2012 ANNUAL REPORT & ACCOUNTS

TULLOW OIL PLC

AFRICA'S LEADING INDEPENDENT OIL COMPANY

TULLOW plc

Tullow Oil is Africa's leading independent oil company and our exploration-led growth strategy is focused on light oil in Africa and the Atlantic Margins. We are a highly successful explorer opening four new oil basins in Africa and South America in the last seven years. Our most recent success followed the East African Rift Basins from our major discovery in the Lake Albert Rift Basin in Uganda, to the South Lokichar Basin in Kenya where a significant discovery was made in 2012.

Our portfolio of over 150 licences spans 25 countries and is organised into three regions. We are headquartered in London and have corporate offices in Ireland, Ghana, Uganda and South Africa. We have a total global workforce of over 1,700 people, with approximately 50% of these working in our African operations. Our shares are listed on the London, Irish and Ghana Stock Exchanges and the Group is a constituent of the FTSE 100 index.

Our business model

Throughout this report you will see our business model icon.

In most instances, areas of the icon will be shaded to indicate the element of our business model the content relates to. The basis of our business model is 'how we create value' and 'how we run our business' and both are equally important in enabling us to successfully deliver our business plans and deliver our growth strategy.

More information
4, 8, 17, 48, 75

Our people

Throughout this report you will see our people icon.

Our business and our success relies on working together, whether it is with investors, partners, host governments or local communities. Central to this are our people who make up the Tullow teams that work in all aspects of our business. This year we have chosen some of these groups to demonstrate our commitment to diversity, local employment and the multi-disciplinary nature of our industry. It is also a great opportunity to celebrate our people, who are the foundation of our continued success.

More information
2, 52, 72, 84, 126

Our progress

Our vision is to be the leading global independent exploration and production company. Our strategy is focused on building a business that delivers both sustainable long-term growth and substantial returns to shareholders over time. In this special feature we set out the progress we have made towards our seven strategic priorities and how we will deliver tangible outcomes that benefit our business, our shareholders and the host countries where we operate.

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Cover The Weatherford Rig 804 during drilling operations on the Twiga South-1 well, onshore Kenya.

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1 BUSINESS REVIEW

In 2012, we delivered a strong operating performance, enhanced our financial flexibility and expanded our portfolio of assets for the next phase of growth.

2 OPERATIONS REVIEW

We have a strong portfolio of operations in regionally related basins which offer a balanced combination of high-impact exploration and high-value production.

3 CORPORATE RESPONSIBILITY

One of our strategic priorities is to make a positive and lasting contribution to economic and social development where we operate. We call this 'creating shared prosperity'.

4 CORPORATE GOVERNANCE

Your Board is focused on creating long-term sustainable value and recognises that maintaining high standards is the key to our continued success.

5 FINANCIAL STATEMENTS

This section of the report contains statutory financial information, including a five year financial summary. Supplementary information is from page 181.

Supplementary Information

ON BOARD THE FPSO IN GHANA

The floating production, storage and offtake vessel (FPSO), Kwame Nkrumah, is installed in approximately 1,100 metres of water on the Jubilee field 60 kilometres offshore Ghana. The vessel is 65 metres wide and 330 metres long. It operates on a 24/7 basis with two shifts per day and can hold up to a maximum of 120 people at any one time. The crew is made up of Tullow personnel and contractors working on our behalf. EHS performance on board the FPSO has been excellent and in June 2012, the vessel achieved two years of operations with zero lost time injuries (LTIs). The FPSO is part of Tullow's operations in Ghana, which also include offices in Accra and Takoradi, bringing our total workforce in country to 394, of which 86% are local nationals.

Tullow Team

1. Chen Sieng Ming
2. Nii Kwame Ezouameh
3. Gideon Chomse
4. Michael Agyemang
5. Issaka Ganiyu
6. Scott Lester
7. Richard Bondzie
8. Fafa Buama
9. Randy Griffin
10. Bismark Osei
11. Samuel Larry Kombat
12. Chia Jyh Mong

1

BUSINESS REVIEW

STRONG OPERATIONAL & STRATEGIC PERFORMANCE

We made good strategic and operational progress in 2012. Highlights include opening a new basin in Kenya, putting production growth back on track with the successful remediation of the Jubilee field in Ghana, growing reserves and resources and adding five new countries to our global portfolio of assets.

EXPLORATION & APPRAISAL SUCCESS RATIO

74%

Exploration and appraisal (E&A) success continued in 2012, including a significant exploration result onshore Kenya, the fourth new oil basin discovered by Tullow. This discovery occurred in one of the many basins in our Kenya-Ethiopia acreage. A further oil discovery was made there during 2012 in an ongoing exploration campaign. Despite some inevitable dry holes in a very active drilling programme, overall we achieved a 74% E&A success ratio, where 34 wells out of 46 found hydrocarbons.

2013 E&A PROGRAMME

40 WELLS

In 2013, we have over 40 candidate wells in our high-impact E&A programme, representing an investment of almost $1 billion. The net risked mean volumes being targeted total around one billion barrels of oil equivalent. Activities consist of up to 13 wells in Kenya and Ethiopia, including high-risk wildcats, a testing programme on existing discoveries and follow-on drilling operations. Significant activity is also planned in Uganda and the second well in the four-well programme in French Guiana, South America, has already commenced.

NEW VENTURES

Tullow's global portfolio increased in 2012, with over 30 licences added in five new countries – Guinea, Mozambique, Uruguay, Greenland and Norway. This is part of an ongoing process to enhance our focus on light oil in highly prospective areas in Africa and the Atlantic Margins. In particular, New Venture activities aim to secure a high-impact exploration programme for the medium-term in areas and geologies we know best.

FIVE NEW COUNTRIES

Helideck of the Stena IceMax drillship during drilling operations, offshore French Guiana. ©Ronan Lietar.

Tanker offloading production from the FPSO Kwame Nkrumah on the Jubilee field, offshore Ghana.

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COMMERCIAL RESERVES & CONTINGENT RESOURCES

Tullow has enhanced both commercial reserves and contingent resources during 2012. Commercial reserves increased to 388 mmboe and contingent resources have been enhanced by the inclusion of new resources following initial discoveries in Kenya and Côte d'Ivoire and increased resources due to appraisal success in Uganda. Resources growth is an important aspect of high grading the Group's portfolio. In 2012, Tullow achieved a 358% replacement ratio and our Group reserves and resources amount to 1,203 mmboe.

1,203 MMBOE

EHS PERFORMANCE

In 2012 we introduced a new scorecard tracking nine EHS corporate Key Performance Indicators (KPIs) across the business. The indicators provide a more complete view of our overall EHS performance and are more aligned to Tullow's proactive approach to EHS. The scorecard has three 'lagging' indicators to demonstrate our performance against quantitative targets, and six 'leading' indicators that focus on activities that will deliver improved performance in targeted areas. In 2012, Tullow scored 22 out of a total possible 27 points.

22/27

YEAR-END JUBILEE FIELD PRODUCTION

During the year the Jubilee field was successfully and cost effectively remediated and production continues to increase following successful acid stimulations and the start-up of Jubilee Phase 1A wells. Jubilee production at the end of the 2012 was 110,000 bopd. Group 2012 working interest production remained strong, despite a slight shortfall due to the enforced shutdown of non-operated third party UK interests. 2013 working interest production is forecast to be between 86,000 and 92,000 boepd.

110,000 BOPD GROSS

Rig floor of the West Leo during drilling operations, offshore Ghana.

Tullow staff working at a materials yard in Kisinja, Uganda.

HIGH QUALITY PORTFOLIO OF EXPLORATION & PRODUCTION ASSETS

We have a growing portfolio of regionally related basins focused on Africa and the Atlantic Margins. We have interests in over 150 licences across 25 countries including production assets in 11 of these countries. This gives us a broad foundation for risk-mitigated growth with lots of follow-up potential.

Tullow's operations	2012 Group totals
Countries with operations	25
Licences	151
Acreage (sq km)	328,996
E&A success ratio	74%
Reserves & resources (mmboe)	1,203
Working interest production (boepd)	79,200
Revenue ($million)	2,344
Capital investment ($million)	1,870
Total workforce	1,778

Note: In December 2012, Tullow announced that it had let its licence interests in Guyana expire. In March 2012, having completed its obligations in Tanzania, Tullow relinquished its acreage and exited the country.

2012 offshore drilling activity 2012 onshore drilling activity

E Exploration **D** Development **P** Production ★ Key offices **E&A** Exploration & Appraisal

● West & North Africa ● South & East Africa ● Europe, South America & Asia

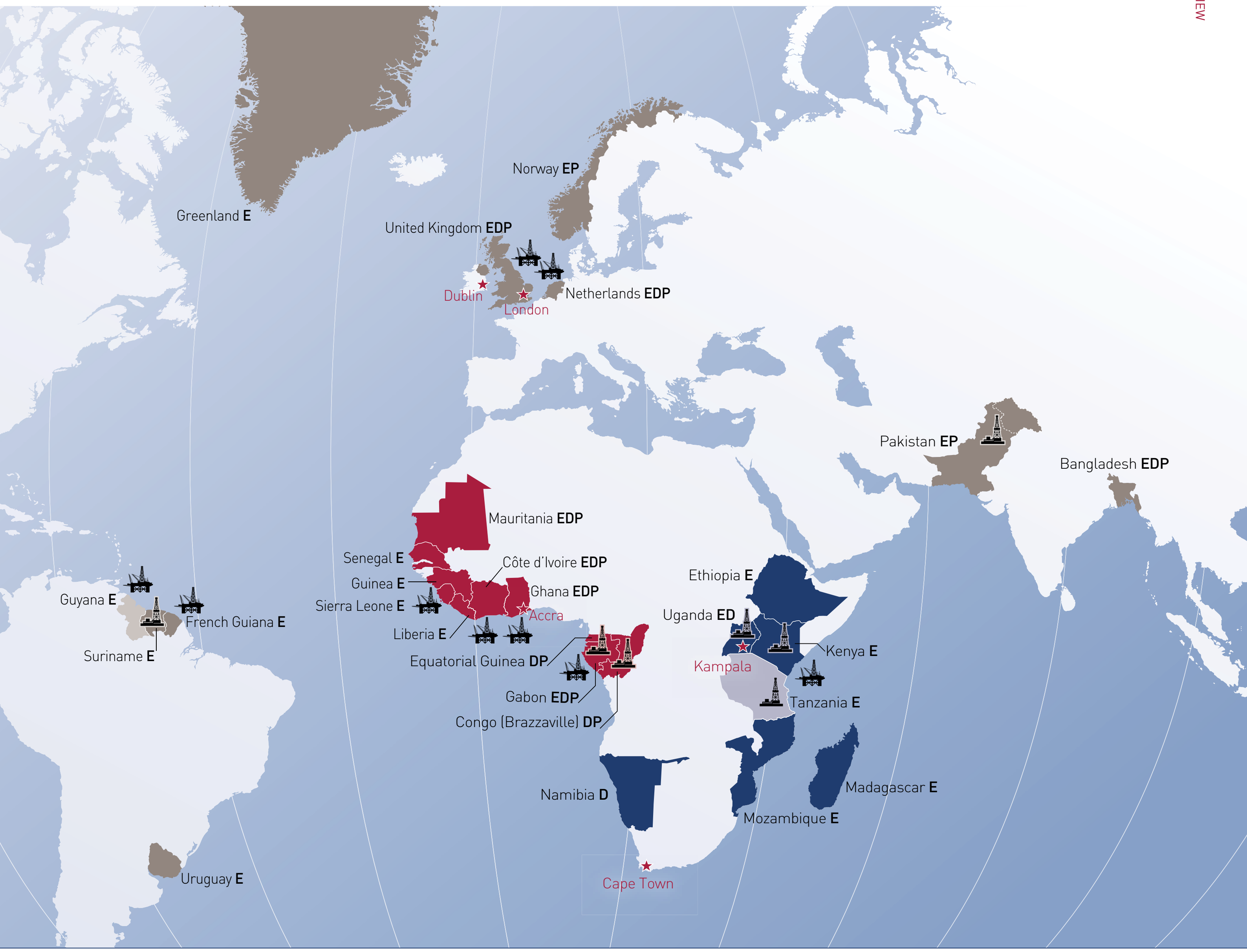
Major production and development asset: Ghana
Jubilee field production was remediated during 2012 and is now producing at around 110,000 bopd. Total well production capacity is now over 120,000 bopd, allowing the current FPSO capacity to be tested in the first quarter of 2013. The Plan of Development (PoD) for the Tweneboa, Enyenra and Ntomme (TEN) project in Ghana was submitted to the Minister of Energy in November 2012.

New Venture: Guinea
In January 2013, we completed the farm-in to gain a 40% interest and operatorship of an oil and gas licence offshore Guinea. Tullow and its partners plan to drill a deepwater prospect on this licence before April 2014.

New Venture: Mozambique
In August 2012, we farmed in and acquired a 25% interest in the Statoil operated Blocks 2 and 5 in the Rovuma basin offshore Mozambique. The blocks are located in a frontier area with water depths varying between 300 and 2,400 metres. The blocks cover 7,800 sq km.

Major development project: Uganda
In February 2012, we completed the farm-down of 66.67% of our Ugandan licences to CNOOC and Total for a consideration of $2.9 billion. In July 2012, the Partners presented a joint development plan concept to the Ugandan Government for the Lake Albert Rift Basin. A committee of key Ministries and the Partners has been set up in order to progress this major project.

More information
60 West & North Africa
64 South & East Africa
68 Europe, South America & Asia



New oil basin: Kenya
Tullow has onshore acreage covering over 10 Rift Basins in Kenya and Ethiopia, which have similar characteristics to the Lake Albert Rift Basin. Exploration drilling in the Kenya Rift Basins commenced in January 2012 and the discoveries at Ngamia and Twiga South, announced in March and November 2012, demonstrate that substantial oil generation has occurred in the South Lokichar Basin; opening up a new oil basin in East Africa.

New Venture: Greenland
In October 2012, Naalakkersuisut, Greenland's Government, approved an agreement with Maersk Oil for Tullow to take a non-operated 40% equity position in Block 9 (Tooq licence), Baffin Bay, north-western Greenland. Maersk Oil will continue to act as operator of the licence with a 47.5% interest and Nunaoil, Greenland's state oil company, will hold a 12.5% interest.

Portfolio Management: Asian and UK-Dutch Operations and Spring Energy Norway AS
During 2012 we commenced a process to divest our Asian assets and announced our intention to begin a process to dispose of our exploration, development and production assets in the UK and Dutch sector of the Southern North Sea gas basin. In January 2013 we completed the acquisition of Spring Energy Norway AS for a headline consideration of $372 million.

New Venture: Uruguay
We submitted a successful bid for the 8,030 sq km offshore Block 15 in the Uruguayan 2nd Bid Round and signed the Production Sharing Agreement in October 2012, beginning an initial three-year phase. The block lies in the Pelotas Basin in water depths between 2,000 and 3,000 metres.

ENHANCED BALANCE SHEET & FINANCIAL FLEXIBILITY

Our financial results were in line with expectations and we have significantly strengthened our balance sheet in 2012 by concluding the Uganda farm-down and by refinancing our $3.5 billion Reserves Based Lending credit facility.

SALES REVENUE

Sales revenue grew 2% to $2.3 billion in 2012, reflecting marginally increased sales volumes and average commodity prices similar to 2011. Profits and earnings were at similar levels to 2011, with the profit on the Ugandan farm-down offset by increased exploration write-offs and higher costs.

$2.3 BILLION

ACTIVE PORTFOLIO MANAGEMENT

It was a year of significant portfolio activity. The $2.9 billion farm-down of our Ugandan licences, which introduced two new strong partners to this major project, generated a $701 million pre-tax profit. We have also announced the planned divestment of non-core exploration and production assets in Asia and the Southern North Sea. We expect to sign a Sale and Purchase Agreement for our South Asian assets this year, with completion of the transaction by year-end. This is part of an ongoing process to high-grade our portfolio and monetise assets.

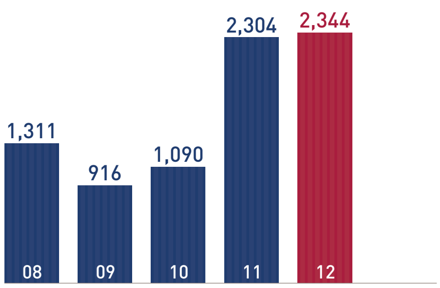
$701 MILLION

2012 EXPLORATION WRITE-OFF

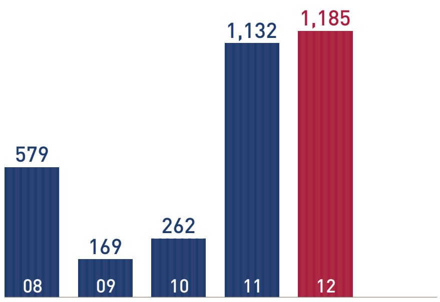
In 2012, write-offs associated with unsuccessful exploration activities, new venture activities and licence relinquishments totalled $300 million (2011: $121 million). We also undertook a detailed review of the exploration asset values on the balance sheet compared with expected near-term work programmes and the relative attractiveness of further investment in these assets. This gave rise to an additional write-down of $371 million (2011: nil) and the total write-off for the year amounted to $671 million.

$671 MILLION

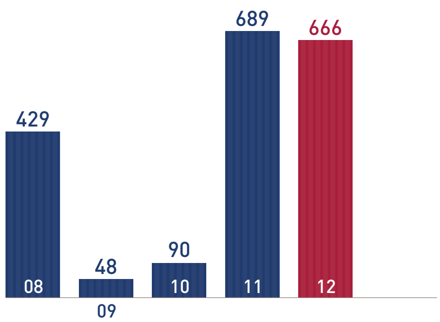
Sales revenue
$2,344 MILLION



Operating profit
$1,185 MILLION



Profit after tax
$666 MILLION



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ACQUISITION OF SPRING ENERGY IN NORWAY

In January 2013, we completed the acquisition of Spring Energy Norway AS for a headline consideration of $372 million. Spring is a very successful explorer and brings a highly skilled team to complement and enhance Tullow's exploration capability. In January 2013, Spring was awarded 13 licences, of which four are operated, in Norway's very competitive 2012 Awards in Predefined Areas licensing round.

$372 MILLION

DEBT FACILITIES

The overall financial strength and flexibility of the Group has been considerably enhanced. The Reserves Based Lending credit facility was refinanced in the year, extending final maturity to 2019. The Group has total debt facilities of $4 billion and net debt of $989 million. Gearing has been reduced to 19% (2011: 60%) and interest cover is 48.3 times compared with 16.7 times in 2011. Operating cash flow amounted to $1.8 billion (2011: $1.8 billion).

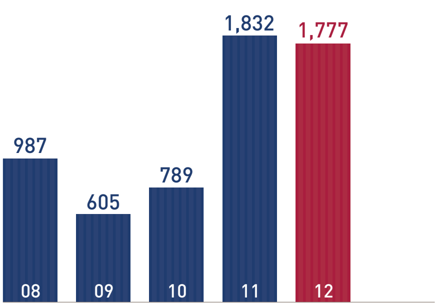
$4 BILLION

CAPITAL EXPENDITURE

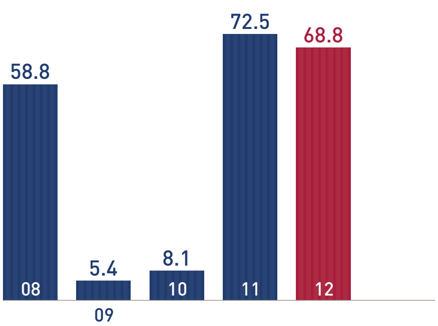
2012 capital expenditure amounted to $1.9 billion (2011: $1.4 billion), with 42% invested in development activities, 18% in appraisal activities and 40% in exploration activities. More than 50% of the total was invested in Ghana and Uganda and over 80%, more than $1.6 billion, was invested in Africa. Based on current estimates and work programmes, 2013 capital expenditure is forecast to be approximately $2 billion.

$1.9 BILLION

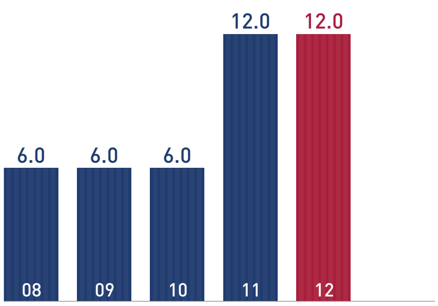
Operating cash flow
$1,777 MILLION



Basic earnings per share
68.8 CENTS



Dividend per share
12.0 PENCE



MONETISING ASSETS ACROSS THE PORTFOLIO

Our exploration-led strategy, changing external dynamics and the scale of our business require ongoing attention to portfolio management and monetisation options across our assets. This helps to ensure capital is allocated appropriately to achieve high-value growth and to enhance shareholder value.

THE OIL LIFE CYCLE

The oil life cycle describes the stages an oil exploration and production company goes through from its initial entry into a country, through to when natural hydrocarbon reserves are produced and then depleted.

LICENCE AWARD

In order to explore we must first be granted a licence by the government of the country we wish to invest in. We identify those countries through careful evaluation of geological and assessment of non-technical risks. We look for hydrocarbons in regions where we have proven expertise as well as new, unexplored territories.

EXPLORATION SURVEYS

Stakeholder engagement with local communities begins to manage expectations of what the presence of the oil industry will mean. We collect seismic data and other geophysical data to produce 2D and 3D pictures of what lies beneath the surface. The interpretation of seismic data allows us to gather geological information on the structures beneath us without drilling. After extensive analysis we plan exploration campaigns to try and discover oil and gas in these structures, or more strategically, open up new basins.

OPPORTUNITIES TO MAXIMISE VALUE

At each stage of the oil life cycle there is the opportunity to maximise value through monetisation of assets.

- At various stages in the exploration process, Tullow has the opportunity to farm out a percentage of its licences or sell its interest to other oil companies.
- A farmout or sale of interests could be completed when acquiring a licence, following seismic collection, or during/after exploration drilling is completed and commercial quantities of hydrocarbons are found.
- Introducing a new joint venture partner or farming out a percentage of licences to other companies not only shares the geological risks associated with exploration activity, but also reduces Tullow's costs.

OUR ACTIVITIES

Our activities are spread across most of the oil life cycle. We have an extensive annual E&A programme. We have three major development projects underway, two in Ghana and one in Uganda. We currently have key producing assets in 11 countries.

150+

licences in 25 countries, across three regional businesses

Tullow entered five new countries in 2012, adding over 30 licences to our global portfolio of assets.

FOUR

core plays in focused geographies

Tullow is focused on exploration in Africa and related geological plays in South America and the Atlantic Margins.

More information

EXPLORATION DRILLING

We drill an initial well to establish the presence of oil or gas. If there is none, or if it will not be commercially viable, the well is abandoned. When we make a significant discovery, we drill a series of appraisal wells and possibly further exploration wells to determine the size and quality of the discovery and the extent of the geological structure over a much larger area.

Making a discovery does not mean that oil and gas will be extracted. The commercial viability of the discovery must be assessed before a decision to develop is made.

- Monetising a discovery early on creates cash proceeds to reinvest in finding more oil through value transforming wells and opening basins.
- Following unsuccessful exploration drilling, other companies with different expertise or strategies may wish to farm-in to the licence, which reduces Tullow's exposure to risks and costs.

ONE

billion boe E&A resources targeted in 2013

The total net unrisked mean volumes being targeted during the 2013 E&A programme total around one billion barrels of oil equivalent. We plan to drill over 40 wells, and 45% of 2013 capital expenditure will be allocated to E&A activities.

DEVELOPMENT OF DISCOVERIES

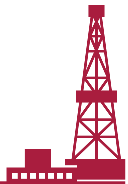
We begin work on a Plan of Development (PoD) once we have confirmed that the oil discovery we have made is commercial. The PoD involves more extensive stakeholder engagement and must consider environmental, social and economic and technical operational issues. These plans are approved by governments and regulatory authorities and their implementation is carefully monitored.

- When a commercial discovery is made, Tullow has to decide whether to sell the oil or gas in the ground or to develop the asset.
- Cash proceeds or carried interests from selling the oil in the ground can be reinvested in further exploration or portfolio management activities, used to offset future development costs, or be distributed to shareholders.

THREE

major development projects in Africa

In Ghana we continue to progress Phase 1A of the Jubilee field and await approval of the TEN PoD. We continue to work with our partners and the Ugandan Government on the Lake Albert development plan in Uganda.



PRODUCTION OF OIL & GAS

The ultimate goal of any successful development is to achieve production in a safe, environmentally conscientious and cost effective way. Operationally it is important to maintain the highest levels of safety as an operator, with a strong regard for the environment and with attention to the local communities who may be affected by our work.

Production can last decades, however all natural resources are finite. When production ceases, facilities are decommissioned and the location is remediated and reinstated to its original state.

- Successful developments will result in oil or gas production that can be sold to the market, generating sales revenue to fund further exploration.
- Non-core producing assets can be divested and sold to other operators, generating income from the sale of these assets.

86 – 92,000

boepd production guidance for 2013

Tullow currently has producing assets in 11 countries which provide valuable revenues to support our exploration activities. Tullow is operator of the Jubilee field in Ghana, which is the highest contributor to Tullow's production.

FOCUSING ON EXPLORATION-LED GROWTH

Your Board believes that the major opportunities and challenges facing Tullow are to maintain our success in exploration; to optimise our portfolio of exploration, appraisal and development assets; to continue to develop trusting and mutually beneficial relationships with our key stakeholders; and to build a strong multi-disciplinary team focused on success without compromising the Group's entrepreneurial culture.

Simon Thompson Chairman

"During my first year as Chairman, I have visited Ghana, Kenya, Uganda, South Africa and Ireland. I have met politicians, NGOs, partners, shareholders and employees to ensure that their views help inform our decision-making about the business."

You can now watch Simon's video interview online to find out more about the shape of our business, governance and responsibilities.

Video online

www.tullowoil.com/ARA2012/chairmans_statement

Dear Shareholder

Over the past year your Company has achieved significant success in delivering our exploration-led growth strategy and made good progress towards achieving our vision of becoming the leading independent oil company by creating shared prosperity for our shareholders and our host countries.

Industry-leading exploration-led growth

In 2012, we invested close to $1 billion in exploration and appraisal, drilling 46 wells with a success ratio of 74%. The discovery of a new oil basin in Kenya – the fourth major basin-opening discovery by Tullow in the past seven years – was the highlight of the year and significant success was also achieved in Uganda and Ghana. There were also some disappointments, particularly the Zaedyus-2 well offshore French Guiana, which failed to intersect oil but nevertheless added significantly to our knowledge of this new oil basin. The exploration pipeline has been refreshed with five new country entries, creating future opportunities in our core plays in Africa and the Atlantic Margins.

High-quality, oil-focused production

Jubilee field production issues, offshore Ghana, were successfully and cost-effectively remediated in 2012. The field is currently producing around 110,000 bopd and the total well production capacity is now over 120,000 bopd. There was a slight shortfall in overall Group production versus our target for 2012 due to the enforced shutdown of Tullow's non-operated production in the Caister Murdoch System (CMS) area of the UK in early December 2012 following a third-party safety incident. As a result, Group working interest production averaged 79,200 boepd, which was broadly similar to 2011. Production guidance for 2013 is in the range of 86,000 to 92,000 boepd. This guidance includes gas producing assets currently held for sale. Following the proposed sale of these assets, Tullow's production will be predominantly focused on higher-margin, low cost-per-barrel light oil.

Steady progress in Uganda

In February 2012, we signed two Production Sharing Agreements with the Government of Uganda and completed the $2.9 billion farm-down of two-thirds of our Ugandan licences to CNOOC and Total. During the course of the year we largely completed the current phase of exploration activity and made steady progress with our partners and the Government in shaping a common vision for the development of the country's oil industry. However, much work remains before a final investment decision can be taken.

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Well-funded and strong balance sheet

The farm-down of Uganda transformed Tullow's balance sheet and high-value production growth in Ghana underpins strong operational cash flow for the Group, approaching $2 billion per annum. In November 2012, Tullow extended the final maturity of its $3.5 billion Reserves Based Lending credit facility to 2019 and took the opportunity to create a more flexible facility to better serve its funding needs.

Increasing reserves & resources

In November 2012, we submitted a Plan of Development (PoD) for the Tweneboa-Enyenra-Ntomme (TEN) project in Ghana, with first production targeted for approximately 30 months after PoD approval. Group commercial reserves have increased to approximately 390 mmboe due to the transfer of TEN contingent oil resources. Group contingent resources have also been enhanced following discoveries in Kenya and Côte d'Ivoire and appraisal success in Uganda. At the end of 2012, total commercial reserves and contingent resources were 1,203 mmboe.

Active portfolio management

We took a decision to exit Bangladesh and Pakistan and expect to complete these disposals by the end of 2013. We also announced our intention to sell our gas assets in the UK and Netherlands sectors of the Southern North Sea. These assets have served Tullow well, providing vital cash flow to fund our ambitious exploration programme, but they no longer fit with our strategy of pursuing big oil exploration opportunities and can no longer compete for capital effectively with other projects within our opportunity-rich portfolio.

Solid financial performance

Sales revenue grew by 2% to $2.3 billion (2011: $2.3 billion) due to higher sales volumes. Average oil prices were in line with 2011. Profit from continuing activities before tax increased by 4% to $1,116 million (2011: $1,073 million). The $701 million pre-tax gain on the Uganda farm-down was largely offset by an increase in exploration write-offs, which amounted to $300 million for 2012 activities, coupled with a further asset write-down announced at the half year, giving a total write-off of $671 million (2011: $121 million), and higher operating costs associated with mature fields. Profit from continuing activities after tax declined 3% to $666 million (2011: $689 million) and basic earnings per ordinary share from continuing activities decreased 5% to 68.8 cents (2011: 72.5 cents). In view of Tullow's intensive exploration campaign in 2013, the Board intends to maintain the final dividend payment of 8.0 pence per share, bringing the total payout for the year to 12 pence per share. Details of the AGM are set out on page 125.

Corporate responsibility and shared prosperity

New EHS key performance indicators emphasise preventative actions, including major reviews of well engineering, process safety and asset integrity. Good work continued in encouraging local entrepreneurs to enter the supply chain and we continue to invest in the development of local communities, particularly through capacity-building, scholarships and local employment opportunities. Stakeholder engagement activity increased substantially during the year, in order to foster a better understanding of the oil industry and to solicit feedback on how we can improve our performance.

2012 GOVERNANCE HIGHLIGHTS

- 60% of our total workforce has participated in Code of Business Conduct training and this work continues in 2013;
- Women now make up 18% of your Board as we continue to address the legacy of poor gender diversity in the oil industry;
- Two new Directors were appointed, broadening your Board's skills and experience to reflect the evolving needs of the Group;
- Following a review of risk management, a new EHS sub-committee of the Board has been established to enable greater focus on these issues;
- We have overhauled and simplified our remuneration policy after consultation with major shareholders; and
- We have increased engagement with employees, politicians, NGOs, partners and shareholders, in order to ensure that their views are taken into account in Board discussions.

Board changes

Non-executive Directors David Williams and Steve McTiernan retired after six and 10 years respectively of exceptional service to Tullow. In 2012, Steve Lucas and Anne Drinkwater joined the Board, bringing valuable financial and industry experience. David Bamford has taken over as Senior Independent Director.

An exceptional team of people

I would also like to thank all of our employees and contractors, ably led by Aidan Heavey and the Executive team, for their continuing hard work and commitment. At each engagement across the Group in 2012, your Board and I have been impressed by the sense of pride and responsibility amongst our staff, as we set about building an oil industry in new regions of the world. In this year's report we have taken the opportunity to highlight some of the Tullow teams at work across the business, underlining the central role that people play in our success.

A clear strategy and a positive outlook

In the Chief Executive's review on pages 14 to 16, Aidan has reaffirmed our clear and consistent exploration-led growth strategy and the role of production and asset monetisation in funding our exploration programme and selective developments. Looking to the future, the outlook for the oil price is good, our exploration and development pipeline remains strong, and production growth is back on track. We start 2013 with a real sense of excitement and focus on the delivery of our exploration-led growth strategy.

Simon R Thompson
Chairman

SUSTAINING OUR UNIQUE COMPETITIVE ADVANTAGE

As we enter 2013, Tullow has never been in a stronger position to add real and sustainable value from our growing portfolio of assets and to fund our industry-leading, high-impact exploration campaigns in Africa and the Atlantic Margins.

Aidan Heavey Chief Executive Officer

"Africa remains at Tullow's core but our industry-leading exploration team and the Board see additional potential in the Atlantic Margins beyond our African heartland."

Watch Aidan's video interview online to find out more about Tullow's exploration-led strategy and how we create value.

Video online

www.tullowoil.com/ARA2012/chief_executives_review

2012 was a year of major progress for Tullow. We materially enhanced the business with a basin-opening oil discovery in Kenya, by adding highly prospective new licences to our portfolio, refinancing our debt and partially monetising our Ugandan assets. The Jubilee field in Ghana is now approaching its full potential and provides the base for our production profile and operational cash flow. Our financial position underpins our highly ambitious 2013 exploration programme which has high-impact wells planned in Kenya, Ethiopia, Norway, Mauritania, Mozambique, Côte d'Ivoire and French Guiana. This focus on exploration-led growth, together with active portfolio management and Tullow's strong balance sheet, provides an excellent platform for growth in 2013 and beyond.

Exploration-focused

Exploration has been the foundation of our growth and over the past five years we have invested over $2.6 billion in E&A activity. This has added over 865 million barrels of oil to our resources and opened up new oil regions for monetisation through selective development, farm-down or divestment, creating both attractive returns for Tullow and for host countries. Industry-leading exploration success in frontier areas, which can be extremely remote and challenging, creates our E&A competitive advantage. In 2013, we have more acreage in attractive geographies and known geologies than ever before, and we are executing the most significant and perhaps the most exciting E&A drilling programme that we have undertaken to date.

Strong financials

Our exploration-led growth is enabled by our financial strength, which has been significantly enhanced over recent years. We have increased our operational cash flow from production and while we are not a production-driven business per se, it is a key component of the cash flow required to finance a major exploration programme. It also reduces the cost of capital to the business and broadens the funding options for the Group. Portfolio management is another rich source of funding opportunity for the business. As part of our ongoing activity, we will sell or reduce our interest in assets at different points in the value curve to either increase the rate of return on investment from our portfolio or to use the proceeds to recycle cash and maintain capital efficiency. Where surplus cash is generated, it can be used to expand the exploration programme or be returned to shareholders.

We also judiciously use leverage and in 2012 refinanced $3.5 billion of debt capacity, giving the Group $2.2 billion of financial headroom. As a result we are in an excellent position to fund both our E&A campaigns and those developments to which we decide to commit.

More information
35 Key Performance Indicators
56 Exploration & Appraisal overview
58 Development & Operations overview

"Our size as a leading independent, the calibre and commitment of our people and our entrepreneurial culture are critical elements of our competitive advantage."

Portfolio optimisation

There are always opportunities to monetise assets, partially or in full, across the portfolio. This means that both the portfolio and the allocation of capital within it are under constant review. In 2012, we announced the planned disposal of our Asian, UK and Dutch gas assets to enhance our focus on light oil exploration and, where appropriate, selective development. We also undertook a review of our portfolio and have written down exploration assets by $371 million in addition to unsuccessful exploration activities of $300 million. These decisions were a consequence of increased competition within Tullow's growing portfolio of assets for capital allocation.

Exciting New Ventures

In 2012, we also entered new licences in Mozambique, Guinea, Greenland and Uruguay and we made a significant acquisition in Norway with the purchase of Spring Energy. All of these New Ventures have three important factors in common; they all sit within geographies that are well-known to Tullow; they include geological structures that Tullow has had previous success with; and they all contain light oil prospects. They also reflect that beyond our African heartland, our industry-leading exploration team and the Board see additional potential in the Atlantic Margins, comprising the North, Central, Equatorial and South Atlantic. This reshaping of our portfolio gives the business much better long-term upside potential based on a much stronger and broader portfolio of assets than a year ago. In 2010, our major exploration targets were in Uganda, Ghana and along the coast in the West Africa Transform Margin. In 2013, we are targeting Kenya, Ethiopia, Norway, Mauritania, Mozambique, Côte d'Ivoire and French Guiana and still see further upside in those original core campaigns in West and East Africa.

A uniquely competitive business

Our main competitive advantage stems from the calibre of our people. We have been very fortunate to build up an exceptional team of people working across our global business. We have done this through offering exciting career prospects as well as career development opportunities. I am particularly proud of the commitment we have to employing local nationals in our host countries, which is supported by our localisation strategy and building capacity with on-the-job training, industry-specific education and secondment placements in Tullow operations. In 2012, our total workforce grew by 230 people, up 15% to 1,778 employees and contractors.

Our size, as a leading independent rather than a major oil company, and our entrepreneurial culture are other elements of our competitive advantage. We have a nimble approach to decision-making, making us responsive and flexible when opportunities or challenges arise. This means we can match and outperform our competitors, particularly in exploration and often in operational excellence, such as the swift and cost effective remediation of Jubilee production. Investing in development and operations has built up critical operational skills for Tullow offshore in West Africa and increasingly onshore in East Africa. Today, Tullow has many attributes that are attractive and important to host governments when deciding on exploration licence awards, qualification as an operator or approval of partnerships or acquisitions. Our success in entering five new countries in different parts of the world in 2012, clearly demonstrates our competitive ability to access the best exploration acreage in the market. This is why, year-on-year, our Global Exploration Leadership Team is able to drill only the top 10% of the prospects within our inventory and deliver exceptional success.

Shared prosperity

Another area where we see opportunity for competitive advantage is in our approach to corporate responsibility and shared prosperity. These are vital parts of managing our business and achieving our business plans. Governments are now actively managing the resources sectors in their countries more vigorously. This includes greater scrutiny of companies, increased regulation and a larger government take in Production Sharing Agreements than in the past. Host countries are also increasingly and openly wondering how to secure the best return for their country and achieve economic and social progress. This growing level of interest is a benefit to Tullow as we have consistently taken a long-term approach to our activities, have few legacy operations and have openly made a commitment to creating shared prosperity where we operate. We recognise that with potentially billions of capital investment required and infrastructure development that will last decades, we need to focus on taking the right approach because if we do not, short-term gains will lead to value destruction for all parties in the longer term.

We are also consistently reminded that we do not operate in isolation of the expectations assigned to Tullow by external parties. As we continue to grow, there are greater expectations from local communities, NGOs, investors and our employees.

These expectations include Tullow taking a more active role in social and economic areas in host countries, leading by example

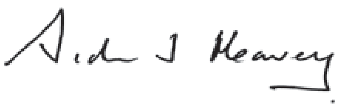
"We are consistent in our exploration-led growth strategy with a focus on light oil in frontier areas and we have reshaped our portfolio to provide us with further access to material value creation opportunities."

with regard to the environment and making greater efforts to be as transparent as possible. An update on our progress is on pages 74 to 83 of this report. We will publish a separate Corporate Responsibility Report in the second quarter of this year and for the first time we will publish a number of country-specific reports to enhance transparency of our activities.

Clear focus and strategy

I am clearer than ever, as are my fellow Executive Directors and the Board, about the strategic direction of Tullow. We are maintaining our exploration focus. We are utilising production and leverage to fund a demanding E&A programme and selective development. We are creating a dynamic and exciting portfolio of core plays in Africa and the Atlantic Margins. We are building a unique exploration and production company that can sustain our competitive advantage and will maximise value creation and total shareholder return (TSR).

Further, I am confident that Tullow has the right team, the right approach, the right assets and the funding in place to maintain our track record of success. We are consistent in our exploration-led growth strategy with a focus on light oil in frontier areas and we continue to reshape our assets to provide us with further access to material opportunities. As we enter 2013 we have an exceptionally strong platform for future growth. I look forward with excitement to driving the strategy and the business forward this year and beyond.



Aidan Heavey
Chief Executive Officer

OUR STRATEGY

The Special Feature starting on page 17, opposite, gives an overview of our vision, strategy and how our business model is focused on creating value and ensuring we run our business very successfully. We also set out the strategic priorities for Tullow and our progress against these in 2012. These strategic priorities are aligned with specific performance indicators for the Group as well as key risks to our long-term performance. Our goal is to demonstrate that Tullow operates as an integrated business, which is focused on the successful delivery of our business plans in the shorter term and our strategic priorities over the longer term.

Our 2013 to 2015 business plans

The Board approves a detailed annual plan, extending over three years, and this sets out the operational and performance agenda for Tullow over the period. It includes region-specific and Group plans. The following are the key Group objectives in our 2013 to 2015 business plan. Key objectives for each of the regions are in the operations review of this report.

Group

- Replenish and high-grade the exploration portfolio;
- Generate monetisation options for each asset;
- Develop Joint Venture partnerships that add material value to the business;
- Continue to build organisation capability, with a particular focus on localisation; and
- Maintain safe and efficient operations.

West & North Africa

2013-2015 business plan key objectives page 60

South & East Africa

2013-2015 business plan key objectives page 64

Europe, South America & Asia

2013-2015 business plan key objectives page 68

CLEAR PROGRESS

SPECIAL FEATURE

Our vision is to be the leading global independent exploration and production company and we have a clear and consistent exploration-led growth strategy to achieve this. This special feature is a performance report of the progress we have made towards our strategic priorities in 2012.

What we want to do is build a business that has an unrivalled competitive position that is differentiated from our peers. We will do this through having a balanced yet diversified portfolio of high-impact exploration, selective developments and material production. We will fund the growth and development of our business by cash from operations, monetisation of assets and access to debt and equity markets.

Success will be long-term sustainable value growth for Tullow that delivers substantial returns to shareholders and shared prosperity to all our stakeholders. We recognise that our exploration-led strategy, the scale of our business and the dynamic environments within which we operate require disciplined and ongoing strategic attention to continue to deliver a robust, well-funded business.

Our business model has two dimensions aligned to how we create value and, equally importantly, how we run our business.

We create value in two simple ways. We find oil and we sell oil. We find oil through our high-impact exploration programme, strategic acquisitions and New Ventures. We sell oil by farming-down or divesting at any point in the oil life cycle or by developing our discoveries through to production. This generates cash flow for investment in our exploration-led growth strategy and supports a range of funding options to ensure we have a strong balance sheet and financial flexibility.

Our approach to running our business reflects the most material issues for our continued success and delivery of our business plans. These include strong and effective risk management, maintaining high standards of governance, transparency and anti-corruption, developing a multi-disciplined and diverse entrepreneurial team and making a positive and lasting contribution where we operate.

2 Safely manage and deliver all major projects and production operations increasing cash flow and commercial reserves.

1 Execute selective high-impact Exploration & Appraisal programmes.

3 Manage financial and business assets to enhance our portfolio, replenish upside potential and support funding needs.

7 Nurture long-term relationships with local governments, communities and key stakeholders.

4 Ensure safe people, procedures and operations and minimise environmental impacts.

6 Build a strong unified team with excellent commercial, technical and financial skills and entrepreneurial flair.

5 Achieve strong governance across all Tullow activities and continue to build trust and reputation with all stakeholders.

INDUSTRY LEADING SUCCESS IN EXPLORATION

EXPLORATION & APPRAISAL

We have found oil in four new basins in recent years, which is an exceptional success rate and track record compared with our peers.

Our strategic priority for E&A is to execute selective high-impact E&A programmes and in 2013 we have an ambitious 40 well campaign planned. The performance indicators for E&A are exploration success ratio, resource growth and portfolio renewal and high-grading.

The principal long-term risk associated with this area is sustained exploration failure.

In 2012, our exploration success ratio was 74%. This compares to 74% in 2011, 83% in 2010, 87% in 2009 and 77% in 2008. Total resources discovered amounted to 865 mmboe during the period, mainly in four new oil basins in West Africa (Ghana), East Africa (Uganda and Kenya) and South America (French Guiana). Each year we seek to renew our portfolio by acquiring new acreage in highly prospective areas and we added acreage in five new countries in 2012.

Our focus is on finding high-value light oil in material commercial quantities and we concentrate on a limited number of geological plays – stratigraphic traps, rift basins, salt basins and carbonates – where we have proven expertise. We follow this geology in focused geographies in Africa and the Atlantic Margins.

MATERIAL PRODUCTION & OPERATIONAL CASH FLOW

DEVELOPMENT & OPERATIONS

We have transformed our production profile to high-value oil and continue to build our offshore and onshore operational capability.

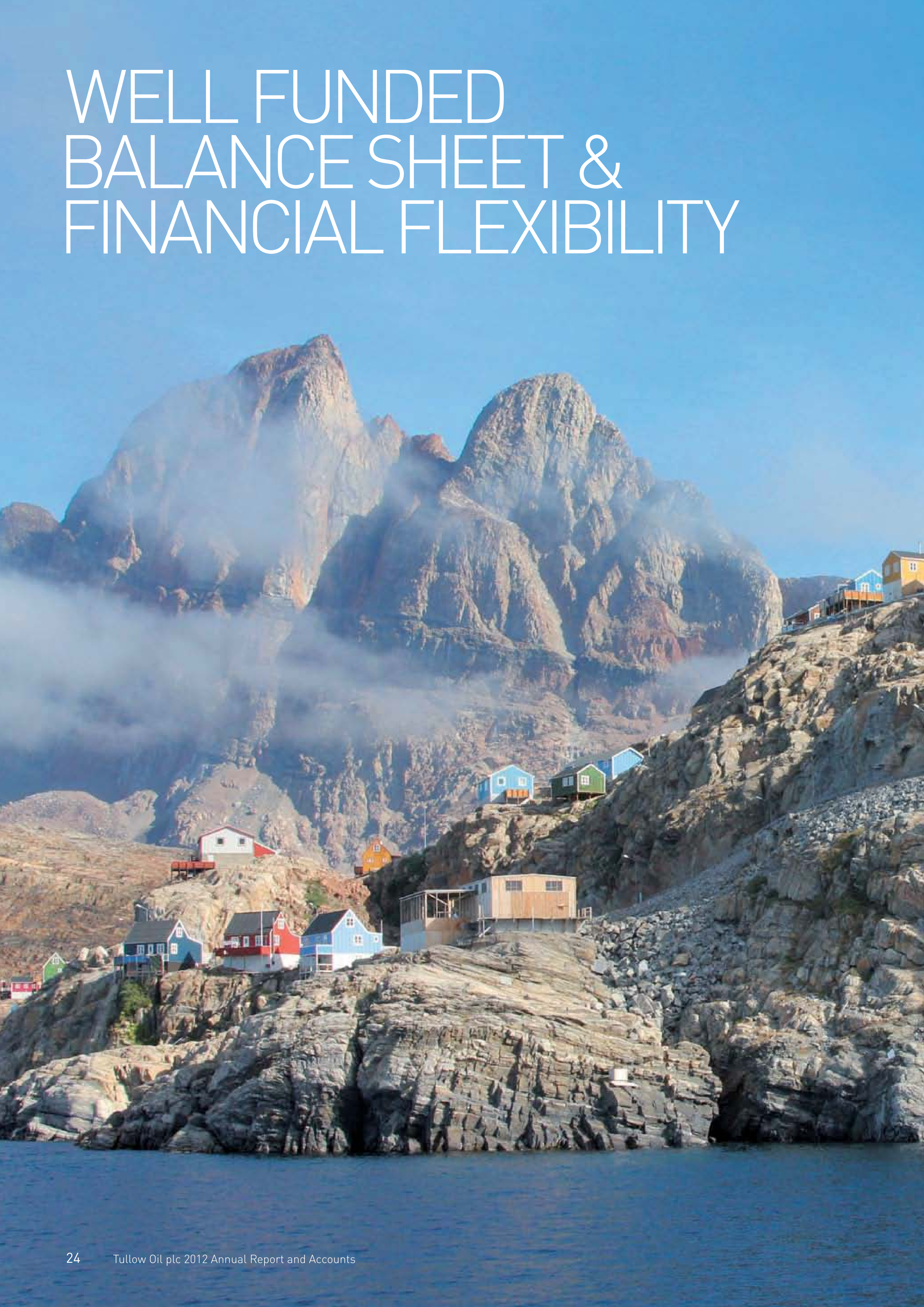
Our strategic priority for D&O is to safely manage and deliver all major projects and production operations, increasing cash flow and commercial reserves. The performance indicators for D&O are working interest production and timely delivery of projects.

The principal long-term risk is key development and/or production failure. D&O is also responsible for EHS and security, which is on page 26 of this Special Feature.

In 2012, the production focus for Tullow was the successful and lowest-cost resolution of productivity issues in the Jubilee field, offshore Ghana. Output is now largely back on track and Jubilee is approaching its full potential. Group working interest production is forecast to be 86,000 to 92,000 boepd in 2013.

D&O is also focused on the early commercialisation of our exploration discoveries to ensure we maximise the value of exploration success. Progress in this area in 2012 includes the submission of the Plan of Development for TEN in Ghana, commercial declaration of the Banda gas project in Mauritania and steady progress with the partners on a basin-wide development plan for the Lake Albert region.

WELL FUNDED BALANCE SHEET & FINANCIAL FLEXIBILITY



We have strong operating cash flow, low gearing and a well-funded balance sheet. We are well placed to fund our growth strategy and selective developments.

Our strategic priority for Finance & Portfolio Management is to manage Tullow's financial and business assets to fund our major E&A programmes and selective developments, to replenish upside potential and to support funding needs for New Ventures and acquisitions.

Finance & Portfolio Management has a wide range of performance indicators based around capital and cost management, debt profile and capacity, gearing and operating cash flow.

Key long-term risks are insufficient liquidity or inappropriate financial strategy, cost and capital discipline, oil and gas price volatility and supply chain failure.

In 2012, Tullow completed the partial farm-down of assets in Uganda, refinanced $3.5 billion of debt, acquired Spring Energy of Norway, entered into five new countries and delivered $1.8 billion operating cash flow.

STRONG & EFFECTIVE RISK MANAGEMENT PROTECTS OUR BUSINESS

RISK MANAGEMENT

We take a dynamic, action-orientated approach to identify, evaluate and mitigate the risks we face, turning many into opportunities for our business.

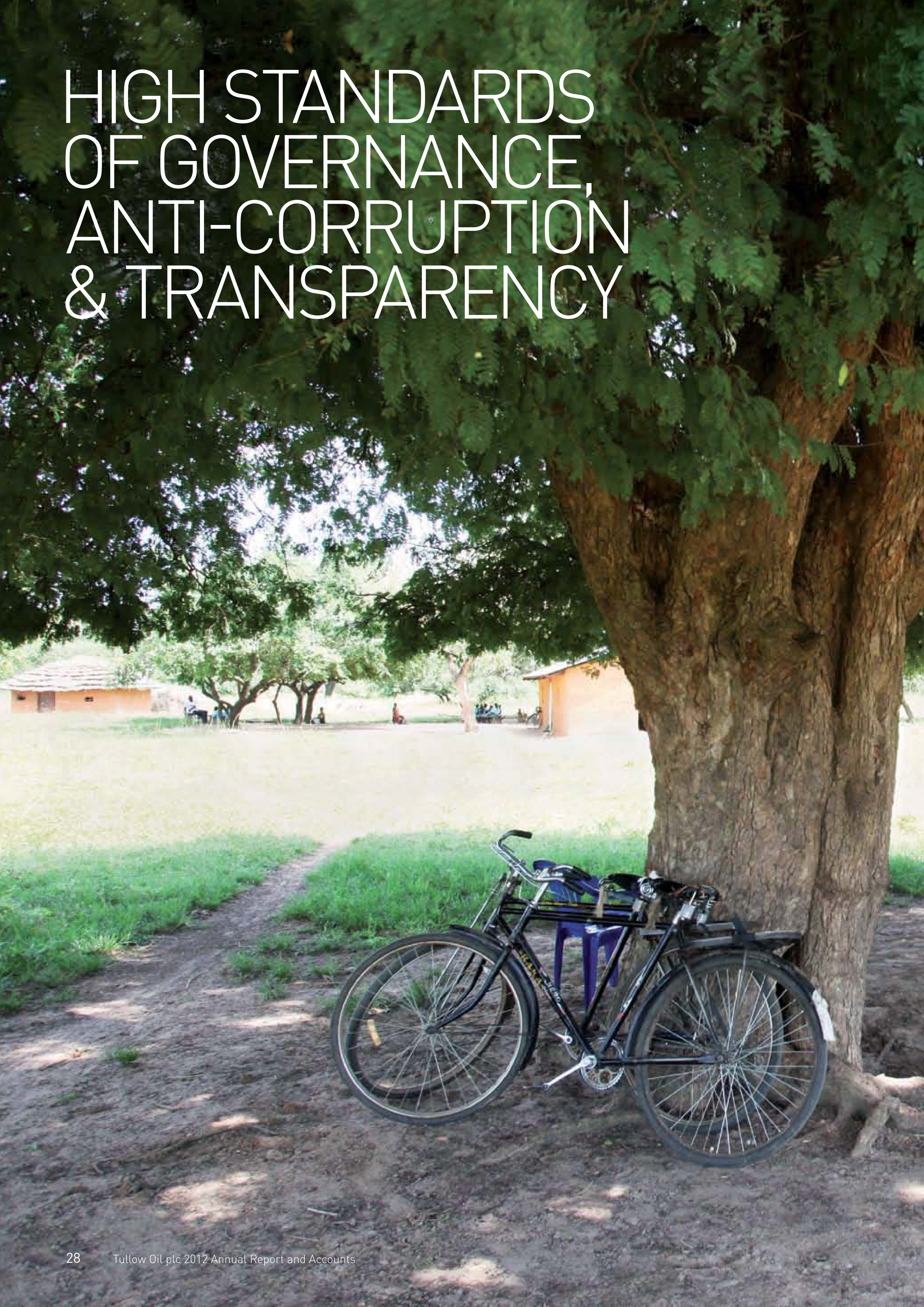
Our strategic priority in Risk Management is to ensure safe people, procedures and operations and to minimise environmental impacts. While we face a broad range of technical and non-technical risks in our activities, this strategic priority encompasses all aspects of how we need to protect our business, our people and our reputation. It also ensures that we safeguard the communities and the environments we work within and as a result enables us to develop good, long-term relationships with host governments and business partners.

The key performance indicator for our strategic priority in Risk Management is our new EHS scorecard, which comprises nine leading and lagging indicators that are focused on prevention rather than redress or remediation after an incident.

The key long-term risk is an important EHS failure or security incident. This aspect of risk management is closely aligned with and managed by D&O. In total, Tullow has identified 13 long-term performance risks.

In 2012, the EHS scorecard was 22 out of a potential 27 points. The main area of non-performance was five small loss of containment incidents. We also see an opportunity for further improvement in visible EHS leadership throughout Tullow, to drive a consistent top quartile EHS industry performance.

HIGH STANDARDS OF GOVERNANCE, ANTI-CORRUPTION & TRANSPARENCY



We maintain high standards of governance and believe we have a part to play in increasing transparency in our activities and government revenues.

Our strategic priority in Governance & Values is to achieve strong governance across all Tullow activities and to continue to build trust and reputation with all stakeholders. Oil companies have to lead by example and being a good corporate citizen is a necessity, rather than a luxury.

For a company like Tullow that has worked in Africa for decades, we have a clear supporting role to play in forming the foundations of economic growth and social development, and in demonstrating accountability and strong ethics.

Key performance indicators are the percentage of staff who have attended Code of Business Conduct training, percentage Code of Business Conduct certification, full investigation of any concerns raised and maintaining the integrity of our systems and governance framework.

Key risks relate to bribery and corruption, supply chain failure and information and cyber security.

By the end of 2012, over 60% of our staff had attended Code awareness training, our anti-bribery and corruption programme has been independently assessed and 16 investigations have been completed in relation to 18 complaints. We also conducted supply chain industry partner forums involving 89 companies. In addition, several initiatives are under way to further embed our values in our growing organisation to ensure that they are meaningful to our people.

SKILLED MULTI-DISCIPLINARY TEAM FOCUSED ON SUCCESS

ORGANISATION & CULTURE

Our entrepreneurial culture is part of our competitive advantage and is in the DNA of Tullow. It is reflected in our values, the way we work and our track record of success.

Our strategic priority in Organisation & Culture is to build a strong unified team with excellent commercial, technical and financial skills and entrepreneurial flair. This enables us to attract and retain highly skilled people from different cultural backgrounds, in a competitive and tight industry employment market.

The key performance indicators in Organisation & Culture are staff turnover, localisation and diversity. We also incorporate employee engagement indicators from our global employee and contractor survey, which is conducted every second year.

The key risk associated with this area is loss of key staff and succession planning.

In 2012, our staff turnover was 2.9%, despite a 17% increase in employee numbers during the year. 72% of our new recruits in 2012 were local nationals, demonstrating our strong commitment to building local capacity through our localisation strategy. We employ 57 different nationalities and 29% of our employees are women. Approximately 50% of our employees are based in Africa and in total, over 80% of our staff in Africa are local nationals.


TULLOW
OIL

TANGIBLE ECONOMIC & SOCIAL BENEFITS WHERE WE OPERATE

CREATING SHARED PROSPERITY

Creating Shared Prosperity is our commitment to contribute to economic and social development, in line with our operations and business activities, in host countries.

Our strategic priority in Creating Shared Prosperity is for Tullow to contribute to ensuring that the success of our industry brings tangible benefits to local people and national economies where we operate.

In 2012, we made further progress in Creating Shared Prosperity. Highlights include the opening of our first Enterprise Centres in Africa, increased social investment and local content expenditure, the award of 90 scholarships for study in Europe and comprehensive socio-economic research undertaken in Ghana.

UNRIVALLED COMPETITIVE ADVANTAGE

SUSTAINABLE LONG-TERM VALUE GROWTH

We are establishing an unrivalled competitive position which is being built on a new type of business model for the industry.

Today, Tullow has many attractive and important attributes – track record, size, focus, entrepreneurial culture, offshore and onshore operational capability, funding and a commitment to shared prosperity. Host governments highly value these attributes in decision-making processes around licence awards, qualification as an operator and approval of partnerships or acquisitions.

This means that we can access the best exploration acreage available in the market and that year-on-year we are able to drill just the top 10% of prospects within our exploration and appraisal inventory and deliver world-class exploration success. This, in turn, generates a wealth of opportunity to monetise assets across the oil life cycle and builds sustainable long-term value growth.

MONITORING THE PERFORMANCE OF OUR BUSINESS

We measure a range of operational and financial metrics to help manage our long-term performance and achieve our business plans.

Executive Director remuneration
The bonus element of Executive Director remuneration is linked to TSR, the EHS scorecard, working interest production, operating costs per barrel of oil equivalent (boe), finding costs per boe, growth in resources and replenishing the Group's portfolio of assets. Key elements from the 2012 business plan and strategy are also incorporated in the assessment. Each objective has a percentage weighting and financial indicators have a baseline and a stretch performance target. In 2012, the Remuneration Committee awarded Executive Directors and staff 70% of their annual bonus potential. Further information is set out in the Directors' remuneration report.

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EHS scorecard
22/27

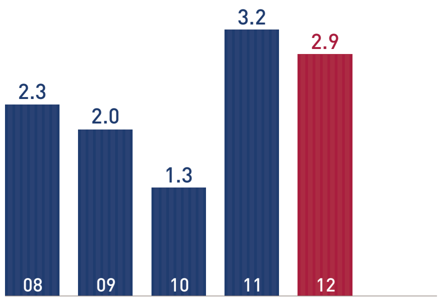
In 2012, the Board agreed a scorecard of EHS KPIs, replacing the single lost time injury frequency rate (LTIFR) measure previously used. The new scorecard provides a more complete view of Tullow's EHS performance and focuses on proactive interventions and learning from incidents, rather than concentrating on statistics of past events.

