criteria of IFRS 6: Exploration for and Evaluation of Mineral Resources and the Group's accounting policy (see page 126). In 2015, the Group has continued to review their exploration strategy and geographical areas of exploration focus in the context of a lower oil price environment. Our work has considered both of these factors. The audit procedures we performed included obtaining an understanding of the Group's ongoing E&E activity by interviewing operational and finance staff at all key locations, and gathering audit evidence to assess the value of E&E assets carried forward. Such evidence included approved project budgets, and confirmations of ongoing appraisal activity and the licence phase. Where an asset has been impaired we have challenged management on the events that led to the impairment, including reference to future budgeted expenditure. Where an asset has demonstrated indicators of impairment but has been retained on the balance sheet, we have gathered evidence in respect of the status of appraisal activity, allocation of budget and any conclusion on commerciality.
Key observations	We are satisfied that the assets have been treated in accordance with the criteria of IFRS 6 and Tullow's E&E accounting policy.

In some circumstances the costs of wells from exploration continue to be held on the balance sheet for a significant period of time while development consent is obtained, for example in Uganda where development is considered to be highly likely. Based on the audit evidence we have gathered we are satisfied that management has reached these conclusions appropriately.

Carrying value of PP&E assets

Risk description

The Group holds PP&E assets of $5,204.4 million at 31 December 2015 and has recorded impairments of PP&E of $406.0 million in 2015. See note 12 for further information.

As described in the "critical accounting judgements" section of the Annual Report on page 128, the assessment of the carrying value of PP&E assets requires management to exercise judgement in identifying indictors of impairment, such as a decrease in oil price or a downgrade of proved and probable reserves.

When such indicators are identified, management must make an estimate of the recoverable amount of the asset which is compared against the carrying value. The calculation of the recoverable amount requires judgement in estimating future oil and gas prices, the applicable asset discount rate, and the cost and production profiles of reserves estimates.

How the scope of our audit responded to the risk

We examined management's assessment of impairment indicators, which concluded that the fall in commodity prices represented an indicator of impairment for all oil and gas assets held within PP&E.

The assumptions that underpin management's calculation of the recoverable amount of oil and gas assets are inherently judgemental. Our audit work therefore assessed the reasonableness of management's key judgements of the recoverable amount of each asset. Specifically our work included, but was not limited to, the following procedures:

- benchmarking and analysis of oil and gas price assumptions against forward curves, peer information and other market data;
- agreement of hydrocarbon production profiles and proved and probable reserves to third party reserve reports;
- verification of estimated future costs by agreement to approved budgets and where applicable, third party data; and
- the recalculation and benchmarking of discount rates applied with involvement of Deloitte industry valuation specialists.

Key observations

From the work performed, we are satisfied that the assets have been treated in accordance with the requirements of IAS 36: Impairment of Assets.

When considered in aggregate, we consider the assumptions adopted to be within a reasonable range. Management has disclosed the impact of sensitivities of both the discount rate and commodity prices in the PP&E note on page 138.

Provision for tax claims

Risk description

The nature, rate and type of taxation which is applicable to hydrocarbon exploration and production activities varies widely by jurisdiction. In addition, the Group is subject to various claims from local tax authorities in the normal course of its business.

Significant judgement is required to estimate the appropriate level of provision for the tax claims against the Group as the validity and ultimate outcome of such claims can be uncertain. As such, the Group has included tax provisions in their disclosure of key sources of uncertainty on page 129.

How the scope of our audit responded to the risk

We have challenged the assumptions made by management regarding each significant claim with Tullow's tax team, such as their assessment of the likely outcome of the claim, and their estimate of any future settlement value. We have also evaluated the provisions and potential exposures together with tax specialists within the audit team from the relevant jurisdictions.

Our audit work included review of correspondence with the relevant tax authorities and we used our knowledge of the specific tax regimes to challenge the Group's assumptions and judgements regarding the level of provisions made.

Key observations

We are satisfied that the judgements made by management are reasonable, based on the audit evidence gathered.

The settlement of the Ugandan Capital Gains Tax dispute in the year has significantly reduced the overall tax exposure. There remain a number of claims where the Group believes there is a low probability of adverse outcomes due to the locations and industry in which the Group operates.

Going concern

Risk description

The Group is dependent upon its ability to generate sufficient cash flows to meet scheduled loan repayments and covenant requirements and hence to operate within its existing debt facilities. Commodity price volatility in the oil and gas sector has placed increased pressure on these cash flows and the ability of the Group to comply in the future with covenant ratios.

How the scope of our audit responded to the risk

Management's going concern forecasts include a number of assumptions on future cash flows, associated risks, and covenant compliance. Our audit work has focused on evaluating and challenging the reasonableness of these assumptions and their impact on the forecast period.

Specifically, we obtained, challenged and assessed management's going concern forecasts, and performed procedures, including:

- Challenging management as to the reasonableness of pricing assumptions applied, based on the benchmarking of market data;
- Verifying the consistency of key inputs relating to future costs and production to other financial and operational information obtained during our audit;
- Reviewing key loan agreements, and past and forecast loan covenant calculations, and obtaining and reviewing correspondence with the lead arrangers of the RBL and RCF facilities with regards to the risk of non-compliance with financial covenant ratios; and
- Performing sensitivity analysis on management's "base case", including applying potential downside scenarios such as lower oil prices and business interruption.

Key observations

Management has concluded that the going concern basis remains appropriate after performing a detailed forecast of the liquidity and covenant compliance for a period of 12 months from the date of approval of the 2015 Annual Report and Accounts. In reaching their conclusion, they have considered the impact of possible downside scenarios and their ability to take mitigating actions if required, in advance of any such scenario threatening the maintenance of liquidity or covenant compliance. We are satisfied that management's going concern assessment is appropriate as stated above.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 81.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be $60 million (2014: $80 million), which is below 6% of pre-tax loss, and below 2% of equity. The decrease in materiality in 2015 reflects the decrease in the Group's net assets following the impairments recorded in the year.

We agreed with the Audit Committee that we would report to them all audit differences in excess of $1.6 million (2014: $1.6 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

An overview of the scope of our audit

Our Group audit scope for the current and prior year included a full audit of all seven (2014: eight) reporting unit locations, based on our assessment of the risks of material misstatement and of the materiality of the Group's business operations at those locations. These seven reporting units account for 100% of the Group's total revenue, profit before tax and net assets. The materialities used for these components ranged from $20 million to $35 million.

The Group team audits the UK, Kenya and Uganda reporting units directly. Their involvement in the work performed by component auditors varies by location and includes, at a minimum, a review of the reports provided on the results of the work undertaken by the component audit teams.

In addition, the Senior Statutory Auditor or senior members of his Group audit team visited the following reporting locations in the year: Gabon, Ghana, Kenya, and Uganda to direct and review the audit work performed by the component auditors.

At the Parent Company level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Dean Cook

Dean Cook MA FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
9 February 2016

Group income statement
Year ended 31 December 2015

	Notes	2015 $m	2014 $m
Continuing activities			
Sales revenue	2	**1,606.6**	2,212.9
Cost of sales	4	**(1,015.3)**	(1,116.7)
Gross profit		**591.3**	1,096.2
Administrative expenses	4	**(193.6)**	(192.4)
Restructuring costs	4	**(40.8)**	—
Loss on disposal	9	**(56.5)**	(482.4)
Goodwill impairment	10	**(53.7)**	(132.8)
Exploration costs written off	11	**(748.9)**	(1,657.3)
Impairment of property, plant and equipment, net	12	**(406.0)**	(595.9)
Provision for onerous service contracts	23	**(185.5)**	—
Operating loss	4	**(1,093.7)**	(1,964.6)
(Loss)/gain on hedging instruments	21	**(58.8)**	50.8
Finance revenue	2	**4.2**	9.6
Finance costs	5	**(149.0)**	(143.2)
Loss from continuing activities before tax		**(1,297.3)**	(2,047.4)
Income tax credit	6	**260.4**	407.5
Loss for the year from continuing activities		**(1,036.9)**	(1,639.9)
Attributable to:			
Owners of the Company		**(1,034.8)**	(1,555.7)
Non-controlling interest	26	**(2.1)**	(84.2)
		(1,036.9)	(1,639.9)
Loss per ordinary share from continuing activities	8	**¢**	¢
Basic		**(113.6)**	(170.9)
Diluted		**(113.6)**	(170.9)

Group statement of comprehensive income and expense
Year ended 31 December 2015

	Notes	2015 $m	2014 $m
Loss for the year		**(1,036.9)**	(1,639.9)
Items that may be reclassified to the income statement in subsequent periods			
Cash flow hedges			
Gains arising in the year	21	**513.0**	485.7
Reclassification adjustments for items included in profit on realisation	21	**(302.4)**	4.6
Exchange differences on translation of foreign operations		**(43.6)**	(50.6)
Other comprehensive income		**167.0**	439.7
Tax relating to components of other comprehensive income	21	**(42.3)**	(91.0)
Net other comprehensive income for the year		**124.7**	348.7
Total comprehensive expense for the year		**(912.2)**	(1,291.2)
Attributable to:			
Owners of the Company		**(910.1)**	(1,207.0)
Non-controlling interest		**(2.1)**	(84.2)
		(912.2)	(1,291.2)

Group balance sheet
As at 31 December 2015

	Notes	2015 $m	2014 $m
ASSETS			
Non-current assets			
Goodwill	10	**164.0**	217.7
Intangible exploration and evaluation assets	11	**3,400.0**	3,660.8
Property, plant and equipment	12	**5,204.4**	4,887.0
Investments	13	**1.0**	1.0
Other non-current assets	14	**223.4**	119.7
Derivative financial instruments	21	**218.7**	193.9
Deferred tax assets	24	**295.3**	255.0
		9,506.8	9,335.1
Current assets			
Inventories	15	**107.2**	139.5
Trade receivables	16	**80.8**	87.8
Other current assets	14	**763.2**	902.3
Current tax assets	6	**127.6**	221.6
Derivative financial instruments	21	**406.5**	280.8
Cash and cash equivalents	17	**355.7**	319.0
Assets classified as held for sale	18	**—**	135.6
		1,841.0	2,086.6
Total assets		**11,347.8**	11,421.7
LIABILITIES			
Current liabilities			
Trade and other payables	19	**(1,110.6)**	(1,074.9)
Provisions	23	**(187.0)**	—
Borrowings	20	**(73.8)**	(131.5)
Current tax liabilities		**(208.3)**	(115.9)
Derivative financial instruments	21	**(2.1)**	(3.3)
Liabilities directly associated with assets classified as held for sale	18	**—**	(13.6)
		(1,581.8)	(1,339.2)
Non-current liabilities			
Trade and other payables	19	**(99.3)**	(85.1)
Borrowings	20	**(4,262.4)**	(3,209.1)
Provisions	23	**(1,065.1)**	(1,260.4)
Deferred tax liabilities	24	**(1,164.5)**	(1,507.6)
		(6,591.3)	(6,062.2)
Total liabilities		**(8,173.1)**	(7,401.4)
Net assets		**3,174.7**	4,020.3
EQUITY			
Called-up share capital	25	**147.2**	147.0
Share premium	25	**609.8**	606.4
Foreign currency translation reserve		**(249.3)**	(205.7)
Hedge reserve	21	**569.9**	401.6
Other reserves		**740.9**	740.9
Retained earnings		**1,336.4**	2,305.8
Equity attributable to equity holders of the Company		**3,154.9**	3,996.0
Non-controlling interest	26	**19.8**	24.3
Total equity		**3,174.7**	4,020.3

Approved by the Board and authorised for issue on 9 February 2016.

Aidan J Heavey

Aidan Heavey
Chief Executive Officer

Ian Springett
Chief Financial Officer

Group statement of changes in equity
Year ended 31 December 2015

	Notes	Share capital $m	Share premium $m	Foreign currency translation reserve(1) $m	Hedge reserve(2) $m	Other reserves(3) $m	Retained earnings $m	Total $m	Non-controlling interest(4) $m	Total equity $m
At 1 January 2014		146.9	603.2	(155.1)	2.3	740.9	3,984.7	5,322.9	123.5	5,446.4
Loss for the year		—	—	—	—	—	(1,555.7)	(1,555.7)	(84.2)	(1,639.9)
Hedges, net of tax	21	—	—	—	399.3	—	—	399.3	—	399.3
Currency translation adjustments		—	—	(50.6)	—	—	—	(50.6)	—	(50.6)
Issue of employee share options	25	0.1	3.2	—	—	—	—	3.3	—	3.3
Vesting of PSP shares		—	—	—	—	—	(0.4)	(0.4)	—	(0.4)
Share-based payment charges	27	—	—	—	—	—	59.5	59.5	—	59.5
Dividends paid	7	—	—	—	—	—	(182.3)	(182.3)	—	(182.3)
Distribution to non-controlling interests	26	—	—	—	—	—	—	—	(15.0)	(15.0)
At 1 January 2015		**147.0**	**606.4**	**(205.7)**	**401.6**	**740.9**	**2,305.8**	**3,996.0**	**24.3**	**4,020.3**
Loss for the year		**—**	**—**	**—**	**—**	**—**	**(1,034.8)**	**(1,034.8)**	**(2.1)**	**(1,036.9)**
Hedges, net of tax	21	**—**	**—**	**—**	**168.3**	**—**	**—**	**168.3**	**—**	**168.3**
Currency translation adjustments		**—**	**—**	**(43.6)**	**—**	**—**	**—**	**(43.6)**	**—**	**(43.6)**
Issue of employee share options	25	**0.2**	**3.4**	**—**	**—**	**—**	**—**	**3.6**	**—**	**3.6**
Vesting of PSP shares		**—**	**—**	**—**	**—**	**—**	**(1.9)**	**(1.9)**	**—**	**(1.9)**
Share-based payment charges	27	**—**	**—**	**—**	**—**	**—**	**67.3**	**67.3**	**—**	**67.3**
Dividends paid	7	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Distribution to non-controlling interests	26	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(2.4)**	**(2.4)**
At 31 December 2015		**147.2**	**609.8**	**(249.3)**	**569.9**	**740.9**	**1,336.4**	**3,154.9**	**19.8**	**3,174.7**

1. The foreign currency translation reserve represents exchange gains and losses arising on translation of foreign currency subsidiaries, monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and exchange gains or losses arising on long-term foreign currency borrowings which are a hedge against the Group's overseas investments. The movement during the year is primarily driven by the strengthening of USD against NOK and EUR.

2. The hedge reserve represents gains and losses on derivatives classified as effective cash flow hedges.

3. Other reserves include the merger reserve and the treasury shares reserve which represents the cost of shares in Tullow Oil plc purchased in the market and held by the Tullow Oil Employee Trust to satisfy awards held under the Group's share incentive plans (note 27).

