OIL+GAS

Annual Report 2004

Tullow Oil plc is one of the largest independent oil & gas exploration and production companies in Europe. The Group's main offices are in London, Dublin and Cape Town, and Tullow employs over 200 people.

Tullow is listed on the London and Irish Stock Exchanges (Symbol: TLW) and is a constituent of the FTSE 250 Index.

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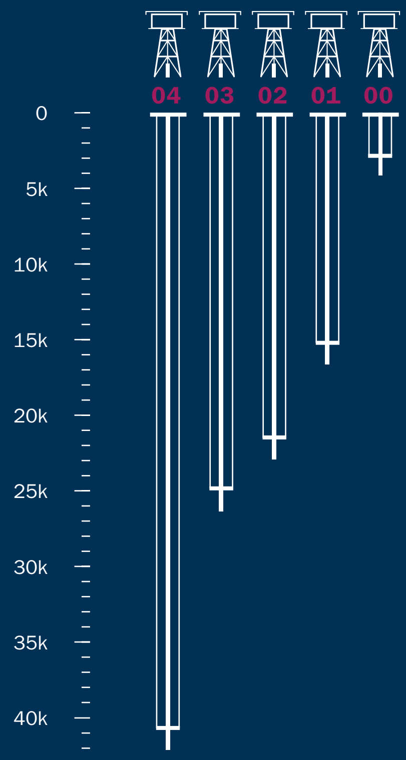
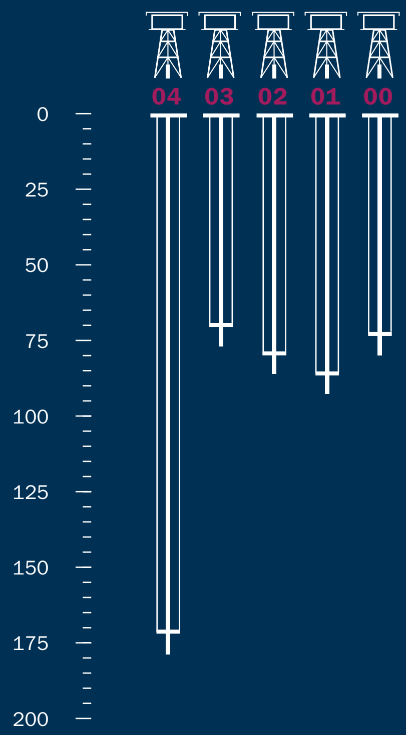
GLOSSARY

€	Euro
£	Pounds Sterling
$	US Dollar
AGM	Annual General Meeting
bcf	Billion cubic feet
boe	Barrels of oil equivalent
boepd	Barrels of oil equivalent per day
bopd	Barrels of oil per day
bpd	Barrels per day
bwpd	Barrels of water per day
CMS	Caister Murdoch System
CMS III	A group development of five satellite fields linked to CMS
CSR	Corporate Social Responsibility
DD&A	Depreciation, Depletion and Amortisation
DTI	UK Department of Trade & Industry
D&PL	Development and Production Lease
EAGHL	Energy Africa Gabon Holdings Limited
EU	European Union
EURIBOR	Euro Interbank Offered Rate
EHS	Environment, Health and Safety
FEED	Front End Engineering Design
FPSO	Floating production, storage & offtake vessel
FRS	Financial Reporting Standard
GIIP	Gas initially in place
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
ISO	International Organisation for Standardisation
km	Kilometres
LIBOR	London Interbank Offered Rate
LPG	Liquid Petroleum Gas
LTI	Lost Time Incident
LTIFR	LTI Frequency Rate measured in LTIs per million man hours
mmbbl	Million barrels
mmboe	Millions of barrels of oil equivalent
mmscfd	Millions of standard cubic feet per day
NUI	Normally unmanned installation
p	Penny or pence Sterling
PRT	Petroleum Revenue Tax
PSC	Production Sharing Contract
SCT	Supplementary Corporation Tax
SNS	Southern North Sea
SORP	Statement of Recommended Practice
sq km	Square kilometres
tcf	Trillion cubic feet
TSR	Total Shareholder Return

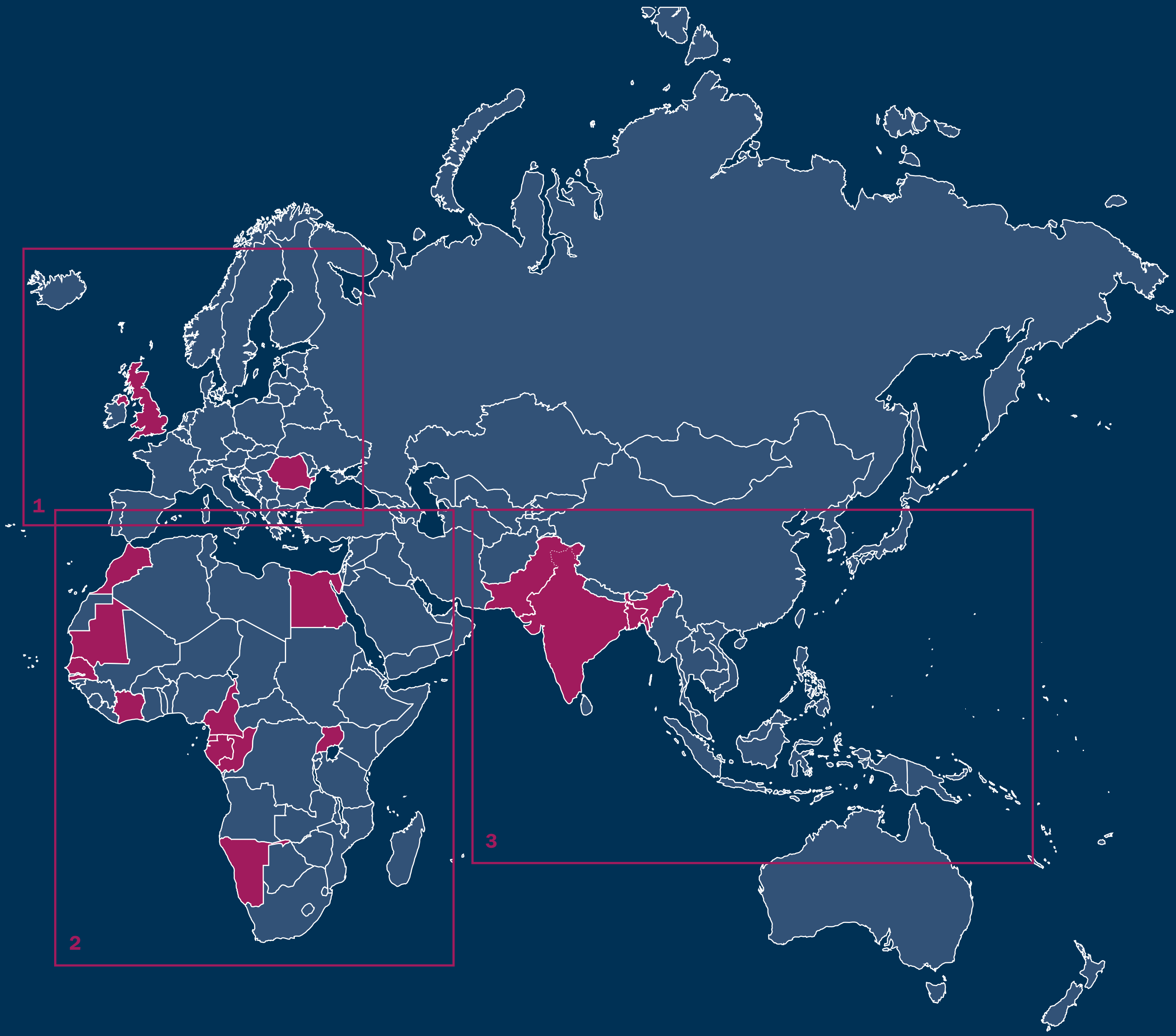
Working Interest Production (boepd)



Commercial Reserves (mmboe)



Tullow has activities in 16 countries and interests in over 90 licences. Its core areas of operation are NW Europe, Africa and South Asia and working interest production is over 56,000 barrels of oil equivalent per day (boepd).



Core Areas

1
NW EUROPE

Romania E

United Kingdom E D P

2
AFRICA

Cameroon E

Congo (Brazzaville) E D P

Côte d'Ivoire E D P

Egypt E

Equatorial Guinea E D P

Gabon E D P

Mauritania E

Morocco E

Namibia D

Senegal E

Uganda E

3
SOUTH ASIA

Bangladesh E D

India E

Pakistan E D P

E EXPLORATION

D DEVELOPMENT

P PRODUCTION

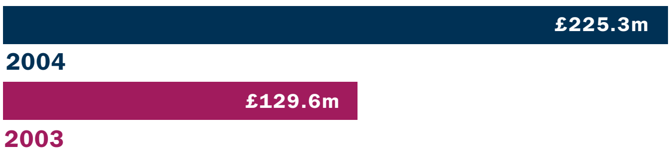
BUILDING A BALANCED PORTFOLIO OF INTERNATIONAL EXPLORATION AND PRODUCTION ASSETS.


HORNE
& WREN

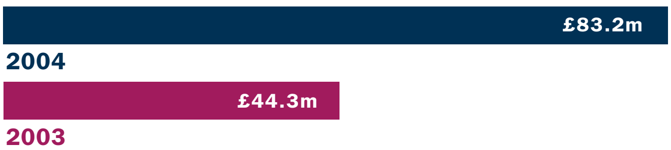
RECORD LEVELS OF PRODUCTION, TURNOVER, PROFITS AND CASH FLOW IN 2004.

Financial Highlights

TURNOVER

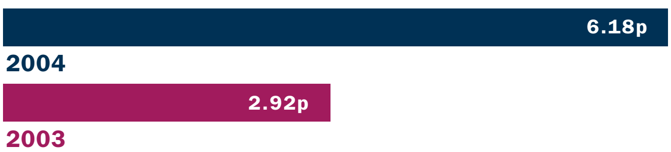


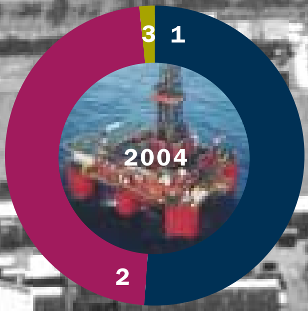
OPERATING PROFIT BEFORE EXPLORATION ACTIVITIES

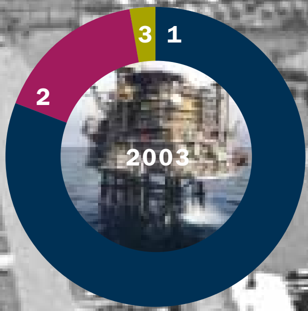


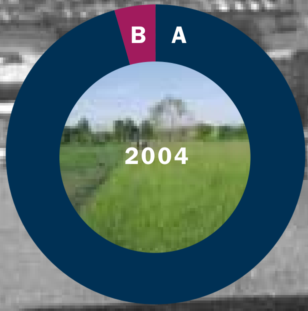
OPERATING CASH FLOW

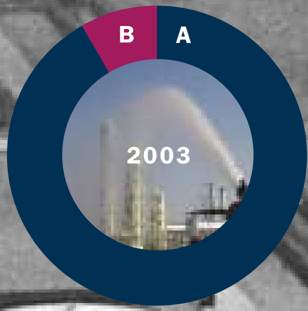
BASIC EARNINGS PER SHARE











TURNOVER BY CORE AREA	2004 £million	2003 £million
1 NW EUROPE	116.3	104.9
2 AFRICA	107.5	22.4
3 SOUTH ASIA	1.5	2.3
TOTAL	225.3	129.6

TURNOVER BY SALES AND TARIFF	2004 £million	2003 £million
A OIL AND GAS SALES	215.8	118.8
B TARIFF INCOME	9.5	10.8
TOTAL	225.3	129.6

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Chairman's Statement

With over $1 billion spent on acquisitions and investments in 2004, the Group has created a strong portfolio of international exploration, production and development assets with opportunities for future growth.

2004 was, by any measure, a remarkable year for Tullow. The Group more than doubled in size, driven largely by the acquisition of Energy Africa in May. This acquisition, combined with sustained high oil and gas prices and good operational performance throughout the business, allowed the Group to deliver a strong set of results in terms of growth, profits and development.

The key 2004 figures may be summarised as follows:

- Turnover up 74% to £225.3 million (2003: £129.6 million)
- Operating profit before exploration activities up 88% to £83.2 million (2003: £44.3 million)
- Basic earnings per share up 112% to 6.18 pence per share (2003: 2.92 pence per share)
- Dividend per share up 75% to 1.75 pence per share (2003: 1.0 pence per share)
- Operating cash flow up 82% to £154.3 million (2003: £85.0 million)
- Working interest reserves amounted to 173 mmboe (2003: 70 mmboe).

Tullow consolidated Energy Africa with effect from 28 May and, had Energy Africa been included for the full year, pro-forma turnover for 2004 would have been of the order of £310 million.

PROGRESSIVE DIVIDEND POLICY

Tullow paid a dividend of 1.0 pence per share for 2003. The Group's policy is to maintain a progressive dividend, that reflects both the cash generated by the business and the capital investment and acquisition opportunities available. A final dividend of 1.25 pence per share is being recommended by the Board which, following an interim dividend of 0.5 pence per share, brings the total dividend for the year to 1.75 pence per share.

STRONG PLATFORM FOR GROWTH AND DEVELOPMENT

Group activities are in three core areas, NW Europe, Africa and South Asia. In addition to the major acquisition programme undertaken in 2004, we continued to invest for the future in our existing assets.

NW EUROPE

The Group's interests in NW Europe are almost exclusively in gas in the UK SNS. Tullow also operates two licences in Romania. Overall, NW Europe accounted for 52% of Group turnover and 51% of Group production in 2004.

While UK gas production declined modestly during the year, Tullow made a number of notable advances in exploration, development, acquisitions and third party activity. The Group also completed its first year as operator of the Hewett-Bacton assets and obtained sanction of its first offshore development, Horne & Wren. Tullow's entire UK operations are ISO 14001 certified following certification of the Bacton Gas Terminal in 2004.

In March, Tullow announced first production from Boulton H, the final development well in the CMS III project. In April, the Munro field was discovered and development is already under way, targeting first gas in 2005. Tullow was awarded nine Blocks in the UK 22nd Licensing Round and in November the Department of Trade and Industry (DTI) sanctioned the development of the Tullow operated Horne & Wren fields. In December, the announcement of the agreement to acquire the Schooner and Ketch producing assets and surrounding acreage represented a strong finish to the year and a major step in Tullow's strategy of building a substantial operated UK gas business.

Tullow has a portfolio of over 50 North Sea blocks and, with the integration of Schooner and Ketch and the start up of Horne & Wren, will operate over 60% of its forecast 2005 UK gas production.

AFRICA

The combination of the Energy Africa portfolio and Tullow's existing African interests has created a diversified pan-African oil and gas business. Tullow now has production of over 30,000 boepd in Africa and holds interests in over 40 blocks across 11 countries, including prospective acreage in Mauritania, Namibia and Uganda, each of which could add materially to reserves and production over the coming years. Overall, Africa accounted for 47% of Group turnover and 47% of Group production in 2004.

Within the producing assets progress is particularly encouraging, highlighted by recent field performance in Gabon, where production has increased substantially since the Energy Africa acquisition and reserves have also seen a significant upgrade. Elsewhere, the M'Boundi field in Congo (Brazzaville), the West Espoir field in Côte d'Ivoire and the Group's acreage in Equatorial Guinea have important ongoing developments and will show a rising production profile over the coming years.

Major progress has also been made in relation to the commercialisation of the giant Kudu gas field, offshore Namibia, via a power generation project. The joint development agreement for this field was signed in July 2004 and partners are currently focused on financing options and commercial structures to facilitate a final investment decision.

In addition to the Group's existing interests, the synergy from the combined knowledge, experience and technical databases of Tullow and Energy Africa has led to a number of exciting new venture opportunities, which are currently under evaluation.

SOUTH ASIA

2004 was a year of transition for Tullow's South Asian portfolio as the Group repositioned this core area in line with its enlarged portfolio of assets. The aim of the Group for 2005 is to establish

1 Chairman's Statement

a larger exploration portfolio in South Asia, targeting high impact prospects. In 2004 South Asia accounted for 1% of Group turnover and 2% of Group production.

The South Asia highlight of 2004 was the discovery of gas by the Lalmai and Bangora exploration wells in Block 9 onshore Bangladesh. Tullow has been active in Bangladesh since 1997, during which time the local gas market has evolved significantly and there is now considerable regional demand. As a result, in consultation with Petrobangla, the state gas company, Tullow plans to deliver gas from Bangora into the market during 2005, while at the same time appraising the overall reserve potential of the Lalmai-Bangora anticline.

An appraisal of our assets in Pakistan has resulted in the following decisions: 1) to review the potential for infill drilling in the Sara and Suri gas fields; 2) not to extend the Sara West licence under the current terms; and 3) to continue the development of the Chachar discovery, where we expect first gas by early 2006. The Group has also recently been awarded a material new exploration licence in the Potwar basin.

While there was limited activity in India during 2004, exploration activity will commence in 2005 on the prospective CB-ON-1 Block in the Cambay basin, which is on geological trend with a number of regional oil and gas discoveries.

STRENGTH AND DIVERSITY IN RESERVES

During 2004 Tullow appointed Energy Resource Consultants Limited (ERC) to undertake an independent review of the Group's oil and gas reserves.

This review attributed 173 mmboe of commercial proven and probable working interest reserves to Tullow, of which 150 mmboe are net entitlement reserves. ERC also reviewed projects under the contingent category. Tullow has 153 mmboe in this category, dominated by the Kudu gas project offshore Namibia, where work on commercialisation is progressing. This clearly shows the strength and diversity of the Group's portfolio of assets.

In the UK, production during the year was substantially offset by the addition of reserves associated with the Horne & Wren and Munro developments. In Africa, due to the strong development programme undertaken during 2004, reserves replacement as a whole was over 250%. In South Asia, a reserves downgrade on the Sara and Suri gas fields and Sara West reserves resulted in a £4 million charge to profits in 2004. However the reserves reduction is significantly offset by the first recognition of reserves associated with the Bangora-1 discovery in Bangladesh, on which further appraisal is planned in 2005.

PROACTIVE CORPORATE SOCIAL RESPONSIBILITY (CSR)

Tullow's policy is to conduct all business operations to the best industry standards and to behave in a socially responsible manner. We have a strong ongoing commitment to our environmental and social performance and this is evidenced in 2004 in the enhanced Environmental, Health and Safety (EHS) Policy which was implemented across the Group and the setting up of a CSR committee with dedicated funding, which will report to Board regularly. We also made good progress during the year in our efforts to continually improve all our standards and performance in this area, the highlights and detail of which are outlined in the Corporate Social Responsibility review which begins on page 28.

CLEAR AND EFFECTIVE CORPORATE GOVERNANCE

The Tullow Board and management are committed to achieving and maintaining high standards of corporate governance. This approach ensures that the Board and management operate within a clear and effective governance framework that balances all our stakeholder interests, including those of shareholders.

During 2005 Tullow will actively participate in development activities in the UK, Gabon, Congo (Brazzaville), Equatorial Guinea, Côte d’Ivoire, Namibia and Pakistan. Planned expenditure is approximately £100 million, with the primary focus on the UK and West Africa.

Communication and interaction with shareholders, who have provided us with great support this year, is given a high priority and in 2005 the Group is creating a dedicated Investor Relations function and undertaking a number of initiatives to enhance Investor Relations activities overall. A detailed statement on Corporate Governance begins on page 41.

STRENGTHENED BOARD AND MANAGEMENT

In July 2004 David Bamford was appointed to the Board as a non-executive Director and in September Adrian Nel of Energy Africa was appointed as an Executive Director, with specific responsibility for Exploration. Between them, David and Adrian have over 60 years international exploration experience and they are instrumental in evolving the exploration strategy and performance of the Group.

The Group’s organisational structure was reorganised during the year in recognition of the enlarged scale and diversity of Tullow’s operations during 2004. Paul McDade was appointed Chief Operating Officer, with responsibility for the management of the Group’s production and development interests worldwide.

During the year, John Lander and Eskandar Maleki retired from the Board. Both John and Eskandar have made significant contributions to the Group with their dedicated service and commitment.

SINCE YEAR END

One of the key aspects of the Group’s strategy is to actively manage our portfolio of assets. Following the Energy Africa transaction, Tullow identified certain assets as being peripheral to its long term strategy. Agreements have consequently been reached to sell our interests in the Alba and Caledonia oil fields to ITOCHU Corporation for a headline consideration of $112 million (£59 million) and the Group’s offshore Congo (Brazzaville) assets to Total for a headline consideration of US$72 million (£38 million).

POSITIVE 2005 OUTLOOK

At a global level, the market environment and oil and gas prices are expected to remain strong. In particular, the fine balance between gas supply and demand in the UK underpins our view that the current favourable gas pricing environment in the UK will continue over the coming years.

The $184 million (£97 million) realised from the disposal of non core assets, combined with a planned consolidation of Group banking facilities during 2005, leaves Tullow conservatively funded and well placed to continue to pursue its growth strategy.

In four short years Tullow has increased its production from 2,500 boepd to over 56,000 boepd. The significant achievements of 2004 would not have been possible without the dedication and commitment of our staff, ably led by Aidan Heavey, and the support and confidence of our shareholders and bankers. The challenges and opportunities facing Tullow and our industry in 2005 are exciting ones and I look forward to reporting further progress to shareholders as the year unfolds.

PAT PLUNKETT
Chairman

1

Chief Executive's Review

Our vision is to be an independent oil and gas Group, with a balanced portfolio of Exploration and Production assets. Our focus is on gas in the UK Southern North Sea and oil in West Africa, with an ongoing appraisal and development programme in South Asia.

Tullow is a focused oil and gas group, with a balanced portfolio of assets and solid cash flow, giving us strong financial capability. While we have been laying strategic foundations for many years, the Group was transformed during 2004 by acquisitions and development programmes in the UK North Sea and Africa. It is timely in this context to reflect on Tullow's growth strategy and what we believe differentiates us from our peers. I believe Tullow has unique characteristics which have enabled us to build a strong portfolio of assets and deliver a superior performance.

ENTREPRENEURIAL SPIRIT

From its first success in Senegal in the mid eighties to the record $570 million acquisition of Energy Africa in 2004, Tullow has demonstrated a creative and flexible approach to acquisitions and development. This has positioned the Group well to take advantage of strategic opportunities as major oil companies dispose of assets in mature or established areas of operation, and when exploration and new venture opportunities arise in under-explored regions.

STRONG RELATIONSHIPS

We build strong relationships. We work hard to be good partners, employers and operators in the countries and local communities where we are active. This is reflected in the strength of our relationships with all our partners and our track record in the areas where we work and contribute. Our objective is to be the partner of choice in our core areas of operation.

DEVELOPMENT FOCUS

Tullow has a strong management team and flat decision-making structures, enabling the Group to review and respond swiftly to any business development opportunities that may arise. The Tullow team comprises a balanced combination of professional management and industry experts, giving Tullow a depth of expertise and knowledge that enables the Group to deliver added value and strong operational performance from its assets.

DIVERSE PORTFOLIO

Tullow has built a diverse portfolio of assets. The Group operates in three strategic core areas, NW Europe, Africa and South Asia. The assets are a mixture of oil and gas in mature and developing markets, with a balance between exploration and production. The strength of this portfolio approach benefits the Group in today's environment of strong global resource pricing and provides protection in the event of a significant economic or market shock.

ACTIVE ASSET MANAGEMENT

Our strategy is to focus on those assets where over time we can exert material influence or have control. Against a background of consolidation and development opportunity within the industry, we continually review our portfolio in relation to Tullow's long term objectives. Our aim is to build strong positions in core areas, to consolidate niche positions in developing regions and to dispose of assets in which we cannot achieve our objective of material influence or control. In line with this strategy, Tullow recently agreed to dispose of its offshore assets in Congo (Brazzaville) and its Alba and Caledonia assets in the UK.

MATERIAL INFLUENCE

In all of our activities we target a material equity participation and aligned joint venture partnerships. In addition, we look for opportunities with upside exploration and development potential. Through this we believe we can improve performance and add value with operational innovation, cost reduction and increased production output. Since the Energy Africa acquisition in May 2004, production from those assets has increased by 20%. In 2004, our first full year as operator of the Hewett offshore fields and the Bacton Gas Terminal, we achieved a 25% reduction in operating costs whilst maintaining high standards of EHS.

FINANCIAL CAPACITY

We have a conservative approach to financing. Our balance sheet is healthy with low levels of net debt and the Group has strong cash flow. These factors enable us to fund our growth strategy and maintain a progressive dividend policy.

CONSISTENT GROWTH STRATEGY

The Group's growth strategy has four principal drivers:

- Exploitation and expansion of Tullow's current reserve base
- A combination of developments and "snuggle" exploration close to our existing infrastructure, balanced with high impact and higher risk prospects
- Selective acquisitions to complement our existing strong footprint within our three core areas of operation, and
- Maximisation and consolidation of Tullow's existing asset base through operational innovation and active portfolio management.

OUTLOOK

Today Tullow has more than 90 exploration and production licences in 16 countries and the Group's reserves are over 320 mmboe. Quality assets, the current expectation of continued strength in oil and gas pricing and our unique characteristics will continue, I believe, to deliver long term growth and superior performance from Tullow Oil.

2

Operations Review

Tullow reorganised and strengthened the Group's operational structure in 2004, integrating Energy Africa and building a strong platform for future growth and development.

In 2004 we also reorganised the Group's operational structure on a regional basis to run the enlarged business efficiently and to enhance operational reporting and accountability. The new production and development structure has five business units – UK, Gabon, West African Joint Ventures, Kudu and South Asia – aligned with the Group's three core areas of operation.

Overall, the significant level of achievement at all our operations in 2004, together with the new organisational structure, delivered increased production and reserves and provides a strong platform for future growth and development of the Group. At year end, the production portfolio comprised 25 fields located in six countries, producing over 56,000 boepd.

2004 TURNOVER BY CORE AREA

	£million	%
NW EUROPE	116.3	52
AFRICA	107.5	47
SOUTH ASIA	1.5	1
TOTAL	225.3	100

2004 TURNOVER BY SALES AND TARIFF

	£million	%
OIL AND GAS SALES	215.8	96
TARIFF INCOME	9.5	4
TOTAL	225.3	100

Production and Development

2004 has been an exceptional year for Tullow's production and development businesses with the acquisition and integration of Energy Africa, and the agreement to acquire the operated Schooner and Ketch assets in the UK. In addition, we invested £69 million in the future production growth of the Group. Key operational highlights for the year include:

NW EUROPE

- **UK** The completion of our first year as operator of the Hewett-Bacton assets and the sanction of Tullow's first offshore development, Horne & Wren.

AFRICA

- **Gabon** From the beginning of 2004 to the end of the first quarter 2005, 15 development wells were drilled, increasing production by 25%.
- **West Africa Joint Ventures** The developments of West Espoir in Côte d'Ivoire and the Okume Complex in Equatorial Guinea were sanctioned and a further 28 development wells were drilled.
- **Kudu** Significant progress was made with the Kudu offshore development plans in Namibia, leading to the award of the Front End Engineering Design (FEED) contract to the Wood Group in March 2005.

SOUTH ASIA

- **Bangladesh** The discovery of the Bangora and Lalmai gas fields during the year and the development of a 2005 appraisal programme that includes early gas production.
- **Pakistan** Activities in the area were reviewed and refocused and good progress was made on the Chachar field development planning.