Measurement: The scorecard consists of nine leading and lagging indicators that could have a significant impact on Tullow's business. Each indicator is scored on the basis of full delivery (three points), partial delivery (two points), in progress (one point) and failure to deliver (zero). On this basis, delivery of all nine targets would result in a score of 27. Full details of the EHS scorecard can be found on page 78 of this report.

Risk management: Early identification of potential risks can mitigate EHS events for all of our operations and activities. EHS is the responsibility of all personnel in Tullow and is overseen by the Group's Chief Operating Officer, supported by an EHS strategy group and over 100 EHS professionals embedded in the business. A new EHS Board Committee, chaired by non-executive Director Anne Drinkwater, has been formed.

2012 performance: The stretch target was full delivery of all targets resulting in a score of 27 and the base target was set at 19 points, calculated on the basis of a mix of full delivery of the majority of targets and partial delivery of the remainder of the targets. In 2012, the EHS scorecard was 22 out of 27, meeting the base target for the year.

Staff turnover
2.9%



Our employee numbers grew 17% to 1,415 people in 2012. Tullow has made further progress with succession planning and talent management to ensure we have appropriate people to deliver our future growth plans and major projects. Our goal is to build and retain a strong, unified team and be the employer of choice amongst our peers.

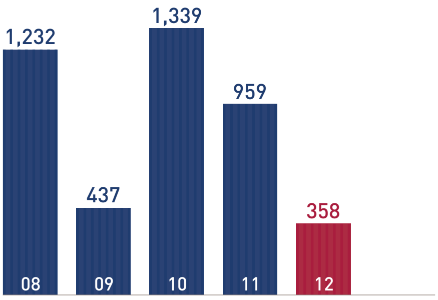
Measurement: Staff turnover rates are measured on an ongoing basis. Leavers go through a debriefing process to collect feedback and to help to improve the Group's people policies and practices. A global employee and contractor survey is conducted every two years which results in clear action plans to resolve issues raised.

Risk management: We can avoid unexpected leavers and a skills shortage by appropriately managing, recognising and rewarding our staff. We must continue to develop our people and provide suitable training opportunities in a strong and positive working environment.

2012 performance: Staff turnover in 2012 was 2.9%. There is no specific stretch or baseline target set for staff turnover. Over the past five years the Group has consistently achieved a staff turnover rate much less than 5%.

Reserves and resources replacement

358%



Resources growth is an important aspect of high-grading the Group's portfolio. This can include acquisitions, new ventures, new licences and farm-downs. Reserves and resources replacement is a key indicator of exploration success and field performance and measures the percentage of production that has been replaced during the year. In addition, Tullow undertakes active portfolio management as part of driving resources growth.

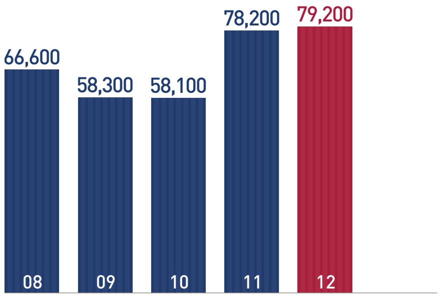
Measurement: A Group reserves report is produced by an independent expert who conducts a review of each field at least every two years or when there is significant new data that indicates a material change to commercial reserves or contingent resources.

Risk management: The Group manages replacement risk by exploring for high-value light oil in conventional plays in chosen core areas. We also focus on maximising reservoir performance in producing fields through technical and operational capability.

2012 performance: The Group achieved over 350% organic reserves and resources replacement in 2012 and has total reserves and resources of 1,203 mmboe. Group contingent resources have been enhanced by discoveries in Kenya (Ngamia) and Côte d'Ivoire (Autruche) and increased resources due to appraisal success in Uganda (Jobi-Rii). The Group also entered five new countries during 2012. We do not set specific targets for reserves and resources replacement but focus instead on the totality of replenishing and high-grading our portfolio of assets.

Working interest production

79,200 BOEPD



Tullow sets working interest production targets as part of the Group's annual budget to provide a source of funding for the Group in the form of high-margin significant annual cash flow.

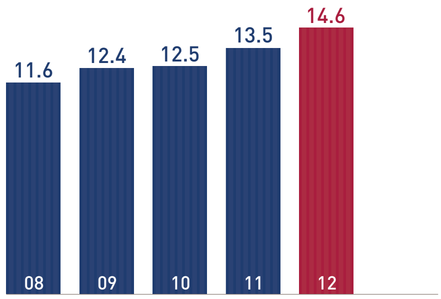
Measurement: Daily and weekly production is monitored for all key producing assets and reported weekly to senior management and on a monthly basis to the Board. Regular production forecasts are prepared during the year to measure progress against annual targets.

Risk management: We can mitigate unplanned interruptions through strong production planning and monitoring. Developing efficient and cost-effective solutions to any production issues, to protect the reserves and resources of the assets in the long term. We are also transitioning our production from lower-value gas in mature fields to high-value light oil production in new areas.

2012 performance: The Group's working interest production in 2012 was 79,200 boepd, marginally below the baseline production target of 81,700 boepd. The slight shortfall was principally due to the enforced shutdown of third-party non-operated production in the UK CMS area in December 2012 that has now been fully resolved. The stretch target for 2012 was 89,870 boepd.

Cash operating costs per boe

$14.6 PER BOE



Operating expense per barrel of oil equivalent (boe) is a function of industry costs, inflation, Tullow's fixed cost base and production output.

Measurement: Operating expenses are monitored closely to ensure that they are maintained within preset annual targets and are reported each month on an asset-by-asset basis.

Risk management: A comprehensive annual budgeting process covering all expenditure is undertaken and approved by the Board. Monthly reporting highlights any variances and corrective action is taken to mitigate the potential effects of cost increases.

2012 performance: Operating expense for 2012 achieved the Group's stretch target of $14.1 per boe, after taking account of the uncontrollable effect of royalty on reported figures in relation to oil price. This was achieved due to strong cost management and operational delivery. The baseline target for 2012 was set at $15.7 per boe.

More information

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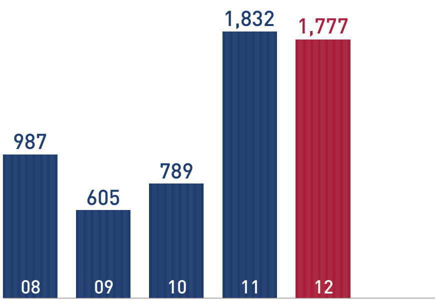
Operating cash flow before working capital

$1,777 MILLION



Our goal is to ensure that operating cash flow funds a significant proportion of the Group's annual capital expenditure. In 2012, capital expenditure was $1.9 billion and capital expenditure is forecast to be $2 billion in 2013. Approximately 50% is allocated to our 40 well E&A programme, with the remainder to selected development and operations activity.

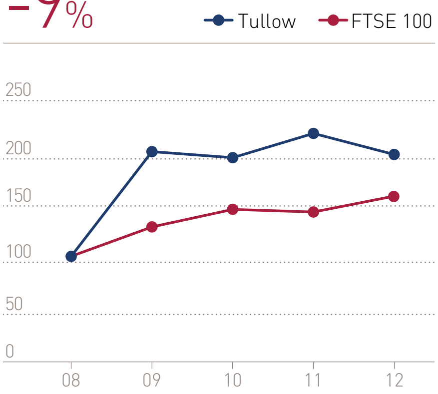
Measurement: Operating cash flow before working capital and divestment proceeds is reported monthly, with regular forecasting for longer periods to support long-range planning and investment decisions.

Risk management: Strong financial and operating management with disciplined monitoring and reporting. The Group manages liquidity through long-range cash flow forecasting and strong banking and equity relationships. Annual and project budgets require Board approval.

2012 performance: Tullow generated strong operating cash flow of $1.8 billion in 2012. This was marginally lower than in 2011, principally due to higher costs. Production sales volumes averaged 68,000 boepd in 2012 and realised oil prices were in line with 2011 average levels.

Total shareholder return

-9%



Tullow's exploration-led strategy is focused on building long-term sustainable value growth. Our primary strategic objective is to deliver substantial returns to shareholders.

Measurement: TSR (share price movement and dividend performance) is reported monthly and at year-end to the Board. TSR is measured against an industry peer group, which is regularly reviewed, and the FTSE 100. For the purpose of remuneration, TSR is calculated from the fourth-quarter average relative share price.

Risk management: Tullow has a consistent and clear strategy. The Group undertakes a three-year business planning process each year, which is reviewed and approved by the Board. Executive Directors are responsible for the safe delivery of the business plan objectives, which are set out in summary on page 44 of this report. The business plan is aligned with the Group's strategy, strategic priorities and business model.

2012 performance: The Group delivered a negative 9% TSR in 2012 based on the year-end share price, compared with a 12% increase in 2011. The baseline target is median TSR performance in relation to the peer group and the stretch target is upper quartile performance. Based on the average share price in the fourth quarter of 2012 relative to the fourth quarter of 2011, Tullow was ranked 7th out of 19 peers for TSR performance.

A STRONG BALANCE SHEET TO FUND HIGH-IMPACT EXPLORATION

We end 2012 with strong operating cash flow, low gearing and a well-funded balance sheet. We are well-placed to fund our exploration-led growth strategy from operational cash flow and to fund selective developments from a combination of debt and portfolio management.

Ian Springett Chief Financial Officer

"We continue to focus on funding our exploration-led activity set and maintaining a strong balance sheet. We also manage development spend within existing banking facilities and through portfolio management."

Watch Ian's video interview online to find out more about how Tullow effectively runs its business through strategic financial management.

Video online

www.tullowoil.com/ARA2012/financial_review

We had a successful year from a financial perspective. Our balance sheet has been transformed by the completion of the $2.9 billion farm-down in Uganda, the successful and cost-effective resolution of Jubilee production issues and the refinancing of our $3.5 billion Reserves Based Lending credit facility, extending final maturity from 2015 to 2019. We therefore end 2012 with strong operating cash flow, low gearing and a well-financed balance sheet.

Increased portfolio management

It was also a year for significant portfolio development. In addition to the Uganda farm-down, we undertook a detailed review of resource allocation, opportunities to monetise assets and the strategic decisions required both to 'move the exploration needle' and to focus our spend.

Firstly we undertook a thorough review of the exploration assets carried in our balance sheet at the half-year. We evaluated these assets against our expected near-term work programmes and the relative attractiveness of investment in these assets, compared with the exploration opportunities. This resulted in an asset write-down of $371 million.

Secondly we invested in five new country entries, including the $372 million acquisition of Spring Energy in Norway. This transaction was completed in January 2013 and has already delivered value for Tullow with the award of 13 licences, of which four are operated, in Norway's very competitive 2012 Awards in Predefined Areas licensing round.

In March 2012 and in December 2012 respectively, we announced the intention to divest non-core gas assets in South Asia and the Southern North Sea in Europe. These transactions all demonstrate our clear focus on earlier monetisation of discoveries, high-grading our exploration portfolio and re-balancing our capital expenditure. Our commitment is to increase the scale and frequency of our portfolio management to maximise value and maintain our exploration focus.

2012 results overview

Tullow delivered solid financial results in 2012 and also significantly strengthened the balance sheet through portfolio activity and refinancing. Our 2012 results were similar to 2011, with the gain on the farm-down in Uganda largely offset by a significant increase in total exploration write-offs as we took action to reshape our portfolio, as outlined above. Production from the Jubilee field, which is our largest producing asset, was fully remediated during 2012 at a lower cost than expected.

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Sales revenue grew 2% to $2.3 billion (2011: $2.3 billion) principally as a result of a 2% increase in sales volumes. Profit from continuing activities before tax was up 4% to $1.1 billion (2011: $1.1 billion) as a result of a combination of:

- $40 million increase in sales revenue;
- $701 million pre-tax gain on Uganda farm-down; and
- Partly offset by an increase in exploration write-downs of $550 million and higher costs.

Profit for the year from continuing activities decreased 3% to $666 million (2011: $689 million). Basic earnings per share decreased by 5% to 68.8 cents (2011: 72.5 cents).

Production and commodity prices

Working interest production averaged 79,200 boepd, an increase of 1% for the year (2011: 78,200 boepd). The increase is primarily due to production from the Jubilee field offset by decline in mature fields. Sales volumes averaged 68,000 boepd, up 2% compared to 2011.

On average, oil prices in 2012 were consistent with 2011 levels. Realised oil price after hedging for 2012 was US$108.0/bbl (2011: US$108.0/bbl). European gas prices in 2012 were higher than 2011. The realised European gas price after hedging for 2012 was 58.5 pence/therm (2011: 57.0 pence/therm), an increase of 3%.

Operating costs, depreciation, impairments and expenses

Underlying cash operating costs, which excludes depletion and amortisation and movements on the underlift/overlift, amounted to $437 million; $14.6/boe (2011: $386 million; $13.5/boe). The increase of 8% is principally due to a higher proportion of fixed operating costs on mature fields with declining production.

DD&A charges before impairment amounted to $537 million; $17.9/boe for the year (2011: $514 million; $18.0/boe). The Group recognised an impairment charge of $31 million; $1.0/boe (2011: $51 million; $1.8/boe) in respect of the M'Boundi field in the Congo due to higher anticipated future costs.

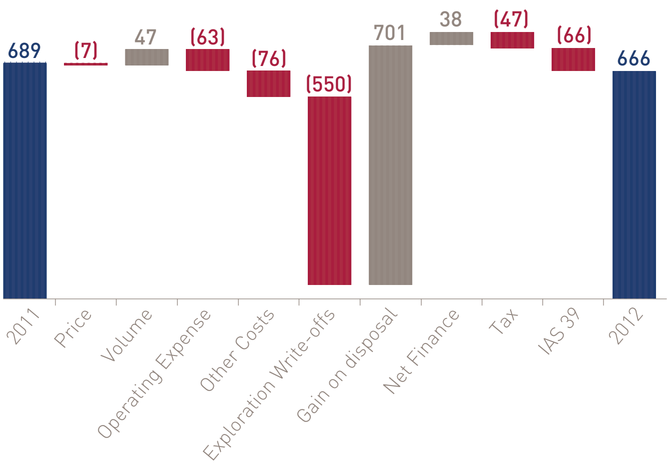
Administrative expenses of $191 million (2011: $123 million) include an amount of $31 million (2011: $24 million) associated with IFRS 2 – Share-based Payments. The increase in total general and administrative costs is primarily due to the continued growth of the Group during 2012 with Tullow's total employees increasing by 17% to 1,415 people.

Financial results summary

	2012	2011	Change
Working interest production (boepd)	**79,200**	78,200	+1%
Sales volume (boepd)	**68,000**	66,800	+2%
Realised oil price per barrel ($)	**108.0**	108.0	0%
Realised gas price per term (pence)	**58.5**	57.0	+3%
Cash operating costs per boe ($)[1]	**14.6**	13.5	+8%
Operating profit ($m)	**1,185**	1,132	+5%
Profit from continuing activities before tax ($m)	**1,116**	1,073	+4%
Profit for the period from continuing activities ($m)	**666**	689	-3%
Basic earnings per share (cents)	**68.8**	72.5	-5%

1. Cash operating costs are cost of sales excluding depletion, depreciation and amortisation and under/overlift movements.

Net income ($m)



Total costs written-off
Write-offs associated with unsuccessful exploration activities during 2012 in Guyana, Ghana, Sierra Leone, Côte d'Ivoire, Suriname, Tanzania, Uganda and new ventures activity and licence relinquishments totalled $300 million, compared with $121 million in 2011.

As a result of the Group's review of the exploration asset values on its balance sheet compared with expected near-term work programmes and the relative attractiveness of further investment in these assets, an additional write-down of $371 million was announced with the 2012 half-year results. The principal elements of the write-downs are: the Odum discovery in Ghana where acreage has been relinquished ($37 million); carried costs for Kudu in Namibia where progress towards commercialisation continues to be delayed ($160 million); undeveloped discoveries in Mauritania ($93 million) and exploration costs to date in Sierra Leone where interest remains, but a hub class commercial discovery has yet to be made ($50 million).

When the cost of unsuccessful 2012 exploration activities is added to the half-year write-off of $371 million, the total write-off for 2012 was $671 million.

Operating profit
Operating profit grew 5% to $1.2 billion (2011:$1.1 billion). The increase was principally due to increased sales volumes, with the gain on the Uganda farm-down ($701 million) largely offset by a significant increase in exploration cost write-offs and increased cost of sales.

Derivative instruments
Tullow continues to undertake hedging activities as part of the ongoing management of its business risk to protect against volatility and to ensure the availability of cash flow for reinvestment in capital programmes that are driving business growth.

At 31 December 2012, the Group's derivative instruments had a net negative fair value of $59 million (2011: negative $47 million), inclusive of deferred premium. While all of the Group's commodity derivative instruments currently qualify for hedge accounting, a pre-tax charge of $20 million (2011: credit of $27 million) in relation to the change in time value of the Group's commodity derivative instruments has been recognised in the income statement for 2012.

At 8 February 2013, the Group's commodity hedge position to the end of 2015 was as follows:

Hedging instruments

Commodity hedge position	2013	2014	2015
Oil			
Volume – bopd	35,000	26,500	13,000
Current price hedge – US$/bbl	113.7	107.0	101.1
Gas hedge			
Volume – mmscfd	23.7	10.4	4.9
Current price hedge – p/therm	65.4	68.2	68.2

Net financing costs
The net interest charge for the year was $49 million (2011: $86 million) and reflects the reduction in net debt levels during 2012, as a result of repayment of the Reserves Based Lending credit facility with the Ugandan proceeds and acquisition of the Jubilee FPSO finance lease in the second half of 2011. The 2012 net interest charge includes interest incurred on the Group's debt facilities and the decommissioning finance charge offset by interest earned on cash deposits and borrowing costs capitalised principally against the Ugandan assets.

Taxation
The tax charge of $450 million (2011: $384 million) relates to the Group's North Sea, Gabon, Equatorial Guinea and Ghanaian production activities and payment of a presumed amount for Ugandan capital gains tax. After adjusting for exploration write-offs, the related deferred tax benefit in relation to the exploration write-offs and the profit on disposal, the Group's underlying effective tax rate is 41% (2011: 32%). The increase in underlying effective tax rate is primarily a result of lower PSC income and also higher administrative costs and the derivative charge to the income statement.

Profit after tax from continuing activities and basic earnings per share
Profit for the year from continuing activities decreased 3% to $666 million (2011: $689 million). Basic earnings per share decreased by 5% to 68.8 cents (2011: 72.5 cents).

Dividend per share
The Board is proposing a final dividend of 8.0 pence per share (2011: 8.0 pence per share). The dividend will be paid on 16 May 2013 to shareholders on the register on 19 April 2013. Shareholders with registered addresses in the UK will be paid their dividends in pounds Sterling. Those with registered addresses in European countries which have adopted the Euro will be paid their dividends in Euro. Such shareholders may, however, elect to be paid their dividends in either pounds Sterling or Euro, provided such election is received at the Company's registrars by the record date for the dividend. Shareholders on the Ghana branch register will be paid their dividends in Ghana Cedis. The conversion rate for the dividend payments in Euro or Ghana Cedis will be determined using the applicable exchange rate on the record date.

Financial KPI summary

	2012	2011	Change
Cash generated from operations ($m)[1]	**1,777**	1,832	-3%
Operating cash flow per boe ($)[1]	**59.3**	64.2	-8%
Dividend per share (pence)	**12.0**	12.0	0%
Capital investment ($m)[2]	**1,870**	1,432	+31%
Year-end net debt ($m)[3]	**989**	2,854	-65%
Interest cover (times)[4]	**48.3**	16.7	31.6
Gearing (%)[5]	**19**	60	-41%

1. Before working capital movements.
2. 2011 capital investment excludes the Nuon and EO Group acquisitions.
3. Net debt is cash and cash equivalents less financial liabilities.
4. Interest cover is earnings before interest, tax, depreciation and amortisation charges and exploration written-off divided by net finance costs.
5. Gearing is net debt divided by net assets.

Operating cash flow

Higher operating costs partially offset by increased sales volumes decreased operating cash flow before working capital movements by 3% to $1.8 billion (2011: $1.8 billion). In 2012, this cash flow together with increased debt facilities helped fund $1.8 billion capital investment in exploration and development activities, $173 million payment of dividends and the servicing of debt facilities.

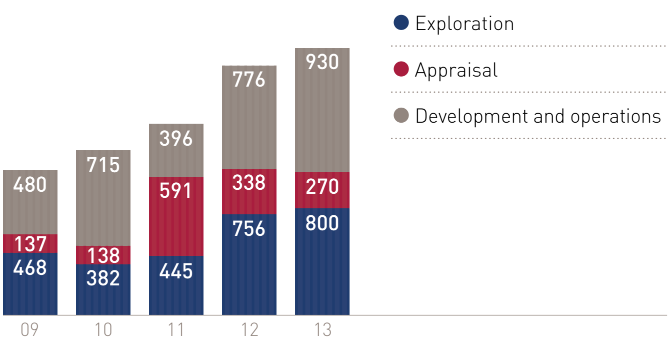
Reconciliation of net debt	2012	2011
Net debt at 1 January	**(2,854)**	(1,943)
Revenue	**2,344**	2,304
Operating costs	**(437)**	(386)
Operating expenses	**(130)**	(86)
Cash flow from operations	**1,777**	1,832
Working capital and tax	**(256)**	(101)
Capital expenditures	**(1,849)**	(1,653)
Acquisitions & Disposals	**2,570**	(402)
Other investing activities	**1**	14
Financing activities (non-debt)	**(359)**	(601)
Cash held for sale	**(18)**	
Net debt at 31 December	**(989)**	(2,854)

Capital expenditure

2012 capital expenditure amounted to $1.9 billion (2011: $1.4 billion) with 42% invested on development activities, 18% on appraisal activities and 40% on exploration activities. More than 50% of the total was invested in Ghana and Uganda and over 80%, more than $1.6 billion, was invested in Africa. Based on current estimates and work programmes, 2013 capital expenditure is forecast to reach $2.0 billion.

Capital expenditure

$1.9 BILLION



Portfolio management

On 21 February 2012, the Group completed the farm-down of two thirds of its Uganda interests to Total and CNOOC for a headline consideration of $2.9 billion. A pre-tax profit on disposal of $701 million and a post tax profit on disposal of $572 million have been recognised in respect of this transaction.

In anticipation of the farm-down of the Ugandan assets to CNOOC and Total, the Uganda Revenue Authority (URA) issued an initial assessment for $473 million in respect of capital gains tax on the transaction. At completion, $142 million was paid by Tullow to the URA, being 30% of the tax assessed as legally required for an appeal. The assessment denies relief for costs incurred by the Group in the normal course of developing the assets, and also excludes certain contractual and statutory reliefs from capital gains tax that the Group maintains are properly allowable. The appeal will be heard by the Tax Appeals Tribunal in Kampala later in the year. On the advice of leading counsel, the Group believes it has a strong case under both international and Ugandan law and currently views the most probable outcome to be that any liability will be at a similar level to the amount already paid on account.

Net debt and financing
On 31 October 2012, Tullow successfully finalised arrangements for the refinancing of its $3.5 billion Reserves Based Lending credit facilities, extending final maturity from 2015 to 2019. Commitments under the Reserves Based Lending credit facility remain unchanged at $3.5 billion from 2011. In 2012, the Revolving credit facility commitments were reduced by $0.15 billion to a revised aggregate of $0.5 billion, following the Uganda asset disposal. At 31 December 2012, Tullow had net debt of $1.0 billion (2011: $2.9 billion). Unutilised debt capacity at year-end amounted to approximately $2.2 billion. Gearing was 19% (2011: 60%) and EBITDA interest cover increased to 48.3 times (2011: 16.7 times). Total net assets at 31 December 2012 amounted to $5.3 billion (31 December 2011: $4.8 billion) with the increase in total net assets principally due to the profit for the year from continuing activities.

Accounting policies
UK listed companies are required to comply with the European regulation to report consolidated statements that conform to International Financial Reporting Standards (IFRS). The Group's significant accounting policies and details of the significant accounting judgements and critical accounting estimates are disclosed within the notes to the financial statements. The Group has not made any changes to its accounting policies in the year ended 31 December 2012.

Capital market relationships
Tullow places great emphasis on achieving top quartile and best practice performance in investor relations and capital market communications. A total of 40 press release announcements were issued during the year in addition to the six annual programme announcements for Results, Operational Updates and Trading Statements and Interim Management Statements. In 2012, Senior Management and Investor Relations met with some 350 institutions in the UK, Europe, North America and Africa and participated in 13 investor conferences and 10 sales force briefings. This amounted to almost 60 investor days, split over 21 cities in 16 countries.

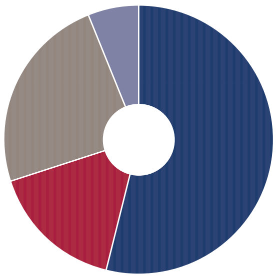
During the summer of 2012, we undertook an Investment Community research project which covered the UK, Europe and North America, with a balance between shareholders of Tullow, sell side analysts and potential investors. The study was undertaken to give us an insight into how Tullow is perceived, identify any areas of concern or recurring themes and then to use that feedback to help us improve our performance and communication of our progress and plans. While there are always areas for improvement, such as future guidance and expectation management, the results from the perception study indicate that Tullow continues to be well regarded by investors and analysts.

Tullow's Investor Relations (IR) team was ranked third out of 48 European exploration and production (E&P) companies in the 2012 Institutional Investor Magazine All-Europe Executive Team perception survey. This is an excellent achievement and recognises the Group's continued effort to deliver best-in-class Investor Relations and Communications. This was also supported by the 2012 Thomson Extel survey results with Tullow's IR team being voted fifth best in the European Oil and Gas sector and 12th best in the UK across all sectors.

Substantial shareholdings
As at 12 February 2013, the Company had been notified in accordance with the requirements of section 5.1.2 of the UK Listing Authority's Disclosure Rules and Transparency Rules of the following significant holdings in the Company's ordinary share capital.

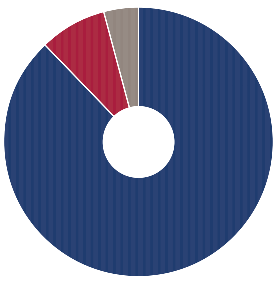
Shareholder	Number of shares	% of issued capital
BlackRock Inc	90,154,669	9.93%
Genesis Asset Managers, LLP	46,199,514	5.08%
IFG International Trust Company Limited	38,960,366	4.29%
Legal & General Group plc	35,414,975	3.90%

Shareholder analysis by geography



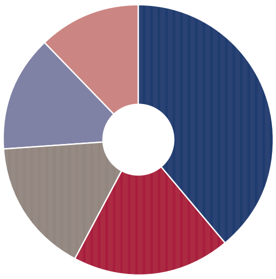
UK	54%
Europe	16%
North America	24%
Rest of the world	6%

Shareholder analysis by category



Institutional	88%
Non institutional	8%
Miscellaneous	4%

Shareholder analysis by investment style



Growth	39%
Value	19%
GARP	16%
Index	14%
Other	12%

Liquidity risk management and going concern

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's producing assets and delays to development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capacity and flexibility of the Group. The Group's forecasts, taking into account reasonably possible changes as described above, show that the Group will be able to operate within its current debt facilities and have significant financial headroom for the 12 months from the date of approval of the 2012 Annual Report and Accounts.

2013 principal risks and uncertainties

In the detailed risk management section of this report on page 44, we set out the Group's management of principal risks and uncertainties during the year. As part of our 2013 to 2015 business plan a number of risks and uncertainties to the Group's financial and operational performance for the period were identified and these are also incorporated. Overall, the Tullow Board has responsibility for risk management.

The principal risks to performance identified for 2013 are:

- Delivery of strategy to maintain appropriate liquidity;
- Ensuring cost and capital discipline and effective supply chain management; and
- Oil price and overall market volatility.

Events since year-end

In January 2013, Tullow has completed the farm-in announced in November 2012 to gain a 40% operated interest in the Hyperdynamics Corporation's oil and gas exploration licence offshore Guinea. The Group also completed the acquisition of Spring Energy Norway AS ("Spring") that was previously announced in December 2012.

Positive financial strategy and outlook for 2013

Our financial strategy remains to maintain the appropriate financial flexibility to fund high-impact exploration and selective developments. Our focus is to fund exploration activities from production cash flow and to fund selective developments from either current debt capacity or swapping equity to pay for development costs (carries). Where surplus cash is generated from farm-downs, this will either be reinvested or returned to shareholders as appropriate. We will also look to broaden the sources of funding for Tullow, whilst ensuring an appropriate capital structure. Allied to this we will work to ensure that our cost base remains appropriate as we continue to build our organisational capacity and international footprint. These goals are aligned with the 2013 to 2015 business plan key objectives and enable us to support the Group's growth strategy with a robust, well-funded business. We start 2013 with a strong balance sheet and clear plans to grow the value of the business.

Ian Springett
Chief Financial Officer

INVESTOR RELATIONS APP

In early 2013, Tullow launched an Investor Relations and Media app for tablets and smart phones to enable easy access to a suite of investor materials.

Scan the QR code to find out more and download the app.

MANAGING RISK TO PROTECT OUR BUSINESS

The oil and gas industry is inherently high risk and this requires a dynamic approach to identifying, evaluating and mitigating a broad range of technical and non-technical risks.

Strong and effective risk management is central to how we run our business. It supports the achievement of our strategic objectives and protects our business, our people and our reputation. It also enables us to safeguard the communities and the environments we work within and to develop long-term relationships with host governments. Identifying, understanding and mitigating the risks we face, whilst being able to maximise the value from business opportunities, supports effective decision making at an asset, business unit, regional and strategic level. Responding quickly when risks crystallise to mitigate their impact is also a key element of our risk management process.

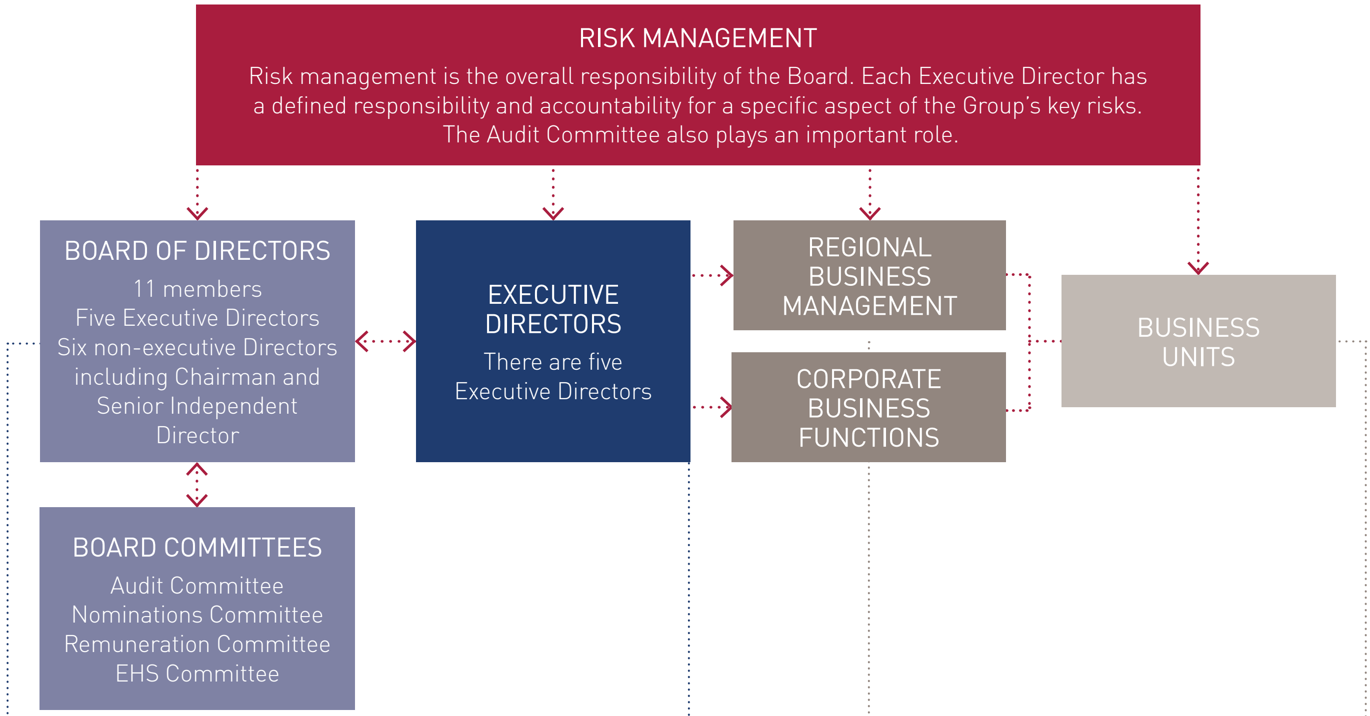
The Board is collectively responsible for risk management and each Executive Director is responsible for designated risks. Regional Business Managers and the Business Unit organisations are responsible for managing day-to-day operations and the safe delivery of the Group's business plan. Corporate functions are responsible for managing designated Group-wide corporate risks and providing oversight, together with regional business management, of Business Unit activities and operational and financial performance. Risk identification and progress in implementing risk mitigation are reported regularly to the Board. In this way, it is clear whether risk mitigation has been achieved, is in progress, or whether risk has escalated and requires immediate attention. This validates progress being made in mitigating risk throughout the year as well as identifying new risks and refining mitigation processes in line with changes in the external operating environment. Overall this approach ensures that Tullow is actively managing risk in a transparent and accountable way.

Tullow has detailed policies, standards, procedures and systems in place to support risk management across the Group. These include the Code of Business Conduct, Human Resources (HR) and EHS policies, ISO14001 certification of the Group's Environmental Management System, supply chain management, asset protection standards and processes and crisis management plans. Monthly Board risk reporting is coordinated independently by the Group Internal Audit Manager.

Executive Directors' responsibilities

Executive Directors	**Aidan Heavey** Chief Executive Officer	**Graham Martin** General Counsel & Company Secretary	**Paul McDade** Chief Operating Officer	**Angus McCoss** Exploration Director	**Ian Springett** Chief Financial Officer
Direct reports	Other Executive Directors, External Affairs & CSR, Africa Advisers	Compliance, Human Resources, Legal, Company Secretariat	RBMs, Development & Operations, EHS & Security, Major projects	Exploration, Geophysical Technology, Information Systems	Investor Relations & Corporate Communications, Corporate Planning & Economics, Finance, Internal Audit, Corporate Finance, Treasury & Marketing, Supply Chain, Taxation
Risk management	• Strategic risk • Political & social risk	• Bribery & corruption risk • Organisational risk • Governance & legal risk	• Development & Operations risks • EHS & Security risk	• Exploration risk • Information Security risk	• Financial risk • Supply Chain risk
Risk assurance	• Executive team	• Compliance Committee	• Development & Operations Leadership Team • EHS Committee	• Global Exploration Leadership Team	• Financial Risk Committee
CR Responsibilities	• External Affairs, Stakeholder engagement, • Social performance	• People, localisation, governance, ethics, compliance	• EHS • Crisis management	• Information systems management	• Sustainable supply chain, Local content, shareholder relations

Integrated Governance and Risk framework



Board of Directors

The Board provides oversight of the strategic direction of the business and approves the annual budget and business plan together with risks to delivery and defined operational targets. Key strategic risks and opportunities are also collated as part of the Board's annual review of Group strategy. Board committees, including the Audit Committee, Nominations Committee, Remuneration Committee and EHS Committee (to commence in 2013), play a key role in reviewing the effectiveness of Tullow's risk management.

Executive Directors

Each Executive Director has a defined responsibility and accountability for specific aspects of the Group's risk management and collectively the Executive are responsible for risk assurance in Tullow. On a weekly basis Executive Directors meet to discuss key issues and as required are joined by the Regional Business Managers and key functional managers. This structure, together with monthly and quarterly reporting, leads to an effective two-way exchange of information and ensures coordinated decision-making takes place with a premium placed on risk management. Updates on key risks form part of monthly reporting to the Board and Senior Management on the operational and financial management of the Group.

Regional business management & corporate functions

Regional Business Managers and corporate functions provide collective coordination and oversight of the activities of the Business Units and operational activities of Tullow. A number of cross-functional committees – the GELT, Development & Operations Leadership Team and Financial Risk Committee – provide integrated assurance over the technical, commercial and financial risks. An Information Systems Leadership Group, Compliance Committee and EHS Strategy Group provide oversight of their related risk areas. On a quarterly basis, Senior Management assess the Group's performance through a series of reviews with the Business Units including an assessment of risks to delivery and measures being implemented to manage these potential risks.

Business Units

Risk is managed on a day-to-day basis by Business Unit Managers through in-country operational monitoring and reporting of asset performance, operational reviews and audits and cross-functional meetings. Formal operational reporting is completed weekly with monthly financial reporting to Senior Management, the Executive and the Board. Each employee is personally responsible for managing risk within the remit of their role.

Evolving risk management processes

Risk management is an action-orientated process which responds to changes in our operating environment and our business plans. During 2012 we addressed emerging risks in the following ways:

- The Tullow security standard was implemented across the Group. This new standard provides consistent terms of reference for security risk management, baseline performance standards against which to measure effectiveness of security controls, tools to proactively evaluate emerging threats against a common risk and response matrix and is compliant with the Voluntary Principles of Security and Human Rights. The standard and supporting resources are focused on protecting Tullow's personnel and physical assets in addition to maintaining our ability to respond to unplanned events.
- EHS risk mitigation and management was enhanced by a number of initiatives during the year, including:
  - Re-launch of the Tullow Oil Environmental Standards (toes). These standards are designed to deliver consistent environmental management in our operations around four key areas of biodiversity, greenhouse gas emissions, resource management and socio-economic performance;
  - Our EHS policy was updated to more closely reflect our current business and focuses on clearly setting out expectations of employees and contractors in managing EHS risk;
  - Incident reporting capabilities including revised procedures and an update to the investigation manual and reporting system. Training was also provided to support employees involved in reporting and investigating operational incidents. All of these measures are intended to improve the application of lessons learned and to help us minimise the risks from operational incidents; and
  - A Board-level EHS Committee, with non-executive Director Anne Drinkwater as Chair, was approved and will be operational during 2013.
- A Compliance Committee was set-up to provide input and support to Tullow's Anti-Bribery and Corruption programme and to ensure that we continue to develop and maintain adequate procedures to prevent bribery across all of our locations and operations. The Committee, which reports to the Board on the status of compliance across the Tullow Group, is chaired by Graham Martin, General Counsel, and includes as members Ann Grant, a non-executive Director, the Group Compliance Manager and representatives of Tullow's key functions and business units. In addition, we have launched the first Code of Business Conduct certification process for all leaders, managers and key individuals in externally facing roles, across Tullow. The certification process demonstrates our commitment to the Code of Business Conduct and supports our ongoing reputation management processes.
- Significant improvements were also made to risk management processes throughout our supply chain, including:
  - Updated Group Contract and Procurement Procedures with risk management embedded at all stages of the process enabling each contract to be risk rated;
  - Enhanced post contract award procedures with supplier reviews assessing the effectiveness of risk mitigation;
  - Enhanced due diligence prior to doing business in new countries or with new suppliers by working closely with Compliance; and
  - Implementation of a set of standard operating procedures to manage risk in our logistics operations specifically for land transport, aviation and lifting operations in line with OGP standards.
- Review and refreshing of our long-term performance risks to incorporate new and evolving risks such as supply chain risk and information and cyber security risk.

ENSURING SUCCESS IN NEW COUNTRY ENTRIES

Our new country entry process, established in 2012, provides a consistent framework for the assessment of all technical and non-technical risks and opportunities for each new business opportunity. Our non-technical risks are those above ground that affect the project beyond the immediate proximity of the wellhead or the seismic line. They include Environmental, Social, Health, Security, Bribery & Corruption, Political, Commercial, Legal and Reputational risks.

New country entry is reviewed and approved by the Board. In 2012, Tullow entered five new countries.

As part of this process we have developed a robust portfolio database with statistical information and insight into the key strategic areas of interest, including the African Rifts and Atlantic Margins as well as the high latitudes of the Northern Atlantic and the Arctic.

2012 Short-to-medium term risks and uncertainties

Each year Tullow identifies a number of key risks and uncertainties with regard to the successful delivery of the Group's business plan. These short-to-medium term risks are set out in the table below, which indicates both the 2012 risks and performance and the principal risks associated with the 2013 to 2015 business plan period. To get a more complete view of Tullow's risk profile and mitigation processes please read the section on the Group's long-term or 'evergreen' risks on pages 48 to 51 of this report.

2012 key risks and uncertainties	Performance during the year
Completion of the Ugandan farm-down followed by delivery of a basin development plan and timely approvals for this from the Ugandan authorities	Farm-down deal completed in February to CNOOC and Total for a total headline consideration of $2.9 billion. Tullow, CNOOC and Total have completed their joint conceptual basin development plan that has been presented to the Ugandan Government. A multi-ministerial committee was established to work with the Operators to support the submission of the Plan of Development (PoD).
E&A campaign associated risks	Tullow achieved a 74% E&A success rate with new basin opening discovery in Kenya. Reserves and resources replacement was 358%. The Group also achieved a strong EHS performance during the year.
Timely remediation of Jubilee production (2012/2013) and delivery of Group production targets	Following start-up of two Jubilee Phase 1A wells and successful acid stimulations, the field is currently producing around 110,000 bopd and total well production capacity is now over 120,000 bopd. 2012 Group production at 79,200 boepd was marginally below internal targets.
Government relations/stakeholder engagement with particular reference to the 2012 Board objective to significantly improve political and economic risk information and country risk profiling	Significantly enhanced the new country entry non-technical review process and increased resources to support political risk management and social performance capability across the Group.
Achieve the appropriate balance between cash flow from operations, equity/debt market opportunities and portfolio management activities	In February 2012, the Group's balance sheet was strengthened through the completion of the Uganda farm-down. On 31 October 2012, Tullow completed the refinancing of its $3.5 billion Reserves Based Lending credit facilities, extending final maturity from 2015 to 2019.
Manage shareholder expectations, particularly with regard to the Group's long-term strategy, production profile and funding	Exploration-led growth strategy reviewed and validated by the Board during the year. Ongoing and structured shareholder meetings throughout the year and following results and announcements. Improved business planning tools implemented during the year supporting enhanced financial scenario planning and portfolio management.
Board objective with regard to corporate risks	The Board had a 2012 objective with regard to major corporate risks. The Board is satisfied that appropriate discussion took place in 2012 around the principal corporate risks. Further information is set out on pages 86 to 87.

2013 Short-to-medium term risks and uncertainties

- Receive appropriate approvals from Ugandan authorities, followed by commencement of the PoD;
- Receive TEN PoD approval from the Ghanaian Government and commence development;
- Successful management and mitigation of above-ground risk given local elections and political uncertainty in key African countries of operations; and
- Successful delivery of exploration programme and asset monetisation options.

LONG-TERM PERFORMANCE RISKS

We have identified a number of 'evergreen' risks to our longer-term performance and strategic delivery, which are in addition to the shorter and medium-term principal risks that are specifically associated with the delivery of our business plan. We believe these risks could potentially adversely impact our employees, operations, performance and assets. Each year we critically review and evaluate the risks Tullow faces and refresh these to reflect the changes in our business and operational profile.

Our business risk systems, combined with the Board's ownership of strategic risks, ensures that risk management is embedded in the business, aligned with our business model and directly linked to the delivery of the Group's strategic priorities, as is clearly demonstrated in the table below. These risks are not set out in any order or priority. They represent the Board and Management's view of the most material and important risks to Tullow and as a result they do not comprise all the risks and uncertainties we face.

Strategy fails to meet shareholder objectives

Strategic objective
Deliver substantial returns to shareholders.

Executive responsibility
Aidan Heavey Chief Executive Officer

Performance indicator
Long-term TSR

Impact
Ineffective or poorly-executed strategy fails to create shareholder value and to meet shareholder expectations, leading to a loss of investor confidence and a decline in the share price. This in turn reduces the Group's ability to access finance and increases vulnerability to a hostile takeover.

Policies and systems
Exploration-led growth strategy, ongoing portfolio management, three-year business plan, active Investor Relations programme, bi-annual investor survey, annual review of strategic objectives and monthly operational and financial reporting.

Mitigation process
Clear and consistent strategy execution, high-impact exploration and appraisal programme, selective development projects, asset monetisation across the value chain, resource growth, portfolio renewal and high-grading, strong balance sheet and financial flexibility, effective communication with all stakeholders, based on open and transparent dialogue.

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Sustained exploration failure

Strategic priority 1
Execute selective high-impact exploration and appraisal programmes.

Executive responsibility
Angus McCoss Exploration Director

Performance indicators
Resources growth

Exploration success ratio

Portfolio renewal and high-grading

Impact
Failure to sustain exploration success is costly and limits replacement of reserves and resources, which impacts investor confidence in long-term delivery of the Group's exploration-led growth strategy.

Policies and systems
Clear exploration strategy based on core campaigns, GELT, competitive capital allocation process and annual high-impact E&A programme.

Mitigation process
Board approved E&A programme. Monthly reporting to the Board on finding costs per boe and high-grading of Group's portfolio, with a view to measuring success of exploration spend. Application of technical excellence and appropriate technologies in exploration methodologies.

2012 progress
4 Operating highlights
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56 Exploration & Appraisal overview

Key operational or development failure

Strategic priority 2
Safely manage and deliver all major projects and production operations, increasing cash flow and commercial reserves.

Executive responsibility
Paul McDade Chief Operating Officer

Performance indicator
Operationally-based yearly targets, both base and stretch

Impact
Operational delivery fails to meet cost and schedule budgets or operational objectives, causing returns to be eroded.

Policies and systems
Development & Operations Leadership Team, project leadership team, asset specific PoD, EHS systems and policies, Delegation of Authority (DoA), Code of Business Conduct and asset delivery risk management.

Mitigation process
Technical, financial and Board approval required for all projects, and for all dedicated project teams. Risk evaluation and progress reporting initiated for all projects and reported on monthly.

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Insufficient liquidity, inappropriate financial strategy

Strategic priority 3
Manage financial and business assets to enhance our portfolio, replenish upside potential and support funding needs.

Executive responsibility
Ian Springett Chief Financial Officer

Performance indicators
Operating cash flow

Debt profile and capacity

Gearing

Impact
Asset performance and excessive leverage leads to the Group being unable to meet its financial obligations. This scenario, in the extreme, impacts on the Group's ability to continue as a going concern, or causes a breach of bank covenants.

Policies and systems
Financial strategy, cash flow forecasting and management and capital allocation processes.

Mitigation process
Prudent approach to debt and equity, with a balance maintained through refinancing, cash flow from operations and portfolio management activity. Board review and approval of financial strategy. Short-term and long-term cash forecasts reported on a regular basis to Senior Management and the Board. Strong banking and equity relationships maintained.

2012 progress
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Cost and capital discipline

Strategic priority 3
Manage financial and business assets to enhance our portfolio, replenish upside potential and support funding needs.

Executive responsibility
Ian Springett Chief Financial Officer

Performance indicators
Cash operating costs per boe

Finding costs per boe

Capital expenditure and cost management targets

Impact
Ineffective cost control leads to reduced margins and profitability, reducing operating cash flow and the ability to fund the business.

Policies and systems
DoA and budgeting and reporting processes, and project approval process for all significant categories of expenditure.

Mitigation process
Comprehensive annual budgeting processes covering all expenditure are approved by the Board. Executive management approval is required for major categories of expenditure, and investment and divestment opportunities are ranked on a consistent basis, resulting in effective management of capital allocation.

2012 progress
38 Financial review

Oil and gas price volatility

Strategic priority 3
Manage financial and business assets to enhance our portfolio, replenish upside potential and support funding needs.

Executive responsibility
Ian Springett Chief Financial Officer

Performance indicator
Realised commodity prices

Impact
Volatility in commodity prices impacts the Group's revenue streams, with an adverse effect on liquidity.

Policies and systems
Hedging strategy.

Mitigation process
Hedging strategy agreed by the Board, with monthly reporting of hedging activity.

2012 progress
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54 Market overview

Supply chain failure

Strategic priority 3
Manage financial and business assets to enhance our portfolio, replenish upside potential and support funding needs.

Strategic priority 5
Achieve strong governance across all Tullow activities and continue to build trust and reputation with all stakeholders.

Executive responsibility
Ian Springett Chief Financial Officer

Performance indicator
Timely delivery of projects

Impact
A delay in delivery of products or services results in project delivery delays, causing significant financial penalties and a loss of reputation with stakeholders.

Policies and systems
Group contracting and procurement procedures, post contract award procedures, market, contract and supplier due diligence and logistics standard operating procedures.

Mitigation process
Risk assessment and full due diligence of all suppliers carried out prior to award of the contract. Risk management embedded in the Group contracting and procurement procedures at all stages of the process. Comprehensive supplier monitoring undertaken to ensure that any issues are identified promptly and rectified to avoid significant issues.

2012 progress

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EHS failure or security incident

Strategic priority 4
Ensure safe people, procedures and operations and minimise environmental impacts.

Executive responsibility
Paul McDade Chief Operating Officer

Performance indicator
EHS scorecard with nine indicators

Impact
Major event from drilling or production operations impacts staff, contractors, communities or the environment, leading to loss of reputation, revenue and/or shareholder value.

Policies and systems
Board-level EHS Committee, Group-wide EHS policies, Tullow Oil Environmental Standards (toes), EMS, crisis management procedures, EHS Strategy Forum, Tullow Security standard, Occupational Health programme, application of the UN's Voluntary Principles of Security and Human Rights (VPSHR).

Mitigation process
Board-level commitment. EHS standards set and monitored across the Group through Business Unit performance reporting. EHS management system implemented. Clear policies and procedures supported by strong leadership accountability and commitment throughout the organisation. Tullow Safety Rules launched. Over 100 EHS professionals embedded in the business.

2012 progress

35 Key Performance Indicators
78 EHS performance

Information and cyber security

Strategic priority 5
Achieve strong governance across all Tullow activities and continue to build trust and reputation with all stakeholders.

Executive responsibility
Angus McCoss Exploration Director

Performance indicator
Prevent cyber attacks

Increase in maturity level and reduction in risk profile

Impact
Loss of sensitive proprietary information, financial fraud, reduction or halt in production

Policies and systems
Information security policy framework defines structure, risk methodology, levels of activity, Group policy and standards.

Mitigation process
The information security strategy integrates information, personnel and physical security. A collaborative cross-functional risk group provides governance and ensures both technical and non-technical solutions are both effective and proportionate. A Protect, Monitor, Analyse and Respond methodology recognises the ever changing threat landscape that drives investment in next generation technologies.

2012 progress
Development of an information security policy framework; formation of a collaborative cross-functional committee and introduction of an Information Security Awareness programme.

Bribery and corruption

Strategic priority 5
Achieve strong governance across all Tullow activities and continue to build trust and reputation with all stakeholders.

Executive responsibility
Graham Martin General Counsel & Company Secretary

Performance indicator
Rollout of the Code of Conduct training

Percentage Code of Conduct certification

Impact
Corrupt actions or practices in the Group's activities leading to prosecutions or investigations, impacting on the Group's reputation and leading to loss of shareholder value.

Policies and systems
Code of Business Conduct and corporate responsibility policies and systems.

Mitigation process
Consistent ethical standards established and applied through the Code of Business Conduct, and through contract and procurement procedures. Conduct regular reviews of compliance requirements together with periodic Board reporting.

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Governance and legal risk

Strategic priority 5
Achieve strong governance across all Tullow activities and continue to build trust and reputation with all stakeholders.

Executive responsibility
Graham Martin General Counsel & Company Secretary

Performance indicator
TSR performance

Impact
Changes to the legal or fiscal regimes or contracts; modifications or expropriation can erode shareholder value.

Policies and systems
Stakeholder engagement enhanced; experienced legal and commercial teams; and comprehensive knowledge of contractual regimes and fair practice.

Mitigation process
Continuing to engage with all stakeholders to come to fair outcomes.

2012 progress
76 Governance
77 Stakeholder engagement

Loss of key staff and succession planning

Strategic priority 6
Build a strong unified team with excellent commercial, technical and financial skills and entrepreneurial flair.

Executive responsibility
Graham Martin General Counsel & Company Secretary

Performance indicator
Staff turnover

Recruitment for key roles

Impact
The loss of key staff and a lack of internal succession planning for key roles within the Group causes short and medium-term business disruption. Inability to recruit for key roles hinders performance.

Policies and systems
HR strategy, localisation, our values, HR function and policies, performance management and training and development. Talent management and external benchmarking.

Mitigation process
Clearly defined people strategy based on culture and engagement, talent development and reward and recognition, together with the continuing success of the Group.

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88 Board objectives

Political and social risk

Strategic priority 7
Nurture long-term relationships with local governments, communities and key stakeholders.

Executive responsibility
Aidan Heavey Chief Executive Officer

Performance indicator
TSR Performance

Impact
Changes in political regimes can lead to re-negotiation of licence and agreement terms or delays in grants of licences and approval of agreements. Erosion of social licence to operate leading to erosion of value of projects, possible local disruptions and delays in project schedule and increased project costs. Failure to understand political and social contexts can lead to insufficient planning, resourcing and costing of projects.

Policies and systems
Portfolio risk management tool including political and social risks, social performance standards and management system, issues management plans and host country resources including stakeholder and community engagement activity.

Mitigation process
Early identification and ongoing monitoring of political and social risks and opportunities. Management plans that address business risks and political and social impacts associated with existing or planned operations. Ensuring that Tullow has appropriate resourcing and competency to identify, analyse and advise on political and social risk management. Social investment projects targeted at managing social risks and at delivering opportunities to maximise our business benefits. Policy and management system for operating in sensitive areas.

2012 progress
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OUR OPERATIONS IN KENYA

Tullow discovered oil in this vastly unexplored area in March 2012 with the Ngamia-1 well, opening up the Kenyan Rift Basins as a major potential oil province. In order to enter and operate in this new frontier area, teams of talented and specialist staff from our offices in Cape Town, Dublin, London and Nairobi have worked together to build our operational team.

We now have 108 people working in Kenya, of which 86% are nationals. A group of 10 Kenyan students were accepted onto the Tullow Group Scholarship scheme in September 2012. They will now study in the UK for oil and gas related qualifications, to build the capacity needed to develop the oil and gas industry in their home country.

Tullow Team

1. Yubin Liu
2. Sarah Magado
3. Losike Dickson
4. John Carr
5. Yusef Bwenge
6. Mick McCarthy
7. Peter Waweru
8. Ihab Darwish
9. Peter Muriuki
10. Evelyn Serro
11. Geddawy Ebaid Mohamed
12. Asim Abdulrahman Mohamedaltilib

2

OPERATIONS REVIEW

UNDERSTANDING THE INDUSTRY IN WHICH WE OPERATE

In 2012 the market environment for our industry continued to be framed by global economic, political and demand uncertainty but, despite fluctuations throughout the year, oil prices and equity markets remained broadly unchanged by year-end.

An uncertain economic and political world

2012 was characterised by uncertainty driven by a mixed set of economic indicators and geo-political circumstances around the globe. In the Euro-zone, the fiscal crisis continued and a double-dip recession threatened the UK and other major European economies. Economic growth began to slow moderately in China, which impacted a fragile global economy. In the US, despite being overshadowed by the 'fiscal cliff'[1], a slow and steady economic recovery commenced. Global economic uncertainty was compounded by geo-political unrest around the world during the year. The Arab Spring which began in late 2010 extended into 2012, most notably the ongoing civil war in Syria, naval exercises off Iran and increased tension between Israel and Palestine.

Volatile equity markets

There was a decrease in equity trading volumes in 2012, particularly in the second half of the year, as cautious investors waited for clearer macro-economic indicators. The FTSE 100, of which Tullow is a constituent, was volatile as it tracked major events around the globe. By 31 December 2012 it was up 5.8 %, compared with the 2011 year-end. The FTSE oil and gas sector was one of the worst performing, down 11.8% at the year-end and ranking 35th out of the 38 FTSE 350 sectors overall. This was mainly due to the lack of major global exploration advances in 2012, reflecting the deferral of investment in recent years by major oil companies, which caused a state of inertia in the industry. The most notable exploration successes in 2012 were in East Africa, including the basin-opening onshore oil discovery in Kenya by Tullow. Tullow's share price ended the year at £12.61, down 10% compared with the year-end share price of 2011.

Fluctuating oil prices and shifting demand drivers

Brent crude started the year at $102.7/bbl and decreased approximately 11% in the first six months of the year, reaching a low of $90/bbl. Oil price recovered over the course of the second half of 2012 to $109.9/bbl. While the drop in oil price in the first half was driven by doubt around economic growth, in the second half the recovery in price was motivated by heightened political risk in key producing countries. Realised oil price after hedging for Tullow in 2012 was $108.0/bbl, consistent with 2011 levels. Overall, global oil demand grew marginally in 2012 from 88.7 million barrels a day to 89.8 million barrels a day. A complex combination of abnormally high levels of global economic and geo-political uncertainty is making the difficult job of forecasting oil demand and pricing even trickier. At present, oil demand growth is expected to be slow in 2013, while oil price forecasts are currently very divergent. This is despite an outlook for steady supply underpinned by spare production capacity.

Changing competitive landscape

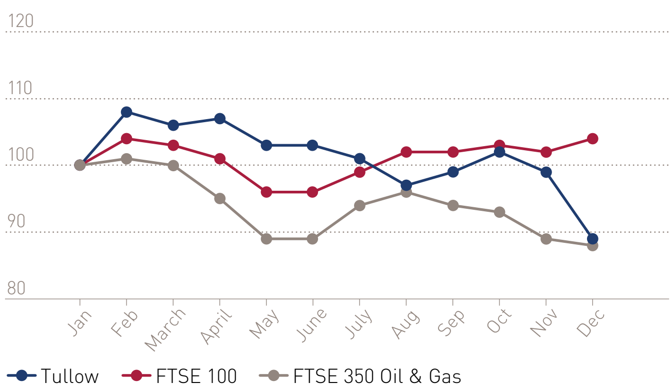
East Africa became a competitive centre of focus in 2012 following a basin-opening oil discovery by Tullow in Kenya and major gas finds offshore Mozambique and Tanzania by other operators. Licence bid rounds globally have also become increasingly competitive, particularly in South America where bid rounds in Uruguay and Brazil were heavily oversubscribed following Tullow's success in 2011 off French Guiana. Despite increased interest and competition, we had a busy year for business development and portfolio management. During 2012, we concluded the $2.9 billion farm-down in Uganda and entered five new countries including the acquisition of Spring Energy in Norway.

Increased investment and costs across the industry

In 2012, upstream development capital outlay was approximately $550 billion[2] and high levels of investment in the industry are likely to continue, in line with the medium-term prospects for the world economy[2]. Demand for rigs and costs in the industry increased between 10-25%. Cost inflation was most evident in Australia, Norway, Canadian Oil sands and global deepwater. Onshore rig demand was driven by the growth in complex conventional drilling and the development of unconventional reserves. Offshore rig demand has been sustained by the price of Brent. This high demand was also reflected in the challenge of hiring appropriately experienced and skilled technical staff across the industry. Fortunately, Tullow continues to attract and retain high-quality employees. Staff turnover in 2012 was 2.9%

Equity markets

This graph shows the FTSE 100 throughout 2012 and how Tullow and the oil and gas sector performed compared to the overall FTSE 100.