4. Non-controlling interest is described further in note 26.

Group cash flow statement
Year ended 31 December 2015

	Notes	2015 $m	2014 $m
Cash flows from operating activities			
Loss before taxation		**(1,297.3)**	(2,047.4)
Adjustments for:			
Depletion, depreciation and amortisation	4	**580.1**	621.8
Loss on disposal	9	**56.5**	482.4
Goodwill impairment	10	**53.7**	132.8
Exploration costs written off	11	**748.9**	1,657.3
Impairment of property, plant and equipment	12	**406.0**	595.9
Provision for onerous service contracts	23	**185.5**	—
Provision for inventory	15	**22.2**	—
Decommissioning expenditure	23	**(40.8)**	(20.4)
Share-based payment charge	27	**48.7**	39.5
Loss/(gain) on hedging instruments	21	**58.8**	(50.8)
Finance revenue	2	**(4.2)**	(9.6)
Finance costs	5	**149.0**	143.2
Operating cash flow before working capital movements		**967.1**	1,544.7
(Increase)/decrease in trade and other receivables		**(26.5)**	29.9
Decrease in inventories		**9.0**	61.0
Increase/(decrease) in trade payables		**366.5**	(119.6)
Cash generated from operating activities		**1,316.1**	1,516.0
Income taxes received/(paid)		**34.9**	(34.2)
Net cash from operating activities		**1,351.0**	1,481.8
Cash flows from investing activities			
Proceeds from disposals	9	**55.8**	21.3
Purchase of intangible exploration and evaluation assets		**(647.6)**	(1,255.1)
Purchase of property, plant and equipment		**(1,464.8)**	(1,098.3)
Interest received		**4.2**	4.6
Net cash used in investing activities		**(2,052.4)**	(2,327.5)
Cash flows from financing activities			
Net proceeds from issue of share capital		**3.5**	3.3
Debt arrangement fees		**(25.7)**	(22.2)
Repayment of bank loans		**(191.8)**	(1,202.1)
Drawdown of bank loans		**1,168.8**	1,749.8
Issue of senior loan notes	20	**—**	650.0
Repayment of obligations under finance leases		**(3.3)**	(1.1)
Finance costs paid		**(203.6)**	(172.9)
Dividends paid	7	**—**	(182.3)
Distribution to non-controlling interests	26	**(2.4)**	(15.0)
Net cash generated by financing activities		**745.5**	807.5
Net increase/(decrease) in cash and cash equivalents		**44.1**	(38.2)
Cash and cash equivalents at beginning of year	17	**319.0**	352.9
Cash transferred from held for sale		**—**	16.2
Foreign exchange loss		**(7.4)**	(11.9)
Cash and cash equivalents at end of year	17	**355.7**	319.0

Accounting policies
Year ended 31 December 2015

(a) General information

Tullow Oil plc is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 111.

(b) Adoption of new and revised standards

Standards not affecting the reported results or the financial position

New and revised Standards and Interpretations adopted in the current year did not have any significant impact on the amounts reported in these Financial Statements.

At the date of authorisation of these Financial Statements, the following Standards and Interpretations which have not been applied in these Financial Statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations—Changes in methods of disposal
IFRS 9	Financial Instruments
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IAS 1	Disclosure Initiative
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 19	Employee Benefits—Discount rate: regional market issue
IAS 27	Equity Method in Separate Financial Statements
IAS 34	Interim Financial Reporting—Disclosure of information 'elsewhere in the interim financial report'

The adoption of IFRS 9 Financial Instruments which the Group plans to adopt for the year commencing 1 January 2018 will impact both the measurement and disclosures of financial instruments. The adoption of IFRS 16 Leases which the Group plans to adopt for the year commencing 1 January 2019 will impact both the measurement and disclosures of leases.

The Directors do not expect that the adoption of the other Standards listed above will have a material impact on the Financial Statements of the Group in future periods.

Accounting policies (continued)
Year ended 31 December 2015

(c) Changes in accounting policy

Other than the changes to the Standards noted above, the Group's accounting policies are consistent with the prior year.

(d) Basis of accounting

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Financial Statements have also been prepared in accordance with IFRS as adopted by the European Union and therefore the Group Financial Statements comply with Article 4 of the EU IAS Regulation.

The Financial Statements have been prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value and non-current assets held for sale which are carried at fair value less cost to sell. The Financial Statements are presented in US dollars and all values are rounded to the nearest $0.1 million, except where otherwise stated. The Financial Statements have been prepared on a going concern basis (see note 21 for further details).

The principal accounting policies adopted by the Group are set out below.

(e) Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power over an investee entity, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. The Group does not have any material non-controlling interests.

The results of subsidiaries acquired or disposed of during the year are included in the Group income statement from the transaction date of acquisition, being the date on which the Group gains control and will continue to be included until the date that control ceases.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Accounting policies (continued)
Year ended 31 December 2015

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition costs incurred are expensed and included in administration expenses. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

Joint arrangements

The Group is engaged in oil and gas exploration, development and production through unincorporated joint arrangements; these are classified as joint operations in accordance with IFRS 11. The Group accounts for its share of the results and net assets of these joint operations. In addition, where Tullow acts as Operator to the joint operation, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint operation are included in the Group's balance sheet.

(f) Non-current assets held for sale

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(g) Revenue

Sales revenue represents the sales value, net of VAT, of the Group's share of liftings in the year together with tariff income. Revenue is recognised when goods are delivered and title has passed.

Revenues received under take-or-pay sales contracts in respect of undelivered volumes are accounted for as deferred income.

Accounting policies (continued)
Year ended 31 December 2015

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(h) Over/underlift

Lifting or offtake arrangements for oil and gas produced in certain of the Group's jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production less stock is underlift or overlift. Underlift and overlift are valued at market value and included within receivables and payables respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis.

In respect of re-determinations, any adjustments to the Group's net entitlement of future production are accounted for prospectively in the period in which the make-up oil is produced. Where the make-up period extends beyond the expected life of a field an accrual is recognised for the expected shortfall.

(i) Inventory

Inventories, other than oil product, are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses. Net realisable value is determined by reference to prices existing at the balance sheet date.

Oil product is stated at net realisable value and changes in net realisable value are recognised in the income statement.

(j) Foreign currencies

The US dollar is the presentation currency of the Group. For the purpose of presenting consolidated Financial Statements, the assets and liabilities of the Group's non-US dollar-denominated functional entities are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Currency translation adjustments arising on the restatement of opening net assets of non-US dollar subsidiaries, together with differences between the subsidiaries' results translated at average rates versus closing rates, are recognised in the statement of comprehensive income and expense and transferred to the foreign currency translation reserve. All resulting exchange differences are classified as equity until disposal of the subsidiary. On disposal, the cumulative amounts of the exchange differences are recognised as income or expense.

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated into functional currency at the exchange rate ruling at the balance sheet date, with a corresponding charge or credit to the income statement. However, exchange gains and losses arising on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment. In addition, exchange gains and losses arising on long-term foreign currency borrowings which are a hedge against the Group's overseas investments are dealt with in reserves.

(k) Goodwill

The Group allocates goodwill to cash-generating units (CGUs) or groups of CGUs that represent the assets acquired as part of the business combination.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount, using the 'Value in Use' method, of each CGU (or group of CGUs) to which goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

(l) Exploration, evaluation and production assets

The Group adopts the successful efforts method of accounting for exploration and evaluation costs. Pre-licence costs are expensed in the period in which they are incurred. All licence acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalised in cost centres by well, field or exploration area, as appropriate. Interest payable is capitalised insofar as it relates to specific development activities.

These costs are then written off as exploration costs in the income statement unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment.

All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities is amortised in accordance with the Group's depletion and amortisation accounting policy.

Cash consideration received on farm-down of exploration and evaluation assets is credited against the carrying value of the asset.

(m) Commercial reserves

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent statistical probability that it will be less.

(n) Depletion and amortisation—discovery fields

All expenditure carried within each field is amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field-by-field basis or by a group of fields which are reliant on common infrastructure. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to recover the commercial reserves remaining. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs. Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single cash-generating unit for impairment purposes.

Any impairment identified is charged to the income statement as additional depletion and amortisation. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any amortisation that would have been charged since the impairment.

(o) Decommissioning

Provision for decommissioning is recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is included as a finance cost.

(p) Property, plant and equipment

Property, plant and equipment is stated in the balance sheet at cost less accumulated depreciation and any recognised impairment loss. Depreciation on property, plant and equipment other than production assets is provided at rates calculated to write off the cost less the estimated residual value of each asset on a straight-line basis over its expected useful economic life of between three and five years.

Accounting policies (continued)
Year ended 31 December 2015

(q) Finance costs and debt

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Finance costs of debt are allocated to periods over the term of the related debt at a constant rate on the carrying amount. Arrangement fees and issue costs are deducted from the debt proceeds on initial recognition of the liability and are amortised and charged to the income statement as finance costs over the term of the debt.

(r) Share issue expenses and share premium account

Costs of share issues are written off against the premium arising on the issues of share capital.

(s) Taxation

Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred corporation tax is recognised on all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted. Deferred tax is measured on a non-discounted basis.

Deferred tax is provided on temporary differences arising on acquisitions that are categorised as Business Combinations. Deferred tax is recognised at acquisition as part of the assessment of the fair value of assets and liabilities acquired. Any deferred tax is charged or credited in the income statement as the underlying temporary difference is reversed.

Petroleum Revenue Tax (PRT) is treated as an income tax and deferred PRT is accounted for under the temporary difference method. Current UK PRT is charged as a tax expense on chargeable field profits included in the income statement and is deductible for UK corporation tax.

In order to account for uncertain tax positions management has formed an accounting policy, in accordance with IAS 8, whereby the ultimate outcome of legal proceedings is viewed as a single unit of account. The results of separate hearings in relation to the same matter, such as local tribunals and international arbitration, are not viewed separately and only the final outcome is assessed by management to determine the best estimate of any potential outcome. If management viewed the results of individual hearings separately an income statement charge could arise due to the differing recognition criteria of assets and liabilities.

Accounting policies (continued)
Year ended 31 December 2015

(t) Pensions

Contributions to the Group's defined contribution pension schemes are charged to operating profit on an accruals basis.

(u) Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates, interest rates and movements in oil and gas prices.

Derivative financial instruments are stated at fair value.

The purpose for which a derivative is used is established at inception. To qualify for hedge accounting, the derivative must be highly effective in achieving its objective and this effectiveness must be documented at inception and throughout the period of the hedge relationship. The hedge must be assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For the purpose of hedge accounting, hedges are classified as either fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges, where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or forecast transaction.

For cash flow hedges, the portion of the gains and losses on the hedging instrument that is determined to be an effective hedge is taken to other comprehensive income and the ineffective portion, as well as any change in time value, is recognised in the income statement. The gains and losses taken to other comprehensive income are subsequently transferred to the income statement during the period in which the hedged transaction affects the income statement. A similar treatment applies to foreign currency loans which are hedges of the Group's net investment in the net assets of a foreign operation.

Gains or losses on derivatives that do not qualify for hedge accounting treatment (either from inception or during the life of the instrument) are taken directly to the income statement in the period.

(v) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases and are charged to the income statement on a straight-line basis over the term of the lease.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

(w) Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. The Group has share-based awards that are equity settled and cash settled as defined by IFRS 2. The fair value of the equity settled awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Group's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

The fair values were calculated using a binomial option pricing model with suitable modifications to allow for employee turnover after vesting and early exercise. Where necessary, this model is supplemented with a Monte Carlo model. The inputs to the models include: the share price at date of grant; exercise price; expected volatility; expected dividends; risk free rate of interest; and patterns of exercise of the plan participants.

For cash settled awards, a liability is recognised for the goods or service acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in the income statement.

(x) Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL); 'held-to-maturity' investments; 'available- for-sale' (AFS) financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(y) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(z) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(aa) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. The Group chooses not to disclose the effective interest rate for debt instruments that are classified as at fair value through profit or loss.

(ab) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

(ac) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(ad) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(ae) Critical accounting judgements

The Group assesses critical accounting judgements annually. The following are the critical judgements, apart from those involving estimations (which are dealt with in policy (af)), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

- Carrying value of intangible exploration and evaluation assets (note 11);

The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment in accordance with the Group's accounting policy. The process of determining whether there is an indicator for impairment or calculating the impairment requires critical judgement.

The key areas in which management has applied judgement are as follows: the Group's intention to proceed with a future work programme for a prospect or licence; the likelihood of licence renewal or extension; and the success of a well result or geological or geophysical survey.

(af) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- Carrying value of property, plant and equipment (note 12);

Management performs impairment reviews on the Group's property, plant and equipment assets at least annually with reference to indicators in IAS 36 Impairment of Assets and performs valuations of acquired property, plant and equipment in conjunction with IFRS 3 Business Combinations. Where indicators are present and an impairment test is required, the calculation of the recoverable amount requires estimation of future cash flows within complex impairment models.

Key assumptions and estimates in the impairment models relate to: commodity prices that are based on forward curves for two years and the long-term corporate economic assumptions thereafter, discount rates that are adjusted to reflect risks specific to individual assets, commercial reserves and the related cost profiles.

- Commercial reserves estimates used in the calculation of DD&A and impairment of property, plant and equipment (note 12);

Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Group's oil and gas assets. The Group estimates its reserves using standard recognised evaluation techniques. The estimate is reviewed at least twice annually by management and is regularly reviewed by independent consultants.

Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to host governments under the terms of the Production Sharing Contracts. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

- Presumption of going concern (note 21);

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's producing assets and delays to development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capability and flexibility of the Group. In the currently low commodity price environment, the Group has taken appropriate action to reduce its cost base and had $1.9 billion of debt liquidity headroom and free cash at the end of 2015. The Group's forecast, taking into account the risks described above, show that the Group will be able to operate within its current debt facilities and have sufficient financial headroom for the 12 months from the date of approval of the 2015 Annual Report and Accounts.

Notwithstanding our forecasts of liquidity headroom throughout the 12 month period, there remains a risk, given the volatility of the oil price environment and its impact on operating cash flows and facility availability, that the Group's liquidity position may deteriorate and/or the Group may become technically non-compliant with one of its financial covenants at the end of 2016.

To mitigate this risk, we will continue to maintain our long-term banking relations and will monitor our cash flow projections and, if necessary, take mitigating actions well in advance to maintain our liquidity and compliance with covenants. Actions available to the Group include further rationalisation of our cost base, cuts to discretionary capital expenditure, portfolio management and other funding options.

Based on the analysis above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

- Decommissioning costs (note 23);

Decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new technology or experience at other assets. The expected timing, work scope, amount of expenditure and risk weighting may also change. Therefore significant estimates and assumptions are made in determining the provision for decommissioning.

The estimated decommissioning costs are reviewed annually by an external expert and the results of this review are then assessed alongside estimates from Operators. Provision for environmental clean-up and remediation costs is based on current legal and contractual requirements, technology and price levels.

- Recoverability of deferred tax assets (note 24);

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Estimation and judgement is required to determine the value of the deferred tax asset, based upon the timing and level of future taxable profits.

Accounting policies (continued)
Year ended 31 December 2015

- Other tax provisions;

The Group is subject to various claims which arise in the ordinary course of its business, including tax claims from tax authorities in a number of the jurisdictions in which the Group operates. In order to assess whether tax claims should be provided for in the Financial Statements management has assessed all such claims in the context of the tax laws of the countries in which it operates. Management has applied judgement in assessing the likely outcome of the tax claims and has estimated the financial impact based on external tax and legal advice and prior experience of such claims.

The Directors believe that the Group has recorded adequate provisions as of 31 December 2015 and 2014 for all such matters.

- Provisions for onerous service contracts (note 23).

Due to the reduction in planned future work programmes the Group has identified a number of onerous service contracts. In order to calculate the provisions management has estimated the expected future usage of the contracts. If the Group is able to sub-contract the contracts or find a use for them the provision will decrease.