2005 OPERATIONAL OUTLOOK

Looking forward, 2005 will be a year of consolidation and delivery on our enlarged portfolio of assets, while we continue to grow and develop the business. The focus of the production and development team will be:

- Integration of the Schooner and Ketch assets (aquisition completed 31 March 2005) and initiation of the field re-developments planned for the end of the third quarter 2005
- Effective and timely execution of key developments at Horne & Wren and Munro in the UK, West Espoir in Côte d'Ivoire, Okume Complex in Equatorial Guinea and M'Boundi in Congo (Brazzaville)
- Completion of the Kudu offshore Namibia FEED in preparation for project sanction
- Appraisal of the Bangora and Lalmai discoveries in Bangladesh and the sanction of the Chachar development in Pakistan
- Continuing to build and diversify Tullow's operating activities both organically and through acquisition.

Tullow clearly recognises the risks associated with an increase in operational activity and the growing diversification of our asset portfolio. Throughout the Group we will continue to strive for excellence in the EHS and CSR aspects of our businesses, with due consideration for our staff and contractors, local communities and all external stakeholders.

PAUL McDADE AND ADRIAN NEL

Exploration

Tullow's exploration strategy is to achieve significant growth in its reserve base at a finding cost appropriate to the various fiscal regimes in which these projects are located and operated. This strategy has three primary components:

1) **To grow our prospect inventories in areas of relatively low risk where Tullow enjoys a competitive advantage.** These are currently the Southern Gas Basin of the UK North Sea and Gabon, which together account for more than 70% of 2004 total production.

2) **To expand our prospect inventory in areas with the possibility to deliver significant reserve growth in the medium term.** Tullow will seek equity levels that could provide net reserves of over 20 mmbbl for individual prospects, in acreage with upside potential. Outside the UK and Gabon the drilling programme will target higher risk-reward prospects with significant reserve potential.

3) **To maintain an active new ventures programme to build a portfolio capable of yielding significant additional reserves in the future.** To achieve this, Tullow is aggressively pursuing new opportunities and accelerating work programmes in currently held acreage in Gabon and Côte d'Ivoire. The Group is also targeting further licence agreements in Pakistan and new acreage in the Ivorian-Ghanian basin and other countries on the West African margin.

Exploration, by its very nature, carries risk and, in addition to the primary strategies outlined above, Tullow actively manages its exploration risk by farming out interests in licences where value has been added through geological and geophysical surveys.

Going forward the exploration risk-reward profile will be enhanced by farmouts in the UK North Sea, Romania, Gabon, Equatorial Guinea, Mauritania and in Pakistan.

In 2004, Tullow participated in a total of 16 exploration wells, nine were drilled in regions where Tullow already has production operations with the remaining seven in Bangladesh, Mauritania, Egypt, Morocco and Uganda. Of these 16 wells, there were seven discoveries located in the UK, Bangladesh, Gabon, Congo (Brazzaville) and Equatorial Guinea. In 2005, Tullow plans to invest up to £40 million on exploration activities that include up to 15 exploration wells.

2004 PRODUCTION BY CORE AREA

	boepd	%
NW EUROPE	20,500	51
AFRICA	19,200	47
SOUTH ASIA	900	2
TOTAL	40,600	100

2004 COMMERCIAL RESERVES BY CORE AREA

	mmboe	%
NW EUROPE	36.6	21
AFRICA	120.8	70
SOUTH ASIA	16.0	9
TOTAL	173.4	100

REALISED GAS PRICE	22.9	p/therm
REALISED OIL PRICE	34.1	$/bbl
OPERATING COSTS	4.4	£/boe

2

Operations Review **NW Europe**

The Group's interests in NW Europe are almost exclusively in the UK, where Tullow is active in both oil and gas, with a primary focus on gas in the SNS. The Group has been involved in the SNS since the acquisition of a portfolio of gas assets from BP in 2001. Since then, Tullow has materially extended and enhanced its position in both the Thames/Hewett and CMS areas through exploration drilling, active development, participation in licensing rounds and a series of bolt-on acquisitions. A further significant step was taken with the completion of the acquisition of the Schooner and Ketch assets on 31 March 2005.

In parallel, Tullow has continued to strengthen its operator positions with 35% of its production operated in 2004, in comparison with 25% in 2003. This will increase substantially in 2005 to over 60% of its production operated, giving Tullow the benefit of greater autonomy in managing its production and development interests.

Outside the SNS Gas Basin, the acquisition of Energy Africa in 2004 added the producing Alba and Caledonia oil fields to Tullow's portfolio. Following the successful completion of the Alba Extreme South development in 2004, and in recognition of the relatively modest equities held and the Group's strategy of active portfolio management, Tullow took the decision to dispose of these interests. In April 2005, Tullow agreed to sell its interests in the two fields to ITOCHU Corporation for a total headline consideration of $112 million (£59 million).

In addition to those divested interests, the Energy Africa portfolio also provided a number of Northern and Central North Sea oil exploration licences. There is an ongoing programme of work on these licences with an objective of commencing exploration drilling in 2006.

Development Strategy

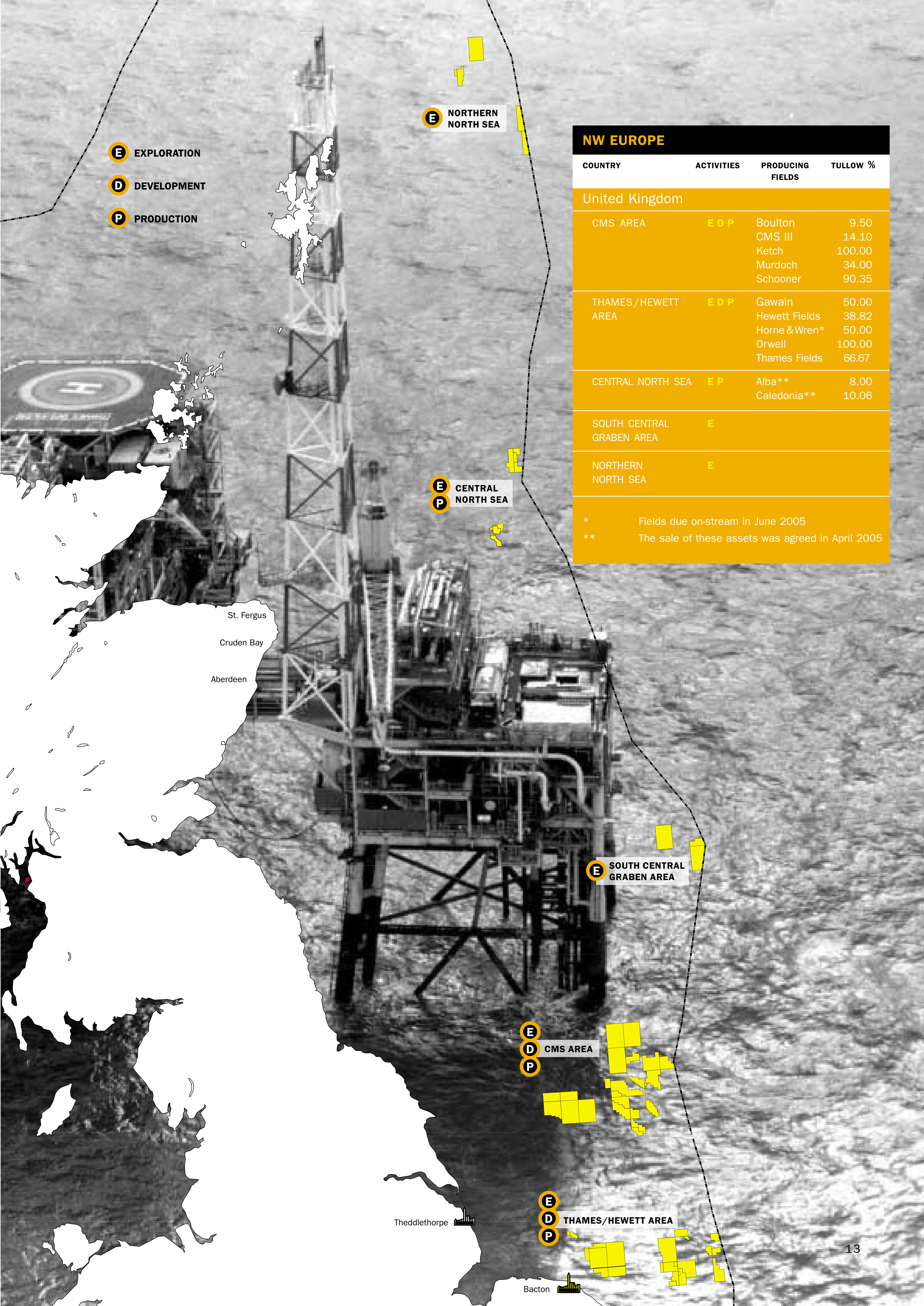
The Group intends to grow as a leading producer and operator of gas in the UK market via:

- Bolt-on acquisitions of assets where Tullow has the technical and operational expertise to improve efficiency, returns and overall production output
- Development of fallow fields where it can apply new technologies and take advantage of its ownership in adjacent infrastructure to bring the gas to market
- "Snuggle" exploration and infill field development to enhance production
- Expansion of third party business to capitalise on the Group's infrastructure ownership in the area.

The Group targets material equity participation and aligned joint venture partnerships. To enhance overall performance and cash flow, Tullow's aim is to invest in gas fields that are not fully contracted to give maximum flexibility to the Group's gas marketing activities.

2004 Review

The Group's UK operations had a very good year highlighted by the sanction of Tullow's first operated offshore development, the securing of the Arthur field third party gas for the Thames Pipeline System and the completion of the first year as operator of the Hewett-Bacton Terminal and offshore fields. The UK operations also achieved full ISO 14001 accreditation with certification of the Bacton Terminal. In 2004, the regional gas market reached a stage where the UK is now a net importer of



NW EUROPE

COUNTRY	ACTIVITIES	PRODUCING FIELDS	TULLOW %
United Kingdom			
CMS AREA	E D P	Boulton	9.50
		CMS III	14.10
		Ketch	100.00
		Murdoch	34.00
		Schooner	90.35
THAMES/HEWETT AREA	E D P	Gawain	50.00
		Hewett Fields	38.82
		Horne & Wren*	50.00
		Orwell	100.00
		Thames Fields	66.67
CENTRAL NORTH SEA	E P	Alba**	8.00
		Caledonia**	10.06
SOUTH CENTRAL GRABEN AREA	E		
NORTHERN NORTH SEA	E		

* Fields due on-stream in June 2005

** The sale of these assets was agreed in April 2005

2

NW Europe

PRODUCTION	2004 boepd	2003 boepd
OIL	3,700	30
GAS	16,800	19,470
TOTAL	20,500	19,500
% of Group Total	**51%**	**79%**

TURNOVER	2004 £million	2003 £million
TURNOVER	116.3	104.9
% of Group Total	**52%**	**79%**

COMMERCIAL RESERVES	2004 mmboe	2003 mmboe
OIL	14.6	–
GAS	22.0	24.8
TOTAL	36.6	24.8
% of Group Total	**21%**	**35%**

gas to satisfy indigenous demand and has experienced a substantial increase in gas prices, against a background of a sustained high global resource price environment. Overall in 2004 the NW Europe core area accounted for 52% of Group turnover and 51% of Group production.

THAMES/HEWETT AREA

In 2004, Tullow completed its first year as operator of the Hewett offshore fields and the Bacton Terminal, achieving both an excellent safety record and a 25% reduction in operating costs. Tullow also began reviewing drilling opportunities to further enhance the production performance and reserve recovery of the Hewett complex.

The offshore Thames Facilities provide processing, compression and export for Tullow's Thames Area, Gawain and Orwell fields. The long term operating strategy for the Thames Complex facilities is to utilise the considerable processing and compression capacity of the facilities for tie-back of surrounding satellite fields. Considerable work was undertaken on the facilities during the year to prepare for first gas from the third party Arthur field and the start of production from the Tullow operated Horne & Wren development.

Tullow's first UK operated development, the Horne & Wren project, is due on stream in June 2005 at a rate of approximately 90 mmscfd. Tullow first acquired an interest in the Horne & Wren discoveries as part of the assets acquired from BP in 2001 and subsequently entered into a series of deals that resulted in Tullow owning 100% of the equity. In order to manage the risk exposure on this project and to align Tullow with an existing partner in Thames, part of the equity was sold to Centrica in October 2004. The Field Development Plan (FDP) for the project was approved by the DTI in October 2004. The development comprises a normally unmanned installation (NUI) located between the Horne & Wren discoveries with a single horizontal well drilled into each reservoir. Both of these development wells were successfully drilled through the reservoir sections at the end of 2004, and are suspended pending tie-in to the platform which arrived on site in April 2005. The gas will be exported from the NUI via a new 10" pipeline to the Thames platform where it will be processed and compressed for export to the Tullow operated Bacton Terminal.

The third party Arthur field was brought on stream via the Thames and Bacton infrastructure at the beginning of January 2005. The Arthur gas is processed through the Welland facilities following cessation of production from that field. This is a good example of the re-use of such facilities to enable further satellite fields to be developed. Production from the Arthur field is

currently around 85 mmscfd and will add incremental tariff revenues and help to extend the life of both the Thames complex and the Bacton Terminal.

During the latter part of 2004, the feasibility of tying back the 49/28-14 (Thames L) discovery to the Thames facilities was investigated. Development plans for this discovery, and further tie-back opportunities, are currently being evaluated. The potential development of the Fizzy discovery was studied in 2004 and development plans are under consideration.

The Group acquired a further 50% of the Orwell field, increasing Tullow's equity to 100%. This acquisition provides full control of both the production of this field and the use of this important infrastructure, which lies 4 km from the UK/Dutch boundary.

These development activities are in parallel with plans for the Group's first operated UK exploration well in 2005 on the Oval Prospect in block 54/1a, which if successful could be tied back to existing infrastructure.

CMS AREA

The CMS area fields have performed well throughout 2004, and have benefited from the improved performance of the CMS facilities. The fifth and final field of the CMS III development, Boulton H, commenced production early in 2004. A number of the CMS and CMS III fields have been evaluated for infill drilling potential and plans for 2005 include an infill well on the McAdam field, and a workover/sidetrack on the Murdoch field, each having the potential to enhance both production and reserve recovery.

The acquisition of the Schooner and Ketch fields, completed in March 2005, brings considerable additional proven producing assets and major development and exploration upside. This strongly enhances Tullow's position in the SNS, and in particular in the CMS area. The gas initially in place (GIIP) for the Schooner and Ketch fields is in excess of 1,500 bcf, of which only 350 bcf has so far been recovered. Tullow plans a work programme to substantially increase existing production levels and achieve ultimate recovery of 50% of GIIP. The work programme includes working over and sidetracking existing wells and drilling new wells to access previously undrained compartments in the fields. A rig has been secured and the drilling and workover activities are planned to commence on the Ketch field at the end of the third quarter of 2005.

In addition to the producing assets, the acquisition included minority interests in the Topaz, Marjan, and 44/27-1 discoveries as well as acreage with attractive exploration upside, principally from the Schooner Extension prospect, immediately southeast of the Schooner field. Tullow plans a fast-track subsurface evaluation of this prospect and two adjacent 22nd Licensing Round blocks. It is currently expected that the Schooner Extension prospect will be drilled in early 2006.

Following the success of the Munro exploration well in block 44/17b in March 2004, Tullow is now participating in the fast-track development of this discovery. Project sanction was achieved in October 2004, and the development plan is to sidetrack the suspended exploration well and tie it back to the Tullow owned CMS infrastructure. The project is on track for first gas in October 2005 at an expected rate of around 80 mmscfd.

Tullow was also involved in exploration activity in the CMS area during the year. In September 2004, Tullow was awarded seven operated blocks in the 22nd Licensing Round. The West Boulton exploration well is currently being drilled and a further exploration well on the K3 prospect is planned for the third quarter 2005. If successful, the wells will be tied back to the CMS infrastructure.

2

NW Europe

During 2004 Tullow took part in negotiations aimed at increasing the capacity of the CMS infrastructure to handle low specification gas. This initiative will provide further capacity to process gas, which may result from Tullow's ongoing exploration programme, as well as new third party gas developments. The Group is currently in active negotiations with a number of third party field owners on potential future CMS tariff business.

UK OIL ASSETS

In early 2005 Tullow reached agreement to sell its minority stakes in the Alba and Caledonia oil fields in the Central North Sea as part of the active management of its portfolio of assets. In addition to its interests in the Alba and Caledonia oil fields, Tullow also has several exploration licences in both the Central and Northern North Sea. The recent focus there has been on the three Tullow operated blocks in the southern part of the Central Graben. A major seismic acquisition and reprocessing project in 2003 and 2004 resulted in a high quality seismic database, from which the Group is now evaluating exploration opportunities with a view to commencing drilling in 2006. The operated acreage in the North Viking Graben is currently under evaluation, as is a five block tranche of non-operated acreage in the South Viking Graben.

2005 Operational Outlook

The Group has planned an active programme for its UK assets in 2005. This includes an ongoing programme of cost reduction and operational innovation and many critical development and exploration initiatives which include:

- Commencement of work on the Schooner and Ketch assets
- First gas from the Horne & Wren development in the second quarter of 2005
- Exploration drilling in both the Thames/Hewett and CMS areas
- Participation in the 23rd Licensing Round.

In the Thames/Hewett area Tullow will continue to build its equity and operating presence, actively drill and develop reserves and seek to attract third party business to utilise its infrastructure. In the CMS Area the Group will continue to build upon its position in the region through a combination of field development, exploration and infill drilling, licensing rounds, acquisitions and third party tariff business.

Over the past number of years the UK gas market reached the stage where it is now a net importer of gas to satisfy indigenous demand. This resulted in a substantial increase in UK gas prices in 2004, a position that is likely to be sustained for the foreseeable future. While a number of initiatives are currently planned to increase national supply capability, Tullow believes the prospects for independent producers in the UK gas market remain very favourable.

ROMANIA

Tullow also operates two licences in Romania where there is an ongoing exploration programme that includes the Costisa-1 exploration well, which is currently being drilled.

2

Operations Review Africa



In May 2004 Tullow acquired Energy Africa and this acquisition had a major impact on the Group's operations in its Africa core area. As part of the integration process, three business units were created to manage Tullow's considerably expanded production and development activities across Africa. These are the Gabon, West African Joint Ventures and Kudu Business Units.

GABON

The Gabon Business Unit manages a combination of Tullow's legacy position in Gabon and the portfolio of production, development and exploration assets acquired as part of the Energy Africa transaction. This business unit produces more than 30% of the Group's overall production and has interests in eight producing fields, five exploration licences, two of which are operated, and two potentially commercial undeveloped fields, along with back-in options on three exploration licences.

WEST AFRICAN JOINT VENTURES

This business unit manages Tullow's joint venture production and development activities in:

- Congo (Brazzaville) – onshore M'Boundi development
- Equatorial Guinea – offshore Ceiba field and Okume Complex
- Côte d'Ivoire – offshore East Espoir field and West Espoir development.

Tullow and Energy Africa management and technical teams have been integrated to ensure maximum operational and organisational synergy across these key production and development assets.

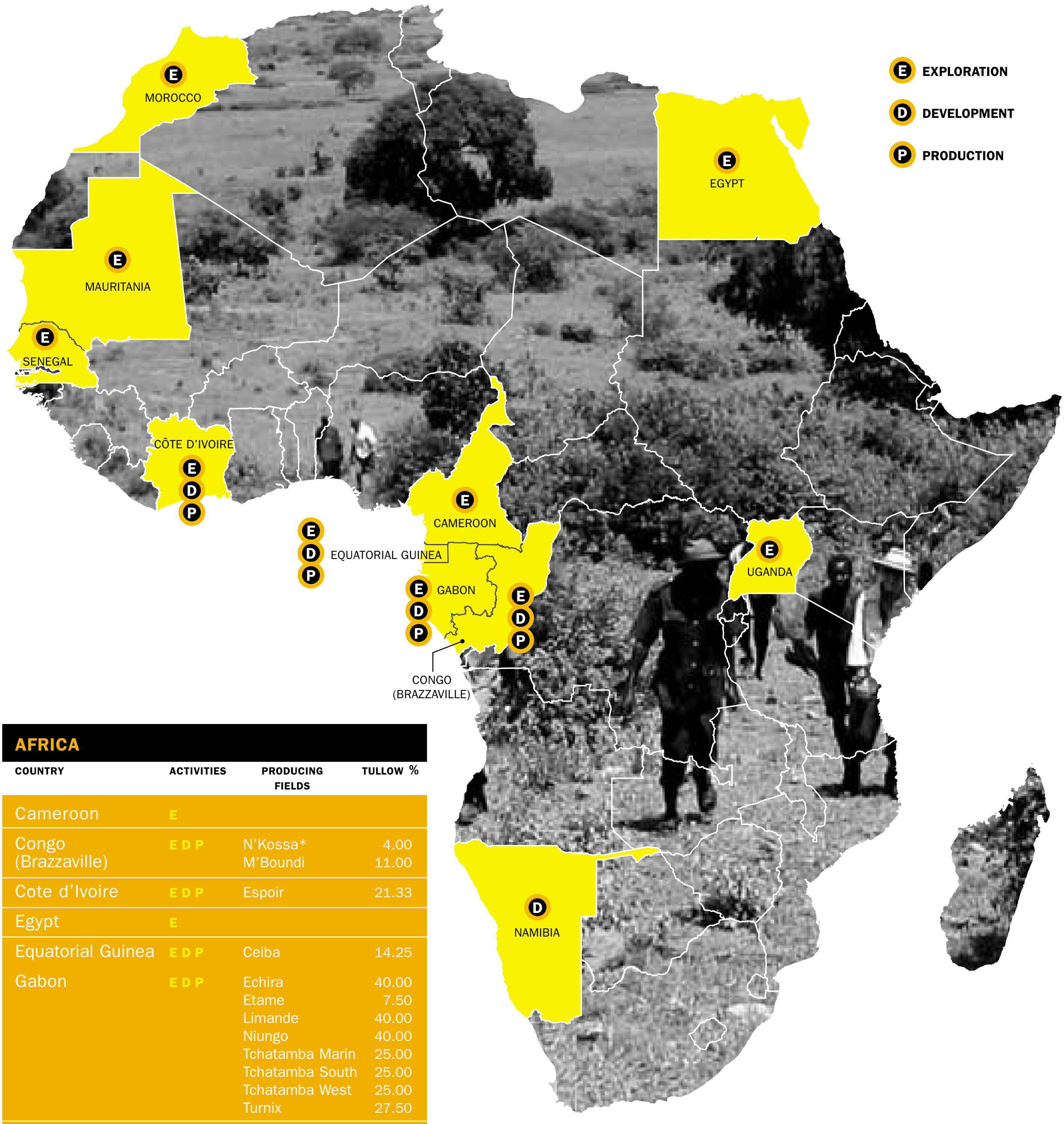
Tullow's strategy is to focus on those assets where opportunities exist to exert material influence or control. Therefore, as part of the integration process, Tullow identified that the Congo (Brazzaville) offshore assets did not fit with its longer term strategy and agreement has been reached to sell them to Total for a total headline consideration of $72 million (£38 million).

KUDU

Tullow acquired a 90% equity interest and the operatorship of the Kudu development through the Energy Africa acquisition. This giant gas field is located 130 km offshore Namibia and has GIIP of up to 9 tcf. The Kudu field is being developed as a gas-to-power project, initially utilising approximately 1 tcf of the gas in place. Further appraisal of the field's considerable upside potential is currently being investigated.

Development Strategy

In the Africa core area, there are important development opportunities for Tullow. Within the region there are significant under-explored areas, major companies are starting to exit the more mature fields and licensing of some areas and countries has only just begun. The combined Tullow and Energy Africa portfolio of assets provides the building blocks to implement and accelerate the Group's growth strategy in the region. This strategy is underpinned by strong relationships with partners and governments and extensive management and technical know-how. The Group also has a material competitive advantage with its expansive portfolio spanning a number of countries, giving Tullow a broad and deep reach to participate where opportunities arise.



AFRICA

COUNTRY	ACTIVITIES	PRODUCING FIELDS	TULLOW %
Cameroon	E		
Congo (Brazzaville)	E D P	N'Kossa*	4.00
		M'Boundi	11.00
Cote d'Ivoire	E D P	Espoir	21.33
Egypt	E		
Equatorial Guinea	E D P	Ceiba	14.25
Gabon	E D P	Echira	40.00
		Etame	7.50
		Limande	40.00
		Niungo	40.00
		Tchatamba Marin	25.00
		Tchatamba South	25.00
		Tchatamba West	25.00
		Turnix	27.50
Mauritania	E		
Morocco	E		
Namibia	D		
Senegal	E		
Uganda	E		

* The sale of this asset was agreed in April 2005

2

Africa

The Africa core area growth strategy is to:

- Capitalise on the Group's experience, knowledge, technical expertise and track record gained over 15 years on the ground in the region
- Benefit from the opportunities that arise as the major companies change their policies for West African development. Tullow has a strong set of transferable skills with its track record and experience in the development of its UK gas business
- Target near-shore development projects and exploration projects of up to 50 million barrels with associated upside potential
- Work hard to extract additional value from the Group's existing portfolio of assets through operational innovation.

As with the UK, the Group targets material equity participation and aligned joint ventures, although in the Africa core area the implementation of this is evolving in line with the development of Tullow's presence in the region.

PRODUCTION	2004 boepd	2003 boepd
OIL	18,800	3,525
GAS	400	475
TOTAL	19,200	4,000
% of Group Total	**47%**	**16%**

TURNOVER	2004 £million	2003 £million
TURNOVER	107.5	22.4
% of Group Total	**47%**	**17%**

COMMERCIAL RESERVES	2004 mmboe	2003 mmboe
OIL	116.1	17.8
GAS	4.7	6.2
TOTAL	120.8	24.0
% of Group Total	**70%**	**34%**

2004 Review

The Group's position in Africa changed dramatically in 2004 as a direct result of the Energy Africa transaction and the subsequent integration and enhancement of these assets in the seven months that followed. Overall, in 2004 Africa accounted for 47% of Group turnover and 47% of Group production.

GABON

This business unit comprises eight producing fields and five exploration licences and accounts for over 30% of the Group's overall production. Production was significantly enhanced during the year due to active development and appraisal drilling and optimisation of production facilities. This increased net production by 25%, to an average of over 19,000 bopd at the end of the first quarter 2005.

In the offshore Tchatamba South field, Tullow participated in an infill development programme, drilling one well and side-tracking another to enhance production levels. As a result, total production from the three Tchatamba fields has been maintained throughout 2004 at a gross level of around 32,000 bopd, halting the declining production trend of previous years.

On the onshore Niungo field, 10 development wells were drilled and brought on stream during 2004, almost doubling daily production to 14,000 bopd by early 2005. The development and

appraisal drilling programme was extended in January 2005 to drill up to five further wells, with the expectation that this will increase both reserves and daily production. Four of the five wells have been drilled successfully and the first of these was brought on stream during March 2005.

Production from the Etame field, which remained steady at over 14,000 bopd gross during 2003, increased to over 19,000 bopd gross following the successful drilling of the Etame-5 development well. Plans are now at an advanced stage for the drilling of a further development well, Etame-6, in mid-2005. Following a successful exploration effort in 2004, the Avouma discovery, in which Tullow has a 7.5% back-in right, is now expected to be granted development approval in April 2005 and to come on stream via the Etame facilities by mid-2006.