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and the Group's total workforce grew by 15%. In 2012, Tullow invested $1.9 billion capital expenditure in exploration, appraisal, development and production activities.

Additional industry regulation

Regulation of the oil and gas industry continues to increase. The European Parliament is considering laws obliging companies to list all payments to governments, whether covered by confidentiality or not. This mirrors the potential effect of the USA's 2010 Dodd-Frank Act, which required the Securities and Exchange Commission (SEC) to draw up transparency rules for extractive industries. An agreement on the extended disclosure obligations is ongoing. Regulation in nascent oil and gas industries is also developing as national parliaments, such as in Kenya and Uganda, consider new laws. In addition, the effects of the UK's 2010 Bribery Act continue to have an impact globally, as energy companies implement rigorous internal procedures and work with host governments and suppliers to stamp out corruption in an industry far more exposed to this risk than most other kinds of business. In 2012, we made good progress in enhancing our anti-bribery and corruption programme across the Group and to date more than 60% of our employees have attended our Code of Business Conduct awareness training.

1. The fiscal cliff is the deadline put in place in 2011 to force political agreement on a 10-year federal US budget.
2. From Woods Mackenzie: Upstream Capital Spending – how high can it go?, November 2012.

LONG-TERM RIG CONTRACTS

Tullow has a long-term contract on the Seadrill West Leo, which will be used for operated activities in Ghana, Côte d'Ivoire and Mauritania. Norway is covered by prior rig commitments made by Spring Energy. We are tendering to secure longer-term contracts for our land-based East Africa portfolio.

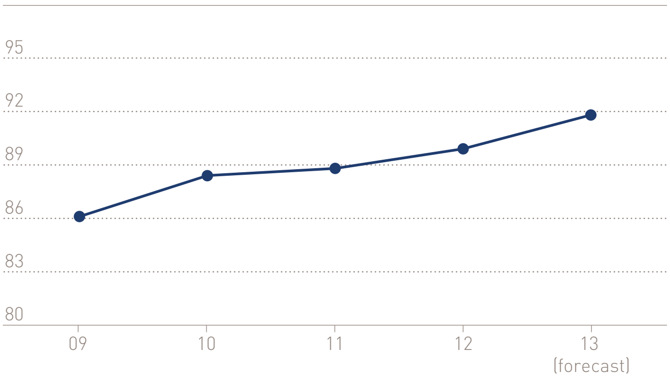
In addition, we will be looking to secure extra capacity for commencement in early 2014, both to sustain our active exploration and appraisal drilling programming and for the Guinea and Suriname areas.

"The contract for the Seadrill West Leo deepwater rig was driven by the totality of our work programmes in West Africa. This allowed us to adopt a long-term contracting strategy and to secure a five-year deal that optimises rig capacity utilisation and achieves valuable efficiencies in a highly competitive rig market."

David Mooney Head of Supply Chain

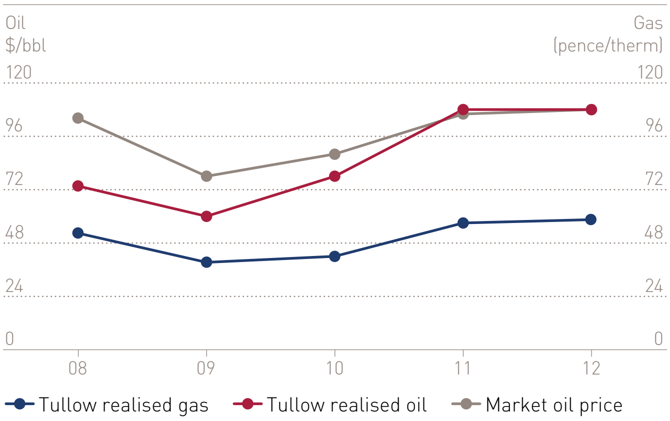
Demand for oil (mmbo)

This graph shows the global demand for oil over the past five years.



Oil and Gas prices

This graph shows the market oil price over five years, as well as Tullow's realised oil and gas price for the same period.



COMMERCIAL LIGHT OIL THROUGH CONVENTIONAL EXPLORATION

We have had tremendous exploration success in Africa and are following these geological plays throughout the Atlantic Margins.

Angus McCoss Exploration Director

"Returns for Tullow can be realised at any point throughout the life cycle of a licence and the decision is based on optimising our portfolio and maximising value."

Watch Angus' video interview online to find out more about Tullow's exploration strategy and campaign approach.

Video online

www.tullowoil.com/ARA2012/E&A_overview

Tullow's exploration strategy is to explore for high-value light oil in commercial quantities, in conventional geological core plays. Once a discovery is made this valuable asset can be readily monetised by selling oil in the ground, or by selectively developing oil for production revenues. Focusing on oil rather than gas delivers a much higher-value reward, but for a higher technical risk. We mitigate these risks through the rigorous application of geoscience by a highly qualified inter-disciplinary team and through the use of innovative exploration technologies. We have had tremendous exploration success in Africa and are following these geological plays throughout the Atlantic Margins.

A simple, repeatable, scalable strategy that delivers

Our focus on Africa and the Atlantic Margins was reflected in our 2012 E&A programme and our portfolio management activities during the year, which high-graded the prospectivity of our exploration portfolio. We had a 74% exploration success ratio in 2012, building on our strong track record of oil discoveries. The highlight of the year was the basin opening discovery in Kenya. This discovery has also benefited our activities in Uganda with the prospect of building-up a regional resource hub in East Africa. Our New Venture activity combined farm-ins, licence awards and an acquisition. This activity has given us access to an exciting new acreage position in five countries, which enhances both our existing portfolio of assets and our future exploration prospects.

A disciplined approach

We continuously replenish, high-grade and rejuvenate our portfolio of geological plays and prospects. Every quarter the inventory gets ranked by Tullow's Global Exploration Leadership Team (GELT), in collaboration with experts from Tullow's commercial, corporate planning, EHS, development and operations teams. We typically drill the top 10% of the inventory in any one year and some leads and prospects will be removed to make way for higher-value, higher-quality opportunities. Our licences also have regular contractual commitments to relinquish acreage. All of these factors mean that the inventory needs proactive and ongoing management, as well as frequent additions of new prospective acreage. We also prepare very thoroughly before acquiring new acreage. We gather detailed technical and competitive information which is combined with local and regional data to rank and compare the many basins within Africa and the Atlantic. In addition, we assess the non-technical risks, including EHS, before making recommendations to the Board.

"Our exploration track record together with our ability to work across an extensive and high-quality portfolio offsets risk and is a significant competitive advantage."

An operator with high-equity positions

When trying to open new basins and access under-explored areas, our preference is to initially enter as the operator with a high-equity position. This approach allows us to set up the right exploration and business strategies. We then progress into what we call the incubation phase. During this phase the exploration opportunity is matured through the acquisition and interpretation of geophysical and geological data. This informs our decision making, and the discussion around it, which will range between exiting the acreage through to building it quickly into one of our core campaigns.

Strategic partnerships in core campaigns

Once we have decided to ramp up exploration activity we will consider bringing in a strategic partner for the core campaign. Bringing in a strategic partner allows us to share the risks and to leverage complementary capabilities. This triggers an opportunity for Tullow to realise value from the incubation and acreage building phase as we can earn cash for past costs, gain a carry of our ongoing costs or gain agreed bonuses for future successes.

Monetising prospectivity that we unlock

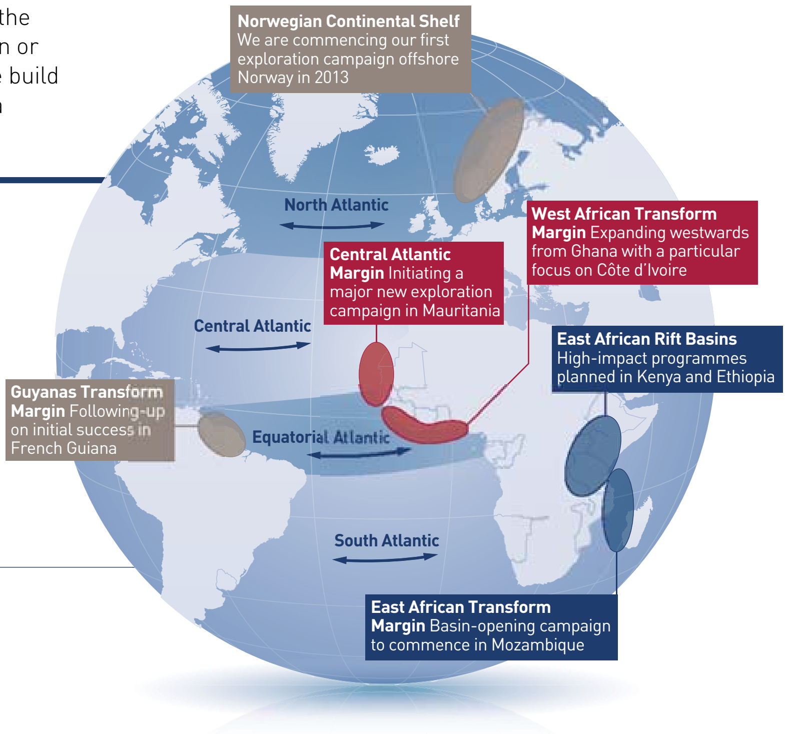
A wildcat well discovery, which is a successful exploration well drilled in an area not known to have oil, is a significant event. A successful wildcat well further increases the value of the exploration campaign, particularly if it opens a new basin or proprietary geological play for Tullow. Due to the way we build material acreage positions, a discovery usually sets up a significant programme of follow-up prospects to drill-out. Such an event triggers another important business opportunity to monetise not just the discovery but also the prospectivity that has been unlocked by the success.

Realising value at any point in the life cycle

Where we choose to retain and develop the asset, exploration activity continues through drilling bold step-out and exploratory appraisal wells to help delineate the limits of the fields. Once discoveries have been delineated, appraised and tested oil, a major decision point is reached for Tullow. We either make a final investment decision to sanction a selective development or we decide to sell all, or part, of the oil in the ground. We review each of these exploration and appraisal events considering the value, risk, remaining upside potential and the practical development and production options. Once all commercial options have been evaluated, a decision based on maximising value and optimising Tullow's portfolio is taken. This clearly demonstrates that value for Tullow can be realised at any point throughout the life cycle of a licence.

FOCUSED CAMPAIGNS IN 2013

We manage exploration risk by running parallel exploration campaigns across a spread of basins and countries. Whilst we aim for every campaign to succeed, the low chance of success of individual wells in frontier areas means that working across an extensive and high quality portfolio offsets risk and is a significant competitive advantage. This spread of risk and the breadth and depth of our portfolio can be seen in our planned 2013 exploration campaign and activity.



SELECTIVE DEVELOPMENT AND HIGH QUALITY PRODUCTION

Tullow's growing operational capability is critical to maximising value from our assets and providing funding for our E&A activities. It is also a key differentiator in the eyes of host governments and enhances our ability to compete successfully for new licences.

Paul McDade Chief Operating Officer

"While we have significant potential for production growth, the key consideration for Tullow will continue to be which of these opportunities to develop and which to monetise."

Watch Paul's video interview online to find out more about Tullow's leading production capability.

Video online

www.tullowoil.com/ARA2012/D&O_overview

The expertise required to accomplish our exploration, appraisal and development projects and manage our production operations is diverse. We have built up skills in areas such as logistics, the environment, safety, engineering and relationship management as well as many others. We have recruited and developed numerous highly competent people from diverse backgrounds, both expatriate and national employees, who form multi-disciplinary teams that are focused on delivering value from our world-class operations.

We also recognise that this breadth of operational capacity is important, even before we secure an asset. It is often a key differentiator in the eyes of host governments, thereby enhancing our opportunities to compete successfully for new licences. Our ability and commitment to deliver to international standards in challenging environments, and our entrepreneurial approach, are creating competitive advantage for Tullow in our core areas of operation.

Offshore and onshore operating capability

Our development and operational capability has evolved over the years to the point where we were able to take on the challenge of both developing the Jubilee deepwater field and building the necessary oil and gas support infrastructure in Ghana. To ensure that all the lessons and achievements are captured and implemented on future operations, Tullow has a comprehensive system of reviews led by the Development & Operations Leadership Team and senior functional leaders.

With Jubilee, for example, we have learnt a great deal from the productivity issues we encountered and have applied these lessons to Jubilee Phase 1A development. The planned offshore exploration wells and development activities, including the TEN project in Ghana and Banda gas project in Mauritania, will allow us to continue to build upon our offshore and deepwater operating capability.

In Uganda, we have spent many years improving our ability to carry out remote exploration operations in a way that focuses not just on the technical aspects of the operations but also considers our impact on the environment and local communities. We have worked diligently to transfer these best practices in remote operations to our most recent exploration campaign in Kenya and Ethiopia. The significant exploration campaigns and developments planned in East Africa will allow us to continue to develop and demonstrate our operating capability onshore.

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A strong EHS focus and culture

The technical aspects of our development and operating activities are clearly fundamental to what we do but there are other areas that are equally important and get an equal focus. EHS considerations are at the heart of what we do and are an essential responsibility for all our managers and staff. A cornerstone of our licence to operate is our strong EHS reputation and our teams work hard to maintain and build upon this reputation. This is exceptionally challenging given some of the extreme locations in which we work but we also see this as an opportunity for us to foster a strong EHS culture within the local contractor community, thereby helping to build national capacity.

Relationships are also critical to the safe and efficient delivery of developments and operations. The most important relationships are with our host governments and with the communities in which we operate. We consider that by focusing on building strong relationships, both locally and nationally, and having an agenda of shared prosperity, we can work successfully in these locations and manage these risks.

Active portfolio management

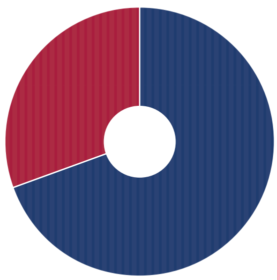
At the development and production stage of the oil life cycle we seek to crystallise a return for Tullow and recycle cash across the business through farming down or divesting assets. We also take selected core assets through development to production and cash flow. This ongoing review of either maintaining the asset through to development or early divestment allows us to manage our capital allocation and maximise the value of each individual asset. Tullow is in the final stages of divesting our non-core Asian assets which will allow for the re-deployment of capital and people in our core areas. Additionally we recently announced the intention to divest our Southern North Sea assets which, despite being a critical contributor to Tullow's cash flow and overall growth historically, are now no longer core to our light oil exploration-led growth strategy.

High-quality production

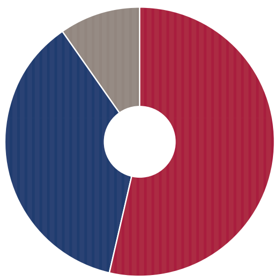
We have always been consistent in stating that long-term production targets are not a strategic driver for Tullow. The only production targets we have are short-term and are focused on ensuring that our producing assets are being operated in a cost-effective manner, which safely maximises production efficiency and identifies opportunities to sustain or grow production. By avoiding long-term production targets we ensure that all options to maximise the value of our assets are available to us, including dilution of equity or outright sale of an asset. Through a combination of these options we will continue to focus on maintaining a stable base of high-quality, high-margin and long life production that delivers a strong operating cash flow for the Group.

Going forward, we have significant potential for production growth across our portfolio from both our established production operations in West Africa and from our new discoveries in East Africa and the Atlantic Margins. However, the key consideration for Tullow over the coming years will continue to be which of these opportunities to develop and which to monetise before the development phase.

Group reserves and resources (mmboe)

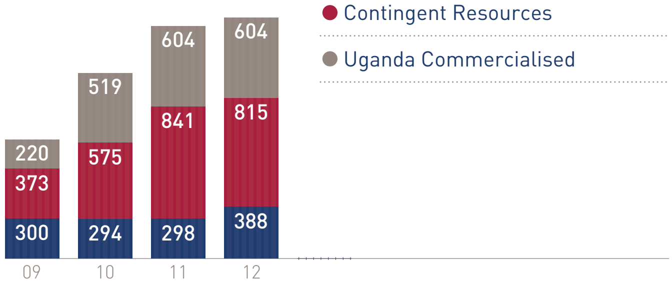


Oil	836.3
Gas	366.5



West & North Africa	647.0
South & East Africa	441.6
Europe, South America & Asia	114.2

Commercialising reserves and resources (mmboe)



- Commercial Reserves
- Contingent Resources
- Uganda Commercialised

BUILDING ON SUCCESS IN WEST & NORTH AFRICA

The West & North Africa region contributes the majority of Tullow's production, providing valuable cash flow to fund the Group's exploration activity. Tullow continues to explore in this prospective area for further high-impact discoveries.

WEST & NORTH AFRICA

Regional information 2012	Total
Countries	10
Licences	43
Acreage (sq km)	101,769
Total production (boepd)	57,850
Total reserves and resources (mmboe)	647.0
Sales revenue ($million)	1,964
2012 investment ($million)	1,087
Successful E&A wells	15 /19 wells 79%
Development wells	79

2013-2015 Regional Business plan

- Sustain Jubilee production and develop TEN in Ghana;
- Commence exploration drilling and progress Banda gas in Mauritania;
- Test prospectivity in Côte d'Ivoire and Gabon; and
- Sustain production base in Central & West Africa.

Tullow's production in Africa comes from the operated Jubilee field in Ghana and a number of non-operated fields in Equatorial Guinea, Gabon, Côte d'Ivoire, Congo (Brazzaville) and Mauritania. In 2012, the Jubilee field exited the year at record production levels and the Tweneboa-Enyenra-Ntomme (TEN) development plan was submitted to the Government of Ghana in November 2012. Elsewhere in the region, Tullow has continued to explore for high-impact Jubilee-type prospects and in 2013, Tullow's exploration programme in West and North Africa will focus on offshore Mauritania and Côte d'Ivoire.

Ghana

Tullow has interests in two licences offshore Ghana, Deepwater Tano and West Cape Three Points, with the Jubilee Field straddling both licence areas. In 2012, Tullow conducted a highly successful and cost-effective remediation programme on a number of wells in the Jubilee field. Towards the end of 2012, the first Jubilee Phase 1A well was brought on-stream with the second coming on-stream in early January 2013. The FPSO Kwame Nkrumah, which serves the Jubilee field, continues to perform well with a very low rate of unplanned shut-downs and an excellent safety and environmental record.

During the year, the Group also successfully appraised the TEN Cluster Development and submitted a Plan of Development (PoD) for the TEN project in November 2012. Approval of the PoD is expected in the near future. Exploration drilling activity in the Deepwater Tano licence continued throughout 2012.

Jubilee field Phase 1 and Phase 1A Developments

Since the start-up of production at the end of 2010 to the end of January 2013, the Jubilee field had produced 55 million barrels of oil. Gross field production during 2012 averaged 72,000 bopd. This was slightly lower than envisaged at the start of the year due to productivity issues with some of the wells. Acid stimulations proved to be the best and most cost-effective solution to these issues and well productivity has been restored at a cost of $160 million gross, significantly below the amount originally budgeted at the start of 2012.

The Jubilee Phase 1A development project, designed to increase production and recover additional reserves, was approved by the Government of Ghana in January 2012. Phase 1A consists of eight new wells, of which five are producers and three are additional water injectors. The project has progressed well with two wells currently producing and three more expected on stream by the end of the third quarter of 2013.

As a result of the Phase 1 remediation programme and Phase 1A production coming on stream at the end of 2012, gross production increased during the year, exiting 2012 at around 110,000 bopd. 2013 average gross production is expected to be within the range of 100,000-110,000 bopd with a year-end exit rate in excess of 120,000 bopd. The increase from current production levels will follow work scheduled to take place in the third quarter of the year to remove gas compression constraints on the FPSO. A full field development plan that sets out future investment opportunities has been prepared and is being discussed with the Government of Ghana. This work demonstrates the potential to significantly extend the Jubilee production plateau.

TEN Appraisal and Development

During 2012 the Group made good progress on the development plan for the TEN Project which culminated in the Declaration of Commerciality and the POD being submitted to the Minister of Energy in November 2012. The current estimated capex cost for the base development plan, which includes around 23 injection and production wells, and excludes FPSO lease costs, is around $4.5 billion. As at 31 December 2012, Tullow has transferred 112 mmboe from contingent resources to commercial reserves in respect of the TEN development.

The TEN appraisal programme, which started in January 2011, continued in 2012 with the drilling of three wells. The Owo-1RA well was drilled and successfully tested in January 2012 at combined rates in excess of 20,000 bopd. Enyenra-4A was drilled in March 2012, intersecting 32 metres of oil pay. Water injection tests on this down-dip well were carried out in April 2012, with results proving that the Enyenra channel sands are suitable for water injection to support oil production.

The Ntomme-2A well was drilled in January 2012 and found oil (the Ntomme discovery well) down dip of the Tweneboa-3ST non-associated gas discovery. The well was production tested in May 2012 at combined flow rates in excess of 20,000 bopd, confirming excellent quality reservoir. The top-hole of the final appraisal well, Enyenra-6A, has been drilled and will be completed in the first quarter of 2013 after the drilling of Sapele-1. Pressure gauges were installed in a number of the exploration and appraisal wells and readings have confirmed reservoir continuity within the core parts of the Enyenra and Ntomme fields.

The FPSO design competition was completed and bids have now been received from the two contractors and these are being evaluated. A contract award will take place in early 2013, subject to PoD approval. The subsea front end engineering design (FEED) is now complete and the tender evaluation process ongoing. The TEN FPSO production capacity has been optimised at around 80,000 bopd with a flexible design allowing for potential future expansion to allow near field resource potential to be tied in. As previously guided, first production from the TEN Project is anticipated to be between 32 and 36 months after Government of Ghana approval of the PoD.

Key producing assets

Country	Field (Tullow %)	2012 working interest production (boepd)
Congo (Brazzaville)	M'Boundi (11%)	2,500
Côte d'Ivoire	Espoir (21.33%)	3,400
Equatorial Guinea	Ceiba (14.25%)	2,850
	Okume (14.25%)	8,350
Gabon	Tchatamba (25%)	4,000
	Niungo (40%)	2,500
	Etame Complex (7.50%)	1,400
	Others (3.75% – 52.78%)	6,100
Ghana	Jubilee (35.48%)	25,450
Mauritania	Chinguetti (22.25%)	1,300


Global 1200 pipelay vessel working on the Jubilee Phase 1A development project, offshore Ghana.

Operations staff on the FPSO Kwame Nkrumah, on the Jubilee field, offshore Ghana.

Exploration and appraisal success

Country	E&A well success in 2012	Seismic activity in 2012
Congo (Brazzaville)	4/4	–
Côte d'Ivoire	1/2	–
Equatorial Guinea	–	
Gabon	6/6	
Ghana	3/5	–
Mauritania	–	
Sierra Leone	1/2	–

Seismic activity: Acquisition Processing

Exploration and Appraisal activity

Exploration drilling activity in the Deepwater Tano licence continued in 2012. The first of three wells, Wawa-1, completed drilling in July 2012. The results of drilling, wireline logging and sampling showed that Wawa-1 had intersected separate oil and gas condensate accumulations up dip of the Enyenra field which the Deepwater Tano partners have elected to appraise.

The Okure-1 exploration well reached its planned total depth of 4,511 metres in December 2012. The well was then plugged and abandoned after encountering light oil within a gross 17 metre interval of low net-to-gross Turonian age sandstone reservoirs. Integration of wireline logs and pressure data indicated that this oil accumulation was not connected to other hydrocarbon discoveries in the licence area. The Sapele-1 well is the last exploration well to be drilled on the Deepwater Tano block prior to the end of the Exploration Period in the first quarter of 2013. The well spudded in December 2012 and has been drilled to a depth of 3,900 metres. The primary target encountered a high-quality water-bearing reservoir and drilling operations are now continuing to a deeper target.

In the West Cape Three Points licence, the Teak-4 appraisal well encountered thin non-commercial reservoirs and the well was plugged and abandoned. Appraisal activities were also performed including installing downhole pressure gauges in Teak-2 and a DST at Akasa-1 with rates exceeding 7,500 bopd. Discussions are ongoing in relation to further appraisal and development plans for the Mahogany, Teak and Akasa discoveries. In January 2013, the discovery area associated with the Banda discovery on the West Cape Three Points licence was relinquished.

Mauritania

During 2012, Tullow continued to build the in-country infrastructure needed to support a high-impact exploration programme of up to four wells. The drilling campaign, scheduled to commence in the second quarter of 2013, is designed to drill new deeper plays in the offshore Mauritanian basin that have not been tested by previous exploration wells. Three of the four wells are scheduled to be drilled in 2013 using the West Leo rig which has been operating in Ghana for Tullow. The Group believes that there is significant follow-on potential if any of these wells proves to be successful.

Tullow continued to build its equity position offshore Mauritania. Following the award of the new C-10 licence in 2011 we have also completed farm-ins to Block C-6 and Block 7. The C-10 licence was awarded to cover the exploration areas previously covered by the Production Sharing contracts PSC A and PSC B. Extensions were also granted to the discovery areas of the PSC A and B licences which contain the Banda, Tevet and Tiof oil and gas discoveries. Tullow has increased its equity in all of these areas to over 60% and is the operator.

In November 2012, the Banda field was declared commercial and it is planned that the field will supply gas to a new local power station, subject to completion of a suitable Gas Sales Agreement. Discussions are now under way to put in place the commercial agreements that will underpin the project.

Production from the Chinguetti field in Mauritania, which is a separate play type from the Group's new exploration acreage, averaged 1,300 boepd in 2012, a decline from 1,400 boepd in 2011 and in-line with expectations.

Liberia and Sierra Leone

Tullow has four contiguous deepwater licences offshore Liberia and Sierra Leone where the Group is looking to extend the Ghana Jubilee-play westwards. In February 2012, the Group announced that the Jupiter-1 exploration well in Sierra Leone had encountered 30 metres of net pay in multiple zones. This confirmed a working hydrocarbon system in the Liberian Basin. The Mercury-2 exploratory well, drilled in April 2012, intersected thick water bearing sandstone reservoirs with oil shows.

In Liberia, reprocessing of the extensive 3D seismic data from Blocks LB-16 and LB-17 began in the second half of 2012. Analysis of well results and extensive 3D seismic data acquired in this basin continues with a view to refining the remaining prospectivity and commercialising the discovered resources. The results from this further work on all four licences so far has proven encouraging for the overall exploration programme in the West African Equatorial Atlantic where Tullow continues to seek a hub-class discovery.

Côte d'Ivoire

Net production for 2012 from the East and West Espoir fields averaged 3,400 boepd as natural field declines continue to be managed. A new drilling campaign of 11 infill wells (seven producers and four injectors) across the field is to start by the end of the first quarter of 2013. This campaign will sustain production and extend the life of the field.

Two exploration wells were drilled in Côte d'Ivoire in the first half of 2012. The first well, Kosrou-1 on Block CI-105, encountered thick sandstone reservoirs but log analysis indicated that they were water bearing at this location and so the licence was relinquished in August 2012.

Eirik Raude semisubmersible rig during drilling operations, offshore Côte d'Ivoire.

Production facilities at the Onal field, onshore Gabon.

In the Tullow-operated Block CI-103, the Group drilled the Paon-1X exploration prospect. This well successfully encountered 31 metres of net oil pay in a relatively high net-to-gross interval and evaluation of this oil discovery is ongoing. An appraisal plan for the Paon discovery was submitted in January 2013. A second exploration well is planned for the second quarter of 2013 on the adjacent Calao prospect and may be followed later by a further well on the Paon discovery.

Equatorial Guinea

The Ceiba field performed strongly in 2012 with net production averaging 2,850 bopd. A workover and infill drilling campaign that commenced in January 2012 continues to perform well, with the first three workovers and two new wells contributing materially to production. New 4D seismic data interpretation has delivered good results to date enabling the well paths of the workovers and new wells to be optimally positioned. Four further production wells are planned to increase current production levels.

Net production from the Okume Complex exceeded expectations, averaging 8,350 bopd in 2012. A rig has been secured to carry out a major infill drilling campaign of at least 10 wells on the Okume Complex fields commencing in the fourth quarter of 2013.

The processing and interpretation of another new 4D seismic survey continues and will help define an infill drilling programme over the Elon area on the shallower part of the licence.

Gabon

Net production in Gabon, particularly from the Tchatamba, Limande, Niungo and Echira fields, was strong in 2012, averaging 14,000 bopd, in line with expectations.

Appraisal and infill drilling has been very successful on Tullow's Gabon assets during the year. The Tchatamba-South B9 well has been drilled and is now producing 1,000 bopd net and the more recent Limande-8 Hz development well is producing 1,400 bopd net.

Exploration drilling plans in Kiarsseny are well advanced, with a two well operated programme due to commence in the middle of 2013. Acquisition of 2D seismic surveys in the Nziembou and DE7 blocks have now been completed, with exploration wells to be drilled on both licences in 2014. Interpretation of data acquired from a 3D survey in the complex Arouwe Block is ongoing and will be followed by a well in 2014.

Significant offshore and onshore drilling activity is expected to continue on all fields in 2013, with a programme exceeding 60 infill wells across the Gabon portfolio.

Congo (Brazzaville)

Net production from the M'Boundi field remained stable during 2012, averaging 2,500 bopd. Sustained water injection and the continuing work-over and infill drilling campaign arrested the decline seen in 2011. Two recent wells successfully increased production and opened up a southeast extension of the field.

In the first quarter of 2013, a gas injection project, which was the last component of the M'Boundi field redevelopment, will be delivered and will target a series of specific fault blocks.

Guinea

At the end of December 2012, Tullow acquired a 40% operated interest in Hyperdynamics Corporation's oil and gas exploration licence, offshore Guinea. Approval from the Guinea Government was granted in January 2013 and the parties intend to begin drilling a well to test a deepwater fan prospect before April 2014.

UNLOCKING POTENTIAL IN SOUTH & EAST AFRICA

Tullow considers its South and East Africa region to have great potential for exploration and development. In 2012, the Group made a significant discovery in Kenya, continued its development plans in Uganda and farmed-in to frontier acreage in Mozambique.

SOUTH & EAST AFRICA

Regional information 2012	Total
Countries	6
Licences	16
Acreage (sq km)	139,473
Total production (boepd)	–
Total reserves and resources (mmboe)	441.6
Sales revenue ($million)	–
2012 investment ($million)	433
Successful E&A wells	16/21 wells 76%
Development wells	–

2013-2015 Regional Business plan

- Complete exploration programme and progress Lake Albert Development Plan in Uganda;
- Achieve commercial threshold for development in Kenya and Ethiopia;
- Deliver 'Front End Engineering Design' (FEED) in Namibia; and
- Selective high-impact exploration and new ventures in Southern Africa.

2012 was an important year for Tullow in East Africa. The successful conclusion of Tullow's $2.9 billion farm-down of its Lake Albert Rift Basin interests to CNOOC and Total in February 2012 was followed by major basin opening exploration success in Kenya. In Uganda, Tullow and its partners are working with the Government to decide on the best development plan for the future of the Lake Albert Rift Basin discoveries. In Kenya, the Ngamia-1 wildcat well made a significant oil discovery and this success has been followed by the discovery of oil at the Twiga South-1 well. The Kudu development was written down in July 2012 but announcements by the Government of Namibia in the fourth quarter of 2012 suggest the project may make progress in 2013.

Uganda

On 3 February 2012, Tullow signed two Production Sharing Agreements (PSAs) relating to the Lake Albert Rift Basin with the Government of Uganda. This enabled Tullow and its new partners, CNOOC Limited and Total, to complete a farm-down of two thirds of Tullow's interests in Uganda on 21 February 2012 for a headline consideration of approximately $2.9 billion. As a result, all Partners now have a one-third interest in each of the Exploration Areas: Exploration Area-1 (EA-1), Exploration Area-2 (EA-2) and the Kingfisher production licence. Operating responsibilities within the basin are divided between the Partners: Total operates EA-1 and Tullow operates EA-2. In the former Exploration Area-3A, CNOOC Limited operates the Kingfisher production licence. Following completion of the farm-down, the Partners also each held a one-third interest in the Kanywataba prospect area, also located in the former Exploration Area-3A, but in August 2012 this exploration licence expired and the associated PSA terminated.

In March 2011, Tullow was designated by the Ugandan Revenue Authority (URA) as agent to the transaction between Tullow and Heritage. This designation required Tullow to pay, as agent on behalf of Heritage, $313 million to the URA. This sum is equivalent to the Capital Gains Tax that the Ugandan Government believes it is owed by Heritage. Separately, Tullow has commenced proceedings against Heritage in the High Court in London to recover this sum under the terms of the Sale and Purchase Agreement with Heritage. The case is due to be heard in March 2013.

Tullow has also been assessed by the URA for Capital Gains Tax on the farm-down to CNOOC and Total. The assessment of $473 million is disputed by Tullow. Following the payment of $142 million to the URA on account – being 30% of the assessed amount that Tullow was required to pay under Ugandan law in order to dispute the assessment – the case will be heard before the Tax Appeals Tribunal in Kampala. A decision is expected in the second half of the year. On the advice of leading counsel, the Group believes it has a strong case under both international and Ugandan law and currently views the most probable outcome to be that any liability will be at a similar level to the amount already paid on account.

Following a hiatus in which the PSAs and farm-down were agreed, a significant appraisal and testing campaign commenced in EA-1 in 2012. This campaign includes over 20 appraisal wells, extensive well-testing and 3D seismic acquisition over the course of 2012 and 2013.

In the Tullow-operated EA-2 block, successful appraisal drilling and testing activities in the Kasamene-Wahrindi and Kigogole/Nsoga/Ngege/Ngara areas continued throughout 2012.

In the Kanywataba prospect area, in the southern part of the Lake Albert Rift Basin, the Kanywataba-1 exploration well operated by CNOOC Limited spudded in May 2012. However, the reservoir proved to be water bearing. This was the last exploration well in the southern part of the basin and the Kanywataba prospect area exploration licence expired in August 2012.

Four wildcat exploration wells were drilled in EA-1 up to December 2012 to help delimit the ultimate basin potential ahead of potential relinquishments. Riwu-1 (tested far northwestern limits), Raa-1 (tested northern extent) and Til-1 (tested far northeastern limits) did not encounter commercial hydrocarbons. However, the Lyec-1 well encountered oil pay, which is currently under evaluation and re-mapping. A significant amount of outstanding exploration and appraisal drilling activity remains in 2013.

Tullow, CNOOC Limited and Total presented a joint development plan concept for the Lake Albert Rift Basin to His Excellency the President of Uganda and the Government of Uganda in July 2012. A Committee was then set up by the Government of Uganda comprising representatives of key ministries and the three operators to discuss the remaining issues in order to progress the Lake Albert Rift Basin development plan with a view to harmonising plans for the development during the first half of 2013. Constructive discussions are ongoing.

Exploration and appraisal success

Country	E&A well success in 2012	Seismic activity in 2012
Ethiopia	–	Acquisition, Processing
Kenya	3/3	Acquisition, Processing, Airborne
Madagascar	–	Acquisition, Processing
Mozambique	–	Acquisition
Tanzania	0/1	–
Uganda	13/17	Acquisition, Processing, Airborne

Seismic activity: Acquisition Processing Airborne

Kenya and Ethiopia

Tullow's acreage in Kenya and Ethiopia includes Blocks 10A, 10BA, 10BB, 12A, 12B & 13T in Kenya and the South Omo Block in Ethiopia which together cover around 100,000 sq km. Tullow operates all seven of these blocks and has a 50% interest in six of them.

The K900 rig during drilling operations in Block EA-1, Uganda.

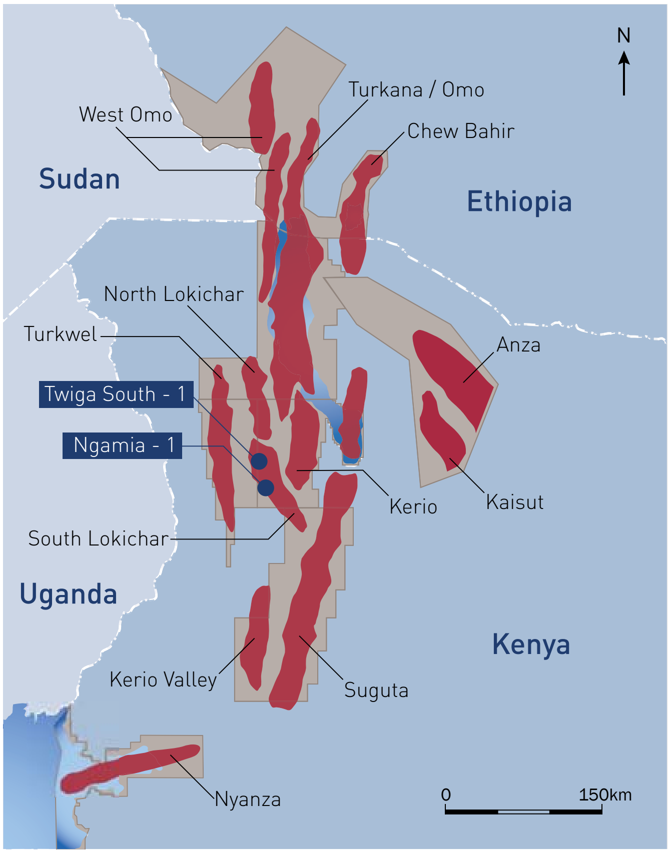
Drill floor of the Weatherford rig during drilling operations on the Paipai -1 well, onshore Kenya.

In July 2012, Tullow completed the acquisition of an additional 15% interest in Block 12A, taking its interest in that block to 65%. Tullow also has a 15% interest in Block L8, offshore Kenya, with an option to increase this equity by a further 5%.

The onshore acreage covers over 10 Rift Basins in Kenya and Ethiopia, which have similar characteristics to the Lake Albert Rift Basin, and include a southeast extension of the geologically older Sudan Rift Basins trend. Exploration drilling in the Kenya Rift Basins commenced in January 2012 with the drilling of the Ngamia-1 wildcat well in Block 10BB. The well was drilled to a total depth of 2,340 metres and made a significant oil discovery of over 100 metres of net oil pay, across multiple reservoir zones within a 1.1 km thick gross oil bearing interval.

Exploration activity continued with the Twiga South-1 well which spudded in August 2012 and is located, on-trend, 22 km from Ngamia-1 in Block 13T. In November 2012, the Group announced that the well had encountered 30 metres of net oil pay in the Auwerwer formation and an additional tight reservoir rock section with hydrocarbon shows over a total gross interval of 796 metres. Moveable oil, with an API greater than 30 degrees, was recovered to surface from all sections, during a sampling programme.

Rift basins in Kenya and Ethiopia



Tullow acreage ● Basin ● Oil discovery

The discoveries at Ngamia and Twiga South demonstrate that substantial oil generation has occurred in the South Lokichar Basin, one of more than 10 Tertiary Rift Basins in the Kenya-Ethiopia acreage, each of which is similar in size to the Lake Albert Rift Basin in Uganda. To build up our knowledge of the natural variance in reservoir performance, and to assess deliverability and reserves, a series of flow tests will be conducted on both wells.

Four flow tests have so far been carried out on the Twiga South-1 well in January and early February 2013 and a fifth test is ongoing. A cumulative rate of 2,351 bopd was recorded from two separate sands in the Auwerwer formation. One test flowed naturally without pumping at a maximum flow rate of 1,860 bopd of 37°API oil and the other flowed at a rate of 491 bopd using a Progressive Cavity Pump (PCP). The final flow test in the Auwerwer formation is ongoing using a PCP and we anticipate that the zone will flow over 500 bopd, taking the total combined rate to over 2,850 bopd for the well. Two deeper tests were also completed on the tight reservoir rock at the bottom of the well and, as anticipated, both produced at sub-commercial flow rates and reconfirmed the presence of moveable oil.

These tests provide the first potentially commercial flow rates achieved in Kenya and provide real encouragement for the Ngamia test. With the conclusion of the Twiga South-1 testing programme, the Weatherford-804 rig will move to Ngamia-1A to re-enter the well and perform four flow tests. These tests are expected to deliver rates similar to Twiga South-1.

A Full Tensor Gradiometry (FTG) Gravity Survey has been completed across most of the Kenya-Ethiopia licence area and over 100 leads and prospects have currently been identified. Three drilling rigs are currently operational along with two seismic crews. Given the positive results to date, work is under way to secure further operational capacity to accelerate the exploration and appraisal campaign; this will include a further light rig for flow testing activities, and a 3D seismic capability to appraise the now proven hydrocarbon potential of the Lokichar basin.

In 2013, Tullow plans to drill up to 11 exploration and appraisal wells and carry out up to five well tests to de-risk further basins and to understand the potential scale of the South Lokichar discoveries. Whilst both the Ngamia and Twiga South discoveries have exceeded expectations and substantially de-risked further prospects in the South Lokichar Basin, it will require considerably more exploration and appraisal activity to be completed before the commercial threshold for the basin is achieved.

Paipai-1 has been drilled to a total depth of 4,255 metres. Light hydrocarbon shows have been encountered while drilling through Lower Cretaceous sands. We have been unable to obtain samples conventionally due to difficult hole conditions. The well is now being cased to enable sampling and the measurement of reservoir properties over a narrow zone of interest. We plan to evaluate and report on the conclusions drawn from this activity by the end of March 2013. On completion of operations at Paipai-1 the Sakson PR-5 will mobilise to Kenya Block 10BB to spud the Etuko-1 well in the Lokichar basin. The well is expected to spud in the second quarter of 2013.

The Sabisa-1 prospect in the South Omo block in Ethiopia commenced drilling in January 2013. This well is a high-risk wildcat, testing for an entirely new petroleum system in the undrilled South Omo Basin. The rig is expected to drill up to two further wells in Tullow's Ethiopian rift basin acreage during 2013.

In Block L8, offshore Kenya, the Mbawa-1 well encountered 52 metres of net gas pay in the shallower primary targets. This was the first hydrocarbon discovery, offshore Kenya and clearly demonstrates a working petroleum system. The well has been plugged and abandoned but the results will be instrumental in deciding the next steps on this highly prospective licence.

Namibia

Tullow acquired an interest in the Kudu gas field through the acquisition of Energy Africa in 2004. Numerous initiatives have been pursued over the intervening years. A new Kudu Petroleum Agreement was signed in October 2011 and a 25-year Production Licence was issued by the Minister of Mines & Energy in November 2011. However, in the first half of 2012, Tullow wrote down its interest in Kudu following the regular six-monthly review of assets.

In late 2012, a Namibian Cabinet resolution indicated its support for Kudu as a strategic energy generation project for Namibia. A Cabinet sub-committee is facilitating further discussions to solicit the assistance of the World Bank, in an effort to improve the project structure and minimise Government exposure. In the meantime, negotiations resumed with NamPower to finalise the Project Development Agreement and Gas Sales Agreement heads of terms. Signature of these agreements is awaiting NamPower board approval, at which point the FEED stage of the project will commence with a target of reaching a final investment decision in the first quarter of 2014. Although Kudu remains written down, this project's status will be reviewed as progress is made.

Mozambique

In August 2012, Tullow farmed into two blocks in the southern part of the Rovuma Basin, Blocks 2 and 5 offshore Mozambique, operated by Statoil. Tullow's interest is 25%, Statoil retains 65% while Empresa Nacional de Hidrocarbonetos (ENH), the national oil and gas company of Mozambique, holds a 10% carried interest. The blocks are located in a frontier area with a water depth varying between 300 and 2,400 metres and covering 7,800 square kilometres. The partnership plans to drill two wells in the licence, starting with the Cachalote well which is scheduled to commence drilling in the second quarter of 2013 using the Discoverer Americas rig.

Madagascar

Following the completion of a field programme in the first half of 2011, 560 km of good quality 2D seismic data was then acquired in Blocks 3109 and 3111. The rift basin trend covered by the seismic data has already proven successful for light oil in Block 3113, directly to the south. Based on encouraging data, Tullow's intention is to acquire further seismic and use this data to pick potential wildcat well location to commence drilling in early 2014. A farm-out process will commence in early 2013, with the intention of reducing Tullow's equity from 100% to 50%.

Tanzania

The Ntorya-1 well commenced drilling in December 2011. Tullow decided not to participate in the final section of the well in March 2012. Tullow, having completed its well obligations in the northern part of the onshore Rovuma Basin without commercial success, subsequently relinquished its equity in the licence and has now exited the country.


Contractors on Rig 804 at the Twiga South-1 well, Kenya.


Tractor drilling rigs during seismic operations, Ethiopia.

ASSESSING OPPORTUNITIES IN EUROPE, SOUTH AMERICA & ASIA

Tullow's Europe, South America & Asia region consists of some of Tullow's most mature producing assets and areas of frontier exploration. In 2012, Tullow announced its intention to divest its mature business in Asia and the UK and Dutch Southern North Sea to focus on exploring for light oil.

EUROPE, SOUTH AMERICA & ASIA

Regional information 2012	Total
Countries	**9**
Licences	**92**
Acreage (sq km)	**87,754**
Total production (boepd)	**21,350**
Total reserves and resources (mmboe)	**114.3**
Sales revenue ($million)	**381**
2012 investment ($million)	**350**
Successful E&A wells	**3/6 wells 50%**
Development wells	**3**

2013-2015 Regional Business plan

- Complete divestment of Asian and Southern North Sea assets;
- Progress North Atlantic strategy implementation and exploration programme; and
- Progress development of material business in South America.

Tullow has exploration, development and production interests in its Europe, South America & Asia regional business. In December 2012, Tullow announced that it had entered into an agreement to acquire Spring Energy Norway AS, a successful Norwegian exploration company, for $372 million. At the same time, Tullow announced that it intends to dispose of its exploration, development and production assets in the UK and Dutch Southern North Sea gas basin. Earlier in 2012, Tullow announced the planned divestment of its Asian gas assets in Bangladesh and Pakistan in order to focus on its core African and Atlantic Margin strategy.

In South America, Tullow has significant exploration acreage with exploration licences in French Guiana, Suriname and Uruguay. In 2011, Tullow made a basin-opening discovery with the Zaedyus-1 well in French Guiana, proving the West African Jubilee play occurs across the Atlantic. The Group seeks to replicate the success of the West African exploration campaign in South America and plans to drill a number of high-impact wells during 2013 and beyond.

Norway

On 11 December 2012, Tullow announced the acquisition of Spring Energy for $372 million. Having completed the transaction on 21 January 2013, the Group now plans to drill 10 wells offshore Norway in 2013, targeting a variety of oil prospects. Tullow's assessment of Spring Energy's exploration portfolio of licences at the point of purchase is that it contains in excess of 230 mmboe of risked prospective resources and has existing reserves and resources of 24 mmboe. Norway's licence terms, where 78% of costs of both successful and unsuccessful exploration drilling are returned, are also highly attractive.

This exploration portfolio was materially added to in January 2013 when Spring Energy was awarded 13 licences, of which four are operated, in Norway's very competitive 2012 Awards in Predefined Areas licensing round. In common with the existing acreage, the new licences are located in all three areas of the highly prospective Norwegian Continental Shelf – North Sea, Norwegian Sea and the Barents Sea. Both Tullow and Spring Energy applied for licences in Norway's 22nd licensing round, the results of which will be known in the second quarter of 2013.

This acquisition, alongside Tullow's qualification as an operator on the Norwegian Continental Shelf earlier in 2012, has allowed the Group to build a strong platform for future growth in Norway.

UK

Tullow announced in December 2012 that it intended to sell its production, development and exploration assets in the UK and Dutch Southern North Sea gas basin. The Southern North Sea gas business has been highly successful for Tullow and a key contributor to the Group's growth over the past decade. However, following exploration and development success in Ghana, Kenya and Uganda, these assets are now non-core to the Group and no longer fit within Tullow's light oil focused portfolio.

Overall net production from the UK assets in 2012 was marginally below expectations, averaging 10,050 boepd. This was due to schedule delays and well performance issues with the Ketch-10 infill well in the Caister Murdoch Area (CMS). An enforced shutdown of Tullow's non-operated production in the CMS area in early December 2012 was resolved by the end of the year. In November 2012, flow testing at the Katy development, in the CMS area, achieved a rate of almost 100 mmscfd. In January 2013, CMS area production was enhanced when the field came on stream at a constrained rate of 44 mmscfd.

Key producing assets

Country	Field (Tullow %)	2012 working interest production (boepd)
Netherlands	26 fields (4.69% – 22.5%)	6,350
UK	CMS Area (6.91% – 100%) Thames Area (50%-100%)	9,300 750
Bangladesh	Bangora (30%)	4,915
Pakistan	Shekhan-1 (40%)	35

Netherlands

Production from the Netherlands in 2012 was slightly below expectations, averaging 6,350 boepd.

Tullow increased its equity in the Dutch 'E' blocks from 30% to 60% by successfully acquiring XTO and GTO interests during 2012. Preparations have continued throughout the year to drill the play opening Vincent prospect in the Tullow operated E Blocks later in 2013 using the Ensco-92 rig.

Katy project team during visit to SLP yard in Lowestoft, UK.


Production facilities on the Ketch field in the UK Southern North Sea.

Exploration and appraisal success

Country	E&A well success in 2012	Seismic activity in 2012
Greenland	–	
Netherlands	1/1	
UK	1/1	–
French Guiana	0/1	
Guyana	0/1	–
Suriname	0/1	
Pakistan	1/1	–

Seismic activity: Acquisition Processing

Operatives onboard the Stena IceMax drillship offshore French Guiana. ©Ronan Lietar.

Greenland

On 15 October 2012, the Group announced that Greenland's Government, Naalakkersuisut, had approved an agreement with Maersk Oil for Tullow to take a 40% non-operated equity position in the 11,802 square kilometres Block 9 (Tooq licence), Baffin Bay, North West Greenland. The licence will be operated by Maersk Oil, which holds a 47.5% interest, with the remaining 12.5% interest held by Nunaoil, Greenland's state oil company.

The multi-year work programme is under way and following the submission of a full Environmental Impact Assessment (EIA), the first commitment was completed during the summer of 2012 with the acquisition of 1,800 sq km of 3D seismic. Tullow is now working with its partners to evaluate the seismic data and carry out further environmental studies and a social impact assessment. Following comprehensive evaluation, a decision will be made on whether Tullow enters the next phase which would involve drilling an exploration well on the Tooq licence in 2015.

French Guiana

A Ministerial Order granting Tullow, Shell and Total approval for both the transfer and renewal of the Guyane Maritime permit was received on 22 December 2011, with Shell taking over Operatorship of the block on 1 February 2012. Tullow retains a 27.5% non-operated interest.

Following the successful Zaedyus-1 discovery well in September 2011, an extensive follow-up appraisal and exploration programme commenced in 2012 with GM-ES-2, the Zaedyus appraisal well. The well, located 7km from the discovery well, commenced drilling in July 2012 and was aimed at appraising the up-dip potential of the Zaedyus discovery and testing a deeper turbidite fan. In December 2012, Tullow announced that while the GM-ES-2 well encountered a total of 85 metres of reservoir quality sands with oil shows in several objectives, no commercial hydrocarbons were encountered at this location. The well was the first of a four well drilling programme and drilling operations on the second well, GM-ES-3, on the Priodontes prospect in the west of the Cingulata fan system, commenced in December 2012. Drilling activities are ongoing and the joint venture has obtained valuable geological insights from the first two wells and applied them to this well.

An extensive 3D seismic programme either side of the Cingulata fan system commenced in July 2012. Over 750 sq km of 3D seismic has been acquired over the Cebus lead to the southeast, and acquisition of over 4,000 sq km 3D seismic programme to the northwest was completed in December 2012.

Guyana

The Jaguar-1 well in Guyana commenced drilling in February 2012. The well had been identified in advance as high-pressure/high-temperature and was drilling to depths untested by the industry in this area. A decision was taken in July 2012 to plug and abandon the well at a depth of 4,876 metres, without reaching the primary objective. The decision to stop drilling was taken after reaching a point in the well where the pressure design limits for safe operations prevented further drilling to the main objective. Analysis of data gathered from drilling operations has highlighted the significant challenges of drilling in this licence and the associated costs. The Georgetown licence expired on 25 November 2012 and while Tullow continues to evaluate oil exploration opportunities in Guyana and the wider region, Tullow decided not to participate in the next phase of the Georgetown licence.

Suriname

Following the farm-down of 30% equity in offshore Suriname Block 47 to Statoil in December 2011, Tullow commenced a 3,000 sq km 3D seismic programme across the licence in the second quarter of 2012. The survey was completed in September 2012 and early results from the data processing are encouraging, with final processed volumes over the prospects likely to be available by the middle of 2013. In early 2012, shallow drilling

Stena IceMax drillship during drilling operations, offshore French Guiana. ©Ronan Lietar.

Operations staff carrying out safety checks at the Bangora Field plant, Bangladesh.

commenced in the non-operated onshore Coronie Block, targeting a different geological play to the offshore Cretaceous turbidite fan play. The commitment wells in the block have now been completed and based on the results of this shallow drilling programme Tullow has decided not to participate in the next Exploration Period of the Coronie licence.

Uruguay

As part of the Group's strategy to increase its exposure to potentially significant basin-opening exploration, Tullow successfully bid for offshore Block 15 in the Uruguayan 2nd Bid Round. In October 2012, following Government approval, Tullow signed 100% equity in the 8,030 sq km licence. The block lies in the Pelotas Basin in water depths between 2,000 and 3,000 metres. The geological plays being targeted in Uruguay are similar to the mid-Cretaceous stratigraphic turbidite plays that Tullow has targeted in West Africa and Northeast Latin America. Currently there is sparse 2D seismic over the licence and the forward work programme will include a 2,000 sq km 3D seismic programme which aims to mature existing leads into prospects and to identify further opportunities within the licence.

Bangladesh

Early in 2012 Tullow announced the planned divestment of its Asian gas assets in Bangladesh and Pakistan in order to focus on its core African and Atlantic Margin strategy. Tullow is proceeding with the sale process and has received a number of offers for both the Pakistan and the Bangladesh businesses which are currently under review.

Gross production in the Bangora field has been in line with expectations in 2012, averaging close to 100 mmcfd for the year. Planning is under way to work-over a number of the wells by mid-2013 to restore production to close to the plant capacity of 120 mmscfd. To enhance the life of the field, as well as its safety and reliability, the installation of compression and improvement in condensate storage and handling is proceeding as planned and will be largely completed during 2013.

Pakistan

In Pakistan, the year started with testing of the Jabbi-1 well, located 20km along trend west of Shekhan. As expected, the tests encountered gas, but a commercial flow rate was not achieved from the flank of the structure. This well was suspended whilst technical options for achieving potential gas production from the crest of the structure are reviewed.

Drilling of the Kohat-1 well was completed in October 2012, flowing gas and water. The well is interpreted to have encountered a fault zone and has been suspended for possible re-entry following acquisition of 3D seismic over the area which is now planned for early 2013.

The transfer of the Sara-Suri lease to Spud Energy, which had been awaiting Government approval for some time, was completed in August 2012.

NEW STARTERS IN 2012

In 2012, 288 people joined Tullow bringing our total workforce of employees and contractors to 1,778 people. Of these new starters, 57% joined our African operations to help run our growing operations and major projects on the continent. At Tullow, we believe that a strong, unified multi-disciplinary team is vital to achieving our vision and delivering our strategic objectives. Our unique entrepreneurial culture is a hallmark of the Group, which attracts new employees. It is also one of the key reasons why so few people leave us. Our staff turnover in 2012 was 2.9%. A survey conducted at the end of 2012 by Management magazine, named Tullow the best company in the UK at attracting, developing and retaining top talent and having the highest capacity to innovate.

Tullow Team

1. Elmarie Hoon
2. Cheetam Bartels
3. Lynnet Kathure
4. Gion Kuper
5. Felicia Nyame
6. Jean-Médard Madama
7. Nikky Challoner
8. Nathan Kagiri
9. Hermann Attoubou
10. Ian Bargate
11. Barbara Daisy Nabuweke
12. Niamh O'Sullivan

3

CORPORATE RESPONSIBILITY

CREATING SHARED PROSPERITY

Creating Shared Prosperity brings together eight aspects of how we run our business in support of our commitment to ensure host nations benefit from the presence of the oil and gas industry. In 2012, we made good progress towards this goal.

SOCIAL PERFORMANCE

Our spend on social projects increased by 72% this year. One of our key investments is the Tullow Group Scholarship Scheme, which provides scholarships in postgraduate degree, technical training and vocational studies. In 2012, scholarships were awarded to 90 people across seven African countries.

$19.9 MILLION

SOCIAL INVESTMENT EXPENDITURE

LOCAL CONTENT

An Enterprise Centre was opened in Hoima, Uganda, to help support the development of local capacity through business training in finance, marketing, legal and IT, among other business-related subjects. Funded by Tullow and managed by our not-for-profit partner, Traidlinks, it is the first centre Tullow has supported.

FIRST

ENTERPRISE CENTRE OPENED

PEOPLE

Employing nationals from the country we operate in is a core pillar of how we create shared prosperity. It helps us develop committed and motivated employees, who are strong ambassadors for Tullow and the oil and gas industry and whose diversity reflects that of the local communities we operate in.

80%

LOCAL NATIONALS EMPLOYED

ENVIRONMENT, HEALTH & SAFETY

Malaria is one of the key risks our employees and contractors face working in African countries. In 2012 we reduced the malaria frequency rate with 0.07 instances of malaria per 1,000 exposures over the 12-month period, representing a 79% reduction relative to 2011.

79%

REDUCTION IN INSTANCES OF MALARIA

ENVIRONMENT, HEALTH & SAFETY

In 2012 we achieved a significant decrease in CO_2 emissions, largely as a result of decreased flaring on Jubilee in Ghana where we injected over 80% gas produced back into the field. The revised Tullow Oil Environmental Standard (toes), re-launched in 2012, requires each project from 2013 to develop a project flaring strategy for normal steady state production with the goal of eliminating flaring during normal operations.

62%

REDUCTION IN CO_2 EMISSIONS

More information
17 Special feature: Clear progress
86 Chairman's introduction to corporate governance

Creating Shared Prosperity is both a commitment to ensure our host nations benefit from the presence of oil and gas and a dedicated component of our business model. The eight aspects which define how we do this are also integrated across our business model and strategic priorities. Fulfilling our commitments in each of these areas ensures we earn and maintain our licence to operate. Each of our Executive Directors has direct responsibility for our key CR risks and commitments.

The cornerstone of shared prosperity is to be a successful and profitable company. It enables us to fund exploration-led growth, and invest in selective development projects. Through a solid financial performance we can meet our commitments to employees and suppliers and generate returns for shareholders. The industry and governments however, have rightly long been under scrutiny because of the distortion oil revenues can create both to local economies and the political processes of host countries. Revenues from natural resources can and should have a transformative effect on the economies of developing countries. We are therefore supportive of initiatives to improve transparency and disclosure as a means of providing a country's citizens with information to enable them to hold their governments to account.

That is why we are corporate supporters of the Extractive Industries Transparency Initiative (EITI). In addition, we believe that publication of our payments to the Government of Ghana, in line with International Finance Committee (IFC) requirements, provides useful information to a wide range of stakeholders.