Notes to Group financial statements
Year ended 31 December 2015

Note 1. Segmental reporting

During 2015 the Group reorganised its operational structure so that the management and resources of the business are better aligned with the delivery of the business objectives. As a result the information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance has changed to focus on three new Business Delivery Teams, West Africa (including non-operated producing European assets), East Africa and New Ventures. Therefore the Group's reportable segments under IFRS 8 are West Africa; East Africa; and New Ventures. The following tables present revenue, profit and certain asset and liability information regarding the Group's reportable business segments for the years ended 31 December 2015 and 31 December 2014. The table for the year ended 31 December 2014 has been restated to reflect the new reportable segments of the business.

	Notes	West Africa $m	East Africa $m	New Ventures $m	Unallocated $m	Total $m
2015						
Sales revenue by origin		**1,606.6**	**—**	**—**	**—**	**1,606.6**
Segment result		**(189.7)**	**(28.3)**	**(461.2)**	**(123.6)**	**(802.8)**
Loss on disposal						**(56.5)**
Unallocated corporate expenses						**(234.4)**
Operating loss						**(1,093.7)**
Loss on hedging instruments						**(58.8)**
Finance revenue						**4.2**
Finance costs						**(149.0)**
Loss before tax						**(1,297.3)**
Income tax credit						**260.4**
Loss after tax						**(1,036.9)**
Total assets		**7,510.5**	**2,601.6**	**1,011.2**	**224.5**	**11,347.8**
Total liabilities		**(3,085.8)**	**(341.4)**	**(331.8)**	**(4,414.1)**	**(8,173.1)**
Other segment information						
Capital expenditure:						
Property, plant and equipment	12	**1,245.0**	**0.5**	**1.5**	**11.2**	**1,258.2**
Intangible exploration and evaluation assets	11	**23.1**	**399.6**	**203.6**	**—**	**626.3**
Depletion, depreciation and amortisation	12	**(553.2)**	**(1.1)**	**(1.2)**	**(24.6)**	**(580.1)**
Impairment of property, plant and equipment	12	**(406.0)**	**—**	**—**	**—**	**(406.0)**
Exploration costs written off	11	**(380.0)**	**(28.3)**	**(340.6)**	**—**	**(748.9)**
Goodwill impairment	10	**—**	**—**	**(53.7)**	**—**	**(53.7)**

All sales are to external customers. Included in revenue arising from West Africa are revenues of approximately $314.9 million and $164.2 million relating to the Group's largest customers (2014: $545.9 million, $323.2 million, $217.8 million and $210.5 million relating to the Group's largest customers). As the sales of oil and gas are made on global markets and are highly liquid, the Group does not place reliance on the largest customers mentioned above.

Notes to Group financial statements (continued)
Year ended 31 December 2015

Unallocated expenditure and net liabilities include amounts of a corporate nature and not specifically attributable to a reportable segment. The liabilities comprise the Group's external debt and other non-attributable corporate liabilities. The unallocated capital expenditure for the period comprises the acquisition of non-attributable corporate assets.

Restated	**Notes**	**West Africa $m**	**East Africa $m**	**New Ventures $m**	**Unallocated $m**	**Total $m**
2014						
Sales revenue by origin		2,205.2	—	7.7	—	2,212.9
Segment result		371.8	0.8	(1,656.1)	(6.3)	(1,289.8)
Loss on disposal						(482.4)
Unallocated corporate expenses						(192.4)
Operating loss						(1,964.6)
Gain on hedging instruments						50.8
Finance revenue						9.6
Finance costs						(143.2)
Loss before tax						(2,047.4)
Income tax credit						407.5
Loss after tax						(1,639.9)
Total assets		7,454.2	2,354.7	1,397.3	215.5	11,421.7
Total liabilities		(3,285.9)	(267.6)	(588.5)	(3,259.4)	(7,401.4)
Other segment information						
Capital expenditure:						
Property, plant and equipment	12	1,463.1	1.6	11.0	59.6	1,535.3
Intangible exploration and evaluation assets	11	181.9	555.8	667.8	—	1,405.5
Depletion, depreciation and amortisation	12	(577.1)	(0.9)	(1.2)	(42.6)	(621.8)
Impairment of property, plant and equipment	12	(592.4)	—	(3.5)	—	(595.9)
Exploration costs written off	11	(134.6)	0.8	(1,523.5)	—	(1,657.3)
Goodwill impairment	10	—	—	(132.8)	—	(132.8)

Sales revenue and non-current assets by origin	Sales revenue 2015 $m	Restated Sales revenue 2014 $m	Non-current assets 2015 $m	Restated Non-current assets 2014 $m
Congo	**39.7**	52.4	**12.2**	82.9
Côte d'Ivoire	**91.8**	58.5	**159.1**	143.3
Equatorial Guinea	**176.1**	262.8	**218.6**	354.7
Gabon	**284.3**	275.4	**234.5**	313.1
Ghana	**869.1**	1,272.1	**4,891.0**	4,102.9
Mauritania	**18.9**	35.9	**—**	1.4
Netherlands	**57.5**	93.1	**115.5**	572.6
UK	**69.2**	155.0	**6.0**	93.9
Other	**—**	—	**0.5**	10.6
Total West Africa	**1,606.6**	2,205.2	**5,637.4**	5,675.4
Kenya	**—**	—	**880.6**	659.4
Uganda	**—**	—	**1,593.5**	1,444.2
Total East Africa	**—**	—	**2,474.1**	2,103.6
Norway	**—**	7.7	**474.8**	573.9
Other	**—**	—	**297.7**	412.2
Total New Ventures	**—**	7.7	**772.5**	986.1
Unallocated	**—**	—	**108.8**	121.1
Total revenue / non-current assets	**1,606.6**	2,212.9	**8,992.8**	8,886.2

Non-current assets excludes derivative financial instruments and deferred tax assets.

Note 2. Total revenue

	Notes	2015 $m	2014 $m
Sales revenue (excluding tariff income)			
Oil and gas revenue from the sale of goods		**1,225.6**	2,225.1
Gain/(loss) on realisation of cash flow hedges	21	**365.2**	(14.5)
		1,590.8	2,210.6
Provision for accrued income		**—**	(18.5)
Tariff income		**15.8**	20.8
Total sales revenue		**1,606.6**	2,212.9
Finance revenue		**4.2**	9.6
Total revenue		**1,610.8**	2,222.5

Notes to Group financial statements (continued)
Year ended 31 December 2015

During 2014 accrued income of $18.5 million in Gabon was written off.

Note 3. Staff costs

The average monthly number of employees and contractors (including Executive Directors) employed by the Group worldwide was:

	2015 Number	**2014 Number**
Administration	**785**	956
Technical	**928**	1,115
Total	**1,713**	2,071

Staff costs in respect of those employees were as follows:

	2015 $m	**2014 $m**
Salaries	**325.5**	415.2
Social security costs	**13.0**	24.1
Pension costs	**20.9**	19.6
	359.4	458.9

The decrease in staff costs is due to decreased employee numbers as a result of the simplification project. A proportion of the Group's staff costs shown above is recharged to the Group's joint venture partners, a proportion is allocated to operating costs and a proportion is capitalised into the cost of fixed assets under the Group's accounting policy for exploration, evaluation and production assets with the remainder classified as an administrative overhead cost in the income statement. The net staff cost recognised in the income statement was $124.7 million (2014: $100.8 million).

Details of Directors' remuneration, Directors' transactions and Directors' interests are set out in the part of the Directors' Remuneration Report described as having been audited which forms part of these Financial Statements.

Notes to Group financial statements (continued)
Year ended 31 December 2015

Note 4. Operating loss

	Notes	2015 $m	2014 $m
Operating loss is stated after charging:			
Operating costs		**406.3**	511.5
Depletion and amortisation of oil and gas assets	12	**551.2**	572.2
Underlift, overlift and oil stock movements		**(1.5)**	27.1
Share-based payment charge included in cost of sales	27	**0.8**	1.6
Other cost of sales		**58.5**	4.3
Total cost of sales		**1,015.3**	1,116.7
Share-based payment charge included in administrative expenses	27	**47.9**	37.9
Depreciation of other fixed assets	12	**28.9**	49.6
Relocation costs associated with simplification project		**5.9**	—
Other administrative costs		**110.9**	104.9
Total administrative expenses		**193.6**	192.4
Total restructuring costs	23	**40.8**	—
Fees payable to the Company's auditor for:			
The audit of the Company's annual accounts		**0.4**	0.4
The audit of the Company's subsidiaries pursuant to legislation		**2.1**	2.4
Total audit services		**2.5**	2.8
Non-audit services:			
Audit related assurance services—half-year review		**0.4**	0.5
Tax compliance services		**0.1**	0.2
Corporate finance services		**0.1**	0.2
Other services		**0.2**	0.1
Total non-audit services		**0.8**	1.0
Total		**3.3**	3.8

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated Financial Statements are required to disclose such fees on a consolidated basis.

Tax compliance services include assistance in connection with enquiries from local fiscal authorities. Other services include ad-hoc assurance services in relation to the Group's JV agreements.

Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity are safeguarded are set out in the Audit Committee report on pages 79 to 83. No services were provided pursuant to contingent fee arrangements.

Notes to Group financial statements (continued)
Year ended 31 December 2015

Note 5. Finance costs

	Notes	2015 $m	2014 $m
Interest on bank overdrafts and borrowings		**246.3**	202.3
Interest on obligations under finance leases		**2.0**	1.1
Total borrowing costs		**248.3**	203.4
Less amounts included in the cost of qualifying assets	11,12	**(160.1)**	(120.6)
		88.2	82.8
Finance and arrangement fees		**16.8**	14.4
Other interest expense		**2.7**	1.0
Foreign exchange losses		**13.0**	22.6
Unwinding of discount on decommissioning provisions	23	**28.3**	22.4
Total finance costs		**149.0**	143.2

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.15% (2014: 6.63%) to cumulative expenditure on such assets.

Note 6. Taxation on loss on ordinary activities

Analysis of credit in period

The tax credit comprises:

	Notes	2015 $m	2014 $m
Current tax			
UK corporation tax		**(3.5)**	(61.5)
Foreign tax		**94.9**	(70.0)
Total corporate tax		**91.4**	(131.5)
UK petroleum revenue tax		**(0.3)**	4.8
Total current tax		**91.1**	(126.7)
Deferred tax			
UK corporation tax		**6.9**	(199.7)
Foreign tax		**(354.0)**	(81.4)
Total deferred corporate tax		**(347.1)**	(281.1)
Deferred UK petroleum revenue tax		**(4.4)**	0.3
Total deferred tax	24	**(351.5)**	(280.8)
Total tax credit		**(260.4)**	(407.5)

Notes to Group financial statements (continued)
Year ended 31 December 2015

Factors affecting tax credit for the period

The change in tax credit in 2015 is driven by deferred tax credits associated with exploration write-offs of $276.5 million (2014: $397.9 million) and impairments of $49.1 million (2014: $174.9 million).

The tax rate applied to profit on ordinary activities in preparing the reconciliation below is the UK corporation tax rate applicable to the Group's non-upstream UK profits. The difference between the total current tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax applicable to UK profits of 20% (2014: 21%) to the loss before tax is as follows:

	2015 $m	2014 $m
Group loss on ordinary activities before tax	**(1,297.3)**	(2,047.4)
Tax on Group loss on ordinary activities at the standard UK corporation tax rate of 20% (2014: 21%)	**(259.5)**	(430.0)
Effects of:		
Expenses not deductible for tax purposes	**212.4**	287.0
Goodwill impairment	**10.7**	27.9
PSC income not subject to corporation tax	**(28.5)**	(5.9)
Net losses not recognised	**15.8**	104.7
Petroleum revenue tax (PRT)	**(4.4)**	5.4
UK corporation tax deductions for current PRT	**2.2**	(3.3)
Utilisation of tax losses not previously recognised	**—**	(56.1)
Adjustment relating to prior years	**(14.9)**	(7.1)
Adjustments to deferred tax relating to change in tax rates	**(1.0)**	—
Income taxed at a different rate	**(297.3)**	(313.0)
Uganda capital gains tax	**108.2**	—
Tax incentives for investment	**(4.1)**	(17.1)
Group total tax credit for the year	**(260.4)**	(407.5)

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax applicable to all companies subject to corporation tax, except for those within the oil and gas ring fence, to 19% from 1 April 2017 and 18% from 1 April 2020. These changes were substantively enacted on 26 October 2015 and hence the effect of the change on the deferred tax balances has been included, depending upon when deferred tax will reverse.

The Group's profit before taxation will continue to arise in jurisdictions where the effective rate of taxation differs from that in the UK. Furthermore, unsuccessful exploration expenditure is often incurred in jurisdictions where the Group has no taxable profits, such that no related tax benefit arises. Accordingly, the Group's tax charge will continue to vary according to the jurisdictions in which pre-tax profits and exploration costs written off arise.

The Group has tax losses of $1,802.0 million (2014: $1,642.1 million) that are available for offset against future taxable profits in the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group. The Group has recognised $55.7 million in deferred tax assets in relation to taxable losses (2014: $72.0 million); this is offset net of a deferred tax liability in respect of capitalised interest.

No deferred tax liability is recognised on temporary differences of $8.5 million (2014: $21.2 million) relating to unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Tax relating to components of other comprehensive income

During 2015 $42.3 million (2014: $91.0 million) of tax has been recognised through other comprehensive income of which $43.2 million (2014: $89.5 million) is current and $0.9 million (2014: $1.5 million) is deferred tax relating to charges on cash flow hedges arising in the year.

Current tax assets

As at 31 December 2015, current tax assets were $127.6 million (2014: $221.6 million) of which $55.0 million (2014: $155.9 million) relates to Norway, where 78% of exploration expenditure is refunded as a tax refund in the following year and $47.7 million (2014: $47.7 million) relates to a tax overpayment in Ghana.

Note 7. Dividends

	2015 $m	2014 $m
Declared and paid during year		
Final dividend for 2014: nil pence (2013: 8 pence) per ordinary share	—	123.3
Interim dividend for 2015: nil pence (2014: 4 pence) per ordinary share	—	59.0
Dividends paid	—	182.3
Proposed for approval by shareholders at the AGM		
Final dividend for 2015: nil pence (2014: nil pence) per ordinary share	—	—

Note 8. Loss per ordinary share

Basic loss per ordinary share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per ordinary share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued if employee and other share options were converted into ordinary shares. The losses made in 2015 and 2014 are antidilutive.

	2015 $m	2014 $m
Loss		
Net loss attributable to equity shareholders	**(1,034.8)**	(1,555.7)
Effect of dilutive potential ordinary shares	**—**	—
Diluted net loss attributable to equity shareholders	**(1,034.8)**	(1,555.7)

	2015 Number	2014 Number
Number of shares		
Basic weighted average number of shares	**911,252,238**	910,144,565
Dilutive potential ordinary shares	**25,070,398**	13,296,447
Diluted weighted average number of shares	**936,322,636**	923,441,012

Note 9. Disposals

	Income statement 2015 $m	Cash flow 2015 $m	Income statement 2014 $m	Cash flow 2014 $m
Uganda farm-down consideration adjustments	**—**	**—**	(36.6)	(36.6)
Write-off of Uganda contingent consideration	**—**	**—**	(370.1)	—
Disposal of L&Q blocks (Netherlands)	**(46.3)**	**53.5**	—	—
Farm-down of E blocks (Netherlands)	**—**	**0.1**	—	—
Disposal of Brage (Norway) to Wintershall	**—**	**—**	21.1	8.4
Various licence disposals (Norway)	**(7.4)**	**—**	—	—
Farm-down of Schooner & Ketch (UK) to Faroe Petroleum (U.K.) Limited	**2.2**	**2.2**	(90.4)	38.1
Other	**(5.0)**	**—**	(6.4)	11.4
	(56.5)	**55.8**	(482.4)	21.3

On 30 April 2015, Tullow completed the sale of its operated and non-operated interests in the L12/15 area and Blocks Q4 and Q5 to AU Energy. The consideration was €64 million ($53.5 million), producing a profit after tax of $7.4 million and a loss before tax of $46.3 million. On 5 June 2015, Tullow completed the farm-down to GDF Suez E&P Nederland of 30% equity and the operatorship of Exploration Licences E10, E11 (including Tullow's Vincent discovery), E14, E15c and E18b.