In August 2004 Tullow increased its equity in the Limande field from 20% to 40% in exchange for its 40% interest in the Moukouti and Ganga fields and a cash consideration. While production from the Limande field fell somewhat short of expectation during 2004, a workover and a potential new production well are expected to address this situation in 2005.

A successful offshore development well in the Turnix field was completed in 2004, which tapped a previously undrained part of the structure. This has increased gross field production from a 2004 average of 4,500 bopd to in excess of 8,000 bopd in early 2005.

With the exception of the Avouma discovery, exploration work during the year consisted primarily of the acquisition and reprocessing of 2D and 3D seismic data on four of the five existing exploration licences. An exploration well drilled on the Topaze prospect in the Kiarsseny block found no significant hydrocarbons. At present, three further exploration wells are expected to be drilled on the Tullow operated Akoum and Kiarsseny blocks in 2005, with further wells likely in early 2006.

WEST AFRICAN JOINT VENTURES

This business unit manages the Group's significant joint venture production and development assets in Congo (Brazzaville), Equatorial Guinea and Côte d'Ivoire.

CONGO (BRAZZAVILLE)

Production from the M'Boundi onshore development has increased from 7,200 bopd in early 2004, when this field was originally acquired by Energy Africa, to in excess of 35,000 bopd. Three drilling rigs were active throughout 2004 with 16 new wells drilled and brought on stream. The requirement for a fourth rig is currently under review. To meet the increased production processing demands, the facilities were initially upgraded to allow production of 40,000 bopd and a further upgrade to 60,000 bopd has recently been completed. During the year 3D seismic data were acquired to define the field which extends beyond the previous 3D survey. Interpretation of this data is scheduled to begin in mid-2005 and is expected to support the drilling of extensions to the field. Up to 23 production wells are planned for 2005 as well as pilot projects to investigate and optimise pressure maintenance via water and gas injection.

In 2004 development activity on the offshore N'Kossa field increased production to 44,400 bpd of oil and LPG through an intensive and successful drilling and workover campaign. A successful appraisal well, Mobim-1 was also drilled in close proximity to the existing Moho and Bilondo discoveries and a revised development plan was submitted to the Congolese authorities with an objective of first oil production in 2008. In addition a successful exploration well KX-2 was drilled on the Lianzi prospect in the K/A-IMI Licence. Given Tullow's small equity interests, these offshore assets were not central to the

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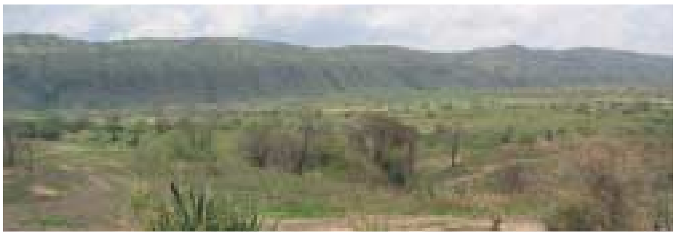
Africa



Group's long term strategy in the region and agreements were entered into to dispose of them in April 2005.

EQUATORIAL GUINEA
The Ceiba field produced an average of 36,800 bopd during 2004, including contributions from three new production wells. At the end of 2004 the field production and injection rates were approximately 40,000 bopd and 110,000 bwpd respectively from 10 producer and five injector wells. Further investments were made in the subsea infrastructure to facilitate tie back of future injection and production wells planned for 2005. Development drilling is planned to continue throughout 2005 and production is forecast to remain at current levels.

The development plan for the Okume Complex was sanctioned by the joint venture partners and submitted to the Government in mid-2004, with approval received in August 2004. This complex, formerly known as Northern Block G, comprises four fields, Elon, Okume, Ebano and Oveng. The integrated development plan is based on a combination of two tension leg platforms (TLPs), four fixed platforms and the drilling of over 40 wells. Drilling is planned to commence mid-2006, with first oil production expected at the end of that year. The project is currently on time and on budget.

In 2004 an active exploration programme continued in Block G with two exploration wells, G-17 and G-19, in January and November respectively. G-17 was abandoned while G-19 was a discovery, successfully testing the Akom North satellite accumulation. This has now been incorporated in the Okume Complex development. The Block F and L partners agreed to a joint farmout focusing on several prospects that are shared between the two blocks. At the end of the year this process was still in progress.

CÔTE D'IVOIRE
East Espoir production for 2004 averaged 20,200 boepd including gas sales of 11.9 mmscfd. An upgrade of the facilities, to increase pressure maintenance via water injection from 60,000 bwpd to 70,000 bwpd was implemented in November 2004 and the benefits are apparent from the recent production performance. A four well infill programme to offset natural decline was recently initiated and is expected to further increase production during the second half of 2005. In addition, an agreement to sell a gross 25% interest in the CI-26 gas export pipeline to the Baobab joint venture was finalised.

All major contracts for the West Espoir development plan had been awarded by the end of May 2004. The drilling of five production and two water injection wells is scheduled to follow the infill drilling campaign at East Espoir. The West Espoir facilities will consist of a 12-slot tripod wellhead tower, identical to that at East Espoir, and which is currently being constructed in Sardinia. The oil and gas production will be exported 5 km to the Espoir FPSO for process and export. The project is progressing within budget and is on schedule for first oil in April 2006.

In the fourth quarter of 2004, the Acajou 2-X exploration well, targeting a potential northern extension of the 2003 Acajou discovery, was abandoned as a dry hole. Subsequently, an exploitation licence application over the Acajou discovery was submitted to the authorities. This development proposal envisages a single sub-sea production well tied back 11 km to the East Espoir FPSO and exported via the existing Espoir facilities.

Tullow had significant success in its efforts to expand its exploration portfolio in Côte d'Ivoire with the negotiation and signing of the CI-107 and CI-108 exploration PSCs in May 2004. Tullow holds 90% in both permits and will acquire seismic over them during 2005.

KUDU

The giant Kudu gas field was previously considered to be "stranded gas" but changes in the Namibian and South African power market resulted in the signing of a Joint Development Agreement and Memorandum of Understanding in July 2004 between Tullow, Namcor, Nampower and Eskom. During the year the pre-FEED concept selection studies were completed and these defined a subsea development tied back to a Floating Production Vessel or directly to shore as the preferred options. Since then further significant progress has been made including:

- Approval by the Ministry of Mines and Energy of an Environmental Impact Assessment
- The award of the FEED contract to Wood Group in March 2005
- Selection of the power station site and associated pipeline and transmission route
- Preparation for the submission of the Production Licence application which is scheduled for May 2005.

Tullow is currently negotiating the Heads of Agreement for the gas sales agreement and assessing various financing structures for the project. This work programme will continue throughout 2005 with a final investment decision targeted for early 2006.

As the phase one Kudu gas-to-power project will only utilise around 1 tcf of the potential 9 tcf of GIIP, Tullow has initiated further studies to determine the optimum development options for the additional gas resources. The outcome of these studies will determine the appraisal drilling programme, planned for 2006.

2005 Operational Outlook

In Gabon, numerous opportunities in exploration, development and production are being examined with a view to enhancing and adding value to the Group's assets. In 2005 Tullow will actively pursue a range of new business opportunities and operational performance enhancement programmes, with the goal of becoming a significant production operator in Gabon over the coming years.

The West Africa Joint Ventures business unit will be investing over £70 million or approximately 70% of Tullow's 2005 development capital expenditure budget on significant onshore and offshore work programmes. The highlights of the programme are enhanced production and up to 23 new production wells planned on the M'Boundi field, the drilling of further injection and production wells on the Ceiba and East Espoir fields, and the West Espoir and Okume Complex developments. There is also a range of appraisal and exploration activities in progress to enhance the production and reserve capacity of these assets.

There is an active work programme at Kudu which will continue throughout 2005, with several key milestones targeted during the year. Overall 2005 is expected to be an exciting year for the Africa core area.

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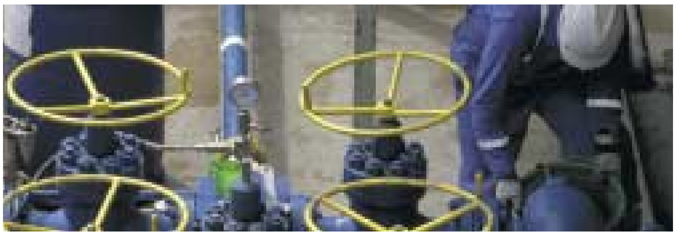
Operations Review **South Asia**



Tullow has been active in South Asia since 1990 when the Group signed its first licence in Pakistan. Tullow started gas production there in 1999 and at present is assessing potential opportunities for further development of existing discoveries, combined with an ongoing exploration and new venture programme.

Tullow has had exploration interests in Bangladesh since 1997. In April 2001 the Group signed the onshore Block 9 PSC and in 2004 made two gas discoveries. First gas production is expected in 2005, in parallel with an appraisal programme to determine the full reserve potential.

The main area of focus for the Group in India is in the Cambay Basin, immediately south of recent discoveries in Rajasthan, where Tullow has a 50% interest in the CB-ON-1 block. Reappraisal of existing seismic data and the acquisition of new seismic data is scheduled for 2005.

Development Strategy

In 2004 Tullow undertook a strategic review of its South Asia core area to ascertain options for the development of this region, in the context of the newly enlarged Group and the major gas discoveries in Bangladesh during the year. Given the Group's history in and knowledge of the area, Tullow believes that considerable opportunities exist in South Asia and that further growth can be achieved by:

- Capitalising on the Group's extensive acreage where there is major exploration potential
- Progressing existing development and appraisal projects
- Establishing a larger exploration portfolio with the objective of drilling high impact prospects
- Targeting the growing regional energy demand.

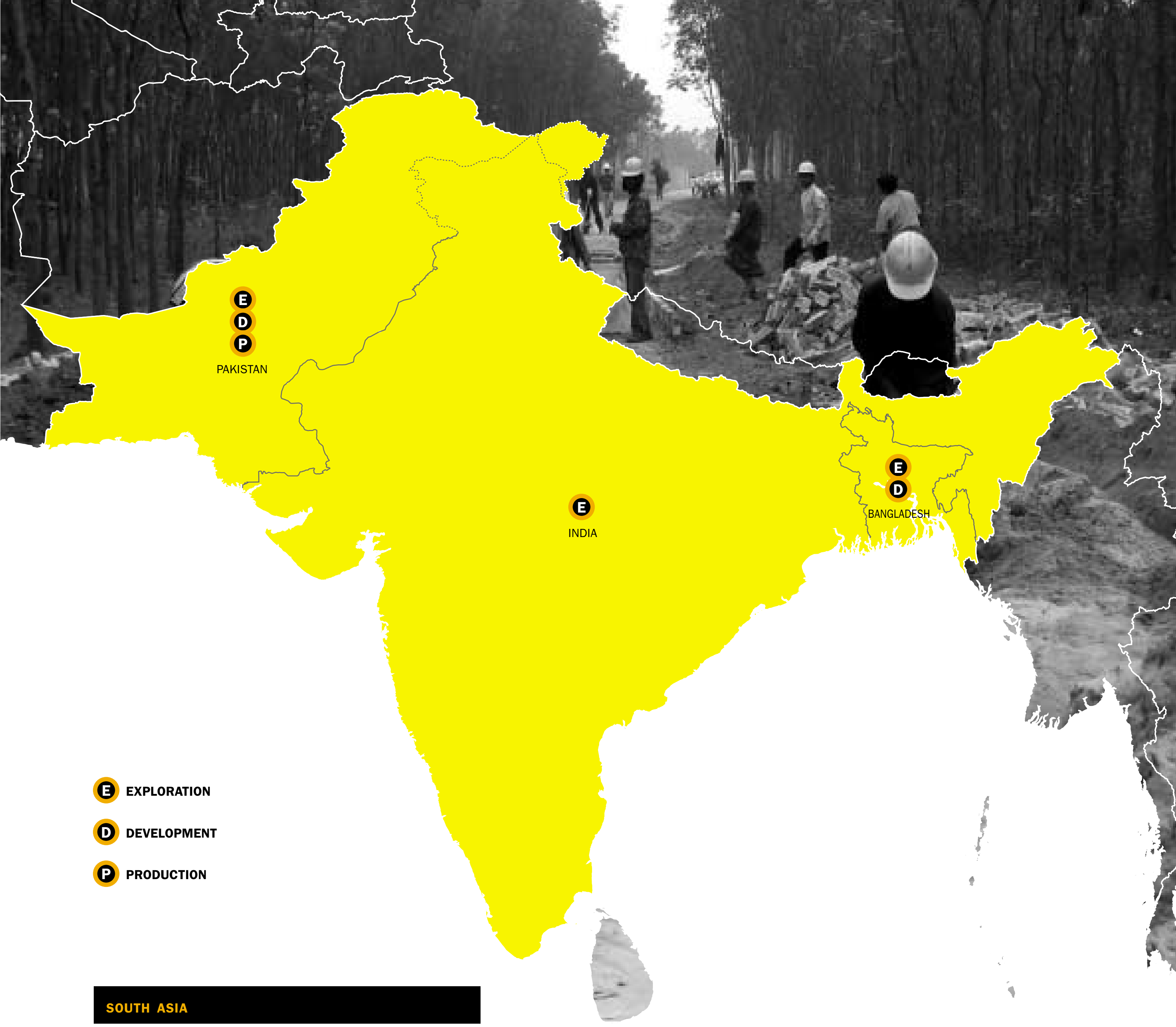
PRODUCTION	2004 boepd	2003 boepd
OIL	–	–
GAS	900	1,300
TOTAL	900	1,300
% of Group Total	**2%**	**5%**

TURNOVER	2004 £million	2003 £million
TURNOVER	1.5	2.3
% of Group Total	**1%**	**2%**

RESERVES	2004 mmboe	2003 mmboe
OIL	–	–
GAS	16.0	21.4
TOTAL	16.0	21.4
% of Group Total	**9%**	**31%**

2004 Review

2004 was an exciting and challenging year in South Asia with a strategic review of operations and two important gas discoveries. Overall this core area accounted for 1% of Group turnover and 2% of Group production in 2004.



SOUTH ASIA			
COUNTRY	ACTIVITIES	PRODUCING FIELDS	TULLOW %
Bangladesh	E D		
India	E		
Pakistan	E D P	Sara Suri	38.18 38.18

2

South Asia

PAKISTAN

In 2004, production from the Sara and Suri fields in Pakistan declined and the Sara-1 well ceased to produce. During the year, Tullow conducted reservoir simulation studies to identify potential opportunities for further development drilling on the two fields and the results of those studies are currently being analysed.

Tullow also reviewed its plans for the Sara West discovery during the year, and found that under the existing licence terms any development was unlikely to be commercial. As a result discussions are currently under way with the Government and other parties, to determine if an alternative approach has the potential to commercialise this discovery.

The development plan for the Chachar field in Pakistan is currently being finalised following development approval from the Government for production of up to 30 mmscfd. Sales from the field are expected to commence in early 2006.

There was also considerable exploration and new venture activity in Pakistan in 2004. This included the acquisition of seismic data on the Nawabshah block with drilling expected in the third quarter of 2005. These seismic data will facilitate evaluation of several leads which are on trend with the discoveries on adjacent acreage. Evaluation of the potential of the New Block B continued and negotiations to commence work in Block 28 are ongoing. The new venture activity also resulted in the recent award of the Kohat exploration block.

BANGLADESH

In Bangladesh there was intense activity in Block 9. A three well drilling programme resulted in two discoveries – Bangora-1 and Lalmai-3 – and one dry hole, Rasulpur. An appraisal programme for the discoveries, which are 40 km apart and on the same structural feature, was submitted and approved by the Government. This programme involves a long term test on the Bangora-1 discovery, that will deliver gas into the market, acquisition of 2D and 3D seismic data as well as a multi-well drilling campaign. This programme will establish the extent and productivity of the reservoirs and ultimate reserve potential.

In Blocks 17 and 18, Tullow secured an additional two year extension to the PSC and this licence now expires in May 2006. Additional technical work has been carried out and integrated into the regional geological framework. Tullow has recently signed a Memorandum of Understanding with a prospective partner and discussions are ongoing.

INDIA

The main area of focus for the Group in India is on block CB-ON-1, situated in the Cambay Basin within Gujarat State, immediately south of the recent substantial discoveries in the Sanchor Basin in Rajasthan. In April 2005 Tullow obtained Government approval to acquire a 50% interest in the block. Reprocessing of existing seismic and evaluation of existing well data commenced in 2004 and acquisition of new seismic data is scheduled for 2005.

2005 Operational Outlook

2005 is expected to be a year of good progress for the South Asia core area. The objective in Pakistan is to bring Chachar to development sanction and to review the further development potential of Sara and Suri, while continuing to focus on establishing a high impact exploration portfolio. In Bangladesh Tullow has an extensive appraisal programme planned for 2005 which includes early production from Bangora-1, the acquisition of new 2D and 3D seismic data and the planning of appraisal drilling on the Bangora and Lalmai discoveries. In India, the Group will continue the technical evaluation of CB-ON-1.

The Lalmai discovery, in eastern Bangladesh, is located on a hilltop. Prior to drilling the only access was an earthen track, which passed through a mahogany tree plantation. In order to give equipment access to the well site, the earthen track was widened and resurfaced, with the minimum of tree felling. The local community and relevant Government departments approved all the work carried out, and the trees felled during the process were donated to the local mosque. More than 100 local people were employed during the construction and upgrading phases. Longer term the overall area will benefit from the improved access.

2

Corporate Social Responsibility

Our policy is to conduct all our business operations to the best industry standards and to behave in a socially responsible manner.

Our goal is to be ethical and act with integrity in the communities where we work, and to respect cultural, national and religious diversity. This commitment is enshrined in Tullow's Corporate Social Responsibility (CSR) Policy.

Overall we are dedicated to continuous improvement in all our standards and practices and demonstrable progress was made in 2004.

HIghlights Include:

- An enhanced Environmental, Health and Safety (EHS) Policy which has been implemented across the Group and is supported by an annual EHS audit programme
- Our entire UK operations are ISO 14001 certified following certification of the Bacton Gas Terminal in 2004. We aim to steadily increase the number of certified operations within the Group over the coming years
- Continued investment in energy efficiency improvements that resulted in a 20% reduction in CO_2 emissions within our UK operations
- A total of four Lost Time Incidents (LTI) in 2004, the same as 2003, despite the enlarged Group and key, higher risk, drilling projects during the year
- Upgraded Crisis Management procedures to enable a prompt and effective response in the event of a serious incident in any Tullow activity
- $1.7 million (£0.9 million) spent on sponsoring or assisting a wide range of projects that benefit local communities in the countries where we have licence interests
- The setting up of a CSR Committee, including three Board Directors, with dedicated funding and responsibility for allocating resources across the Group in line with Tullow's CSR Policy.

ENVIRONMENTAL, HEALTH AND SAFETY POLICY

In 2004 a Board review of EHS management addressed key issues including minimisation of waste, support of biodiversity principles and the promotion of a positive EHS culture based on individual as well collective responsibility. As a result, an enhanced EHS Policy has been implemented across the Group.

Through this policy our goal is to protect people, minimise harm to the environment and reduce disruption to our neighbouring communities. Our policy also requires that we comply fully with all applicable EHS laws and regulations, and apply responsible standards where the legislation is less developed or non-existent. Staff and contractors are given appropriate EHS training to perform their tasks competently and safely and with due regard for the environment. We also have an annual audit programme which verifies compliance with this policy and monitors our EHS performance.

The EHS audit programme focuses primarily on those activities where the Group has the greatest exposure or risk and the process involves an independent review against Tullow's Integrated Management System. In 2004, audits were carried out at three locations with no significant issues arising. The overall objective of the EHS policy and audit programme is to ensure that all locations have good systems in place to minimise and proactively manage associated plant or project risk.

ENVIRONMENTAL RECORD

Overall environmental performance throughout the Group in 2004 was excellent and no environmental incidents were recorded. Tullow applies an Integrated Management System, to ensure that all environmental hazards and impacts are identified and minimised throughout all stages of a project lifecycle. By following this approach it is possible to operate profitably and symbiotically in ways that ensure we are good neighbours and bring benefits to the local communities in which we operate.

Wherever possible we seek to support projects which improve sanitation, healthcare or education within the local area.

ISO 14001 CERTIFICATION

Our UK operations maintained ISO 14001 Certification, the achievement of which is based on an independent audit by Lloyd's Register of the environmental aspects of the business. The team at the Bacton Gas Terminal also achieved ISO 14001 certification within nine months of the transition of the operatorship to Tullow.

The suitability of ISO 14001 for other business units within Tullow was evaluated during 2004 and the Kudu project in Namibia and operations in Pakistan are working towards certification in 2005. The number of Group operations achieving certification is expected to increase steadily in the years ahead.

EUROPEAN UNION (EU) EMISSIONS TRADING SCHEME

During 2004, Tullow made significant effort and investment in plant to respond positively to the new EU Emissions Trading Scheme which came into operation at the beginning of 2005. We also ensured independent external verification of our 2004 emissions at our UK operations in readiness for trading.

The annual allocation, by the UK Government, for the Bacton and Hewett facilities required a 7% reduction in the average annual baseline emissions of relevant CO_2 from those operations. In addition to ongoing plant optimisation, the Bacton facility was upgraded to maximise the benefits of available compression to ensure the minimisation of CO_2 emissions. This contributed to our UK operations overall, not only meeting the target of a 7% reduction but actually achieving a total reduction of 20%, leading to a net surplus of 63,515 tonnes of CO_2, which can be traded in 2005. Further opportunities have also been identified to improve this performance in the future with the option of decommissioning older plant.

We also worked with our other SNS partners to ensure that the requirements of the EU Emissions Trading Scheme are being actively managed and that our exposure in this regard is limited. There is no requirement for any non-operated assets to purchase CO_2 credits and we do not anticipate any cost to the Group in 2005.

SAFETY RECORD

During 2004 both the number of countries of operation and the number of employees grew substantially, primarily as a result of the Energy Africa acquisition. In addition, the oil and gas industry is, by its very nature, one of high risk operation and, in many instances, carries out its activities in challenging and harsh environments.

During 2004, our safety performance continued to improve with enhanced management of safety issues including the EHS audit programme, high profile EHS site visits at the beginning of all major new projects and a proactive programme of safety education to ensure that all personnel are fully cognisant of safe working practices. This is allied to Tullow's recognition of the need to provide safe, clean, hygienic and healthy conditions for our staff and contractors working in the field.

We worked hard through the year to improve reporting of LTI, with tighter and clearer definitions. There were four LTI in 2004, which was the same as 2003 although they were of a less severe nature. However the Lost Time Incident Frequency Rate (LTIFR), which is the LTI related to the number of man hours worked, increased to 2.01, compared with 1.12 in 2003. This is primarily because there was a 42% reduction in the man hours worked in 2004 when compared to 2003. During 2003 there was a large increase in contracted personnel and consequently man hours because of highly labour intensive activities such as seismic operations in Bangladesh.

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Corporate Social Responsibility

There is an ongoing programme of initiatives and education to reduce the potential for incidents. All incidents receive senior management attention and are reported to the Board. Our target is to return to top quartile performance for the industry and to compare favourably with the Oil and Gas Producers' benchmark for LTIFR.

CRISIS MANAGEMENT

With the inherent EHS risks associated with the industry and the significantly enlarged Group, the importance of effective Crisis Management Systems is critical. The Board and Management of Tullow have fully supported the ongoing development of the London based Crisis Management Team to enable a proactive, prompt and effective reaction in the event of a serious incident in any Tullow activity. This included bringing all the Energy Africa operations into the London based system after acquisition.

Over the course of 2004, the Crisis Management Team's capability has been significantly enhanced with greater training and regular exercises to test the system and resources. During the year, every member took part in a detailed exercise.

COMMUNITY INVOLVEMENT

We have a progressive policy of working closely with the communities in which we operate and this is incorporated in our CSR Policy, which was rolled out across the Group in 2004 and is published on our website. This policy, which is reviewed annually, reflects Tullow's commitment to conduct our business to high standards of integrity. It places a strong emphasis on internal support and resources for Tullow personnel, and external sponsorship and assistance in projects that benefit the local communities in the countries in which we have licence interests.

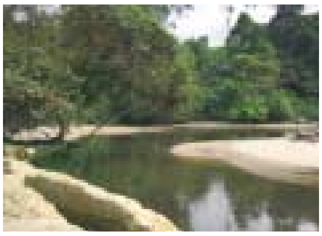
An important consideration when planning activities, particularly in remote areas, is not only how environmental impacts can be minimised but also how the project can benefit the local area. In 2004, a total of $1.7 million (£0.9 million) was spent on a wide variety of small and large projects.

In July and August 2004, Bangladesh suffered significant flooding following record rainfall. The local Tullow team responded promptly and committed over $70,000 (£38,400) in aid to provide support to those affected; food parcels, blankets and water purification tablets for the local community around the drilling location; and financial contributions to recognised charities working in the area.

In Gabon, as well as ongoing smaller sponsorships, Tullow has continued the Energy Africa support of ECOFAC (Programme for Conservation and Rational Utilisation of Forest Ecosystems in Central Africa), an EU funded regional conservation and development programme. Tullow's involvement is focused on a research project being conducted in the Lossi Gorilla Sanctuary which aims to acclimatise gorilla families to the presence of humans so that eco-tourism can be established, to evaluate the impact of Ebola epidemics, and to educate the local community in order to prevent the transition of Ebola between the great apes and humans.

In Pakistan, Tullow has made a significant investment to install water systems which supply clean and safe water to 12 local villages as well as a further $167,000 (£91,500) donation to a local water pipeline development. Tullow also established a medical centre at its Suri field to protect the well-being of employees and local contractors but which also addresses



health issues in the local community through examination, treatment where appropriate, and assistance with transport to hospital if additional treatment is required.

Also in Pakistan, Tullow entered into a three year commitment with a local non-Governmental Organisation to support an improved regional education system in which 11 primary schools received assistance in areas such as school buildings, furniture and learning materials, teacher training support and educational monitoring.

ONGOING COMMITMENT

In late 2004 the Tullow Board approved the setting up of a CSR Committee with dedicated CSR funding. This six person committee, including three Board Directors, is responsible for managing all community support activities and ensuring that appropriate funding is dedicated to selected sponsorship and charitable projects, seeking to maximise the benefits to local communities.

The Committee, which will report to the Board on a regular basis, considers applications for funding in the context of Tullow's CSR Policy on local community responsibilities. As part of our continuing development of CSR throughout the Group we will produce a separate annual CSR Report. The 2005 report will be published for the first time early in 2006.

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Financial Review

2004 was an outstanding year for Tullow. The Group reported record levels of production, turnover, operating profitability, cash flow and net profit. This has been principally due to the acquisition of Energy Africa in May 2004, combined with sustained high oil and gas prices during the year.