Creating Shared Prosperity

Our strategic objective	Why it's important
Financial Deliver returns to shareholders and providers of capital.	This is the Group's core strategic priority and enables us to continue to create and share wealth.
Governance Manage our business ethically and with integrity.	To maintain our good reputation and manage bribery and corruption risk effectively.
Stakeholder engagement Engage with and respond to all our stakeholders.	The outcomes of stakeholder engagement shapes our operating environment and plays a vital role in our continued commercial success.
Environment, Health & Safety Keep people safe and minimise our environmental footprint.	To consistently achieve top quartile EHS industry performance.
People Create a rewarding, challenging and great place to work.	Builds the pool of talent we need to deliver our major development projects and manage our growing portfolio of assets.
Sustainable supply chain Build long-term sustainable supplier relationships.	Adds value and protects the business through strong contracting strategies and competitive markets.
Local content Create real opportunities for local people and local enterprise development.	Encourages local participation in the oil industry.
Social performance Manage our business in a way that respects local communities and the impact our business has on them.	Ensures our projects run on time and on budget and builds a positive reputation that strengthens access to growth opportunities.

GOVERNANCE

2012 HIGHLIGHTS

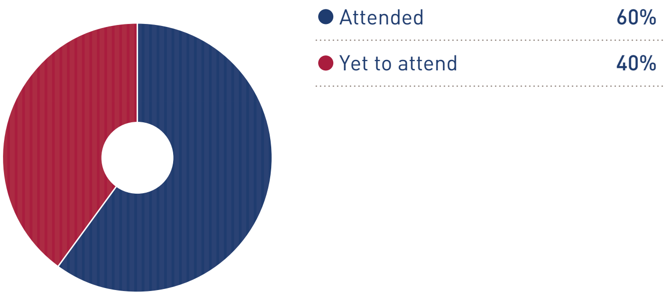
- Over 60% of staff attended the 'Code awareness' programme;
- Successful independent assessment of our Anti-Bribery and Corruption programme; and
- Network of compliance champions established.

In 2012, we made good progress in enhancing our Anti-Bribery and Corruption (ABC) programme. The programme comprises of the Group-wide implementation of Tullow's Code of Business Conduct, associated policies and extensive communications and awareness raising. It not only helps us address the requirements of the UK Bribery Act, but importantly is the right thing to do and strengthens our social licence to operate. A number of initiatives were undertaken in support of this programme, including the introduction of an annual certification process and the establishment of a network of compliance champions.

Embedding our Code of Business Conduct
With strong Executive leadership, a Group-wide 'Code awareness' programme was launched at the start of the year. To date, over 1,100 permanent and contract staff have attended, representing over 60% of our workforce. All members of the Executive and the Board have participated in the half-day awareness session. Our Code of Business Conduct was translated for our French-speaking countries, such as Mauritania and Gabon.

Independent review of our ABC programme
In order to measure the effectiveness of our ABC programme we asked the Good Corporation to independently review and benchmark us against a formal framework. The outcome of this review was favourable and their report indicated that overall we compared well against the average of other companies who had been assessed. The recommendations from this benchmarking study will be incorporated into our 2013 compliance plan.

Code awareness programme attendance



Speaking up
We encourage our people to raise issues or concerns internally or via the independent, external 'speaking up' line and promote awareness of these channels. 18 speaking up cases were raised leading to 16 investigations. This led to two employees and 12 members of contract staff leaving the Group.

Bribery and corruption risk management
We continue to assess our bribery and corruption risks across the Group and implement appropriate due diligence processes. Our key bribery and corruption risks include those related to business opportunities in new or existing areas, joint ventures and farm-ins, major capital projects such as TEN in Ghana and where we interface with foreign public officials.

Compliance Committee
A Compliance Committee was formed at the beginning of 2012. Chaired by Graham Martin, the General Counsel and comprised of a cross-section of senior management and Ann Grant, a Non-executive Director, the Committee met three times during the year and endorsed the compliance strategy and operational plan. It also provided valuable input throughout the year to ensure that compliance and ethics risks are identified and properly mitigated.

INDUSTRY PARTNER FORUMS ON BRIBERY & CORRUPTION

The behaviours and actions of our industry partners who provide goods and services for us are key, as they contribute to our success and good reputation. In 2012, we held industry partner forums in Bangladesh and Kenya involving 89 companies from a variety of sectors. The forum provided an overview of anti-bribery legislation, including the UK Bribery Act 2010, and outlined Tullow's compliance expectations of industry partners. It also covered the importance of due diligence, the effects of non-compliant behaviour and details of Tullow's confidential reporting line.

Photo above: Attendees at Tullow Compliance and Ethics Forum held in Nairobi, Kenya.

STAKEHOLDER ENGAGEMENT

2012 HIGHLIGHTS

- 241 stakeholders interviewed in Ghana macro socio-economic study; and
- Broad and thorough consultations held on TEN Project, in Ghana.

Stakeholder engagement is fundamental to our success as a business. It is key to our management of above-ground risks and shapes how we contribute to creating shared prosperity with our host countries. We engage with a diverse set of stakeholders who include employees, shareholders, governments, regulators, policy makers, communities, NGOs and Civil Society Organisations, the diaspora, international and local businesses, academics and the media.

Reviewing our material issues

In 2012, we undertook a materiality review, bringing together the inputs from our key stakeholder engagement activities throughout the year, as well as reviewing Tullow's own policies, Code of Conduct and risk register. The key material issues identified through this process included EHS performance and management, bribery & corruption, local content, localisation, political risk, stakeholder engagement and transparency of payments to government.

Throughout the year we took a proactive approach to stakeholder management in major new and existing projects. In Ghana, Tullow submitted the PoD for the TEN Project in November 2012. An essential part of this process has been the Environmental and Social Impact Assessment (ESIA), which included over 50 stakeholder group engagements in 22 communities in Ghana's Western Region. Some of the issues raised by local stakeholders included discharges, air and water quality, waste management, oil spills and impact on the livelihoods of fishing communities.

Also in Ghana, we have been active in addressing community concerns relating to the Jubilee field and the oil industry's presence in general. We compile an annual grievance report, recording issues raised by local stakeholders and how these have been resolved. Issues raised this year have included the fair allocation of social investment and transparency around how these are divided locally and nationally.

In Kenya and Ethiopia our teams have grown to support the accelerated exploration programme, with Community Liaison Officers working to ensure local stakeholders are consulted and listened to, and that we are capturing and developing a plan to address any concerns raised during this phase of operations.

In Uganda, the proximity of our onshore operations to local communities presented social and environmental challenges. Specifically, we managed grievances relating to crops and land impacted during seismic surveying. In response, we have developed the 'Tullow compensation guidelines' to provide a more structured and proactive approach to supporting communities affected by our activities. We are also developing a comprehensive grievance management mechanism in line with international best practice.

GHANA MACRO SOCIO-ECONOMIC STUDY

In 2012 we commissioned an independent study into the impacts of Tullow's operations in Ghana during the seven years we have had a presence in the country. This is the most comprehensive study the Group has undertaken to date, and it comprised interviews with over 200 stakeholders ranging from local communities and non-governmental organisations, to politicians, contractors and staff.

The purpose of the study was to review the impact that Tullow-led activities have had to date on the economy and society of Ghana, and to set these in the broader context of the roles and responsibilities of companies and governments. The outputs from the study will be discussed in a Multi-Stakeholder Forum (MSF) to be held in Ghana in May 2013. The findings and recommendations will be discussed and agreed at the MSF.

ENVIRONMENT, HEALTH & SAFETY

2012 HIGHLIGHTS

- 22/27 performance in EHS scorecard;
- 64% reduction in number of uncontrolled releases; and
- 79% reduction in number of malaria cases.

In May 2012, we launched Tullow's EHS vision, to build a culture based on confident interventions, where people proactively think about the EHS risks they are responsible for. This vision positively influenced behaviours throughout 2012 and helped us to manage EHS in a responsive and tailored way. Our goal remains to keep our employees, contractors and those affected by our operations safe; to minimise our environmental footprint; and to achieve top quartile industry performance.

Managing our performance

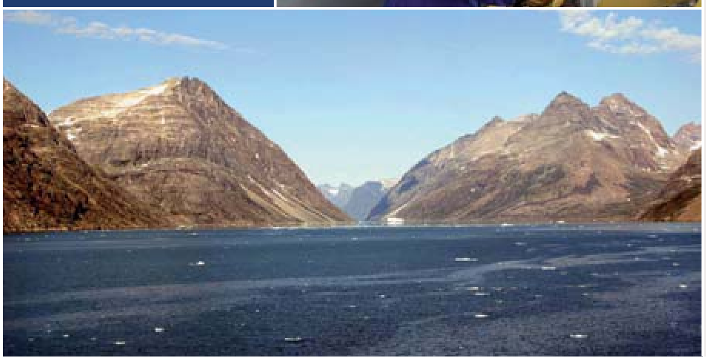
In 2012, we introduced a new scorecard tracking nine priority EHS corporate KPIs across the business. Three 'lagging' indicators demonstrate our performance against quantitative targets, and six 'leading' indicators focus on key activities that will deliver an improved performance in targeted areas. Industry standard safety measures such as Lost Time Injuries continue to be tracked and will be disclosed in the Corporate Responsibility Report, published in May. The new scorecard is intended to provide a more comprehensive evaluation of our EHS performance and outlines proactive commitments to be achieved throughout the year.

A new EHS Board sub-Committee, chaired by Anne Drinkwater, is being formed to ensure adequate time is devoted to managing personal and process safety, occupational health and the environment.

The development and implementation of an action tracking system involved the roll-out of a comprehensive incident investigation process and closure of the associated corrective actions. This has been a positive driver in ensuring the business learns from potentially serious incidents. We established safety cases for all operated production facilities. Jubilee's safety case will also be reviewed later in the year with a view towards continuous improvement.

A new contractor management standard is in place, EHS Terms & Conditions have been revised for high, medium and low risk contracts and will be supplemented with additional terms for drilling and seismic surveys. There has been increased EHS participation in contractor and contract evaluation, especially medium and high risk contracts. All of our business units have self-assessed their operations against the Tullow Oil Environmental Standards (Toes) and the findings from this process will determine the key focus areas for improvement in 2013. Through the introduction of framework agreements with preferred providers of our ESIAs, the standards of these and the resulting social management plans have improved considerably. Our operational managers proactively demonstrated EHS leadership throughout the year. Going forwards we will ensure all managers, regardless of the severity of the EHS risks their part of the business is exposed to, proactively demonstrate leadership in their day-to-day roles.

OPERATING IN SENSITIVE AREAS



In October 2012, we announced a new venture with a 40% non-operated equity position in Block 9 (Tooq licence) in North-West Greenland. Given the heightened awareness of environmental issues in this region, we proactively briefed key stakeholders, including the World Wildlife Fund and Socially Responsible Investors, to address any concerns in person. In 2012, a 3D seismic and hydrographic survey was conducted. Prior to the survey, an EIA was carried out by an internationally recognised environmental consultancy, evaluating the potential impacts associated with the survey activities.

Mitigation measures resulting from the EIA included placing experienced marine mammal observers (MMOs) on all vessels and ensuring operational control procedures adhered to industry best practice. We are working with our partners on plans to address prevention, contingency and response capabilities and as part of our licence terms we will be contributing $1 million to a Strategic EIA. Maersk and Tullow are collaborating with other operators in the area and the Greenland Oil Industry Association in order to reduce cumulative impacts.

While we narrowly missed our target for uncontrolled releases (oil and chemical spills) which could impact the environment, we nevertheless achieved a significant decrease in spills, with five spills in 2012, against a target of three, compared with 14 in 2011. 38.86 tonnes of materials were spilled in 2012, compared with 310.93 tonnes in 2011. The roll-out of our Drilling Fluids and Cuttings Disposal Standard helped deliver more consistent practices across our operations. We have drafted an Oil Spill Preparedness and Response Standard. Our oil spill contingency plans have been reviewed against this draft standard and actions are being implemented. The standard will be finalised and approved in early 2013.

Malaria is one of the key risks our employees and contractors face when working in African host countries, and in 2012 we included malaria frequency rate per 1,000 exposures in our EHS scorecard. As a result of the policies and programmes undertaken to mitigate this risk in 2012, we have met our KPI with an average of 0.07 instances of malaria per 1,000 exposures over the 12-month period, representing a 79% reduction.

We regret to report that two members of the public were killed in road traffic accidents involving Tullow contractors in 2012. This led to strong Executive attention, with a robust Road Transport Safety programme rolled out across Ghana, Kenya and Uganda. Our contractors receive the same road safety training as our employees, including a requirement to acquire a 'Tullow licence'.

Outside of our nine EHS corporate KPIs we manage a number of additional environmental indicators, including CO_2 emissions, water usage and waste management. In 2012, we achieved a 62% decrease in CO_2 emissions, largely as a result of decreased flaring on the Jubilee field FPSO where we injected over 80% of the gas produced back into the field. Our 'toes', requires each project to develop a flaring strategy for normal steady-state production with a goal to eliminate flaring on a group wide basis. Without a steady state production profile and with a dynamic portfolio of assets, setting a meaningful Group-wide emissions baseline and relating targets remains a challenge. However, as part of 'toes', individual projects will be setting emissions reduction targets in 2013.

Visit: www.tullowoil.com/cr

In April 2012 Tullow invited representatives from investment funds, NGOs, civil society and academia to meet our EHS, operational and technical staff for Tullow's first environment-focused Multi-stakeholder forum. The discussion ranged from Tullow's vision, to communicating Tullow's role in the broader context of oil and gas development. A report on some of the actions and responses to the key issues can be found on tullowoil.com/cr.

Nine key performance indicators

Leading indicator	2012 Result
1. Develop and implement an action tracking system to report and track incidents and investigations.	● Green
2. Establish safety cases for all operated production facilities.	● Green
3. Ensure all medium and high risk contracts have defined and implemented an effective EHS process.	● Green
4. Monitor performance of and compliance with the new 'toes'.	● Green
5. Ensure all ESIAs have implemented an Environmental and Social Management Plan.	● Green
6. Drive more visible EHS leadership.	● Amber
Lagging indicator	
7. Uncontrolled releases Number of loss of containment incidents (water, diesel, oil, chemicals) >50 litres with < 3 incidents.	● Red
8. Malaria case frequency rate Reduce case incidents 10% year-on-year per 1,000 exposures. The base line is 2011 which had an MAFR of 0.34. The 2012 target was 0.30.	● Green
9. Level 4 and 5 incidents Closeout 100% of investigation actions for every incident to ensure maximum learning from the most serious category of incidents.	● Green

● Meeting target
● Within 10% of target or on track for delivery
● Failing to meet target

OUR PEOPLE

2012 HIGHLIGHTS

- 15% increase in total workforce (employees and contractors);
- 2.9% staff turnover rate; and
- 80% of local nationals employed.

Our unique culture and our ability to attract and retain highly competent people from different cultural backgrounds continues to be among our core strengths and competitive advantages. Our total workforce increased by 15% from 1,548 in 2011 to 1,778 in 2012 as we continue to build the disciplines and skill sets to manage our growing portfolio of assets and increased scale of our activities. In 2012, we published a new Board diversity policy statement. We continue to regard the development of a diverse, high-calibre pipeline of senior executives, with board potential, as our highest human resource priority. We employ 57 different nationalities and 29% of our employee population are women.

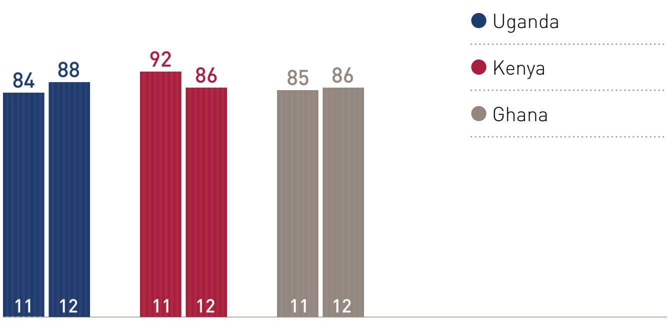
Leadership Forum

In early 2012, our first Leadership Forum was attended by 80 leaders from across Tullow to discuss our strategy and collective leadership dilemmas and opportunities. The five themes identified in the leadership forum are addressed in the sections below. These, in combination with the Board objectives, have provided a framework for identifying and addressing our people challenges.

Ensuring our values are embedded

Our culture remains core to Tullow's vision, and has been recognised as essential to Tullow's continued success. Our culture sets us apart and in 2012 Tullow was recognised as one of Britain's Most Admired Companies by Management Today, and voted No.1 for both innovation and our ability to attract, retain and develop top talent. Our values connect our people globally and define the way we do things. Several initiatives, such as further embedding our values through the employee life-cycle, including our recruitment, induction and global performance management processes, have helped ensure our values are meaningful to all our people.

Local nationals employed (%)



CREATING EMPLOYMENT OPPORTUNITIES FOR NATIONALS

We aim to create employment opportunities for local people. This helps ensure the Tullow team reflects the diversity of the local communities we operate in and ensures our host countries share the prosperity of the oil and gas industry. This year, in delivering our Localisation strategy, we increased the number of Ugandans working in Uganda from 84% to 88%, and the number of Ghanaians working in Ghana from 85% to 86%.

Rewarding and developing our people

Tullow's reward philosophy is to be fair, transparent and consistent, allowing for some flexibility when required. During 2012, we've taken strategic steps to make sure we continue to attract, retain and recognise strong candidates for Tullow. Strategic steps have been taken to ensure we enhance our understanding of the multiple employment markets in which we operate. Benefit surveys have been undertaken in Ghana, Kenya and Uganda, with additional local benefits being implemented to ensure Tullow's offering reflects the current local market trends.

Supporting growth through structure and frameworks

Understanding the strengths of Tullow as an organisation, the aspirations of our people and the planning required to support growth is essential to our future success. Our 2012 Talent Strategy review aligned business and talent management priorities and helped us understand how we can support our leaders and their teams. A number of initiatives have been introduced across the business to support the growing needs of our people and to improve our understanding of our talent across the business, such as Personal Development Plans and Competency Frameworks.

Improving processes and systems

2012 marked the launch of 'TullowPeople', the new HR system, that will improve the way we recruit, manage and develop our people and their skills, aspirations and performance in line with the business needs.

Working together: through leadership development

We continued to develop and connect our leaders through our development programme with Ashridge Business School. Over 140 leaders have attended to date.

SUSTAINABLE SUPPLY CHAIN

2012 HIGHLIGHTS

- Successful transport logistics in Ethiopia in challenging terrain.

Supply chain management (SCM) has developed during the year to address the increased scale and complexity of Tullow's operations. We have further integrated the three key components of supply chain management: contracts and procurement; logistics and materials; and local content. This has enabled us to maximise value from our contracts, increase operational efficiencies and gain greater foresight into our operational planning. This in turn helps us to better manage and mitigate both technical and non-technical risks, which include environmental, social, health, security, bribery & corruption, political, commercial, legal and reputational risks. SCM's operational involvement from the start of projects means we have visibility from initial demand through to delivery in the field.

Raising standards through supplier management

EHS specialists are now embedded within supply chain at a corporate and country level. This helps us ensure contracts are properly designed to meet our EHS commitments and enables us to support pre-and-post contract award activities. Our local content teams in the field pre-qualify international and local suppliers to make sure they meet our standards and help them get to the required level where necessary. Tullow's contract criteria focuses on EHS standards, technical requirements, local content opportunity, ethics and compliance and commercial terms.

Integrated planning

Through an integrated planning approach across all elements of supply chain management, we have achieved a number of operational successes in Ethiopia and Kenya this year. In Kenya, the safe delivery of equipment and personnel to the rig sites was managed despite difficult physical conditions, which presented significant logistical challenges. In Ethiopia, the well site and access road was built by a local construction firm and was ready for use in less than six months from contract award. Logistics presents the greatest opportunities for local suppliers to work with Tullow. Through continued closer planning and working relationships between the local content and logistics and materials components of the supply chain, we intend to create more of these successes in 2013.

We have laid the foundations for supply chain operations in preparation for development and exploration in Mauritania in 2013. We have begun planning ahead of schedule in order to be ready for drilling operations in 2013 and 2014 in Guinea, Cote d'Ivoire and Gabon. In the year ahead, we will focus on stronger risk management and creating operational efficiencies and contract value through further integration, focused planning and efficient management.

CLOSING THE GAP

Where we transition from E&A to development there may be a reduction in field activity. During this phase of reduced activity, we work with local suppliers to raise standards, investing in local companies to be ready for the next stage of growth in their country. This is part of our 'Closing the Gap' programme where we advise on a range of business activities, such as quality management and EHS standards through regular workshops. We also provide an overview of the impact of Bribery and Corruption worldwide, Anti-Corruption legislation, including the UK Bribery Act, and an introduction to Tullow's Code of Business Conduct, detailing specific elements of the Code such as gifts and hospitality and facilitation payments.

LOCAL CONTENT

2012 HIGHLIGHTS

- Launch of the Enterprise Centre in Hoima, Uganda.

Tullow's local content strategy supports local companies to enter the oil industry's supply chain. Our mission is 'to maintain competitive advantage by making a real contribution to sustainable economic growth.' We work with local people and businesses, building their capacity to provide competitive local goods, services and skills to international standards. This in turn helps local companies to understand our contract criteria. We also stipulate international suppliers should partner with local suppliers where possible. For Tullow, it helps us to better manage risk and cost by creating a good strong local competitive supply base. It also helps to reduce supply chain failure and environmental impacts.

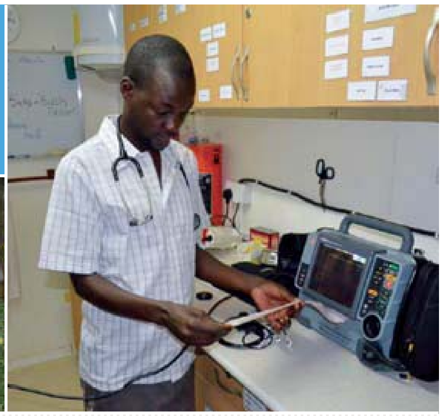
Visit: www.tullowoil.com/supplier_centre

Over 1,000 companies have registered via the Supplier Centre, since its launch in late 2010. The Centre provides information on the safe working conditions, human rights, ethical and environmentally responsible business practices we expect of all our suppliers. Through this centre we aim to drive up standards and share best practice by extending our high levels of international governance throughout our supply chain and to our industry partners. Our actions, from our supplier criteria and contract strategies to industry-leading supplier development programmes, demonstrate this commitment.

AGRI-SUPPLY CHAIN

The Agri-supply chain programme in Hoima, Uganda is an example of a sustainable supply chain in action. Partnering with Traidlinks, a not-for-profit specialist in enterprise and market development, we set out to build capacity and improve the produce quality among the local farming community. Working closely with farmers, we helped them move from a subsistence livelihood to commercial production, leveraging the three growing seasons a year and ultimately producing food for their own markets and Tullow's Ugandan camps. Through our contract strategy, we have ensured local catering companies are sourcing their produce through these local farmers. We are now able to buy local produce, reducing the need to transport food in from miles away, and ensuring a ready supply of quality food for our camps. Over 1,000 local people are now supporting the growing and harvesting of crops for Tullow camps. In addition, together with Traidlinks, we have helped identify new markets for the farmers which include international and local supermarkets.

REMOTE MEDICAL SUPPORT TRAINING



By building the capacity and skills of local people, we ensure the benefits of our industry have effects that are longer-lasting than the presence of any one single oil company. In Uganda, Tullow established primary health care facilities in its camps to provide emergency medical support to company operations in the field. Medical support services operated from the Lake Albert Basin were contracted to an international medical company, run by expatriate medical staff. As part of our commitment to develop Ugandan personnel, our Ugandan EHS and local content teams worked with Frontier Medex, our remote site health services provider, to provide a training programme to qualify Ugandan graduates in Advanced Life Support Services. Following an extensive development programme, all Tullow fields are now run by highly trained Ugandan doctors, employed by our contractors. Through our sponsorship, training and development of local Ugandans, Tullow has created a pool of expertise that is sustainable and applicable beyond Tullow's needs.

SOCIAL PERFORMANCE

2012 HIGHLIGHTS

- Discretionary social investment spend increased 72% to $19.9 million (2011: $11.6 million); and
- 90+ Tullow Group Scholarships allocated in seven African countries.

At Tullow, a fundamental value is respecting the local communities and people impacted by our business. Proper management of the social impacts of our operations is critical to the growth and sustainability of our business. Social impacts that are not well-managed can be damaging for communities. The associated risks for our business include loss of social licence to operate, cost inflation and schedule drift. Managing our impacts consistently well will help us to ensure we mitigate these risks and ensure that our projects run on time and on budget, and that we build a positive reputation that can strengthen access to growth opportunities.

Inevitably there are social change implications, positive and negative, at each stage of the oil life-cycle, from exploration through to decommissioning. Our social performance is made up of three component parts; see the table below.

Milestones achieved in our social impact management include improving the rigor of the social impact assessment element of our ESIAs; establishing dedicated social performance departments in our onshore operations; conducting a macro socio-economic review of Tullow's social performance in Ghana, and completing a social baseline survey in preparation for the Lake Albert Development Project in Uganda. Tullow's Social Performance Standard will be in place by the end of 2013.

TULLOW GROUP SCHOLARSHIP SCHEME

The scheme awarded over 90 scholarships to students from Ghana, Uganda, Kenya, Mauritania, Cote d'Ivôire, Gabon and Ethiopia. Students began their studies in September 2012 in courses ranging from Exploration Geophysics and Law to Supply Chain Management and Hospitality & Tourism at top universities in the UK, France and Ireland.

The scheme aims to build capacity in our host countries and increase the pool of potential local employees, enabling more people to participate in the industry and related sectors. It also aims to increase knowledge and skills at government level, leading to more effective working relationships.

Highlights for our social investment included a 72% increase in discretionary social investment spend to $19.9 million (2011: $11.6 million). The increase is due to the substantial investment we have made in rolling out our flagship Social Investment initiative, the Tullow Group Scholarship Scheme. More countries are now part of the scheme, and it demonstrates our continued commitment to build capacity where we operate.

Going forward, our criteria for social investment will be more tightly defined as we look to create clearer linkages to business objectives and risk management as well as ensuring host countries and neighbouring communities have access to as much economic benefit as can be enabled through Tullow activity.

How we manage our social performance

Social performance	What we do and why	How we do it
Community stakeholder engagement	Transparency and meaningful dialogue and consultation to understand community issues.	Grass roots community engagement via Community Liaison Officers who are from and speak the languages of the local communities.
Social impact management	Identify and manage the impacts of our projects, enabling us to deliver our projects on the ground effectively.	Socio-economic impact assessment and management. Macro socio-economic baseline. Land access/acquisition. Social/community investment.
Social investment	Invest in projects that build host country and community alignment, and ultimately help strengthen our reputation nationally.	Supporting local content. Promoting local employment. Building capacity of institutions and communities. Promoting business environment.

WORKING IN OUR CORPORATE FUNCTIONS

Our corporate functions provide vital support to our business units and make the day-to-day running of Tullow possible. They touch every part of our activities from negotiating the best deal on hiring a rig, setting up wireless networks in remote locations to assessing the commercial feasibility of a project. The teams are also critical to the governance of the business in terms of implementing and monitoring our Code of Business Conduct, setting Group-wide EHS and security standards, providing oversight of risk management as well as operational and financial reporting. 32% of our employees work in corporate functions and come from a variety of industry backgrounds, bringing expertise, ideas and experience that can be shared and applied across the Group.

Tullow Team

1. Amoi N'Gattia
2. Caroline Sloan
3. Peter Kamandah
4. Vivian Nakabugo
5. Shahima Nordien
6. Praveen Singh
7. Jeanell Kelly
8. Arnold Mahero
9. Eseenam Ama Dzansi
10. Marcus Finn
11. Josephine Adu-Bediako
12. Esther Kansere

4

CORPORATE GOVERNANCE

ACHIEVING HIGH STANDARDS OF GOVERNANCE & RISK MANAGEMENT

Your Board remains focused on effective risk management in order to create long-term sustainable value for the benefit of all stakeholders. Maintaining high standards of corporate governance without compromising Tullow's unique culture is central to this task.

"We are fortunate to have many outstanding people at Tullow who are determined to 'do the right thing'."

Dear Shareholder

As we continue to build organisational capacity and improve our management processes and procedures, we seek to strike a balance between entrepreneurial risk-taking and prudent risk management. While the Board can, and does, provide leadership, the good reputation of the Company depends upon the behaviour of every single employee and contractor, which is why we seek to maintain an environment where everybody feels responsible for the future success of the business.

In this introduction to the corporate governance report I will briefly cover the Board's activities during 2012 before focusing on three issues: diversity, remuneration and stakeholder relations. In the accompanying table on page 88 and 89 there is a detailed update on the Board's performance against our 2012 objectives and an outline of our 2013 plans.

Board performance in 2012

The Board set objectives in six key areas in 2012. In summary, we increased the Board time allocated to the discussion of strategy as we took a number of important resource allocation and portfolio management decisions in relation to new ventures and acquisitions and the sale of our operations in Bangladesh, Pakistan and the Southern North Sea. Risk management remains a key focus for the Group and we have decided to form a new EHS Committee in 2013 to ensure that adequate time is devoted to managing personal and process safety, occupational and community health and the environment, all of which are critical issues for Tullow and our stakeholders.

Succession planning has been further enhanced with personal development plans for potential successors to key positions within the Group. The Board Committees continue to function well. Two new non-executive Directors were appointed during the year and a huge amount of work was undertaken by the Remuneration Committee, in response to shareholder feedback, to ensure that our executive pay is fit for purpose and aligned with our exploration-led growth strategy.

The Board received presentations from a number of external speakers – drawn from politics, NGOs, academia and the City – to help inform our debates on the future shape of the business. Each Director also has a personal development plan to acquire or refresh skills and knowledge relevant to our plans for the coming year. The time spent by the Board, set out in page 92, reflects these activities.

2012 Board evaluation

Immediately prior to his retirement as Senior Independent Director (SID), I asked Steve McTiernan to undertake the annual review of board effectiveness to ensure that I got honest feedback on my own performance at the end of my first year as Chairman. The process consisted of a questionnaire, one-to-one structured interviews with each Director and a Board discussion of the conclusions and recommendations. I am pleased to report that as a Board we continue to make good progress in improving the effectiveness of our discussions, the atmosphere remains collegiate but appropriately challenging, and we are achieving a better balance between monitoring past performance and debating the future direction of the business.

2013 Board objectives

The Board objectives for 2013 on page 89, and the rolling 12 month Board agenda, reflect the priorities agreed following the 2012 Board Evaluation. I will undertake a mid-year review of progress in each area with Graham Martin, General Counsel and Company Secretary and the nominated Executive Director for Board matters, to ensure that we are on track to achieve these objectives.

All the Directors are agreed that the major opportunities and challenges facing the Company are to maintain our success in exploration; to optimise our portfolio of exploration, appraisal and development assets; to further develop trusting and mutually beneficial relationships with our key stakeholders; and to continue to build organisational capacity without compromising Tullow's entrepreneurial culture.

Board membership

During 2012, David Williams, chair of the Audit Committee, and Steve McTiernan, SID, retired from the Board after six and 10 years respectively. I would like to thank both for their outstanding contribution during a period of remarkable growth and success for Tullow.

More information
12 Chairman's statement
98 Directors' remuneration report
88 Board performance evaluation

Steve Lucas, who joined the Board in March 2012, has taken over as chair of the Audit Committee. He brings a wealth of financial and treasury experience, as Finance Director of National Grid and non-executive chair of two Audit Committees, as well as considerable knowledge of the oil and gas industry gained at Shell and BG. Anne Drinkwater joined the Board in July 2012 after a successful career at BP. She brings recent and directly relevant operating experience and has already made a significant contribution to our discussions on EHS and community relations. Anne will chair the new EHS Committee. David Bamford has taken on the role of SID, in addition to chairing the Remuneration Committee.

Diversity

At Tullow we fully recognise and embrace the benefits of diversity and regard the discussion of a broad range of views at Board level as an essential element in maintaining our competitive advantage. A truly diverse Board consists of people with different personal attributes, skills, experience and backgrounds, as well as differences in nationality, race and gender.

In the UK, the main focus has been on gender diversity and at Tullow the proportion of female non-executive Directors once again exceeds 25% and in total 18% of the Board are female.

We will continue to consider candidates for future Board appointments from the widest possible pool and will only engage executive search firms that have signed up to the Voluntary Code of Conduct on Diversity in the Boardroom published in July 2012. We have also ensured that the composition of the Nominations Committee reflects the level of diversity that we are seeking to achieve on the Board as a whole.

We regard the development of a diverse, high-calibre pipeline of senior executives, with Board potential, as our highest human resource priority. However, the challenge of dealing with a long legacy of under-representation of females in senior executive roles in the oil industry remains. Women currently represent 19.3% of management, and we will continue to focus on increasing this proportion in the coming years.

Remuneration

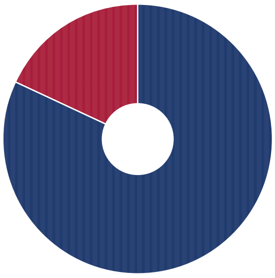
In response to shareholder feedback and in light of political and public concern about senior executive pay, we are recommending a radical overhaul of pay for our Executive Directors and senior management from 2013 onwards. Our objective is to provide a simple and competitive package, strongly linked to strategy and performance, which will attract and retain the best talent, provide an effective incentive to achieve the strategic objectives agreed by the Board, and better align the interests of management and investors.

The new remuneration policy is set out in detail in the Remuneration Report on page 98. One of the main advantages of the new scheme is that it consists of just two elements – fixed pay including base salary, pension and benefits and performance related pay in the form of the Tullow Incentive Plan (TIP) – and can therefore be summarised in just three bullet points:

- Base Salary increases for Executive Directors will, in general, not exceed the average increase awarded to other UK-based employees;
- The TIP will be paid up to a maximum of 600% of Base Salary (versus approximately 700% under the existing annual bonus, deferred bonus and Performance Share Plans combined) subject to the achievement of a balanced score card of stretching financial, operational and shareholder return-related objectives, explicitly linked to the achievement of Tullow's long-term strategy; and
- The TIP will be paid in cash (up to a maximum of 100% of Base Salary) and shares, deferred for five years (versus three under the current plans), subject to claw-back.

After consulting a number of major shareholders and shareholder organisations, we believe that the new plan is appropriate for our business and fairly reflects evolving views on best practice in executive pay.

Board diversity



Male	82%
Female	18%

Stakeholder relations

The oil industry in Africa suffers from a poor reputation, sometimes with good reason. In some of the countries where we operate there is a fundamental lack of trust that inhibits the development of good government-business relations and limits the effectiveness of partnerships with other stakeholder groups. There is no short-cut to resolving this issue. The only thing that we can do is to work hard at building relationships and earning trust.

To this end, we continue to undertake an active programme of engagement with national and local politicians, NGOs, community organisations and the business community in each of the countries where we have operations. In 2012, we held our second Multi-Stakeholder Forum, where we were able to obtain valuable feedback on EHS activities and strategy.

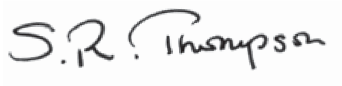
During 2012, over 60% of our total workforce, including all members of the Board and those people identified as holding high risk positions, undertook training on the Tullow Code of Business Conduct and we continue to roll out the programme to our suppliers.

We have arranged seminars on the oil industry for journalists in nascent oil countries, to better inform the public debate on the development of the industry. We continue to invest in

2012 Board objectives	2012 performance
Strategy Annual strategy review to focus on risk management; resource allocation within the portfolio of exploration, appraisal and development projects; and building organisational capacity to meet our growth expectations. Strategy to be regularly updated, incorporating external views on economic and political developments in host countries.	The receipt of the Uganda sale proceeds allowed for a more comprehensive review of strategy at the two-day Board offsite and at regular Board meetings. A substantial part of the Board's discussions focused on strategy, particularly resource allocation. At each meeting the Board received an extensive briefing on current and prospective exploration opportunities, and updates on development projects.
Risk management Continue to ensure that the Group's financial and operating risks are identified and that adequate systems and processes are in place to monitor and mitigate them, with a particular focus on: 1. External stakeholder relationships; 2. Portfolio management; 3. Improving quality of Board reporting on evolving risks; 4. Building organisational capacity; 5. EHS and asset integrity; and 6. Maintaining and enhancing the Tullow culture.	New country entry assessment and approval processes improved significantly during the year with greater emphasis being placed on understanding the social impact challenges in countries where Tullow has current and expected future large-scale operations, especially onshore. Restructuring the business into three Regional Units has allowed more focus on particular areas and identified the need for additional capacity and expertise, recruitment for which is well underway.
Succession planning Improve quality of succession planning for the Board and senior management. Implement succession plan for the chair of the Audit Committee and two other non-executive Directors.	Considerable progress was made this year on succession planning for the Executive Directors with an extensive presentation on the topic at the Board offsite and as a result appropriate plans were agreed, but they will be kept under regular review. Personal development plans are also being prepared for most of the senior managers, and succession planning encouraged with particular focus where appropriate on localisation.
Board committees Review remuneration structure and KPIs to ensure alignment with evolving strategic objectives and risk management. Agree strategy and criteria for Director succession at the full Board. Reduce size of Nominations Committee and use it to execute the agreed strategy.	The Remuneration Committee was particularly active this year in redesigning a new and simplified remuneration structure for the Executives and senior management, to ensure retention of our successful team, to align with our strategic objectives and the interests of our shareholders.
Board visibility, engagement and communication Ensure appropriate frequency of Board level interactions with employees, key decision makers and other opinion formers in countries of operation. Review 'Talk Back' staff climate survey and take appropriate actions.	With the increasing profile of Tullow in key areas of our operations and with the increased staff numbers, the Board is keenly aware of the importance of communications with all stakeholders, and the Directors have continued to find ways of engaging with them appropriately. The Executives held actual and virtual town hall and other staff meetings in various offices throughout the year and engaged in formal and informal settings with government officials and other key stakeholders. On occasions they were accompanied by the Chairman and other non-executive Directors.
Board procedures Implement electronic distribution of Board papers. Implement 12 month rolling agenda to enhance Board planning.	Enhancements to Board meeting processes, changes to sub-committee structures and leadership, and improved corporate governance planning, implemented under the new Chairman in 2012, have been well received.

building capacity for our industry through education and enterprise development. There are now 93 Tullow scholars from seven African countries studying subjects relevant to the oil industry at UK and other foreign universities. We opened a new Enterprise Centre for suppliers in Uganda in 2012 and plan to open one in Ghana in 2013.

External perception surveys indicate that we are making good progress in countries such as Ghana, where Tullow is well-established. Clearly we have more to do, particularly earning the trust of local communities in our new areas of activity. As a relatively young company we do not have the legacy issues that affect some other companies in our sector and we remain determined to uphold our core values of respect and integrity in all of our stakeholder engagements. We aspire to achieve more than just consent. Over time, we hope to become a valued member of and contributor to the communities where we operate.



Simon R Thompson
Chairman
12 February 2013

The Board's deliberations were informed by the views of a number of external presenters, covering issues such as East African politics, the aid versus investment debate in Africa, corporate developments in the oil industry and in the City, and an analysis of the environment risks, politics and investment climate in Greenland.

As a result of the focus in 2012 on risk management, and the variety of issues to be covered as the organisation grows, a decision was taken to form an EHS Committee to be chaired by one of the non-executive Directors, devoted to monitoring personal and process safety, community health and the environment.

Two non-executive Directors retired during the year, including the Audit Committee chairman, and were replaced as a result of an external search process and following in each case agreement on a comprehensive role specification to meet the growing needs of the business.

A consultation process on this with our larger shareholders on this new structure is already well under way. The Nominations Committee was also very active in the recruitment of two new non-executive Directors and in starting the search process for another.

The Board reviewed the results of the Tullow staff feedback survey and the HR team led workshops at country, business and/or functional levels as appropriate to discuss the issues raised and to take appropriate actions. This remains a continuing key challenge and priority for the business.

The move to electronic distribution of Board papers was successfully implemented early in the year and there is now more forward planning of Board agenda items and external presentations, while continuing to allow flexibility for changing circumstances.

2013 Board objectives

Strategy
Regularly update strategy to maximise value creation, taking into account external views on political and economic developments in host countries. Ensure adequate time is allocated for Board discussions on:

- The exploration opportunity set;
- Resource allocation to exploration, appraisal and development projects;
- Finance and portfolio management options; and
- Maintaining operating cost and capital discipline.

Risk management
Continue to ensure that appropriate systems and processes exist to identify, monitor and manage evolving risks, with a particular focus on:

- Social impacts and external stakeholder relations;
- Country risk;
- EHS;
- Security and human rights; and
- Treasury and financing options.

Governance and values

- Maintain and enhance the Tullow culture and values;
- Reinforce compliance with the Tullow Code of Business Conduct;
- Continue to strengthen internal controls and reporting;
- Seek shareholder approval for new remuneration policy; and
- Form a new EHS Board sub-committee.

Organisational capacity

- Continue to build organisational capacity through recruitment, induction, development, recognition and reward;
- Ensure organisational design is fit for purpose and evolves to reflect the growth in size and complexity of the business;
- Continue to monitor senior executive development plans to provide succession for all key positions; and
- Continue to increase the diversity of the management team.

Stakeholder engagement

- Continue to enhance Board-level interaction with shareholders, employees, politicians, key decision-makers, NGOs and other stakeholders; and
- Arrange Board visit to Kenya.

Board Development

- Undertake agreed personal development plans; and
- Arrange external presentations on agreed topics

AN EXPERIENCED LEADERSHIP TEAM

The balance of Executive and non-executive Directors bring a broad range of industry, commercial and other relevant experience to the Board, which is vital to the management and governance of Tullow's growing business.

SIMON THOMPSON

Chairman

Age: 53

Nationality: British

Tenure: 1 year

Term of office: 3 years

Letter of appointment:
Dated 16 December 2011

Re-election to Board: Annual

Simon Thompson was appointed as a non-executive Director in May 2011 and non-executive Chairman from 1 January 2012. He holds a degree in geology and brings a wealth of international investment banking and natural resources experience, especially in Africa. Simon held investment banking roles before he joined the Anglo American Group in 1995 where he held a number of senior positions. In 2005, he became an executive director of Anglo American plc, a position he held until leaving in 2007.

Committee membership

Nominations (Chairman), Remuneration and EHS Committees.

Other directorships and offices

Simon is currently a non-executive director of Newmont Mining Corporation (USA), Sandvik AB (Sweden) and AMEC plc (UK).

AIDAN HEAVEY

Chief Executive Officer

Age: 59

Nationality: Irish

Tenure: 27 years

Term of office: Rolling 1 year

Service contract:
Dated 2 September 2002

Re-election to Board: Annual

A founding Director and shareholder of the Company, Aidan Heavey has played a key role in the development of Tullow from its formation in 1985 to its current international status as a leading independent oil and gas exploration and production group.

Committee membership

EHS Committee.

Other directorships and offices

Aidan is a director of Traidlinks, an Irish-based charity established to develop and promote enterprise and diminish poverty in the developing world, particularly in Africa. He is a member of the UCD Michael Smurfit Graduate Business School, Dublin.

IAN SPRINGETT

Chief Financial Officer

Age: 55

Nationality: British

Tenure: 4 years

Term of office: Rolling 1 year

Service contract:
Dated 1 September 2008

Re-election to Board: Annual

A Chartered Accountant, Ian Springett was appointed Chief Financial Officer and to the Board in 2008. Prior to joining Tullow, he worked at BP for 23 years where he gained a wealth of international oil and gas experience. Ian held a number of senior positions at BP including group vice president for planning, commercial director of the supply and trading business, upstream CFO, vice president of finance, US CFO and a business unit leader in Alaska. Prior to joining BP, he qualified as an accountant with Coopers & Lybrand.

GRAHAM MARTIN

General Counsel & Company Secretary

Age: 58

Nationality: British

Tenure: 16 years

Term of office: Rolling 1 year

Service contract:
Dated 2 September 2002

Re-election to Board: Annual

Graham Martin is a UK solicitor and joined Tullow as Legal and Commercial Director in 1997 from Vinson & Elkins, a leading international law practice. Prior to that, he was a partner in Dickson Minto W.S., a UK corporate law firm. He has over 30 years' experience of UK and international corporate and energy transactions and has been the principal legal adviser to Tullow since 1986. He was appointed General Counsel in 2004 and Company Secretary in 2008.

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PAUL McDADE

Chief Operating Officer

Age: 49

Nationality: British

Tenure: 6 years

Term of office: Rolling 1 year

Service contract:
Dated 29 March 2006

Re-election to Board: Annual

Paul McDade was appointed to the Board in 2006. Paul joined Tullow in 2001 and was appointed Chief Operating Officer following the Energy Africa acquisition in 2004, having previously managed Tullow's UK gas business. An engineer with over 25 years' experience, he has worked in various operational, commercial and management roles with Conoco, Lasmo and ERC. He has broad international experience having worked in the UK North Sea, Latin America, Africa and South East Asia and holds degrees in Civil Engineering and Petroleum Engineering.

Committee membership

EHS Committee.

ANGUS McCOSS

Exploration Director

Age: 51

Nationality: British

Tenure: 6 years

Term of office: Rolling 1 year

Service contract:
Dated 18 April 2006

Re-election to Board: Annual

Angus McCoss was appointed to the Board in December 2006. He is a geologist with a BP sponsored PhD and, prior to joining Tullow in April 2006 as General Manager Exploration, he had 21 years of wide-ranging exploration experience, working primarily with Shell in Africa, Europe, China, South America and the Middle East. He held a number of senior positions within Shell including Americas Regional Vice President Exploration and General Manager of Exploration in Nigeria.

Other directorships and offices

Angus is currently a non-executive Director of Ikon Science Limited and a member of the Advisory Board of the industry-backed Energy and Geoscience Institute of the University of Utah.

DAVID BAMFORD

Senior Independent Director

Age: 66

Nationality: British

Tenure: 8 years

Term of office: 3 years

Letter of appointment:
Dated 30 June 2010

Re-election to Board: Annual

David Bamford was appointed as a non-executive Director in 2004. With a PhD in Geological Sciences, 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.

Committee membership

Remuneration (Chairman), Nominations and EHS Committees.

Other directorships and offices

David is a director or adviser to several small companies, including his own consultancy, and he writes regularly for journals such as OilVoice and ROGTEC. He co-founded Finding Petroleum and OilEdge as vehicles for online communication in the oil and gas industry.

More information
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ANN GRANT

Non-executive Director

Age: 64

Nationality: British

Tenure: 4 years

Term of office: 3 years

Letter of appointment:
Dated 19 April 2011

Re-election to Board: Annual

Ann Grant was appointed as a non-executive Director in May 2008. She joined the UK Diplomatic Service in 1971; from 1998, she worked at the Foreign and Commonwealth Office in London as Director for Africa and the Commonwealth, and from 2000 to 2005 was British High Commissioner to South Africa.

Committee membership

Audit and Nominations Committees.

Other directorships and offices

In 2005, Ann joined Standard Chartered Bank focusing on its Africa business. She is a Board member of the Overseas Development Institute, an independent trustee on the UK Disasters Emergency Committee and a Council Member of the London School of Hygiene and Tropical Medicine and the Rift Valley Institute.

TUTU AGYARE

Non-executive Director

Age: 50

Nationality: Ghanaian

Tenure: 2 years

Term of office: 3 years

Letter of appointment: Dated 24 August 2010

Re-election to Board: Annual

Tutu Agyare was appointed as a non-executive Director in August 2010. He is currently a managing partner at Nubuke Investments, an asset management firm focused solely on Africa, which he founded in 2007. Previously, he had a 21-year career with UBS Investment Bank, holding a number of senior positions, most recently as the head of European emerging markets, and a member of the Board. Tutu brings a wealth of experience to the Tullow Board as the Group continues to expand its business in Africa. He has a degree in mathematics and computing.

Committee membership

Audit, Nominations and Remuneration Committees.

Other directorships and offices

Tutu is a director of the Nubuke Foundation, a Ghanaian-based cultural and educational foundation.

STEVE LUCAS

Non-executive Director

Age: 58

Nationality: British

Tenure: 11 months

Term of office: 3 years

Letter of appointment: Dated 13 March 2012

Re-election to Board: Annual

Steve Lucas was appointed as a non-executive Director in March 2012. A Chartered Accountant by profession, Steve was Finance Director at National Grid plc from 2002 to 2010 and has significant expertise in energy and power, infrastructure finance and treasury. Previously, he worked for 11 years at Royal Dutch Shell and for six years at BG Group, latterly as Group Treasurer.

Committee membership

Audit (Chairman) and Remuneration Committees.

Other directorships and offices

From 2004 until 2011 he was a non-executive Director of Compass Group plc where he was chairman of the audit committee. He is currently a non-executive Director of the drilling company, Transocean Ltd (USA) and Essar Energy plc (UK).

More information
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ANNE DRINKWATER

Non-executive Director

Age: 57

Nationality: British

Tenure: 7 months

Term of office: 3 years

Letter of appointment: Dated 24 July 2012

Re-election to Board: Annual

Anne Drinkwater was appointed as a non-executive Director in July 2012. Anne had a long career at BP where she held a number of senior business and operations positions including President and CEO of BP Canada Energy Company, Group Vice President managing non-technical risk, President of BP Indonesia and Managing Director of BP Norway. She holds a BSc in applied mathematics and statistics. Anne has a strong commercial and business development background in the sector and has expertise in governance and stakeholder management.

Committee membership

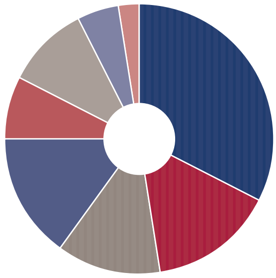
EHS (Chairman), Audit and Remuneration Committees.

Other directorships and offices

Anne is a non-executive Director of Aker Solutions ASA (Norway).

More information
86

2012 Board time



Strategy	32.5%
Financial management	15.0%
Corporate governance	12.5%
D&O	15.0%
E&A	7.5%
EHS	10.0%
HR	5.0%
Stakeholder management	2.5%

"The Committee met on five occasions and fully discharged its responsibilities during the year."

Dear Shareholder

Strong governance is a key feature of the way Tullow manages its business and risks. The Board Audit Committee has a vital role in providing assurance that the financial statements provide a true and fair view of the Group's financial affairs and that our internal business control systems remain effective. These primary objectives were met through consideration and review of the full-year and half-year results with the External Auditors and through review of the work of Internal Audit and other assurance providers.

An objective for 2013 will be to assess the implications of the revised Corporate Governance Code published in late 2012, with a particular focus on changes to Financial Reporting and the Audit Committee requirements.

Steve Lucas
Chairman of the Audit Committee

12 February 2013

2012 AUDIT COMMITTEE HIGHLIGHTS

- Approval of half-year and full-year accounts
- Review of the work and independence of the External Auditor
- Review of independent reserves auditors' work
- Assessment of remit and results of Internal Audit
- Assessment of whistle-blowing procedures
- Oversight of key risks associated with major IT systems projects and business recovery procedures

Audit Committee membership

Committee member	Period of membership in 2012	Meetings attended (out of a total possible)
Current		
Steve Lucas[1]	From 14 March	3/3
Tutu Agyare	Full Year	5/5
Anne Drinkwater[2]	From 25 July	2/2
Ann Grant	Full Year	5/5
Past		
David Bamford	To 17 January	1/1
Steven McTiernan[3]	Full Year	4/5
David Williams[4]	To 16 May	2/2

Current members are at the date of this report.

1. Appointed to the Board on 14 March 2012 and as Audit Committee Chairman on 16 May 2012.
2. Appointed to the Board on 25 July 2012.
3. Ceased as a member of the Committee on retiring from the Board on 31 December 2012.
4. Ceased as a member of the Committee on retiring from the Board on 16 May 2012.

Governance

Steve Lucas was appointed Audit Committee Chairman in May 2012 after David Williams' retirement from the Board on 16 May 2012. Steve, who is a Chartered Accountant, was Finance Director at National Grid plc from 2002 to 2010. It is a requirement of the UK Corporate Governance Code that at least one Committee member has recent and relevant financial experience. Steve Lucas therefore meets this requirement.

The Chief Financial Officer, the Group Internal Audit Manager, the General Manager Finance, the Deputy Company Secretary and representatives of the External Auditors are invited to attend each meeting of the Committee and participated in all of the meetings during 2012. The Chairman of the Board also attends meetings of the Committee by invitation and was present at all of the meetings in 2012. The external auditors have unrestricted access to the Committee Chairman.

In 2012, the Audit Committee met on five occasions. Meetings are scheduled to allow sufficient time to enable full discussion of key topics.

The Committee reviewed its terms of reference during the year. These are in line with best practice. The Audit Committee terms of reference can be accessed via the corporate website. The Board approved the terms of reference in December 2012.

Main responsibilities

The Committee fully discharged its responsibilities during the year. The following describes the Audit Committee's main responsibilities and the work conducted in discharging these responsibilities:

Financial statements and formal announcements

Monitoring the integrity of the financial statements and formal announcements relating to the Group's financial performance.

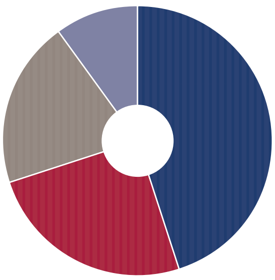
- The Committee met with the external auditors as part of the full-year and half-year accounts approval process.
- During this exercise the Committee considered the key audit risks identified as being significant to the 2012 accounts and the most appropriate treatment and disclosure of any new or judgemental matters identified during the audit and half-yearly review as well as any recommendations or observations made by the external auditors.

Reporting, policies and disclosures

Reviewing the significant financial reporting issues and accounting policies and disclosures in the financial reports.

- The Group prepares financial statements under International Financial Reporting Standards (IFRS). The adoption of new and revised Standards and Interpretations during 2012 and their impact on the financial statements are described in the accounting policies commencing on page 134.
- The Audit Committee approved the scope of the work to be undertaken by the external auditors for half-year and year-end statutory audits and reviewed and discussed the external auditors' final audit reports.

Allocation of Audit Committee time



Financial results	45%
Internal audit matters	25%
Business controls	20%
Governance compliance matters	10%

Internal controls and risk management

Reviewing the adequacy and effectiveness of the Group's internal control procedures and risk management systems.

- The Audit Committee reviewed the effectiveness of the Group's internal control procedures and risk management systems through the work of the internal audit team and external auditors and through regular reporting by the business unit and corporate teams to the Board.

Internal audit requirements

Considering how the Group's internal audit requirements shall be satisfied and making recommendations to the Board.

- The Group Internal Audit Manager has direct access and responsibility to the Audit Committee. His main responsibilities include: evaluating and supporting the development of the Group's overall control environment; operating efficiency and risk identification and management at operating, regional and corporate levels. In fulfilling his role, the Group Internal Audit Manager has direct access to the Committee without reference to Executive Management. During 2012, the Group Internal Audit Manager met with the Audit Committee Chairman without the presence of management to discuss the planning of Audit Committee meetings and to brief him on the results of the audits completed. The Group Internal Audit Manager also supported the development of Audit Committee meeting agendas with the Chairman with input from the Chief Financial Officer and General Manager Finance.
- The Committee approved the programme of 2012 internal audit work aimed at addressing both financial and overall risk management objectives identified within the Group. Thirty-seven internal audit reviews were undertaken during the year, covering a range of financial and business processes in the Group's main business units in London, Dublin and Cape Town, and the main operational locations in Ghana, Uganda and Kenya. Detailed results from these reviews were reported to management and in summary to the Audit Committee during the year. Recommendations made as a result of the work of Internal Audit are tracked for timely implementation and reported to the Audit Committee periodically. No significant weaknesses were identified as a result of risk management and internal controls reviews undertaken by Internal Audit during 2012. The Group also undertook regular audits of non-operated joint ventures under the supervision of business unit management and the Group Internal Audit Manager.

- In addition, the Committee oversees the work of the independent reserves auditors ERCE and the arrangements in place for managing Information Technology risk relating to the Group's critical information systems.

External auditors

Making recommendations to the Board on the appointment or re-appointment of the Group's external auditors and overseeing the Board's relationship with the external auditors and, where appropriate, the selection of new external auditors.

- The UK Corporate Governance Code states that the Audit Committee should have primary responsibility for making a recommendation on the appointment, re-appointment or removal of the external auditors. On the basis of the review of external audit effectiveness, the Committee recommended to the Board that it recommends to shareholders the re-appointment of the auditors at the 2013 AGM.
- The external auditor is required to rotate the audit partner responsible for the Group audit every five years. 2012 is the first year of the current lead audit partner's tenure. The audit contract was last put out to tender in 2004. The Audit Committee acknowledges the new provision in the 2012 edition of the UK Corporate Governance Code in respect of audit tendering and the suggested transitional arrangements thereto. The new Code applies to the Company from 1 January 2013 and will be reported against in its 2013 Annual Report.
- The Group's external auditors are Deloitte LLP and the Audit Committee assessed the qualification, expertise and resources, and independence of the external auditors and the effectiveness of the audit process. This covered all aspects of the audit service provided by Deloitte LLP, including obtaining a report on the audit firm's own internal quality control procedures and consideration of the audit firms' annual transparency reports in line with the UK Corporate Governance Code. The Audit Committee also approved the external audit terms of engagement and remuneration. During the 2012 audit process, the Audit Committee Chairman met with Deloitte's audit engagement partner without the presence of management.
- As a result of these reviews, the Audit Committee considered the external audit process to be operating effectively.
- The Committee closely monitors the level of audit and non-audit services they provide to the Group. Non-audit services are normally limited to assignments that are closely related to the annual audit or where the work is of such a nature that a detailed understanding of the Group is necessary. A policy for the engagement of the external auditors to supply non-audit services is in place to formalise these arrangements which requires Audit Committee approval for certain categories of work. This policy has been reviewed and updated in line with updated Audit Practice Board Ethical Standards and FRC Guidance to Audit Committees, and is available on the corporate website.
- A breakdown of the fees paid to the external auditors in respect of audit and non-audit work is included in note 3 to the financial statements. In addition to processes put in place to ensure segregation of audit and non-audit roles, Deloitte LLP is required, as part of the assurance process in relation to the audit, to confirm to the Committee that they have both the appropriate independence and the objectivity to allow them to continue to serve the members of the Company. This confirmation was given and no matters of concern were identified by the Committee.

Whistle-blowing procedure

Ensuring that an effective whistle-blowing procedure is in place.

- In line with best practice and to ensure Tullow works to the highest ethical standards, an independent whistle-blowing procedure has been in operation during the year to allow staff to confidentially raise any concerns about business practices. This procedure complements the established internal reporting process. The whistle-blowing policy is included in the revised Code of Business Conduct which is available on the corporate website. The Committee considers the whistle-blowing procedures to be appropriate for the size and scale of the Group.

Review of effectiveness of the Audit Committee

- During the year, the Audit Committee completed a review of the effectiveness of external audit, Internal Audit and of the Audit Committee itself. This was conducted through a series of questionnaires. Internal Audit coordinated the review. The Committee was considered to be operating effectively and in accordance with the guidance recommended by the Smith Committee included in the UK Corporate Governance Code.
- In addition to the questionnaire-based review of effectiveness, the Audit Committee also assessed the qualification, expertise and resources, and independence of the external auditors and the effectiveness of the audit process.

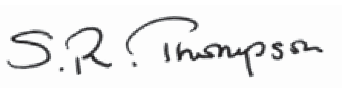
"The Committee oversaw the recruitment of two new Directors in 2012, who bring the skills and experience needed to lead the next phase of Tullow's growth."

Dear Shareholder

We are committed to appointing, retaining and developing an experienced leadership team that can appropriately manage Tullow's growing business. The Board includes a balance of Executive and non-executive Directors who bring a broad range of industry experience and skills.