In 2014, the Group completed the disposal of Brage (Norway) and the farm-down of Schooner and Ketch (UK) for net cash consideration of $8.4 million and $38.1 million respectively. In 2014, it was determined that it was no longer probable that the contingent consideration, recorded on the farm-down of Ugandan assets in 2012, would be recoverable and as such the balance of $370.1 million was written off. In 2014, the Group made a payment of $36.6 million in respect of certain indemnities granted on the farm-down of Tullow's interest in Uganda.

Note 10. Goodwill

	2015 $m	2014 $m
At 1 January	**217.7**	350.5
Impairment	**(53.7)**	(132.8)
At 31 December	**164.0**	217.7
Related deferred tax at 31 December	**(89.0)**	(99.1)
Goodwill net of associated deferred tax	**75.0**	118.6

The Group's goodwill of $350.5 million arose from the acquisition of Spring Energy in 2013 and is allocated to the group of cash-generating units (CGUs) that represent the assets acquired. Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. The goodwill balance results solely from the requirement to recognise a deferred tax liability on an acquisition, calculated as the difference between the tax effect of the fair value of the acquired assets and liabilities and their tax bases. As a result, for the purposes of testing goodwill for impairment, the related deferred tax liabilities recognised on acquisition are included in the group of CGUs. The above table details the net impact of goodwill and the related deferred tax on the CGU.

In assessing goodwill for impairment the Group has compared the carrying value of goodwill and the carrying value of the related group of CGUs with the recoverable amounts of those CGUs. The carrying value of goodwill and the related group of CGUs together was $264.5 million (2014: $419.8 million) and the recoverable amount of the CGUs was $210.8 million (2014: $287.0 million), resulting in an impairment of $53.7 million (2014: $132.8 million). The cumulative impairment is $186.5 million (2014: $132.8 million).

Key assumptions

Recoverable reserves and resources

Proven and probable reserves are estimated using standard recognised evaluation techniques. The estimate is reviewed at least twice annually and is regularly reviewed by independent consultants. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

Notes to Group financial statements (continued)
Year ended 31 December 2015

Exploration discoveries and prospects

A Value in Use (VIU) calculation was performed for discoveries. The VIU was calculated using risked resources, a long-term oil price assumption of $90/bbl, estimated future costs and a discount rate of 10%.

Sensitivity to changes in assumptions

As discussed above the principal assumptions are oil price and discount rate. A $10/bbl reduction in oil prices would increase the impairment charge by $115.1 million and a 1% increase in the discount rate would increase the impairment by $59.3 million.

Note 11. Intangible exploration and evaluation assets

	Notes	2015 $m	2014 $m
At 1 January		**3,660.8**	4,148.3
Additions	1	**626.3**	1,405.5
Disposals	9	**(5.2)**	(26.8)
Amounts written-off		**(748.9)**	(1,657.3)
Amounts written-off previously classified as held for sale		**—**	(5.1)
Write-off associated with Norway contingent consideration provision	23	**—**	(88.8)
Net transfer to assets held for sale	18	**—**	(13.8)
Transfer to property, plant and equipment	12	**(63.6)**	—
Currency translation adjustments		**(69.4)**	(101.2)
At 31 December		**3,400.0**	3,660.8

Included within 2015 additions is $49.7 million (note 5) of capitalised interest (2014: $47.8 million). The Group only capitalises interest in respect of intangible exploration and evaluation assets where it is considered that development is highly likely and advanced appraisal and development is ongoing.

Notes to Group financial statements (continued)
Year ended 31 December 2015

The below table provides a summary of the exploration costs written-off on a pre-and post-tax basis by country.

	Rationale for 2015 write-off	2015 Current year expenditure written-off $m	2015 Prior year expenditure written-off $m	2015 Post-tax write off $'m	2015 Pre-tax write off $'m	2014 Current year expenditure $m	2014 Prior year expenditure $m	2014 Post-tax write off $'m	2014 Pre-tax write off $'m
Côte d'Ivoire	b	**2.9**	—	**2.9**	**2.9**	2.7	55.3	58.0	58.0
Ethiopia	c	**4.8**	**34.9**	**39.7**	**39.7**	65.1	—	65.1	65.1
French Guiana	c	**0.3**	—	**0.3**	**0.3**	(1.3)	344.4	343.1	363.4
Gabon	a, b, c	**3.5**	**8.5**	**12.0**	**21.3**	26.9	6.4	33.3	54.0
Ghana	b	**0.4**	—	**0.4**	**0.4**	0.5	19.9	20.4	20.4
Guinea	c	**6.0**	**54.3**	**60.3**	**60.3**	—	—	—	—
Greenland	c	**0.2**	**38.5**	**38.7**	**38.7**	—	—	—	—
Kenya	a	**28.3**	—	**28.3**	**28.3**	0.6	—	0.6	0.6
Netherlands	c	—	**185.7**	**185.7**	**371.3**	—	—	—	—
Norway	a, b	**11.3**	**8.9**	**20.2**	**92.2**	28.1	52.3	80.4	366.6
Madagascar	c	**1.5**	**10.7**	**12.2**	**12.2**	—	—	—	—
Mauritania	b	**7.3**	—	**7.3**	**7.3**	199.6	368.6	568.2	621.4
Mozambique	b	**4.6**	—	**4.6**	**4.6**	(6.2)	—	(6.2)	(6.2)
Suriname	a	**27.8**	**1.0**	**28.8**	**28.8**	—	—	—	—
Uganda	n/a	—	—	—	—	(1.5)	—	(1.5)	(1.5)
Other	a, b, c	**11.9**	—	**11.9**	**15.2**	48.7	7.0	55.7	62.2
New ventures		**19.1**	—	**19.1**	**25.4**	42.3	—	42.3	53.3
Total write-off		**129.9**	**342.5**	**472.4**	**748.9**	405.5	853.9	1,259.4	1,657.3

a. Current year unsuccessful drilling results.

b. Licence relinquishments.

c. Review of forward work programme in light of capital re-allocation to development projects and current low oil and gas price environment.

Notes to Group financial statements (continued)
Year ended 31 December 2015

Note 12. Property, plant and equipment

	Notes	2015 Oil and gas assets $m	2015 Other fixed assets $m	2015 Total $m	2014 Oil and gas assets $m	2014 Other fixed assets $m	2014 Total $m
Cost							
At 1 January		**9,240.3**	**283.7**	**9,524.0**	8,692.4	221.4	8,913.8
Additions	1	**1,235.1**	**23.1**	**1,258.2**	1,454.7	80.6	1,535.3
Disposals		**(6.2)**	**(3.6)**	**(9.8)**	(601.3)	0.1	(601.2)
Transfer to assets held for sale	18	**—**	**—**	**—**	(177.2)	—	(177.2)
Transfer from intangible assets	11	**63.6**	**—**	**63.6**	—	—	—
Currency translation adjustments		**(92.9)**	**(13.7)**	**(106.6)**	(128.3)	(18.4)	(146.7)
At 31 December		**10,439.9**	**289.5**	**10,729.4**	9,240.3	283.7	9,524.0
Depreciation, depletion and amortisation							
At 1 January		**(4,489.1)**	**(147.9)**	**(4,637.0)**	(3,942.3)	(108.6)	(4,050.9)
Charge for the year	4	**(551.2)**	**(28.9)**	**(580.1)**	(572.2)	(49.6)	(621.8)
Impairment loss		**(467.2)**	**—**	**(467.2)**	(595.9)	—	(595.9)
Reversal of impairment loss		**61.2**	**—**	**61.2**			
Disposal		**6.4**	**3.6**	**10.0**	448.0	(0.1)	447.9
Transfer to assets held for sale	18	**—**	**—**	**—**	73.3	—	73.3
Currency translation adjustments		**79.9**	**8.2**	**88.1**	100.0	10.4	110.4
At 31 December		**(5,360.0)**	**(165.0)**	**(5,525.0)**	(4,489.1)	(147.9)	(4,637.0)
Net book value at 31 December		**5,079.9**	**124.5**	**5,204.4**	4,751.2	135.8	4,887.0

The 2015 additions include capitalised interest of $110.4 million (note 5) in respect of the TEN development project (2014: $72.8 million). The carrying amount of the Group's oil and gas assets includes an amount of $27.4 million (2014: $33.0 million) in respect of assets held under finance leases. Other fixed assets include leasehold improvements, motor vehicles and office equipment. The currency translation adjustments arose due to the movement against the

Group's presentation currency, USD, of the Group's UK and Dutch assets which have functional currencies of GBP and EUR respectively.

	Trigger for 2015 impairment	2015 Impairment $'m	Discount rate assumption	Short-term price assumption[d]	Mid-term price assumption	Long-term price assumption
CMS GCU[e]	a	**87.5**	10%	2yr forward curve	n/a	42.5p/th
Thames GCU[e]	b	**(44.2)**	10%	2yr forward curve	n/a	42.5p/th
Netherlands CGU[e]	a	**28.7**	10%	2yr forward curve	n/a	0.53€/th
Limande CGU[f] (Gabon)	a	**(0.2)**	13%	2yr forward curve	$70/bbl	$ 90/bbl
Niungo CGU[f] (Gabon)	a	**21.1**	15%	2yr forward curve	$70/bbl	$ 90/bbl
Oba CGU[f] (Gabon)	a	**13.7**	13%	2yr forward curve	$70/bbl	$ 90/bbl
Tchatamba (Gabon)	c	**(16.8)**	13%	2yr forward curve	$70/bbl	$ 90/bbl
M'boundi (Congo)	a	**65.9**	12%	2yr forward curve	$70/bbl	$ 90/bbl
Equatorial Guinea CGU[g]	a	**16.3**	10%	2yr forward curve	$70/bbl	$ 90/bbl
TEN (Ghana)	a	**228.5**	10%	2yr forward curve	$70/bbl	$ 90/bbl
Chinguetti (Mauritania)	a	**5.5**	10%	2yr forward curve	$70/bbl	$ 90/bbl
Impairment before tax		**406.0**				
Associated deferred tax credit		**(49.1)**				
Impairment after tax		**356.9**				

a. Reduction in estimated oil and gas forward curve and long-term price (refer to accounting policy on significant estimates).

b. Reduction in decommissioning estimate.

c. Increase in 2P reserves.

d. UK NBP gas forward curve and Bloomberg Brent forward curve as at 31 December 2015. All pricing assumptions have been adjusted for individual field and contract differentials.

e. The fields in the UK and the Netherlands are grouped into two CGUs as all fields within those countries share critical gas infrastructure.

f. The Limande and Niungo CGUs in Gabon comprise a number of fields which share export infrastructure.

g. The Ceiba and Okume fields in Equatorial Guinea form a single CGU as they share export infrastructure.

All impairment assessments are prepared on a Value In Use basis using discounted future cash flows based on 2p reserves profiles. A 1% increase in the discount rates used would trigger a further impairment of $161.9 million and a $10/bbl reduction to the oil whole price deck would trigger a further impairment of $784.3 million.

Note 13. Investments

	2015 $m	2014 $m
Unlisted investments	**1.0**	1.0

The fair value of these investments is not materially different from their carrying value. A list of the subsidiaries is included on page 176.

Notes to Group financial statements (continued)
Year ended 31 December 2015

Note 14. Other assets

	2015 $m	2014 $m
Non-current		
Amounts due from joint venture partners	**161.8**	57.0
Uganda VAT recoverable	**50.3**	50.6
Other non-current assets	**11.3**	12.1
	223.4	119.7
Current		
Amounts due from joint venture partners	**584.4**	633.2
Underlifts	**2.4**	—
Prepayments	**77.9**	82.6
VAT & WHT recoverable	**9.2**	49.8
Other current assets	**89.3**	136.7
	763.2	902.3

The decrease in amounts due from joint venture partners relates to the decrease in operated current liabilities, which are recorded gross with the corresponding debit recognised as an amount due from joint venture partners, in Kenya and Ghana.

Note 15. Inventories

	2015 $m	2014 $m
Warehouse stocks and materials	**66.0**	86.0
Oil stocks	**41.2**	53.5
	107.2	139.5

Inventories include a provision of $65.2 million (2014: $33.6 million) for warehouse stock and materials where it is considered that the net realisable value is lower than the original cost; this represents the total costs of inventory expensed. The increase in the provision during 2015 is associated with the completion of certain exploration campaigns and development projects, resulting in an income statement charge of $22.2 million (2014: $29.1 million, included in exploration costs written-off).

Note 16. Trade receivables

Trade receivables comprise amounts due for the sale of oil and gas. No current receivables are overdue, therefore none have been impaired and no allowance for doubtful debt has been recognised (2014: $nil million).

Notes to Group financial statements (continued)
Year ended 31 December 2015

Note 17. Cash and cash equivalents

	2015 $m	2014 $m
Cash at bank	**355.7**	319.0

Cash and cash equivalents includes an amount of $169.5 million (2014: $200.6 million) which the Group holds as operator in joint venture bank accounts.

Note 18. Assets classified as held for sale

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 transaction completed in 2015, refer to note 9.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	Netherlands 2015 $m	Netherlands 2014 $m
Intangible exploration and evaluation assets	—	40.4
Property, plant and equipment	—	95.2
Total assets classified as held for sale	—	135.6
Provisions	—	(13.6)
Total liabilities associated with assets classified as held for sale	—	(13.6)
Net assets of disposal group	—	122.0

Note 19. Trade and other payables

Current liabilities

	Notes	2015 $m	2014 $m
Trade payables		**24.0**	126.5
Other payables		**61.2**	104.6
Overlifts		**3.7**	15.6
Accruals		**993.3**	734.8
VAT and other similar taxes		**26.9**	92.1
Current portion of finance lease	22	**1.5**	1.3
		1,110.6	1,074.9

Payables related to operated joint ventures (primarily related to Ghana and Kenya) are recorded gross with the debit representing the partners' share recognised in amounts due from joint venture partners (note 14). The decrease in trade payables and the decrease in other payables predominantly represent timing differences.

Non-current liabilities

	Notes	2015 $m	2014 $m
Other non-current liabilities		**72.8**	57.0
Non-current portion of finance lease	22	**26.5**	28.1
		99.3	85.1

Trade and other payables are non-interest bearing except for finance leases (note 22).