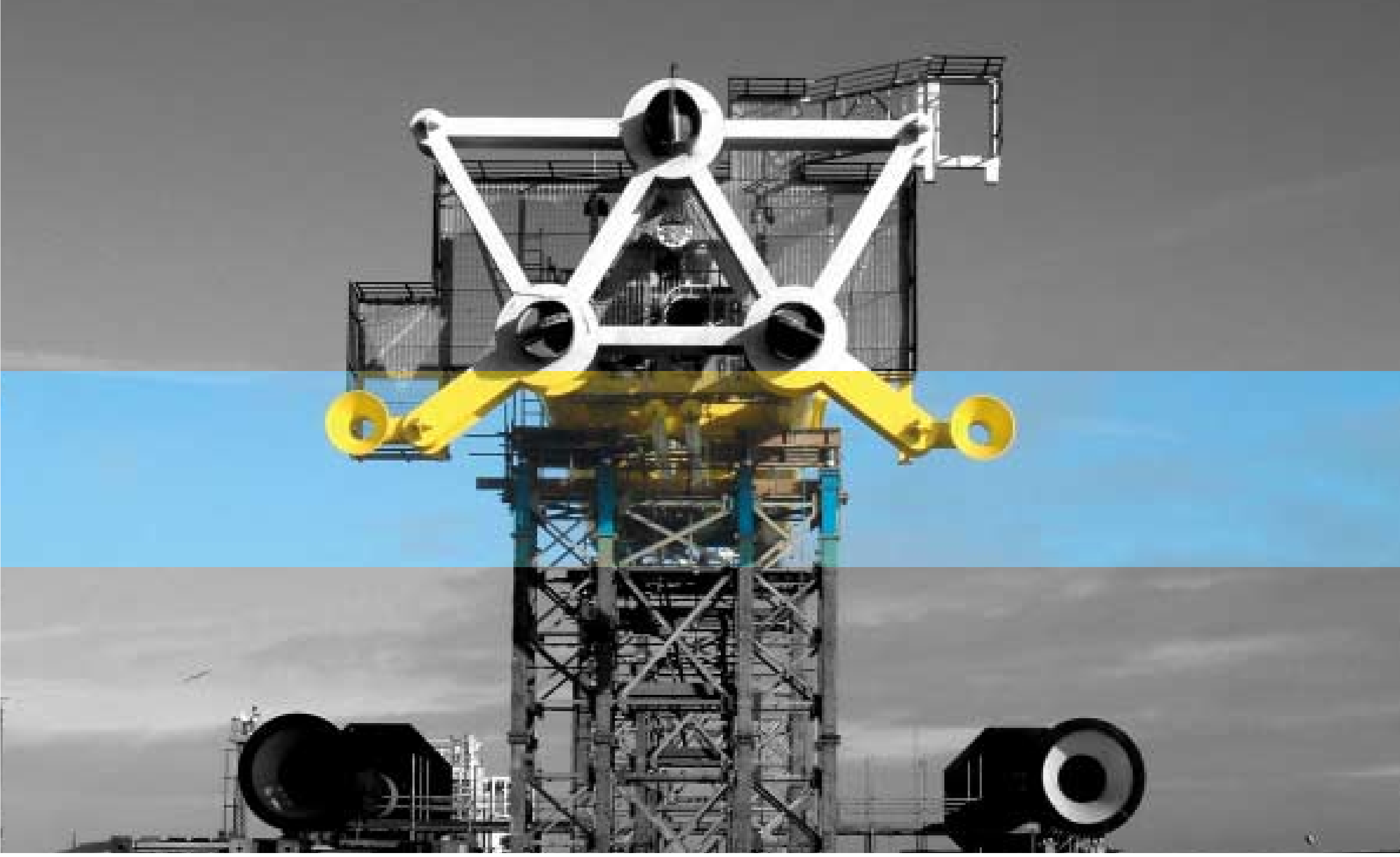
KEY STATISTICS	**2004**	2003	%CHANGE
PRODUCTION (boepd)*	**40,600**	24,800	64
NET ENTITLEMENT SALES (boepd)	**36,450**	24,800	47
REALISED OIL PRICE PER BBL ($)	**34.13**	27.50	24
PRE-HEDGE TURNOVER (£m)	**236.0**	129.6	82
TURNOVER POST HEDGING (£m)	**225.3**	129.6	74
AVERAGE PRODUCTION COSTS PER BOE (£)*	**4.40**	4.70	(6)
DEPLETION AND AMORTISATION PER BOE (£)*	**4.68**	4.37	7
OPERATING PROFIT BEFORE EXPLORATION ACTIVITIES (£m)	**83.2**	44.3	88
PROFIT AFTER TAX (£m)	**32.9**	10.9	202
EARNINGS PER SHARE (p)	**6.18**	2.92	112
DIVIDEND PER SHARE (p)	**1.75**	1.00	75
OPERATING CASHFLOW (£m)	**154.3**	85.0	82

* Working interest basis

PRODUCTION AND TURNOVER

The results of Energy Africa have been consolidated with effect from 28 May 2004.

2004 weighted average daily working interest production was 40,600 boepd, 64% ahead of 2003 levels. The Energy Africa acquisition has given Tullow a balanced production portfolio, both geographically and between oil and gas. The UK represented 51% (2003: 79%), Africa 47% (2003: 16%) and Pakistan 2%



(2003: 5%) of 2004 production, whilst gas represented 44% (2003: 86%) and oil 56% (2003: 14%) of 2004 production.

The average realised oil price for the year was $36.99/bbl (2003: $27.50/bbl), excluding the cost of hedging.

As a result of including hedges acquired as part of the acquisition of Energy Africa at fair value, based on their mark to market valuations at the acquisition date, hedging activity impacts both turnover and creditors. At acquisition the fair value of the Energy Africa hedges included in creditors amounted to £28.3 million. During the period ended 31 December 2004 the impact of the realisation of such hedges has been to decrease turnover by £7.4 million, as payments under the hedge contracts in the seven month period exceeded the related part of the creditors recognised at acquisition. Further hedge payments of £3.3 million have been made in respect of hedges entered into post the Energy Africa acquisition. Consequently, the average realised price for the Group in 2004 was $34.13/bbl (2003: $27.50/bbl), net of hedging.

During 2004 UK gas prices were favourable and average realisation of gas was 22.89p/therm (2003: 20.66p/therm).

Tariff revenue was lower at £9.5 million (2003: £10.8 million) due to lower throughput production during 2004.

OPERATING PROFIT

Operating Profit before Exploration Activities amounted to £83.2 million (2003: £44.3 million) showing the benefits of increased Group production and reduced unit operating costs in both the UK and Africa following the Energy Africa acquisition.

Group operating costs of £4.40/boe (2003: £4.70/boe), on a working interest basis, reflect the continuing shift of UK production to the lower operating cost CMS area and the lower operating cost of the Energy Africa portfolio.

The Group’s depletion and amortisation charge of £4.68/boe (2003: £4.37/boe), on a working interest basis, has been affected by four key factors:

- The fair value assigned to the Energy Africa fixed assets on acquisition, which is set out below in more detail
- An incremental writedown of £2.2 million associated with the Group's Pakistan assets following a downgrade in reserves of the Sara and Suri gas fields
- Significant reserve upgrades in relation to Gabon and Congo (Brazzaville) interests, and
- The recognition of reserves associated with new developments, together with related capital expenditure, and third party tariff-paying volumes in the SNS.

Tullow applies the “successful efforts” accounting policy which requires that all costs associated with unsuccessful exploration are written off to the Profit and Loss Account. During 2004 Tullow participated in successful exploration wells in the UK North Sea, Gabon, Congo (Brazzaville), Equatorial Guinea and Bangladesh. However a number of other wells in the UK, Egypt, Mauritania, Uganda, Côte d'Ivoire and Bangladesh were not successful. All the costs of these wells, along with certain additional costs associated with relinquished acreage and new ventures, have been written off, resulting in a total charge of £18.0 million to the Profit and Loss Account (2003: £12.8 million).

INTEREST CHARGE

The net interest charge for the year was £9.5 million, comprising £8.3 million of interest and charges associated with Group debt (after capitalisation of £1.8 million associated with development

3

Financial Review



projects, in particular Okume and Horne & Wren), £3.5 million of interest income and £4.3 million of non-cash costs arising from the amortisation of debt arrangement fees and the unwinding of discount on abandonment provisions.

PROFIT ON DISPOSAL OF OIL AND GAS ASSETS

During 2004 Tullow undertook a number of transactions to introduce new partners into the Horne & Wren project. As part of these transactions, Tullow disposed of part of the project for a profit of £2.3 million.

TAXATION

The tax charge of £25.0 million is principally associated with the Group's North Sea activities and consists of £9.9 million of current Corporation Tax, £5.9 million of Petroleum Revenue Tax (PRT), a provision of £12.1 million in respect of Deferred Taxation and a deferred tax credit of £2.9 million from future tax benefits associated with an asset swap in Gabon.

The strong reserve and production performance of the Murdoch K fields in the CMS area, coupled with the increase in the UK gas price forward curve and the acquisition of Energy Africa’s interest in the Alba field has led to an increase in the Group’s PRT charge to £11.0 million (2003: £9.0 million).

The Group’s overall effective tax rate was 33.0% (2003: 35.3%) of Profit on Ordinary Activities Before Taxation less Exploration Costs Written Off. The decreased effective tax rate is due to the majority of Energy Africa’s assets being PSCs, where a proportion of the production is shared with the host Government instead of tax. The value of such production shared in lieu of tax is no longer reflected in the Profit and Loss Account under Tullow’s revised Accounting Policy for Taxation and Turnover for such arrangements.

Under the revised treatment, turnover and taxation for 2003 have each been reduced by £2.7 million. There has been no net effect on net assets or net profit as a result of the change.

CASH FLOW AND FINANCING ACTIVITIES

Tullow generated an Operating Cash Flow of £154.3 million during the year (2003: £85.0 million) driven principally by the Energy Africa acquisition and stronger oil and gas prices. This record cash flow allowed the Group to spend a total of £96.6 million on exploration and development activities.

Development expenditure in 2004 was principally associated with the Horne & Wren fields, Okume and M’Boundi.

Tullow participated in 16 exploration wells during 2004. The most significant exploration expenditure arose in the UK North Sea, Gabon, Congo (Brazzaville), Equatorial Guinea and Bangladesh.

Repayments totalling £33.4 million (2003: £14.8 million) were also made under Group banking facilities, exclusive of the new funding associated with the acquisition of Energy Africa.

During the year the Group concluded a $300 million Acquisition Bridge Financing Facility, arranged by ABN AMRO, BNP Paribas and Bank of Scotland. This facility was principally used to finance the cash component of the consideration paid to acquire Energy Africa. Subsequent to this, the Group also negotiated a further facility of £120 million associated with the acquisition of the Schooner and Ketch assets, although this was not utilised until after the year end.

Following the aquisitions and growth of recent years, Tullow currently has a variety of financing facilities in place. During 2005 it is the Group’s intention to undertake a refinancing and Tullow is currently in the advanced stages of agreeing

the terms of a new facility to be led by the same bank group. This will substantially replace all of the Group's existing debt facilities.

At 31 December 2004 the Group held total cash balances of £85.1 million, of which £36.2 million was held as security for future decommissioning obligations.

ENERGY AFRICA – COMPLETION OF ACQUISITION AND FAIR VALUE ALLOCATION EXERCISE

The Energy Africa transaction, announced in March 2004, was completed with the consolidation of those assets from 28 May. Under FInancial Reporting Standard (FRS) 7 Tullow is required to undertake a fair value exercise to determine the values attributed to the acquired assets within the Group's Balance Sheet. A provisional estimate of fair value allocation was provided at the 2004 interims. Under the FRS Tullow is permitted to review this allocation within 12 months, and accordingly the final fair value allocated to the acquisition of Energy Africa may be summarised as follows:

FAIR VALUE ALLOCATION	$million	£million
BOOK VALUE OF OIL AND GAS FIXED ASSETS	343.9	187.6
MARKET VALUE OF HEDGE CONTRACTS	(51.8)	(28.3)
FAIR VALUE OF OTHER NET LIABILITIES	(82.4)	(45.0)
FAIR VALUE ADJUSTMENT TO BOOK VALUES OF OIL AND GAS FIXED ASSETS	391.4	213.6
TOTAL ACQUISITION COST	**601.1**	**327.9**

Based on the fair value exercise and current production and reserves mix, the average Depreciation, Depletion and Amortisation (DD&A) rate for the Energy Africa assets is approximately $8.70/bbl, on a working interest basis.

HEDGING AND RISK MANAGEMENT

Tullow's policy is to mitigate its exposure to oil and gas price risks for a portion of its production, using a range of financial instruments such as fixed price swaps, participating swaps, zero cost collars and option structures. Tullow also hedges price risk through forward sale agreements for physical product at fixed prices, most notably in respect of UK Gas.

In recognition of the continued strength in oil and gas pricing during 2004, the Group also sought to increase utilisation of collar and other participating structures to retain exposure to higher oil prices should they occur.

At 31 March 2005, the Group's hedge position to end 2006 may be summarised as follows:

OIL HEDGES	1H 05	2H 05	2006
VOLUME - bopd	12,938	9,946	7,731
AVERAGE PRICE* - $/bbl	36.7	36.0	32.8
DOWNSIDE PRICE** - $/bbl	34.6	31.4	28.5

GAS HEDGES	1H 05	2H 05	2006
VOLUME - mmscfd	46	43	20
AVERAGE PRICE* - p/therm	28.4	29.2	36.4
DOWNSIDE PRICE** - p/therm	26.9	27.0	33.1

* Average hedge prices are based on market prices as at 31 March 2005 and represent the current value of hedged volumes

** Downside hedge prices reflect floor price protection.

3

Financial Review

Due to the natural hedge between its UK based activities, which are Sterling earning and Sterling debt funded, and its international business which is principally denominated and funded in US dollars, the Group does not undertake active currency hedging.

PORTFOLIO MANAGEMENT

Tullow actively manages its asset portfolio. There have been various farmouts which have reduced Tullow's financial exposure to high risk exploration, most notably in Gabon, Romania and Morocco.

Portfolio management will continue in 2005 with the sale of the Alba and Caledonia assets for $112 million (£59 million) and the sale of Tullow's offshore Congo (Brazzaville) assets for $72 million (£38 million). Tullow had identified that these assets, while attractive to purchasers in the current climate, were not central to the Group's long term strategy. The sale proceeds will be used to reduce the Group's gearing and create financial flexibility to undertake further transactions should suitable opportunities arise.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Group will adopt IFRS with effect from 1 January 2005 and the 2005 interim figures will be prepared on the new basis. Comparative figures for 2004 will also be restated in accordance with IFRS.

Tullow has established a project team to manage the transition to IFRS. A restatement of the 2004 balance sheet, including a reconciliation between UK GAAP and IFRS, will be issued to shareholders in advance of the interim results which will be published in September 2005. This team is also considering the presentation of the Group's results, systems impacts and the wider business issues that arise from such a fundamental change.

The Group's current understanding is that the major effects of changing from Tullow's existing accounting practices to IFRS are likely to be in the following areas:

- IFRS 2 – share based payments
- IFRS 3 – deferred taxation related to business combinations, and
- IAS 39 – oil and gas hedges.

As Tullow adopts the successful efforts method of accounting for exploration and appraisal costs, the Group anticipates that changes arising from implementation of IFRS 6 will be comparatively minor.

Tullow is monitoring the approach adopted by the industry and the Group expects to be fully prepared for adoption of IFRS.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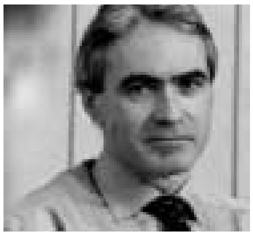
Board of Directors




PAT PLUNKETT
Chairman
(Age 54)

Pat Plunkett was appointed non-executive Chairman in 2000 having served as a non-executive Director since 1998. He is Chairman of the Nominations and Remuneration Committees. He has over 30 years experience in the financial services sector and was a director of the Irish Stock Exchange from 1995 to 1998. He managed the stockbroking and corporate finance businesses of the ABN AMRO Bank in Ireland, as Managing Director from 1990 to 1993 and Executive Chairman from 1993 to 1998. He is currently a corporate advisor and non-executive director of a number of private companies.

AIDAN HEAVEY
Chief Executive Officer
(Age 52)

A founding Director and shareholder of the Group, Aidan Heavey has played a key role in the development of Tullow since its formation in 1985. He is a member of the Nominations Committee. A Chartered Accountant, he previously held roles in the airline and engineering sectors in Ireland.

TOM HICKEY
Chief Financial Officer
(Age 36)

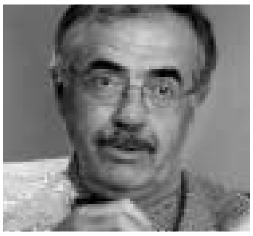
A Chartered Accountant, Tom Hickey was appointed Chief Financial Officer and to the Board in 2000. Prior to joining Tullow he was an Associate Director of ABN AMRO Corporate Finance (Ireland) Limited, which he joined in 1995. In this role, he advised public and private companies in a wide range of industry sectors in the areas of fund raising, stock exchange requirements, mergers and acquisitions, flotations and related transactions. He is a non-executive director of Ikon Science Limited, a specialist geological software company in which Tullow has a minority equity stake.

GRAHAM MARTIN
General Counsel
(Age 51)

A solicitor, Graham Martin joined the Group and the Board, as Legal and Commercial Director in 1997, from Vinson & Elkins, a leading international law practice, where he was a partner. Prior to that, he was a partner in Dickson Minto WS, a UK corporate law firm. He has over 25 years experience of UK and international corporate and energy transactions. He has been the principal legal adviser to Tullow since its formation in 1985 and was appointed to his current position as General Counsel in 2004.

ADRIAN NEL
Exploration Director
(Age 62)

Adrian Nel was appointed to the Board as Exploration Director in September 2004. He was Technical Director of Energy Africa from its formation in 1996 and Chief Operating Officer from 2001 until the company was acquired by Tullow in May 2004. From 1987 to 1991 he was General Manager of the oil and gas division of Gencor Limited and from 1991 to 1996 he was General Manager of Engen Limited's oil and gas business in Africa. Adrian Nel has been active in exploration in both technical and managerial roles for over 30 years and holds degrees in geology and geochemistry.


MATTHEW O'DONOGHUE

General Manager Projects
(Age 60)

Matthew O'Donoghue was appointed to the Board as Operations Director in 1998 having joined Tullow in 1987 as General Manager in Senegal. An engineer, he has over 35 years experience in the oil and gas exploration sector and held a number of senior roles with Schlumberger Wireline, working in Europe, Africa and the Middle East. A core member of the original team that has developed the Group's business and international operating capability, he was appointed to his current position in 2004.

DAVID BAMFORD

Non-Executive Director
(Age 58)

David Bamford was appointed as a non-executive Director in July 2004. He is a member of the Audit, Nominations and Remuneration Committees. With a PhD in Geological Sciences from the University of Birmingham, he has had over 23 years exploration experience with BP where he was Chief Geophysicist from 1990 to 1995, General Manager for West Africa from 1995 to 1998, and acted as Vice President Exploration, directing BP's global exploration programme, from 2001 to 2003. He is a non-executive director of Paras Limited, a specialist oil and gas industry consulting firm and Visiting Professor of Geophysics at the University of Leicester.

ROHAN COURTNEY

Non-Executive Director
(Age 57)

Rohan Courtney has been a non-executive Director since 1993 and Senior Independent Director since 2000. He is Chairman of the Audit Committee and a member of the Nominations and Remuneration Committees. He was a career banker for 27 years and held senior positions in London and Hong Kong, including that of Chief Executive Europe of the State Bank of New South Wales from 1982 to 1990. Between 1991 and 1996, he advised and represented major shareholders on the boards of several companies in business difficulty. From 1996 to 2001, he was Executive Chairman of West 175 Media Group Inc. He is currently Executive Chairman designate of UCG Global, a company established to commercialise and develop power through the process of underground coal gasification.

STEVEN McTIERNAN

Non-Executive Director
(Age 54)

Steven McTiernan was appointed as a non-executive Director in 2002. He is a member of the Audit, Nominations and Remuneration Committees. He began his career as a petroleum engineer, working with BP, Amoco and Mesa in the Middle East and the UK. In 1979, he joined Chase Manhattan Bank, where he became Senior Vice President and head of the bank's energy group based in New York. From 1996 to 1998 he was Head of Oil and Gas Investment Banking for NatWest Markets and Head of Energy in the London office of CIBC World Markets from 1998 to 2001. He is currently Principal of Sandown Energy Consultants Limited, a natural resources advisory firm based in London.

CLARE SPOTTISWOODE CBE

Non-Executive Director
(Age 52)

Clare Spottiswoode was appointed as a non-executive Director in 2002. She is a member of the Audit, Nominations and Remunerations Committees. An economist by training, she began her career in the Treasury before starting her own software company. Between 1993 and 1998 she was Director General of Ofgas, the UK gas regulator. She is currently Deputy Chairman of British Energy Group plc and Chairman of Economatters Limited. She is also a non-executive director of Anker plc, Biofuels Corporation plc and Petroleum Geo-Services ASA.

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Corporate Governance
Year ended 31 December 2004

The Board of Tullow is committed to business integrity and high ethical values across the Group's activities. As an essential part of this commitment, the Board supports high standards of corporate governance.

COMPLIANCE WITH FRC COMBINED CODE ON CORPORATE GOVERNANCE (JULY 2003)
As required by the Listing Rules issued by the UK Listing Authority, this report describes how the Company has applied the principles set out in Section 1 of the Combined Code on Corporate Governance (the Code). It also discloses the extent to which the Company has complied with the provisions of the Code.

The Board considers that the Company has complied with all of the provisions of the Code throughout the year under review (and subsequently up to the date of this report) with the following exceptions:

- Independent non-executive Directors currently comprise less than half the Board. Whilst the Board is aware that the Code requires at least half the Board to comprise independent non-executive Directors, it considers that there is currently a very effective working balance between executive and non-executive Directors on the Board. It is also of the view that, at ten members, the Board is of an appropriate size for a fast growing business such as Tullow. The composition of the Board and its principal Committees is kept under review in light of the provisions of the Code; it is the current intention of the Nominations Committee to make recommendations to the Board with a view to appointing a further independent non-executive Director during 2005.
- Pat Plunkett is Chairman of the Remuneration Committee and, as such, that Committee is not made up solely of independent non-executive Directors. The Board has considered the position of Pat Plunkett as Chairman of the Remuneration Committee and is of the view that he should continue to fulfil this role since he brings considerable knowledge of the management roles and responsibilities within the Group which enables him to discharge his duties in an informed and properly independent manner. In addition, Pat Plunkett brings continuity to the Committee; he and Rohan Courtney being the only non-executive Directors to have been members throughout the period of major growth since the Company became a constituent of the FTSE All-Share Index, following its re-registration in the UK in December 2000.

Details of how Tullow has applied the principles of the Code in relation to Directors' remuneration are contained in the Directors' Remuneration Report.

BOARD OF DIRECTORS
Composition The Board comprises a non-executive Chairman, five Executive Directors and four non-executive Directors. Each of the Executive Directors has extensive knowledge of the oil and gas industry. The majority of the non-executive Directors either have held or currently hold senior appointments in oil and gas companies or companies with energy interests and, together, the non-executive Directors bring a broad range of business and commercial experience to the Board. No individual or group of individuals dominates the Board's decision making. Biographies of the Board members are set out on pages 38 and 39.

Role of the Board The Board is accountable to shareholders for the creation and delivery of strong, sustainable financial performance and long-term shareholder value. To achieve this, the Board directs and monitors the Group's affairs within a framework of controls which enable risk to be assessed and managed effectively. It sets the Group's strategic aims, ensuring that the necessary resources are in place to achieve these aims, and reviews management and financial performance. The Board also has responsibility for setting the Group's core values and standards of business conduct and for ensuring that these, together with the Group's obligations to its stakeholders, are widely understood throughout the Group.

Chairman and Chief Executive There is a clear delineation of the roles of the Chairman and the Chief Executive, which have been agreed and set out in writing by the Board.

Corporate Governance continued

The Chairman's key responsibilities are the effective running of the Board, ensuring that the Board plays a full and constructive part in the development and determination of the Group's strategy and acting as guardian of the Board's decision-making process.

The key responsibilities of the Chief Executive are managing the Group's business, proposing and developing the Group's strategy and overall commercial objectives in consultation with the Board and, as leader of the executive team, implementing the decisions of the Board and its Committees. In addition, the Chief Executive is responsible for maintaining regular dialogue with major shareholders as part of the Company's overall investor relations programme.

NON-EXECUTIVE DIRECTORS

Appointment Non-executive Directors are appointed for an initial term of three years. Thereafter, they may serve one or more three year terms subject to satisfactory performance. The letters of appointment of each non-executive Director are available for inspection.

Meetings of non-executive Directors In addition to their attendance at Board and, as appropriate, Committee meetings, the non-executive Directors have also met formally on three occasions during 2004 without executive management present. The non-executive Directors examine and review the performance of the executive management; this review process is in part dealt with by the Board Committees referred to below. Separately, the Chairman and Chief Executive hold informal meetings with the non-executive Directors to discuss issues affecting the Group.

Senior Independent Director The Senior Independent Director is Rohan Courtney. In this role he is available to shareholders who have concerns that cannot be resolved through discussion with the Chief Executive or Chairman.

Independence The Board considers each of the current non-executive Directors to be independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement. The Board recognises that Rohan Courtney's independence may be called into question, given that he has served on the Board for more than nine years. Nevertheless, the Board considers that his independence is not prejudiced or compromised by this and when taken with his experience and knowledge of the Group's business that he remains an independent, challenging and valuable contributor to the Board. In recognition that the Combined Code requires a non-executive Director who has served for more than nine years to be subject to annual re-election, Rohan Courtney will be proposed for re-election at this year's Annual General Meeting (AGM).

Election and re-election All Directors are required by the Company's articles of association to be elected by shareholders at the first AGM after their appointment. Subsequently, Directors are subject to re-election by shareholders at least every three years.

HOW THE BOARD OPERATES

Board meetings The Board meets regularly during the year and on an ad hoc basis as required. The attendance record of each Director is shown in the table on page 43. During 2004, the Board met on nine occasions. In addition to the formal meetings of the Board, the Chairman and Chief Executive maintain frequent contact with the other Directors to discuss issues affecting the Group. In addition, all Board members attended a strategy 'away day' held in November at which they and senior Tullow personnel focused on the Group's strategy.

Information flow Directors have access to a regular supply of financial, operational and strategic information to assist them in the discharge of their duties. Such information is provided as part of the normal management reporting cycle. Board papers relevant to a specific Board meeting are circulated in advance of the meeting to allow consideration of key decisions required and matters arising. In addition, each Board meeting includes a specific detailed review of the history, performance and future potential of an individual asset or business unit designed to ensure that all material assets are considered on a cyclical basis.

Independent professional advice All Directors and Committees have access to independent professional advice, at the Company's expense, as and when required.

Insurance cover The Company maintains Directors' and Officers' Liability insurance cover, the level of which is reviewed annually.

Matters reserved and delegations A formal schedule of matters is reserved for consideration by the Board and is reviewed annually. The matters reserved include the Group's overall strategy, approval of annual and interim results, acquisitions and disposals, material contracts, major capital expenditure projects and budgets. Subject to those reserved matters, the Board delegates authority for the management of the business primarily to the Chief Executive and certain other matters are delegated to the principal Board Committees, namely the Audit, Remuneration and Nominations Committees, each of which is described in more detail below.

Attendance at meetings The attendance of Directors at Board and Committee meetings during 2004 was as follows:

	Board	Audit	Remuneration	Nominations
No. of Meetings	9	6	3	4
Pat Plunkett	9	1	3	4
Aidan Heavey	9	-	-	3
Tom Hickey	9	-	-	-
Matthew O'Donoghue	9	-	-	-
Graham Martin	9	-	-	-
Adrian Nel[2]	4	-	-	-
John Lander[3]	2	-	-	-
Rohan Courtney	8	6	3	4
Steven McTiernan	9	6	3	3
Clare Spottiswoode	9	4	3	3
David Bamford[4]	5	2	-	1
Eskandar Maleki[5]	2	1	1	-

1 Pat Plunkett resigned as a member of the Audit Committee in April 2004 in accordance with the recommendations of the Combined Code.
2 Adrian Nel was appointed a Director on 13 September 2004.
3 John Lander retired on 16 April 2004.
4 David Bamford was appointed a Director on 8 July 2004.
5 Eskandar Maleki retired on 21 April 2004.