The Board was refreshed in 2012 following the retirement of David Williams and Steve McTiernan after six and 10 years of service respectively. I would like to take this opportunity to thank each of them for their contribution and commitment to Tullow.

I would also like to welcome our two non-executive Directors, Steve Lucas and Anne Drinkwater who were appointed in March and July 2012 respectively. The Nominations Committee identified and recommended both Steve and Anne for their extensive industry experience and expertise in their relevant fields. Biographies of all the members of the Board can be found on pages 90 to 92 of this report.



Simon Thompson
Chairman of the Nominations Committee

12 February 2013

2012 NOMINATIONS COMMITTEE HIGHLIGHTS

- The Board was refreshed in 2012 following the appointment of Steve Lucas and Anne Drinkwater
- The appointment of Anne Drinkwater is a positive step towards our aspiration to achieve greater diversity on the Board
- Good progress has been made in regards to succession planning in 2012 and the Committee worked closely with the Executives to review the senior management talent pool and ensure appropriate development plans are in place
- The Committee starts 2013 with new membership as Tutu Agyare was appointed from 1 January 2013 and Aidan Heavey stepped down at the end of 2012

Nominations Committee membership

Committee member	Period of membership in 2012	Meetings attended (out of a total possible)
Current		
Simon Thompson (Chair)	Full Year	3/3
Tutu Agyare	1-17 Jan	N/A
David Bamford	1-17 Jan 25 Sept-31 Dec	1/1
Ann Grant	Full Year	3/3
Past		
Aidan Heavey[1]	Full Year	3/3
Steven McTiernan[2]	Full Year	3/3
David Williams	1-17 Jan	N/A

Current members are at the date of this report.

1. Stood down from the Committee on 31 December 2012.
2. Ceased to be a member of the Committee upon retiring from the Board on 31 December 2012.

Committee's role

The Committee reviews the composition and balance of the Board and Senior Executive team on a regular basis to ensure that Tullow has the right structure, skills and experience in place for the effective management of the Group's expanding business. This analysis is reviewed and discussed with the Board, with the aim of scheduling a progressive refreshment of the Board. It is the Committee's policy when conducting a search for a new Executive or a non-executive Director to appoint external search consultants to provide the Committee with a list of possible candidates against an agreed role and experience specification from which a shortlist is produced.

The Committee's terms of reference are reviewed annually and can be accessed on the corporate website.

Main responsibilities

The main duties are:

- Reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any changes required;
- Succession planning 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 of non-executive Directors; and
- Making recommendations to the Board regarding membership of the Audit and Remuneration Committees in consultation with the Chairman of each Committee.

Committee membership

- The Committee currently comprises four non-executive Directors and met on three occasions during 2012. Simon Thompson was Chairman of the Committee throughout the year. The membership and attendance of members at Committee meetings held in 2012 are shown in the table on page 96. In addition to the three formal meetings, Committee members conducted a number of interviews, informal discussions and telephone conversations on various issues falling within its remit.
- Aidan Heavey stood down as a member of the Nominations Committee on 31 December 2012 at the same time as Stephen McTiernan retired as a Director of the Company. Tutu Agyare was appointed to the Nominations Committee with effect from 1 January 2013.

Committee activities during 2012 and subsequent to the year-end

- Board refreshment – In early 2012, in order to provide continuity during the transition of the Chairman, the Committee recommended to the Board that Steven McTiernan, the Senior Independent Director (SID), should continue in that role until 31 December 2012. Mr McTiernan retired from the Board on 31 December 2012 and was replaced as SID by David Bamford. The Committee has commenced a search for a new non-executive Director to replace Mr McTiernan. Spencer Stuart has been appointed to draw up a list of candidates against an agreed specification.
- On 12 March 2012, the Board approved the recommendation of the Committee that Steve Lucas be appointed as a non-executive Director with effect from 14 March 2012 and as Chairman of the Audit Committee with effect from 16 May 2012, following the retirement of David Williams. The Zygos Partnership assisted with the search. Steve Lucas' biography is set out on page 92.
- On 19 July 2012, the Board approved a recommendation by the Committee that Anne Drinkwater be appointed as a non-executive Director with effect from 25 July 2012. Curzon Partners assisted with the search. Anne Drinkwater's biography is set out on page 92.
- Board diversity – The Board currently consists of five Executive Directors (including the CEO) and six non-executive Directors (including the Chairman). Two of the six non-executive Directors are women, but all of the Executive Directors are male, reflecting the relatively low level of gender diversity amongst the senior management of other companies in the oil and gas industry generally. In order to meet with the aspiration set out in the 2011 Davies Report 'Women on Boards' that women should make up 25% of board positions by 2015, we would have to restrict future Board appointments to women only or significantly restructure the size and composition of the Board. We do not regard either of these actions as being in the best interests of the Company. Accordingly, we will seek to address the problem of lack of diversity in senior management positions, as described in the Chairman's Introduction to Corporate Governance in page 86, but recognise that we are unlikely to achieve our aspiration of 25% female representation by 2015.
- Senior management succession planning – The Committee and the Board have been closely involved with Executive Directors in reviewing the senior management talent pool within Tullow. The aim is to ensure that all candidates, and particularly those who would increase the diversity of the senior management pool, have personal development plans designed to provide them with the knowledge and skills required to progress within the Group.
- Board Committee membership – The Committee is responsible for nominating appropriate individuals for membership of the Board's Committees. During the year, a number of changes were made to the composition of the Board Committees to ensure that they comprise of individuals with the necessary skills, knowledge and experience.
- Committee evaluation – The performance of the Committee was evaluated as part of the annual Board evaluation exercise and was found to be operating effectively.

REMUNERATION REPORT SUMMARY

Contents

Remuneration principles

To ensure that remuneration is linked to Tullow's strategy and promotes the attraction, motivation and retention of the highest quality executives who are key to delivering sustainable long-term value growth and substantial returns to shareholders.

2012 Remuneration highlights

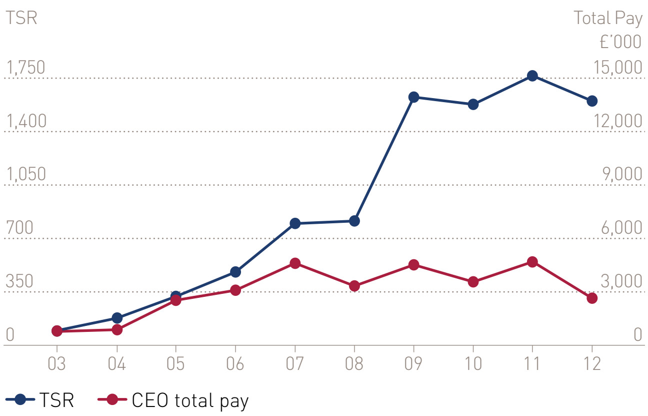
The Remuneration Committee considers that the Executive Directors' remuneration for 2012 is a fair balance that reflects strong executive performance while also recognising the challenges that Tullow has faced during the year. The Committee, in line with draft BIS proposals, is presenting for the first time single figure total remuneration for Executive Directors as set out in this table. Full details of the component parts are on page 109.

Executive Director	'Single figure' 2012 total remuneration £
Aidan Heavey	2,648,330
Graham Martin	1,477,092
Angus McCoss	1,475,896
Paul McDade	1,474,872
Ian Springett	1,568,052

Pay for performance

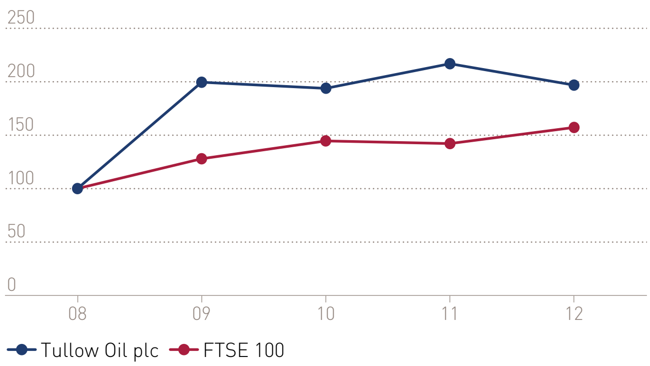
The Remuneration Committee ensures that Tullow's remuneration policy is aligned to Tullow's performance and, therefore, the interests of shareholders. This chart presents the Chief Executive Officer's total remuneration, on a basis consistent with the proposed BIS legislation, compared to Tullow's TSR over the last 10 years.

CEO total pay versus TSR



This chart shows Tullow's TSR versus the FTSE 100 Index over the five year period to 31 December 2012. The FTSE 100 has been chosen as it is the index the Company has been a constituent of for the five year period.

TSR versus FTSE 100



Remuneration policy from 2013 onwards

Following a review of the remuneration policy during 2012 and after consulting with major shareholders and shareholder representative bodies, the Remuneration Committee proposes a radical overhaul of the pay policy for Executive Directors and senior managers from 2013 onwards. As a result, a new incentive plan (the TIP) will be subject to shareholder approval at the AGM. The Remuneration Committee firmly believes that the introduction of the TIP will further strengthen the relationship between pay and performance.

2013 onwards

Fixed pay | TIP (600% of salary max)

2012

Fixed pay | Annual bonus (200% of salary max) | PSP (c500% of salary max)

Glossary

AGM	Annual General Meeting
BIS	Department for Business, Innovation & Skills
Capex	Capital expenditure
DSBP	Deferred Share Bonus Plan
EHS	Environment, Health & Safety
ESOS	2000 Executive Share Option Scheme
Opex	Operating expenses
PSP	Performance Share Plan
SIP	Share Incentive Plan
TIP	Tullow Incentive Plan
TSR	Total Shareholder Return

"Our remuneration policy seeks to align the interests of shareholders and Executive Directors."

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' report on remuneration for 2012, for which we will be seeking approval from shareholders at our forthcoming AGM.

The report has been split into three sections:

- A summary of the remuneration policy operated during 2012;
- The proposed remuneration policy that will be operated from 2013 onwards; and
- An Implementation Report which, consistent with the draft proposals on Directors' pay published by the Department for Business, Innovation & Skills (BIS), discloses how the current remuneration policy has been implemented in the year ended 31 December 2012.

We will be seeking your support for each part of the report by way of a single advisory vote at the AGM on 8 May 2013.

Performance and reward for 2012

The Remuneration Committee (Committee) considers that the remuneration paid to the Executive Directors fairly reflects their strong performance during the year, but also recognises the challenges that Tullow has faced. Base salaries were increased by 5% from 1 January 2012 (being in line with general increases awarded across the Group). The annual bonus paid out was at 70% of the maximum (equivalent to a bonus of 140% for Executive Directors) and the 2012 Performance Share Plan (PSP) awards, which had a three-year performance period ending 31 December 2012, vested at 23.2% of the maximum.

In view of the first award of the Tullow Incentive Plan (TIP) being in 2014, based on performance for 2013, a final PSP award will be made in the first quarter of 2013.

Committee changes in 2012

During the year Anne Drinkwater and Steve Lucas joined the Committee and David Williams and Steven McTiernan ceased to be members of the Committee on retiring from the Board in May and December 2012, respectively. I would like to thank Steven and David for their valuable contribution during their time on the Committee and I would like to welcome Anne and Steve and look forward to working with them. In addition, New Bridge Street was appointed as independent remuneration advisers to the Committee in 2012, replacing Kepler Associates.

Proposed changes for 2013

In light of widespread public concern about senior executive pay, and after consulting with major shareholders and shareholder representative bodies, the Committee proposes a radical overhaul of pay for our Executive Directors and senior managers for 2013 onwards with two primary objectives:

- To provide a competitive but not excessive package, strongly linked to performance, providing an effective incentive to achieve the strategic objectives agreed by the Board and align the interests of management and investors; and
- To simplify the remuneration package.

The proposed policy will consist of just two main elements – fixed pay (base salary, benefits and pension provision) and the TIP. In summary:

- Future fixed pay increases, in general, will not exceed the average increase awarded to other UK-based employees; and
- The TIP will be based on a maximum award level of 600% of base salary (versus 700% under the existing annual bonus, deferred bonus and PSP) subject to the achievement of a balanced scorecard of stretching financial, operational and total shareholder return-related objectives, explicitly linked to the achievement of Tullow's long-term strategy. Up to a maximum of 100% of base salary will be payable in cash; the balance will be payable in shares, deferred for five years (versus three under the current plans) and subject to claw-back.

On behalf of the Board, I would like to thank shareholders for their continued support. Should any shareholder wish to contact me in connection with the Group's senior executive remuneration policy, please email me at: remunerationchair@tullowoil.com.

David Bamford
Chairman of the Remuneration Committee

12 February 2013

About this report

This report covers the remuneration of Executive and non-executive Directors. The report has been split into three sections: a summary of the remuneration policy operated during 2012, the proposed remuneration policy which will be operated for 2013 onwards and an Implementation Report which, consistent with the draft proposals on Directors' pay published by BIS, discloses how the current remuneration policy has been implemented in the year ended 31 December 2012.

In addition to adopting a number of the proposals from BIS on disclosure, this report has been prepared in accordance with the requirements of the Companies Act 2006 and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts & Reports) 2008 Regulations, which set out the current requirements for the disclosure of Directors' remuneration, and also in accordance with the requirements of the Listing Rules of the Financial Services Authority. The current legislation requires the auditors to report to the Company's members on the 'auditable parts' of the Directors' remuneration report and to state whether, in their opinion, the parts of the report that have been subject to audit have been properly prepared in accordance with the relevant legislation and have been highlighted.

REMUNERATION POLICY REPORT FOR 2012

A summary of the remuneration policy operated in 2012 for Executive Directors, which was consistent with that presented in last year's remuneration report, is set out below.

Base salary

Base salaries are reviewed annually with effect from 1 January, taking into account the scale, scope, responsibility of the role, skills and experience of the individual, retention risk and base salary increases of other employees. Base salary levels for 2012 were as follows:

Executive Director	2012 salary
Aidan Heavey	£856,110
Graham Martin	£484,160
Angus McCoss	£484,160
Paul McDade	£484,160
Ian Springett	£514,080

Pension and other benefits

Each Executive Director was entitled to receive a payment of 25% of his base salary into the Company's group personal pension plan (defined contribution) or his private pension arrangements, 30 days' annual leave, private medical insurance, permanent health insurance and life assurance benefits. The Group also reimbursed the Executive Directors in respect of all expenses reasonably incurred by them in the proper performance of their duties.

Annual bonus for 2012

Executive Directors were eligible to participate in the Executive Annual Bonus Scheme for 2012, the key features of which were as follows:

- Maximum annual bonus potential for the Executive Directors of 200% of salary;
- For achieving target performance, a bonus of 80% of salary was payable (40% of the maximum);
- Any bonus earned in excess of 75% of salary is paid in shares and deferred under the Deferred Share Bonus Plan (DSBP). Under the DSBP, awards are deferred into Tullow Oil plc shares which vest after three years from grant, subject to continued service; and
- Payout is determined by the Committee taking into account the general financial performance of the Group and the achievement of specific targets captured in a Group scorecard based:
  - 25% on Tullow's one-year TSR performance relative to the same oil and gas group as is used to measure performance for the 2012 PSP award; no bonus is paid unless median performance is delivered, with full payout for upper quartile performance; and
  - 75% reflecting strategic objectives and on certain corporate KPIs comprising Environment, Health & Safety (EHS), Operational & Financial and Project Milestones.

From 2013, subject to shareholder approval being received at the forthcoming AGM, the current annual bonus arrangement will be consolidated into the TIP (see the Remuneration Policy for 2013 onwards starting on page 101).

PSP awards granted in 2012

The PSP was designed to reward returns to shareholders in excess of both the market generally and a group of oil and gas sector peers. The 2012 grant policy was as follows:

Executive Director	Number of PSP shares awarded
Aidan Heavey	300,000
Graham Martin	175,000
Angus McCoss	175,000
Paul McDade	175,000
Ian Springett	175,000

The 2012 PSP awards will vest subject to the Company's TSR performance, calculated in common currency, over a three-year period commencing on 1 January 2012, with no opportunity to re-test. Consistent with the 2011 awards, 2012 PSP awards will vest 70% on TSR vs an international oil sector comparator group and 30% on TSR vs the constituents of the FTSE 100. No award will vest unless the Committee considers that both the Group's underlying financial performance and its performance against other key factors (e.g. EHS) over the relevant period is satisfactory. Further details of the performance targets attached to the 2012 (and earlier) awards are presented in the Implementation Report.

Details of the single figure total remuneration figure for each Executive Director in 2012 are on page 109.

All-employee Share Incentive Plans

Executive Directors were eligible to participate, on the same terms as other employees, in the Tullow Oil UK and Irish Share Incentive Plans during 2012. These all-employee plans enable employees to acquire Tullow Oil shares (Partnership shares) up to prescribed limits which are then matched by the Group (Matching shares) on a one-for-one basis.

Sourcing of shares and dilution

Awards under all the Group's share schemes may be satisfied using either newly issued shares or shares purchased in the market and held in the Tullow Oil Employee Trust. Awards under the Group's executive schemes which may be satisfied by new issue shares must not exceed 5% of the Company's issued share capital in a 10-year period, and the total of all awards satisfied with new issue shares under all plans must not exceed 10% of the Company's issued share capital in a 10-year period.

As at 31 December 2012, the headroom under the Company's 5% and 10% limits was 3.4 million and 48.8 million shares respectively, out of an issued share capital of 907.7 million shares. As at 31 December 2012, the Tullow Oil Employee Trust held 0.8 million shares.

REMUNERATION POLICY FOR 2013 ONWARDS

The Remuneration Committee continually reviews the senior executive remuneration policy to ensure it promotes the attraction, motivation and retention of the high-quality executives who have been key to delivering the Group strategy in the past and who will be key to delivering sustainable earnings growth and shareholder return in the future. Retention is particularly important at the current time given the changing demographics of the sector workforce.

In light of widespread public concern about senior executive pay, and after consulting with major shareholders and shareholder representative bodies, the Committee proposes a radical overhaul of pay for our Executive Directors and senior managers for 2013 onwards with two primary objectives:

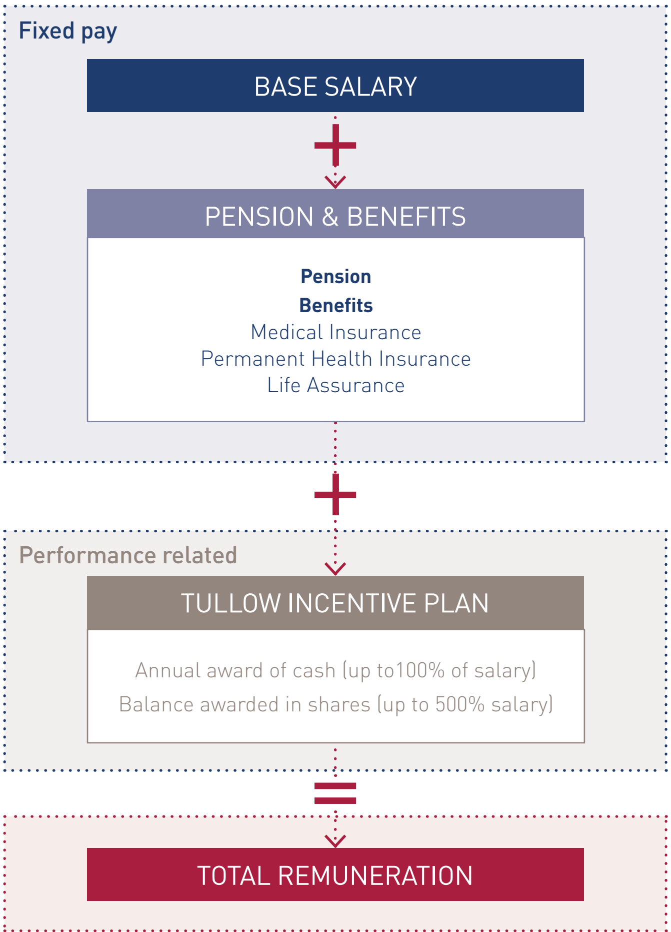
- To provide a competitive but not excessive package, strongly linked to performance, providing an effective incentive to achieve the strategic objectives agreed by the Board and align the interests of management and investors; and
- To simplify the remuneration package.

The new package seeks to reconcile the fact that the oil industry is very long-term, with time lags from discovery to production often exceeding a decade, whilst Tullow is changing and growing so rapidly that it is extremely difficult to design robust operational and financial targets for periods exceeding one or two years. Moreover, current research indicates that incentives work best when they are relatively short-term, while alignment with investors and an appropriate risk culture are best achieved through material long-term share ownership.

A summary of the new remuneration policy is set out in the remuneration policy table on pages 102 to 103. One advantage of the new policy is that it consists of just two main elements – fixed pay (base salary, benefits and pension provision) and the TIP.

- Future fixed pay increases will, in general, not exceed the average increase awarded to other UK based employees.
- The TIP will be based on a maximum award level of 600% of base salary (versus 700% under the existing annual bonus, deferred bonus and PSP combined) subject to the achievement of a balanced scorecard of stretching financial, operational and TSR related objectives, explicitly linked to the achievement of Tullow's long term strategy. Up to a maximum of 100% of base salary will be payable in cash; the balance will be payable in shares, normally deferred for five years (versus three under the current plans) and subject to claw-back.

Components of remuneration



The table below summarises the main components of Tullow's proposed remuneration policy for 2013, including the changes made from the 2012 policy and how the new policy will be applied.

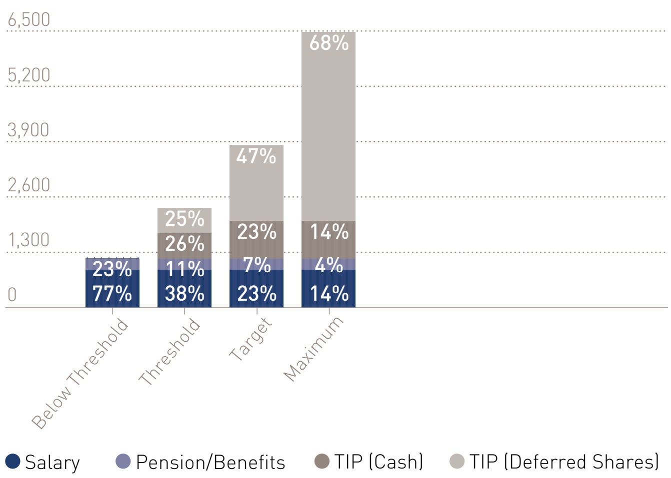
Remuneration policy for 2013 onwards summary table

	Base salary	Pension & Benefits
Purpose and link to strategy	To provide an appropriate level of fixed cash income to attract and retain individuals with the personal attributes, skills and experience required to deliver our strategy	To attract and retain individuals with the personal attributes, skills and experience required to deliver our strategy
Operation	Generally reviewed annually with increases effective from 1 January. Base salaries will be set by the Committee taking into account the: • scale, scope and responsibility of the role; • skills and experience of the individual; • retention risk; • base salary of other employees; and • base salary of individuals undertaking similar roles in companies of comparable size and complexity.	Defined contribution pensions scheme or contribution to personal pension plan. Medical Insurance, Permanent Health Insurance and Life Assurance
Opportunity	Salary increases for Executive Directors will not normally exceed the average increase awarded to other UK-based employees. Increases may be above this level if there is an increase in the scale, scope or responsibility of the role or to allow the base salary of newly appointed executives to move towards market norms as their experience and contribution increase	25% of base salary. Standard levels applicable to all other UK-based employees
Performance metrics	None	None
Changes to policy during year	None	None
Application of policy in 2013	Salaries of Executive Directors have been increased by 3.5% in line with all UK-based employees	

Remuneration scenarios for Executive Directors

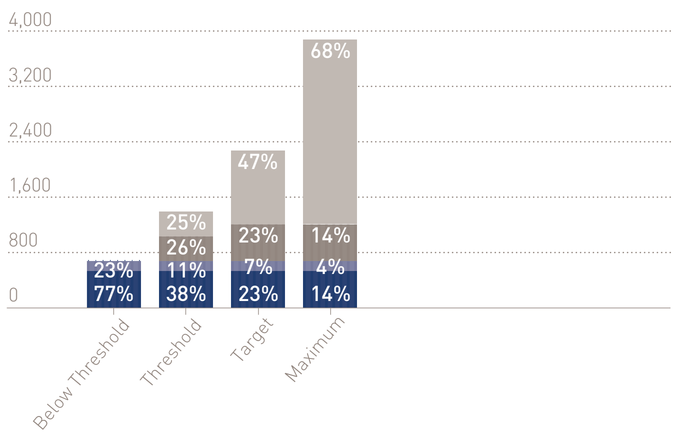
The charts to the right show how the composition of the Executive Directors' remuneration packages varies at different levels of performance under the proposed 2013 remuneration policy, as a percentage of total remuneration opportunity and as a total value:

Chief Executive Officer (£'000)

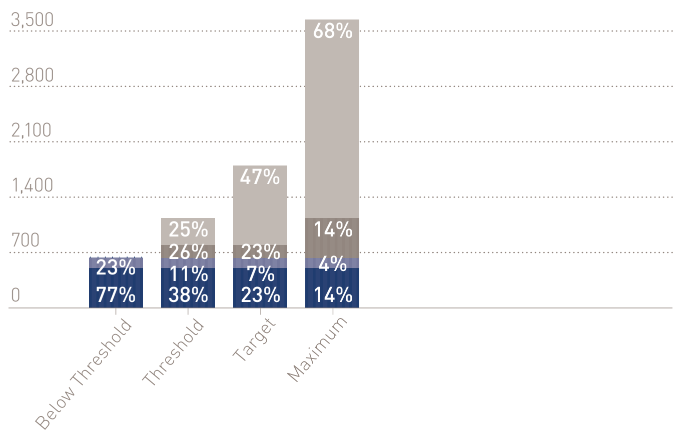


Tullow Incentive Plan (TIP)	
To provide a simple, competitive, performance-linked incentive plan that will: • attract, retain and motivate individuals with the required personal attributes, skills and experience;	• provide a real incentive to achieve our strategic objectives; and • align the interests of management and shareholders.
• Annual award of cash (up to 100% of salary) and deferred shares (up to 500% of salary) • Awards under the TIP (which are non-pensionable) will be made in line with the Committee's assessment of the Performance Metrics • Deferred shares normally vest after five years from grant, subject to continued service	• The Committee reserves the right to exercise discretion in the event of unforeseen positive or negative developments during the course of the year • Deferred shares may be subject to claw-back, at the discretion of the Committee, in the event of a material adverse restatement of the financial accounts or reserves, or a catastrophic failure of environmental, health or safety (EHS) risk management
The maximum annual level of award: • 600% of salary for Executive Directors; and • a lower percentage for other senior executives	
A balanced scorecard of financial and operational objectives, linked to the achievement of Tullow's long term strategy. Specific targets will vary from year-to-year in accordance with strategic priorities but may include targets relating to:	relative or absolute TSR; earnings per share (EPS); EHS; financial; production; operations; projects; exploration; or specific strategic objectives. Performance will typically be measured over one year, apart from TSR (and EPS, if adopted), which will normally be measured over three years
• The single TIP replaces three separate plans: the annual and deferred bonus (maximum 200% of salary) and the Performance Share Plan (circa 500% of salary) • Total maximum incentive opportunity is reduced from approx. 700% to 600% of base salary for Executive Directors	• The cash element is increased from 75% to 100% of base salary • The deferral period for deferred shares is extended from three to five years • Claw-back has been introduced
The balanced scorecard in 2013 will consist of: • 50% based on relative TSR against a basket of international oil and gas exploration companies with a threshold of median performance (25% of this part vests) and a maximum of upper quintile (100% of this part vests); • 10% based on leading and lagging EHS targets; and • 10% based on production;	• 10% based on exploration; and • 20% based on specific strategic objectives. Vesting of non-TSR targets will be based on a sliding scale from 20% at threshold performance to 100% at maximum. Details of actual performance against threshold and maximum for the first TIP award in 2014 will be disclosed retrospectively in the 2013 Annual Report Shareholding guideline increased from 400% to 600% of base salary.

Chief Financial Officer (£'000)



Other Directors (£'000)



DETAILED REMUNERATION POLICY FOR 2013 ONWARDS

Base salary

Base salaries will continue to be reviewed annually with effect from 1 January, taking into account the scale, scope, responsibility of the role, skills and experience of the individual, retention risk and base salary increases of other employees. For 2013, Executive Director salaries have been increased in line with the UK staff inflation increase of 3.5%.

Executive Director salaries

Executive	2012 salary	2013 salary	% Increase
Aidan Heavey	£856,110	£886,074	3.5%
Graham Martin	£484,160	£501,106	3.5%
Angus McCoss	£484,160	£501,106	3.5%
Paul McDade	£484,160	£501,106	3.5%
Ian Springett	£514,080	£532,073	3.5%

Pension and other benefits

Each Executive Director continues to be entitled to receive a payment of 25% of his base salary into the Company's group personal pension plan (defined contribution) or his private pension arrangements, 30 days' annual leave, private medical insurance, permanent health insurance, and life assurance benefits. The Group will continue to reimburse the Executive Directors in respect of all expenses reasonably incurred by them in the proper performance of their duties.

TIP

Subject to shareholder approval at the forthcoming AGM, the TIP, which has been designed to improve alignment between executives and shareholders and simplify remuneration arrangements, will be operated for 2013 onwards. The TIP will replace the annual bonus, DSBP and PSP as the primary senior executive incentive arrangement.

Key features

Subject to transitional provisions required for the initial years of operation which are explained below, the key features of the TIP, which is effectively a combination of the annual bonus plan, DSBP and PSP, are as follows:

- Following the end of a financial year, Executive Directors will be eligible for an award (TIP Award) up to a maximum amount equivalent to 600% of salary (lower limits apply below the Board). It is envisaged that the first TIP Award will be granted in 2014;
- 50% of 2014 TIP Awards will be determined by a balanced scorecard of financial, operational and strategic performance targets measured over the financial year ending prior to the award being granted (i.e. the 2013 financial year for the 2014 TIP Award);
- 50% of 2014 TIP Awards will be determined by relative TSR targets which will normally be measured over the three financial years ending prior to the award being granted. To simplify the current approach used to determine the vesting of PSP awards, a standard median to upper quintile vesting schedule will be measured against one group of exploration and production (E&P) companies (rather than using both an E&P group and a FTSE 100 group);
- TIP Awards up to 200% of salary will be 50% payable in cash and 50% in deferred shares (Deferred TIP Shares). The excess over 200% of salary will be 100% payable in Deferred TIP Shares;
- Deferred TIP Shares will normally vest five years after the date they were awarded;
- Dividend equivalents will accrue on Deferred TIP Shares over the vesting period to the extent awards vest;
- On a change of control, Deferred TIP Shares will vest at the transaction date. Leaver provisions are explained within the New Appointments/Exits section on page 106 to 107;
- The ABI's 5% and 10% in ten-year dilution limits will apply; and
- The Committee will retain discretion to apply claw-back during the five year vesting period in the event of a material adverse restatement of the financial accounts or reserves or a catastrophic failure of operational, environmental, health or safety risk management.

Transitional arrangements

As a result of the switch from: (i) a three year PSP vesting period to a five year TIP vesting period; and (ii) pre-vesting performance conditions to pre-grant performance conditions, the following transitional arrangements will apply in the early years of the TIP's operation:

- To plug the gap between 2016 (when the 2013 PSP award can vest) and 2019 (when the 2014 TIP award would normally vest), instead of vesting over five years the 2014 Deferred TIP Shares will vest 50% after three years (i.e. in 2017) and 50% after four years (i.e. in 2018) and the 2015 Deferred TIP Shares will vest 50% after four years (i.e. 2019) and 50% after five years (i.e. 2020). The 2016 and subsequent Deferred TIP Shares will vest after five years from grant; and
- To reduce the impact of overlapping performance conditions in the context of the switch from pre-vesting to pre-grant performance conditions, the TSR performance period for the 2014 TIP Award will be measured over the 2013 financial year and the 2015 and 2016 TIP Awards will be measured over the 2013-14 and 2014-15 financial years respectively (operating a three-year TSR performance period for the early TIP Awards would create an overlap with past PSP awards). The 2017 TIP Award and subsequent awards will be based on TSR over the three financial years ending with the financial year immediately prior to grant.

Performance targets for 2014 TIP Awards

The performance targets which will determine the initial TIP Awards to be granted in 2014, which will be measured over the 2013 financial year, will be as follows:

Performance metric	Performance target	% of award	% of salary maximum
Operational (Production)	20% payable at threshold (95% of target), increasing to 40% payable at target, increasing to 100% payable at stretch (110% of target)	10%	60%
Exploration (Finding costs)	20% payable at threshold (105% of target), increasing to 40% payable at target, increasing to 100% payable at stretch (90% of target)	10%	60%
EHS	Leading and lagging quantitative and qualitative measures	10%	60%
Strategic targets	• Demonstrate success in replenishing and high grading the exploration portfolio. • Progress key development activities: TEN; Jubilee FFD; and Uganda. • Progress portfolio options for TEN, Uganda, French Guiana and complete integration of Spring Energy. • Ensure opex, G&A and capex is appropriate for production levels and evolving strategic focus. • Ensure a well funded balance sheet by reference to debt covenants, future capex plans and the delivery of portfolio activity. • Manage and mitigate above ground risk in key countries of operation.	20%	120%
Relative TSR	25% of this part of an award vests for median performance increasing to 100% of an award vesting for upper quintile performance against a bespoke group of listed exploration and production companies	50%	300%
Total awarded		100%	600%

Further details of the targets and performance against the targets will be disclosed retrospectively in the 2013 Annual Report.

Further details of the proposed TIP are presented in the Notice of AGM.

The TIP TSR comparator group will be identical to the oil sector group used for the 70% of the 2013 PSP awards presented below.

PSP Awards to be granted in 2013

Following the introduction of the TIP, it is intended that the 2013 PSP award will be the final award granted to Executive Directors. The number of shares comprising each of the 2013 awards will be consistent with awards granted to Executive Directors in 2011 and 2012 (as set out in the Implementation Report) and while the same TSR performance targets will be operated (70% of awards will be measured against an international oil sector comparator group and 30% of awards will be measured against the FTSE 100), a number of changes will be made to the international oil sector comparator group. The proposed international oil sector comparator group for the 2013 awards, (which will be the same as that operated for the initial 2014 TIP awards) is as follows: Afren, Anadarko, Apache, BG Group, Cairn Energy, Canadian Natural Resources, ConocoPhillips, EOG Resources, Hess, Lundin Petroleum, Marathon Oil, Noble Energy, Oil Search, Ophir Energy, Pioneer Natural Resources, Premier Oil, Santos, Soco International, Talisman Energy and Woodside Petroleum.

Shareholding guidelines

Executive Directors are required to retain 50% of the net of tax shares that vest under share arrangements – i.e. the new TIP, PSP awards (up to and including the 2013 awards) and DSBP shares (up to and including deferrals in relation to the 2012 annual bonus). Subject to shareholders approving the TIP at the forthcoming AGM, the minimum shareholding guideline for Executive Directors will increase from the 400% of salary currently operated to 600% of salary from the date that the first TIP Awards vest.

Share Option Scheme
Since the introduction of the PSP in 2005, Executive Directors have not participated in the 2000 Executive Share Option Scheme (ESOS) or the 2010 Share Option Plan that replaced it. It is also intended that they will not participate in the proposed Employee Share Award Plan for which shareholder approval is being sought at the forthcoming AGM. Details of the remaining options held under the ESOS by an Executive Director are given on page 114.

All-employee Share Incentive Plans
Executive Directors may also participate, on the same terms as other employees, in the Tullow Oil UK and Irish Share Incentive Plans (SIP). These all-employee plans enable employees to save out of salary up to prescribed limits each month. Each quarter's contributions are used by the Plan trustees to acquire Tullow Oil shares (Partnership shares). The Group makes a matching contribution to acquire a matching number of shares (Matching shares) on a one-for-one basis.

Service agreements
Each Executive Director has entered into a service agreement with Tullow Group Services Limited (dated 2 September 2002 in the case of Aidan Heavey and Graham Martin, dated 29 March 2006 in the case of Paul McDade, dated 18 April 2006 in the case of Angus McCoss and dated 1 September 2008 in the case of Ian Springett). Aidan Heavey has also entered into a service agreement with Tullow Oil International Limited on 16 September 2002 on similar terms.

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 in the six months after ceasing employment. The above reflects the Committee's policy that service agreements should be structured to reflect the interests of the Group and the individuals concerned, while also taking due account of market and best practice. The term of each service contract is not fixed.

Service agreements for Executive Directors will be reviewed during 2013.

Departure of Executive Directors
Executive Directors' service contracts are terminable by the Director on six months' notice and by the relevant employing company on 12 months' notice. There are no specific provisions under which Executive Directors are entitled to receive compensation upon early termination, other than in accordance with the notice period. On termination of an Executive Director's service contract, the Committee will take into account the departing Director's duty to mitigate his loss when determining the amount of any compensation. The Committee's policy in respect of the treatment of Executive Directors leaving Tullow following the introduction of the TIP is described below:

Departure of Executive Directors

Payment	"Bad" leaver (e.g. voluntary resignation or termination for cause)	"Good" leaver (e.g. death, ill health, redundancy)	Departure on agreed terms
Base salary, pension and benefits	Paid for the proportion of the notice period worked	Paid up to the date of leaving, including any untaken holidays and, subject to mitigation, payment in lieu of notice	Treatment will normally fall between Good Leaver and Bad Leaver treatment, subject to the discretion of the Committee and the terms of any termination agreement
TIP (Cash)	No entitlement to any TIP cash award following the date notice is served	Cessation during a financial year, or after the year end but prior to the normal TIP award date, will result in only the cash part of the TIP being paid (and pro-rated for the proportion of the financial year worked). There would be no entitlement to Deferred TIP Shares that would have been granted following the date of cessation	
TIP (Deferred Shares)	Unvested TIP Deferred Shares lapse	Unvested Deferred TIP Shares vest at the normal time (except on death or retirement) On death, Deferred TIP Shares may vest on cessation On retirement (as evidenced to the satisfaction of the Committee), Deferred TIP Shares will vest at the earlier of the normal vesting date and three years from retirement	
Other	None		Disbursements such as legal costs, outplacement

Appointment of Executive Directors

Base salary levels will take into account market data for the relevant role, internal relativities, the individual's experience and current base salary. Where an individual is recruited at below market norms, they may be re-aligned over time (e.g. two to three years) subject to performance in the role. Individuals will participate in the TIP subject to: (i) award levels in the year of appointment being pro-rated to reflect the proportion of the financial year worked; and (ii) where a performance metric is measured over more than one year, the proportion of awards based on that metric will be reduced to reflect the proportion of the performance period worked.

The Committee may consider buying out incentive awards which an individual would forfeit upon leaving their current employer although any compensation would, where possible, be consistent with respect to currency (i.e. cash for cash, equity for equity), vesting periods (i.e. there would be no acceleration of payments), expected values and use of performance targets.

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 Directors who hold external directorships are Aidan Heavey and Angus McCoss. Aidan is a director of Traidlinks, a charity promoting enterprise in the developed world, especially Africa. He receives no fee for this position. Angus 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.

How employees' pay is taken into account

Pay and conditions elsewhere in the Group were considered when finalising the new policy for Executive Directors. The Committee also considers employee feedback on the executive remuneration polices although no formal mechanism in this regard is currently in place.

How shareholders' views are taken into account

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. This feedback, plus any additional feedback received during any meetings from time to time, is then considered as part of the Company's annual review of remuneration policy. As described earlier, a number of changes to policy are being made for 2013 in light of feedback received last year and an extensive investor consultation involving the Company's major investors and representative bodies which was carried out at the end of 2012 and early 2013.

Non-executive Director remuneration policy

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 individuals with the necessary experience and ability to make a significant contribution to the Group's activities, while also reflecting the time commitment and responsibility of the role. Each non-executive Director is also entitled to reimbursement of necessary travel and other expenses. Non-executive Directors do not participate in any share scheme or annual bonus scheme and are not eligible to join the Group's pension schemes.

Non-executive Director fees

		2012	2013
Chairman fee*		£300,000	£310,500
Non-executive Director base fee		£67,000	£69,500
Additional fees for	Senior Independent Director	£15,000	£15,000
	Audit Committee Chair	£20,000	£20,000
	Remuneration Committee Chair	£15,000	£20,000
	EHS Committee Chair	–	£10,000

* The Remuneration Committee, with the Chairman absenting himself from discussions, sets the remuneration of the Chairman, whose annual fee is £310,500 in 2013.

Terms of appointment

Non-executive Director	Year appointed	Number of complete years on the Board	Date of current engagement letter	Expiry of current term
Simon Thompson	2011	1	16.12.11	31.12.14
Tutu Agyare	2010	2	24.08.10	24.08.13
David Bamford	2004	8	30.06.10	30.06.13
Anne Drinkwater	2012	0	24.07.12	24.07.15
Ann Grant	2008	4	19.04.11	14.05.14
Steve Lucas	2012	0	13.03.12	13.03.15

In each case, the appointment is renewable thereafter if agreed by the Director and the Board. The appointments for each of the non-executive Directors may be terminated by either party on three months' notice. There are no arrangements under which any non-executive Director is entitled to receive compensation upon the early termination of his or her appointment.

THE IMPLEMENTATION REPORT FOR 2012

This implementation report, which has been produced in the spirit of the draft BIS proposals, discloses how the 2012 remuneration policy has been implemented in the year ended 31 December 2012.

The Remuneration Committee

The Committee currently comprises five non-executive Directors and met five times during the year. The terms of reference of the Committee are reviewed annually and can be accessed on the Tullow website (www.tullowoil.com) and copies are available on request.

Remuneration Committee membership

Committee member	Period of membership in 2012	Meetings attended (out of total possible)
Current		
David Bamford (Chair)	Full Year	5/5
Tutu Agyare	Full Year	4/5
Anne Drinkwater[1]	From 25 July	2/2
Steve Lucas[2]	From 14 March	3/3
Simon Thompson	Full Year	5/5
Past		
Ann Grant	To 17 January	1/1
Steven McTiernan[3]	Full Year	5/5
David Williams[4]	To 16 May	2/2

Current members are at the date of this report.

1. Appointed as a Director on 25 July 2012.
2. Appointed as a Director on 14 March 2012.
3. Ceased to be a member of the Committee on retiring from the Board on 31 December 2012.
4. Ceased to be a member of the Committee on retiring from the Board on 16 May 2012.

Committee's main responsibilities

- Determining and agreeing with the Board the remuneration policy for the Chief Executive Officer, Chairman, Executive Directors and senior executives;
- Reviewing progress made against KPI targets and agreeing incentive awards;
- Reviewing the design of share incentive plans for approval by the Board and shareholders and determining the annual award policy to Executive Directors and senior executives under existing plans;
- Within the terms of the agreed policy, determining the remainder of the remuneration packages (principally comprising salary and pension) for each Executive Director; and
- Reviewing and noting the remuneration trends across the Group.

Committee's advisers

The Committee invites individuals to attend meetings to provide advice so as to ensure that the Committee's decisions are informed and take account of pay and conditions in the Group as a whole. These individuals include:

- The Chief HR Officer;
- New Bridge Street (part of Aon plc) was appointed by the Committee in 2012. During this period, Aon provided certain insurance broking services to the Company, which the Committee did not believe prejudiced New Bridge Street's position as its independent advisers. New Bridge Street replaced Kepler Associates; and
- The Committee also consults with Tullow's major investors and investor representative groups as appropriate. No Director takes part in any decision directly affecting his or her own remuneration. The Company Chairman also absents himself during discussion relating to his own fees.

Shareholder voting at the last AGM

At last year's AGM (16 May 2012) the Directors' Remuneration Report received the following votes from shareholders:

	Total number of votes	% of votes cast
For	483,154,446	79.12%
Against	127,480,971	20.88%
Total votes cast (for and against)	610,635,417	100%
Votes withheld	43,252,542	0%
Total votes cast (including withheld votes)	653,887,959	–

Directors' remuneration (Audited)

The remuneration of the Directors for the year ended 31 December 2012 payable by Group companies was as follows:

	Salary/fees £	Bonuses Cash £	Bonuses Shares[1] £	Pensions £	Taxable benefits[2] £	2012 Total £	2011 Total £
Executive Directors							
Aidan Heavey	856,110	642,083	556,471	214,028	45,833	2,314,525	2,365,023
Graham Martin	484,160	363,120	314,704	121,040	5,293	1,288,317	1,319,316
Angus McCoss	484,160	363,120	314,704	121,040	4,097	1,287,121	1,317,143
Paul McDade	484,160	363,120	314,704	121,040	3,073	1,286,097	1,318,644
Ian Springett	514,080	385,560	334,152	128,520	5,293	1,367,605	1,401,863
Subtotal	2,822,670	2,117,003	1,834,735	705,668	63,589	7,543,665	7,721,989
Non-executive Directors							
Simon Thompson	300,000	–	–	–	–	300,000	41,408
Tutu Agyare	67,000	–	–	–	–	67,000	63,000
David Bamford	82,000	–	–	–	–	82,000	72,333
Anne Drinkwater[3]	29,205	–	–	–	–	29,205	–
Ann Grant	67,000	–	–	–	–	67,000	63,000
Steve Lucas[4]	65,250	–	–	–	–	65,250	–
Steven McTiernan[5]	82,000	–	–	–	–	82,000	77,000
David Williams[6]	33,015	–	–	–	–	33,015	77,000
Former Directors	–	–	–	–	–	–	252,083
Subtotal	725,470	–	–	–	–	725,470	645,824
Total	3,548,140	2,117,003	1,834,735	705,668	63,589	8,269,135	8,367,813

1. These figures represent that part of the bonus required to be deferred into shares as explained on page 100.
2. Taxable benefits comprise private medical insurance and, for Aidan Heavey only, a car benefit.
3. Anne Drinkwater was appointed as a Director on 25 July 2012.
4. Steve Lucas was appointed as a Director on 14 March 2012.
5. Steven McTiernan retired as a Director on 31 December 2012.
6. David Williams retired as a Director on 16 May 2012.

Single total remuneration figure for each Executive Director

Following the draft proposals published by BIS, this table presents a single total remuneration figure for 2012 for the Executive Directors (the single figure for the non-executive Directors would be as presented above). The principal additional component included in the single figure relates to the vesting of long-term incentive awards.

	Fixed Pay				Pay for Performance			
	Salary £	Pensions £	Taxable benefits £	Subtotal £	Annual Bonus* £	2010 PSP Vesting** £	Subtotal £	2012 Total Remuneration £
Aidan Heavey	856,110	214,028	45,833	1,115,971	1,198,554	333,805	1,532,359	2,648,330
Graham Martin	484,160	121,040	5,293	610,493	677,824	188,775	866,599	1,477,092
Angus McCoss	484,160	121,040	4,097	609,297	677,824	188,775	866,599	1,475,896
Paul McDade	484,160	121,040	3,073	608,273	677,824	188,775	866,599	1,474,872
Ian Springett	514,080	128,520	5,293	647,893	719,712	200,447	920,159	1,568,052

* Including deferred shares.

** Based on 23.2% vesting and using a three month average share price to 31 December 2012.

The PSP values are based on the 2010 PSP award which will vest in March 2013 with a performance period which ended on 31 December 2012 and a share price of £13.51 (being the average share price in the final quarter of the year under review).

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.

Termination payments (Audited)

No Director left in the year and no compensation for loss of office was paid. The principles governing compensation for loss of office payments are set out on page 106.

Details of variable pay earned in the year

Determination of 2012 annual bonus outcome

During 2012, the Committee awarded Executive Directors a bonus of 140% of salary. In its determination of the bonus outcome, the Committee took into account performance against the Group scorecard, summarised below. Please see additional information pertaining to our KPIs on pages 35 to 37.

Performance category	Threshold targets	Maximum target	2012 weighting	2012 out-turn	Details on actual performance
Relative TSR (versus a defined oil & gas group)	Median	Upper quartile	25%	20%	Between median and upper quartile
EHS (nine leading and lagging indicators)	Majority of targets met in full, minority partially met	Targets met in full	15%	9%	Seven targets met in full, one target partially met, one target not met
Production (boepd)	77,615	89,870	10%	3%	79,200
Opex ($ per boe)[1]	15.7	14.1	5%	5%	14.1
Finding costs ($/bbl)	10	9	7.5%	7.5%	8.0
Resources Growth	Replenish and high-grade the five year exploration portfolio with attractive exploration growth options (including acquisition) and ensure prospective resource funnel is healthy and balanced		7.5%	7.5%	Entry in to five new countries announced in 2012
Delivery of Key Elements of Business Plan	Deliver the key elements of the 2012 business plan including the overall health and value growth created in the business and progress on projects to commercialise contingent resources		15%	9%	Good progress made on delivery of business plan
Update the Corporate Strategy	Update the Tullow corporate strategy for an appropriate balance between exploration-led and selective development activities underpinned by a strong balance sheet and medium/long range funding plan, significant growth in the value of the business and enhanced focus on managing stakeholder relationships		15%	9%	Strategy clarified during 2012

1. Opex ($ per boe) was adjusted to reflect uncontrollable effect of royalty on reported figures in relation to oil price.

PSP Awards granted in the year

PSP awards granted to Executive Directors on 9 May 2012 were as follows:

Executive	Number of PSP shares awarded	Face/Maximum Value of Awards at Grant Date*	% of Award Vesting at Threshold (Maximum)	Performance Period
Aidan Heavey	300,000	£4,332,000	15% (100%)	01.01.12 – 31.12.14
Graham Martin	175,000	£2,527,000	15% (100%)	01.01.12 – 31.12.14
Angus McCoss	175,000	£2,527,000	15% (100%)	01.01.12 – 31.12.14
Paul McDade	175,000	£2,527,000	15% (100%)	01.01.12 – 31.12.14
Ian Springett	175,000	£2,527,000	15% (100%)	01.01.12 – 31.12.14

* Based on a share price of £14.44 on 9 May 2012.

The 2012 PSP Awards will vest subject to the Company's TSR performance, calculated in common currency, over a three-year period commencing on 1 January 2012, with no opportunity to re-test. 70% will vest based on the Company's TSR versus an international oil sector comparator group and 30% will vest based on the Company's TSR versus "Index TSR" based on the constituents of the FTSE 100 as of the first day of the performance period. No award will vest unless the Committee considers that both the Group's underlying financial performance and its performance against other key factors (e.g. Health & Safety) over the relevant period are satisfactory. The oil sector comparators for the 2012 awards are as follows: Anadarko, Apache, BG Group, Cairn Energy, Canadian Natural Resources, EOG Resources, Forest Oil, Hess, Lundin Petroleum, Marathon Oil, Nexen, Niko Resources, Noble Energy, Pioneer Natural Resources, Premier Oil, Santos, Talisman Energy and Woodside Petroleum.

For the 2012 PSP cycle:

- for the oil sector element (70% of an award), 'Index TSR' will be based on the weighted mean TSR (i.e. each comparator's TSR is weighted by the comparator's market cap at the start of the performance period, subject to a minimum weighting of 2% and a maximum weighting of 10% for any individual company;
- for the FTSE 100 element (30% of an award), 'Index TSR' will be based on the median TSR of the individual constituents of the index; and
- 15% of each part an award will vest at Index TSR, increasing pro-rata to 100% of each part of an award vesting for annual out-performance of Index TSR by 20%.

UK SIP Shares awarded in 2012

Details of shares purchased and awarded to Executive Directors under the UK SIP. A brief description of the UK SIP is set out on page 101.

Director	Shares held 01.01.12	Partnership shares acquired in year	Matching shares awarded in year	Total shares held 31.12.12	SIP shares that became unrestricted in the year	Total unrestricted shares held at 31.12.12
Graham Martin	7,294	108	108	7,510	762	5,928
Angus McCoss	2,324	108	108	2,540	762	958
Paul McDade	7,294	108	108	7,510	762	5,928
Ian Springett	802	108	108	1,018	0	0

Graham Martin, Angus McCoss, Paul McDade and Ian Springett each acquired 29 partnership shares and were awarded 29 matching shares. Unrestricted shares (which are included in the total shares held at 31 December 2012) are those held until there is no longer a tax liability if they are withdrawn from the plan.

Summary of past 2005 PSP Awards

Details of nil exercise cost options shares granted to Executive Directors for nil consideration under the PSP:

Director	Award grant date	Share price at grant (pence)	As at 01.01.12	Granted during year	Exercised during year	As at 31.12.12	Earliest date shares can be acquired	Latest date shares can be acquired
Aidan Heavey	15.05.08	924.5	141,939	–	–	141,939	15.05.11	14.05.18
	18.03.09	778	173,916	–	–	173,916	18.03.12	17.03.19
	17.03.10	1,281	106,496	–	–	106,496	17.03.13	16.03.20
	13.05.11	1,330	300,000	–	–	300,000	13.05.14	12.05.21
	09.05.12	1,444	–	300,000	–	300,000	09.05.15	08.05.22
			722,351	**300,000**	**–**	**1,022,351**		
Graham Martin	15.05.08	924.5	80,277	–	–	80,277	15.05.11	14.05.18
	18.03.09	778	98,355	–	–	98,355	18.03.12	17.03.19
	17.03.10	1,281	60,227	–	–	60,227	17.03.13	16.03.20
	13.05.11	1,330	175,000	–	–	175,000	13.05.14	12.05.21
	09.05.12	1,444	–	175,000	–	175,000	09.05.15	08.05.22
			413,859	**175,000**	**–**	**588,859**		
Angus McCoss	18.03.09	778	98,355	–	–	98,355	18.03.12	17.03.19
	17.03.10	1,281	60,227	–	–	60,227	17.03.13	16.03.20
	13.05.11	1,330	175,000	–	–	175,000	13.05.14	12.05.21
	09.05.12	1,444	–	175,000	–	175,000	09.05.15	08.05.22
			333,582	**175,000**	**–**	**508,582**		
Paul McDade	15.05.08	924.5	80,277	–	–	80,277	15.05.11	14.05.18
	18.03.09	778	98,355	–	–	98,355	18.03.12	17.03.19
	17.03.10	1,281	60,227	–	–	60,227	17.03.13	16.03.20
	13.05.11	1,330	175,000	–	–	175,000	13.05.14	12.05.21
	09.05.12	1,444	–	175,000	–	175,000	09.05.15	08.05.22
			413,859	**175,000**	**–**	**588,859**		
Ian Springett	01.09.08	791	68,873	–	–	68,873	01.09.11	31.08.18
	18.03.09	778	104,438	–	–	104,438	18.03.12	17.03.19
	17.03.10	1,281	63,949	–	–	63,949	17.03.13	16.03.20
	13.05.11	1,330	175,000	–	–	175,000	13.05.14	12.05.21
	09.05.12	1,444	–	175,000	–	175,000	09.05.15	08.05.22
			412,260	**175,000**	**–**	**587,260**		

All of the above awards are based on relative three-year TSR performance and the Committee also considers whether the Group's underlying financial performance and its performance against other key factors (e.g. Health & Safety) over the relevant period have been satisfactory.

For awards granted in 2011 and 2012, 70% of awards are measured against an international oil sector comparator group (Anadarko, Apache, BG Group, Cairn Energy, Canadian Natural Resources, EOG Resources, Forest Oil, Hess, Lundin Petroleum, Marathon Oil, Nexen, Niko Resources, Noble Energy, Pioneer Natural Resources, Premier Oil, Santos, Talisman Energy and Woodside Petroleum) and 30% of awards are measured against the FTSE 100. For the oil sector group, 15% of awards vest at "Index TSR" (a weighted mean TSR based on each comparator's market capitalisation at the start of the performance period, subject to a minimum of 2% and a maximum of 10% for any individual company) increasing pro-rata to 100% vesting at Index TSR plus 20% p.a. For the FTSE 100 group, 15% of awards vest at median TSR increasing pro-rata to 100% vesting at median TSR plus 20% p.a.

All outstanding awards under the PSP have been granted as, or converted into, nil exercise price options. To the extent that they vest, awards are normally exercisable from 3 to 10 years from grant.

The PSP awards granted in March 2009 vested in full in March 2012 as a result of the Company's TSR being ranked in the upper quintile of both comparator groups and the Committee determining that the underlying performance of the Company and other key factors were satisfactory.

The PSP awards made in March 2010 reached the end of their performance period on 31 December 2012. The Committee determined that 23.2% of the awards should vest (the Company's TSR was above median against the peer group and below median against the FTSE 100 group and the Committee determined that the underlying performance of the Company and other key factors were satisfactory. Accordingly, these awards will vest on 17 March 2013, the third anniversary of grant, subject to continued employment. The balance of the awards have lapsed.

During 2012, the highest mid-market price of the Company's shares was £16.01 and the lowest was £11.50. The year-end price was £12.61.

Summary of Past Deferred Share Bonus Plan (DSBP) Awards

Details of nil exercise cost options granted to Executive Directors for nil consideration under the DSBP:

Director	Award grant date	As at 01.01.12	Granted during year	Exercised during year	As at 31.12.12	Earliest date shares can be acquired	Latest date shares can be acquired
Aidan Heavey	13.03.08	28,328	–	–	28,328	01.01.11	12.03.18
	18.03.09	50,169	–	–	50,169	01.01.12	17.03.19
	17.03.10	28,189	–	–	28,189	01.01.13	16.03.20
	18.03.11	19,995	–	–	19,995	01.01.14	17.03.21
	21.03.12	–	45,654	–	45,654	01.01.15	20.03.22
		126,681	**45,654**	**–**	**172,335**		
Graham Martin	13.03.08	16,021	–	–	16,021	01.01.11	12.03.18
	18.03.09	28,374	–	–	28,374	01.01.12	17.03.19
	17.03.10	15,941	–	–	15,941	01.01.13	16.03.20
	18.03.11	11,308	–	–	11,308	01.01.14	17.03.21
	21.03.12	–	25,819	–	25,819	01.01.15	20.03.22
		71,644	**25,819**	**–**	**97,463**		
Angus McCoss	13.03.08	14,686	–	–	14,686	01.01.11	12.03.18
	18.03.09	28,374	–	–	28,374	01.01.12	17.03.19
	17.03.10	15,941	–	–	15,941	01.01.13	16.03.20
	18.03.11	11,308	–	–	11,308	01.01.14	17.03.21
	21.03.12	–	25,819	–	25,819	01.01.15	20.03.22
		70,309	**25,819**	**–**	**96,128**		
Paul McDade	13.03.08	14,686	–	–	14,686	01.01.11	12.03.18
	18.03.09	28,374	–	–	28,374	01.01.12	17.03.19
	17.03.10	15,941	–	–	15,941	01.01.13	16.03.20
	18.03.11	11,308	–	–	11,308	01.01.14	17.03.21
	21.03.12	–	25,819	–	25,819	01.01.15	20.03.22
		70,309	**25,819**	**–**	**96,128**		
Ian Springett	17.03.10	16,927	–	–	16,927	01.01.13	16.03.20
	18.03.11	12,007	–	–	12,007	01.01.14	17.03.21
	21.03.12	–	27,415	–	27,415	01.01.15	20.03.22
		28,934	**27,415**	**–**	**56,349**		

The awards made on 21 March 2012 equated to shares worth the amount of bonus deferred into shares for 2011, based on the share prices for three dealing days preceding the date of grant. The Tullow share price on the date of grant of those awards was £14.80p.

All outstanding awards under the DSBP have been granted as, or converted into, nil exercise price options. To the extent that they vest, they are normally exercisable from 3 to 10 years from grant.

Further details of the DSBP are set out in the 'Annual bonus for 2012' section on page 100.