Note 20. Borrowings

	2015 $m	2014 $m
Current		
Short-term borrowings—Revolving Norwegian Exploration Finance facility	**59.6**	131.5
Bank loans—Reserves Based Lending credit facility	**14.2**	—
	73.8	131.5
Non-current		
Term loans repayable—Reserves Based Lending credit facility		
—After one year but within two years	**800.0**	—
—After two years but within five years	**2,165.6**	1,914.0
—After five years	**—**	—
6.0% Senior notes due 2020	**646.4**	645.5
6.25% Senior notes due 2022	**650.4**	649.6
	4,262.4	3,209.1
Carrying value of total borrowings	**4,336.2**	3,340.6
Unamortised fees	**38.8**	81.3
External borrowings	**4,375.0**	3,421.9

External borrowings represent the principal amount due at maturity. Short-term borrowings, bank loans and most guarantees are secured by fixed and floating charges over the oil and gas assets of the Group.

In March 2015, the Company arranged an additional $200 million of commitments, increasing the Reserves Based Lending credit facility to $3.7 billion. The facility incurs interest on outstanding debt at Sterling or US dollar LIBOR plus an applicable margin. The outstanding debt is repayable in line with the amortisation of bank commitments over the period to the final maturity date of 31 October 2019, or such time as is determined by reference to the remaining reserves of the assets, whichever is earlier.

In March 2015, the Company arranged an additional $250 million of commitments, increasing the Revolving credit facility to $1,000 million. The facility incurs interest on outstanding debt at US dollar LIBOR plus an applicable margin.

In February 2015, the Company reduced commitments under the Revolving Norwegian Exploration Finance facility by NOK 750 million to NOK 2,250 million. The facility is used to finance certain exploration activities on the Norwegian Continental Shelf which are eligible for a tax refund. The facility is available for drawings until 31 December 2016, and its final maturity date is either the date the 2016 tax reimbursement claims are received or 31 December 2017, whichever is the earlier. The facility incurs interest on outstanding debt at NIBOR plus an applicable margin.

At the end of December 2015, the headroom under the three facilities amounted to $1,686 million; $686 million under the $3.7 billion Reserves Based Lending credit facility and $1,000 million under the Revolving credit facility. At the end of December 2014, the headroom under the three facilities amounted to $2,263 million; $1,513 million under the Reserves Based Lending credit facility and $750 million under the Revolving credit facility.

Capital management

The Group defines capital as the total equity of the Group. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Group's ability to continue as a going concern. Tullow is not subject to any externally-imposed capital requirements. To maintain or adjust the capital structure, the Group may put in place new debt facilities, issue new shares for cash, repay debt, engage in active portfolio management, adjust the dividend payment to shareholders, or undertake other such restructuring activities as appropriate. No significant changes were made to the capital management objectives, policies or processes during the year ended 31 December 2015.The Group monitors capital on the basis of the net debt ratio, that is, the ratio of net debt to equity. Net debt is calculated as external borrowings, as shown above, less cash and cash equivalents.

	Notes	2015 $m	2014 $m
External borrowings		**4,375.0**	3,421.9
Less cash and cash equivalents	17	**(355.7)**	(319.0)
Net debt		**4,019.3**	3,102.9
Equity		**3,174.7**	4,020.3
Net debt ratio		**127%**	77%

The movement from 2014 is attributable to higher external borrowings during 2015, principally as a result of the Group's $2,112.4 million capital expenditure and loss incurred during 2015, partially offset by operating cash flows.

Note 21. Financial instruments

Financial risk management objectives

The Group is exposed to a variety of risks including commodity price risk, interest rate risk, credit risk, foreign currency risk and liquidity risk. The Group holds a portfolio of commodity derivative contracts, with various counterparties, covering its underlying oil and gas businesses. The Group holds a mix of fixed and floating rate debt as well as a portfolio of interest rate derivatives. The use of derivative financial instruments (derivatives) is governed by the Group's policies approved by the Board of Directors. Compliance with policies and exposure limits is monitored and reviewed internally on a regular basis. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

Fair values of financial assets and liabilities

With the exception of the senior notes, the Group considers the carrying value of all its financial assets and liabilities to be materially the same as their fair value. The fair value of the senior notes, as determined using market values at 31 December 2015, was $884.0 million (2014: $1,101.3 million). The Group has no material financial assets that are past due. No financial assets are impaired at the balance sheet date.

Fair values of derivative instruments

All derivatives are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement, unless the derivatives have been designated as a cash flow hedge. Fair value is the amount for which the asset or liability could be exchanged in an arm's length transaction at the relevant date. Where available fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

Notes to Group financial statements (continued)
Year ended 31 December 2015

The Group's derivative carrying and fair values were as follows:

Assets/liabilities	**2015 Less than 1 year $m**	**2015 1 - 3 years $m**	**2015 Total $m**	**2014 Less than 1 year $m**	**2014 1 - 3 years $m**	**2014 Total $m**
Cash flow hedges						
Oil derivatives	**458.9**	**265.2**	**724.1**	329.4	242.6	572.0
Gas derivatives	**1.1**	**—**	**1.1**	2.5	0.3	2.8
Interest rate derivatives	**(2.1)**	**1.1**	**(1.0)**	(3.3)	3.7	0.4
	457.9	**266.3**	**724.2**	328.6	246.6	575.2
Deferred premium						
Oil derivatives	**(53.5)**	**(47.6)**	**(101.1)**	(51.0)	(52.7)	(103.7)
Gas derivatives	**—**	**—**	**—**	(0.1)	—	(0.1)
	(53.5)	**(47.6)**	**(101.1)**	(51.1)	(52.7)	(103.8)
Total assets	**406.5**	**218.7**	**625.2**	280.8	193.9	474.7
Total liabilities	**(2.1)**	**—**	**(2.1)**	(3.3)	—	(3.3)

Derivatives' maturity and the timing of their recycling into income or expense coincide.

The following provides an analysis of the Group's financial instruments measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data.

All the Group's derivatives are Level 2 (2014: Level 2). There were no transfers between fair value levels during the year.

For financial instruments which are recognised on a recurring basis, the Group determines whether transfers have occurred between levels by reassessing categorisation (based on the lowest-level input which is significant to the fair value measurement as a whole) at the end of each reporting period.

Offset of financial assets and financial liabilities

Deferred premiums on derivatives are settled at the same time as the maturity of the derivative contracts, with the cash flows settled on a net basis. Netting agreements are also in place to enable the Group and its counterparties to set-off liabilities against available assets in the event that either party is unable to fulfil its contractual obligations. The following table provides the offsetting relationship within assets and liabilities in the balance sheet.

31 December 2015	Gross amounts recognised $m	Gross amounts offset in Group balance sheet $m	Net amounts presented in Group balance sheet $m	Related amounts not offset in the Group balance sheet $m	Net amount $m
Derivative assets . . .	**726.3**	**(101.1)**	**625.2**	**(593.9)**	**31.3**
Derivative liabilities	**(2.1)**	**—**	**(2.1)**	**—**	**(2.1)**
Deferred premiums	**(101.1)**	**101.1**	**—**	**—**	**—**
Borrowings	**(4,336.2)**	**—**	**(4,336.2)**	**593.9**	**(3,742.3)**

31 December 2014	Gross amounts recognised $m	Gross amounts offset in Group balance sheet $m	Net amounts presented in Group balance sheet $m	Related amounts not offset in the Group balance sheet $m	Net amount $m
Derivative assets . . .	578.5	(103.8)	474.7	(473.0)	1.7
Derivative liabilities	(3.3)	—	(3.3)	—	(3.3)
Deferred premiums	(103.8)	103.8	—	—	—
Borrowings	(3,340.6)	—	(3,340.6)	473.0	(2,867.6)

Commodity price risk

The Group uses a number of derivatives to mitigate the commodity price risk associated with its underlying oil and gas revenues. Such commodity derivatives will tend to be priced using benchmarks, such as Dated Brent, D-1 Heren and M-1 Heren, which correlate as far as possible to the underlying oil and gas revenues respectively. The Group hedges its estimated oil and gas revenues on a portfolio basis, aggregating its oil revenues from substantially all of its African oil interests and its gas revenues from substantially all of its UK gas interests.

As at 31 December 2015 and 31 December 2014, all of the Group's oil and gas derivatives have been designated as cash flow hedges. The Group's oil and gas hedges have been assessed to be 'highly effective' within the range prescribed under IAS 39 using regression analysis. There is, however, the potential for a degree of ineffectiveness inherent in the Group's oil hedges arising from, among other factors, the discount on the Group's underlying African crude relative to Brent and the timing of oil liftings relative to the hedges. There is also the potential for a degree of ineffectiveness inherent in the Group's gas hedges which arises from, among other factors, daily field production performance.

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Year ended 31 December 2015

Income statement hedge summary

Net gains from commodity derivative settlements during the period, included in the income statement, were $365.2 million (2014: $14.5 million loss) (note 2).

Derivative fair value movements during the year which have been recognised in the income statement were as follows:

(Loss)/profit on hedging instruments:	2015 $m	2014 $m
Cash flow hedges		
Gas derivatives		
Time value	(0.2)	0.9
	(0.2)	0.9
Oil derivatives		
Time value	(58.6)	49.9
	(58.6)	49.9
Total net (loss)/profit for the year in the income statement	(58.8)	50.8

Hedge reserve summary

The hedge reserve represents the portion of deferred gains and losses on hedging instruments deemed to be effective cash flow hedges. The movement in the reserve for the period is recognised in other comprehensive income.

Deferred amounts in the hedge reserve	2015 $m	2014 $m
At 1 January	**401.6**	2.3
Revaluation gains arising in the year	**513.0**	485.7
Reclassification adjustments for items included in income statement on realisation	**(302.4)**	4.6
Movement in current and deferred tax	**(42.3)**	(91.0)
	168.3	399.3
At 31 December	**569.9**	401.6

The following table summarises the hedge reserve by type of derivative, net of tax effects:

Hedge reserve by derivative type	2015 $m	2014 $m
Cash flow hedges		
Gas derivatives	**0.4**	1.0
Oil derivatives	**570.6**	400.2
Interest rate derivatives	**(1.1)**	0.4
	569.9	401.6

Cash flow and interest rate risk

Subject to parameters set by management the Group seeks to minimise interest costs by using a mixture of fixed and floating debt. Floating rate debt comprises bank borrowings at interest rates fixed in advance from overnight to three months at rates determined by US dollar LIBOR, Sterling LIBOR and Norwegian NIBOR. Fixed rate debt comprises senior notes, bank borrowings at interest rates fixed in advance for periods greater than three months or bank borrowings where the interest rate has been fixed through interest rate hedging. The Group hedges its floating interest rate exposure on an ongoing basis through the use of interest rate swaps. The mark-to-market position of the Group's interest rate portfolio as at 31 December 2015 is a liability of $1.0 million (2014: $0.4 million asset). Interest rate hedges are included in fixed rate debt in the table below.

The interest rate profile of the Group's financial assets and liabilities, excluding trade and other receivables and trade and other payables, at 31 December 2015 and 2014 was as follows:

	2015 Cash at bank $m	2015 Fixed rate debt $m	2015 Floating rate debt $m	2015 Total $m	2014 Cash at bank $m	2014 Fixed rate debt $m	2014 Floating rate debt $m	2014 Total $m
US$	**258.2**	**(1,600.0)**	**(2,557.3)**	**(3,899.1)**	216.6	(1,600.0)	(1,522.4)	(2,905.8)
Euro	**28.4**	**—**	**—**	**28.4**	16.8	—	—	16.8
Sterling	**19.1**	**—**	**(156.9)**	**(137.8)**	20.6	—	(164.6)	(144.0)
Other	**50.0**	**—**	**(60.8)**	**(10.8)**	65.0	—	(134.9)	(69.9)
	355.7	**(1,600.0)**	**(2,775.0)**	**(4,019.3)**	319.0	(1,600.0)	(1,821.9)	(3,102.9)

Cash at bank consisted mainly of deposits which earn interest at rates set in advance for periods ranging from overnight to one month by reference to market rates.

Credit risk

The Group has a credit policy that governs the management of credit risk, including the establishment of counterparty credit limits and specific transaction approvals. The primary credit exposures for the Group are its receivables generated by the marketing of crude oil and amounts due from JV partners. These exposures are managed at the corporate level. The Group's crude sales are predominantly made to international oil market participants including the oil majors, trading houses and refineries. JV partners are predominantly international major oil and gas market participants. Counterparty evaluations are conducted utilising international credit rating agency and financial assessment. Where considered appropriate security in the form of trade finance instruments such as letters of credit, guarantees and credit insurance are employed to mitigate the risks.

The Group generally enters into derivative agreements with banks who are lenders under the Reserves Based Lending credit facility. Security is provided under the facility agreement which mitigates non-performance risk. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties. The maximum financial exposure due to credit risk on the Group's financial assets, representing the sum of cash and cash equivalents, investments, derivative assets, trade receivables, current tax assets and other current assets, as at 31 December 2015 was $2,176.9 million (2014: $2,126.1 million).

Foreign currency risk

Wherever possible, the Group conducts and manages its business in Sterling (UK) and US dollars (all other countries), the operating currencies of the industry in the areas in which it operates. The Group's borrowing facilities are also mainly denominated in Sterling and US dollars, which further assists in foreign currency risk management. From time to time the Group undertakes certain transactions denominated in other currencies. These exposures are often managed by executing foreign currency financial derivatives. There were no material foreign currency financial derivatives in place at the 2015 year-end (2014: nil). Cash balances are held in other currencies to meet immediate operating and administrative expenses or to comply with local currency regulations.

As at 31 December 2015, the only material monetary assets or liabilities of the Group that were not denominated in the functional currency of the respective subsidiaries involved were $49.7 million in non-US dollar denominated cash and cash equivalents (2014: $54.3 million) and £106.0 million cash drawings under the Group's borrowing facilities (2014: £106.0 million). The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are net liabilities of $107.2 million (2014: net liabilities of $110.4 million).

Liquidity risk

The Group manages its liquidity risk using both short- and long-term cash flow projections, supplemented by debt financing plans and active portfolio management. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework covering the Group's short-, medium- and long-term funding and liquidity management requirements.

Notes to Group financial statements (continued)
Year ended 31 December 2015

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's producing assets and delays to development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capability and flexibility of the Group. In the currently low commodity price environment, the Group has taken appropriate action to reduce its cost base and had $1.9 billion of debt liquidity headroom at the end of 2015. The Group's forecast, taking into account the risks described above, show that the Group will be able to operate within its current debt facilities and have sufficient financial headroom for the 12 months from the date of approval of the 2015 Annual Report and Accounts.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate	Less than 1 month $m	1 - 3 months $m	3 months to 1 year $m	1 - 5 years $m	5+ years $m	Total $m
31 December 2015							
Non-interest bearing	**n/a**	**46.9**	**47.4**	**21.5**	**—**	**72.8**	**188.6**
Finance lease liabilities	**6.5%**	**0.3**	**0.8**	**2.2**	**14.5**	**21.3**	**39.1**
Fixed interest rate instruments	**6.5%**						
Principal repayments		**—**	**—**	**—**	**650.0**	**650.0**	**1,300.0**
Interest charge		**—**	**—**	**79.6**	**318.5**	**60.9**	**459.0**
Variable interest rate instruments	**6.0%**						
Principal repayments		**—**	**—**	**75.0**	**3,000.0**	**—**	**3,075.0**
Interest charge		**10.0**	**20.1**	**90.1**	**206.0**	**—**	**326.2**
		57.2	**68.3**	**268.4**	**4,189.0**	**805.0**	**5,387.9**

	Weighted average effective interest rate	Less than 1 month $m	1 - 3 months $m	3 months to 1 year $m	1 - 5 years $m	5+ years $m	Total $m
31 December 2014							
Non-interest bearing . .	n/a	234.2	40.0	64.6	57.0	—	395.8
Finance lease liabilities .	6.5%	—	—	1.3	28.1	—	29.4
Fixed interest rate instruments	6.5%						
Principal repayments		—	—	—	—	1,300.0	1,300.0
Interest charge		—	—	79.6	318.5	160.9	559.0
Variable interest rate instruments	6.7%						
Principal repayments		—	—	134.9	1,987.0	—	2,121.9
Interest charge		6.6	13.2	63.1	372.3	—	455.2
		240.8	53.2	343.5	2,762.9	1,460.9	4,861.3

The Group has interest rate swaps that fix $300.0 million (2014: $300.0 million) of variable interest rate risk. The impact of these derivatives on the classification of fixed and variable rate instruments has been excluded from the above tables.