Performance evaluation Under the Combined Code, the Board is required each year to carry out a formal and rigorous evaluation of its own performance and that of its Committees and individual Directors. To meet this recommendation, the Board engaged an independent external facilitator in December 2004 to assist in an assessment. This exercise was carried out by way of a detailed questionnaire completed by each Board member supplemented by an individual discussion. The findings of this exercise were analysed and discussed, initially with the Chairman, and then considered by the Board for itself and each of the Committees. The review focused on such matters as composition and strategic capability, ongoing development, external and internal relationships, risk management, and conduct of Board and Committee meetings. Overall, Board members concluded that the Board and its Committees were operating in an effective and constructive manner. The Board has committed to retain an independent facilitator to carry out Board performance measurement in 2005 and beyond.

Corporate Governance continued

Induction During 2004, two new Directors, David Bamford and Adrian Nel, were appointed to the Board. As part of their induction, each visited the key offices of the Group and met with line management from each functional discipline and business unit. The Company Secretary also provides new Directors with an overview of their duties as Directors, Corporate Governance policies and established Board procedures as part of the induction process.

Continuing Professional Development All members of the Board have access to appropriate training in respect of their obligations and duties as Directors. Briefings on particular subject matters have been given, such as corporate governance and the introduction of International Financial Reporting Standards.

COMMITTEES

The Board has established the following principal Committees, each of which has written terms of reference (approved by the Board) setting out its authority and duties. New terms of reference of the Committees have recently been adopted to reflect amongst other things, the requirements of the Code. Copies of the terms of reference can be viewed on the investor relations section of the Company's website www.tullowoil.com or can be obtained from the Company Secretary.

AUDIT COMMITTEE

This Committee currently comprises Rohan Courtney (Chairman), Steven McTiernan, Clare Spottiswoode and David Bamford (appointed to the Committee July 2004). In April 2004, Pat Plunkett resigned as a member of the Committee. Eskandar Maleki ceased to be a member of the Committee upon his retirement from the Board in April 2004.

Rohan Courtney and Steven McTiernan both have extensive banking and financial experience whilst Clare Spottiswoode currently sits on the audit committees of three other public companies. Based upon this, the Board is satisfied that the Audit Committee members have recent and relevant financial experience.

The Committee met six times during 2004, including meetings held immediately prior to the submission to the Board of the interim and annual results respectively.

The main responsibilities of the Committee include:

- Monitoring the integrity of the financial statements and any formal announcement relating to the Group's financial performance;
- Reviewing significant financial reporting issues, reviewing accounting policies and disclosures in financial reports;
- Reviewing the effectiveness of the Group's internal control procedures and risk management systems;
- Reviewing the Company's whistleblowing procedures;
- Making recommendations to the Board as to the appointment or re-appointment of the Group's external auditors; and
- Overseeing the selection of new auditors and overseeing the relationship with the external auditor.

The Committee monitors the level of audit and non-audit services provided by the Company's auditors. Non-audit services are normally limited to assignments that are either closely related to the audit or where the work is of such a nature that a detailed understanding of the Group is necessary. A breakdown of the fees paid to our auditors in respect of audit and non-audit work is included in note 3 of the accounts on page 69 and 70.

The Chief Financial Officer and a representative of the external auditors normally attend meetings at the invitation of the Committee. The external auditors have unrestricted access to the Chairman of the Audit Committee. During 2004, the Committee conducted an open tender process which resulted in the appointment of Deloitte & Touche LLP as Group auditors. The Committee is also monitoring the Company's preparation for the transition to and first reporting under International Financial Reporting Standards (IFRS), which became obligatory from 1 January 2005.

REMUNERATION COMMITTEE

The Directors Remuneration Report on pages 49 to 57 contains details of the Remuneration Committee

NOMINATIONS COMMITTEE

The current members of the Nominations Committee, are Pat Plunkett (Chairman), Aidan Heavey, Rohan Courtney, Steven McTiernan (appointed to the Committee in March 2004), Clare Spottiswoode (also appointed March 2004) and David Bamford (appointed to the Committee in July 2004). The Committee met four times in 2004.

The main responsibilities of the Committee include:

- Reviewing the structure, size and composition of the Board and making recommendations to the Board with any changes required;
- Planning succession for Directors and other senior executives;
- Identifying and nominating, for Board approval, candidates to fill Board vacancies as and when they arise;
- Reviewing annually the time commitment required from non-executive Directors;
- Making recommendations to the Board with regard to membership of the Audit and Remuneration Committees in consultation with the Chairman of each Committee; and
- Assessing the continuation in service of any Director who is to be re-elected or has reached the age of 70.

The principal activities of the Committee in 2004 related to the appointments of David Bamford in July 2004 as a new independent non-executive Director, and Adrian Nel who was appointed Exploration Director in September 2004. The process for the appointment of David Bamford was supported by external search consultants. Adrian Nel, who was previously Technical Director of Energy Africa, was appointed in September 2004 following the acquisition by Tullow of Energy Africa.

SHAREHOLDER RELATIONS

Communication with shareholders is given high priority and there is regular dialogue with institutional investors, as well as general presentations at the time of the release of the annual and interim results. The Board receives regular investor relations reports covering key investor meetings and activities as well as shareholder and investor feedback. The Group issues its results promptly to individual shareholders and also publishes them on the Investor Relations section of the Company's website. The Company's website address is www.tullowoil.com. Regular updates to record news in relation to the Company and the status of exploration and development programmes are also included on the Company's website. Shareholders and other interested parties can subscribe to receive these news updates by e-mail by registering on-line on the website.

The Chairman is available to meet with institutional shareholders to discuss any issues and gain an understanding of any concerns in relation to the Company's governance and strategy. Non-executive Directors have the opportunity to attend meetings with major shareholders and will attend if requested to do so.

At the AGM, a business presentation is provided for shareholders' benefit and individual shareholders are given the opportunity to put questions to the Chairman, the chairmen of the key Board Committees and to other members of the Board. In addition, the Board is committed to maintaining strong links with its Irish shareholder base and holds a business presentation in Ireland, on the day following the AGM, to allow these shareholders similar access to the Board. Notice of the AGM is sent to shareholders at least 20 working days before the meeting and details of proxy votes for and against each resolution, together with abstentions, are made available after the result of the hand votes.

Corporate Governance continued

INTERNAL CONTROLS

In September 1999, the Turnbull Guidance (Internal Control: Guidance for Directors on the Combined Code) was published.

The Directors acknowledge their responsibility for the Group's and the Company's systems of internal control, which are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. The Group's internal control procedures include Board, technical and financial approval for all projects. All major expenditures require senior management approval at the appropriate stages of each transaction. Overall control is ensured by a regular detailed reporting system covering both technical progress of projects and the state of the Group's financial affairs. The Board has put in place procedures for identifying, evaluating and managing any significant risks that face the Group.

Any system of internal control can provide only reasonable, and not absolute, assurance that material financial irregularities will be detected or that the risk of failure to achieve business objectives is eliminated. The Directors, having reviewed the effectiveness of the system of internal financial, operational and compliance controls and risk management, consider that the system of internal control operated effectively throughout the financial year and up to the date the financial statements were signed.

In addition, the Audit Committee has reviewed the necessity for the establishment of an internal audit function but considers that, given the size of the Group, the close involvement of joint venture partners in the exploration and drilling process, the strengths of its systems and the close involvement of senior management, no requirement currently exists for the establishment of such a function.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Directors' Report

Year ended 31 December 2004

The Directors submit their Report together with the audited consolidated financial statements for the year ended 31 December 2004.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The principal activities of the Company and its subsidiary undertakings (the 'Group') are oil and gas exploration and production and the provision of technical services to its joint venture partners. Information on the Company's principal subsidiary undertakings is contained in Note 11 to the financial statements.

A full review of the Group's activities during the year, recent events and future developments is contained in the Chairman's Statement on pages 4 to 7, the Chief Executive's Review on pages 8 and 9, the Operational Review on pages 10 to 27 and the Financial Review on pages 32 to 37.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2004 are set out in the profit and loss account on page 60. The profit on ordinary activities after taxation amounted to £32,949,297 (2003: £10,920,541).

An interim dividend of 0.5p (2003: 1.0p) per share was paid on 8 October 2004. The Directors recommend a dividend of 1.25p (2003: 1.0p) per share which if approved at the AGM will be paid to shareholders in July 2005.

SUBSEQUENT EVENTS

Since the balance sheet date Tullow has continued to progress its exploration, development and business growth strategies.

On 31 March 2005, the Company completed the acquisition, from Shell U.K. Limited and Esso Exploration and Production UK Limited, of their entire producing interests in the Schooner and Ketch gas fields in the Southern North Sea and associated acreage. This transaction was first announced on 20 December 2004. The total consideration for the transaction is £200 million, inclusive of capital allowances, which has been financed through a combination of bank debt and internal resources.

On 8 April 2005, the Company signed a Sale and Purchase Agreement to dispose of its minority interest in the Alba/Caledonia fields in the Central North Sea to ITOCHU Corporation for a headline consideration of $112 million (£59 million). On the same date the Company signed an agreement to dispose of its interests in Offshore Congo to Total for a headline consideration of $72 million (£38 million).

DIRECTORS

The Directors of the Company at the date of this report are listed on pages 38 and 39. John Lander and Eskandar Maleki retired as Directors on 16 April 2004 and 21 April 2004 respectively.

David Bamford was appointed a non-executive Director on 8 July 2004 and Adrian Nel was appointed a Director on 13 September 2004. Directors appointed by the Board are required to retire at the first AGM following their appointment and, accordingly, resolutions for their re-election will be proposed at the 2005 AGM.

In accordance with the Company's Articles of Association, Graham Martin, Steven McTiernan and Clare Spottiswoode retire at this year's AGM. Being eligible, they offer themselves for re-election. In addition, as Rohan Courtney has been a Director for more than nine years he retires annually and a resolution for his re-election will be proposed at this year's AGM. Details of Directors' service contracts and letters of appointment are set out on page 54.

Details of the Directors' interests in the ordinary shares of the Company and in share options are set out on pages 55 and 56 in the Directors' Remuneration Report.

Directors' Report continued

SHARE CAPITAL
As at the date of this report 646,429,868 ordinary shares are issued and fully paid. Details of changes in the share capital during 2004 are set out in Note 18 to the financial statements.

SUBSTANTIAL SHAREHOLDINGS
At the date of this report the Company had been notified of the following interests of 3% or more in its issued share capital:

	Number of shares	**% of issued capital**
Merill Lynch Investment Group Managers	78,002,419	12.07
IFG International Trust Company Limited	44,785,366	6.93
Drew Finance Limited	21,331,401	3.30
Legal & General Group plc	19,917,612	3.08

CORPORATE RESPONSIBILITY
The Group is fully committed to high standards of environmental, health and safety management. A review is set out in the Corporate Responsibility Statement on pages 28 to 31.

CHARITABLE AND POLITICAL DONATIONS
An outline of the Group's involvement in the community appears in the Corporate Responsibility Statement on pages 28 to 31. In line with Group policy, no donations were made for political purposes.

SUPPLIER PAYMENT POLICY
It is Company and Group policy to settle all debts with creditors on a timely basis and in accordance with the terms of credit agreed with each supplier. The Company had no trade creditors outstanding at 31 December 2004.

AUDITORS
Following the completion of the Energy Africa acquisition, Robert J. Kidney & Co considered that the global dimension of the Group required a single auditor with a worldwide reach. Accordingly, that firm resigned as joint auditor in November 2004. Following a re-tender for audit services Deloitte & Touche LLP were appointed as Tullow's sole external auditors. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the AGM.

ANNUAL GENERAL MEETING
Your attention is drawn to the Notice of Meeting enclosed with this Annual Report which sets out the resolutions to be proposed at the forthcoming AGM.

By order of the Board

TOM HICKEY
Company Secretary

22 April 2005

Directors' Remuneration Report
Year ended 31 December 2004

INTRODUCTION
This report has been prepared in accordance with the requirements of the Directors' Remuneration Report Regulations 2002, which set out requirements for the disclosure of Directors' remuneration. The report is also prepared in accordance with the requirements of the Listing Rules of the Financial Services Authority.

The Regulations require the auditors to report to the Company's Members on the 'auditable part' of the Remuneration Report and to state whether, in their opinion, that part of the report that has been subject to audit has been properly prepared in accordance with the Companies Act 1985 (as amended by the Directors' Remuneration Report Regulations 2002). The report is therefore divided into separate sections to disclose the audited and unaudited information. A resolution to approve the entire report will be proposed at the AGM of the Company.

Unaudited Information

REMUNERATION COMMITTEE
The members of the Remuneration Committee are Pat Plunkett (Chairman), Rohan Courtney, Steven McTiernan, Clare Spottiswoode and David Bamford. Eskandar Maleki ceased membership upon his retirement from the Board on 21 April 2004. David Bamford joined the Committee following his appointment as a non-executive Director in July 2004. The Committee met three times during the year.

The main responsibilities of the Committee include:

- Determining and agreeing with the Board the remuneration policy for the Chief Executive, Chairman, Executive Directors and senior executives;
- Approving the design of, and determining targets for, performance-related pay schemes;
- Reviewing the design of share incentive plans for approval by the Board and shareholders;
- Determining the policy for pension arrangements for Executive Directors and senior executives; and
- Within the terms of the agreed policy, determining the total individual remuneration packages for each Executive Director and senior executive.

The full terms of reference for the Committee are available on the Company's website.

The Chief Executive and other relevant executives are invited to attend meetings of the Committee but do not take part in any decision affecting their own remuneration. The Committee also receives advice from the Company Secretary and the Head of Human Resources. The Committee has appointed New Bridge Street Consultants LLP as its independent remuneration advisers who also provide technical advice to the Company in connection with the operation of its share incentive arrangements. The Committee also consults with the Company's major investors and investor representative groups as appropriate.

REMUNERATION POLICY
The Group's policy is to maintain levels of remuneration so as to attract, motivate and retain directors of the highest calibre who can contribute their experience and independent views to the Group's operations.

Executive Directors must be properly rewarded and motivated to perform in the best interests of shareholders. The elements of the remuneration package for Executive Directors are basic salary, annual bonus, benefits, pension payments and participation in the Company's share based incentive arrangements. Consequently, a significant element of Executive Directors' remuneration is performance-linked.

When determining the remuneration of the Executive Directors, the Committee takes into account the remuneration practices adopted both by companies operating in the FTSE Oil and Gas Sector and in the market generally (while also having regard to pay practices elsewhere in the Group).

Directors' Remuneration Report continued

EXECUTIVE DIRECTORS' REMUNERATION

Base salary The base salaries of the Executive Directors are reviewed annually with regard given to personal performance, Company performance, changes in responsibilities and competitive market practices. Following the most recent review, the base annual salary of each Executive Director with effect from January 2005 is:

	Base Salary £
Aidan Heavey	426,000
Tom Hickey	262,000
Graham Martin	262,000
Matthew O'Donoghue	231,000
Adrian Nel	231,000

When making the most recent base salary increases, the Committee took account of remuneration practices in a group of comparator companies drawn from all sectors, with a median market capitalisation significantly less than the Company's market capitalisation at the relevant time. The Committee's aim when setting base salaries is to ensure that the aggregate value of the fixed remuneration of each Executive Director (i.e. the aggregate of base salary, benefits and pension payments) is based around the median aggregate fixed remuneration in this group of companies.

Annual bonus Each Executive Director is entitled to participate in the Executive Annual Bonus Scheme in respect of each financial year of the Company. Bonuses payable in relation to 2004 were conditional on personal performance and the achievement of certain corporate targets set by the Company (related to reserve replacement and performance, benchmarked against the FTSE 250 and certain peer group companies) with the Committee's policy at the beginning of the year being that a maximum annual bonus opportunity of 100% of salary would apply which would be payable in exceptional circumstances.

During 2004, Tullow was the sixth best performing share in the FTSE 250 Index, undertook a number of significant acquisitions and achieved a material expansion of the Group's activities and shareholder base. Based upon the outstanding performance and commitment demonstrated by the Executive Directors during 2004, which have resulted in significant additions to shareholder value, the Committee believed that it was appropriate to pay bonuses to certain of the Executive Directors in excess of the 100% of salary normal limit, as set out in the table on page 55.

The Committee has recently reviewed the structure of the Company's short and long-term incentive arrangements. One consequence of this review is that the Executive Annual Bonus Scheme has been restructured with effect from 2005. Under the revised scheme, target performance will trigger a bonus of up to 40% of salary for all Executive Directors. For exceptional performance, Executive Directors will be able to earn a bonus of up to 100% of salary.

The 2005 annual bonus arrangements for Aidan Heavey, Tom Hickey and Graham Martin will be structured as follows:

- Up to 33.33% of salary can be earned subject to the achievement of challenging relative Total Shareholder Return (TSR) performance targets against a comparator group, with upper quartile performance required for this part of the bonus to be earned in full.
- A further 33.33% of salary can be earned for the achievement of challenging absolute TSR targets, with a 15% improvement in TSR required for this part of the bonus to be earned in full.
- The final 33.34% of salary can be earned based on how the Committee considers that the Company has performed over the year as against certain Company specific performance indicators (such as production performance, reserve replacement, exploration success, health & safety and overall financial stability).

The annual bonus arrangements of Matthew O'Donoghue and Adrian Nel will be structured as follows:

- 25% of salary can be earned based on how the Committee considers that the Company has performed over the year as against certain key performance indicators.
- 75% of salary can be earned based upon the achievement of individual financial and non-financial targets relating to their specific discipline or field of responsibility, with this element of the bonus only payable in full for exceptional performance against these targets.

In addition, to further align the interests of Executive Directors and shareholders, any bonus earned over 60% of salary will be deferred into shares which will not normally be receivable by the Executive Directors for a further three years (but will not be subject to further performance conditions).

Pension and other benefits The Executive Directors do not participate in the Company pension plan. Each Executive Director is entitled to receive a payment of 10% of his basic salary into his private pension scheme which increases from 1 January 2005 to 15% at age 50, as well as 30 days annual leave, permanent health insurance, private medical insurance and life assurance benefits. Aidan Heavey is provided with a car. The Group also reimburses the Executive Directors in respect of all expenses reasonably incurred by them in the proper performance of their duties.

SHARE INCENTIVE PLANS

The only share option scheme operated by the Company during the year was the 2000 Executive Share Option Scheme (under which options can be granted over shares worth up to four times remuneration in the ten year period following 27 August 1998). Options have previously been granted under the 1988 Executive Share Option Scheme and the 1998 Executive Share Option Scheme (both of which are no longer operated). Details of the options outstanding for each Executive Director are set out on page 56.

Options granted under the 2000 Scheme normally only become exercisable following the third anniversary of the date of grant and then only if the Company's Total Shareholder Return is greater than that of the FTSE 250 index over any three year period following grant. Options granted under the old 1988 and 1998 Schemes (which are no longer operated) are not subject to performance conditions.

As set out above, the Committee has recently reviewed the structure of the Company's incentive arrangements. Following the review, the Committee believes that the 2000 Scheme is no longer the appropriate vehicle through which long-term incentives should be offered to the Company's key executives. Therefore, formal shareholder approval is being sought at the forthcoming AGM for the adoption of a new Performance Share Plan. Under the proposed new Plan, senior executives will receive conditional awards of rights over whole shares worth up to 150% of salary p.a. (200% in exceptional circumstances). Awards will vest under the new Plan subject to a Total Shareholder Return-based performance condition under which the Company's TSR performance will be measured over a fixed three year period (i.e. with no opportunity to re-test) against both the constituents of the FTSE 250 Index and the following comparator group of international Oil & Gas companies:

Burren Energy
Cairn Energy
Dana Petroleum
Lundin Petroleum AB
Newfield Exploration Company
Nexen Inc
Noble Energy Inc
Paladin Resources
Pioneer Oil & Gas
Pogo Production Company
Premier Oil
Vintage Petroleum Inc

Directors' Remuneration Report continued

For each portion of the award, vesting will be as follows:

Company's ranking against comparator group	**Vesting Percentage**
Below Median	0%
Median	30%
Upper Quartile	100%
Intermediate Performance	Pro Rata Between 30% and 100%

However, no award will vest unless the Committee considers that both the Company's underlying financial performance and its performance against other key factors (e.g. health and safety) over the relevant period is satisfactory.

The Committee believes that this performance condition is appropriate as it encourages the Executive Directors to generate returns to shareholders in excess of both the market generally and a group of sector peers.

The Committee does not intend to grant further options to Executive Directors, save in exceptional circumstances. However, the 2000 Scheme will be retained for flexibility. If, in the future, the Committee wishes to adopt a different policy which involves the grant of options to Executive Directors on a regular basis, it will notify the Company's major shareholders before doing so. In addition, if further options are granted in the future, the performance conditions applying to these options will not contain any "re-testing" facility, and employees will not (in normal circumstances) be able to receive awards under the new Plan and options in the same financial year.

In addition, to further align the interests of senior executives and shareholders, the Executive Directors will be required to retain at least 50% of the shares that vest under the new Plan (after selling sufficient shares to pay tax liabilities) until they have built up a shareholding worth at least 100% of base salary (with existing holdings taken into account). Further details of the new Plan can be found in the Notice of AGM.

Executive Directors may also participate in the Tullow Oil UK and Irish Share Incentive Plans, which were launched at the beginning of 2004. These are all-employee plans that have been set up in both the UK and Ireland which enable employees to make contributions out of salary up to prescribed limits each month, which are used by the Plan trustees to acquire Tullow Oil shares. The Company makes a matching contribution to the trustees to acquire a matching number of shares on a one-for-one basis.

NON-EXECUTIVE DIRECTORS' FEES

A Committee of the Board comprising the Chairman and Executive Directors sets the remuneration of non-executive Directors. The fees paid are set at a level to attract the persons with the necessary experience and ability to make a significant contribution to the Company's activities, while also reflecting the time commitment and responsibility of the role. Each non-executive Director receives an annual fee and, other than the Chairman of the Company, an allowance for acting as Chairman of any committee. Each non-executive Director is also entitled to reimbursement of necessary travel and other expenses.

Non-executive Directors do not participate in any operational share scheme or annual bonus scheme and are not eligible to join the Company's Pension Scheme.

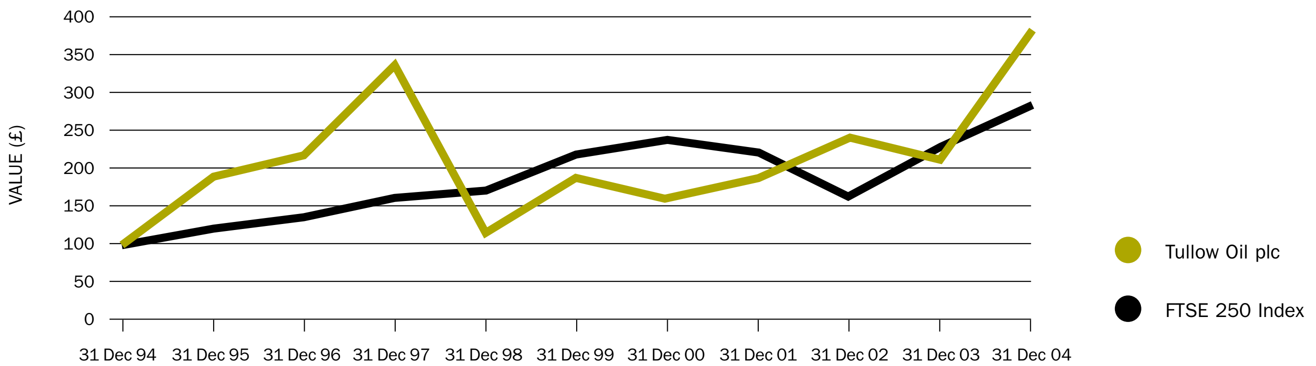
PERFORMANCE GRAPH

The Directors Remuneration Report Regulations 2002 require the presentation of a graph of TSR compared to an appropriate comparator index over a five-year or shorter period. For Tullow, TSR is primarily represented by share price performance as, up to November 2003, no dividends had been declared or paid. Tullow has been a constituent of the FTSE 250 Index since September 2001 and, as this index is also used as a comparator for share plans, the Directors believe it represents the most appropriate benchmark.

The graphs below show Tullow's TSR over the ten-year period from 1 January 1995 to 31 December 2004 and the five-year period from 1 January 2000 to 31 December 2004. In each case the relevant indices are set to 100 at the beginning of the period.

TOTAL SHAREHOLDER RETURN

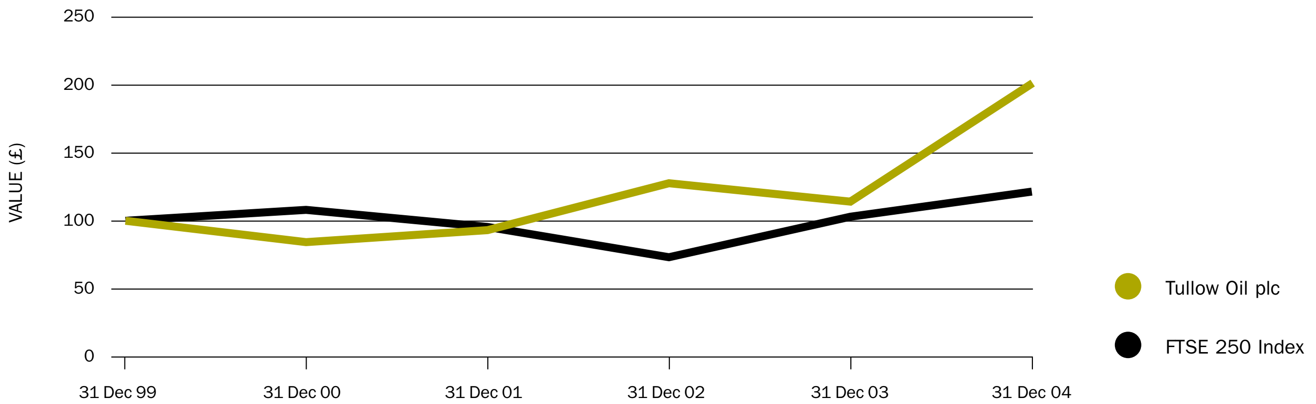
Source: Datastream



This graph shows the value, by the end of 2004, of £100 invested in Tullow on 31 December 1994 compared with the value of £100 invested in the FTSE 250 Index. The other points plotted are the values at intervening financial year-ends.

TOTAL SHAREHOLDER RETURN

Source: Datastream



This graph shows the value, by the end of 2004, of £100 invested in Tullow on 31 December 1999 compared with the value of £100 invested in the FTSE 250 Index. The other points plotted are the values at intervening financial year-ends.

Directors' Remuneration Report continued

SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the Executive Directors, (other than Adrian Nel but including John Lander, who retired from the Board on 16 April 2004) entered into a service agreement with the Company on 2 September 2002. Each service agreement is on similar terms. Aidan Heavey and Matthew O'Donoghue also entered into a service agreement with Tullow Oil International Limited on 16 September 2002 on similar terms to their service agreements with the Company. Adrian Nel entered into a service agreement with the Company on 21 April 2005 (effective from 13 September 2004) on similar terms to the other Executive Directors.

The terms of each of these service contracts is not fixed, although each Executive Director is required under his service agreement to retire from service upon attaining the age of 65. Each agreement is terminable by the Director on six months' notice and by the Company on twelve months' notice. There are no specific provisions under which any Executive Director is entitled to receive compensation upon the early termination of his service agreement other than in accordance with these notice periods. Each service agreement sets out restrictions on the ability of the Director to participate in businesses competing with those of the Group or to entice or solicit away from the Group any senior employees of the Group in the six month period after the termination of his employment.