During 2012, the highest mid-market price of the Company's shares was £16.01 and the lowest was £11.50. The year-end price was £12.61.

2000 Executive Share Option Scheme (ESOS)

Details of share options granted to Executive Directors for nil consideration under the ESOS:

Director	Grant date	As at 01.01.12	Granted during year	Exercised during year	As at 31.12.12	Exercise price	Date from which exercisable	Last date exercisable
Graham Martin	06.10.03	400,000	–	–	400,000	85p	06.10.06	05.10.13
	20.09.04	190,000	–	–	190,000	131p	20.09.07	19.09.14
		590,000	**–**	**–**	**590,000**			

The performance condition attached to the above options granted under the ESOS required Tullow's TSR to have exceeded that of the median company of the FTSE 250 (excluding investment trusts) over three years from the date of grant. It has been satisfied for all the options which are therefore fully exercisable.

During 2012, the highest mid-market price of the Company's shares was £16.01 and the lowest was £11.50. The year-end price was £12.61.

Directors' interests in the share capital of the Company

The interests of the Directors (all of which were beneficial), who held office at 31 December 2012, are set out in the table below:

	Legally Owned		PSP Awards		DSBP Awards		ESOS	SIP		Total	% of salary held under Shareholding Guidelines[1]
	31.12.12	31.12.11	Unvested	Vested	Unvested	Vested	Vested	Restricted	Unrestricted	31.12.12	(400% of salary)
Executive Directors											
Aidan Heavey	6,401,511	6,401,511	706,496	315,855	93,838	78,497	–	–	–	7,596,197	10,413%
Graham Martin	1,702,766	1,702,766	410,227	178,632	53,068	44,395	590,000	1,582	5,928	2,986,598	5,827%
Angus McCoss	150,845	150,845	410,227	98,355	53,068	43,060	–	1,582	958	758,095	618%
Paul McDade	260,801	260,801	410,227	178,632	53,068	43,060	–	1,582	5,928	953,298	1,037%
Ian Springett	12,000	12,000	413,949	173,311	56,349	–	–	1,018	–	656,627	259%
Non-executive Directors											
Simon Thompson	14,360	1,747	–	–	–		–	–	–	14,360	–
Tutu Agyare	1,940	–	–	–	–	–	–	–	–	1,940	–
David Bamford	13,445	13,445	–	–	–	–	–	–	–	13,445	–
Anne Drinkwater	7,000	–	–	–	–	–	–	–	–	7,000	–
Ann Grant	2,371	2,371	–	–		–	–		–	2,371	–
Steve Lucas	–	–	–	–	–	–	–	–	–	–	–
Steven McTiernan[2]	2,403	–	–	–	–	–	–	–	–	2,403	–

There have been no changes in the interests of any Director between 1 January 2013 and the date of this report other than:

(a) as a consequence of PSP awards made in 2010 lapsing as mentioned in the notes to the table 'Summary of past 2005 PSP Awards' on page 112; and

(b) as detailed in the table 'UK SIP shares awarded in 2012' on page 111.

1. Under the Company's Shareholding Guidelines, each Executive Director is required to build up their shareholdings in the Company's shares to at least 400% of their salary. Further details of the Shareholding Guidelines are set out in page 105.
2. Steven McTiernan retired as a Director on 31 December 2012.

APPLYING THE UK CORPORATE GOVERNANCE CODE

The Board has reviewed the new requirements of the new 2012 Code, which are welcomed, and intends to comply fully with its requirements when preparing its Annual Report for 2013.

The UK Corporate Governance Code

As a UK company with a premium listing on the London Stock Exchange, Tullow Oil plc is required, under the UK Listing Rules, to comply with the UK Corporate Governance Code published in 2010 ('the 2010 Code') in respect of the year ended 31 December 2012.

In September 2012, a number of changes were made to the 2010 Code and a new 2012 Code was issued which will apply to financial years beginning on or after 1 October 2012. The Board has reviewed the new requirements of the new 2012 Code, which are welcomed, and intends to comply fully with its requirements when preparing its Annual Report for 2013.

Copies of both Codes are publicly available on the website of the Financial Reporting Council at www.frc.org.uk

The 2010 Code provides the standards for good corporate governance in the UK for the period under review. This corporate governance report describes the manner in which the Company has applied the principles set out in the 2010 Code during the year. The main principles of the Code focus on Leadership, Effectiveness, Accountability, Remuneration and Relations with Shareholders and this report follows the same format.

The Company is also required to disclose whether it has complied with the more detailed provisions of the Code during the year and, to the extent it has not done so, to explain any deviations from them. It is the Board's view that the Company has complied with all of the provisions of the 2010 Code during the year ended 31 December 2012 with one exception. Provision B.2.1 states that the Nominations Committee must be comprised of a majority of independent non-executive Directors. During 2012, there was a period during which the number of independent non-executive Directors (excluding the Chairman of the Company) represented only half the Committee membership, rather than a majority as required by the Code. This period ran from 17 January 2012, when the Committee membership was reduced, to 25 September 2012, being the date on which David Bamford was re-appointed to the Committee. During this period, meetings of the Nominations Committee were held at which all members of the Committee were present and at which the appointment of new non-executive Directors was recommended to the Board. Following David Bamford's re-appointment to the Committee on 25 September 2012, the Board considers that the Company was fully compliant with the provisions of the Code, having addressed this temporary departure from the Code provisions.

Leadership

The Company is headed by an effective Board which is collectively responsible for the long-term success of the Company.

The role of the Board

The Board sets the Group's strategy, ensuring that the necessary resources are in place to achieve the agreed strategic aims and objectives and determines the Company's key policies and reviews management and financial performance. It 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 through clear procedures, lines of responsibility and delegated authorities. 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.

Board meetings and visits

The core activities of the Board are carried out in scheduled meetings of the Board and its Committees. These meetings are timed to link to key events in the Company's corporate calendar and regular reviews conducted of specific business areas. Additional meetings and conference calls are arranged to consider matters which require decisions outside the scheduled meetings. In addition to the scheduled meetings of the Board, two strategy meetings are held annually with senior management present. During 2012, the Board met on nine occasions of which eight were scheduled meetings.

In order that the Board has the opportunity to see the Company's operations overseas, the Board normally holds at least one Board meeting each year at one of the principal overseas offices of the Group. This provides senior management from across the Group with the opportunity to present to the Board and to meet the Board members informally. It also provides the Board with an opportunity to meet a broad cross-section of staff and to assess senior managers at first hand. Although no overseas visit was arranged in 2012, the Board has agreed that a Board visit be made to Kenya in 2013. Separately, during 2012 in his first year as Chairman, Simon Thompson made several visits to overseas offices accompanied by Executive Directors. The offices he visited included Accra, Cape Town, Dublin, Kampala, Nairobi and Takoradi.

Outside the scheduled meetings of the Board, the Chairman and Chief Executive Officer maintain frequent contact with the other Directors to discuss any issues of concern they may have relating to the Group or their areas of responsibility, and to keep them fully briefed on the Group's operations.

Matters reserved

The Board has a formal schedule of matters reserved that can only be decided by the Board. This schedule is reviewed by the Board each year. The key matters reserved are the consideration and approval of:

- The Group's overall strategy;
- Financial statements and dividend policy;
- Borrowings and treasury policy;
- Material acquisitions and disposals, material contracts, major capital expenditure projects and budgets;
- Entry into new countries;
- Risk management and internal controls (supported by the Audit Committee);
- Succession planning and appointments (supported by the Nominations Committee);
- The Group's corporate governance and compliance arrangements; and
- Corporate policies.

Summary of the Board's work in the year

During 2012, the Board considered all relevant matters within its remit, but focused in particular on the following key issues:

- Strategy and management with a particular focus on future exploration and appraisal strategy;
- Resolving the production issues in the Jubilee field;
- Environment, Health and Safety;
- Finance and risk management;
- Regulatory and compliance;
- Appointments and succession planning. There are more details in the Nominations Committee report on pages 96 and 97; and
- Stakeholder relations.

Attendance at meetings

The attendance of Directors at the eight scheduled meetings of the Board held during 2012 was as follows:

Meetings attended[1]

Director	No. of meetings attended[1]
Simon Thompson	8
Aidan Heavey	8
Tutu Agyare	8
David Bamford	8
Anne Drinkwater[2]	4
Ann Grant	8
Steve Lucas[3]	6
Graham Martin	8
Angus McCoss	8
Paul McDade	8
Steven McTiernan[4]	8
Ian Springett	8
David Williams[5]	3

1. The table shows attendance at scheduled Board meetings. In addition one ad hoc meeting was held during the year to review and approve the submission of the Plan of Development for the TEN field development.
2. Anne Drinkwater was appointed as a Director on 25 July 2012 and has attended every scheduled Board meeting since her appointment.
3. Steve Lucas was appointed as a Director on 14 March 2012 and has attended every scheduled Board meeting since his appointment.
4. Steven McTiernan retired as a Director on 31 December 2012.
5. David Williams retired as a Director on 16 May 2012.

Division of responsibilities

There is a defined separation of the responsibilities between Simon Thompson, the non-executive Chairman and Aidan Heavey, the Chief Executive Officer which has been set out in writing and agreed by the Board. The Chairman is primarily responsible for the effective working of the Board, whilst the Chief Executive Officer is responsible for the operational management of the business, for developing strategy in consultation with the Board and for implementation of the strategy.

The Chairman

On appointment as Chairman on 1 January 2012, Simon Thompson met the independence criteria set out in the Code.

Non-executive Directors

The non-executive Directors bring a broad range of business and commercial experience to the Company and have a particular responsibility to challenge independently and constructively the performance of the Executive management and to monitor the performance of the management team in the delivery of the agreed objectives and targets. As part of this responsibility, the non-executive Directors meet at least twice a year without the Executive Directors present. Separately, the Chairman and Chief Executive Officer hold informal meetings with the non-executive Directors to discuss current issues affecting the Group.

David Bamford replaced Steven McTiernan as Senior Independent Director with effect from 1 January 2013 upon the retirement of Steven McTiernan as a Director on 31 December 2012. In this capacity David Bamford is available to meet shareholders if they have concerns that cannot be resolved through discussion with the Chairman, Chief Executive Officer or Chief Financial Officer or for which such contact is inappropriate.

Efforts are made to ensure that the non-executive Directors are briefed on the more technical and operational aspects of our activities, such as major offshore development projects e.g TEN, and our extensive exploration programme. Those non-executive Directors with particular expertise in these areas meet regularly with the Chief Operating Officer and the Exploration Director when they are able to contribute more fully at in-depth discussions.

Non-executive Directors are initially appointed for a term of three years, which may, subject to satisfactory performance and re-election by shareholders, be extended by mutual agreement.

Delegated authorities

Board Committees

The Board has delegated matters to three Committees, namely the Audit, Nominations and Remuneration Committees. The memberships, roles and activities of these are detailed in separate reports: the Audit Committee on page 93, the Nominations Committee on page 96, and the Remuneration Committee on pages 98. Each Committee reports to, and has its terms of reference reviewed and approved annually by, the Board. Reports of the issues considered at meetings of the Committees are made to the Board by the respective Committee Chairmen.

Executive Committee

The Board delegates authority for the management of the day-to-day business and operational matters to the Chief Executive Officer and the other Executive Directors who form the Executive Committee. This Committee, chaired by the CEO, meets weekly and is responsible for implementing Group strategy and monitoring the detailed performance of all aspects of the business. A committee of other senior executives generally also meets on a weekly basis to enable prompt discussion of day-to-day business issues.

Individual Delegations

In addition to delegating certain matters to Board Committees, the Board also has delegated certain operational and management matters to individual Executive Directors.

Effectiveness

Composition of the Board

The Board currently comprises a Chairman, Chief Executive Officer, four other Executive Directors and five independent non-executive Directors. Biographical details of the Board members are set out on pages 90 to 92.

The Directors are of the view that the Board and its Committees consist of Directors with an appropriate balance of skills, experience, independence and diversity of background to enable them to discharge their duties and responsibilities effectively.

The following changes in Board composition were made during the year. On 14 March 2012, Steve Lucas was appointed as a non-executive Director. On 16 May 2012 David Williams retired as a non-executive Director having been on the Board for six years. On 25 July 2012, Anne Drinkwater joined as a non-executive Director, and on 31 December 2012, Steve McTiernan retired as a non-executive Director having been on the Board for ten years.

Independence

The Board considers each of the non-executive Directors to be independent in character and judgement. Notwithstanding that, Steven McTiernan, Senior Independent Director until his retirement on 31 December 2012, had served on the Board for more than 10 years. The Board was fully satisfied that he demonstrated complete independence, robustness of character and judgement both in this designated role and as a Board member during the year. The Board is of the view that no individual or group of individuals dominates decision making.

Appointments to the Board

The Nominations Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any changes required.

Commitment

All Directors have disclosed to the Board any other significant commitments and confirmed that they have sufficient time to effectively discharge their duties.

STEVE LUCAS & ANNE DRINKWATER INDUCTION PROGRAMME

A tailored induction programme was established for both Anne Drinkwater and Steve Lucas on their joining the Board during the year. In addition to one-to-one meetings with key personnel they plan to visit overseas offices during 2013.

> "All new non-executive Directors receive an induction that is specific to their experience and knowledge as soon as practicable on joining the Board."
>
> **Simon Thompson** Chairman

Training and development needs

Induction

All new Directors receive an induction as soon as practicable on joining the Board. This is tailored to their previous background, experience and knowledge of the upstream oil industry generally, and Tullow in particular. This includes one-to-one meetings with Senior Management, functional and business unit heads and, where appropriate, visits to the Group's principal offices and operations. The Company Secretary also provides new Directors with an overview of their duties as Directors, corporate governance policies and Board processes as part of the induction process.

Familiarisation and development

All members of the Board have access to appropriate professional development courses in respect of their obligations and duties as Directors, and during the year Directors attended external seminars on relevant topics relating to the business. In addition to business updates, the Board (and Committees) receive ongoing briefings including updates on governance and regulatory issues to ensure Board members remain up to date with current regulations and developments.

Information and support

Independent advice

Directors have access to independent professional advice at the Company's expense on any matter relating to their responsibilities.

The Company Secretary

The Company Secretary is Graham Martin, who is also an Executive Director and General Counsel. He is available to Directors to provide advice and is responsible for ensuring that all Board procedures are complied with. As with all Board positions, this combined role is regularly reviewed. The Company Secretary is supported by a Deputy Company Secretary in the provision of company secretarial services to the Group. The Deputy Company Secretary acts as secretary to the Audit, Nominations and Remuneration Committees and has direct access to the Chairmen of these Committees. From May 2012, Board and Board Committee papers were circulated to all Directors on iPads ensuring fast, timely and secure provision of information to Board members.

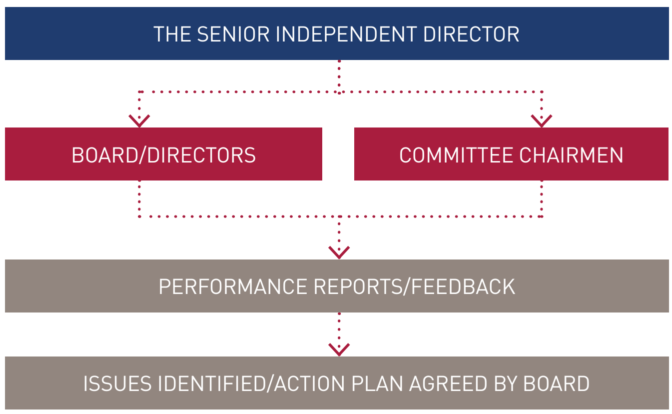
Board evaluation

In November 2012, the Board appointed Steven McTiernan, the Senior Independent Director, to undertake the evaluation. The appointment reflected the importance attached by Simon Thompson to obtaining frank and honest feedback on his performance at the end of his first year as Chairman. Mr McTiernan conducted a review of the Board and each of its Committees by means of a questionnaire (broadly similar to the one used in 2011) and structured interviews. The results were summarised in a report, discussed at the Board and an action plan agreed. Separately, Simon Thompson had interviews with each member of the Board to give feedback on their individual performance and to agree personal development plans for the coming year.

The conclusions of the report are summarised in the Chairman's Introduction to Corporate Governance on page 86 and have been reflected in the Board Objectives for 2013, set out on page 88, reflect the action plan and priorities agreed by all the Directors.

An externally facilitated evaluation of the Board will be conducted in 2013.

Board performance evaluation



Re-Election
All Directors seek re-election on an annual basis and accordingly all Directors will stand for re-election in 2013. The Board has set out in the Notice of Annual General Meeting its reasons for supporting the re-election of each of the Directors at the forthcoming AGM.

Accountability
The Board is committed to providing shareholders with a clear assessment of the Group's position and prospects. This is achieved through this report and as required in other periodic financial and trading statements.

The arrangements established by the Board for the application of risk management and internal control principles are detailed on pages 44-51 and page 119 respectively. The Board has delegated to the Audit Committee oversight of the relationship with the Group's external auditors as outlined in the Audit Committee report on page 95.

Going concern
The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities are run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's producing assets and delays to development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capacity and flexibility of the Group are regularly reviewed. The Group's forecasts, taking into account reasonably possible changes as described above, show that the Group will be able to operate within its current debt facilities and have significant financial headroom for the 12 months from the date of approval of the 2012 Annual Report and Accounts.

Internal controls
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 and to comply with the Turnbull Committee guidance. The Group's internal control procedures require technical, financial and Board 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. Risk assessment and evaluation is an integral part of the annual planning cycle. Each business unit documents its strategic objectives and the significant risks in achieving them and regularly reports on progress against these objectives. Key risks are also reported monthly to the Board. There is a comprehensive budgeting and planning system for all items of expenditure with an annual budget approved by the Board. Actual results are reported against budget on a monthly basis. Revised financial forecasts for the year and financial projections for future years are regularly prepared.

The Board has ultimate responsibility for the effectiveness of the Group's risk management activities and internal control processes. 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 Board's objective is to ensure Tullow has appropriate systems in place for the identification and management of risks.

The Board receives reports from business unit and corporate teams throughout the year to enable it to assess on an ongoing basis the effectiveness of the system of internal controls and risk management.

During the year, the Group Internal Audit Manager reviewed a number of areas of risk and his findings were reported to the Audit Committee. No significant weaknesses were identified. The Board has confirmed that through its Audit Committee it has reviewed the effectiveness of the system of internal financial, operational and compliance controls and risk management, and considers that the system of internal controls operated effectively throughout the financial year and up to the date on which the financial statements were signed.

Remuneration
The Board has delegated to the Remuneration Committee responsibility for agreeing the remuneration policy for the Chairman, Chief Executive Officer, Executive Directors and senior executives. The Directors' remuneration report on pages 98 to 114 contains full details of the role and activities of the Remuneration Committee.

Relations with Shareholders
Communication and dialogue
Communication with our shareholders has always been of high importance and the Executive team dedicate significant time and resources in this area. Regular dialogue is maintained with our shareholders through meetings, presentations, conferences and ad hoc events with institutional investors and sell-side analysts. During 2012, Executive Directors and Senior Management travelled to meet institutional investors in the UK, Ireland, Germany, France, Switzerland, Scandinavia, Benelux, Ghana, South Africa and North America. Over the year, the Investor Relations team and Senior Management met some 350 institutions and the Group also participated in 13 investor conferences.

Following Tullow's successful listing on the Ghana Stock Exchange in July 2011, the first Ghana Investor Forum took place in May 2012 with the CEO and General Counsel presenting to key institutional shareholders in Accra. With over 10,000 Ghanaian shareholders, the Group recognises the importance of continued shareholder engagement and another Investor Forum is scheduled for 2013.

The Group issues its results and other news releases via the London Stock Exchange's Regulatory News Service. In addition, these news releases are published on the Media and Investor Relations sections of the Group's website: www.tullowoil.com. The Group also provides updates and the status of exploration and development programmes on the website and via social media service Twitter: www.twitter.com/TullowOilplc. Shareholders and other interested parties can subscribe to receive these news updates by email by registering online on the website. The Group continually seeks to enhance its online communications with its stakeholders and improved functionality is regularly implemented across the corporate site. The number of visitors to the corporate website significantly increased in 2012 with over 420,000 unique website visits (24% increase on prior year) and over 2.7 million page views (7% increase on prior year). The Group also gained a considerable number of followers on its corporate Twitter (c.6,000), Facebook (c.3,000), YouTube (c.17,000 views) and LinkedIn accounts (c.15,000). Early in 2013, the Group launched an Investor Relations and Media App that can be downloaded to tablet and smartphone devices to enable a wider audience to view results announcements, presentations, videos, webcasts and images on the move.

Tullow did not hold a Capital Markets Day in 2012. However, an event will be held in the second quarter of 2013. Sell-side analysts will be invited to the event with those unable to attend in person able to access all the materials via the website and newly launched IR and Media App.

In January 2012, the Group concluded a review of its corporate brokers. Following submissions from eight banks, Barclays and Morgan Stanley in London were appointed as joint corporate brokers, with Davy retaining their role as corporate brokers in Dublin.

The Chairman met a number of shareholders during the year and is available to meet institutional shareholders to discuss any issues and concerns in relation to the Group's governance and strategy. Non-executive Directors also have the opportunity to attend meetings with major shareholders and are available to attend if requested to do so. Tullow completed a four-day Socially Responsible Investing (SRI) roadshow in London, Edinburgh, Paris and Geneva in October 2012 where the Group Environmental, Health and Safety, External Relations and Investor Relations Managers met 18 institutional investors to discuss a number of topics including health and safety, the environment, corporate governance, bribery and corruption issues, country and political risk and operational matters. The team also met several SRI fund managers upon request throughout the year. The 2011/12 Corporate Responsibility Report was issued in July 2012 and was also made available in full HTML format on the corporate website.

Constructive use of the AGM

The AGM provided individual shareholders with the opportunity to receive a business presentation and to put questions to the Chairman, the Chairmen of the Audit, Nominations and Remuneration Committees and to other members of the Board. Tullow continues to hold a significant shareholder base in Ireland and holds a business presentation in Dublin following the AGM to maintain strong links with this group of investors.

A poll was used to vote for all resolutions at the 2012 AGM with the final results (which included all votes cast for, against and those withheld) announced via the London Stock Exchange and on the Company's corporate website as soon as practicable after the meeting. Notice of the AGM is sent to shareholders at least 20 working days before the meeting.

On behalf of the Board

Simon R Thompson
Chairman

12 February 2013

Key shareholder engagements 2013

January
Full year trading statement

February
Full year results

March
Annual Report and Accounts

May
Annual General Meeting in London
Interim Management Statement
Meeting of shareholders in Dublin

July
Half year trading statement
Half year results

November
Interim Management Statement

ONLINE COMMUNICATION

Our main corporate website has key information about our business, operations, investors, media, corporate responsibility and our people.

420,000 VISITS IN 2012

(+24% from 2011)

Financial results, events, corporate reports, webcasts and fact books are all stored our central reporting hub.

2012 Annual Report and Accounts
www.tullowoil.com/ara2012

Reporting Centre
www.tullowoil.com/reports

NEW

In early 2013, Tullow launched an Investor Relations and Media app for tablets and smart phones to enable easy access to a suite of investor materials. Scan the QR code to find our more and download the app.

Mobile
Live news and share price information on your phone.

SOCIAL MEDIA

twitter.com/tullowoilplc
6,000 FOLLOWERS

youtube.com/tullowoilplc
17,000 VIEWS

facebook.com/tullowoilplc
3,700 'LIKES'

linkedin.com/tullowoilplc
14,000 FOLLOWERS

Results and dividends
The profit on ordinary activities after taxation of the Group for the year ended 31 December 2012 amounted to $666.2 million (2011: $689.0 million).

An interim dividend of Stg 4p (2011: Stg 4p) per ordinary share was paid on 4 October 2012. The Directors recommend a final dividend of Stg 8p (2011: Stg 8p) per ordinary share which, if approved at the 2013 AGM, will be paid on 16 May 2013 to shareholders whose names are on the Register of Members on 19 April 2013.

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

In January 2013, Tullow has completed the farm-in announced in November 2012 to gain a 40% operated interest in the Hyperdynamics Corporation's oil and gas exploration licence offshore Guinea.

On 11 December 2012, the Group announced the acquisition of 100% of Spring Energy Norway AS ("Spring"), a Norwegian exploration company. The acquisition of Spring added a portfolio of 28 offshore licences across Norway's Continental Shelf in North, Norwegian and Barents Seas, and enables the Group to rapidly build a strong platform for future growth in Norway. The transaction had an effective date of 1 September 2012 but completed on 22 January 2013 and this is therefore the acquisition date.

Share capital
As at 12 February 2013, the Company had an allotted and fully paid up share capital of 907,771,903 ordinary shares of 10 pence each with an aggregate nominal value of £90,777,190.30.

Substantial shareholdings
As at 12 February 2013[1], the Company had been notified in accordance with the requirements of section 5.1.2 of the UK Listing Authority's Disclosure Rules and Transparency Rules of the following significant holdings in the Company's ordinary share capital.

Shareholder	Number of shares	% of issued capital
BlackRock Inc	90,154,669	9.93%
Genesis Asset Managers, LLP	46,199,514	5.08%
IFG International Trust Company Limited	38,960,366	4.29%
Legal & General Group plc	35,414,975	3.90%

1. As at 31 December 2012, BlackRock Inc held 98,186,225 shares (representing 10.82% of the issued share capital); Prudential plc group of companies held 53,007,299 shares (representing 5.84% of the issued share capital) and Genesis Asset Managers, LLP had not notified the Company of any interests. There have been no other changes to the Company's substantial shareholders.

Shareholders' rights
The rights and obligations attaching to the Company's shares are as follows:

- Dividend rights – holders of the Company's ordinary shares may, by ordinary resolution, declare dividends but may not declare dividends in excess of the amount recommended by the Directors. The Directors may also pay interim dividends. No dividend may be paid other than out of profits available for distribution. Subject to shareholder approval, payment or satisfaction of a dividend may be made wholly or partly by distribution of specific assets;
- Voting rights – voting at any general meeting is by a show of hands unless a poll is duly demanded. On a show of hands every shareholder who is present in person at a general meeting (and every proxy or corporate representative appointed by a shareholder and present at a general meeting) has one vote regardless of the number of shares held by the shareholder (or represented by the proxy or corporate representative). If a proxy has been appointed by more than one shareholder and has been instructed by one or more of those shareholders to vote 'for' the resolution and by one or more of those shareholders to vote 'against' a particular resolution, the proxy shall have one vote for and one vote against that resolution. On a poll, every shareholder who is present in person has one vote for every share held by that shareholder and a proxy has one vote for every share in respect of which he has been appointed as proxy (the deadline for exercising voting rights by proxy is set out in the form of proxy). On a poll, a corporate representative may exercise all the powers of the company that has authorised him. A poll may be demanded by any of the following: (a) the Chairman of the meeting; (b) at least five shareholders entitled to vote and present in person or by proxy or represented by a duly authorised corporate representative at the meeting; (c) any shareholder or shareholders present in person or by proxy or represented by a duly authorised corporate representative and holding shares or being a representative in respect of a holder of shares representing in the aggregate not less than one-tenth of the total voting rights of all shareholders entitled to attend and vote at the meeting; or (d) any shareholder or shareholders present in person or by proxy or represented by a duly authorised corporate representative and holding shares or being a representative in respect of a holder of shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sums paid up on all the shares conferring that right;

- Return of capital – in the event of the liquidation of the Company, after payment of all liabilities and deductions taking priority, the balance of assets available for distribution will be distributed among the holders of ordinary shares according to the amounts paid up on the shares held by them. A liquidator may, with the authority of a special resolution, divide among the shareholders the whole or any part of the Company's assets; or vest the Company's assets in whole or in part in trustees upon such trusts for the benefit of shareholders, but no shareholder is compelled to accept any property in respect of which there is a liability;
- Control rights under employee share schemes – the Company operates a number of employee share schemes. Under some of these arrangements, shares are held by trustees on behalf of employees. The employees are not entitled to exercise directly any voting or other control rights. The trustees will generally vote in accordance with employees' instructions and abstain where no instructions are received. Unallocated shares are generally voted at the discretion of the trustees; and
- Restrictions on holding securities – there are no restrictions under the Company's Articles of Association or under UK law that either restrict the rights of UK resident shareholders to hold shares or limit the rights of non-resident or foreign shareholders to hold or vote the Company's ordinary shares.

There are no UK foreign exchange control restrictions on the payment of dividends to US persons on the Company's ordinary shares.

Material agreements containing 'change of control' provisions

The following significant agreements will, in the event of a 'change of control' of the Company, be affected as follows:

- US$3.235 billion (or up to US$3.735 billion in the event that the Company exercises its option to increase the commitments by up to an additional US$500 million and the lenders provide such additional commitments) senior secured Revolving credit facility agreement between, among others, the Company and certain subsidiaries of the Company, BNP Paribas, Bank of America, N.A., HSBC Bank plc, Standard Chartered Bank, Lloyds TSB Bank plc and Crédit Agricole Corporate and Investment Bank and the lenders specified therein pursuant to which each lender thereunder may demand repayment of all outstanding amounts owed by the Company and certain subsidiaries of the Company to it under the agreement and any connected finance document, which amount will become immediately due and payable and, in respect of each letter of credit issued under the agreement, full cash cover will be required immediately, in the event that any person (or group of persons acting in concert) gains control of the Company;
- US$100 million secured Revolving credit facility agreement between, among others, the Company and certain subsidiaries of the Company, BNP Paribas, Bank of America, N.A., HSBC Bank plc, Standard Chartered Bank, Lloyds TSB Bank plc and Crédit Agricole Corporate and Investment Bank and the lenders specified therein pursuant to which each lender thereunder may demand repayment of all outstanding amounts owed by the Company and certain subsidiaries of the Company to it under the agreement and any connected finance document, which amount will become immediately due and payable, in the event that any person (or group of persons acting in concert) gains control of the Company;
- US$165 million finance contract in respect of a senior secured Revolving credit facility agreement between, among others, the Company and certain subsidiaries of the Company and International Finance Corporation and the lenders specified therein pursuant to which each lender thereunder may demand repayment of all outstanding amounts owed by the Company and certain subsidiaries of the Company to it under the agreement and any connected finance document, which amount will become immediately due and payable, in the event that any person (or group of persons acting in concert) gains control of the Company; and
- US$500 million secured Revolving credit facility agreement between, among others, the Company and certain subsidiaries of the Company, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Standard Chartered Bank and HSBC Bank plc and the lenders specified therein pursuant to which each lender thereunder may demand repayment of all outstanding amounts owed by the Company and certain subsidiaries of the Company to it under the agreement and any connected finance document, which amount will become immediately due and payable, in the event that any person (or group of persons acting in concert) gains control of the Company.

Under the terms of each of these agreements, a 'change of control' occurs if any person, or group of persons acting in concert (as defined in the City Code on Takeovers and Mergers) gains control of the Company.

Contractual or other arrangements

The Group does not have any contractual or other arrangements that are essential to the business of the Group as described by section 417 (5)(c) of the Companies Act 2006.

Directors

The biographical details of the Directors of the Company at the date of this report are given on pages 90 to 92.

Details of Directors' service agreements and letters of appointment are set out on page 106 and 107. Details of the Directors' interests in the ordinary shares of the Company and in the Group's long-term incentive and other share option schemes are set out on pages 111 to 114 in the Directors' remuneration report.

Directors' indemnities and insurance cover

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by the Companies Act 2006, against claims from third parties in respect of certain liabilities arising out of, or in connection with, the execution of their powers, duties and responsibilities as Directors of the Company or any of its subsidiaries. The Directors are also indemnified against the cost of defending a criminal prosecution or a claim by the Company, its subsidiaries or a regulator provided that where the defence is unsuccessful the Director must repay those defence costs. The Company also maintains Directors' and Officers' Liability insurance cover, the level of which is reviewed annually.

Conflicts of interest

A Director has a duty to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Group. The Board has satisfied itself that there is no compromise to the independence of those Directors who have appointments on the boards of, or relationships with, companies outside the Group. The Board requires Directors to declare all appointments and other situations that could result in a possible conflict of interest and has adopted appropriate procedures to manage and, if appropriate, approve any such conflicts.

Powers of Directors

The general powers of the Company's Directors are set out in Article 104 of the Articles of Association of the Company. It provides that the business of the Company shall be managed by the Board which may exercise all the powers of the Company whether relating to the management of the business of the Company or not. This power is subject to any limitations imposed on the Company by applicable legislation. It is also limited by the provisions of the Articles of Association of the Company and any directions given by special resolution of the shareholders of the Company which are applicable on the date that any power is exercised.

Please note the following specific provisions relevant to the exercise of power by the Directors:

- Pre-emptive rights and new issues of shares – the holders of ordinary shares have no pre-emptive rights under the Articles of Association of the Company. However, the ability of the Directors to cause the Company to issue shares, securities convertible into shares or rights to shares, otherwise than pursuant to an employee share scheme, is restricted under the Companies Act 2006 which provides that the directors of a company are, with certain exceptions, unable to allot any equity securities without express authorisation, which may be contained in a company's articles of association or given by its shareholders in general meeting, but which in either event cannot last for more than five years. Under the Companies Act 2006, the Company may also not allot shares for cash (otherwise than pursuant to an employee share scheme) without first making an offer on a pre-emptive basis to existing shareholders, unless this requirement is waived by a special resolution of the shareholders. The Company received authority at the last Annual General Meeting to allot shares for cash on a non pre-emptive basis up to a maximum nominal amount of £4,529,751. The authority lasts until the earlier of the Annual General Meeting of the Company in 2013 or 30 June 2013;
- Repurchase of shares – subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act 2006. Any shares that have been bought back may be held as treasury shares or must be cancelled immediately upon completion of the purchase. The Company does not currently have shareholder authority to buy back shares; and
- Borrowing powers – the net external borrowings of the Group outstanding at any time shall not exceed an amount equal to four times the aggregate of the Group's adjusted capital and reserves calculated in the manner prescribed in Article 105 of the Company's Articles of Association, unless sanctioned by an ordinary resolution of the Company's shareholders.

Appointment and replacement of Directors

The Company shall appoint (disregarding Alternate Directors) no fewer than two and no more than 15 Directors. The appointment and replacement of Directors may be made as follows:

- The shareholders may by ordinary resolution elect any person who is willing to act to be a Director;
- The Board may elect any person who is willing to act to be a Director. Any Director so appointed shall hold office only until the next Annual General Meeting and shall then be eligible for election;
- Each Director is required in terms of the Articles of Association to retire from office at the third Annual General Meeting after the AGM at which he or she was last elected or re-elected although he or she may be re-elected by ordinary resolution if eligible and willing. However, to comply with the principles of best corporate governance, the Board intends that each Director will submit him or her self for re-election on an annual basis;
- The Company may by special resolution remove any Director before the expiration of his period of office or may, by ordinary resolution, remove a Director where special notice has been given and the necessary statutory procedures are complied with; and

- There are a number of other grounds on which a Director's office may cease, namely voluntary resignation, where all the other Directors (being at least three in number) request his or her resignation, where he suffers physical or mental incapacity, where he or she is absent from meetings of the Board without permission of the Board for six consecutive months, becomes bankrupt or compounds with his or her creditors or is prohibited by law from being a Director.

Employees with disabilities

Tullow is committed to eliminating discrimination and encouraging diversity amongst its workforce. Tullow's aim is that its workforce will be truly representative of all sections of society and each employee feels respected and able to give their best. Decisions related to recruitment selection, development or promotion are based upon merit and ability to adequately meet the requirements of the job, and are not influenced by factors such as gender, marital status, race, ethnic origin, colour, nationality, religion, sexual orientation, age, or disability. Tullow commits to provide equal opportunities for all. Tullow's Code of Business Conduct and Equal Opportunities Policy provide guidelines on fair employment practices and fair treatment.

All employees are helped and encouraged to develop their full potential. Tullow aims to provide an optimal working environment to suit the needs of all employees, including the needs of employees with disabilities. For employees who become disabled during their time with the Group, Tullow will provide support to best accommodate continuous employment. Tullow's EHS Function actively seeks to keep people safe, whatever their needs.

Charitable and political donations

The Group made charitable, social and community-related donations during the year totalling $19.9 million (2011: $11.6 million). In line with Group policy, no donations were made for political purposes.

Corporate responsibility

The Group is fully committed to high standards of environmental, health and safety management. A review, together with an outline of the Group's involvement in the community, is set out in the Corporate Responsibility section on pages 74 to 83. In addition, Tullow publishes annually a separate Corporate Responsibility Report which is available on the Group website: **www.tullowoil.com**

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 2012.

Auditors and disclosure of relevant audit information

Having made the requisite enquiries, so far as the Directors are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditors are unaware and each Director has taken all steps that ought to have been taken to make him or her self aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

A resolution to re-appoint Deloitte LLP as the Company's auditors will be proposed at the AGM.

Annual General Meeting

Your attention is drawn to the Notice of Meeting accompanying this Annual Report which sets out the resolutions to be proposed at the forthcoming AGM. The meeting will be held at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ on Wednesday 8 May 2013 at 12 noon. This Directors' Report comprising pages 4 to 125 and the information referred to therein has been approved by the Board and signed on its behalf by:

Graham Martin
General Counsel and Company Secretary

12 February 2013

OUR OPERATIONS IN UGANDA

We have a well-established and experienced team at our office in Kampala and on the shores of Lake Albert that is responsible, along with our partners, for delivering the next phase of development planning. In Uganda, over 88% of our total workforce are nationals. A number of graduate employees have been given the opportunity for additional training and have completed certified courses with the TTE Training Group in Middlesbrough, UK. The Field Stakeholder Engagement Officers and Supervisor in Uganda play a key role in communicating with local people, educating about the oil and gas industry, explaining the opportunities available to them and gaining the necessary cooperation for our operations to take place safely.

Tullow Team

1. Cathy Adengo
2. Joseph Odong
3. David Muwonge
4. Vincent Kisembo
5. Dave More
6. Robert Lwanga
7. Robert Ssemwanga
8. Lydia Massa
9. Karen Atugonza
10. Robert Mugabi
11. Andy Oliver
12. Fatuma Basalirwa

5

FINANCIAL STATEMENTS

Supplementary Information

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

Company

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Group

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Aidan Heavey
Chief Executive Officer

12 February 2013

Ian Springett
Chief Financial Officer

12 February 2013

INDEPENDENT AUDITOR'S REPORT
to the members of Tullow Oil plc

We have audited the Group financial statements of Tullow Oil plc for the year ended 31 December 2012 which comprise the Group income statement, the Group statement of comprehensive income and expense, the Group balance sheet, the Group statement of changes in equity, the Group cash flow statement, the accounting policies and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the Group financial statements:

- Give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its profit for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB
As explained in the accounting policies to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The Directors' statement contained within the Directors' report in relation to going concern;
- The part of the Corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- Certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matter
We have reported separately on the parent company financial statements of Tullow Oil plc for the year ended 31 December 2012 and on the information in the Directors' remuneration report that is described as having been audited.

Carl D Hughes (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

12 February 2013

GROUP INCOME STATEMENT
Year ended 31 December 2012

	Notes	2012 $m	2011 $m
Continuing activities			
Sales revenue	2	**2,344.1**	2,304.2
Cost of sales		**(999.3)**	(930.8)
Gross profit		**1,344.8**	1,373.4
Administrative expenses		**(191.2)**	(122.8)
Profit on disposal	9	**702.5**	2.0
Exploration costs written off	10	**(670.9)**	(120.6)
Operating profit	3	**1,185.2**	1,132.0
(Loss)/gain on hedging instruments	20	**(19.9)**	27.2
Finance revenue	2	**9.6**	36.6
Finance costs	5	**(59.0)**	(122.9)
Profit from continuing activities before tax		**1,115.9**	1,072.9
Income tax expense	6	**(449.7)**	(383.9)
Profit for the year from continuing activities		**666.2**	689.0
Attributable to:			
Owners of the parent		**624.3**	649.0
Non-controlling interest	25	**41.9**	40.0
		666.2	689.0
Earnings per ordinary share from continuing activities	8	**¢**	¢
Basic		**68.8**	72.5
Diluted		**68.4**	72.0

GROUP STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE
Year ended 31 December 2012

	Notes	2012 $m	2011 $m
Profit for the year		**666.2**	689.0
Cash flow hedges			
Losses arising in the year	20	**(3.3)**	(6.7)
Reclassification adjustments for items included in profit on realisation	20	**11.0**	15.2
		7.7	8.5
Exchange differences on translation of foreign operations		**7.7**	(34.5)
Other comprehensive income/(expense)		**15.4**	(26.0)
Tax relating to components of other comprehensive income	20	**0.1**	2.9
Other comprehensive income/(expense) for the year		**15.5**	(23.1)
Total comprehensive income for the year		**681.7**	665.9
Attributable to:			
Owners of the parent		**639.8**	625.9
Non-controlling interest		**41.9**	40.0
		681.7	665.9

GROUP BALANCE SHEET
As at 31 December 2012

	Notes	2012 $m	*Restated 2011 $m
ASSETS			
Non-current assets			
Intangible exploration and evaluation assets	10	**2,977.1**	5,529.7
Property, plant and equipment	11	**4,407.9**	3,580.3
Investments	12	**1.0**	1.0
Other non-current assets	15	**696.7**	313.5
Deferred tax assets	22	**4.9**	39.0
		8,087.6	9,463.5
Current assets			
Inventories	13	**163.7**	225.7
Trade receivables	14	**238.7**	272.4
Other current assets	15	**416.6**	360.2
Current tax assets		**28.6**	7.0
Cash and cash equivalents	16	**330.2**	307.1
Assets classified as held for sale	17	**116.4**	–
		1,294.2	1,172.4
Total assets		**9,381.8**	10,635.9
LIABILITIES			
Current liabilities			
Trade and other payables	18	**(848.1)**	(1,119.6)
Other financial liabilities	19	**–**	(217.8)
Current tax liabilities		**(292.4)**	(153.8)
Derivative financial instruments	20	**(39.4)**	(42.4)
Liabilities directly associated with assets classified as held for sale	17	**(48.9)**	–
		(1,228.8)	(1,533.6)
Non-current liabilities			
Trade and other payables	18	**(30.6)**	(2.4)
Other financial liabilities	19	**(1,173.6)**	(2,858.1)
Deferred tax liabilities	22	**(1,076.3)**	(1,030.8)
Provisions	22	**(531.6)**	(440.8)
Derivative financial instruments	20	**(19.3)**	(4.2)
		(2,831.4)	(4,336.3)
Total liabilities		**(4,060.2)**	(5,869.9)
Net assets		**5,321.6**	4,766.0
EQUITY			
Called up share capital	23	**146.6**	146.2
Share premium	23	**584.8**	551.8
Other reserves	24	**566.6**	551.1
Retained earnings		**3,931.2**	3,441.3
Equity attributable to equity holders of the parent		**5,229.2**	4,690.4
Non-controlling interest	25	**92.4**	75.6
Total equity		**5,321.6**	4,766.0

* Certain numbers shown above do not correspond to the 2011 financial statements as a result of a retrospective restatement as set out in note 33.

Approved by the Board and authorised for issue on 12 February 2013.

Aidan Heavey
Chief Executive Officer

Ian Springett
Chief Financial Officer

GROUP STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2012

	Share capital $m	Share premium $m	Other reserves (note 24) $m	Retained earnings $m	Total $m	Non-controlling interest $m	Total equity $m
At 1 January 2011	143.5	251.5	574.2	2,873.6	3,842.8	60.6	3,903.4
Total recognised income and expense for the year	–	–	(23.1)	649.0	625.9	40.0	665.9
Issue of equity shares (note 23)	2.2	285.5	–	–	287.7	–	287.7
New shares issued in respect of employee share options	0.5	14.8	–	–	15.3	–	15.3
Vesting of PSP shares	–	–	–	(0.1)	(0.1)	–	(0.1)
Share-based payment charges	–	–	–	33.0	33.0	–	33.0
Dividends paid (note 7)	–	–	–	(114.2)	(114.2)	–	(114.2)
Distribution to minority shareholders (note 25)	–	–	–	–	–	(25.0)	(25.0)
At 1 January 2012	**146.2**	**551.8**	**551.1**	**3,441.3**	**4,690.4**	**75.6**	**4,766.0**
Total recognised income and expense for the year	**–**	**–**	**15.5**	**624.3**	**639.8**	**41.9**	**681.7**
Issue of equity shares (note 23)	**–**	**4.9**	**–**	**–**	**4.9**	**–**	**4.9**
New shares issued in respect of employee share options	**0.4**	**28.1**	**–**	**–**	**28.5**	**–**	**28.5**
Vesting of PSP shares	**–**	**–**	**–**	**(9.1)**	**(9.1)**	**–**	**(9.1)**
Share-based payment charges	**–**	**–**	**–**	**47.9**	**47.9**	**–**	**47.9**
Dividends paid (note 7)	**–**	**–**	**–**	**(173.2)**	**(173.2)**	**–**	**(173.2)**
Distribution to minority shareholders (note 25)	**–**	**–**	**–**	**–**	**–**	**(25.1)**	**(25.1)**
At 31 December 2012	**146.6**	**584.8**	**566.6**	**3,931.2**	**5,229.2**	**92.4**	**5,321.6**

GROUP CASH FLOW STATEMENT
Year ended 31 December 2012

	Notes	2012 $m	2011 $m
Cash flows from operating activities			
Profit before taxation		**1,115.9**	1,072.9
Adjustments for:			
Depletion, depreciation and amortisation		**561.9**	533.8
Impairment loss		**31.3**	51.0
Impairment reversal		**–**	(17.4)
Exploration costs written off		**670.9**	120.6
Profit on disposal		**(702.5)**	(2.0)
Decommissioning expenditure		**(2.4)**	(14.2)
Share-based payment charge		**32.6**	28.5
Loss/(gain) on hedging instruments		**19.9**	(27.2)
Finance revenue		**(9.6)**	(36.6)
Finance costs		**59.0**	122.9
Operating cash flow before working capital movements		**1,777.0**	1,832.3
Increase in trade and other receivables		**(11.3)**	(91.9)
Decrease/(increase) in inventories		**11.3**	(43.8)
Increase in trade payables		**7.5**	206.5
Cash generated from operations		**1,784.5**	1,903.1
Income taxes paid		**(264.1)**	(171.8)
Net cash from operating activities		**1,520.4**	1,731.3
Cash flows from investing activities			
Disposal of exploration and evaluation assets		**2,568.2**	–
Disposal of oil and gas assets		**0.3**	–
Disposal of other assets		**1.3**	2.4
Purchase of subsidiaries		**–**	(404.0)
Purchase of intangible exploration and evaluation assets		**(1,196.6)**	(1,018.4)
Purchase of property, plant and equipment		**(652.8)**	(635.1)
Finance revenue		**1.3**	13.6
Net cash generated/(used) in investing activities		**721.7**	(2,041.5)
Cash flows from financing activities			
Net proceeds from issue of share capital		**24.5**	86.7
Debt arrangement fees		**(77.2)**	(30.0)
Repayment of bank loans		**(2,407.5)**	(320.0)
Drawdown of bank loan		**565.0**	1,200.0
Repayment of obligations under finance leases		**(1.8)**	(308.4)
Finance costs		**(103.2)**	(210.2)
Dividends paid	7	**(173.2)**	(114.2)
Distribution to minority shareholders	25	**(25.1)**	(25.0)
Net cash (used)/generated by financing activities		**(2,198.5)**	278.9
Net increase/(decrease) in cash and cash equivalents		**43.6**	(31.3)
Cash and cash equivalents at beginning of year		**307.1**	338.3
Cash transferred to held for sale	17	**(18.0)**	–
Foreign exchange (loss)/gain		**(2.5)**	0.1
Cash and cash equivalents at end of year	16	**330.2**	307.1

(a) General information
Tullow Oil plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 189.

(b) Adoption of new and revised standards
In the current year, the following new and revised Standards and Interpretations have been adopted.

Standards not affecting the reported results or the financial position
The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

IFRS 7 Financial Instruments: Disclosures (Amendment)
IFRS 7 has been amended to require additional disclosures relating to the transfer of a financial asset when the financial asset is derecognised in its entirety, but the entity has continuing involvement in it and when the financial asset is not derecognised in its entirety.

IAS 12 Income Taxes – Deferred Taxes: Recovery of Underlying Assets (Amendment)
IAS 12 has been amended to introduce a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognised on a sale basis, unless the entity's business model would suggest the investment property will be consumed in the business. The amendment also requires that deferred tax on non-depreciable assets measured using the revaluation model be measured on a sale basis.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 7 (amended)	Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 1 (amended)	Presentation of Items of Other Comprehensive Income
IAS 19 (revised)	Employee Benefits
IAS 28 (revised)	Investments in Associates and Joint Ventures
IAS 32 (amended)	Offsetting Financial Assets and Financial Liabilities

The adoption of IFRS 9 which the Group plans to adopt for the year beginning on 1 January 2015 will impact both the measurement and disclosures of financial instruments.

The Directors do not expect that the adoption of the other standards listed above will have a material impact on the financial statements of the Group in future periods.

(c) Changes in accounting policy
Other than the changes to the standards noted above, the Group's accounting policies are consistent with the prior year.

(d) Basis of accounting
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value. The financial statements are presented in US dollars and all values are rounded to the nearest $0.1 million, except where otherwise stated. The financial statements have been prepared on a going concern basis (see note 19 for further details).

The principal accounting policies adopted by the Group are set out below.

(e) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

The results of subsidiaries acquired or disposed of during the year are included in the Group income statement from the transaction date of acquisition, being the date on which the Group gains control and will continue to be included until the date that control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The consideration of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition costs incurred are expensed and included in administration expenses. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5-Non-current assets held for sale and discontinued operations, which are recognised and measured at fair value less costs to sell. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

Joint ventures

The Group is engaged in oil and gas exploration, development and production through unincorporated joint ventures. The Group accounts for its share of the results and net assets of these joint ventures as jointly controlled assets. 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 balance sheet.

(f) Non-current assets held for sale

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(g) Revenue

Sales revenue represents the sales value, net of VAT and overriding royalties, of the Group's share of liftings in the year together with tariff income. Revenue is recognised when goods are delivered and title has passed.

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

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

(h) Over/underlift

Lifting or offtake arrangements for oil and gas produced in certain of the Group's jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production less stock is 'underlift' or 'overlift'. Underlift and overlift are valued at market value and included within 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.

In respect of redeterminations, any adjustments to the Group's net entitlement of future production are accounted for prospectively in the period in which the make-up oil is produced. Where the make-up period extends beyond the expected life of a field an accrual is recognised for the expected shortfall.

(i) Inventory

Inventories, other than oil product, are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses. Net realisable value is determined by reference to prices existing at the balance sheet date.

Oil product is stated at net realisable value and changes in net realisable value are recognised in the income statement.

(j) Foreign currencies
The US dollar is the presentation currency of the Group. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's non US dollar denominated operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Currency translation adjustments arising on the restatement of opening net assets of non US dollar subsidiaries, together with differences between the subsidiaries' results translated at average rates versus closing rates, are taken directly to reserves. All resulting exchange differences are classified as equity until disposal of the subsidiary. On disposal, the cumulative amounts of the exchange differences are recognised as income or expense.

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated into US dollars at the exchange rate ruling at the balance sheet date, with a corresponding charge or credit to the income statement. However, exchange gains and losses arising on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment. In addition, exchange gains and losses arising on long-term foreign currency borrowings which are a hedge against the Group's overseas investments are dealt with in reserves.

(k) Exploration, evaluation and production assets
The Group adopts the successful efforts method of accounting for exploration and appraisal costs. All licence acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalised in cost centres by well, field or exploration area, as appropriate. Interest payable is capitalised insofar as it relates to specific development activities. Pre-licence costs are expensed in the period in which they are incurred.

These costs are then written off as exploration costs in the income statement unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment.

All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities are amortised in accordance with the Group's depletion and amortisation accounting policy.

(l) Commercial reserves
Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent statistical probability that it will be less.

(m) Depletion and amortisation – discovery fields
All expenditure carried within each field is amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field-by-field basis or by a group of fields which are reliant on common infrastructure. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs. Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single cash generating unit for impairment purposes.

Any impairment identified is charged to the income statement as additional depletion and amortisation. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any amortisation that would have been charged since the impairment.

(n) Decommissioning
Provision for decommissioning is recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is included as a finance cost.

(o) Property, plant and equipment
Property, plant and equipment is stated in the balance sheet at cost less accumulated depreciation and any recognised impairment loss. Depreciation on property, plant and equipment other than production assets is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful economic life of between three and five years.

(p) Finance costs and debt
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Finance costs of debt are allocated to periods over the term of the related debt at a constant rate on the carrying amount. Arrangement fees and issue costs are deducted from the debt proceeds on initial recognition of the liability and are amortised and charged to the income statement as finance costs over the term of the debt.

(q) Share issue expenses and share premium account
Costs of share issues are written off against the premium arising on the issues of share capital.

(r) Taxation
Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred corporation tax is recognised on all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted. Deferred tax is measured on a non-discounted basis.

Deferred tax is provided on temporary differences arising on acquisitions that are categorised as Business Combinations. Deferred tax is recognised at acquisition as part of the assessment of the fair value of assets and liabilities acquired. Any deferred tax is charged or credited in the income statement as the underlying temporary difference is reversed.

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

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

(t) Derivative financial instruments
The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates, interest rates and movements in oil and gas prices.

Derivative financial instruments are stated at fair value.

The purpose for which a derivative is used is established at inception. To qualify for hedge accounting, the derivative must be 'highly effective' in achieving its objective and this effectiveness must be documented at inception and throughout the period of the hedge relationship. The hedge must be assessed on an ongoing basis and determined to have been 'highly effective' throughout the financial reporting periods for which the hedge was designated.

For the purpose of hedge accounting, hedges are classified as either fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges, where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or forecasted transaction.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from re-measuring the derivative and the hedged item at fair value is recognised immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the income statement.

For cash flow hedges, the portion of the gains and losses on the hedging instrument that is determined to be an effective hedge is taken to other comprehensive income and the ineffective portion, as well as any change in time value, is recognised in the income statement. The gains and losses taken to other comprehensive income are subsequently transferred to the income statement during the period in which the hedged transaction affects the income statement or if the hedge is subsequently deemed to be ineffective. A similar treatment applies to foreign currency loans which are hedges of the Group's net investment in the net assets of a foreign operation.

Gains or losses on derivatives that do not qualify for hedge accounting treatment (either from inception or during the life of the instrument) are taken directly to the income statement in the period.

(u) Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases and are charged to the income statement on a straight-line basis over the term of the lease.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

(v) Share-based payments
The Group has applied the requirements of IFRS 2-Share-based Payments. In accordance with the transitional provisions of that standard, only those awards that were granted after 7 November 2002, and had not vested at 1 January 2005, are included.

All share-based awards of the Group are equity settled as defined by IFRS 2. The fair value of these awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Group's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

The fair values were calculated using a binomial option pricing model with suitable modifications to allow for employee turnover after vesting and early exercise. Where necessary, this model was supplemented with a Monte Carlo model. The inputs to the models include: the share price at date of grant; exercise price; expected volatility; expected dividends; risk free rate of interest; and patterns of exercise of the plan participants.

(w) Financial assets
All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL); 'held-to-maturity' investments; 'available-for-sale' (AFS) financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(x) Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(y) Loans and receivables
Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(z) Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. The Group chooses not to disclose the effective interest rate for debt instruments that are classified as at fair value through profit or loss.

(aa) Financial liabilities and equity instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

(ab) Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(ac) Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(ad) Critical accounting judgements and key sources of estimation uncertainty
Details of the Group's significant accounting judgements and critical accounting estimates are set out in these financial statements and include:

- Carrying value of intangible exploration and evaluation assets (note 10);

Where a project is sufficiently advanced the recoverability of intangible exploration assets is assessed by comparing the carrying value to internal and operator estimates of the net present value of projects. Intangible exploration assets are inherently judgemental to value and further details on the accounting policy are included in accounting note (k). The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

- Carrying value of property, plant and equipment (note 11);

Management perform impairment tests on the Group's property, plant and equipment assets at least annually with reference to indicators in IAS 36. Key assumptions in the impairment models relate to prices that are based on forward curves for two years and the long-term corporate assumptions thereafter and discount rates that are risked to reflect conditions specific to individual assets.

- Commercial reserves estimates (note 11);

Proven and probable reserves are estimated using standard recognised evaluation techniques. The estimate is reviewed at least twice annually and is regularly reviewed by independent consultants. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

- Presumption of going concern (note 19);

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's portfolio of producing fields and delays in development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capacity and flexibility of the Group. The Group's forecasts, taking into account reasonably possible changes as described above, show that the Group will be able to operate within its current debt facilities and have significant financial headroom for the 12 months from the date of approval of the 2012 Annual Report and Accounts.

- Decommissioning costs (note 22);

The costs of decommissioning are reviewed twice annually and are estimated by reference to operators, where applicable, and internal engineers.

A review of all decommissioning cost estimates was undertaken by an independent specialist in 2010 which has been assessed and updated internally for the purposes of the 2012 financial statements.

Provision for environmental clean-up and remediation costs is based on current legal and constructive requirements, technology and price levels.

- Recoverability of deferred tax assets (note 22);

Deferred tax assets are recognised for used tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgement is required to determine the value of the deferred tax asset, based upon the timing and level of future taxable profits.

- Capital gains tax due on Uganda farm-down (note 9);

On the advice of leading counsel, the Group believes that it has a strong case under both international and Ugandan law and currently views the most probable outcome to be that any liability will be at a similar level to the amount already paid on account. The amount of $142 million is included in the Group's tax charge for the year ended 31 December 2012.

- Other tax provisions; and

The Group is subject to various claims which arise in the ordinary course of its business, including tax claims from tax authorities in a number of the jurisdictions in which the Group operates. The Group assesses all such claims in the context of the tax laws of the countries in which it operates and, where applicable, makes provision for any settlements which it considers are probable. The Directors believe that the Group has recorded adequate provisions as of 31 December 2012 and 2011 for all such matters.

- Other non-current assets (note 15).

Recoverability of contingent consideration
The amount of contingent consideration recoverable in respect of the Uganda farm-down is dependent on a number of judgements in respect to the timing of the receipt of certain project approvals. The receivable recorded at the Balance Sheet date is calculated based on the most likely outcome.

Recoverable security paid to Uganda Revenue Authority (URA)
Under the terms of Tullow and Heritage's PSA, Tullow has opened proceedings against Heritage in London to recover the security paid by Tullow as designated agent to the URA. The Directors have exercised judgement in determining the most likely outcome of proceedings against Heritage.

Note 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 reportable segments in accordance with IFRS 8 are the three geographical regions that the Group operates within, being Europe, South America and Asia; West and North Africa; and South and East Africa. The following tables present revenue, profit and certain asset and liability information regarding the Group's business segments for the year ended 31 December 2012 and 31 December 2011.