Sensitivity analysis

The following analysis is intended to illustrate sensitivity to changes in market variables, being interest rates, Dated Brent oil prices, UK D-1 Heren and M-1 Heren natural gas prices and US dollar exchange rates. The analysis is used internally by management to monitor derivatives and assesses the financial impact of reasonably possible movements in key variables.

		Equity		Foreign currency denominated liabilities and equity	
	Market movement	2015 $m	2014 $m	2015 $m	2014 $m
Interest rate	25 basis points	**2.0**	3.0	**—**	—
Interest rate	(25) basis points	**(2.1)**	(3.0)	**—**	—
Brent oil price	50%	**(441.1)**	(512.3)	**—**	—
Brent oil price	(50%)	**564.1**	833.5	**—**	—
UK D-1 Heren and M-1 Heren natural gas price	50%	**(0.6)**	(2.6)	**—**	—
UK D-1 Heren and M-1 Heren natural gas price	(50%)	**0.6**	7.8	**—**	—
US$/foreign currency exchange rates	20%	**—**	—	**(31.4)**	(32.9)
US$/foreign currency exchange rates	(20%)	**—**	—	**31.4**	32.9

Notes to Group financial statements (continued)
Year ended 31 December 2015

The following assumptions have been used in calculating the sensitivity in movement of oil and gas prices; the pricing adjustments relate only to the point forward mark-to-market (MTM) valuations, the price sensitivities assume there is no ineffectiveness related to the oil and gas hedges and the sensitivities have been run only on the intrinsic element of the hedge as management consider this to be the material component of oil and gas hedge valuations.

Note 22. Obligations under finance leases

	Notes	2015 $m	2014 $m
Amounts payable under finance leases:			
—Within one year		**3.3**	3.2
—Within two to five years		**14.5**	14.1
—After five years		**21.3**	24.9
		39.1	42.2
Less future finance charges		**(11.1)**	(12.8)
Present value of lease obligations		**28.0**	29.4
Amount due for settlement within 12 months	19	**1.5**	1.3
Amount due for settlement after 12 months	19	**26.5**	28.1

The Group's only finance lease is the Espoir FPSO (2014: Espoir FPSO). The fair value of the Group's lease obligations approximates the carrying amount. The average remaining lease term as at 31 December 2015 was 11 years (2014: 12 years). For the year ended 31 December 2015, the effective borrowing rate was 6.5% (2014: 6.5%).

Note 23. Provisions

Current provisions	2015 $m	2014 $m
Provision for onerous service contracts	**185.5**	—
Provision for restructuring costs	**1.5**	—
	187.0	—

Due to the reduction in planned future work programmes the Group has identified a number of onerous service contracts. The expected unutilised capacity has been provided for in 2015 resulting in an income statement charge of $185.5 million (2014:$nil million).

During 2015, the Group has incurred $44.9 million in respect of restructuring costs. After recharges to joint venture partners, the income statement charge for restructuring costs is

$40.8 million. As at 31 December 2015, $1.5 million is yet to be incurred and has been recorded as a provision.

Non-current provisions	Notes	Decommissioning 2015 $m	Other provisions 2015 $m	Total 2015 $m	Decommissioning 2014 $m	Other provisions 2014 $m	Total 2014 $m
At 1 January		**1,192.9**	**67.5**	**1,260.4**	841.5	147.7	989.2
New provisions and changes in estimates		**(147.4)**	**(9.9)**	**(157.3)**	454.9	(82.1)	372.8
Transfer to liabilities held for sale	18	**—**	**—**	**—**	(14.8)	—	(14.8)
Disposals		**0.8**	**0.3**	**1.1**	(54.6)	—	(54.6)
Decommissioning payments		**(40.8)**	**—**	**(40.8)**	(20.4)	—	(20.4)
Unwinding of discount	5	**28.3**	**0.1**	**28.4**	22.4	16.9	39.3
Currency translation adjustment		**(25.0)**	**(1.7)**	**(26.7)**	(36.1)	(15.0)	(51.1)
At 31 December		**1,008.8**	**56.3**	**1,065.1**	1,192.9	67.5	1,260.4

The decommissioning provision represents the present value of decommissioning costs relating to the European and African oil and gas interests.

	Inflation assumption	Discount rate assumption	Cessation of production assumption	2015 $m	2014 $m
Congo	2%	3%	2027	**15.2**	13.4
Côte d'Ivoire	2%	3%	2026	**53.3**	52.7
Equatorial Guinea	2%	3%	2028 - 2029	**126.2**	175.8
Gabon	2%	3%	2021 - 2034	**61.0**	107.1
Ghana	2%	3%	2034 - 3036	**257.7**	278.3
Mauritania	2%	3%	2017	**121.4**	113.3
Netherlands	2%	3%	2020 - 2036	**90.5**	100.7
UK	2%	3%	2014 - 2018	**283.5**	351.6
				1,008.8	1,192.9

Other provisions include a liability acquired through the acquisition of Spring which is contingent in terms of timing and amount on the development of the PL407 licence in Norway. Other provisions also include the contingent consideration in respect of the Spring acquisition and the recognition of intangible exploration and evaluation assets therefore the unwinding of other provisions is adjusted to exploration and evaluation assets and not finance costs.

Note 24. Deferred taxation

	Accelerated tax depreciation $m	Decommissioning $m	Revaluation of financial assets $m	Other temporary differences $m	Deferred PRT $m	Total $m
At 1 January 2014	(1,801.4)	137.4	0.5	69.2	7.4	(1,586.9)
Credit/(charge) to income statement	255.2	3.9	(0.5)	22.5	(0.3)	280.8
Credit to other comprehensive income	—	—	(1.6)	—	—	(1.6)
Exchange differences	65.8	(9.5)	—	(0.8)	(0.4)	55.1
At 1 January 2015	(1,480.4)	131.8	(1.6)	90.9	6.7	(1,252.6)
Credit to income statement	218.2	37.7	0.2	91.0	4.4	351.5
Credit to other comprehensive income	—	—	0.9	—	—	0.9
Exchange differences	37.8	(6.7)	—	0.4	(0.5)	31.0
At 31 December 2015	(1,224.4)	162.8	(0.5)	182.3	10.6	(869.2)

	2015 $m	2014 $m
Deferred tax liabilities	**(1,164.5)**	(1,507.6)
Deferred tax assets	**295.3**	255.0
	(869.2)	(1,252.6)

No deferred tax has been provided on unremitted earnings of overseas subsidiaries, as the Group has no plans to remit these to the UK in the foreseeable future. Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the level of deferred tax assets recognised which can result in a charge or credit in the period in which the change occurs.

Note 25. Called up equity share capital and share premium account

Allotted equity share capital and share premium

	Equity share capital allotted and fully paid		Share premium
	Number	$m	$m
Ordinary shares of 10 pence each			
At 1 January 2014	909,971,941	146.9	603.2
Issued during the year			
—Exercise of share options	689,690	0.1	3.2
At 1 January 2015	**910,661,631**	**147.0**	**606.4**
Issued during the year			
—Exercise of share options	**915,075**	**0.2**	**3.4**
At 31 December 2015	**911,576,706**	**147.2**	**609.8**

The Company does not have an authorised share capital.

Note 26. Non-controlling interest

	2015 $m	2014 $m
At 1 January	**24.3**	123.5
Share of loss for the year	**(2.1)**	(84.2)
Distribution to non-controlling interests	**(2.4)**	(15.0)
At 31 December	**19.8**	24.3

The non-controlling interest relates to Tulipe Oil SA (Tulipe), where the Group has a 50% controlling shareholding whose place of business is Gabon. The loss associated with non-controlling interests is principally as a result of impairments recorded against property, plant and equipment.

Notes to Group financial statements (continued)
Year ended 31 December 2015

Note 27. Share-based payments

Reconciliation of share-based payment charge

	Notes	2015 $m	2014 $m
Tullow Incentive Plan		**12.3**	5.2
2005 Performance Share Plan		**7.9**	19.0
2005 Deferred Share Bonus Plan		**1.0**	2.3
Employee Share Award Plan		**30.8**	10.4
2010 Share Option Plan and 2000 Executive Share Option Scheme		**14.8**	21.6
UK & Irish Share Incentive		**0.5**	1.0
Total share-based payment charge		**67.3**	59.5
Capitalised to intangible and tangible assets		**18.6**	20.0
Expensed to operating costs	4	**0.8**	1.6
Expensed as administrative cost	4	**47.9**	37.9
Total share-based payment charge		**67.3**	59.5

Tullow Incentive Plan (TIP)

Under the TIP, Senior Management can be granted nil exercise price options, normally exercisable from three (five years in the case of the Company's Directors) to ten years following grant provided an individual remains in employment. The size of awards depends on both annual performance measures and Total Shareholder Return (TSR) over a period of up to three years. There are no post-grant performance conditions. No dividends are paid over the vesting period, however an amount equivalent to the dividends that would have been paid on the TIP shares during the vesting period if they were 'real' shares, will also be payable on exercise of the award. There are further details of the TIP in the Directors' Remuneration Report on pages 90 to 106.

The weighted average remaining contractual life for TIP awards outstanding at 31 December 2015 was 6.9 years.

2005 Performance Share Plan (PSP)

Under the PSP, Senior Management could be granted nil exercise price options, normally exercisable between three and ten years following grant. Awards made before 8 March 2010 were made as conditional awards to acquire free shares on vesting. To provide flexibility to participants, those awards were converted into nil exercise price options. Awards vest subject to a Total Shareholder Return (TSR) performance condition, 50% (70% for awards granted to Directors in 2013, 2012 and 2011) of an award is tested against a comparator group of oil and gas companies. The remaining 50% (30% for awards granted to Directors in 2013, 2012 and 2011) is tested against constituents of the FTSE 100 index (excluding investment trusts).

Performance is measured over a fixed three-year period starting on 1 January prior to grant, and an individual must normally remain in employment for three years from grant for the shares to vest. No dividends are paid over the vesting period. There are further details of PSP award performance measurement in the Directors' Remuneration Report on pages 90 to 106. From 2014, senior executives participate in the TIP instead of the PSP.

The weighted average remaining contractual life for PSP awards outstanding at 31 December 2015 was 4.8 years.

2005 Deferred Share Bonus Plan (DSBP)

Under the DSBP, the portion of any annual bonus above 75% of the base salary of a senior executive nominated by the Remuneration Committee was deferred into shares. Awards normally vest following the end of three financial years commencing with that in which they were granted. They were granted as nil exercise price options, normally exercisable from when they vest until ten years from grant. Awards granted before 8 March 2010 as conditional awards to acquire free shares were converted into nil exercise price options to provide flexibility to participants. A dividend equivalent is paid over the period from grant to vesting. From 2014, senior executives participate in the TIP instead of the DSBP.

The weighted average remaining contractual life for DSBP awards outstanding at 31 December 2015 was 5.6 years.

Employee Share Award Plan (ESAP)

Most Group employees are eligible to be granted nil exercise price options under the ESAP. These are normally exercisable from three to ten years following grant. An individual must normally remain in employment for three years from grant for the share to vest. Awards are not subject to post-grant performance conditions.

Phantom options that provide a cash bonus equivalent to the gain that could be made from a share option (being granted over a notional number of shares) have also been granted under the ESAP in situations where the grant of share options was not practicable.

The weighted average remaining contractual life for ESAP awards outstanding at 31 December 2015 was 8.8 years.

2010 Share Option Plan (2010 SOP) and 2000 Executive Share Option Scheme (2000 ESOS)

Participation in the 2010 SOP and 2000 ESOS was available to most of the Group's employees. Options have an exercise price equal to market value shortly before grant and are normally exercisable between three and ten years from the date of the grant subject to continuing employment.

Options granted prior to 2011 were granted under the 2000 ESOS where exercise was subject to a performance condition. Performance was measured against constituents of the FTSE 100 index (excluding investment trusts). 100% of awards vested if the Company's TSR was above the median of the index companies over three years from grant. The 2010 SOP was replaced by the ESAP for grants from 2014. During 2013 phantom options were granted under the 2010 SOP to replace certain options granted under the 2000 ESOS that lapsed as a result of performance conditions not being satisfied. These replacement phantom options provide a cash bonus equivalent to the gain that could be made from a share option (being granted over a notional number of shares with a notional exercise price). Phantom options have also been granted under the 2010 SOP and the 2000 ESOS in situations where the grant of share options was not practicable.

Options outstanding at 31 December 2015 had exercise prices of 349p to 1530p (2014: 157p to 1530p) and remaining contractual lives between nine days and eight years. The weighted average remaining contractual life is 4.3 years.

UK & Irish Share Incentive Plans (SIPs)

These are all-employee plans set up in the UK and Ireland, to enable employees to save out of salary up to prescribed monthly limits. Contributions are used by the SIP trustees to buy Tullow shares ('Partnership Shares') at the end of each three-month accumulation period. The Company makes a matching contribution to acquire Tullow shares ('Matching Shares') on a one-for-one basis. Under the UK SIP, Matching Shares are subject to time-based forfeiture over three years on leaving employment in certain circumstances or if the related Partnership Shares are sold. The fair value of a Matching Share is its market value when it is awarded.

Under the UK SIP: (i) Partnership Shares are purchased at the lower of their market values at the start of the accumulation period and the purchase date (which is treated as a three-month share option for IFRS 2 purposes and therefore results in an accounting charge), and (ii) Matching Shares vest over the three years after being awarded (resulting in their accounting charge being spread over that period). Under the Irish SIP: (i) Partnership Shares are bought at the market value at the purchase date (which does not result in any accounting charge), and (ii) Matching Shares vest over the two years after being awarded (resulting in their accounting charge being spread over that period).