Each of the non-executive Directors is engaged by the Company under the terms of a letter of appointment (dated 17 January 2003 in the case of Pat Plunkett and Rohan Courtney; dated 17 June 2004 in the case of David Bamford and dated 28 February 2005 in the case of Clare Spottiswoode and Steven McTiernan). Eskandar Maleki who retired from the Board on 21 April 2004 was engaged under a letter of appointment dated 13 January 2003. Subject to retirement, for example by rotation under the Articles of Association, the appointments are for the period to 31 December 2005 in respect of Pat Plunkett and Rohan Courtney, to 7 July 2007 in the case of David Bamford and to 29 February 2008 in the case of Clare Spottiswoode and Steven McTiernan. In each case, the appointment is renewable thereafter if agreed by the Director and the Board. The appointments for Clare Spottiswoode and Steven McTiernan may be terminated by either party on three months notice. There are no notice provisions for Pat Plunkett, Rohan Courtney or David Bamford. There are no arrangements under which any non-executive Director is entitled to receive compensation upon the early termination of their appointment.

The above reflects the Committee's policy that service contracts should be structured to reflect the interests of the Company and the individuals concerned, while also reflecting market and best practice. Furthermore, it is also the Committee's policy that, in the event of early termination of a Director's service contract, the Committee will take account of the departing Director's duty to mitigate his loss when determining the amount of compensation that is paid.

MATERIAL CONTRACTS

There have been no other contracts or arrangements during the financial year in which a Director of the Company was materially interested and/or which were significant in relation to the Group's business.

EXTERNAL APPOINTMENTS

The Board has not introduced a formal policy in relation to the number of external directorships that an Executive Director may hold. Currently, the only Executive Director who holds an external directorship is Tom Hickey. Tom has been nominated by Tullow as its representative on the board of Ikon Science Limited, a company in which Tullow has a small equity stake. Any fees payable for his services have been waived by Tullow.

Audited Information

DIRECTORS' REMUNERATION

The remuneration of the Directors for the year ended 31 December 2004 was as follows:

	Salary/ Fees £	Bonus £	Pension £	Taxable Benefits £	2004 Total £	2003[1] Total £
EXECUTIVE DIRECTORS						
Aidan Heavey	351,750	457,275	35,175	28,606	872,806	449,999
Tom Hickey	210,000	273,000	21,000	522	504,522	293,024
Graham Martin	231,000	300,300	23,100	1,859	556,259	243,764
Matthew O'Donoghue	210,000	105,000	21,000	1,942	337,942	221,950
Adrian Nel[2]	68,528	78,750	-	-	147,278	-
John Lander[3]	56,538	15,000	15,000	5,501	92,039	247,570
Subtotal	1,127,816	1,229,325	115,275	38,430	2,510,846	1,456,307
NON-EXECUTIVE DIRECTORS						
Pat Plunkett	90,000	-	-	-	90,000	75,000
Rohan Courtney	36,000	-	-	-	36,000	30,000
Steven McTiernan	30,000	-	-	-	30,000	25,000
Clare Spottiswoode	30,000	-	-	-	30,000	25,000
David Bamford[4]	14,429	-	-	-	14,429	-
Eskandar Maleki[3]	10,000	-	-	-	10,000	25,000
Subtotal	210,429	-	-	-	210,429	180,000
TOTAL	1,338,245	1,229,325	115,275	38,430	2,721,275	1,636,307

[1] Due to a change made in 2003 in the manner in which bonuses were determined, the bonuses declared by the Remuneration Committee during 2003 were made in respect of the 2002 and 2003 financial years.

[2] Adrian Nel was appointed on 13 September 2004.

[3] John Lander retired on 16 April 2004; Eskandar Maleki retired on 21 April 2004.

[4] David Bamford was appointed on 8 July 2004.

(I) DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The interests (all of which were beneficial) of the Directors who held office at 31 December 2004 were:

	Shares 31 December 2004	Shares 1 January 2004 (or date of appointment, if later)
ORDINARY 10p SHARES		
Aidan Heavey	6,000,000	6,000,000
Tom Hickey	100,000	60,000
Graham Martin	436,005	436,005
Adrian Nel	-	-
Matthew O'Donoghue	1,590,857	1,590,857
Pat Plunkett	1,229,326	1,529,326
Rohan Courtney	-	-
David Bamford	4,004	2,907
Steven McTiernan	-	-
Clare Spottiswoode	-	-

Note: On 13 April 2005, David Bamford purchased 5,584 shares at 182p per share.

Directors' Remuneration Report continued

(II) DETAILS OF INTERESTS HELD UNDER THE TULLOW OIL UK SHARE INCENTIVE PLAN AND TULLOW OIL IRISH SHARE INCENTIVE PLAN

The two Plans, which were launched on 1 January 2004 are briefly described on page 52.

Director	Plan	Partnership shares acquired in year	Matching shares awarded in year	Shares held on 31 December 2004	Partnership and Matching Shares acquired 1 January 2005 to 22 April 2005
Tom Hickey	Irish	1,560	1,560	3,120	578
Graham Martin	UK	1,174	1,174	2,348	1,014

Other than as set out above there have been no changes in the interest of any Director between 1 January 2005 and the date of this report.

(III) DETAILS OF SHARE OPTIONS

Director	Date Granted	At 01.01.04 (or date of appointment)	Granted in Period	Exercised in Period	At 31.12.04 (or date of cessation)	Option Price	First Date Exercisable	Last Date Exercisable
Aidan Heavey	30.04.99 [2]	1,230,230	-	-	1,230,230	€0.84	30.04.02	29.04.09
	10.10.01 [3]	550,000	-	-	550,000	80p	10.10.04	09.10.11
	06.10.03 [3]	600,000	-	-	600,000	85p	06.10.06	05.10.13
	20.09.04 [3]	-	450,000	-	450,000	131p	20.09.07	19.09.14
		2,380,230	450,000	-	2,830,230			
Tom Hickey	02.05.00 [2]	260,000	-	(40,000)	220,000	61p	02.05.03	01.05.10
	10.10.01 [3]	450,000	-	-	450,000	80p	10.10.04	09.10.11
	06.10.03 [3]	290,000	-	-	290,000	85p	06.10.06	05.10.13
	20.09.04 [3]	-	350,000	-	350,000	131p	20.09.07	19.09.14
		1,000,000	350,000	(40,000)	1,310,000			
John Lander	01.03.01 [3]	500,000	-	-	500,000	63p	01.03.04	15.04.05
	10.10.01 [3]	250,000	-	-	250,000	80p	17.04.04	15.04.05
	06.10.03 [3]	330,000	-	-	330,000	85p	17.04.04	05.04.07
		1,080,000	-	-	1,080,000			
Graham Martin	13.11.96 [1]	916,000	-	-	916,000	€0.91	13.11.99	12.11.06
	30.04.99 [2]	988,426	-	-	988,426	€0.84	30.04.02	29.04.09
	10.10.01 [3]	380,000	-	-	380,000	80p	10.10.04	09.10.11
	06.10.03 [3]	400,000	-	-	400,000	85p	06.10.06	05.10.13
	20.09.04 [3]	-	190,000		190,000	131p	20.09.07	19.09.14
		2,684,426	190,000	-	2,874,426			
Adrian Nel	28.05.04 [3]	-	205,000	-	205,000	103p	28.05.07	27.05.14
Matthew O'Donoghue	11.04.96 [1]	490,360	-	-	490,360	€1.00	11.04.99	10.04.06
	05.07.96 [1]	98,072	-	-	98,072	€0.99	05.07.99	04.07.06
	30.04.99 [2]	699,958	-	-	699,958	€0.84	30.04.02	29.04.09
	10.10.01 [3]	250,000	-	-	250,000	80p	10.10.04	09.10.11
	06.10.03 [3]	330,000	-	-	330,000	85p	06.10.06	05.10.13
		1,868,390	-	-	1,868,390			
Pat Plunkett	04.09.00 [4]	200,000	-	-	200,000	63p	24.08.01	03.09.10
Eskandar Maleki	11.04.97 [1]	100,000	-	-	100,000	€1.24	11.04.00	10.04.07
	04.09.00 [4]	100,000	-	-	100,000	63p	31.12.00	03.09.10
		200,000	-	-	200,000			
TOTAL		9,413,046	1,195,000	(40,000)	10,568,046			

Notes to Share Options Table:

[1] 1988 Scheme options

[2] 1998 Scheme Options

[3] 2000 Scheme Options

[4] Options granted pursuant to consultancy arrangements entered into with Tullow Oil Limited, the Company's wholly owned Irish subsidiary, exercisable on similar terms and conditions as 1998 Scheme options.

(a) Options shown with an exercise price denominated in Euro were granted on or before 30 April 1999 with an exercise price in IR£. On conversion of IR£ to Euro effective 1 January 2002, the exercise price for each such option was converted from IR£ into Euro by dividing the original IR£ exercise price per share by the fixed Irish Pound/Euro conversion rate. All options granted after 30 April 1999 were granted with an exercise price denominated in sterling. Options are granted for nil consideration. Options must be exercised in the currency in which the grants were made.

(b) On 17 September 2004, Tom Hickey acquired 40,000 shares through the exercise of share options at an exercise price of 61p per share. The market value of the shares on the date of exercise was 130.75p per share representing a notional gain of £27,900.

(c) John Lander and Eskandar Maleki retired from the Board on 16 April 2004 and 21 April 2004 respectively. The figures quoted above are as at cessation. Subsequently John Lander has exercised his 2000 Scheme options granted in March 2001 and October 2001 and Eskandar Maleki has subsequently exercised both of his tranches of options.

(d) During 2004, the highest mid market price of the Company's shares was 152.5p and the lowest was 84p. The year-end price was 152.5p.

PAT PLUNKETT
Chairman of the Remuneration Committee

22 April 2005

Statement of Directors' Responsibilities

United Kingdom company law requires the Directors to prepare consolidated financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the year and of the profit or loss of the Group for that year.

In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent; and
- Comply with applicable accounting standards, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board on 22 April 2005.

AIDAN HEAVEY Chief Executive Officer	TOM HICKEY Chief Financial Officer

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Independent Auditors' Report to the Members of Tullow Oil plc

We have audited the financial statements of Tullow Oil plc for the year ended 31 December 2004 which comprise the Group Profit and Loss Account, the Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Group Shareholders' Funds, the Statement of Accounting Policies and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the Directors' Remuneration Report. Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the July 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the Directors' Report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the Directors' Remuneration Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error.

In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report described as having been audited.

OPINION

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 and of the profit of the Group for the year then ended; and
- the financial statements and that part of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE LLP
Chartered Accountants and Registered Auditors
London

22 April 2005

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Group Profit and Loss Account

Year ended 31 December 2004

	Notes	2004 Acquisitions £'000	2004 Existing Operations £'000	2004 Total £'000	2003 Restated[1] £'000
TURNOVER	1	**98,915**	**126,341**	**225,256**	129,625
COST OF SALES					
Operating Costs		**(23,781)**	**(39,719)**	**(63,500)**	(42,621)
Depletion and Amortisation		**(31,010)**	**(36,561)**	**(67,571)**	(39,628)
		(54,791)	**(76,280)**	**(131,071)**	(82,249)
GROSS PROFIT		**44,124**	**50,061**	**94,185**	47,376
Administrative Expenses		**(3,268)**	**(7,102)**	**(10,370)**	(2,727)
Depreciation		**(272)**	**(375)**	**(647)**	(332)
		(3,540)	**(7,477)**	**(11,017)**	(3,059)
OPERATING PROFIT BEFORE EXPLORATION ACTIVITIES		**40,584**	**42,584**	**83,168**	44,317
EXPLORATION COSTS WRITTEN OFF	2	**(8,622)**	**(9,339)**	**(17,961)**	(12,772)
OPERATING PROFIT	3	**31,962**	**33,245**	**65,207**	31,545
Profit/(Loss) on Disposal of Oil & Gas Assets				**2,292**	(952)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST				**67,499**	30,593
Interest Receivable and Similar Income				**3,458**	2,016
Interest Payable and Similar Charges	5			**(12,960)**	(8,730)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION				**57,997**	23,879
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	6				
Current and Deferred Petroleum Revenue Taxation				**(10,956)**	(9,025)
Current UK and Overseas Corporate Taxation				**(9,863)**	(6,675)
Deferred UK and Overseas Corporate Taxation				**(4,229)**	2,742
				(25,048)	(12,958)
PROFIT FOR THE FINANCIAL YEAR				**32,949**	10,921
Dividends	7			**(6,995)**	(3,782)
RETAINED PROFIT FOR THE FINANCIAL YEAR	21			**25,954**	7,139
EARNINGS PER ORDINARY SHARE	8				
Basic				**6.18p**	2.92p
Diluted				**6.11p**	2.90p

[1] The restatement of 2003 comparative amounts is explained in the Accounting Policies on page 65.

The notes on pages 69 to 87 form part of these financial statements.

Group Statement of Total Recognised Gains and Losses
Year ended 31 December 2004

	2004 £'000	2003 £'000
Profit for the Financial Year	**32,949**	10,921
Currency Translation Adjustments	**(19,338)**	(5,034)
TOTAL RECOGNISED GAINS AND LOSSES FOR THE FINANCIAL YEAR	**13,611**	5,887

Reconciliation of Movements in Group Equity Shareholders' Funds
Year ended 31 December 2004

	2004 £'000	2003 £'000
Retained Profit for the Financial Year	**25,954**	7,139
Currency Translation Adjustments	**(19,338)**	(5,034)
Equity Shares Issued	**256,547**	13,516
NET INCREASE IN EQUITY SHAREHOLDERS' FUNDS	**263,163**	15,621
Equity Shareholders' Funds - At 1 January	**115,921**	100,300
EQUITY SHAREHOLDERS' FUNDS - AT 31 DECEMBER	**379,084**	115,921

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Group Balance Sheet

As at 31 December 2004

	Notes	2004 £'000	2003 £'000
FIXED ASSETS			
Intangible Assets	9	**103,312**	48,434
Tangible Assets	10	**495,920**	144,333
Investments	11	**496**	496
		599,728	193,263
CURRENT ASSETS			
Stock		**3,392**	437
Debtors	12	**54,207**	26,115
Cash at Bank and in Hand	13	**85,070**	66,686
		142,669	93,238
CREDITORS - Amounts falling due within one year			
Bank Loans and Overdrafts	14	**(5,302)**	(27,544)
Trade and Other Creditors	15	**(114,014)**	(33,173)
		(119,316)	(60,717)
NET CURRENT ASSETS		**23,353**	32,521
TOTAL ASSETS LESS CURRENT LIABILITIES		**623,081**	225,784
CREDITORS - Amounts falling due after more than one year			
Bank Loans	14	**(143,398)**	(59,458)
PROVISIONS FOR LIABILITIES AND CHARGES	17		
Decommissioning Costs		**(70,679)**	(47,524)
Deferred Taxation		**(29,920)**	(2,881)
NET ASSETS		**379,084**	115,921
CAPITAL AND RESERVES			
Called Up Equity Share Capital	18	**64,537**	37,784
Share Premium Account	18	**121,656**	14,198
Merger Reserve	19	**178,953**	56,617
Foreign Currency Translation Reserve	20	**(30,362)**	(11,024)
Profit and Loss Account	21	**44,300**	18,346
EQUITY SHAREHOLDERS' FUNDS		**379,084**	115,921

Approved by the board on 22 April 2005.

AIDAN HEAVEY
Chief Executive Officer

TOM HICKEY
Chief Financial Officer

The notes on page 69 to 87 form part of these financial statements.

Company Balance Sheet
As at 31 December 2004

	Notes	2004 Total £'000	2003 Total £'000
FIXED ASSETS			
Investments	11	**363,549**	38,136
CURRENT ASSETS			
Debtors	12	**57,876**	17,164
CREDITORS - Amounts falling due within one year			
Bank Loans and Overdrafts	14	**-**	(2,000)
Trade and Other Creditors	15	**(2,600)**	(1,147)
		(2,600)	(3,147)
NET CURRENT ASSETS		**55,276**	14,017
TOTAL ASSETS LESS CURRENT LIABILITIES		**418,825**	52,153
CREDITORS - Amounts falling due after more than one year			
Bank Loans	14	**(96,295)**	-
NET ASSETS		**322,530**	52,153
CAPITAL AND RESERVES			
Called Up Equity Share Capital	18	**64,537**	37,784
Share Premium Account	18	**121,656**	14,198
Merger Reserve	19	**122,336**	-
Profit and Loss Account	21	**14,001**	171
EQUITY SHAREHOLDERS' FUNDS		**322,530**	52,153

Approved by the board on 22 April 2005.

AIDAN HEAVEY
Chief Executive Officer

TOM HICKEY
Chief Financial Officer

The notes on page 69 to 87 form part of these financial statements.

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Group Cash Flow Statement
Year ended 31 December 2004

	Notes	2004 £'000	2003 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	26	**154,307**	84,960
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	27	**(13,053)**	(7,533)
TAXATION		**(14,497)**	(12,261)
ACQUISITION OF SUBSIDIARIES		**(166,055)**	-
DISPOSAL OF SUBSIDIARY		**4,730**	-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	28	**(95,105)**	(42,044)
NET CASH (OUTFLOW)/INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		**(129,673)**	23,122
MANAGEMENT OF LIQUID RESOURCES - TERM DEPOSITS		**(10,299)**	4,143
FINANCING	29	**143,045**	(6,399)
INCREASE IN CASH FOR THE YEAR		**3,073**	20,866
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Increase in Cash for the Year		**3,073**	20,866
Cash (Inflow)/Outflow from Movement in Debt		**(65,182)**	14,802
Cash Outflow/(Inflow) from Management of Liquid Resources		**10,299**	(4,143)
Change in Net (Debt)/Funds resulting from Cashflows		**(51,810)**	31,525
Currency Translation Adjustment		**710**	1,507
Net Debt at 1 January		**(62,368)**	(95,400)
NET DEBT AT 31 DECEMBER		**(113,468)**	(62,368)

	01.01.04 £'000	Cash Flow £'000	Exchange £'000	31.12.04 £'000
ANALYSIS OF CHANGES IN NET DEBT				
Cash at Bank and in Hand (Note 13)	24,618	2,015	(112)	26,521
Overdrafts (Note 14)	(1,055)	1,058	(3)	-
	23,563	3,073	(115)	26,521
Bank loans due within one year (Note 14)	(26,769)	20,619	848	(5,302)
Bank loans due after one year (Note 14)	(61,090)	(85,801)	(29)	(146,920)
	(87,859)	(65,182)	819	(152,222)
Term Deposits (Note 13)	1,928	10,299	6	12,233
NET DEBT	(62,368)	(51,810)	710	(113,468)

The notes on page 69 to 87 form part of these financial statements.

Accounting Policies
Year ended 31 December 2004

A summary of the principal Group accounting policies, all of which have been applied consistently throughout the year and the preceding year, except as explained in the next paragraph, is set out below.

The Group has revised its previous accounting policy for Taxation and Turnover in relation to notional Côte d'Ivoire corporation tax levied under the terms of the Espoir field Production Sharing Contract (PSC) and deemed settled out of the Côte d'Ivoire state's share of Espoir production. Previously, the amount of Côte d'Ivoire corporation tax settled out of production was treated as Taxation and also included in Turnover. Under the revised treatment, this component of state profit oil is not included in Turnover and consequently is not included with other taxes, which are principally cash settled, under the Taxation heading. Turnover and Taxation for 2003 have been restated to comply with the revised accounting policy and have each been reduced by £2,739,830. There has been no effect on net assets or net profit in either year as a result of the change.

(A) BASIS OF ACCOUNTING
The financial statements have been prepared under the historical cost convention and the Statement of Recommended Practice "Accounting for Oil & Gas Exploration, Development, Production and Decommissioning Activities" (SORP) and in accordance with applicable United Kingdom accounting standards.

(B) BASIS OF CONSOLIDATION
The consolidated financial statements consist of the financial statements of the Company and all its subsidiary undertakings as set out in Note 11.

Turnover and results of subsidiary undertakings are consolidated in the Group profit and loss account from the dates on which control over the operating and financial decisions is obtained. Upon the acquisition of a business, fair values are attributed to the identifiable net assets acquired.

The Group is engaged in oil and gas exploration, development and production through unincorporated joint ventures. The Group accounts directly for its share of the results and net assets of these joint ventures. In addition, where Tullow acts as operator to the joint venture, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint venture are included in the Group's consolidated balance sheet.

(C) TURNOVER
Turnover represents the sales value, net of VAT and overriding royalties, of the Group's share of liftings in the year together with tariff income. Turnover includes the effect of hedging.

Revenues received under take-or-pay sales contracts in respect of undelivered volumes are accounted for as deferred income.

(D) 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 debtors and creditors respectively. Movements during an accounting period are adjusted through Cost of Sales such that Gross Profit is recognised on an entitlements basis. The Group's share of any physical stock is accounted for at the lower of cost and net realisable value.

Accounting Policies

Year ended 31 December 2004

(E) FOREIGN CURRENCIES

The pound sterling is the reporting currency of the Group. Financial statements of foreign currency denominated subsidiaries are translated into sterling using the average rate method whereby the results of the overseas operations are translated at the average rate of exchange for the year and their balance sheets at rates of exchange ruling at the balance sheet date. Currency translation adjustments arising on the restatement of opening net assets of foreign subsidiaries, together with differences between the subsidiaries' results translated at average rates versus closing rates, are taken directly to reserves.

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated into Sterling at the exchange rate ruling at the balance sheet date, with a corresponding charge or credit to the profit and loss account. However, 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.

At year end the Sterling/Euro rate was 1.4115 (2003: 1.4160) and the Sterling/US Dollar rate was 1.9266 (2003: 1.778). The average Sterling/Euro rate was 1.4732 (2003: 1.4443) and the Sterling/US Dollar rate was $1.8314 (2003: 1.6332).

(F) COSTS OF EXPLORATION AND APPRAISAL

The Group adopts the successful efforts method of accounting for exploration and appraisal costs. All pre-licence, licence acquisition, exploration and appraisal costs are initially capitalised as intangible fixed assets in cost centres by well, field or exploration area, as appropriate, pending determination of commercial reserves. Directly attributable administration costs are capitalised insofar as they relate to specific exploration activities.

These costs are then written off unless commercial reserves have been established or the determination process has not been completed.

Following the discovery of a commercially viable field, the attributable costs are transferred to tangible fixed assets in single field cost centres.

(G) COMMERCIAL RESERVES

Commercial reserves are proven and probable oil and gas reserves, as defined in the UK SORP.

(H) 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 (on an entitlements basis) at the end of the period plus the production in the period, on a field-by-field basis. A field is an area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. Costs included in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs. 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. Any impairment identified is charged to the profit and loss account as additional depreciation, 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 profit and loss account, net of any depreciation that would have been charged since the impairment.

(I) DECOMMISSIONING

Provision for decommissioning is recognised in full at the commencement of oil and gas production. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. 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. This asset is subsequently depreciated as part of the capital costs of the production and related pipeline facilities, on a unit of production basis. Changes in the estimates of commercial reserves or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the decommissioning asset. The unwinding of the discount on the decommissioning provision is included within interest payable.

(J) OTHER TANGIBLE FIXED ASSETS

Other tangible fixed assets comprise leasehold improvements, leased motor vehicles and owned and leased office equipment, which are stated at cost less depreciation to date. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight line basis over its expected useful economic life of between three and five years.

(K) FINANCE COSTS AND DEBT

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets.

The commencement of capitalisation begins when both finance costs and expenditures in respect of the asset are incurred and activities that are necessary to develop the asset are in progress. Capitalisation ceases when all the development is substantially complete.

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 and are amortised and charged to the profit and loss account as finance costs over the term of the debt.

(L) SHARE ISSUE EXPENSES AND SHARE PREMIUM ACCOUNT

Costs of share issues are written off against the premium arising on the issues of share capital.

(M) TAXATION

Current and deferred tax, including UK corporation tax and overseas corporate taxes, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Current UK Petroleum Revenue Tax (PRT) is charged as a tax expense on chargeable field profits included in the profit and loss account and is deductible for UK corporation tax.

Deferred corporation tax is recognised on all timing 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 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 timing differences can be deducted. Deferred tax is measured on a non-discounted basis.

Deferred PRT is charged as a tax expense so as to allocate the expected PRT cost over the remaining life of the related field on a unit of production basis using commercial reserves. The resulting asset or liability is included in the balance sheet under debtors or provisions as appropriate.

Accounting Policies continued

(N) PENSIONS

Contributions to the Group's defined contribution pension schemes are charged to operating profit on an accruals basis.

(O) 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.

Premiums paid to enter into such derivative financial instruments are charged to the profit and loss account over the period of the hedge. Payments and receipts arising under the financial instruments are recognised in turnover in the same periods as the hedged transactions.

Fair values assigned to out-of-money derivative financial instruments acquired in a business acquisition are included as other creditors and released from the balance sheet as the hedges are settled.

The Group does not hold or issue derivative financial instruments for speculative purposes and it is the Group's policy that no trading in financial instruments shall be undertaken.

(P) LEASES

Rentals under operating leases are charged against income on a straight-line basis over the term of the lease.

Notes to the Financial Statements

Year ended 31 December 2004

1 SEGMENTAL REPORTING

In the opinion of the Directors the operations of the Group comprise one class of business, oil and gas exploration, development and production and the sale of hydrocarbons and related activities. The Group also operates within three geographical markets, Europe, Africa and Asia.

Turnover, operating profit/(loss), profit/(loss) on ordinary activities before taxation and net assets are analysed as follows:

	Europe £'000	Africa £'000	Asia £'000	Unallocated £'000	Total £'000
2004					
Turnover by Origin	**116,322**	**107,508**	**1,426**	**-**	**225,256**
Operating Profit/(Loss)	**32,472**	**46,676**	**(6,444)**	**(7,497)**	**65,207**
Profit/(Loss) on Ordinary Activities before Taxation	**27,153**	**46,501**	**(6,499)**	**(9,158)**	**57,997**
Net Assets/(Liabilities)	**94,619**	**309,171**	**22,836**	**(47,542)**	**379,084**

The following amounts are turnover in respect of operations acquired during 2004:

	Europe £'000	Africa £'000	Asia £'000	Unallocated £'000	Total £'000
Energy Africa and Energy Africa Holdings	**23,427**	**75,488**	**-**	**-**	**98,915**
2003 (RESTATED)					
Turnover by Origin	104,936	22,386	2,303	-	129,625
Operating Profit/(Loss)	27,269	6,576	(669)	(1,631)	31,545
Profit/(Loss) on Ordinary Activities before Taxation	22,043	5,343	(667)	(2,840)	23,879
Net Assets/(Liabilities)	54,611	37,694	25,975	(2,359)	115,921

Unallocated expenditure and net liabilities include amounts of a corporate nature and not specifically attributable to a geographic area.