	Europe, South America and Asia $m	West and North Africa $m	South and East Africa $m	Unallocated $m	Total $m
2012					
Sales revenue by origin	380.6	1,963.5	–	–	2,344.1
Segment result	(124.0)	974.1	(176.2)	–	673.9
Profit on disposal					702.5
Unallocated corporate expenses					(191.2)
Operating profit					1,185.2
Loss on hedging instruments					(19.9)
Finance revenue					9.6
Finance costs					(59.0)
Profit before tax					1,115.9
Income tax expense					(449.7)
Profit after tax					666.2
Total assets	1,868.0	5,148.3	2,185.6	179.9	9,381.8
Total liabilities	(999.4)	(1,531.9)	(285.1)	(1,243.8)	(4,060.2)
Other segment information					
Capital expenditure:					
Property, plant and equipment	136.3	626.5	1.5	29.8	794.1
Intangible exploration and evaluation assets	246.1	512.2	582.6	–	1,340.9
Depletion, depreciation and amortisation	(178.4)	(360.2)	(1.2)	(22.1)	(561.9)
Impairment losses recognised in income statement	–	(31.3)	–	–	(31.3)
Exploration costs written off	(173.9)	(320.9)	(176.1)	–	(670.9)

All sales are to external customers. Included in revenue arising from West and North Africa are revenues of approximately $1,098.0 million (2011: $1,036.0 million) which arose from sales to the Group's largest customers.

Unallocated expenditure and net liabilities include amounts of a corporate nature and not specifically attributable to a geographic area. The liabilities comprise the Group's external debt and other non-attributable corporate liabilities. The unallocated capital expenditure for the period comprised the acquisition of non-attributable corporate assets.

	Europe, South America and Asia $m	West and North Africa $m	South and East Africa $m	Unallocated $m	Total $m
2011(restated*)					
Sales revenue by origin	360.2	1,944.0	–	–	2,304.2
Segment result	31.9	1,216.7	4.2	–	1,252.8
Profit on disposal					2.0
Unallocated corporate expenses					(122.8)
Operating profit					1,132.0
Gain on hedging instruments					27.2
Finance revenue					36.6
Finance costs					(122.9)
Profit before tax					1,072.9
Income tax expense					(383.9)
Profit after tax					689.0
Total assets	1,791.9	4,745.1	3,977.6	121.3	10,635.9
Total liabilities	(922.5)	(1,202.8)	(565.5)	(3,179.1)	(5,869.9)
Other segment information					
Capital expenditure:					
Property, plant and equipment	92.7	638.6	0.8	31.8	763.9
Intangible exploration and evaluation assets	171.9	482.5	535.6	–	1,190.0
Acquisition of subsidiaries (note 9)	965.5	–	–	–	965.5
Depletion, depreciation and amortisation	(170.1)	(344.3)	(0.4)	(19.0)	(533.8)
Impairment losses recognised in income statement	–	(51.0)	–	–	(51.0)
Exploration costs written off	(39.7)	(85.9)	5.0	–	(120.6)

* Certain numbers shown above do not correspond to the 2011 financial statements as a result of a retrospective restatement as set out in note 33.

Sales revenue by origin	**2012 $m**	2011 $m
Ghana	**958.6**	930.3
Equatorial Guinea	**330.7**	372.5
Côte d'Ivoire	**74.4**	79.2
Gabon	**482.2**	447.1
Congo	**73.3**	80.9
Mauritania	**44.3**	34.0
Total Africa[1]	**1,963.5**	1,944.0
UK	**219.4**	272.0
Netherlands	**142.3**	67.4
Total Europe	**361.7**	339.4
Pakistan	**0.2**	1.0
Bangladesh	**18.7**	19.8
Total Asia	**18.9**	20.8
Total revenue	**2,344.1**	2,304.2

1. Total Africa represents total revenue from West and North Africa as currently there is no production from South and East Africa.

Note 1. Segmental reporting continued

Non-current assets by origin	2012 $m	*Restated 2011 $m
Ghana[1]	**3,093.0**	2,643.3
Uganda[2]	**1,713.8**	3,620.1
Mauritania[1]	**377.4**	412.5
Other	**1,220.1**	1,116.2
Total Africa	**6,404.3**	7,792.1
UK	**404.1**	390.4
Netherlands	**860.3**	871.8
Total Europe	**1,264.4**	1,262.2
Total Asia	**–**	59.9
Total South America	**297.0**	244.4
Unallocated	**121.9**	104.9
Total Non-current assets	**8,087.6**	9,463.5

* Certain numbers shown above do not correspond to the 2011 financial statements as a result of a retrospective restatement as set out in note 33.

1. Included within the West and North Africa region.
2. Included within the South and East Africa region.

Note 2. Total revenue

	2012 $m	2011 $m
Sales revenue (excluding tariff income)		
Oil and gas revenue from the sale of goods	**2,405.7**	2,359.9
Loss on realisation of cash flow hedges	**(77.0)**	(69.8)
	2,328.7	2,290.1
Tariff income	**15.4**	14.1
Total sales revenue	**2,344.1**	2,304.2
Finance revenue	**9.6**	36.6
Total revenue	**2,353.7**	2,340.8

Included within 2011 finance revenue is a $22.3 million gain on cancellation of a finance lease, see note 21.

Note 3. Operating profit

	2012 $m	2011 $m
Operating profit is stated after charging/(crediting):		
Staff costs (see note 4)	**64.6**	42.9
Depletion and amortisation	**536.7**	513.6
Impairment of property, plant and equipment	**31.3**	51.0
Impairment reversal	**–**	(17.4)
Depreciation of other fixed assets	**25.2**	20.2
Exploration write off	**670.9**	120.6
Share-based payment charge (including provisions for NI)	**32.6**	28.5
Operating lease rentals	**13.6**	7.0
Auditor's remuneration (see below)	**3.3**	2.6

	2012 $m	2011 $m
Fees payable to the Company's auditor for:		
The audit of the Company's annual accounts	**0.2**	0.2
The audit of the Company's subsidiaries pursuant to legislation	**1.7**	1.4
Total audit services	**1.9**	1.6
Non-audit services:		
Audit related assurance services – half-year review	**0.4**	0.3
Other assurance services	**0.1**	0.1
Tax compliance services	**0.2**	0.1
Information technology services	**0.1**	0.1
Corporate finance services	**–**	0.1
Other services	**0.6**	0.3
Total non-audit services	**1.4**	1.0
Total	**3.3**	2.6

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

Tax advisory services include assistance in connection with enquiries from local fiscal authorities. Information technology services includes IT security analysis and assistance provided to management in the selection of new systems. The auditor is not involved in the design or implementation of IT systems.

Other services include assistance to management in assessing changes to the finance function resulting from the Group's expansion and subscription fees for upstream data.

Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee Report on pages 93 to 95. No services were provided pursuant to contingent fee arrangements.

Note 4. Staff costs

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

	2012 Number	2011 Number
Administration	**615**	643
Technical	**738**	410
Total	**1,353**	1,053

Staff costs in respect of those employees were as follows:

	2012 $m	2011 $m
Salaries	**226.4**	198.9
Social security costs	**12.4**	17.2
Pension costs	**13.1**	10.1
	251.9	226.2

A proportion of the Group's staff costs shown above is recharged to the Group's joint venture partners, a proportion is allocated to operating costs and a proportion is capitalised into the cost of fixed assets under the Group's accounting policy for exploration, evaluation and production assets. The net staff costs recognised in administrative expenses were $64.6 million (2011: $42.9 million).

Details of Directors' remuneration, Directors' transactions and Directors' interests are set out in the part of the Directors' remuneration report described as having been audited which forms part of these financial statements.

Note 5. Finance costs

	2012 $m	2011 $m
Interest on bank overdrafts and loans	**94.8**	144.0
Interest on obligations under finance leases	**1.8**	44.3
Total borrowing costs	**96.6**	188.3
Less amounts included in the cost of qualifying assets (note 10)	**(67.2)**	(128.8)
	29.4	59.5
Finance and arrangement fees	**9.3**	35.5
Foreign exchange losses	**–**	7.0
Unwinding of discount on decommissioning provision (note 22)	**20.3**	20.9
	59.0	122.9

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.68% (2011: 4.05%) to cumulative expenditure on such assets.

Note 6. Taxation on profit on ordinary activities

(a) Analysis of charge in period

The tax charge comprises:

	2012 $m	2011 $m
Current tax		
UK corporation tax	**10.1**	37.4
Foreign tax[1]	**360.2**	137.4
Total corporate tax	**370.3**	174.8
UK petroleum revenue tax	**10.8**	11.6
Total current tax	**381.1**	186.4
Deferred tax		
UK corporation tax	**17.3**	15.2
Foreign tax	**53.6**	185.7
Total deferred corporate tax	**70.9**	200.9
Deferred UK petroleum revenue tax	**(2.3)**	(3.4)
Total deferred tax (note 22)	**68.6**	197.5
Total tax expense	**449.7**	383.9

1. Included in 2012 foreign current tax is $142 million CGT paid in respect of the Uganda farm-down (note 9).

(b) Factors affecting tax charge for period

The tax rate applied to profit on ordinary activities in preparing the reconciliation below is the UK corporation tax rate applicable to the Group's non-upstream UK profits.

The difference between the total current tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax applicable to UK profits of 24% (2011: 26%) to the profit before tax is as follows:

	2012 $m	2011 $m
Group profit on ordinary activities before tax	**1,115.9**	1,072.9
Tax on Group profit on ordinary activities at the standard UK corporation tax rate of 24% (2011: 26%)	**267.8**	279.0
Effects of:		
Expenses not deductible for tax purposes	**86.6**	69.7
Utilisation of tax losses not previously recognised	**–**	(20.9)
Net losses not recognised	**129.1**	21.3
Petroleum revenue tax (PRT)	**8.5**	9.1
UK corporation tax deductions for current PRT	**(5.3)**	(3.0)
Adjustments relating to prior years	**20.8**	(5.8)
Adjustments to deferred tax relating to change in tax rates	**16.5**	18.2
Income taxed at a different rate	**161.2**	82.3
Income not subject to corporation tax	**(235.5)**	(66.0)
Group total tax expense for the year	**449.7**	383.9

Note 6. Taxation on profit on ordinary activities continued

Following previous reductions in the main rate of UK corporation tax, on 26 March 2012 additional reductions from 26% to 24% effective from 1 April 2012 and from 24% to 23% from 1 April 2013 were substantively enacted. Draft legislation has also been published for inclusion in the Finance Bill 2013 which further reduces the main tax rate to 21% effective from 1 April 2014. As this change was not substantively enacted at the Balance Sheet date, the rate reduction to 21% is not yet reflected in these financial statements.

The Group's profit before taxation will continue to arise in jurisdictions where the effective rate of taxation differs from that in the UK. Furthermore, unsuccessful exploration expenditure is often incurred in jurisdictions where the Group has no taxable profits, such that no related tax benefit arises. Accordingly, the Group's tax charge will continue to vary according to the jurisdictions in which pre-tax profits and exploration costs written off arise.

The Group has tax losses of $1,724.7 million (2011: $1,082.3 million) that are available for offset against future taxable profits in the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group. The Group has recognised $49.4 million in deferred tax assets in relation to taxable losses (2011: $117.5 million); this is disclosed net of a deferred tax liability in respect of capitalised interest.

No deferred tax liability is recognised on temporary differences of $30 million (2011: $253 million) relating to unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Note 7. Dividends

	2012 $m	2011 $m
Declared and paid during year		
Final dividend for 2011: 8 pence (2010: 4 pence) per ordinary share	**115.4**	57.7
Interim dividend for 2012: 4 pence (2011: 4 pence) per ordinary share	**57.8**	56.5
Dividends paid	**173.2**	114.2
Proposed for approval by shareholders at the AGM		
Final dividend for 2012: 8 pence (2011: 8 pence) per ordinary share	**117.4**	113.3

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Note 8. Earnings per ordinary share

Basic earnings per ordinary share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per ordinary share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued if employee and other share options were converted into ordinary shares.

	2012 $m	2011 $m
Earnings		
Net profit attributable to equity shareholders	**624.3**	649.0
Effect of dilutive potential ordinary shares	**–**	–
Diluted net profit attributable to equity shareholders	**624.3**	649.0

	2012 Number	2011 Number
Number of shares		
Basic weighted average number of shares	**906,825,122**	895,676,666
Dilutive potential ordinary shares	**5,555,890**	6,229,785
Diluted weighted average number of shares	**912,381,012**	901,906,451

Note 9. Acquisitions and disposals

Acquisitions of subsidiaries

On 24 May 2011 Tullow announced that it had acquired 100% of Nuon Exploration & Production B.V. ("Nuon") from the Vattenfall Group with an acquisition date of 30 June 2011. The fair values of the identifiable assets and liabilities were reassessed in the first few months of 2012 to reflect additional information which has become available concerning conditions that existed at the date of acquisition in accordance with the provisions of IFRS 3 – Business Combinations. The final acquisition fair values of the identifiable assets and liabilities are set out in the below table and the retrospective adjustments to the fair values previously reported are set out in note 33.

	Provisional fair value $m	Adjustments to fair values $m	Final fair value $m
Intangible exploration and appraisal assets	**424.1**	**79.7**	**503.8**
Property, plant and equipment	**539.6**	**(77.9)**	**461.7**
Trade and other receivables	**19.8**	**–**	**19.8**
Trade and other payables	**(20.0)**	**(1.0)**	**(21.0)**
Deferred tax liabilities	**(472.9)**	**(0.8)**	**(473.7)**
Provisions	**(86.6)**	**–**	**(86.6)**
Total consideration satisfied by cash	**404.0**	**–**	**404.0**

The purchase consideration equals the aggregate of the fair value of the identifiable assets and liabilities of Nuon and therefore no goodwill has been recorded on the acquisition. Deferred tax has been recognised in respect of the fair value adjustments as applicable. Transaction costs in respect of the Nuon acquisition of $1.1 million were recognised in the 2011 income statement. In 2012 Nuon has contributed $142.3 million to Group revenues (2011: $67.6 million) and $15.2 million to the profit of the Group (2011: $3.2 million). Provisions represent the present value of decommissioning costs, which are expected to be incurred up to 2033.

There were no acquisitions involving business combinations in 2012.

Disposal of exploration and evaluation assets

On 21 February 2012 the Group completed the farm-down of one-third of its Uganda interests to both Total and CNOOC ("the partners") for a headline consideration of $2.9 billion. The Ugandan assets are classified as intangible exploration and evaluation assets and therefore the Group has formed an accounting policy under IAS 8 to account for the farm-down, whereby a profit has been recognised on disposal as the difference between total consideration and the net book value of the disposal assets. The following is a reconciliation of the consideration and the value of assets disposed:

	$m
Headline consideration	**2,933.3**
Contingent consideration	**341.3**
Net book value of assets disposed	**(2,573.6)**
Profit on disposal	**701.0**

The contingent consideration represents the fair value of completion statement amounts due from the partners on issue of Final Investment Decision ("FID") in Uganda.

The total cash consideration received was $2.6 billion, with capital gains tax of $142 million being paid directly out of this amount. The $2.6 billion cash consideration received represents headline consideration of $2.9 billion less deposits received in 2011.

In anticipation of the farm-down of the Ugandan assets to CNOOC and Total, the Uganda Revenue Authority (URA) issued an assessment for $473 million in respect of capital gains tax on the transaction. At completion, $142 million was paid to the URA, being 30% of the tax assessed as legally required for an appeal. The assessment denies relief for costs incurred by the Group in the normal course of developing the assets, and excludes certain contractual and statutory reliefs from capital gains tax that the Group maintains are properly allowable. The appeal is scheduled to be heard by the Tax Appeals Tribunal in Kampala later in 2013. On the advice of leading counsel, the Group believes that it has a strong case under both international and Ugandan law and currently views the most probable outcome to be that any liability will be at a similar level to the amount already paid on account. The amount of $142 million is included in the Group's tax charge for the year ended 31 December 2012.

Further disposals of oil and gas assets and non-oil and gas assets generating a profit on disposal of $1.5 million were also completed in 2012 (2011: $2.0 million).

Note 10. Intangible exploration and evaluation assets

	2012 $m	*Restated 2011 $m
At 1 January	**5,529.7**	4,001.2
Acquisition of subsidiaries (note 9)	**–**	503.8
Additions	**1,340.9**	1,190.0
Disposals (note 9)	**(2,573.6)**	–
Amounts written-off	**(670.9)**	(120.6)
Transfer to assets held for sale (note 17)	**(28.4)**	–
Transfer to property, plant and equipment (note 11)	**(625.3)**	–
Currency translation adjustments	**4.7**	(44.7)
At 31 December	**2,977.1**	5,529.7

* Certain numbers shown above do not correspond to the 2011 financial statements as a result of a retrospective restatement as set out in note 33.

The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

Included within 2012 additions is $67.2 million of capitalised interest (2011: $128.8 million). The Group only capitalises interest in respect of intangible exploration and evaluation assets where it is considered that development is highly likely and advanced appraisal and development is ongoing.

Exploration costs written-off were $670.9 million (2011: $120.6 million), in accordance with the Group's successful efforts accounting policy. This requires that all costs associated with unsuccessful exploration are written-off in the income statement. Write-offs associated with unsuccessful exploration activities during 2012 in Guyana, Ghana, Sierra Leone, Côte d'Ivoire, Suriname, Tanzania, Uganda and new ventures activity and licence relinquishments totalled $300 million. As a result of the Group's review of the exploration asset values on its balance sheet compared with expected near-term work programmes and the relative attractiveness of further investment in these assets an additional write-down of $371 million has been made. The principal elements of these write-downs are: the Odum discovery in Ghana where acreage has been relinquished ($37 million); carried costs for Kudu in Namibia where progress towards commercialisation continues to be delayed ($160 million); undeveloped discoveries in Mauritania ($93 million) and exploration costs to date in Sierra Leone where interest remains, but a hub-class commercial discovery has yet to be made ($50 million).

Note 11. Property, plant and equipment

	Oil and gas assets $m	Other fixed assets $m	Total $m
Cost			
At 1 January 2011	5,102.4	84.6	5,187.0
Additions of subsidiaries (note 9) (*restated)	461.5	0.2	461.7
Additions	728.6	35.3	763.9
Disposals	–	(4.8)	(4.8)
Currency translation adjustments	(58.1)	(3.7)	(61.8)
At 1 January 2012	**6,234.4**	**111.6**	**6,346.0**
Additions	**760.0**	**34.1**	**794.1**
Transfer to assets held for sale (note 17)	**(69.9)**	**–**	**(69.9)**
Transfer from intangible exploration and evaluation assets (note 10)	**625.3**	**–**	**625.3**
Currency translation adjustments	**82.0**	**4.0**	**86.0**
At 31 December 2012	**7,631.8**	**149.7**	**7,781.5**
Depreciation, depletion and amortisation			
At 1 January 2011	(2,173.7)	(38.9)	(2,212.6)
Charge for the year	(513.6)	(20.2)	(533.8)
Impairment loss	(51.0)	–	(51.0)
Impairment reversal	17.4	–	17.4
Disposals	–	3.7	3.7
Currency translation adjustments	8.3	2.3	10.6
At 1 January 2012	**(2,712.6)**	**(53.1)**	**(2,765.7)**
Charge for the year	**(536.7)**	**(25.2)**	**(561.9)**
Impairment loss	**(31.3)**	**–**	**(31.3)**
Transfer to assets held for sale (note 17)	**37.6**	**–**	**37.6**
Currency translation adjustments	**(50.1)**	**(2.2)**	**(52.3)**
At 31 December 2012	**(3,293.1)**	**(80.5)**	**(3,373.6)**
Net book value			
At 31 December 2012	**4,338.7**	**69.2**	**4,407.9**
At 31 December 2011	3,521.8	58.5	3,580.3

* Certain numbers shown above do not correspond to the 2011 financial statements as a result of a retrospective restatement as set out in note 33.

The 2012 additions did not include capitalised interest (2011: $nil). The carrying amount of the Group's oil and gas assets includes an amount of $37.4 million (2011: $nil) in respect of assets held under finance leases. Other fixed assets include leasehold improvements, motor vehicles and office equipment.

During the year, the TEN project in Ghana was transferred from contingent resources to commercial reserves following submission of the Plan of Development to the Government of Ghana. As a result, the $599.9 million of costs associated with the project was transferred from intangible exploration and evaluation assets to oil and gas assets. The remainder of the transfers from intangible exploration and evaluation assets relate to the sanction of the Katy project and drilling of the Ketch SW flank in the UK.

The 2012 impairment loss relates to the M'Boundi field in Congo (2011: M'Boundi). The recoverable amount was determined by estimating its value in use. In calculating this impairment, management used a production profile based on proven and probable reserves estimates and a range of assumptions, including an oil price assumption equal to the forward curve in 2013 and 2014 and $90 per barrel (2011: $80 per barrel) thereafter and a post-tax discount rate assumption of 10% (the M'Boundi field operates in a Production Sharing Contract regime under which "tax" is deducted at source and included within the Government's share of profit oil).

Depletion and amortisation for oil and gas properties is calculated on a unit-of-production basis, using the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus production in the period, generally on a field-by-field basis. Commercial reserves estimates are based on a number of underlying assumptions including oil and gas prices, future costs, oil and gas in place and reservoir performance, which are inherently uncertain. Commercial reserves estimates are based on a Group reserves report produced by an independent engineer. However, the amount of reserves that will ultimately be recovered from any field cannot be known with certainty until the end of the field's life.

Note 12. Investments

	2012 $m	2011 $m
Unlisted investments	**1.0**	1.0

The fair value of these investments is not materially different from their carrying value.

Details of the subsidiaries which the Directors consider are the most important subsidiaries as at 31 December 2012 and the percentage of share capital owned by the Company are set out below. All of these subsidiaries are included in the consolidated Group financial statements. A complete list of investments in subsidiary undertakings will be attached to the Company's annual return made to the Registrar of Companies:

Name	%	Country of operation	Country of registration
Directly held			
Tullow Oil SK Limited	100	United Kingdom	England & Wales
Tullow Oil SPE Limited	100	United Kingdom	England & Wales
Tullow Group Services Limited	100	United Kingdom	England & Wales
Tullow Oil Limited	100	Ireland	Ireland
Tullow Overseas Holdings B.V.	100	Netherlands	Netherlands
Tullow Gabon Holdings Limited (50% held indirectly)	100	Gabon	Isle of Man
Indirectly held			
Tullow (EA) Holdings Limited	100	Netherlands	British Virgin Islands
Tullow Oil International Limited	100	Channel Islands	Jersey
Tullow Pakistan (Developments) Limited	100	Pakistan	Jersey
Tullow Bangladesh Limited	100	Bangladesh	Jersey
Tullow Côte d'Ivoire Limited	100	Côte d'Ivoire	Jersey
Tullow Côte d'Ivoire Exploration Limited	100	Côte d'Ivoire	Jersey
Tullow Ghana Limited	100	Ghana	Jersey
Tullow Kenya B.V.	100	Kenya	Netherlands
Tullow Ethiopia B.V.	100	Ethiopia	Netherlands
Tullow Tanzania B.V.	100	Tanzania	Netherlands
Tullow Netherlands B.V.	100	Netherlands	Netherlands
Tullow Exploration & Production The Netherlands B.V.	100	Netherlands	Netherlands
Tullow Guyane B.V.	100	Guyana	Netherlands
Tullow Liberia B.V.	100	Liberia	Netherlands
Tullow Sierra Leone B.V.	100	Sierra Leone	Netherlands
Tullow Suriname B.V.	100	Suriname	Netherlands
Tullow Norge AS	100	Norway	Norway
Tullow Congo Limited	100	Congo	Isle of Man
Tullow Equatorial Guinea Limited	100	Equatorial Guinea	Isle of Man
Tullow Kudu Limited	100	Namibia	Isle of Man
Tullow Uganda Limited	100	Uganda	Isle of Man
Tullow Oil Gabon SA	100	Gabon	Gabon
Tulipe Oil SA*	50	Gabon	Gabon
Tullow Chinguetti Production (Pty) Limited	100	Mauritania	Australia
Tullow Petroleum (Mauritania) (Pty) Limited	100	Mauritania	Australia
Tullow Oil (Mauritania) Limited	100	Mauritania	Guernsey
Tullow Uganda Operations (Pty) Limited	100	Uganda	Australia
Tullow Hardman Holdings B.V.	100	Netherlands	Netherlands
Tullow South Africa (Pty) Limited	100	South Africa	South Africa
Hardman Petroleum France SAS	100	French Guiana	France

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

* The Group is deemed to control Tulipe Oil SA in accordance with IAS 27 as it has a majority of the voting rights on the board of Tulipe Oil SA.

Note 13. Inventories

	2012 $m	2011 $m
Warehouse stocks and materials	**84.9**	132.0
Oil stocks	**78.8**	93.7
	163.7	225.7

Inventories includes a provision of $4.6 million (2011: $3.8 million) for warehouse stock and materials where it is considered that the net realisable value is lower than the original cost.

Note 14. Trade receivables

Trade receivables comprise amounts due for the sale of oil and gas. No receivables have been impaired and no allowance for doubtful debt has been recognised (2011: $nil).

Note 15. Other assets

	2012 $m	2011 $m
Non-current		
Other receivables	**696.7**	313.5
Current		
Other receivables	**370.9**	266.7
Prepayments	**33.4**	56.1
VAT recoverable	**12.3**	37.4
	416.6	360.2

At 31 December 2012 the non-current other receivables balance includes $341 million of contingent consideration receivable from the Uganda farm-down (note 9) and the recoverable security paid by Tullow to the Ugandan Revenue Authority (URA) as agent to the transaction between Tullow and Heritage Oil & Gas Limited (Heritage) in respect of the sale of their interest in Uganda. Separately, and under the terms of Tullow and Heritage's PSA, Tullow has opened proceedings against Heritage in London to recover this sum. Recoverable VAT in Uganda has also been classified as non-current as at 31 December 2012.

Included within current other receivables are amounts due from joint venture partners of $234.4 million (2011: $204.9 million), deferred expenses of $4.5 million (2011: $0.8 million) and other sundry debtors of $132.0 million (2011: $61.0 million).

Note 16. Cash and cash equivalents

	2012 $m	2011 $m
Cash at bank	**316.9**	307.1
Short-term deposits	**13.3**	–
	330.2	307.1

Cash and cash equivalents includes an amount of $223.8 million (2011: $221.3 million) which the Group holds as operator in joint venture bank accounts.

Note 17. Assets classified as held for sale

In March 2012, the Board resolved to dispose of the Group's Asia operations and negotiations with interested parties have subsequently taken place. These operations, which are expected to be sold within 12 months, have been classified as a disposal group held for sale and presented separately on the balance sheet. The proceeds of disposal are expected to exceed the book value of the related net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale. The Group's Asia operations are included in the Europe, South America and Asia segment.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2012 $m
Intangible exploration and appraisal assets	28.4
Property, plant and equipment	32.3
Trade and other receivables	4.7
Other current assets	33.0
Cash and cash equivalents	18.0
Total assets classified as held for sale	116.4
Trade and other payables	(47.3)
Provisions	(1.6)
Total liabilities associated with assets classified as held for sale	(48.9)
Net assets of disposal group	**67.5**

Note 18. Trade and other payables

Current liabilities

	2012 $m	*Restated 2011 $m
Trade payables	50.5	85.8
Other payables	204.8	469.1
Accruals	545.8	542.2
VAT and other similar taxes	46.0	22.5
Current portion of finance lease (note 21)	1.0	–
	848.1	1,119.6

* Certain numbers shown above do not correspond to the 2011 financial statements as a result of a retrospective restatement as set out in note 33.

The other payables balance primarily contains payables in relation to operated licences (shown gross in the Group consolidated financial statements).

Non-current liabilities

	2012 $m	2011 $m
Other payables	–	2.4
Non-current portion of finance lease (note 21)	30.6	–
	30.6	2.4
– After one year but within five years	8.1	–
– After five years	22.5	2.4
	30.6	2.4

Trade and other payables are non-interest bearing except for finance leases (note 21).

Note 19. Financial liabilities

	2012 $m	2011 $m
Current		
Short-term borrowings	–	217.8
Non-current		
Term loans repayable		
– After one year but within two years	–	728.8
– After two years but within five years	621.1	2,129.3
– After five years	552.5	–
	1,173.6	2,858.1
Carrying value of total borrowings	1,173.6	3,075.9
Accrued interest and unamortised fees	145.1	85.3
External borrowings	1,318.7	3,161.2

External borrowings represent the principal amount due at maturity. Short-term borrowings, term loans and guarantees are secured by fixed and floating charges over the oil and gas assets of the Group.

Capital management

The Group defines capital as the total equity of the Group. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Group's ability to continue as a going concern. Tullow is not subject to any externally-imposed capital requirements.

To maintain or adjust the capital structure, the Group may put in place new debt facilities, issue new shares for cash, repay debt, engage in active portfolio management, adjust the dividend payment to shareholders, or other such restructuring activities as appropriate.

No significant changes were made to the capital management objectives, policies or processes during the year ended 31 December 2012.

The Group monitors capital on the basis of the net debt ratio, that is, the ratio of net debt to net debt plus equity. Net debt is calculated as gross debt, as shown in the balance sheet, less cash and cash equivalents.

	2012 $m	2011 $m
External borrowings	1,318.7	3,161.2
Less cash and cash equivalents (note 16)	(330.2)	(307.1)
Net debt	988.5	2,854.1
Equity	5,321.6	4,766.0
Net debt ratio	19%	60%

The movement from 2011 is attributable to lower external borrowings during 2012, principally as a result of the proceeds from farm-down of the Group's Uganda interests and operating cash flows, partially offset by the Group's $1,849 million investment in development, appraisal and exploration activities.

Interest rate risk

The interest rate profile of the Group's financial assets and liabilities, excluding trade and other receivables and trade and other payables, at 31 December 2012 was as follows:

	US$ $m	Euro $m	Stg $m	Other $m	Total $m
Cash at bank at floating interest rate	271.3	24.5	28.3	6.1	330.2
Fixed rate debt	(50.0)	–	–	–	(50.0)
Floating rate debt	(1,097.1)	–	(171.6)	–	(1,268.7)
	(875.8)	24.5	(143.3)	6.1	(988.5)

Note 19. Financial liabilities continued

The profile at 31 December 2011 for comparison purposes was as follows:

	US$ $m	Euro $m	Stg $m	Other $m	Total $m
Cash at bank at floating interest rate	138.9	5.2	38.5	21.3	203.9
Cash at bank on which no interest is received	99.5	0.6	0.5	2.6	103.2
Fixed rate debt (*re-presented)	(300.0)	–	–	–	(300.0)
Floating rate debt (*re-presented)	(2,697.4)	–	(163.8)	–	(2,861.2)
	(2,759.0)	5.8	(124.8)	23.9	(2,854.1)

* Certain numbers shown above do not correspond to the 2011 financial statements as a result of representation to assist with comparability to 2012, whereby the amounts disclosed represent the Group external borrowing rather than the carrying value of the facilities.

Cash at bank at floating interest rate consisted of deposits which earn interest at rates set in advance for periods ranging from overnight to one month by reference to market rates.

Floating rate debt comprises bank borrowings at interest rates fixed in advance from overnight to three months at rates determined by US dollar LIBOR and Sterling LIBOR. Fixed rate debt comprises bank borrowings at interest rates fixed in advance for periods greater than three months or bank borrowings where the interest rate has been fixed through interest rate hedging.

The $3.5 billion Reserves Based Lending credit facility, which was refinanced in November 2012, incurs interest on outstanding debt at Sterling or US dollar LIBOR plus an applicable margin. The outstanding debt is repayable in line with the amortisation of bank commitments over the period to the final maturity date of 7 November 2019, or such time as is determined by reference to the remaining reserves of the assets, whichever is earlier.

The $500 million Revolving credit facility is repayable in full on 31 December 2014. The facility incurs interest on outstanding debt at US dollar LIBOR plus an applicable margin.

At the end of December 2012, the headroom under the two facilities amounted to $2,202 million; $1,702 million under the $3.5 billion Reserves Based Lending credit facility and $500 million under the Revolving credit facility. At the end of December 2011, the headroom under the two facilities amounted to $826 million; $176 million under the $3.5 billion Reserves Based Lending credit facility and $650 million under the Revolving credit facility. The increase in headroom is as a result of repayment of the Reserves Based Lending credit facility with proceeds from the Uganda farm-down.

The Group is exposed to floating rate interest rate risk as entities in the Group borrow funds at floating interest rates. The Group hedges its floating rate interest exposure on an ongoing basis through the use of interest rate swaps. The mark-to-market position of the Group's interest rate portfolio as at 31 December 2012 is a liability of $2.9 million (2011: $7.0 million liability). Interest rate hedges are included in fixed rate debt in the above table.

Foreign currency risk

Wherever possible, the Group conducts and manages its business in Sterling (UK) and US dollars (all other countries), the operating currencies of the industry in the areas in which it operates. The Group's borrowing facilities are also denominated in Sterling and US dollars, which further assists in foreign currency risk management. From time to time the Group undertakes certain transactions denominated in other currencies. These exposures are managed by executing foreign currency financial derivatives, typically to manage exposures arising on corporate transactions such as acquisitions and disposals. There were no foreign currency financial derivatives in place at the 2012 year-end (2011: nil). Cash balances are held in other currencies to meet immediate operating and administrative expenses or to comply with local currency regulations.

As at 31 December 2012, the only material monetary assets or liabilities of the Group that were not denominated in the functional currency of the respective subsidiaries involved were £106.0 million cash drawings under the Group's borrowing facilities (2011: £106.0 million). The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are net liabilities of $143.3 million (2011: net liabilities of $124.8 million, re-presented net of cash).

Foreign currency sensitivity analyses

The Group is mainly exposed to fluctuations in the US dollar. The Group measures its market risk exposure by running various sensitivity analyses including assessing the impact of reasonably possible movements in key variables. The sensitivity analyses include only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates.

As at 31 December 2012, a 20% increase in foreign exchange rates against the functional currencies of entities in the Group would have resulted in a decrease in foreign currency denominated liabilities and equity of $28.5 million (2011: $27.3 million) while a 20% decrease would have resulted in an increase in foreign currency denominated liabilities and equity of $34.3 million (2011: $32.8 million).

Liquidity risk

The Group manages its liquidity requirements via the use of both short and long-term cash flow projections, supplemented by debt financing plans and active portfolio management. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework covering the Group's short-, medium- and long-term funding and liquidity management requirements.

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's portfolio of producing fields and delays in development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capacity and flexibility of the Group. The Group's forecasts, taking into account reasonably possible changes as described above, show that the Group will be able to operate within its current debt facilities and have significant financial headroom for the 12 months from the date of approval of the 2012 Annual Report and Accounts.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate	**Less than 1 month $m**	**1-3 months $m**	**3 months to 1 year $m**	**1-5 years $m**	**5+ years $m**	**Total $m**
31 December 2012							
Non-interest bearing	**n/a**	**101.8**	**80.8**	**106.7**	**3.1**	**8.9**	**301.3**
Finance lease liabilities	**6.5%**	**–**	**–**	**3.3**	**13.4**	**32.2**	**48.9**
Variable interest rate instruments	**7.7%**						
Principal repayments		**–**	**–**	**–**	**750.3**	**568.4**	**1,318.7**
Interest charge		**4.2**	**8.4**	**38.1**	**192.8**	**44.5**	**288.0**
		106.0	**89.2**	**148.1**	**959.6**	**654.0**	**1,956.9**

	Weighted average effective interest rate	Less than 1 month $m	1-3 months $m	3 months to 1 year $m	1-5 years $m	5+ years $m	Total $m
31 December 2011							
Non-interest bearing	n/a	81.3	86.4	395.7	8.8	5.2	577.4
Variable interest rate instruments	5.4%*						
Principal repayments		–	–	223.8	2,937.4	–	3,161.2
Interest charge		11.5	22.9	103.7	261.3	–	399.4
		92.8	109.3	723.2	3,207.5	5.2	4,138.0

* The weighted average effective interest rate has been restated from the 2011 financial statements to aid comparability with 2012 as a result of a change in estimate.

Note 20. Financial instruments

Financial risk management objectives

The Group holds a portfolio of commodity derivative contracts, with various counterparties, covering its underlying oil and gas businesses. In addition, the Group holds a small portfolio of interest rate derivatives. The use of derivative financial instruments (derivatives) is governed by the Group's policies approved by the Board of Directors. Compliance with policies and exposure limits is monitored and reviewed internally on a regular basis. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

Fair values of financial assets and liabilities

The Group considers the carrying value of all its financial assets and liabilities to be materially the same as their fair value. The Group has no material financial assets that are past due. The Group predominantly sells to large oil and gas multinationals, no financial assets are impaired at the balance sheet date and all are considered to be fully recoverable.

Fair values of derivative instruments

All derivatives are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement, unless the derivatives have been designated as cash flow or fair value hedges. Fair value is the amount for which the asset or liability could be exchanged in an arm's length transaction at the relevant date. Where available fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

The Group's derivative carrying and fair values were as follows:

31 December 2012 Assets/liabilities	**Less than 1 year $m**	**1-3 years $m**	**Total 2012 $m**
Cash flow hedges			
Oil derivatives	**5.4**	**32.6**	**38.0**
Gas derivatives	**0.1**	**–**	**0.1**
Interest rate derivatives	**(0.9)**	**(2.0)**	**(2.9)**
	4.6	**30.6**	**35.2**
Deferred premium			
Oil derivatives	**(43.6)**	**(49.4)**	**(93.0)**
Gas derivatives	**(0.4)**	**(0.5)**	**(0.9)**
	(44.0)	**(49.9)**	**(93.9)**
Total liabilities	**(39.4)**	**(19.3)**	**(58.7)**

31 December 2011 Assets/liabilities	Less than 1 year $m	1-3 years $m	Total 2011 $m
Cash flow hedges			
Oil derivatives	10.0	33.1	43.1
Gas derivatives	(0.4)	(1.1)	(1.5)
Interest rate derivatives	(4.0)	(3.0)	(7.0)
	5.6	29.0	34.6
Deferred premium			
Oil derivatives	(47.7)	(32.9)	(80.6)
Gas derivatives	(0.3)	(0.3)	(0.6)
	(48.0)	(33.2)	(81.2)
Total liabilities	(42.4)	(4.2)	(46.6)

Derivatives' maturity and the timing of their recycling into income or expense coincide.

The following provides an analysis of our financial instruments measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

All the Group's derivatives are Level 2 (2011: Level 2).

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data.

There were no transfers between fair value levels during the year.

Market risk

The Group's activities expose it primarily to the financial risks of changes in commodity prices, foreign currency exchange rates and interest rates.

Oil and gas prices

The Group uses a number of derivatives to mitigate the commodity price risk associated with its underlying oil and gas revenues. Such commodity derivatives will tend to be priced using benchmarks, such as Brent Dated, D-1 Heren and M-1 Heren, which correlate as far as possible to the underlying oil and gas revenues respectively. The Group hedges its estimated oil and gas revenues on a portfolio basis, aggregating its oil revenues from substantially all of its African oil interests and its gas revenues from substantially all of its UK gas interests.

At 31 December 2012, the Group's oil hedge position was summarised as follows:

Oil hedges	**H1 2013**	**H2 2013**	**2014**	**2015**
Volume – bopd	**35,000**	**35,000**	**24,500**	**11,500**
Average price* – $/bbl	**107.02**	**107.02**	**102.20**	**98.24**

* Average hedge prices are based on market prices as at 31 December 2012 and represent the current value of hedged volumes at that date.

At 31 December 2012, the Group's gas hedge position was summarised as follows:

Gas hedges	**H1 2013**	**H2 2013**	**2014**	**2015**
Volume – mmscfd	**30.25**	**18.36**	**10.36**	**4.87**
Average price* – p/therm	**63.08**	**63.44**	**66.41**	**65.92**

* Average hedge prices are based on market prices as at 31 December 2012 and represent the current value of hedged volumes at that date.

At 31 December 2011, the Group's oil hedge position was summarised as follows:

Oil hedges	H1 2012	H2 2012	2013	2014
Volume – bopd	34,500	34,500	21,000	10,000
Average price* – $/bbl	105.63	103.85	100.84	96.83

* Average hedge prices are based on market prices as at 31 December 2011 and represent the current value of hedged volumes at that date.

At 31 December 2011, the Group's gas hedge position was summarised as follows:

Gas hedges	H1 2012	H2 2012	2013	2014
Volume – mmscfd	29.66	18.06	10.97	1.81
Average price* – p/therm	54.99	58.90	64.02	70.74

* Average hedge prices are based on market prices as at 31 December 2011 and represent the current value of hedged volumes at that date.

As at 31 December 2012 and 31 December 2011, all of the Group's oil and gas derivatives have been designated as cash flow hedges. The Group's oil and gas hedges have been assessed to be 'highly effective' within the range prescribed under IAS 39 using regression analysis. There is, however, the potential for a degree of ineffectiveness inherent in the Group's oil hedges arising from, among other factors, the discount on the Group's underlying African crude relative to Brent and the timing of oil liftings relative to the hedges. There is also the potential for a degree of ineffectiveness inherent in the Group's gas hedges which arises from, among other factors, field production performance on any day.

Note 20. Financial instruments continued

Income statement hedge summary

Losses from commodity derivative settlements during the period, included in the income statement, were $77.0 million (2011: $69.8 million) (note 2).

Derivative fair value movements during the year which have been recognised in the income statement were as follows:

(Loss)/gain on hedging instruments:	2012 $m	2011 $m
Cash flow hedges		
Gas derivatives		
Ineffectiveness	–	–
Time value	1.3	16.7
	1.3	16.7
Oil derivatives		
Ineffectiveness	0.2	(0.2)
Time value	(21.4)	10.7
	(21.2)	10.5
Total net (loss)/gain for the year in the income statement	(19.9)	27.2

Hedge reserve summary

The hedge reserve represents the portion of deferred gains and losses on hedging instruments deemed to be effective cash flow hedges. The movement in the reserve for the period is recognised in other comprehensive income.

Deferred amounts in the hedge reserve	2012 $m	2011 $m
At 1 January	(14.3)	(25.7)
Revaluation losses arising in the year	(3.3)	(6.7)
Reclassification adjustments for items included in income statement on realisation	11.0	15.2
Movement in deferred tax	0.1	2.9
	7.8	11.4
At 31 December	(6.5)	(14.3)

The following table summarises the hedge reserve by type of derivative, net of tax effects:

Hedge reserve by derivative type	2012 $m	2011 $m
Cash flow hedges		
Gas derivatives	–	0.1
Oil derivatives	(3.4)	(7.2)
Interest rate derivatives	(3.1)	(7.2)
	(6.5)	(14.3)

Financial derivatives

The Group internally measures its exposure to market risk by running various sensitivity analyses, including assessing the impact of reasonably possible movements in key variables.

Oil and gas sensitivity analysis

The following analysis is intended to illustrate sensitivity to changes in market variables, being dated Brent oil prices and UK D-1 Heren and M-1 Heren natural gas prices. The analysis, which is used internally by management to monitor derivatives, has been prepared using the following assumptions:

- The pricing adjustments relate only to the point forward mark-to-market (MTM) valuations;
- The price sensitivities assume there is no ineffectiveness related to the oil and gas hedges; and
- The sensitivities have been run only on the intrinsic element of the hedge as management consider this to be the material component of oil and gas hedge valuations.

As at 31 December 2012, a 10% increase in the dated Brent oil price curve would have decreased equity (only adjusting the intrinsic value element) by approximately $7.1 million (2011: $17.8 million); a 10% decrease would have increased equity by approximately $3.4 million (2011: $7.2 million).

As at 31 December 2012, a 10% increase in the UK D-1 Heren and M-1 Heren natural gas price curves would have decreased equity by approximately $1.0 million (2011: $3.3 million); a 10% decrease would have increased equity by approximately $1.3 million (2011: $2.0 million).

Interest rate sensitivity analysis

As at 31 December 2012, the interest rate derivative position was a liability of $2.9 million (2011: $7.0 million); a 25bps increase in the underlying interest rate would increase equity by approximately $0.2 million (2011: $0.5 million).

Credit risk

Credit risk refers to the risk that a counterparty will fail to perform, or fail to pay amounts due, resulting in financial loss to the Group. The primary activities of the Group are oil and gas exploration and production. The Group has a credit policy that governs the management of credit risk, including the establishment of counterparty credit limits and specific transaction approvals. The Group limits credit risk by assessing creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness after transactions have been initiated. The Group attempts to mitigate credit risk by entering into contracts that permit netting and allow for termination of the contract upon the occurrence of certain events of default. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions undertaken is spread amongst approved counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The maximum financial exposure due to credit risk on the Group's financial assets, representing the sum of cash and cash equivalents, investments, derivative assets, trade receivables and other current assets, as at 31 December 2012 was $1,769.7 million (2011: $1,254.2 million).

Note 21. Obligations under finance leases

	2012 $m	2011 $m
Amounts payable under finance leases:		
– Within one year	**3.3**	–
– Within two to five years	**13.4**	–
– After five years	**32.2**	–
	48.9	–
Less future finance charges	**(17.3)**	–
Present value of lease obligations	**31.6**	–
Amount due for settlement within 12 months (note 18)	**1.0**	–
Amount due for settlement after 12 months (note 18)	**30.6**	–

The fair value of the Group's lease obligations approximates the carrying amount. The average remaining lease term as at 31 December 2012 was 14 years (2011: nil years). For the year ended 31 December 2012, the effective borrowing rate was 6.5% (2011: nil%).

During 2011 the Jubilee FPSO (Kwame Nkrumah) was derecognised as a finance lease as it was acquired from the lessor by the Jubilee field unit partners; a $22.3 million gain was recognised in finance income in respect of this transaction.

Note 22. Provisions

(i) Decommissioning costs and other provisions

	2012 $m	2011 $m
At 1 January	**440.8**	278.6
New provisions and changes in estimates	**60.4**	81.6
Acquisition of subsidiary	**–**	86.6
Decommissioning payments	**1.1**	(16.7)
Unwinding of discount (note 5)	**20.3**	20.9
Transfer to assets held for sale (note 17)	**(1.6)**	–
Currency translation adjustment	**10.9**	(10.2)
At 31 December 2012	**531.6**	440.8

The decommissioning provision represents the present value of decommissioning costs relating to the European and African oil and gas interests, which are expected to be incurred up to 2035. A review of all decommissioning estimates was undertaken by an independent specialist in 2010 which has been assessed and updated internally for the purposes of the 2012 financial statements.

Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

(ii) Deferred taxation

	Accelerated tax depreciation $m	Decommissioning $m	Revaluation of financial assets $m	Other timing differences $m	PRT $m	Total $m
At 1 January 2011	(622.6)	63.0	7.4	189.4	(2.3)	(365.1)
(Charge)/credit to income statement	(111.7)	(0.3)	(9.0)	(79.9)	3.4	(197.5)
Acquisition of subsidiary (*restated)	(463.6)	(10.1)	–	–	–	(473.7)
Credit to other comprehensive income	–	–	2.9	–	–	2.9
Charge directly to equity	–	–	–	(5.1)	–	(5.1)
Exchange differences	46.8	–	–	–	(0.1)	46.7
At 1 January 2012	**(1,151.1)**	**52.6**	**1.3**	**104.4**	**1.0**	**(991.8)**
(Charge)/credit to income statement	**(36.5)**	**11.1**	**(0.8)**	**(44.7)**	**2.3**	**(68.6)**
Credit to other comprehensive income	**–**	**–**	**0.1**	**–**	**–**	**0.1**
Exchange differences	**(14.2)**	**3.9**	**–**	**(0.8)**	**–**	**(11.1)**
At 31 December 2012	**(1,201.8)**	**67.6**	**0.6**	**58.9**	**3.3**	**(1,071.4)**

* Certain numbers shown above do not correspond to the 2011 financial statements as a result of a retrospective restatement as set out in note 33.

	2012 $m	*Restated 2011 $m
Deferred tax liabilities	**(1,076.3)**	(1,030.8)
Deferred tax assets	**4.9**	39.0
	(1,071.4)	(991.8)

* Certain numbers shown above do not correspond to the 2011 financial statements as a result of a retrospective restatement as set out in note 33.

No deferred tax has been provided on unremitted earnings of overseas subsidiaries, as the Group has no plans to remit these to the UK in the foreseeable future.

Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the level of deferred tax assets recognised which can result in a charge or credit in the period in which the change occurs.

Note 23. Called up equity share capital and share premium account

Allotted equity share capital and share premium

	Equity share capital allotted and fully paid Number	Equity share capital allotted and fully paid $m	Share premium $m
Ordinary shares of 10 pence each			
At 1 January 2011	888,236,870	143.5	251.5
Issues during the year			
– Shares issued	13,668,742	2.2	285.5
– Exercise of share options	3,009,637	0.5	14.8
At 1 January 2012	**904,915,249**	**146.2**	**551.8**
Issues during the year			
– Shares issued	**224,955**	**–**	**4.9**
– Exercise of share options	**2,623,123**	**0.4**	**28.1**
At 31 December 2012	**907,763,327**	**146.6**	**584.8**

The Company does not have an authorised share capital.

During 2012 224,955 shares were issued in settlement of a $4.9 million obligation of a Group company. During 2011 the Company issued 3,531,546 ordinary shares via an equity placing in Ghana and 10,137,196 ordinary shares in respect of the EO Group Limited transaction. In accordance with the provisions of Section 612 of the Companies Act 2006, the Company has transferred the premium on the shares issued of $nil million ($nil million net of expenses) using the market value at the date of acquisition, to retained earnings, as the premium is considered to be realised.

Note 24. Other reserves

	Merger reserve $m	Foreign currency translation reserve $m	Hedge reserve $m	Treasury shares $m	Total $m
At 1 January 2011	755.1	(141.0)	(25.7)	(14.2)	574.2
Hedge movement (note 20)	–	–	11.4	–	11.4
Currency translation adjustment	–	(34.5)	–	–	(34.5)
At 1 January 2012	**755.1**	**(175.5)**	**(14.3)**	**(14.2)**	**551.1**
Hedge movement (note 20)	**–**	**–**	**7.8**	**–**	**7.8**
Currency translation adjustment	**–**	**7.7**	**–**	**–**	**7.7**
At 31 December 2012	**755.1**	**(167.8)**	**(6.5)**	**(14.2)**	**566.6**

The foreign currency translation reserve represents exchange gains and losses arising on translation of foreign currency subsidiaries, monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and exchange gains or losses arising on long-term foreign currency borrowings which are a hedge against the Group's overseas investments.

The hedge reserve represents gains and losses on derivatives classified as effective cash flow hedges.

The treasury shares reserve represents the cost of shares in Tullow Oil plc purchased in the market and held by the Tullow Oil Employee Trust to satisfy awards held under the Group's share incentive plans (see note 26).

Note 25. Non-controlling interest

	2012 $m	2011 $m
At 1 January	**75.6**	60.6
Share of profit for the year	**41.9**	40.0
Distribution to minority shareholders	**(25.1)**	(25.0)
At 31 December	**92.4**	75.6

The non-controlling interest relates to Tulipe Oil SA, where the Group acquired a 50% controlling shareholding during 2007.

Note 26. Share-based payments

2005 Performance Share Plan (PSP)

Under the PSP, senior executives can be granted nil exercise price options (normally exercisable between three to ten years following grant). Awards made before 8 March 2010 were made as conditional awards to acquire free shares on vesting.
To provide flexibility to participants, those awards have been converted into nil exercise price options. Awards vest subject to a Total Shareholder Return (TSR) performance condition. 50% (70% for awards granted to Directors in 2012 and 2011) of an award is tested against a comparator group of oil and gas companies. The remaining 50% (30% for awards granted to Directors in 2012 and 2011) is tested against constituents of the FTSE 100 index (excluding investment trusts). Performance is measured over a fixed three-year period starting on 1 January prior to grant, and an individual must normally remain in employment for three years from grant for the shares to vest. No dividends are paid over the vesting period. There are further details of PSP award measurement in the Directors' Remuneration Report on pages 98 to 114.

The shares outstanding under the PSP are as follows:

	2012 PSP shares	2012 Average weighted share price at grant p	2011 PSP shares	2011 Average weighted share price at grant p
Outstanding at 1 January	**5,857,534**	**1116.0**	4,101,876	978.6
Granted	**2,377,392**	**1461.7**	2,173,954	1342.6
Exercised during the year	**(395,002)**	**818.5**	(389,126)	942.5
Forfeited/expired during the year	**(12,250)**	**1314.7**	(29,170)	1249.8
Outstanding at 31 December	**7,827,674**	**1235.7**	5,857,534	1116.0
The inputs of the option valuation model were:				
Risk free interest rate		**0.6% pa**		1.6% pa
Expected volatility		**36%**		49%
Dividend yield		**0.8% pa**		0.4% pa

The expected life is the period from date of grant to vesting. Expected volatility was determined by calculating the historical volatility of the Company's share price over a period commensurate with the expected life of the awards. The weighted average fair value of the awards granted in 2012 was 748.6p per share subject to an award (2011: 728.8p).

The Group recognised a total charge of $20.5 million (2011: $17.0 million) in respect of the PSP.

2005 Deferred Share Bonus Plan (DSBP)

Under the DSBP, the portion of any annual bonus above 75% of the base salary of a senior executive nominated by the Remuneration Committee is deferred into shares. Awards normally vest following the end of three financial years commencing with that in which they are granted. They are granted as nil exercise price options, normally exercisable from when they vest until 10 years from grant. Awards granted before 8 March 2010 as conditional awards to acquire free shares have been converted into nil exercise price options to provide flexibility to participants.

The shares outstanding under the DSBP are as follows:

	2012 DSBP shares	2012 Share price at grant p	2011 DSBP shares	2011 Share price at grant p
Outstanding at 1 January	**367,877**	**980.0**	301,951	896.6
Granted	**150,526**	**1480.0**	65,926	1362.0
Exercised during the year	**–**	**–**	–	–
Outstanding at 31 December	**518,403**	**1125.2**	367,877	980.0
The inputs of the option valuation model were:				
Dividend yield		**0.8% pa**		0.4% pa

The expected life is the period from the date of grant to the vesting date. The fair value of the awards granted in 2012 was 1444.4p per share subject to an award (2011: 1344.1p).

The Group recognised a total charge of $2.1 million (2011: $1.7 million) in respect of the DSBP.

Note 26. Share-based payments continued

2010 Share Option Plan (2010 SOP) and 2000 Executive Share Option Scheme (2000 ESOS)

The only share option scheme operated by the Company during the year was the 2010 SOP. Options have an exercise price equal to market value shortly before grant and normally only become exercisable from the third anniversary of the date of the grant.

Options granted prior to 2011 were granted under the 2000 ESOS on very similar terms except that their exercise was subject to a performance condition. These awards are tested against constituents of the FTSE 100 index (excluding investment trusts) and 100% of awards will vest if the Company's TSR is above the median of the index over three years following grant.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options under the 2010 SOP and 2000 ESOS during the year.

	2012 Number	**2012 WAEP p**	2011 Number	2011 WAEP p
Outstanding as at 1 January	**14,723,518**	**845.0**	13,941,969	623.9
Granted during the year	**3,667,026**	**1494.6**	3,616,898	1368.5
Exercised during the year	**(2,228,121)**	**555.7**	(2,620,511)	363.9
Forfeited/expired during the year	**(689,069)**	**1244.9**	(214,838)	1176.6
Outstanding at 31 December	**15,473,354**	**1024.0**	14,723,518	845.0
Exercisable at 31 December	**6,194,510**	**465.7**	5,782,542	360.2

The weighted average share price at exercise for options exercised in 2012 was 1470p (2011: 1387.2p).

Options outstanding at 31 December 2012 had exercise prices of 85p to 1530p (2011: 82p to 1374.2p) and remaining contractual lives of one to 10 years.

The fair values were calculated using a proprietary binomial valuation model. The principal inputs to the options valuation model were:

Risk-free interest rate	0.5 – 1.0% pa
Expected volatility	46 – 48%
Dividend yield	0.8 – 0.9% pa
Employee turnover	5% pa
Early exercise	At rates dependent upon potential gain from exercise

Expected volatility was determined by calculating the historical volatility of the Company's share price over a period commensurate with the expected lifetime of the awards.

The fair values and expected lives of the options valued in accordance with IFRS 2 were:

Award date	Weighted average exercise price p	Weighted average fair value p	Weighted average expected life from grant date years
Jan – Dec 2007	396.9	123.4	4.8
Jan – Dec 2008	647.3	205.8	4.3
Jan – Dec 2009	781.0	283.5	4.0
Jan – Dec 2010	1274.3	456.2	4.3
Jan – Dec 2011	1368.5	580.4	4.7
Jan – Dec 2012	1494.6	619.8	4.3

The Group recognised a total charge of $24.6 million (2011: $19.0 million) in respect of the 2010 SOP and 2000 ESOS.

UK & Irish Share Incentive Plans (SIPs)

These are all-employee plans set up in the UK and Ireland, to enable employees to save out of salary up to prescribed monthly limits. Contributions are used by the Plan trustees to buy Tullow shares ('Partnership Shares') at the end of each three-month accumulation period. The Company makes a matching contribution to acquire Tullow shares ('Matching Shares') on a one-for-one basis. Matching Shares are subject to time-based forfeiture over three years on leaving employment in certain circumstances or if the related Partnership Shares are sold.

The fair value of a Matching Share is its market value at the start of the accumulation period.

For the UK plan, Partnership Shares are purchased at the lower of the market values at the start of the Accumulation Period and the purchase date (which is treated as a three-month share option for IFRS 2 purposes). For the Irish plan, shares are bought at the market price at the purchase date which does not result in any IFRS 2 accounting charge.

Matching shares vest three years after grant and dividends are paid to the employee during this period.

The Group recognised a total charge of $0.5 million (2011: $0.6 million) for the UK SIP Plan and $0.2 million (2011: $0.2 million) for the Irish SIP plan.

Note 27. Operating lease arrangements

	2012 $m	2011 $m
Minimum lease payments under operating leases recognised in income for the year	**13.6**	7.0

At the Balance Sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2012 $m	2011 $m
Minimum lease payments under operating leases		
Due within one year	**10.6**	16.4
After one year but within two years	**7.8**	10.0
After two years but within five years	**21.6**	20.8
Due after five years	**70.1**	73.9
	110.1	121.1

Operating lease payments represent rentals payable by the Group for certain of its office properties and a lease for an FPSO vessel for use on the Chinguetti field in Mauritania. Leases on office properties are negotiated for an average of six years and rentals are fixed for an average of six years. The FPSO lease runs for a minimum period of seven years from February 2006 and the contract provides for an option to extend the lease for a further three years at a slightly reduced rate.

Note 28. Capital commitments

Contracted capital commitments as at 31 December 2012 are $580.3 million (2011: $1,049.2 million).

Note 29. Contingent liabilities

At 31 December 2012 there existed contingent liabilities amounting to $154.9 million (2011: $147.0 million) in respect of performance guarantees for abandonment obligations, committed work programmes and certain financial obligations.

Note 30. Related party transactions

The Directors of Tullow Oil plc are considered to be the only key management personnel as defined by IAS 24 – Related Party Disclosures.

	2012 $m	2011 $m
Short-term employee benefits	**9.1**	8.7
Post employment benefits	**1.1**	1.1
Amounts awarded under long-term incentive schemes	**2.9**	3.7
Share-based payments	**9.5**	7.5
	22.6	21.0

Short-term employee benefits

These amounts comprise fees paid to the Directors in respect of salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

Post-employment benefits

These amounts comprise amounts paid into the pension schemes of the Directors.

Amounts awarded under long-term incentive schemes

These amounts relate to the shares granted under the annual bonus scheme that is deferred for three years under the Deferred Share Bonus Plan (DSBP).

Share-based payments

This is the cost to the Group of Directors' participation in share-based payment plans, as measured by the fair value of options and shares granted, accounted for in accordance with IFRS 2-Share-based Payments.

There are no other related party transactions. Further details regarding transactions with the Directors of Tullow Oil plc are disclosed in the Directors' remuneration report on pages 98 to 114.