Notes to Group financial statements (continued)
Year ended 31 December 2015

The following table illustrates the number and average weighted share price ("WAEP") at grant or WAEP of, and movements in, share options under the TIP, PSP, DSBP, ESAP and 2010 SOP / 2000 ESOS

	Outstanding as at 1 January	Granted during the year	Exercised during the year	Forfeited/ expired during the year	Outstanding at 31 December	Exercisable at 31 December
2015 TIP—number of shares	**1,580,577**	**2,436,183**	**—**	**(215,334)**	**3,801,426**	**820,010**
2015 TIP—average weighted share price at grant	**782.0**	**406.1**	**—**	**673.0**	**547.3**	**552.7**
2014 TIP—number of shares	—	1,611,122	—	(30,545)	1,580,577	—
2014 TIP—average weighted share price at grant	—	782.0	—	782.0	782.0	—
2015 PSP—number of shares	**6,972,729**	**—**	**(223,711)**	**(2,540,156)**	**4,208,862**	**1,814,024**
2015 PSP—average weighted share price at grant	**1230.2**	**—**	**892.4**	**1433.0**	**1125.7**	**997.7**
2014 PSP—number of shares	9,392,763	3,500	(37,319)	(2,386,215)	6,972,729	1,528,876
2014 PSP—average weighted share price at grant	1256.8	753.0	926.7	1338.9	1230.2	896.8
2015 DSBP—number of shares	**491,916**	**—**	**(25,819)**	**—**	**466,097**	**315,589**
2015 DSBP—average weighted share price at grant	**1240.0**	**—**	**1480.0**	**—**	**1226.7**	**1219.9**
2014 DSBP—number of shares	503,224	—	(11,308)	—	491,916	190,882
2014 DSBP—average weighted share price at grant	1242.7	—	1362.0	—	1240.0	1049.9
2015 ESAP—number of shares	**3,306,981**	**15,516,608**	**(155,107)**	**(1,600,574)**	**17,067,908**	**651,595**
2015 ESAP—average weighted share price at grant	**779.7**	**304.2**	**730.3**	**429.0**	**380.7**	**688.7**
2014 ESAP—number of shares	—	3,494,417	—	(187,436)	3,306,981	9,621
2014 ESAP—average weighted share price at grant	—	779.9	—	782.0	779.7	782.0
2015 SOP/ESOS—number of shares	**16,343,605**	**—**	**(531,106)**	**(1,346,488)**	**14,466,011**	**9,894,040**
2015 SOP/ESOS—WAEP	**1128.8**	**—**	**201.8**	**1149.6**	**1160.9**	**1139.3**
2014 SOP/ESOS—number of shares	18,129,299	—	(652,371)	(1,133,323)	16,343,605	7,184,988
2014 SOP/ESOS—WAEP	1109.2	—	269.4	1310.3	1128.8	913.5
2015 Phantoms—number of phantom shares	**2,229,052**	**—**	**—**	**(710,613)**	**1,518,439**	**1,518,439**
2015 Phantoms—WAEP	**1274.5**	**—**	**—**	**1274.6**	**1274.5**	**1274.5**
2014 Phantoms—number of phantom shares	2,417,507	—	—	(188,455)	2,229,052	2,229,052
2014 Phantoms—WAEP	1274.5	—	—	1275.3	1274.5	1274.5

The options granted during the year were valued using a proprietary binomial valuation.

Notes to Group financial statements (continued)
Year ended 31 December 2015

The following table details the weighted average fair value of awards granted and the assumptions used in the fair value expense calculations.

	2015 TIP	2015 ESAP	2014 TIP	2014 ESAP
Weighted average fair value of awards granted	**406.1p**	**304.2p**	782.0p	744.7p
Weighted average share price at exercise for awards exercised	**—**	**319.0**	—	—
Principal inputs to options valuations model:				
Weighted average share price at grant	**406.1p**	**304.2p**	782.0p	779.9p
Weighted average exercise price	**0.0p**	**0.0p**	0.0p	0.0p
Risk-free interest rate per annum	**0.9 - 1.3%**	**0.5 - 1.0%**	1.1 - 1.5%	1.1 - 1.4%
Expected volatility per annum(1)	**32 - 36%**	**32 - 41%**	33 - 34%	32 - 34%
Expected award life (years)(2)	**3.3**	**2.2**	3.1	3.0
Dividend yield per annum	**n/a**	**0.0%**	n/a	1.5 - 1.7%
Employee turnover before vesting per annum(3)	**5% / 0%**	**5%**	5% / 0%	5%

1. Expected volatility was determined by calculating the historical volatility of the Company's share price over a period commensurate with the expected life of the awards.

2. The expected life is the average expected period from date of grant to exercise allowing for the Company's best estimate of participants' expected exercise behaviour.

3. Zero turnover is assumed for TIP awards made to executives and Directors, 5% per annum for TIP awards to senior management.

	2015 PSP	2014 PSP	2015 DSBP	2014 DSBP	2015 SOP/ESOS(1)	2014 SOP/ESOS(1)
Weighted average share price at exercise for awards exercised	**294.5p**	728.7p	**384.6p**	792.5p	**409.0p**	752.8p

1. Includes the replacement phantom awards made during 2013.

Notes to Group financial statements (continued)
Year ended 31 December 2015

Note 28. Commitments and contingencies

	2015 $m	2014 $m
Capital commitments	**1,614.5**	2,457.8
Operating lease commitments		
Due within one year	**8.4**	21.6
After one year but within two years	**8.4**	22.7
After two years but within five years	**25.2**	40.2
Due after five years	**39.3**	10.4
	81.3	94.9
Contingent liabilities		
Performance guarantees	**130.9**	288.7
Ugandan CGT	—	265.3
Other contingent liabilities	**32.0**	1.9
	162.9	555.9

Where Tullow acts as operator of a joint venture the capital commitments reported represent Tullow's net share. Where Tullow is non-operator the value of capital commitments is based on committed future work programmes. Capital commitments excludes future payments of $2,074.1 million (gross) in relation to the TEN FPSO which will be accounted for as a finance lease.

Operating lease payments represent rentals payable by the Group for certain of its office properties and a lease for an FPSO vessel for use on the Chinguetti field in Mauritania. Leases on office properties are negotiated for an average of six years and rentals are fixed for an average of six years.

Performance guarantees are in respect of abandonment obligations, committed work programmes and certain financial obligations.

Note 29. Related party transactions

The Directors of Tullow Oil plc are considered to be the only key management personnel as defined by IAS 24—Related Party Disclosures.

	2015 $m	2014 $m
Short-term employee benefits	**10.0**	9.5
Post-employment benefits	**1.1**	1.2
Amounts awarded under long-term incentive schemes	**4.2**	3.3
Share-based payments	**5.7**	10.4
	21.0	24.4

Short-term employee benefits

These amounts comprise fees paid to the Directors in respect of salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

Post-employment benefits

These amounts comprise amounts paid into the pension schemes of the Directors.

Amounts awarded under long-term incentive schemes

These amounts relate to the shares granted under the annual bonus scheme that are deferred for three years under the Deferred Share Bonus Plan (DSBP) and Tullow Incentive Plan (TIP).

Share-based payments

This is the cost to the Group of Directors' participation in share-based payment plans, as measured by the fair value of options and shares granted, accounted for in accordance with IFRS 2—Share-based Payments.

There are no other related party transactions. Further details regarding transactions with the Directors of Tullow Oil plc are disclosed in the Directors' Remuneration Report on pages 90 to 106.

Note 30. Subsequent events

In January 2016 Tullow completed the farm-down of 25% of its interest in block 12A to Delonex and Tullow also agreed to sell a 20% interest in the Bannu West licence in Pakistan to Mari Gas. Tullow was awarded a 60% operated interest in the Orinduik licence in January 2016, a 1,801 square kilometre block offshore Guyana. On 23 January 2016, the TEN FPSO set sail from Singapore to Ghana with arrival expected in early March 2016.

Subsequent to the balance sheet date there has been a deterioration in the spot price of Brent crude. Sensitivity analysis on the impact of a reduction in Brent crude prices on the carrying value of PP&E is provided in note 12.

Note 31. Pension schemes

The Group operates defined contribution pension schemes for staff and Executive Directors. The contributions are payable to external funds which are administered by independent trustees. Contributions during the year amounted to $20.5 million (2014: $19.6 million). As at 31 December 2015, there was a liability of $nil million (2014: $ nil million) for contributions payable included in other payables.

Company balance sheet
As at 31 December 2015

	Notes	2015 $m	2014 $m	2013 $m
ASSETS				
Non-current assets				
Investments	1	**4,885.4**	4,919.6	3,851.4
Intercompany derivative asset	7	**217.6**	—	—
		5,103.0	4,919.6	3,851.4
Current assets				
Other current assets	4	**3,475.5**	3,706.0	3,602.6
Intercompany derivative asset	7	**405.4**	—	—
Cash at bank		**3.4**	3.6	0.9
		3,884.3	3,709.6	3,603.5
Total assets		**8,987.3**	8,629.2	7,454.9
LIABILITIES				
Current liabilities				
Trade and other creditors	5	**(722.5)**	(236.1)	(181.9)
Borrowings	6	**(14.2)**	—	—
		(736.7)	(236.1)	(181.9)
Non-current liabilities				
Borrowings	6	**(4,262.4)**	(3,209.1)	(1,995.0)
Loans to subsidiaries	8	**—**	—	(1.3)
		(4,262.4)	(3,209.1)	(1,996.3)
Total liabilities		**(4,999.1)**	(3,445.2)	(2,178.2)
Net assets		**3,988.2**	5,184.0	5,276.7
Capital and reserves				
Called-up share capital	9	**147.2**	147.0	146.9
Share premium	9	**609.8**	606.4	603.2
Other reserves		**850.8**	850.8	850.8
Retained earnings		**2,380.4**	3,579.8	3,675.8
Total equity		**3,988.2**	5,184.0	5,276.7

Approved by the Board and authorised for issue on 9 February 2016.

Aidan Heavey
Chief Executive Officer

Ian Springett
Chief Financial Officer

Company statement of changes in equity
As at 31 December 2015

	Share capital $m	Share premium $m	Other reserves $m	Retained earnings $m	Total equity $m
At 1 January 2014	146.9	603.2	850.8	3,675.8	5,276.7
Profit for the year	—	—	—	27.3	27.3
Issue of employee share options	0.1	3.2	—	—	3.3
Vesting of PSP shares	—	—	—	(0.4)	(0.4)
Share-based payment charges	—	—	—	59.4	59.4
Dividends paid	—	—	—	(182.3)	(182.3)
At 1 January 2015	**147.0**	**606.4**	**850.8**	**3,579.8**	**5,184.0**
Loss for the year	**—**	**—**	**—**	**(1,264.8)**	**(1,264.8)**
Issue of employee share options	**0.2**	**3.4**	**—**	**—**	**3.6**
Vesting of PSP shares	**—**	**—**	**—**	**(1.9)**	**(1.9)**
Share-based payment charges	**—**	**—**	**—**	**67.3**	**67.3**
At 31 December 2015	**147.2**	**609.8**	**850.8**	**2,380.4**	**3,988.2**

Company accounting policies
As at 31 December 2015

(a) General information

Tullow Oil plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 111. The Financial Statements are presented in US dollars and all values are rounded to the nearest $0.1 million, except where otherwise stated. Tullow Oil plc is the ultimate parent of the Tullow Oil Group.

(b) Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the Company has undergone transition from reporting under UK Generally Accepted Accounting Practice (UK GAAP) to FRS 101 as issued by the Financial Reporting Council. The Financial Statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. On transition to FRS 101 the Company has applied paragraphs 6-33 of IFRS 1 as adopted by the EU, this transition is not considered to have had a material effect on the Financial Statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of an income statement, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the Group accounts.

The Financial Statements have been prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value.

During the year the Company made a loss of $1,264.8 million (2014: $27.3 million profit).

(c) Going concern

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's producing assets and delays to development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capability and flexibility of the Group. In the currently low commodity price environment, the Group has taken appropriate action to reduce its cost base and had $1.9 billion of debt liquidity headroom and free cash at the end of 2015. The Group's forecast, taking into account the risks described above, show that the Group will be able to operate within its current debt facilities and have sufficient financial headroom for the 12 months from the date of approval of the 2015 Annual Report and Accounts.

Notwithstanding our forecasts of liquidity headroom throughout the 12 month period, there remains a risk, given the volatility of the oil price environment and its impact on operating cash flows and facility availability, that the Group's liquidity position may deteriorate and/or the Group may become technically non-compliant with one of its financial covenants at the end of 2016.

To mitigate this risk, we will continue to maintain our long-term banking relations and will monitor our cash flow projections and, if necessary, take mitigating actions well in advance to maintain our liquidity and compliance with covenants. Actions available to the Group include further rationalisation of our cost base, cuts to discretionary capital expenditure, portfolio management and other funding options.

Based on the analysis above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

(d) Foreign currencies

The US dollar is the reporting currency of the Company. Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date, with a corresponding charge or credit to the income statement. However, exchange gains and losses arising on long-term foreign currency borrowings, which are a hedge against the Company's overseas investments, are dealt with in reserves.

(e) Investments

Fixed asset investments, including investments in subsidiaries, are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

(f) Derivative financial instruments

The Company uses derivative financial instruments to manage the Group's exposure to fluctuations in movements in oil and gas prices.

Derivative financial instruments are stated at fair value.

The purpose for which a derivative is used is established at inception. To qualify for hedge accounting, the derivative must be highly effective in achieving its objective and this effectiveness must be documented at inception and throughout the period of the hedge relationship. The hedge must be assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For the purpose of hedge accounting, hedges are classified as either fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges, where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or forecast transaction.

Company accounting policies
As at 31 December 2015

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from re-measuring the derivative and the hedged item at fair value is recognised immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the income statement.

For cash flow hedges, the portion of the gains and losses on the hedging instrument that is determined to be an effective hedge is taken to other comprehensive income and the ineffective portion, as well as any change in time value, is recognised in the income statement. The gains and losses taken to other comprehensive income are subsequently transferred to the income statement during the period in which the hedged transaction affects the income statement. A similar treatment applies to foreign currency loans which are hedges of the Group's net investment in the net assets of a foreign operation.

Gains or losses on derivatives that do not qualify for hedge accounting treatment (either from inception or during the life of the instrument) are taken directly to the income statement in the period.

(g) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(h) Share issue expenses

Costs of share issues are written off against the premium arising on the issues of share capital.

(i) Finance costs of debt

Finance costs of debt are recognised in the profit and loss account over the term of the related debt at a constant rate on the carrying amount.

Interest-bearing borrowings are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(j) Taxation

Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred corporation tax is recognised on all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted. Deferred tax is measured on a non-discounted basis.

Deferred tax is provided on temporary differences arising on acquisitions that are categorised as Business Combinations. Deferred tax is recognised at acquisition as part of the assessment of the fair value of assets and liabilities acquired. Any deferred tax is charged or credited in the income statement as the underlying temporary difference is reversed.

In order to account for uncertain tax positions management has formed an accounting policy, in accordance with IAS 8, whereby the ultimate outcome of legal proceedings is viewed as a single unit of account. The results of separate hearings in relation to the same matter, such as local tribunals and international arbitration, are not viewed separately and only the final outcome is assessed by management to determine the best estimate of any potential outcome. If management viewed the results of individual hearings separately an income statement charge could arise due to the differing recognition criteria of assets and liabilities.

(k) Capital management

The Company defines capital as the total equity of the Company. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Company's ability to continue as a going concern. Tullow is not subject to any externally imposed capital requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital, issue new shares for cash, repay debt, and put in place new debt facilities.

(l) Critical accounting judgements and key sources of estimation uncertainty

- Financial instruments (note 7)

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The Directors of the Company have determined appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

- Investments (note 1)

The Company is required to assess the carrying values of each of its investments in subsidiaries for impairment. The net assets of certain of the Company's subsidiaries are predominantly intangible exploration and evaluation (E&E) assets. Where facts and circumstances indicate that the carrying amount of an E&E asset held by a subsidiary may exceed its recoverable amount, by reference to the specific indicators of impairment of E&E assets, an impairment test of the asset is performed by the subsidiary undertaking and the asset is impaired by any difference between its carrying value and its recoverable amount. The recognition of such an impairment by a subsidiary is used by the Company as the primary basis for determining whether or not there are indications that the investment in the related subsidiary may also be impaired, and thus whether an impairment test of the investment carrying value needs to be performed. The results of exploration activities are inherently uncertain, and the assessment of impairment of E&E assets by the subsidiary, and that of the related investment by the Company, is judgemental.