2 EXPLORATION COSTS WRITTEN OFF

	2004 £'000	2003 £'000
INTANGIBLE FIXED ASSETS		
Europe	**3,685**	8,477
Africa	**11,143**	3,628
Asia	**3,133**	667
	17,961	12,772

3 OPERATING PROFIT

Operating Profit is stated after charging/(crediting):

	2004 £'000	2003 £'000
Staff Costs (Note 4)	**11,644**	7,963
Depletion and Amortisation	**67,571**	39,628
Depreciation of Other Fixed Assets	**647**	332
Operating Lease Rentals for Land and Buildings	**1,065**	881
Other Operating Lease Rentals	**133**	229
Foreign Exchange Gains	**(432)**	(24)
Auditors' Remuneration:		
- Audit Services	**295**	239
- Non-Audit Services	**485**	473

Notes to the Financial Statements continued

3 OPERATING PROFIT continued

Auditor's remuneration for non-audit services for 2004 included fees as Reporting Accountants for the Energy Africa acquisition circular of £329,000. The remaining non-audit fees related mostly to tax compliance (£46,000) and certain tax advisory services (£71,000).

Audit fees borne by the Company were £44,250. There were no non-audit fees incurred by the Company.

4 STAFF COSTS

The average monthly number of employees (including Executive Directors) employed by the Group worldwide was:

	2004	2003
Administration	**74**	55
Technical	**73**	73
TOTAL	**147**	128

Staff Costs in respect of those employees was as follows:

	2004	2003
	£'000	£'000
Salaries	**10,395**	6,938
Social Security Costs	**730**	486
Pension Costs	**519**	539
	11,644	7,963

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 and form part of these financial statements.

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£'000	£'000
On Bank Loans and Overdrafts repayable within Five Years:		
- By Instalments	**8,700**	4,720
- Not by Instalments	**318**	42
Unwinding of Discount on Decommissioning Provision (Note 17)	**3,653**	2,622
Finance and Arrangement Fees	**1,982**	1,971
Amounts payable in respect of Interest Rate Swaps	**62**	225
	14,715	9,580
Less: Amounts Capitalised (Notes 9 and 10)	**(1,755)**	(850)
	12,960	8,730

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in period

The tax charge comprises:

	2004 £'000	2003 Restated £'000
CURRENT TAX		
Current Period	**5,567**	7,208
Adjustments in respect of Prior Years	**(2,102)**	(702)
UK Corporation Tax	**3,465**	6,506
Overseas Taxation	**6,398**	169
Total Corporate Tax	**9,863**	6,675
Petroleum Revenue Tax (PRT)	**5,918**	7,096
TOTAL CURRENT TAX	**15,781**	13,771
DEFERRED TAX		
UK Corporation Tax	**4,053**	(2,742)
Overseas Taxation	**176**	-
Total Corporate Tax	**4,229**	(2,742)
Petroleum Revenue Tax	**5,038**	1,929
TOTAL DEFERRED TAX (NOTE 17)	**9,267**	(813)
TOTAL TAX ON PROFIT ON ORDINARY ACTIVITIES	**25,048**	12,958

(b) Factors affecting tax charge for period

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax (30%) plus the rate of the supplementary charge in respect of UK upstream trades (SCT) (10%) to the profit before tax is as follows.

The Group earns its profits primarily in the UK. Therefore the tax rates applied to profit on ordinary activities in preparing the reconciliation below is the standard rate of UK corporation tax plus the rate of SCT.

	2004 £'000	2003 Restated £'000
GROUP PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	**57,997**	23,879
Tax on Group Profit on Ordinary Activities at a Combined Standard UK Corporation Tax and SCT Rate of 40% (2003 - 40%)	**23,199**	9,552
Effects of:		
- Expenses not deductible for tax purposes	**10**	3,621
- Utilisation of tax losses not previously recognised	**(4,832)**	-
- Net Losses not recognised	**8,393**	-
- Tax Depreciation in excess of accounting depreciation	**(7,473)**	(1,974)
- Current PRT	**5,918**	7,096
- UK Corporation Tax deductions for current PRT	**(1,665)**	(2,839)
- Adjustments relating to prior years	**(2,340)**	(702)
- Income taxed at a different rate	**(5,429)**	(983)
GROUP CURRENT TAX CHARGE FOR THE YEAR	**15,781**	13,771

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES continued

(c) Factors that may affect future tax charges

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.

The Group's profit before taxation will continue to be subject to 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 depend on the jurisdictions in which pre-tax profits and exploration costs written off arise.

7 DIVIDENDS

	2004 £'000	2003 £'000
Final - Paid Stg1p (2003: Nil) per Ordinary Share	**3,782**	-
Interim - Paid Stg0.5p (2003: Stg1p) per Ordinary Share	**3,213**	3,782
	6,995	3,782

8 EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per share is based on the profit for the year after taxation of £32,949,297 (2003: £10,920,541) and 532,980,261 (2003: 374,427,152) ordinary shares, being the weighted average number of shares in issue for the year.

The calculation of diluted earnings per share is based on the profit for the year after taxation as for basic earnings per share. The number of shares outstanding however, is adjusted to show the potential dilution if employee and other share options are converted into ordinary shares. The weighted average number of ordinary shares is increased by 6,042,545 (2003: 2,071,203) in respect of the share option schemes, resulting in a diluted weighted average number of shares of 539,022,806 (2003: 376,498,355).

9 INTANGIBLE FIXED ASSETS

Cost of exploration - Pending Determination

	Total £'000	Europe £'000	Africa £'000	Asia £'000
GROUP				
At 1 January 2004	**48,434**	**17,631**	**9,947**	**20,856**
Acquisition of Subsidiaries (Note 11)	**54,664**	**327**	**54,337**	**-**
Additions	**40,232**	**14,846**	**19,514**	**5,872**
Disposals/Farmout	**(9,234)**	**(8,472)**	**(762)**	**-**
Amounts Written Off (Note 2)	**(17,961)**	**(3,685)**	**(11,143)**	**(3,133)**
Transfer to Tangible Fixed Assets (Note 10)	**(4,926)**	**(4,926)**	**-**	**-**
Transfer to Stock	**(1,234)**	**(1,234)**	**-**	**-**
Currency Translation Adjustments	**(6,663)**	**(374)**	**(4,170)**	**(2,119)**
AT 31 DECEMBER 2004	**103,312**	**14,113**	**67,723**	**21,476**

Additions include interest capitalised of £Nil (2003: £142,389).

9 INTANGIBLE FIXED ASSETS continued

Cost of exploration - Pending Determination

The deferred cost of exploration represents the cost of licence acquisition, seismic and appraisal activity that is capitalised pending determination of commercial success. If unsuccessful, the cost will be written off.

The costs of exploration include £10,227,449 in respect of Block 28 Pakistan, Block 17/18 Bangladesh and the Blythe, Fizzy and Wissey prospects in the Southern North Sea. These costs have been carried by the Group for in excess of the three-year determination period recommended in the SORP. The Directors consider the treatment appropriate because exploration and appraisal activities are ongoing and the determination process is not yet complete.

The Company has no intangible fixed assets.

10 TANGIBLE FIXED ASSETS

	2004 £'000	2003 £'000
GROUP		
Costs of Exploration and Development - Discovery Fields (a)	**494,421**	143,568
Other Fixed Assets (b)	**1,499**	765
	495,920	144,333

The Company has no tangible fixed assets.

(a) Costs of Exploration and Development - Discovery Fields

	Total £'000	Europe £'000	Africa £'000	Asia £'000
COST				
At 1 January 2004	**248,222**	**194,369**	**39,931**	**13,922**
Acquisition of Subsidiaries (Note 11)	**346,480**	**51,139**	**295,341**	**-**
Additions	**83,287**	**33,704**	**49,352**	**231**
Disposals	**(5,454)**	**-**	**(5,454)**	**-**
Transfer from Intangible Fixed Assets (Note 9)	**4,926**	**4,926**	-	**-**
Currency Translation Adjustments	**(18,848)**	**-**	**(17,773)**	**(1,075)**
At 31 December 2004	**658,613**	**284,138**	**361,397**	**13,078**
DEPLETION AND AMORTISATION				
At 1 January 2004	**104,654**	**93,818**	**6,251**	**4,585**
Charge for the Year	**67,571**	**30,881**	**32,563**	**4,127**
Disposals	**(5,454)**	**-**	**(5,454)**	**-**
Currency Translation Adjustments	**(2,579)**	**-**	**(1,869)**	**(710)**
At 31 December 2004	**164,192**	**124,699**	**31,491**	**8,002**
NET BOOK VALUE				
At 31 December 2004	**494,421**	**159,439**	**329,906**	**5,076**
At 31 December 2003	143,568	100,551	33,680	9,337

Additions include capitalised interest of £1,754,644 (2003: £708,035).

Disposals during the year reflect the sale of Tullow's interests in Ganga and Moukoti, Gabon.

Notes to the Financial Statements continued

10 TANGIBLE FIXED ASSETS continued

(b) Other Fixed Assets

	Group
	£'000
COST	
At 1 January 2004	**2,477**
Acquisition of Subsidiaries (Note 11)	**1,212**
Additions	**202**
Disposals	**(26)**
Currency Translation Adjustments	**(18)**
At 31 December 2004	**3,847**
DEPRECIATION	
At 1 January 2004	**1,712**
Charge for the Year	**647**
Disposals	**(7)**
Currency Translation Adjustments	**(4)**
At 31 December 2004	**2,348**
NET BOOK VALUE	
At 31 December 2004	**1,499**
At 31 December 2003	765

Other fixed assets consist of leasehold improvements, motor vehicles and office equipment.

11 INVESTMENTS

	2004 Group	2003 Group	2004 Company	2003 Company
	£'000	£'000	£'000	£'000
Shares at Cost in Subsidiary Undertakings	**-**	-	**363,053**	37,837
Unlisted Investments	**447**	447	**447**	250
Government Gilts	**49**	49	**49**	49
	496	496	**363,549**	38,136

The movement in shares at cost in subsidiary undertakings principally relates to the acquisition of Energy Africa and the 50% of EAGHL not owned by Energy Africa, as explained in note 11, and also the disposal of Hawkeye Exploration Limited.

11 INVESTMENTS continued

At 31 December 2004 the Company's principal subsidiary undertakings, all of which are included in the consolidated Group financial statements, were:

Name	%	Country of Operation	Country of Incorporation
DIRECTLY HELD			
Tullow Oil Limited	100	Ireland	Ireland
Tullow Oil SNS Limited	100	United Kingdom	England & Wales
Tullow Oil SPE Limited	100	United Kingdom	England & Wales
Energy Africa Limited	100	South Africa	South Africa
Energy Africa Gabon Holdings Limited	50	Isle of Man	Isle of Man
INDIRECTLY HELD			
Energy Africa Bredasdorp (Pty) Limited	100	South Africa	South Africa
Energy Africa Holdings Limited	100	Isle of Man	British Virgin Islands
Tullow Oil UK Limited	100	United Kingdom	Scotland
Tullow Oil International Limited	100	Channel Islands	Jersey
Tullow Pakistan (Developments) Limited	100	Pakistan	Jersey
Tullow Bangladesh Limited	95	Bangladesh	Jersey
Tullow Romania Limited	100	Romania	Jersey
Tullow Côte d'Ivoire Limited	100	Côte d'Ivoire	Jersey
Tullow Côte d'Ivoire Exploration Limited	100	Côte d'Ivoire	Jersey
Tullow India Operations Limited	90	India	Jersey
Tullow Cameroon Limited	100	Cameroon	Jersey
Tullow Algeria Limited	100	Algeria	Jersey
Tullow Gabon Operations Limited	100	Gabon	Jersey
Baytrust Oil Explorations Limited	100	England	England & Wales
Energy Africa UK Limited	100	England	England & Wales
Unilon Oil Explorations Limited	100	England	England & Wales
Unitrust Holdings Limited	100	England	England & Wales
Eagle Energy (Angola) Limited	100	Angola	Isle of Man
Energy Africa Congo Limited	100	Congo	Isle of Man
Energy Africa Egypt Limited	100	Egypt	Isle of Man
Energy Africa Equatorial Guinea Limited	100	Equatorial Guinea	Isle of Man
Energy Africa Equatorial Guinea Exploration Limited	100	Equatorial Guinea	Isle of Man
Energy Africa Haute Mer Limited	100	Congo	Isle of Man
Energy Africa Haute Mer Holdings Limited	100	Isle of Man	Isle of Man
Energy Africa Kudu Limited	100	Namibia	Isle of Man
Energy Africa Libya Limited	100	Libya	Isle of Man
Energy Africa Mauritania Limited	100	Mauritania	Isle of Man
Energy Africa Morocco Limited	100	Morocco	Isle of Man
Energy Africa Senegal Limited	100	Senegal	Isle of Man
Energy Africa Uganda Limited	100	Uganda	Isle of Man
Energy Africa Gabon Holdings Limited	50	Isle of Man	Isle of Man
Energy Africa Gabon Limited	100	Isle of Man	Isle of Man
Energy Africa Gabon SA	100	Gabon	Gabon

Energy Africa Gabon Holdings Limited (EAGHL) is wholly owned by the Group, 50% is held directly by the Company and 50% by a subsidiary of Energy Africa Limited (Energy Africa).

The principal activity of all companies relates to oil and gas exploration, development and production.

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11 INVESTMENTS continued

Acquisition of Subsidiary Undertakings

On 28 May 2004, the Company acquired 100% of the issued share capital of Energy Africa and the 50% of EAGHL not owned by Energy Africa. The fair value of the total consideration of £327,911,243 comprised 132,973,351 ordinary shares of 10p each in the company valued at £135,632,816, using the market price at the date of the acquisition, plus cash consideration and acquisition expenses amounting to £192,278,427. In accordance with the merger provisions of Section 131 of the Companies Act 1985, the company has transferred the premium on the shares issued of £122,335,483 to the Merger Reserve (Note 19).

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group:

	Energy Africa & EAGHL 28 May 2004	Accounting Policy Adjustments	Fair Value Adjustments	Value to Group	
	$'000	$'000	$'000	$'000	£'000
FIXED ASSETS					
Intangible Assets	1,594	7,302	91,304	100,200	54,664
Tangible Assets	337,233	-	300,085	637,318	347,692
	338,827	**7,302**	**391,389**	**737,518**	**402,356**
CURRENT ASSETS					
Stocks	1,834	(1,430)	775	1,179	643
Debtors	30,475	5,737	-	36,212	19,756
Cash at Bank and in Hand	48,067	-	-	48,067	26,223
	80,376	**4,307**	**775**	**85,458**	**46,622**
CREDITORS - Amounts falling due within one year					
Bank Loans & Overdrafts	(13,000)	-	-	(13,000)	(7,092)
Trade and Other Creditors	(71,187)	29,237	(51,854)	(93,804)	(51,175)
	(84,187)	**29,237**	**(51,854)**	**(106,804)**	**(58,267)**
NET CURRENT ASSETS	**(3,811)**	**33,544**	**(51,079)**	**(21,346)**	**(11,645)**
TOTAL ASSETS LESS CURRENT LIABILITIES	**335,016**	**40,846**	**340,310**	**716,172**	**390,711**
CREDITORS - Amounts falling due after one year					
Bank Loans	(49,000)	-	-	(49,000)	(26,732)
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred Taxation	(35,420)	-	-	(35,420)	(19,324)
Decommissioning and Other Provisions	(50,446)	19,755	-	(30,691)	(16,744)
NET ASSETS	**200,150**	**60,601**	**340,310**	**601,061**	**327,911**

CONSIDERATION SETTLED BY:	
Issue of Ordinary 10p Shares	**135,633**
Cash	**192,278**
	327,911

11 INVESTMENTS continued

The Energy Africa financial information at 28 May 2004 was prepared in accordance with IFRS and the successful efforts method of accounting. Tullow Oil plc also applies the successful efforts method of accounting, but it follows United Kingdom accounting standards (UK GAAP).

(a) Exploration Costs-Capitalisation Policy

Energy Africa initially capitalises exploration costs for each prospect pending determination. On determination such costs are written off unless reserves have been established. In most cases, Energy Africa writes off the costs of initial wells, and retains capitalised costs only on the successful drilling of the second well. Tullow initially capitalises exploration costs in cost centres by well or exploration area pending determination of commercial reserves. Where the results of an initial well indicate potentially commercial reserves, the costs of the initial well remain capitalised until the determination process is complete.

(b) Hedge Instruments

Under IAS 39, Energy Africa is required to mark all hedging instruments to market, with the gain or loss either recognised in the profit and loss account or, if hedge accounting applies, in equity until the hedge transaction is recorded in the profit and loss account. UK GAAP does not provide detailed guidance on hedge accounting. In line with common practice under UK GAAP, Tullow recognises all hedge gains and losses in the same period as the hedged transaction. Unrealised hedge gains or losses are disclosed where material, but are not recognised in the profit and loss account or balance sheet. The only exception to this treatment relates to the fair value adjustment whereby the market loss at the date of acquisition of Energy Africa's hedges was recognised as a liability and released over the life of the hedges as payments occur.

(c) Stock/Overlift and Underlift

Energy Africa measures all hydrocarbon underlift and overlift at cost. Under UK GAAP, Tullow measures all hydrocarbon underlift and overlift at market value. Energy Africa values hydrocarbon stock at standard cost, if lower than net realisable value. Under UK GAAP, stock is required to be measured at the lower of estimated actual cost and net realisable value.

Fair value adjustments were recorded to recognise the mark to market values of hedges and to restate stocks to fair values. Fair values were assigned to tangible fixed assets based on the net present values of estimated future cashflows from production and the remaining acquisition consideration was allocated to exploration licences classified as intangible fixed assets.

Energy Africa and the 50% of EAGHL not owned by Energy Africa prepare their financial statements in US Dollars. Amounts have been translated from $ to sterling at an exchange rate of $1.833 which was the closing rate on 28 May 2004.

Net cash outflows in respect of the acquisition comprised:

	£'000
Cash consideration	192,278
Cash at bank and in hand acquired	(26,223)
	166,055
Bank loans acquired	33,824
	199,879

Notes to the Financial Statements continued

11 INVESTMENTS continued

Pre Acquisition Results of Acquired Operations

Energy Africa made a loss after taxation and minority interests of $7,549,000 in the year ended 31 March 2004 and a loss of $28,070,000 in the period from 1 April 2004 to 31 May 2004. The 50% of EAGHL not owned by Energy Africa earned a profit after taxation and minority interests of $3,304,000 in the year ended 31 March 2004 and a profit of $2,558,000 in the period from 1 April 2004 to 31 May 2004. The summarised profit and loss account and statement of total recognised gains and losses for the year ended 31 March 2004 and from 1 April 2004 to 31 May 2004, shown on the basis of the presentation format, accounting policies and reporting currencies of Energy Africa and EAGHL prior to the acquisition, are as follows:

	Energy Africa		**EAGHL - 50%**	
	Year Ended 31 March 2004	**2 Months Ended 31 May 2004**	**Year Ended 31 March 2004**	**2 Months Ended 31 May 2004**
	$'000	$'000	$'000	$'000
TURNOVER	195,918	32,873	68,796	9,423
Cost of Sales	(106,888)	(16,752)	(39,781)	(6,342)
GROSS PROFIT	89,030	16,121	29,015	3,081
Other Operating Expenses	(13,981)	(5,122)	(1,565)	(301)
Hedging Contract Losses	(23,418)	(29,218)	-	-
Exploration Expenditure Written Off	(29,487)	(6,299)	(7,764)	4
OPERATING PROFIT/(LOSS)	22,144	(24,518)	19,686	2,784
Finance Charges (net)	(2,419)	(462)	(73)	(9)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	19,725	(24,980)	19,613	2,775
TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	(27,274)	(3,090)	(16,309)	(217)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	**(7,549)**	**(28,070)**	**3,304**	**2,558**

Statement of Total Recognised Gains and Losses:

(LOSS)/PROFIT FOR THE FINANCIAL PERIOD	(7,549)	(28,070)	3,304	2,558
Gain on Foreign Currency Translation	5,601	14	-	-
TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD	**(1,948)**	**(28,056)**	**3,034**	**2,558**

12 DEBTORS

	2004 Group	**2003 Group**	**2004 Company**	**2003 Company**
	£'000	£'000	£'000	£'000
Trade Debtors	**37,156**	14,092	**351**	-
Other Debtors	**14,318**	10,699	**-**	76
Prepayments	**2,381**	1,249	**-**	93
VAT Recoverable	**352**	27	**-**	2
Directors Advances	**-**	48	**-**	-
Due from Subsidiary Undertakings	**-**	-	**57,525**	16,993
	54,207	26,115	**57,876**	17,164

13 CASH AT BANK AND IN HAND

	2004 £'000	2003 £'000
Immediately available, without restriction	**26,521**	24,618
On Fixed Term deposit		
- Decommissioning reserves (Restricted)	**36,236**	29,751
- Borrowing Base Facility (Restricted)	**10,080**	10,389
- Other Term Deposits	**12,233**	1,928
	85,070	66,686

Decommissioning reserves on fixed term deposit are amounts held in support of a Letter of Credit facility which relates to the Group's share of certain decommissioning costs (Note 17).

The Group is also required to hold certain amounts on deposit in connection with expected future repayments under the Borrowing Base facility (Note 16).

14 BANK LOANS AND OVERDRAFTS

Amounts falling due within one year

	2004 Group £'000	2003 Group £'000	2004 Company £'000	2003 Company £'000
Overdrafts	**-**	1,055	**-**	-
Term Loans	**5,302**	26,489	**-**	2,000
	5,302	27,544	**-**	2,000

Amounts falling due after more than one year

	2004 Group £'000	2003 Group £'000	2004 Company £'000	2003 Company £'000
Term Loans Repayable				
- After One Year but within Two Years	**129,895**	35,990	**96,295**	-
- After Two Years but within Five Years	**13,503**	23,468	**-**	-
	143,398	59,458	**96,295**	-

Group bank loans are stated net of unamortised arrangement fees of £3,521,511
(2003: £1,911,573).

Company bank loans are stated net of unamortised arrangement fees of £2,324,283 (2003: Nil).

Bank loans, overdrafts and guarantees are secured by fixed and floating charges over all the assets of the Group. Details in respect of repayment terms and interest rates applicable to these accounts are disclosed in Note 16.

Notes to the Financial Statements continued

15 TRADE AND OTHER CREDITORS

Amounts falling due within one year

	2004 Group £'000	2003 Group £'000	2004 Company £'000	2003 Company £'000
Trade Creditors	**11,533**	2,860	**-**	-
Other Creditors	**48,684**	16,298	**1,181**	949
Deferred Income (Take or Pay)	**74**	685	**-**	-
Accruals	**35,055**	5,394	**1,419**	198
PAYE & Social Security	**509**	17	**-**	-
VAT & Other Similar Taxes	**4,800**	3,867	**-**	-
Corporation Taxes Payable	**13,359**	4,052	**-**	-
	114,014	33,173	**2,600**	1,147

Other creditors include £18.9 million (2003: £nil) being the fair value at the acquisition date of Energy Africa's hedge liabilities due after year end. Other unrealised gains on hedges, which are not recognised, are disclosed in Note 16.

16 FINANCIAL INSTRUMENTS

The Financial Review provides an explanation of the role that financial instruments have had during the year in creating or changing the risks the Group faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts and the strategies for achieving these objectives that have been followed during the period.

The numerical disclosures in this note deal with financial assets and liabilities as defined by FRS 13 'Derivatives and Other Financial Instruments: Disclosures'. As permitted by FRS 13, short-term debtors and creditors have been excluded from certain disclosures.

Wherever possible the Group conducts and manages its business in Sterling (UK), Euro (Ireland) and US Dollars (all other countries), the functional currencies of the industry in the areas in which it operates. Balances are held in other currencies to meet immediate operating or administrative expenses or to comply with local currency regulations. At 31 December 2004 the only material monetary assets or liabilities of the Group that were not denominated in the functional currency of the respective subsidiaries involved were $190 million (£98.6 million) to fund the Energy Africa acquisition in the year, a $3 million (£1.6 million) loan taken out in Ireland and funds in Pakistan of 145 million Rupees (£1.3 million) in respect of sales income held awaiting the necessary approval for repatriation.

The Group has no material financial assets other than short-term debtors and cash and no financial liabilities other than short-term creditors and bank loans and overdrafts. There are no material differences between the carrying amounts of the financial assets and short-term liabilities and their fair values.

(i) Interest Rate Profile

The interest rate profile of the Group's financial assets and liabilities at 31 December 2004 was as follows:

	Stg £'000	Euro £'000	$ £'000	Other £'000	Total £'000
Cash at Bank at Floating Interest Rate	**74,207**	**242**	**7,148**	**265**	**81,862**
Cash at Bank on which no Interest is Received	**11**	**2**	**1,510**	**1,685**	**3,208**
Fixed Rate Debt	**(4,375)**	**-**	**-**	**-**	**(4,375)**
Floating Rate Debt	**(47,675)**	**-**	**(100,172)**	**-**	**(147,847)**
NET CASH/(DEBT)	**22,168**	**244**	**(91,514)**	**1,950**	**(67,152)**

16 FINANCIAL INSTRUMENTS continued

The profile at 31 December 2003 for comparison purposes was as follows:

	Stg £'000	Euro £'000	$ £'000	Other £'000	Total £'000
Cash at Bank at Floating Interest Rate	56,951	-	5,634	-	62,585
Cash at Bank on which no Interest is Received	1,404	-	2,329	368	4,101
Fixed Rate Debt	(9,000)	-	-	-	(9,000)
Floating Rate Debt	(59,926)	(129)	(19,859)	-	(79,914)
NET (DEBT)/CASH	(10,571)	(129)	(11,896)	368	(22,228)

Cash at Bank at Floating Interest Rate consisted of deposits which earn interest at rates set in advance from periods ranging from overnight to one month by reference to Sterling or $ LIBOR.

Floating rate debt comprises bank borrowings at interest rates fixed in advance from overnight to three months at rates determined by $ LIBOR, Sterling LIBOR or EURIBOR.

In April 2004 a $300 million credit facility was signed to partially fund the acquisition of Energy Africa and the 50% of EAGHL not owned by Energy Africa. The final maturity date is 31 March 2006 and the maximum debt availability is determined semi-annually, with reference to the net present value of the assets included in the facility. The credit facility incurs a commitment fee for the unutilised portion of the borrowing base amount of 100 basis points and interest on outstanding debt at $ LIBOR plus a margin of 225 basis points.

At 31 December 2004 there were committed funds under a credit facility of up to a maximum total commitment of £85 million, originally negotiated to fund the acquisition of the UK Southern Gas basin interests (the 'Borrowing Base Facility'). Total commitments reduce semi-annually. The maximum debt availability under the credit facility is also determined semi-annually by reference to the net present value of the assets, using various technical and economic assumptions, subject to inclusion under the credit facility as well as certain other financial tests. At 31 December 2004 the maximum debt availability was £77.1 million.

The Borrowing Base Facility incurs a commitment fee for undrawn balances of 50 basis points and interest on outstanding debt at Sterling LIBOR plus a margin ranging from 110 basis points to 140 basis points depending on utilisation. The outstanding debt is repayable in variable amounts (determined semi-annually) over the period to 31 December 2007, or such other time as is determined by reference to the remaining reserves of the assets, whichever is earlier. There is a requirement under the facility to hedge a portion of the interest rate exposure to Sterling LIBOR.

In the above table for 2004, £4.4 million of the gross debt has been shown as fixed rate debt and is hedged through the application of interest rate swaps, which have the effect of limiting the interest rate exposure to LIBOR to a weighted average of 5.5% at 31 December 2004. A further £10.4 million, shown as floating rate debt, is hedged through the application of interest rate caps and collars, which have the effect of limiting the interest rate exposure to LIBOR to not more than the weighted average of 7.0% at 31 December 2004. The swaps, caps and collars extend over the life of the loan at varying notional principal amounts. The interest rate swaps, caps and collars do not give rise to material differences between book and fair values.