Notes to the Company financial statements
Year ended 31 December 2015

Note 1. Investments

	2015 $m	2014 $m	2013 $m
Shares at cost in subsidiary undertakings	**4,884.4**	4,918.6	3,850.4
Unlisted investments	**1.0**	1.0	1.0
	4,885.4	4,919.6	3,851.4

During 2015, an impairment of $1,279.8 million (2014: $661 million) was recorded against the Company's investments in subsidiaries to fund losses incurred by Group service companies. This was partially offset by an increase of investment in the Company's directly held subsidiaries.

The Company's subsidiary undertakings as at 31 December 2015 are listed on page 176. The principal activity of all companies relates to oil and gas exploration, development and production.

Note 2. Dividends

	2015 $m	2014 $m	2013 $m
Declared and paid during year			
Final dividend for 2014: nil pence (2013: 8 pence) per ordinary share	—	123.3	110.6
Interim dividend for 2015: nil pence (2014: 4 pence) per ordinary share	—	59.0	56.8
Dividends paid	—	182.3	167.4
Proposed for approval by shareholders at the AGM			
Final dividend for 2015: nil pence (2014: nil pence)	—	—	120.0

The final dividend is subject to approval by shareholders at the Annual General Meeting.

Note 3. Deferred tax

The Company has tax losses of $359.9 million (2014: $359.9 million) that are available indefinitely for offset against future non-ring-fenced taxable profits in the Company. A deferred tax asset of $nil million (2014: $nil million) has been recognised in respect of these losses on the basis that the Company does not anticipate making non-ring-fenced profits in the foreseeable future.

Notes to the Company financial statements (continued)
Year ended 31 December 2015

Note 4. Other current assets

Amounts falling due within one year

	2015 $m	2014 $m	2013 $m
Other debtors	—	16.4	0.2
Due from subsidiary undertakings	**3,475.5**	3,689.6	3,602.4
	3,475.5	3,706.0	3,602.6

The amounts due from subsidiary undertakings include $2,951.0 million (2014: $2,800.8 million) that incurs interest at LIBOR plus 0.875%—5.95%. The remaining amounts due from subsidiaries accrue no interest. All amounts are repayable on demand. During the year a provision of $174.8 million (2014: $128.9 million) was made in respect of the recoverability of amounts due from subsidiary undertakings.

Note 5. Trade and other creditors

Amounts falling due within one year

	2015 $m	2014 $m	2013 $m
Other creditors	—	7.3	5.4
Accruals	—	—	0.8
VAT and other similar taxes	—	15.4	—
Due to subsidiary undertakings	**722.5**	213.4	175.7
	722.5	236.1	181.9

Notes to the Company financial statements (continued)
Year ended 31 December 2015

Note 6. Borrowings

	2015 $m	2014 $m	2013 $m
Current			
Short-term borrowings	**14.2**	—	—
Non-current			
Term loans repayable			
—After one year but within two years	**800.0**	—	—
—After two years but within five years	**2,165.6**	1,914.0	445.0
—After five years	**—**	—	906.0
Senior notes due 2020	**646.4**	645.5	644.0
Senior notes due 2022	**650.4**	649.6	—
	4,262.4	3,209.1	1,995.0
Carrying value of total borrowings	**4,276.6**	3,209.1	1,995.0
Accrued interest and unamortised fees	**37.6**	77.9	107.0
External borrowings	**4,314.2**	3,287.0	2,102.0

Term loans are secured by fixed and floating charges over the oil and gas assets of the Group Financial Statements.

Note 7. Financial instruments

Disclosure exemptions adopted

Where equivalent disclosures for the requirements of IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurements have been included in the 2015 Annual Report and Accounts of Tullow Oil plc, the Company has adopted the disclosure exemptions available to the Company's accounts.

Financial risk management objectives

The Company follows the Group's policies for managing all its financial risks.

Fair values of derivative instruments

All derivatives are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement, unless the derivatives have been designated as cash flow or fair value hedges. Fair value is the amount for which the asset or liability could be exchanged in an arm's length transaction at the relevant date. Where available fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

Notes to the Company financial statements (continued)
Year ended 31 December 2015

On 22 December 2015, the Company entered into an intercompany derivative trade with a wholly owned subsidiary, Tullow Oil SPE limited ('SPE'), paying consideration of $676.3 million in exchange for the right to receive all future receipts, and assumes all future obligations under SPE's existing and future oil derivative contracts with external counterparties. The consideration paid is considered to be at fair value on the date of the transaction.

As at 31 December 2015, none of the Company's derivatives have been designated into hedging relationships at entity level. As such, derivative fair value movements in the year have been recognised immediately in the income statement.

The Company's derivative carrying and fair values were as follows

Assets/liabilities	2015 Less than 1 year $m	2015 1 - 3 years $m	2015 Total $m	2014 Less than 1 year $m	2014 1 - 3 years $m	2014 Total $m
Intercompany oil derivatives	**405.4**	**217.6**	**623.0**	—	—	—
Total assets	**405.4**	**217.6**	**623.0**	—	—	—

The following provides an analysis of the Company's financial instruments measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data.

All of the Company's derivatives are Level 2 (2014: n/a). There were no transfers between fair value levels during the year.

For financial instruments which are recognised on a recurring basis, the Company determines whether transfers have occurred between levels by reassessing categorisation (based on the lowest-level input which is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to the Company financial statements (continued)
Year ended 31 December 2015

Offset of financial assets and financial liabilities

Netting agreements are in place to enable the Company and its counterparty to set-off liabilities against available assets in the event that either party is unable to fulfil its contractual obligations.

31 December 2015	Gross amounts recognised $m	Gross amounts offset in Group balance sheet $m	Net amounts presented in balance sheet $m	Related amounts not offset in the balance sheet $m	Net amount $m
Intercompany derivative assets	**623.0**	**—**	**623.0**	**(623.0)**	**—**
Trade and other creditors	**(722.5)**	**—**	**(722.5)**	**623.0**	**(99.5)**

31 December 2014	Gross amounts recognised $m	Gross amounts offset in Group balance sheet $m	Net amounts presented in balance sheet $m	Related amounts not offset in the balance sheet $m	Net amount $m
Intercompany derivative assets	—	—	—	—	—
Trade and other creditors	(236.1)	—	(236.1)	—	(236.1)

Income statement summary

Derivative fair value movements during the year which have been recognised in the income statement were as follows

Loss on derivative instruments	2015 $m	2014 $m
Intercompany oil derivatives	**(53.3)**	—

Notes to the Company financial statements (continued)
Year ended 31 December 2015

Cash flow and interest rate risk

The interest rate profile of the Company's financial assets and liabilities, excluding trade and other receivables and trade and other payables, at 31 December 2015 and 2014 was as follows:

	2015 Cash at bank $m	2015 Fixed rate debt $m	2015 Floating rate debt $m	2015 Total $m	2014 Cash at bank $m	2014 Fixed rate debt $m	2014 Floating rate debt $m	2014 Total $m
US$	**2.1**	**(1,300.0)**	**(2,857.3)**	**(4,155.2)**	2.2	(1,300.0)	(1,822.4)	(3,120.2)
Euro	**0.2**	**—**	**—**	**0.2**	—	—	—	—
Sterling	**0.1**	**—**	**(156.9)**	**(156.8)**	(0.3)	—	(164.6)	(164.9)
Other	**1.0**	**—**	**—**	**1.0**	1.7	—	—	1.7
	3.4	**(1,300.0)**	**(3,014.2)**	**(4,310.8)**	3.6	(1,300.0)	(1,987.0)	(3,283.4)

Cash at bank consisted mainly of deposits which earn interest at rates set in advance for periods ranging from overnight to one month by reference to market rates.

Liquidity risk

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Weighted average effective interest rate	Less than 1 month $m	1 - 3 months $m	3 months to 1 year $m	1 - 5 years $m	5+ years $m	Total $m
31 December 2015							
Non-interest bearing	**n/a**	**722.5**	**—**	**—**	**—**	**—**	**722.5**
Fixed interest rate instruments .	**6.5%**						
Principal repayments		**—**	**—**	**—**	**650.0**	**650.0**	**1,300.0**
Interest charge		**—**	**—**	**79.6**	**318.5**	**60.9**	**459.0**
Variable interest rate instruments	**6.0%**						
Principal repayments		**—**	**—**	**14.2**	**3,000.0**	**—**	**3,014.2**
Interest charge		**9.9**	**19.7**	**88.5**	**206.0**	**—**	**324.1**
		732.4	**19.7**	**182.3**	**4,174.5**	**710.9**	**5,819.8**

	Weighted average effective interest rate	Less than 1 month $m	1 - 3 months $m	3 months to 1 year $m	1 - 5 years $m	5+ years $m	Total $m
31 December 2014							
Non-interest bearing	n/a	236.1	—	—	—	—	236.1
Fixed interest rate instruments	6.5%						
Principal repayments		—	—	—	—	1,300.0	1,300.0
Interest charge		—	—	79.6	318.5	160.9	559.0
Variable interest rate instruments	6.7%						
Principal repayments		—	—	—	1,987.0	—	1,987.0
Interest charge		6.2	12.4	59.5	372.3	—	450.4
		242.3	12.4	139.1	2,677.8	1,460.9	4,532.5

Sensitivity analysis

The following analysis is intended to illustrate sensitivity to changes in market variables, being Dated Brent oil prices and US dollar exchange rates. The analysis is used internally by management to monitor derivatives and assesses the financial impact of reasonably possible movements in key variables.

		Equity		Foreign currency denominated liabilities and equity	
	Market movement	2015 $m	2014 $m	2015 $m	2014 $m
Brent oil price	50%	—	—	**(441.1)**	—
Brent oil price	(50%)	—	—	**564.1**	—
US$/foreign currency exchange rates	20%	—	—	**(31.4)**	(32.9)
US$/foreign currency exchange rates	(20%)	—	—	**31.4**	32.9

The following assumptions have been used in calculating the sensitivity in movement of oil prices; the pricing adjustments relate only to the point forward mark-to-market (MTM) valuations, the sensitivities have been run only on the intrinsic element of the derivatives as management consider this to be the material component of oil derivative valuations.

Notes to the Company financial statements (continued)
Year ended 31 December 2015

Note 8. Loans from subsidiary undertakings

Amounts falling due after more than one year

	2015 $m	2014 $m	2013 $m
Loans from subsidiary companies	—	—	1.3

The amounts due from subsidiaries do not accrue interest. All loans from subsidiary companies are not due to be repaid within five years.

Note 9. Called up equity share capital and share premium account

Allotted equity share capital and share premium

	Equity share capital allotted and fully paid Number	Share capital $m	Share premium $m
At 1 January 2014	909,971,941	146.9	603.2
Issued during the year			
—Exercise of share options	689,690	0.1	3.2
At 1 January 2015	**910,661,631**	**147.0**	**606.4**
Issued during the year			
—Exercise of share options	**915,075**	**0.2**	**3.4**
At 31 December 2015	**911,576,706**	**147.2**	**609.8**

The Company does not have an authorised share capital. The par value of the Company's shares is 10 pence.

Note 10. Subsequent events

In January 2016 Tullow completed the farm-down of 25% of its interest in block 12A to Delonex and Tullow also agreed to sell a 20% interest in the Bannu West licence in Pakistan to Mari Gas. Tullow was awarded a 60% operated interest in the Orinduik licence in January 2016, a 1,801 square kilometre block offshore Guyana. On 23 January 2016, the TEN FPSO set sail from Singapore to Ghana with arrival expected in early March 2016.

Subsequent to the balance sheet date there has been a deterioration in the spot price of Brent crude. Sensitivity analysis on the impact of a reduction in Brent crude prices on the carrying value of PP&E is provided in note 12 of the Group accounts.

Five year financial summary

	2015 $m	2014 $m	2013* $m	2012* $m	**Restated 2011* $m
Group income statement					
Sales revenue	**1,606.6**	2,212.9	2,646.9	2,344.1	2,304.2
Cost of sales	**(1,015.3)**	(1,116.7)	(1,153.8)	(968.0)	(897.2)
Gross profit	**591.3**	1,096.2	1,493.1	1,376.1	1,407.0
Administrative expenses	**(193.6)**	(192.4)	(218.5)	(191.2)	(122.8)
Restructuring costs	**(40.8)**	—	—	—	—
(Loss)/profit on disposal	**(56.5)**	(482.4)	29.5	702.5	2.0
Goodwill impairment	**(53.7)**	(132.8)	—	—	—
Exploration costs written off	**(748.9)**	(1,657.3)	(870.6)	(670.9)	(120.6)
Impairment of property, plant and equipment	**(406.0)**	(595.9)	(52.7)	(31.3)	(33.6)
Provision for onerous service contracts	**(185.5)**	—	—	—	—
Operating (loss)/profit	**(1,093.7)**	(1,964.6)	380.8	1,185.2	1,132.0
(Loss)/profit on hedging instruments	**(58.8)**	50.8	(19.7)	(19.9)	27.2
Finance revenue	**4.2**	9.6	43.7	9.6	36.6
Finance costs	**(149.0)**	(143.2)	(91.6)	(59.0)	(122.9)
(Loss)/profit from continuing activities before taxation	**(1,297.3)**	(2,047.4)	313.2	1,115.9	1,072.9
Taxation	**260.4**	407.5	(97.1)	(449.7)	(383.9)
(Loss)/profit for the year from continuing activities	**(1,036.9)**	(1,639.9)	216.1	666.2	689.0
(Loss)/earnings per share					
Basic—¢	**(113.6)**	(170.9)	18.6	68.8	72.5
Diluted—¢	**(113.6)**	(170.9)	18.5	68.4	72.0
Dividends paid	**—**	182.3	167.4	173.2	114.2
Group balance sheet					
Non-current assets	**9,506.8**	9,335.1	9,439.3	8,087.6	9,463.5
Net current assets/(liabilities)	**259.2**	747.4	637.0	65.4	(361.2)
Total assets less current liabilities	**9,766.0**	10,082.5	10,076.3	8,153.0	9,102.3
Long-term liabilities	**(6,591.3)**	(6,062.2)	(4,629.9)	(2,831.4)	(4,336.3)
Net assets	**3,174.7**	4,020.3	5,446.4	5,321.6	4,766.0
Called up equity share capital	**147.2**	147.0	146.9	146.6	146.2
Share premium	**609.8**	606.4	603.2	584.8	551.8
Foreign currency translation reserve	**(249.3)**	(205.7)	(155.1)	(167.8)	(175.5)
Hedge reserve	**569.9**	401.6	2.3	(6.5)	(14.3)
Other reserves	**740.9**	740.9	740.9	740.9	740.9
Retained earnings	**1,336.4**	2,305.8	3,984.7	3,931.2	3,441.3
Equity attributable to equity holders of the parent	**3,154.9**	3,996.0	5,322.9	5,229.2	4,690.4
Non-controlling interest	**19.8**	24.3	123.5	92.4	75.6
Total equity	**3,174.7**	4,020.3	5,446.4	5,321.6	4,766.0

* All comparative figures have been re-presented to align disclosure of impairments of property, plant and equipment on the face of the income statement with 2014.

** The 2011 figures have been restated to reflect the adjustment to business combination fair values.

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