Notes to the Financial Statements continued

16 FINANCIAL INSTRUMENTS continued

(ii) Maturity of Financial Liabilities

The maturity of financial liabilities at 31 December 2004 is as follows:

	2004	2003
	£'000	£'000
Within One Year	**5,302**	27,824
After One Year but within Two Years	**132,217**	35,990
After Two Years but Within Five Years	**14,703**	25,100
	152,222	88,914

Debt in the balance sheet is stated net of unamortised arrangement fees.

(iii)Fair Values of Commodity Hedges

The Group uses oil and gas hedging instruments to manage exposure to volatility in commodity prices. The fair value is the amount that could be exchanged in an arm's length transaction. Market values have been used to determine fair value and have been obtained from an independent third party. Unrecognised gains and losses on instruments used for hedging purposes are as follows:

	Gains	Losses	Net
	£'000	£'000	£'000
At 1 January 2004	**-**	**(175)**	**(175)**
Amounts recognised in Turnover during the year	**-**	**11,174**	**11,174**
Unrecognised amounts arising during the year	**1,148**	**(41,414)**	**(40,266)**
AT 31 DECEMBER 2004	**1,148**	**(30,415)**	**(29,267)**

Of the above unrecognised net loss, £8,848,000 is expected to be recognised in 2005, £8,884,000 in 2006 and £11,535,000 in 2007 and beyond.

In addition to the unrecognised net loss above, a fair value adjustment of £28.3 million was recognised in relation to hedges acquired with Energy Africa, of which £18.9 million remains in other creditors at year-end.

17 PROVISIONS FOR LIABILITIES AND CHARGES

(i) Decommissioning Costs

	2004	2003
	£'000	£'000
GROUP		
At 1 January	**47,524**	32,826
Acquisition of Subsidiaries (Note 11)	**16,744**	-
New Provisions and Changes in Estimates	**3,764**	12,234
Abandonment Payments	**(263)**	-
Unwinding of Discount (Note 5)	**3,653**	2,622
Currency Translation Adjustment	**(743)**	(158)
AT 31 DECEMBER	**70,679**	47,524

The new provisions relate to an increase in provision of £2 million for the Orwell field as a result of the increased equity participation. The changes in estimates total £3.8 million. The movement in 2003 relates to an increase in provision of £5.3 million for the Thames field as a result of the increased equity participation and changes in estimates totalling £6.9 million.

The provision has been calculated using existing technology at current prices and discounted to the net present value. The costs are expected to be incurred between 2005 and 2025.

17 PROVISIONS FOR LIABILITIES AND CHARGES continued

(ii) Deferred Taxation

	Total	UK and Overseas Corporate Taxation	PRT
	£'000	£'000	£'000
GROUP			
At 1 January 2004	**2,881**	**(780)**	**3,661**
Acquisition of Subsidiaries	**19,324**	**6,818**	**12,506**
Charged to Profit and Loss Account	**9,267**	**4,229**	**5,038**
Cash Acquisition of Tax Benefits	**(1,423)**	**(1,423)**	**-**
Currency Translation Adjustment	**(129)**	**(129)**	**-**
AT 31 DECEMBER 2004	**29,920**	**8,715**	**21,205**

Deferred UK and overseas corporation tax is provided as follows:

	2004	2003
	£'000	£'000
GROUP		
Accelerated Capital Allowances	**35,180**	12,460
Decommissioning Charges	**(18,056)**	(10,960)
Other Timing Differences	**(8,202)**	(2,428)
Currency Translation Adjustment	**(207)**	148
PROVISION	**8,715**	(780)

18 CALLED UP EQUITY AND SHARE PREMIUM ACCOUNT

(i) Authorised

	2004	2003
	£'000	£'000
1,000,000,000 Ordinary Shares of Stg10p each	**100,000**	100,000

(ii) Allotted Equity Share Capital and Share Premium

	Equity Share Capital Allotted and Fully Paid		Share Premium
	Number	£'000	£'000
ORDINARY SHARES OF STG10P EACH			
At 1 January 2004	**377,841,915**	**37,784**	**14,198**
Issues during the year			
- Exercise of Share Options	**4,553,474**	**454**	**2,545**
- Acquisition Energy Africa and EAGHL	**132,973,351**	**13,299**	**-**
- Placing in connection with Acquisition	**130,000,000**	**13,000**	**104,913**
AT 31 DECEMBER 2004	**645,368,740**	**64,537**	**121,656**

The proceeds of all issues were used to fund the acquisition of Energy Africa and EAGHL and the Group's ongoing activities.

In accordance with the merger provisions of Section 131 of the Companies Act 1985, the Company has transferred the premium on the shares issued relating to the acquisition of Energy Africa and EAGHL of £122,335,483 to the Merger Reserve, based on the market value of the shares at the date of the acquisition. Share issue expenses of £5,586,106 were charged against the share premium from the placing.

Notes to the Financial Statements continued

18 CALLED UP EQUITY AND SHARE PREMIUM ACCOUNT continued

(iii)Share Options

Options have been granted under the following Executive Share Option Schemes to subscribe for ordinary shares of the Company as follows:

Scheme	Number of Shares under Option	Weighted Average Exercise Price (pence)	Expiry Dates
1988 Scheme	2,068,432	66.07	20/08/05 to 31/07/07
1998 Scheme	3,874,794	57.12	21/02/09 to 03/09/10
2000 Scheme	14,739,810	90.96	12/02/11 to 17/11/14
Total	**20,683,036**		

In addition to Directors' and Employees' options, the Board has also granted 205,357 options at 56p and 300,000 options at 80p to Duke Petroleum Consulting. These options were exercised in January 2005.

19 MERGER RESERVE

On 18 December 2000 the Company issued 352,467,012 ordinary shares in exchange for the entire share capital of Tullow Oil plc, the previous Irish registered holding company, subsequently renamed Tullow Oil Limited. Shareholders received one Stg10p share for each €0.13 share held. This transaction was reflected in accordance with the merger accounting provisions of FRS 6, and gave rise to a merger reserve of £69,212,694 at 31 December 2000.

In May 2003 Tullow Oil plc (registered in Ireland) applied and received permission from the Irish High Court to reduce the balance standing to the credit of the Share Premium Account of that company by transferring it to be offset against the deficit on the Profit and Loss Account. A transfer of €18.6 million (£12.6 million) was permitted, which caused a related transfer between the Profit and Loss Account and the Merger Reserve in the Group balance sheet. (Note 21)

During 2004 the Company issued 132,987,422 ordinary shares relating to the acquisition of Energy Africa and Energy Africa Gabon Holdings. In accordance with the merger provisions of Section 131 of the Companies Act 1985, the company has transferred the premium on the shares issued of £122,335,483, using the market value at the date of the acquisition, to the Merger Reserve.

20 FOREIGN CURRENCY TRANSLATION RESERVE

	2004 Group £'000	2003 Group £'000
At 1 January	**(11,024)**	-
Transfer from Profit and Loss Account (Note 21)	**-**	(5,990)
Currency Translation Adjustments	**(19,338)**	(5,034)
AT 31 DECEMBER	**(30,362)**	(11,024)

The Group created a Foreign Currency Translation Reserve in 2003 to account separately for the Currency Translation Adjustments. Since the Group has been re-registered in England and Wales, such movements were taken directly to the Profit and Loss Account, but during 2003 these amounts were transferred to this account.

21 PROFIT AND LOSS ACCOUNT

	2004 Group £'000	2003 Group £'000	2004 Company £'000	2003 Company £'000
At 1 January	**18,346**	(7,379)	**171**	(1,765)
Retained Profit for Financial Year	**25,954**	7,139	**13,830**	1,936
Transfer from Merger Reserve (Note 19)	**-**	12,596	**-**	-
Transfer to Foreign Currency Translation Reserve (Note 20)	**-**	5,990	**-**	-
AT 31 DECEMBER	**44,300**	18,346	**14,001**	171

The profit and loss account of the Company has not been presented separately in these financial statements as permitted by the provisions of Section 230 of the Companies Act 1985.

22 COMMITMENTS

The Directors have committed to a budget for capital expenditure for exploration and development of £98 million for 2005 (2004: £23 million) and £200 million to complete the Schooner and Ketch gas fields acquisition announced on 20 December 2004 and completed on 1 April 2005. Annual commitments under operating leases in respect of buildings amount to £1,065,418 and these operating leases expire in 2006. The Group, along with its partners, has entered into an operating lease in respect of a Floating Production and Storage and Offtake Vessel in Côte d'Ivoire. The Group's share of annual payments is £4,561,000 per annum. This lease expires in 2012.

23 CONTINGENT LIABILITIES

At 31 December 2004 there existed contingent liabilities amounting to £14.9 million (2003: £16 million) in respect of performance guarantees for committed work programmes.

24 RELATED PARTY TRANSACTIONS

Transactions with the Directors of Tullow Oil plc are disclosed in the Remuneration Report on pages 49 to 57. There are no other related party transactions within the definitions of FRS 8 "Related Party Disclosures".

25 SUBSEQUENT EVENTS

Since the balance sheet date Tullow has continued to progress its exploration, development and business growth strategies.

On 31 March 2005, the Company completed the acquisition, from Shell U.K. Limited and Esso Exploration and Production UK Limited, of their entire producing interests in the Schooner and Ketch gas fields and associated acreage. This transaction was first announced on 20 December 2004. The total consideration for the transaction is £200 million, inclusive of capital allowances, which has been financed through a combination of bank debt and internal resources.

On 8 April 2005, the Company signed a Sale and Purchase Agreement to dispose of its minority interest in the Alba/Caledonia, Central North Sea to ITOCHU Corporation for a headline consideration of $112 million (£59 million). On the same date the Company signed an agreement to dispose of its interests in Offshore Congo to Total for a headline consideration of $72 million (£38 million).

Notes to the Financial Statements continued

26 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASHFLOWS

	2004	2003
	£'000	£'000
Operating Profit for the Year (Restated)	**65,207**	31,545
Depletion and Amortisation	**67,571**	39,628
Depreciation of Other Fixed Assets	**647**	332
Exploration Costs	**17,961**	12,772
Increase in Stock	**(1,721)**	(437)
Increase in Operating Debtors	**(34,215)**	(1,992)
Increase in Operating Creditors	**42,346**	3,589
Currency Translation Adjustment	**(3,489)**	(477)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**154,307**	84,960

27 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2004	2003
	£'000	£'000
Interest Received	**3,436**	2,016
Interest Paid	**(9,494)**	(5,767)
Dividend Paid	**(6,995)**	(3,782)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	**(13,053)**	(7,533)

28 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2004	2003
	£'000	£'000
Purchase of Tangible & Intangible Exploration Assets	**(96,592)**	(45,951)
Purchase of Tangible Fixed Assets - Other	**(132)**	(235)
Disposal of Tangible Fixed Assets	**-**	4,339
Farmout of Intangible Exploration Assets	**1,619**	-
Purchase of Investments	**-**	(197)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(95,105)**	(42,044)

29 FINANCING

	2004	2003
	£'000	£'000
Issues of Ordinary Shares	**126,499**	14,404
Costs of Share Issues	**(5,587)**	(888)
Repayment of Existing Bank Loans	**(33,437)**	(17,334)
Drawdown of Bank Loan	**98,620**	2,531
Repayment of Bank Loans Acquired	**(33,824)**	-
Transfer to Restricted Funds Deposit Account	**(6,176)**	(5,027)
Debt Arrangement Fees	**(3,050)**	(85)
	143,045	(6,399)

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 £519,101 (2003: £538,764). At 31 December 2004, there was a liability of £46,750 (2003: £34,662) for contributions payable included in creditors.

Proven and Probable Reserves Summary (Unaudited)

Working Interests Basis

Year ended 31 December 2004

	EUROPE		AFRICA		ASIA		TOTAL		
	Oil mmbbl	**Gas bcf**	**Oil mmbbl**	**Gas bcf**	**Oil mmbbl**	**Gas bcf**	**Oil mmbbl**	**Gas bcf**	**Petroleum mmboe**
COMMERCIAL									
At 1 Jan 2004	-	148.60	17.76	37.05	-	128.24	17.76	313.89	70.07
Revisions	(2.21)	4.08	19.85	(8.14)	-	(30.10)	17.64	(34.16)	11.95
Acquisitions/ (Disposals)	18.00	14.78	85.31	-	-	-	103.31	14.78	105.77
Production	(1.19)	(35.51)	(6.85)	(0.91)	-	(1.94)	(8.04)	(38.36)	(14.43)
AT 31 DEC 2004	14.60	131.95	116.07	28.00	-	96.20	130.67	256.15	173.36
CONTINGENT									
AT 31 DEC 2004	-	121.80	-	780.60	-	16.20	-	918.60	153.10
TOTAL									
AT 31 DEC 2004	14.60	253.75	116.07	808.60	-	112.40	130.67	1,174.75	326.46

Proven and probable Commercial reserves are based on a Group reserves report produced by an independent engineer and are defined in accordance with the UK SORP ‘Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities’. Proven and probable Contingent reserves are based on both Tullow’s estimates and the Group reserves report produced by an independent engineer.

The Group provides for depletion and amortisation of tangible fixed assets on a net entitlements basis, which reflects the terms of the Production Sharing Contracts related to each field. Total net entitlement reserves were 149.99 mmboe at 31 December 2004 (61.26 mmboe - 31 December 2003).

Contingent Reserves relate to reserves in respect of which development plans are in the course of preparation or further evaluation is under way with a view to development within the foreseeable future.

5

Licence Interests

Exploration, Development and Production Interests

NW Europe

Licence/ Unit Area	Blocks	Fields/ *Discoveries*	Tullow Interest	Operator	Other Partners
UNITED KINGDOM OFFSHORE					
CMS Area					
P449	43/25a		30.00%	GDF	EOG Resources
P450	44/21a	Boulton B & F	9.50%	ConocoPhillips	GDF
P451	44/22a & 44/22b	Murdoch Boulton H, Watt	34.00%	ConocoPhillips	GDF
P452	44/23a (part)	Murdoch K	6.91%	ConocoPhillips	GDF
P453	44/28b	Ketch	100.00%	Tullow	
P516	44/26a	Schooner	97.05%	Tullow	GDF
P517	44/27a		31.67%	GDF	
P847	49/02b	*Topaz Discovery*	15.00%	GDF	EOG Resources
P1006	44/17b	*Munro Discovery* [2]	20.00%	GDF	ConocoPhillips
P1013	49/02a	*Marjan Discovery*	25.00%	GDF	EOG Resources
P1055	44/11 & 44/12		35.00%	GDF	Caledonia
P1057	44/16		35.00%	GDF	Caledonia
P1058	44/18b & 44/23b		22.50%	ConocoPhillips	GDF
P1139	44/19b		22.50%	ConocoPhillips	GDF
P1184	44/21c, 44/26b		25.00%	Tullow	Endeavour, GDF, Premier
P1235	43/22b, 43/23a, 43/27b, 43/28, 43/29		25.00%	Tullow	Endeavour, GDF, Premier
CMS III Unit [1]	44/17a (part), 44/17c (part) 44/21a (part), 44/22a (part) 44/22b (part), 44/22c (part) 44/23a (part)	Boulton H, Hawksley, McAdam, Murdoch K, Watt	14.10%	ConocoPhillips	GDF
Schooner Unit [1]	44/26a, 43/30a	Schooner	90.35%	Tullow	Caledonia, GDF
Thames-Hewett Area					
P007	49/24F1 (Excl Gawain) 49/24F1 (Gawain sub-area)	 Gawain	100.00% 50.00%	Tullow ExxonMobil	
P028	48/30 52/05a	Hewett	35.00%	Tullow	Centrica, Eni
P037	49/28 48/28a & 48/29a	Thames, Yare, Bure, Deben, Wensum Hewett	66.67% 43.33%	ExxonMobil ExxonMobil	Centrica Eni, Centrica
P039	53/04a 53/04a	Welland Wissey	75.00% 50.00%	Tullow Tullow	First Oil First Oil, Shell
P060	50/26a	Orwell	100.00%	Tullow	
P063	54/01a		75.00%	Tullow	Talisman
P105	49/29a (part)	Gawain	50.00%	ExxonMobil	
P112	52/04a	Hewett	38.82%	Tullow	Eni, Centrica, ExxonMobil
P133	53/03a rest 53/03a P4 53/03b		45.00% 35.00% 45.00%	BG BG BG	Edinburgh Edinburgh Edinburgh
P467	48/23a	*Blythe* [3]	100.00%	Tullow	
P697	48/22a	*Blythe* [3]	100.00%	Tullow	
P703	50/26b	*Fizzy* [3]	100.00%	Tullow	
P786	53/03c 53/03d	Horne	50.00% 100.00%	Tullow Tullow	Centrica
P852	53/04b 53/04bF1	Wren Horne	50.00% 50.00%	Tullow Tullow	Centrica Centrica
P1149	49/30b	*Fizzy* [3]	50.00%	Tullow	ATP
Gawain Unit [1]	49/24F1 (part), 49/29a (part)	Gawain	50.00%	ExxonMobil	

Licence/ Unit Area	Blocks	Fields	Tullow Interest	Operator	Other Partners
Thames-Hewett Area continued					
Hewett Unit [1]	48/28a (part), 48/29 (part) 48/30 (part), 52/04a 52/05a	Hewett, Deborah, Delilah, Della, Little Dotty	38.82%	Tullow	Eni, Centrica, ExxonMobil
Welland Unit [1]	49/29b (part), 53/04a (part)	Welland	33.73%	ExxonMobil	Caledonia
Central North Sea/South Central Graben					
P213 [4]	16/26 Area C		8.00%	ChevronTexaco	ConocoPhillips, Statoil, BP, Total, Talisman
	16/26 Area A	Alba	8.00%	ChevronTexaco	ConocoPhillips, Statoil, BP, Total, Talisman
	16/26 Area P	Caledonia	10.06%	ChevronTexaco	Dana, Statoil, Total, Talisman
P477	16/13c		12.50%	ConocoPhillips	Kerr McGee, BG, Venture
P816	16/12b & 16/13d		20.00%	Kerr McGee	Amerada
P1094	16/13b		50.00%	Kerr McGee	Venture
P1127	38/05		45.00%	Tullow	Nexen, Edinburgh
P1152	39/02b, 39/07		30.00%	Tullow	Nexen, Premier, Edinburgh
Northern North Sea					
P1066	211/17		100.00%	Tullow	
P1073	3/05, 3/10c		100.00%	Tullow	
P1198	210/25e, 211/21b		100.00%	Tullow	
ROMANIA					
EPI 3 Brates			42.06%	Tullow	MND, Europa, Oranje Nassau
EPI 8 Valeni de Munte			42.06%	Tullow	MND, Europa, Oranje Nassau

1 For the UK offshore area, fields that extend across more than one licence area with differing partner interests become part of a unitised area. The interest held in the Unitised Field Area is split amongst the holders of the relevant licences according to their proportional ownership of the field. The unitised areas in which Tullow is involved are listed in addition to the nominal licence holdings.

2 Development plan to be submitted to DTI first half 2005.

3 Development plans under consideration.

4 The Company has agreed the sale of these assets.

5

Licence Interests continued

Exploration, Development and Production Interests

Africa

Licence	Fields	Area Sq Km	Tullow Interest	Operator	Other Partners
CAMEROON					
Ngosso		474	40.00%	Addax	
CONGO (BRAZZAVILLE)					
K/A-IMI Unit Area [4]		696	2.00%	ChevronTexaco	Total, Eni, Sonangol, SNPC, Galp
M'Boundi	M'Boundi	146	11.00%	Maurel & Prom	Burren
Moho-Bilondo [4]		322	4.00%	Total	ChevronTexaco, SNPC
N'Kossa [4]	N'Kossa	100	4.00%	Total	ChevronTexaco, SNPC
N'Soko [4]		40	4.00%	Total	ChevronTexaco, SNPC
CÔTE D'IVOIRE					
CI-26 Special Area "E"	Espoir	139	21.33%	CNR	PETROCI
CI-107		1,639	90.00%	Tullow	PETROCI
CI-108		1,854	90.00%	Tullow	PETROCI
EGYPT					
Matruh (on & offshore)		8,806	20.00%	Apache	Shell
EQUATORIAL GUINEA					
Block F		2,231	15.00%	Amerada	
Block G		2,184	15.00%	Amerada	
Block L		4,252	20.00%	ChevronTexaco	Amerada, Sasol
Ceiba Field	Ceiba	70	14.25%	Amerada	GEPetrol
Okume Complex	Okume, Oveng, Ebano, Elon	177	14.25%	Amerada	GEPetrol
GABON					
Ablette Marin		43	30.77%	Perenco	
Akoum Marin		2,948	100.00%	Tullow	
Azobe		1,737	35.00%	Amerada	
Echira	Echira	77	40.00%	Perenco	Gabon Government
Etame	Etame	49	7.50%	Vaalco	PanAfrican Energy, Sasol, Sojitz,PetroEnergy
Gryphon Marin [5]		9,764	15.00%	Forest	PetroSA, Paladin
Kiarsseny Marin		5,442	47.50%	Tullow	Addax, Sonangol P&P
Limande	Limande	10	40.00%	Perenco	
Mayonami Vera		72	25.00%	Perenco	Gabon Government
Niungo	Niungo	46	40.00%	Perenco	Gabon Government
Nziembou		1,027	40.00%	Perenco	
Tchatamba Marin	Tchatamba Marin	30	25.00%	Marathon	Devon
Tchatamba South	Tchatamba South	40	25.00%	Marathon	Devon
Tchatamba West	Tchatamba West	25	25.00%	Marathon	Devon
Turnix	Turnix	18	27.50%	Perenco	Gabon Government
Back-In Options [6]					
Etame		3,024	7.50%	Vaalco	PanAfrican Energy, Sasol, Sojitz,PetroEnergy
Gryphon Marin [5]		9,764	10.00%	Forest	PetroSA, Paladin
M'Polo		4,414	10-25%	Perenco	

Licence	Fields	Area Sq Km	Tullow Interest	Operator	Other Partners
MAURITANIA					
Block 1		5,248	20.00%	Dana	Hardman, Roc Oil
Block 2		6,682	20.00%	Woodside	Hardman, Dana, Roc Oil
MOROCCO					
Cap Draa		12,444	11.77%	Shell	ONHYM, Wintershall
Tiznit		6,000	31.88%	Tullow	Petronas, ONHYM, Taurus
NAMIBIA					
Licence 005 Area 2814A	Kudu	4,072	90.00%	Tullow	Namcor
SENEGAL					
St Louis		5,250	60.00%	Tullow	Dana, Petrosen
UGANDA					
Block 1		4,285	50.00%	Heritage	
Block 2		4,675	50.00%	Hardman	
Block 3		11	50.00%	Heritage	
Block 3A		3,777	50.00%	Heritage	

South Asia

Licence	Fields	Area Sq Km	Tullow Interest	Operator	Other Partners
BANGLADESH					
Block 9		6,880	30.00%	Tullow	Niko, Bapex
Blocks 17/18		13,724	80.00%	Tullow	Okland, Rexwood
INDIA					
AA-ONJ/2		1,595	60.00%[7]	Tullow	ONGC
CB-ON-1		5,875	50.00%	Reliance	Okland
GK-OS-5		5,000	50.00%	Reliance	Okland
PAKISTAN					
Block 28		6,200	95.00%	Tullow	OGDCL
Chachar D&PL	Chachar	34	75.00%	Tullow	Govt. Holdings
Nawabshah		2,334	30.00%	Tullow	OMV, POL, Marigas
New Block B		771	48.18%	Tullow	OGDCL, POL, Attock
Sara D&PL	Sara	88	38.18%	Tullow	OGDCL, POL, Attock
Sara West D&PL	Sara West	168	60.00%	Tullow	OGDCL
Suri D&PL	Suri	24	38.18%	Tullow	OGDCL, POL, Attock

[4] The Company has agreed the sale of these assets.
[5] The Company has a 'Back-In' option in this licence as well as its 15% working interest.
[6] Back-In Options: Tullow has the option, in the event of a discovery, to acquire varying interests in these licences.
[7] 50% will be assigned to ONGC on award of PEL.

5

Five Year Financial Summary

	2004	2003 Restated[1]	2002 Restated[1]	2001	2000
	£'000	£'000	£'000	£'000	£'000
GROUP PROFIT AND LOSS ACCOUNT					
Turnover	**225,256**	129,625	110,610	76,633	7,782
Cost of Sales	**(131,071)**	(82,249)	(75,350)	(46,480)	(5,255)
Gross Profit	**94,185**	47,376	35,260	30,153	2,527
Administration Costs & Depreciation	**(11,017)**	(3,059)	(3,925)	(3,859)	(1,205)
Operating Profit before Exploration Activities	**83,168**	44,317	31,335	26,294	1,322
Profit on Farm Out of Licence Interests	**-**	-	914	-	-
Exploration Costs Written Off	**(17,961)**	(12,772)	(4,169)	(3,945)	(687)
Operating Profit	**65,207**	31,545	28,080	22,349	635
Profit/(Loss) on Disposal of Oil & Gas Assets	**2,292**	(952)	-	-	-
Group Re-Organisation Costs	**-**	-	-	-	(338)
Profit on Ordinary Activities before Interest	**67,499**	30,593	28,080	22,349	297
Interest Income	**3,458**	2,016	1,409	1,371	968
Interest Payable	**(12,960)**	(8,730)	(9,044)	(7,708)	(472)
Profit on Ordinary Activities before Taxation	**57,997**	23,879	20,445	16,012	793
Taxation Charge on Profit on Ordinary Activities	**(25,048)**	(12,958)	(7,649)	(6,702)	-
Profit for the Financial Year	**32,949**	10,921	12,796	9,310	793
Dividends Paid	**(6,995)**	(3,782)	-	-	-
Retained Profit for the Financial Year	**25,954**	7,139	12,796	9,310	793
Earnings per Share					
Basic - Stg p	**6.18**	2.92	3.56	2.61	0.26
Diluted - Stg p	**6.11**	2.90	3.51	2.56	0.25
GROUP BALANCE SHEET					
Fixed Assets	**599,728**	193,263	195,886	207,659	54,848
Net Current Assets	**23,353**	32,521	15,771	8,685	34,309
Total Assets less Current Liabilities	**623,081**	225,784	211,657	216,344	89,157
Long Term Liabilities	**(243,997)**	(109,863)	(111,357)	(124,344)	(9,772)
Net Assets	**379,084**	115,921	100,300	92,000	79,385
Called Up Equity Share Capital	**64,537**	37,784	35,981	35,847	35,247
Share Premium Account	**121,656**	14,198	2,485	1,993	-
Merger Reserve	**178,953**	56,617	69,213	69,213	69,213
Foreign Currency Translation Reserve	**(30,362)**	(11,024)	-	-	-
Profit and Loss Account	**44,300**	18,346	(7,379)	(15,053)	(25,075)
Equity Shareholders' Funds	**379,084**	115,921	100,300	92,000	79,385

[1] The restatement of amounts in 2003 & 2002 reflects the Group's revised accounting policy in respect of Taxation and Turnover adopted in 2004. There was no effect on the retained profit or the net assets as a result of this change in policy.
No restatement was required of previously reported amounts for 2000 and 2001.
Amounts previously reported in respect of the 2000 financial year has been translated to Sterling from Euro at the respective year-end exchange rates.
Amounts have also been presented in accordance with the merger accounting provisions of FRS 6.

Tullow Oil plc

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Tom Hickey (Chief Financial Officer)
Graham Martin (General Counsel)
Matthew O'Donoghue (General Manager Projects)
Adrian Nel (Exploration Director)

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David Bamford

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Julian Tedder (Group Finance Manager)
Tim O'Hanlon (Vice President African Business)
Brian Williams (Head of Risk & Marketing)
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