Note 31. Subsequent events

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

In January 2013, Tullow has completed the farm-in announced in November 2012 to gain a 40% operated interest in the Hyperdynamics Corporation's oil and gas exploration licence offshore Guinea.

On 11 December 2012 the Group announced the acquisition of 100% of Spring Energy Norway AS ("Spring"), a Norwegian exploration company. The acquisition of Spring added a portfolio of 28 offshore licences across Norway's continental shelf in the North, Norwegian and Barents Seas. The acquisition of Spring enables the Group rapidly to build a strong platform for future growth in Norway. The transaction had an effective date of 1 September 2012 but completed on 22 January 2013 and this is therefore the acquisition date. The headline purchase price of $372.3 million was adjusted for estimated completion statement adjustments of $46.8 million. The transaction will be accounted for in 2013 as a business combination in accordance with IFRS 3 – Business Combinations. As at the date of authorisation for issue of these financial statements the initial accounting for the business combination is incomplete due to the proximity of the completion date to the date of authorisation of these financial statements. As a result the Group is unable to disclose the provisional fair values of the assets and liabilities acquired or identify resulting goodwill or contingent liabilities.

Note 32. 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 $13.1 million (2011: $10.1 million). As at 31 December 2012, there was a liability of $0.8 million (2011: $0.3 million) for contributions payable included in creditors.

Note 33. Retrospective restatement

The fair values of the identifiable assets and liabilities of the Nuon acquisition were reassessed in 2012, to reflect additional information which has become available concerning conditions that existed at the date of acquisition, in accordance with the provisions of IFRS 3 – Business Combinations. Adjustments made to fair values previously reported have been retrospectively restated. The principal fair value adjustments are in respect of intangible exploration and appraisal assets and property, plant and equipment as a result of the finalisation of an independent review of acquired commercial reserves and contingent resources.

The impact on the 2011 financial statements is summarised in the table below.

	Previously stated 2011 $m	Adjustment to business combination fair values $m	Restated 2011 $m
Effect on balance sheet:			
Intangible exploration and evaluation assets	5,450.0	79.7	5,529.7
Property, plant and equipment	3,658.2	(77.9)	3,580.3
Non-current assets	9,461.7	1.8	9,463.5
Total assets	10,634.1	1.8	10,635.9
Trade and other payables	(1,118.6)	(1.0)	(1,119.6)
Current liabilities	(1,532.6)	(1.0)	(1,533.6)
Deferred tax liabilities	(1,030.0)	(0.8)	(1,030.8)
Non-current liabilities	(4,335.5)	(0.8)	(4,336.3)
Total liabilities	(5,868.1)	(1.8)	(5,869.9)
Net assets/Total equity	4,766.0	–	4,766.0

We have audited the Parent Company financial statements of Tullow Oil plc for the year ended 31 December 2012 which comprise the balance sheet, the accounting policies and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 December 2012;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

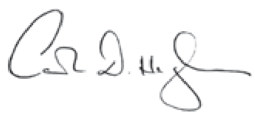
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Tullow Oil plc for the year ended 31 December 2012.



Carl D Hughes (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

12 February 2013

COMPANY BALANCE SHEET
As at 31 December 2012

	Notes	2012 $m	2011 $m
Fixed assets			
Investments	1	**2,997.2**	4,097.5
		2,997.2	4,097.5
Current assets			
Debtors	4	**2,836.5**	2,942.0
Cash at bank		**39.3**	15.5
		2,875.8	2,957.5
Creditors – amounts falling due within one year			
Trade and other creditors	5	**(411.4)**	(152.0)
Bank loans	6	**–**	(217.8)
		(411.4)	(369.8)
Net current assets		**2,464.4**	2,587.7
Total assets less current liabilities		**5,461.6**	6,685.2
Creditors – amounts falling due after more than one year			
Bank loans	6	**(1,173.6)**	(2,858.1)
Loans from subsidiary undertakings	7	**(1.1)**	(1.1)
Net assets		**4,286.9**	3,826.0
Capital and reserves			
Called up equity share capital	8	**146.6**	146.2
Share premium account	8	**584.8**	551.8
Other reserves	10	**850.8**	850.8
Profit and loss account	9	**2,704.7**	2,277.2
Shareholders' funds	9	**4,286.9**	3,826.0

Approved by the Board and authorised for issue on 12 February 2013.

Aidan Heavey
Chief Executive Officer

Ian Springett
Chief Financial Officer

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and UK Generally Accepted Accounting Practice (UK GAAP). The financial statements are presented in US dollars and all values are rounded to the nearest $0.1 million, except where otherwise stated. The following paragraphs describe the main accounting policies under UK GAAP which have been applied consistently.

In accordance with the provisions of Section 408 of the Companies Act, the profit and loss account of the Company is not presented separately. During the year the Company made a profit of $561.9 million. In accordance with the exemptions available under FRS 1 'Cash Flow Statements', the Company has not presented a cash flow statement as the cash flow of the Company has been included in the cash flow statement of Tullow Oil plc Group set out on page 133.

In accordance with the exemptions available under FRS 8 'Related party transactions', the Company has not separately presented related party transactions with other Group companies.

The Company closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Company's portfolio of producing fields and delays in development projects. In addition to the Company's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capacity and flexibility of the Company. The Company's forecasts, taking into account reasonably possible changes as described above, show that the Company will be able to operate within its current debt facilities and have significant financial headroom for the 12 months from the date of approval of the 2012 Annual Report and Accounts.

(b) Investments

Fixed asset investments, including investments in subsidiaries, are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

(c) Finance costs and debt

Finance costs of debt are recognised in the profit and loss account over the term of the related debt at a constant rate on the carrying amount.

Interest-bearing bank loans are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(d) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(e) Foreign currencies

The US dollar is the reporting currency of the Company. Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date, with a corresponding charge or credit to the profit and loss account. However, exchange gains and losses arising on long-term foreign currency borrowings, which are a hedge against the Company's overseas investments, are dealt with in reserves.

(f) Share issue expenses

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

(g) Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of 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 tax or a right to pay less tax in the future have occurred. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which it can be deducted.

(h) Share-based payments

The Company has applied the requirements of FRS 20-Share-based Payments. In accordance with the transitional provisions of that standard, only those awards that were granted after 7 November 2002, and had not vested at 1 January 2005, are included.

All share-based awards of the Company are equity settled as defined by FRS 20. The fair value of these awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Company's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

The fair values were calculated using a binomial option pricing model with suitable modifications to allow for employee turnover after vesting and early exercise. Where necessary this model was supplemented with a Monte Carlo model. The inputs to the models include: the share price at date of grant; exercise price; expected volatility; expected dividends; risk-free rate of interest; and patterns of exercise of the plan participants.

(i) Capital management

The Company defines capital as the total equity of the Company. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Company's ability to continue as a going concern. Tullow is not subject to any externally imposed capital requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital, issue new shares for cash, repay debt, and put in place new debt facilities.

Note 1. Investments

	2012 $m	2011 $m
Shares at cost in subsidiary undertakings	**2,996.2**	4,096.5
Unlisted investments	**1.0**	1.0
	2,997.2	4,097.5

During 2012 an impairment of $366.1 million was recorded against the Company's investments in subsidiaries to fund losses incurred by Group service companies. A further reduction of $1,484.7 million was recognised in respect of repayment of investments by dividends paid to the Company. This was partially offset by an increase of investment in the Company's directly held subsidiaries.

Principal subsidiary undertakings

At 31 December 2012 the Company's principal subsidiary undertakings were:

Name	%	Country of operation	Country of registration
Directly held			
Tullow Oil SK Limited	100	United Kingdom	England & Wales
Tullow Oil SPE Limited	100	United Kingdom	England & Wales
Tullow Group Services Limited	100	United Kingdom	England & Wales
Tullow Oil Limited	100	Ireland	Ireland
Tullow Overseas Holdings B.V.	100	Netherlands	Netherlands
Tullow Gabon Holdings Limited (50% held indirectly)	100	Gabon	Isle of Man
Indirectly held			
Tullow (EA) Holdings Limited	100	Netherlands	British Virgin Islands
Tullow Oil International Limited	100	Channel Islands	Jersey
Tullow Pakistan (Developments) Limited	100	Pakistan	Jersey
Tullow Bangladesh Limited	100	Bangladesh	Jersey
Tullow Côte d'Ivoire Limited	100	Côte d'Ivoire	Jersey
Tullow Côte d'Ivoire Exploration Limited	100	Côte d'Ivoire	Jersey
Tullow Ghana Limited	100	Ghana	Jersey
Tullow Kenya B.V.	100	Kenya	Netherlands
Tullow Ethiopia B.V.	100	Ethiopia	Netherlands
Tullow Tanzania B.V.	100	Tanzania	Netherlands
Tullow Netherlands B.V.	100	Netherlands	Netherlands
Tullow Exploration & Production The Netherlands B.V.	100	Netherlands	Netherlands
Tullow Guyane B.V.	100	Guyana	Netherlands
Tullow Liberia B.V.	100	Liberia	Netherlands
Tullow Sierra Leone B.V.	100	Sierra Leone	Netherlands
Tullow Suriname B.V.	100	Suriname	Netherlands
Tullow Norge AS	100	Norway	Norway
Tullow Congo Limited	100	Congo	Isle of Man
Tullow Equatorial Guinea Limited	100	Equatorial Guinea	Isle of Man
Tullow Kudu Limited	100	Namibia	Isle of Man
Tullow Uganda Limited	100	Uganda	Isle of Man
Tullow Oil Gabon SA	100	Gabon	Gabon
Tulipe Oil SA*	50	Gabon	Gabon
Tullow Chinguetti Production (Pty) Limited	100	Mauritania	Australia
Tullow Petroleum (Mauritania) (Pty) Limited	100	Mauritania	Australia
Tullow Oil (Mauritania) Limited	100	Mauritania	Guernsey
Tullow Uganda Operations (Pty) Limited	100	Uganda	Australia
Tullow Hardman Holdings B.V.	100	Netherlands	Netherlands
Tullow South Africa (Pty) Limited	100	South Africa	South Africa
Hardman Petroleum France SAS	100	French Guiana	France

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

* The Company is deemed to control Tulipe Oil SA in accordance with FRS 2 as it has a majority of the voting rights on the board of Tulipe Oil SA.

The Company is required to assess the carrying values of each of its investments in subsidiaries for impairment. The net assets of certain of the Company's subsidiaries are predominantly intangible exploration and evaluation (E&E) assets. Where facts and circumstances indicate that the carrying amount of an E&E asset held by a subsidiary may exceed its recoverable amount, by reference to the specific indicators of impairment of E&E assets, an impairment test of the asset is performed by the subsidiary undertaking and the asset is impaired by any difference between its carrying value and its recoverable amount. The recognition of such an impairment by a subsidiary is used by the Company as the primary basis for determining whether or not there are indications that the investment in the related subsidiary may also be impaired, and thus whether an impairment test of the investment carrying value needs to be performed. The results of exploration activities are inherently uncertain, and the assessment for impairment of E&E assets by the subsidiary, and that of the related investment by the Company, is judgemental.

Note 2. Dividends

	2012 $m	2011 $m
Declared and paid during year		
Final dividend for 2011: 8 pence (2010: 4 pence) per ordinary share	**115.4**	57.7
Interim dividend for 2012: 4 pence (2011: 4 pence) per ordinary share	**57.8**	56.5
Dividends paid	**173.2**	114.2
Proposed for approval by shareholders at the AGM		
Final dividend for 2012: 8 pence (2011: 8 pence)	**117.4**	113.3

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Note 3. Deferred tax

The Company has tax losses of $448.2 million (2011: $283.0 million) that are available indefinitely for offset against future non-ring-fence taxable profits in the Company. A deferred tax asset of $nil million (2011: $nil million) has been recognised in respect of these losses on the basis that the Company does not anticipate making non-ring-fenced profits in the foreseeable future.

Note 4. Debtors

Amounts falling due within one year

	2012 $m	2011 $m
Other debtors	**5.2**	2.2
Due from subsidiary undertakings	**2,831.3**	2,939.8
	2,836.5	2,942.0

The amounts due from subsidiary undertakings include $1,889.1 million (2011: $2,609.6 million) that incurs interest at LIBOR plus 0.875% – 3.75%. The remaining amounts due from subsidiaries accrue no interest. All amounts are repayable on demand. During the year a provision of $78.1 million was made in respect of the recoverability of amounts due from subsidiary undertakings.

Note 5. Trade and other creditors

Amounts falling due within one year

	2012 $m	2011 $m
Other creditors	**11.1**	7.4
Accruals	**1.1**	14.5
Due to subsidiary undertakings	**399.2**	130.1
	411.4	152.0

Note 6. Bank loans

	2012 $m	2011 $m
Current		
Short-term borrowings	–	217.8
Non-current		
Term loans repayable		
– After one year but within two years	–	728.8
– After two years but within five years	**621.1**	2,129.3
– After five years	**552.5**	–
	1,173.6	2,858.1
Carrying value of total borrowings	**1,173.6**	3,075.9
Accrued interest and unamortised fees	**145.1**	85.3
External borrowings	**1,318.7**	3,161.2

Term loans and guarantees are secured by fixed and floating charges over the oil and gas assets of the Group financial statements.

Interest rate risk

The interest rate profile of the Company's financial assets and liabilities at 31 December 2012 was as follows:

	US$ $m	Euro $m	Stg $m	Other $m	Total $m
Fixed rate debt	**(50.0)**	**–**	**–**	**–**	**(50.0)**
Floating rate debt	**(1,097.1)**	**–**	**(171.6)**	**–**	**(1,268.7)**
Amounts due to subsidiaries at LIBOR + 3.6%	**(113.8)**	**–**	**–**	**–**	**(113.8)**
Cash at bank at floating interest rate	**25.6**	**13.3**	**–**	**0.4**	**39.3**
Amounts due from subsidiaries at LIBOR + 3.7%	**1,823.9**	**–**	**–**	**65.2**	**1,889.1**
Net cash/(debt)	**588.6**	**13.3**	**(171.6)**	**65.6**	**495.9**

The profile at 31 December 2011 for comparison purposes was as follows:

	US$ $m	Stg $m	Other $m	Total $m
Fixed rate debt (*re-presented)	(300.0)	–	–	(300.0)
Floating rate debt (*re-presented)	(2,697.4)	(163.8)	–	(2.861.2)
Amounts due to subsidiaries at LIBOR + 1.7%	(130.1)	–	–	(130.1)
Cash at bank at floating interest rate	8.3	0.1	7.1	15.5
Amounts due from subsidiaries at LIBOR + 1.7%	2,223.5	386.1	–	2,609.6
Net (debt)/cash	(895.7)	222.4	7.1	(666.2)

* Certain numbers shown above do not correspond to the 2011 financial statements as a result of representation to assist with comparability to 2012, whereby the amounts disclosed represent the Group external borrowing rather the carrying value of the facilities.

Cash at bank at floating interest rate consisted of deposits which earn interest at rates set in advance for periods ranging from overnight to one month by reference to market rates.

Floating rate debt comprises bank borrowings at interest rates fixed in advance from overnight to three months at rates determined by US dollar LIBOR and Sterling LIBOR. Fixed rate debt comprises bank borrowings at interest rates fixed in advance for periods greater than three months or bank borrowings where the interest rate has been fixed through interest rate hedging.

The $3.5 billion Reserves Based Lending credit facility, which was refinanced in November 2012, incurs interest on outstanding debt at Sterling or US dollar LIBOR plus an applicable margin. The outstanding debt is repayable in line with the amortisation of bank commitments over the period to the final maturity date of 7 November 2019, or such time as is determined by reference to the remaining reserves of the assets, whichever is earlier.

The $500 million Revolving credit facility is repayable in full on 31 December 2014. The facility incurs interest on outstanding debt at US dollar LIBOR plus an applicable margin.

At the end of December 2012, the headroom under the two facilities amounted to $2,202 million: $1,702 million under the $3.5 billion Reserves Based Lending credit facility; and $500 million under the Revolving credit facility. At the end of December 2011, the headroom under the two facilities amounted to $826 million; $176 million under the $3.5 billion Reserves Based Lending credit facility and $650 million under the Revolving credit facility. The increase in headroom is as a result of repayment of the Reserves Based Lending credit facility with proceeds from the Uganda farm-down.

The Company is exposed to floating rate interest rate risk as entities in the Group borrow funds at floating interest rates. The Group hedges its floating rate interest exposure on an ongoing basis through the use of interest rate swaps. The mark-to-market position of the Group's interest rate portfolio as at 31 December 2012 is a liability of $2.9 million (2011: $7.0 million liability). Interest rate hedges are included in fixed rate debt in the above table.

As at 31 December 2012, the only material monetary assets or liabilities of the Company that were not denominated in its functional currency were £106.0 million cash drawings under the Group's borrowing facilities (2011: £106.0 million). The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are net liabilities of $171.6 million (2011: net liabilities of $163.8 million).

Foreign currency sensitivity analysis

The Company is mainly exposed to currency fluctuations against the US dollar. The Company measures its market risk exposure by running various sensitivity analyses including assessing the impact of reasonably possible movements in key variables. The sensitivity analyses includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates.

As at 31 December 2012, a 20% increase in foreign exchange rates against the US dollar would have resulted in a decrease in foreign currency denominated liabilities and equity of $28.5 million (2011: $27.3 million) while a 20% decrease would have resulted in an increase in foreign currency denominated liabilities and equity of $34.3 million (2011: $32.8 million).

Note 7. Loans from subsidiary undertakings

Amounts falling due after more than one year

	2012 $m	2011 $m
Loans from subsidiary companies	**1.1**	1.1

The amounts due from subsidiaries do not accrue interest. All loans from subsidiary companies are not due to be repaid within five years.

Note 8. Called up equity share capital and share premium account

Allotted equity share capital and share premium

	Equity share capital allotted and fully paid Number	Share capital $m	Share premium $m
At 1 January 2011	888,236,870	143.5	251.5
Issues during the year			
– Shares issued	13,668,742	2.2	285.5
– Exercise of share options	3,009,637	0.5	14.8
At 1 January 2012	**904,915,249**	**146.2**	**551.8**
Issues during the year			
– Shares issued	**224,955**	**–**	**4.9**
– Exercise of share options	**2,623,123**	**0.4**	**28.1**
At 31 December 2012	**907,763,327**	**146.6**	**584.8**

The Company does not have an authorised share capital.

Note 9. Shareholders' funds

	Share capital $m	Share premium $m	Other reserves (note 10) $m	Profit and loss account $m	Total $m
At 1 January 2011	143.5	251.5	850.8	2,369.9	3,615.7
Total recognised income and expense for the year	–	–	–	(16.5)	(16.5)
Issue of share capital	2.2	285.5	–	–	287.7
New shares issued in respect of employee share options	0.5	14.8	–	–	15.3
Vesting of PSP shares	–	–	–	(0.1)	(0.1)
Share-based payment charges	–	–	–	38.1	38.1
Dividends paid	–	–	–	(114.2)	(114.2)
At 1 January 2012	**146.2**	**551.8**	**850.8**	**2,277.2**	**3,826.0**
Total recognised income and expense for the year	**–**	**–**	**–**	**561.9**	**561.9**
Issue of share capital	**–**	**4.9**	**–**	**–**	**4.9**
New shares issued in respect of employee share options	**0.4**	**28.1**	**–**	**–**	**28.5**
Vesting of PSP shares	**–**	**–**	**–**	**(9.1)**	**(9.1)**
Share-based payment charges	**–**	**–**	**–**	**47.9**	**47.9**
Dividends paid	**–**	**–**	**–**	**(173.2)**	**(173.2)**
At 31 December 2012	**146.6**	**584.8**	**850.8**	**2,704.7**	**4,286.9**

During 2012 224,955 shares were issued in settlement of a $4.9 million obligation of a Group company. During 2011 the Company issued 3,531,546 ordinary shares via an equity placing in Ghana and 10,137,196 ordinary shares in respect of the EO Group Limited transaction. In accordance with the provisions of Section 612 of the Companies Act 2006, the Company has transferred the premium on the shares issued of $nil million ($nil million net of expenses) using the market value at the date of acquisition, to retained earnings, as the premium is considered to be realised.

Note 10. Other reserves

	Merger reserve $m	**Treasury shares $m**	**Foreign currency translation reserve $m**	**Total $m**
At 1 January 2012 and 31 December 2012	**671.6**	**(14.2)**	**193.4**	**850.8**

The treasury shares reserve represents the cost of shares in Tullow Oil plc purchased in the market and held by the Tullow Oil Employee Trust to satisfy options held under the Group's share incentive plans (see note 11).

Note 11. Share-based payments

2005 Performance Share Plan (PSP)

Under the PSP, senior executives can be granted nil exercise price options (normally exercisable between three to ten years following grant. Awards made before 8 March 2010 were made as conditional awards to acquire free shares on vesting.
To provide flexibility to participants, those awards have been converted into nil exercise price options. Awards vest subject to a Total Shareholder Return (TSR) performance condition. 50% (70% for awards granted to Directors in 2012 and 2011) of an award is tested against a comparator group of oil and gas companies. The remaining 50% (30% for awards granted to Directors in 2012 and 2011) is tested against constituents of the FTSE 100 index (excluding investment trusts). Performance is measured over a fixed three-year period starting on 1 January prior to grant, and an individual must normally remain in employment for three years from grant for the shares to vest. No dividends are paid over the vesting period. There are further details of PSP award measurement in the Directors' Remuneration Report on pages 98 to 114.

The shares outstanding under the PSP are as follows:

	2012 PSP shares	2012 Average weighted share price at grant p	2011 PSP shares	2011 Average weighted share price at grant p
Outstanding at 1 January	**5,857,534**	**1116.0**	4,101,876	978.6
Granted	**2,377,392**	**1461.7**	2,173,954	1342.6
Exercised during the year	**(395,002)**	**818.5**	(389,126)	942.5
Forfeited/expired during the year	**(12,250)**	**1314.7**	(29,170)	1249.8
Outstanding at 31 December	**7,827,674**	**1235.7**	5,857,534	1116.0
The inputs of the option valuation model were:				
Risk free interest rate		**0.6% pa**		1.6% pa
Expected volatility		**36%**		49%
Dividend yield		**0.8% pa**		0.4% pa

The expected life is the period from date of grant to vesting. Expected volatility was determined by calculating the historical volatility of the Company's share price over a period commensurate with the expected life of the awards. The weighted average fair value of the awards granted in 2012 was 748.6p per award (2011: 728.8p).

The Company recognised a total charge of $20.5 million (2011: $17.0 million) in respect of the PSP.

2005 Deferred Share Bonus Plan (DSBP)

Under the DSBP, the portion of any annual bonus above 75% of the base salary of a senior executive nominated by the Remuneration Committee is deferred into shares. Awards normally vest following the end of three financial years commencing with that in which they are granted. They are granted as nil exercise price options, normally exercisable from when they vest until 10 years from grant. Awards granted before 8 March 2010 as conditional awards to acquire free shares have been converted into nil exercise price options to provide flexibility to participants.

The shares outstanding under the DSBP are as follows:

	2012 DSBP shares	2012 Share price at grant p	2011 DSBP shares	2011 Share price at grant p
Outstanding at 1 January	**367,877**	**980.0**	301,951	896.6
Granted	**150,526**	**1480.0**	65,926	1362.0
Exercised during the year	**–**	**–**	–	–
Outstanding at 31 December	**518,403**	**1125.2**	367,877	980.0
The inputs of the option valuation model were:				
Dividend yield		**0.8% pa**		0.4% pa

The expected life is the period from the date of grant to the vesting date. The fair value of the awards granted in 2012 was 1444.4p per share subject to an award (2011: 1344.1p).

The Company recognised a total charge of $2.1 million (2011: $1.7 million) in respect of the DSBP.

Note 11. Share-based payments continued

2010 Share Option Plan (2010 SOP) and 2000 Executive Share Option Scheme (2000 ESOS)

The only share option scheme operated by the Company during the year was the 2010 SOP. Options have an exercise price equal to market value shortly before grant and normally only become exercisable from the third anniversary of the date of the grant.

Options granted prior to 2011 were granted under the 2000 ESOS on very similar terms except that their exercise was subject to a performance condition. These awards are tested against constituents of the FTSE 100 index (excluding investment trusts) and 100% of awards will vest if the Company's TSR is above the median of the index over three years following grant.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options under the 2010 SOP and 2000 ESOS during the year.

	2012 Number	**2012 WAEP p**	2011 Number	2011 WAEP p
Outstanding as at 1 January	**14,723,518**	**845.0**	13,941,969	623.9
Granted during the year	**3,667,026**	**1494.6**	3,616,898	1368.5
Exercised during the year	**(2,228,121)**	**555.7**	(2,620,511)	363.9
Forfeited/expired during the year	**(689,069)**	**1244.9**	(214,838)	1176.6
Outstanding at 31 December	**15,473,354**	**1024.0**	14,723,518	845.0
Exercisable at 31 December	**6,194,510**	**465.7**	5,782,542	360.2

The weighted average share price at exercise for options exercised in 2012 was 1470.6p (2011: 1387.2p).

Options outstanding at 31 December 2012 had exercise prices of 85p to 1530.4p (2011: 82p to 1374.2p) and remaining contractual lives of one to 10 years.

The fair values were calculated using a proprietary binomial valuation model. The principal inputs to the options valuation model were:

Risk-free interest rate	0.5 – 1.0% pa
Expected volatility	46 – 48%
Dividend yield	0.8 – 0.9% pa
Employee turnover	5% pa
Early exercise	At rates dependent upon potential gain from exercise

Expected volatility was determined by calculating the historical volatility of the Company's share price over a period commensurate with the expected lifetime of the awards.

The fair values and expected lives of the options valued in accordance with FRS 20 were:

Award date	Weighted average exercise price p	Weighted average fair value p	Weighted average expected life from grant date years
Jan – Dec 2007	396.9	123.4	4.8
Jan – Dec 2008	647.3	205.8	4.3
Jan – Dec 2009	781.0	283.5	4.0
Jan – Dec 2010	1274.3	456.2	4.3
Jan – Dec 2011	1368.5	580.4	4.7
Jan – Dec 2012	1494.6	619.8	4.3

The Company recognised a total charge of $24.6 million (2011: $19.0 million) in respect of the 2010 SOP and 2000 ESOS.

UK & Irish Share Incentive Plans (SIPs)

These are all-employee plans set up in the UK and Ireland, to enable employees to save out of salary up to prescribed monthly limits. Contributions are used by the Plan trustees to buy Tullow shares ('Partnership Shares') at the end of each three-month accumulation period. The Company makes a matching contribution to acquire Tullow shares ('Matching Shares') on a one-for-one basis. Matching Shares are subject to time-based forfeiture over three years on leaving employment in certain circumstances or if the related Partnership Shares are sold.

The fair value of a Matching Share is its market value at the start of the accumulation period.

For the UK plan, Partnership Shares are purchased at the lower of the market values at the start of the Accumulation Period and the purchase date (which is treated as a three-month share option for FRS 20 purposes). For the Irish plan, shares are bought at the market price at the purchase date which does not result in any FRS 20 accounting charge.

Matching Shares vest three years after grant and dividends are paid to the employee during this period.

The Company recognised a total charge of $0.5 million (2011: $0.6 million) for the UK SIP Plan and $0.2 million (2011: $0.2 million) for the Irish SIP plan.

Note 12. Related party transactions

The Directors of Tullow Oil plc are considered to be the only key management personnel as defined by FRS 8 – Related Party Disclosures.

	2012 $m	2011 $m
Short-term employee benefits	**9.1**	8.7
Post employment benefits	**1.1**	1.1
Amounts awarded under long-term incentive schemes	**2.9**	3.7
Share-based payments	**9.5**	7.5
	22.6	21.0

Short-term employee benefits

These amounts comprise fees paid to the Directors in respect of salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

Post employment benefits

These amounts comprise amounts paid into the pension schemes of the Directors.

Amounts awarded under long-term incentive schemes

These amounts relate to the shares granted under the annual bonus scheme that is deferred for three years under the Deferred Share Bonus Plan (DSBP).

Share-based payments

This is the cost to the Group of Directors' participation in share-based payment plans, as measured by the fair value of options and shares granted accounted for in accordance with FRS 20, Share-based Payments.

There are no other related party transactions. Further details regarding transactions with the Directors of Tullow Oil plc are disclosed in the Remuneration Report on pages 98 to 114.

Note 13. Subsequent events

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

In January 2013, Tullow has completed the farm-in announced in November 2012 to gain a 40% operated interest in the Hyperdynamics Corporation's oil and gas exploration licence offshore Guinea. The Group also completed the acquisition of Spring Energy Norway AS ("Spring") that was previously announced in December 2012.

	2012 $m	*Restated 2011 $m	*Restated 2010 $m	*Restated 2009 $m	2008 $m
Group income statement					
Sales revenue	**2,344.1**	2,304.2	1,089.8	915.9	1,310.6
Cost of sales	**(999.3)**	(930.8)	(584.1)	(608.0)	(687.3)
Gross profit	**1,344.8**	1,373.4	505.7	307.9	623.3
Administrative expenses	**(191.2)**	(122.8)	(89.6)	(77.6)	(79.2)
Profit on disposal	**702.5**	2.0	0.5	20.9	453.4
Exploration costs written off	**(670.9)**	(120.6)	(154.7)	(82.7)	(419.0)
Operating profit	**1,185.2**	1,132.0	261.9	168.5	578.5
(Loss)/profit on hedging instruments	**(19.9)**	27.2	(27.7)	(59.8)	66.6
Finance revenue	**9.6**	36.6	15.1	2.1	7.3
Finance costs	**(59.0)**	(122.9)	(70.1)	(60.8)	(87.5)
Profit from continuing activities before taxation	**1,115.9**	1,072.9	179.2	50.0	564.9
Taxation	**(449.7)**	(383.9)	(89.7)	(1.9)	(135.7)
Profit for the year from continuing activities	**666.2**	689.0	89.5	48.1	429.2
Earnings per share					
Basic – ¢	**68.8**	72.5	8.1	5.4	58.8
Diluted – ¢	**68.4**	72.0	8.0	5.3	58.1
Dividends paid	**173.2**	114.2	79.2	75.3	80.9
Group balance sheet					
Non-current assets	**8,087.6**	9,463.5	7,077.0	4,372.8	3,524.0
Net current assets/(liabilities)	**65.4**	(361.2)	(150.2)	139.9	(215.4)
Total assets less current liabilities	**8,153.0**	9,102.3	6,926.8	4,512.7	3,308.6
Long-term liabilities	**(2,831.4)**	(4,336.3)	(3,023.4)	(2,064.2)	(1,414.7)
Net assets	**5,321.6**	4,766.0	3,903.4	2,448.5	1,893.9
Called up equity share capital	**146.6**	146.2	143.5	130.1	119.7
Share premium	**584.8**	551.8	251.5	242.3	231.1
Other reserves	**566.6**	551.1	574.2	614.5	607.8
Retained earnings	**3,931.2**	3,441.3	2,873.6	1,419.5	898.6
Equity attributable to equity holders of the parent	**5,229.2**	4,690.4	3,842.8	2,406.4	1,857.2
Non-controlling interest	**92.4**	75.6	60.6	42.1	36.7
Total equity	**5,321.6**	4,766.0	3,903.4	2,448.5	1,893.9

* The 2011 figures have been restated to reflect the adjustment to business combination fair values. The 2009 and 2010 comparatives have been restated due to a change in the inventory accounting policy.

COMMERCIAL RESERVES AND CONTINGENT RESOURCES SUMMARY (UNAUDITED) WORKING INTEREST BASIS

Year ended 31 December 2012

	West and North Africa		South and East Africa		Europe, South America and Asia		Total		
	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Petroleum mmboe
Commercial reserves									
1 January 2012	242.4	19.0	–	–	1.6	302.7	244.0	321.7	297.6
Revisions	5.4	–	–	–	–	8.6	5.4	8.6	6.8
Acquisitions	0.2	–	–	–	–	–	0.2	–	0.2
Additions	112.4	–	–	–	–	–	112.4	–	112.4
Disposals	–	–	–	–	–	–	–	–	–
Production	(20.8)	(2.5)	–	–	(0.2)	(45.4)	(21.0)	(47.9)	(29.0)
31 December 2012	339.6	16.5	–	–	1.4	265.9	341.0	282.4	388.0
Contingent resources									
1 January 2012	190.5	1,330.8	900.5	381.0	36.6	192.9	1,127.6	1,904.7	1,445.1
Revisions	9.2	(225.4)	53.5	0.4	–	(0.7)	62.7	(225.7)	25.1
Acquisitions	0.3	122.8	–	–	–	–	0.3	122.8	20.8
Additions	21.0	135.6	27.8	–	–	–	48.8	135.6	71.4
Disposals	(31.4)	–	(600.3)	(20.7)	–	–	(631.7)	(20.7)	(635.2)
Transfers to commercial reserves	(112.4)	–	–	–	–	–	(112.4)	–	(112.4)
31 December 2012	77.2	1,363.8	381.5	360.7	36.6	192.2	495.3	1,916.7	814.8
Total									
31 December 2012	416.8	1,380.3	381.5	360.7	38.0	458.1	836.3	2,199.1	1,202.8

1. Proven and Probable commercial reserves are based on a Group reserves report produced by an independent engineer. Reserves estimates for each field are reviewed by the independent engineer based on significant new data or a material change with a review of each field undertaken at least every two years.
2. Proven and Probable contingent resources are based on both Tullow's estimates and the Group reserves report produced by an independent engineer.
3. The West and North Africa commercial and contingent resources acquisition in 2012 relates to the purchase of Roc Oils interests in Mauritania.
4. The West and North Africa transfer from contingent resources to commercial reserves related to the TEN project following submission of the Plan of Development to the Government of Ghana.
5. The South and East Africa contingent resource disposal was as a result of completion of the farm-down of 66.6% interest in Uganda to CNOOC and Total.

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 349.6 mmboe at 31 December 2012 (31 December 2011: 260.6 mmboe).

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

LICENCE INTERESTS

Current exploration, development and production interests

Licence	Fields	Area sq km	Tullow Interest	Operator	Other Partners
WEST & NORTH AFRICA					
Congo (Brazzaville)					
M'Boundi	M'Boundi	146	11.00%	ENI	SNPC
Côte d'Ivoire					
CI-26 Special Area "E"	Espoir	235	21.33%	CNR	PETROCI
CI-103		1,261	45.00%	Tullow	Anadarko, PETROCI
Equatorial Guinea					
Ceiba	Ceiba	70	14.25%	Hess	GEPetrol
Okume Complex	Okume, Oveng Ebano, Elon Akom North	192	14.25%	Hess	GEPetrol
Gabon					
Arouwe[1]		4,414	35.00%[2]	Perenco	
Avouma	Avouma, South Tchibala	52	7.50%	Vaalco	Addax (Sinopec), Sasol, Sojitz, PetroEnergy
DE7		2,188	28.60%	Perenco	
Ebouri	Ebouri	15	7.50%	Vaalco	Addax (Sinopec), Sasol, Sojitz, PetroEnergy
Echira	Echira	76	40.00%	Perenco	
Etame	Etame	49	7.50%	Vaalco	Addax (Sinopec), Sasol, Sojitz, PetroEnergy
Gwedidi	Gwedidi	5	7.50%[3]	Maurel & Prom	AIC Petrofi
Kiarsseny Marin		5,442	52.78%	Tullow	Addax (Sinopec)
Limande	Limande	10	40.00%	Perenco	
Mbigou	Mbigou	5	7.50%[3]	Maurel & Prom	AIC Petrofi
Niungo	Niungo	96	40.00%	Perenco	
Nziembou		1,027	40.00%	Perenco	Total
Oba	Oba	44	5.00%[3]	Perenco	AIC Petrofi
Obangue	Obangue	40	3.75%[3]	Addax (Sinopec)	AIC Petrofi
Omko	Omko	16	7.50%[3]	Maurel & Prom	AIC Petrofi
Onal	Onal, Maroc Nord	46	7.50%[3]	Maurel & Prom	AIC Petrofi
Tchatamba Marin	Tchatamba Marin	30	25.00%	Perenco	Oranje Nassau
Tchatamba South	Tchatamba South	40	25.00%	Perenco	Oranje Nassau
Tchatamba West	Tchatamba West	25	25.00%	Perenco	Oranje Nassau
Tsiengui	Tsiengui	26	3.75%[3]	Addax (Sinopec)	AIC Petrofi
Turnix	Turnix	18	27.50%	Perenco	
Back-In Rights[4]					
Dussafu Marin		2,780	5.00%[5]	Harvest Natural Resources	Pan-Petroleum
Etame Marin		2,972	7.50%	Vaalco	Addax (Sinopec), Sasol, Sojitz, PetroEnergy
Etekamba		773	5.00%[5]	Maurel & Prom	
Maghena		631	3.75%[5]	Addax (Sinopec)	
Nyanga Mayombe		2,831	3.75%[5]	Maurel & Prom	
Omoueyi		4,133	7.50%[5]	Maurel & Prom	
Ghana					
Deepwater Tano	Jubilee, Tweneboa[6] Enyenra[6] Ntomme[6]	831	49.95%[6]	Tullow	Kosmos, Anadarko, GNPC, Sabre (PetroSA)
West Cape Three Points	Jubilee	459	26.40%	Kosmos	Anadarko, GNPC, Sabre (PetroSA)
Jubilee Field Unit Area[7]	Jubilee		35.48%	Tullow	Kosmos, Anadarko, GNPC, Sabre (PetroSA)
Guinea					
Offshore Guinea (Deepwater)		25,187	40.00%	Tullow[8]	SCS, Dana

Licence	Fields	Area sq km	Tullow Interest	Operator	Other Partners
WEST & NORTH AFRICA CONTINUED					
Liberia					
LB–15		2,550	25.00%	Anadarko	Repsol
LB–16		3,225	47.62%	Repsol	
LB–17		3,150	47.62%	Repsol	
Mauritania					
Block 1		3,195	40.00%	Dana	GDF Suez
Block C-2		3,875	89.27%	Tullow	Dana
Block C-6		4,300	88.00%[9]	Tullow[9]	Petronas
Block 7		7,300	36.15%	Dana	Petronas, GDF Suez
Block C-10		10,725	59.15%	Tullow	Premier, Kufpec, Petronas, SMH
Block C-18		13,225	90.00%	Tullow	SMH
PSC A (Banda)		161	66.83%	Tullow	Premier, Kufpec, Petronas
PSC B (Tevet)		99	64.14%	Tullow	Premier, Kufpec, Petronas
PSC B (Chinguetti EEA)	Chinguetti	31	22.26%	Petronas	SMH, Premier, Kufpec
Senegal					
St Louis		2,807	60.00%	Tullow	Dana, Petrosen
Sierra Leone					
SL-07B-11		5,081	20.00%	Anadarko	Repsol

Licence	Fields	Area sq km	Tullow Interest	Operator	Other Partners
SOUTH & EAST AFRICA					
Ethiopia					
South Omo		29,465	50.00%	Tullow	Africa Oil, Marathon
Kenya					
Block L8		5,115	15.00%[10]	Apache	Origin, Pancontinental
Block 10A		14,747	50.00%	Tullow	Africa Oil, EAX (Afren)
Block 10BA		16,205	50.00%	Tullow	Africa Oil
Block 10BB		8,834	50.00%	Tullow	Africa Oil
Block 12A		15,389	65.00%	Tullow	Africa Oil, Marathon Oil
Block 12B		7,103	50.00%	Tullow	Swala Energy
Block 13T		6,296	50.00%	Tullow	Africa Oil
Madagascar					
Mandabe (Block 3109)		9,367	100.00%	Tullow	
Berenty (Block 3111)		9,050	100.00%	Tullow	
Mozambique					
Block 2 & Block 5		7,800	25.00%	Statoil	ENH
Namibia					
Production Licence 003	Kudu	4,567	31.00%	Tullow	NAMCOR, Itochu
Uganda					
Exploration Area 1A[11]		3,066	33.33%	Total	CNOOC
Exploration Area 1 (Jobi-Rii)	Jobi-Rii	598	33.33%	Total	CNOOC
Exploration Area 2	Mputa, Waraga Kasamene	1,527	33.33%	Tullow	CNOOC, Total
Exploration Area 3A (Kingfisher)	Kingfisher	344	33.33%	CNOOC	Total

1. Tullow has 'Back-In Rights' on this licence as well as a working interest.
2. Tullow has the option to acquire an additional interest in this licence through its 50% holding in Tulipe Oil SA.
3. Tullow's interest in this licence is held through its 50% holding in Tulipe Oil SA.
4. Back-In Rights: Tullow has the option, in the event of a development, to acquire varying interests in these licences.
5. Tullow has the option to acquire an interest in this licence through its 50% holding in Tulipe Oil SA.
6. GNPC has exercised its right to acquire an additional 10% in the Tweneboa, Enyenra and Ntomme discoveries. Tullow's interest in these discoveries is now 47.15%.
7. A unitisation agreement has been agreed by the partners of the West Cape Three Points and Deepwater Tano licences for the area covering the Jubilee Field Phase 1 Development Area.
8. Tullow will take over operatorship of this licence on 1 April 2013.
9. Tullow is acquiring a 60.578% interest from Petronas along with the operatorship in this block. Interest shown is Tullow's % on completion of this deal.
10. Tullow has the option to acquire a further 5% in this licence.
11. Licence to expire in February 2013.

Licence / Unit Area	Blocks	Fields	Area sq km	Tullow Interest	Operator	Other Partners
EUROPE, SOUTH AMERICA & ASIA						
EUROPE						
United Kingdom						
CMS Area						
P450	44/21a	Boulton B & F	77	9.50%	ConocoPhillips	GDF Suez
P451	44/22a	Murdoch	89	34.00%	ConocoPhillips	GDF Suez
	44/22b	Boulton H[12]				
P452	44/23a (part)	Murdoch K[12]	48	6.91%	ConocoPhillips	GDF Suez
P453	44/28b	Ketch	85	100.00%	Tullow	
P516	44/26a	Schooner[13]	99	100.00%	Tullow	
P1006	44/17b	Munro[14]	48	20.00%	GDF Suez	ConocoPhillips
P1058	44/18b 44/23b	Kelvin	46	22.50%	ConocoPhillips	GDF Suez
P1139	44/19b	Katy	60	22.50%	ConocoPhillips	GDF Suez
	44/19b part (Cameron)			60.00%	Tullow	ConocoPhillips, GDF Suez
CMS III Unit[15]	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		14.10%	ConocoPhillips	GDF Suez
Munro Unit[15]	44/17b 44/17a	Munro		15.00%	ConocoPhillips	GDF Suez
Schooner Unit[15]	44/26a 43/30a	Schooner		93.10%	Tullow	Faroe Petroleum
Thames Area						
P007	49/24aF1 (Excl Gawain)		163	100.00%	Tullow	
	49/24aF1 (Gawain)	Gawain[16]		50.00%	Perenco	
P037	49/28a 49/28b	Thames, Yare Bure, Deben Wensum	90	66.67%	Perenco	Centrica
	49/28a (part)	Thurne		86.96%	Tullow	Centrica
P039	53/04d	Wissey	29	62.50%	Tullow	First Oil, Faroe Petroleum
P105	49/29a (part)	Gawain[16]	17	50.00%	Perenco	
P786	53/03c	Horne	8	50.00%	Tullow	Centrica
P852	53/04b	Horne & Wren	17	50.00%	Tullow	Centrica
P1715	49/29d		25	100.00%	Tullow	
P1716	49/29e 49/30b		41	65.00%	Tullow	Atlantic Petroleum
P1915	49/21c		157	33.33%	Bridge Energy	
27th Round[17]	49/30e (part) 50/26 (part) 54/01 (part)		~270	66.67%	Tullow	Viking
Gawain Unit[15]	49/24F1 (Gawain) 49/29a (part)	Gawain		50.00%	Perenco	
Northern North Sea						
P1972	3/9e 3/10a 3/15b		65	43.00%	Wintershall	

Licence / Unit Area	Blocks	Fields	Area sq km	Tullow Interest	Operator	Other Partners
EUROPE, SOUTH AMERICA & ASIA CONTINUED						
Greenland						
Block 9 (Tooq)			11,802	40.00%[18]	Maersk	Nunaoil
Norway						
North Sea						
PL 055	31/4	Brage[19]	122	2.69%	Statoil	Talisman, Faroe Petr, Core Energy, VNG
PL 055B	31/4	Brage[19]	5	2.50%	Statoil	Talisman, Faroe Petr, Core Energy, VNG
PL 055D	31/4	Brage[19]	22	2.69%	Statoil	Talisman, Faroe Petr, Core Energy, VNG
PL 185	31/7	Brage[19]	26	2.69%	Statoil	Talisman, Faroe Petr, Core Energy, VNG
PL 405	7/9, 7/12, 8/7, 8/8 8/10, 8/11		625	15.00%	Centrica	Faroe Petr, Suncor
PL 405B	7/12		21	15.00%	Centrica	Faroe Petr, Suncor
PL 406	18/10		115	20.00%	Premier	
PL 407	17/9, 17/12		202	20.00%	BG	Premier
PL 495	7/2, 7/4, 7/5, 7/8		1,165	40.00%	Lundin	
PL 495B	7/1		100	40.00%	Lundin	
PL 507	25/2, 25/3 30/11, 30/12 31/10 (parts)		1,003	20.00%	Wintershall	Faroe Petr, Centrica
PL 509S	29/3, 29/6 30/1, 30/4		859	30.00%	Wintershall	Fortis Petr
PL 509BS	30/4		118	30.00%	Wintershall	Fortis Petr
PL 542	2/1		60	40.00%	Det norske	
PL 542B	2/1		15	40.00%	Det norske	
PL 550	31/1, 31/2		469	80.00%	Tullow	Det norske
PL 551	31/2, 31/3		101	80.00%	Tullow	Det norske
PL 577	32/1, 36/10		619	30.00%	Wintershall	Talisman
PL 619	1/3, 1/6, 2/1		336	20.00%	Total	Det norske
PL 626	25/10		202	30.00%	Det norske	Fortis Petr
PL 636	36/7		455	20.00%	GDF Suez	Idemitsu
PL 666	2/1, 8/10, 8/11		308	30.00%	Centrica	Faroe Petr
PL 667	1/3		119	20.00%	Total	Det norske
PL 668	7/12		48	30.00%	Centrica	Faroe Petr
PL 670	7/11, 7/12		215	30.00%	Tullow	Faroe Petr, Centrica, Concedo
PL 680	31/6, 32/4, 32/5, 32/7		691	60.00%	Tullow	Concedo
PL 681	31/3, 35/12		181	64.00%	Tullow	Det norske, Petoro
Brage Unit[20]	31/4, 31/7 30/6	Brage		2.50%	Statoil	Talisman, Faroe Petr, Core Energy, VNG

12. Refer to CMS III Unit for field interest.
13. Refer to Schooner Unit for field interest.
14. Refer to Munro Unit for field interest.
15. 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.
16. Refer to Gawain Unit for field interest.
17. Awaiting completion of final paperwork.
18. Subject to completion of deal.
19. Refer to Brage Unit for field interest.
20. The Brage field unitised area covers parts of licences – PL053B, PL055 and PL185. Tullow has no interest in PL053B.

Licence	Blocks	Fields	Area sq km	Tullow Interest	Operator	Other Partners
EUROPE, SOUTH AMERICA & ASIA CONTINUED						
Norway continued						
Norwegian Sea						
PL 511	6406/5, 6406/6 6406/9		458	10.00%	Wintershall	Maersk, Petoro, VNG, Bridge Energy
PL 519	6201/11, 6201/12 (parts)		527	20.00%	Lundin	Bayerngas, Noreco
PL 583	6306/6, 6306/7 6306/8, 6306/9		1,021	30.00%	Tullow	Svenska, Lundin, Bayerngas
PL 591	6507/8, 6507/9 6507/11		207	60.00%	Tullow	Noreco
PL 591B	6507/8		53	60.00%	Tullow	Noreco
PL 596	6301/3, 6302/1 6302/2, 6302/3 6401/12 6402/10, 6402/11		3,184	15.00%	Exxon Mobil	E. ON, RWE. Bayerngas
PL 639	6201/7, 6201/8 6201/10, 6201/11		602	30.00%	Tullow	Lundin, Petoro, Bayerngas, Noreco
PL 642	6306/2, 6306/5		427	20.00%	Repsol	OMV, Petoro
PL 651	6610/8, 6610/9 6610/11, 6610/12		1,338	35.00%	E. ON	Dana
PL 689	6306/3		457	20.00%	DONG	Bayerngas, Svenska
PL 701	6406/9, 6406/11 6406/12		419	30.00%	Noreco	GDF Suez
Barents Sea						
PL 438	7120/1, 7120/2 7120/3, 7120/4 7120/5, 7120/6		462	17.50%	Lundin	RWE, Petoro, Det norske, Talisman
PL 490	7120/4, 7120/5 7120/6 (parts)		331	30.00%	Lundin	Noreco
PL 537	7324/7, 7324/8		594	20.00%	OMV	Petoro, Idemitsu, Statoil
PL 610	7222/2, 7222/3 (parts)		403	25.00%	GDF Suez	Rocksource, Valiant
PL 659	7121/3 7122/1, 7122/2 7221/12 7222/10, 7222/11 7222/12		1,462	10.00%	Det norske	Lundin, Petoro, Rocksource, Valiant
PL 695	7018/3, 7018/6 7019/1		590	40.00%	Lundin	Petoro

Licence / Blocks	Fields	Area sq km	Tullow Interest	Operator	Other Partners
EUROPE, SOUTH AMERICA & ASIA CONTINUED					
Netherlands					
E10		401	60.00%	Tullow	EBN
E11		401	60.00%	Tullow	EBN
E13a		234	50.00%	Tullow	EBN, Gas Plus
E14		403	60.00%	Tullow	EBN
E15a	F16-E[21]	39	4.69%	Wintershall	Dana, GDF Suez, EBN
E15b	E18-A[21]	21	21.12%	Wintershall	Dana, EBN
E15c		343	50.00%	Tullow	Gas Plus, EBN
E18a	E18-A[21], F16-E[21] K3-A[21]	212	17.60%	Wintershall	Dana, GDF Suez, EBN
E18b		192	60.0%	Tullow	EBN
F13a	F16-E[21]	4	4.69%	Wintershall	Dana, GDF Suez, EBN
K8, K11		820	22.50%	NAM	Oranje Nassau, Wintershall, EBN
L12a		119	22.50%	GDF Suez	Oranje Nassau, Wintershall, EBN
L12b, L15b	L12b-C, L15b-A	92	15.00%	GDF Suez	Wintershall, EBN
L12c		30	45.00%	Tullow	EBN, Wintershall
L12d		225	52.50%	Tullow	EBN, Wintershall
L13		413	22.50%	NAM	Oranje Nassau
L15d		62	45.00%	Tullow	EBN, Wintershall
Q4	Q4-A, Q1-B[21], Q4-B[21]	417	19.80%	Wintershall	Dyas, EBN
Q5d		21	10.00%	Wintershall	Dyas, EBN
Joint Development Area (JDA)[22] K7, K8, K11, K14, K15, L13	Over 20 fields		9.95%	NAM	Oranje Nassau, Wintershall, EBN
SOUTH AMERICA					
French Guiana					
Guyane Maritime		24,100	27.50%	Shell	Total, Northpet Investments
Suriname					
Block 47		2,369	70.00%	Tullow	Statoil
Uruguay					
Block 15		8,030	100.00%	Tullow	
ASIA					
Bangladesh[23]					
Block 9	Bangora	1,770	30.00%	Tullow	Niko, Bapex
Pakistan[23]					
Bannu West		1,230	40.00%	Tullow	OGDCL, MGCL, SEL
Block 28		6,200	95.00%	Tullow	OGDCL
Kalchas		2,068	30.00%	OGDCL	MGCL
Kohat	Shekhan	1,107	40.00%	OGDCL	MGCL, SEL
Kohlu		2,459	30.00%	OGDCL	MGCL

21. These fields are unitised – interests are as follows: F16-E 4.147%; E18-A 18.357%; K3-A 10.384%; Q4-B 17.105%; Q1-B 4.95%.
22. Interests in blocks K7, K8, K11, K14, K15 and L13 have been unitised. The six blocks are known as the Joint Development Area.
23. Tullow is currently in the process of selling its assets in Bangladesh and Pakistan.

Shareholder enquiries
All enquiries concerning shareholdings including notification of change of address, loss of a share certificate or dividend payments should be made to the Company's registrars, Computershare Investor Services PLC or, for shareholders whose shares are held on the Ghana branch register, enquires should be made to Computershare Pan Africa Limited. Contact details for both registrars are as follows:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Telephone number – UK shareholders: 0870 703 6242
Telephone number – Irish shareholders: 00 353 1 247 5413
Telephone number – overseas shareholders: 00 44 870 703 6242
Contact: www.investorcentre.co.uk/contactus

Computershare Pan Africa Ghana Limited
P.O. Box CT2215 Cantonments
23 Eleventh Lane, Osu R.E.,
Accra, Ghana

Telephone number – Ghana shareholders: 00 233 302 770507
Contact: panafrica@computershare.co.za

A range of shareholder frequently asked questions and practical help on transferring shares and updating details is available online in the Shareholder Services section located in the Investors area of the Tullow website: www.tullowoil.com.

Computershare online enquiry service
Computershare provides a range of services through its online portal, Investor Centre, which can be accessed free of charge at www.investorcentre.co.uk. Once registered, this service, accessible from anywhere in the world, enables shareholders to check details of their shareholdings or dividends, download forms to notify changes in personal details, and access other relevant information.

Payment of dividends
Shareholders can have their dividends paid directly into a UK Sterling or Irish Euro bank account and have the tax voucher sent directly to their registered address. You can register your account details in Investor Centre or, alternatively download a dividend mandate form.

Overseas shareholders who wish to have their dividends paid in a local currency can use the Global Payments Service that Computershare has established. Details of the service can be accessed in the Shareholder Services section of the Investors area of the Tullow website: www.tullowoil.com.

Holders on the Ghanaian Branch Register may also receive dividends directly into a bank account in Ghana. Such payments are only made in Ghanaian Cedis.

Share dealing service
A telephone share dealing service has been established for shareholders with Computershare for the sale and purchase of Tullow Oil shares. Shareholders who are interested in using this service can obtain further details by calling the appropriate telephone number below:

UK shareholders: 0870 703 0084
Irish shareholders: 00 353 1 447 5435

If you live outside the UK or Ireland and wish to trade you can do so through the Computershare Trading Account. To find out more or to open an account, please visit www.computershare-sharedealing.co.uk or phone Computershare on +44 (0) 870 707 1606.

Electronic communication
Shareholders have the option to receive shareholder communications including annual reports and notices of meetings electronically. Tullow actively supports Woodland Trust, the UK's leading woodland conservation charity. Computershare, together with Woodland Trust, has established eTree, an environmental programme designed to promote electronic shareholder communications. Under this programme, the Company makes a donation to eTree for every shareholder who registers for electronic communication. To register for this service, simply visit www.etreeuk.com/tullowoilplc with your shareholder number and email address to hand. Once registered, shareholders will be e-mailed when an annual report or notice of meeting is available for viewing on the Tullow website.

Shareholder security
Shareholders are advised to be cautious about any unsolicited financial advice; offers to buy shares at a discount or offers of free company reports. More detailed information can be found at www.moneymadeclear.fsa.gov.uk and in the Shareholder Services section of the Investors area of the Tullow website: www.tullowoil.com.

ShareGift
If you have a small number of shares whose value makes it uneconomical to sell you may wish to consider donating them to ShareGift. Any shares donated to ShareGift will be aggregated and sold when possible with the proceeds donated to a wide range of UK charities. The relevant share transfer form may be obtained from Computershare. Further information about the scheme is available at www.ShareGift.org.

Financial calendar

2012 Full-year results announced	13 February 2013
Annual General Meeting	8 May 2013
Interim Management Statement	8 May 2013
2012 Final dividend payable	16 May 2013
2013 Half-yearly results announced	31 July 2013
2013 Interim dividend payable	October 2013
Interim Management Statement	8 November 2013

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AGM	Annual General Meeting
AFS	Available for sale
bbl	Barrel
bcf	Billion cubic feet
BIS	Department for Business, Innovation & Skills
boe	Barrels of oil equivalent
boepd	Barrels of oil equivalent per day
bopd	Barrels of oil per day
¢	Cent
Capex	Capital expenditure
CMS	Caister Murdoch System
CMS III	A group development of five satellite fields linked to CMS
CR	Corporate Responsibility
CNOOC	China National Offshore Oil Corporation
D&O	Development and Operations
DD&A	Depreciation, Depletion and Amortisation
DoA	Delegation of Authority
DSBP	Deferred Share Bonus Plan
EA	Exploration Area
E&E	Exploration and Evaluation
E&A	Exploration and Appraisal
E&P	Exploration and Production
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EHS	Environment, Health and Safety
EITI	Extractive Industries Transparency Initiative
EMS	Environmental Management System
ESOS	Executive Share Option Scheme
FEED	Front End Engineering and Design
FPSO	Floating Production Storage and Offloading vessel
FRC	Financial Reporting Council
FRS	Financial Reporting Standard
FTG	Full Tensor Gravity Gradiometry
FTSE 100	Equity index whose constituents are the 100 largest UK listed companies by market capitalisation
FVTPL	Fair Value Through Profit or Loss
GARP	Growth at a reasonable price
GELT	Global Exploration Leadership Team
GNPC	Ghana National Petroleum Corporation Group Company and its subsidiary undertakings
GSE	Ghana Stock Exchange
HIPO	High Potential Incident
HR	Human Resources
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFC	International Finance Corporation
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IR	Investor Relations
ISO	International Organization for Standardization
JUA	Jubilee Unit Area
km	Kilometres
KPI	Key Performance Indicator
LIBOR	London Interbank Offered Rate
LTI	Lost Time Injury
LTIFR LTI	Frequency Rate measured in LTIs per million hours worked
MSF	Multi-stakeholder forum
mmbbl	Million barrels
mmboe	Million barrels of oil equivalent
mmscfd	Million standard cubic feet per day
MoU	Memorandum of Understanding
MTM	Mark To Market
NGO	Non-Governmental Organisation
Opex	Operating expenses
p	Pence
PAYE	Pay As You Earn
PoD	Plan of Development
PRT	Petroleum Revenue Tax
PSA	Production Sharing Agreement
PSC	Production Sharing Contract
PSP	Performance Share Plan
RBM	Regional Business Manager
SCT	Supplementary Corporation Tax
SID	Senior Independent Director
SEC	Securities & Exchange Commission
SIP	Share Incentive Plan
SOP	Share Option Plan
SPA	Sale and Purchase Agreement
Sq km	Square kilometres
SRI	Socially Responsible Investment
TEN	Tweneboa – Enyenra – Ntomme
TIP	Tullow Incentive Plan
TGSS	Tullow Group Scholorship Scheme
TOES	Tullow Oil Environmental Standards
TSR	Total Shareholder Return
UKGAAP	UK Generally Accepted Accounting Practice
URA	Ugandan Revenue Authority
VAT	Value Added Tax
WAEP	Weighted Average Exercise Price
Wildcat	Exploratory well drilled in land not known to be an oil field

STAY UP TO DATE WWW.TULLOWOIL.COM

Our main corporate website has key information about our business, operations, investors, media, corporate responsibility and our people.

ONLINE COMMUNICATIONS

Financial results, events, corporate reports, webcasts and fact books are all stored on our central reporting hub.

2012 Annual Report and Accounts
www.tullowoil.com/ara2012

Reporting Centre
www.tullowoil.com/reports

INVESTOR RELATIONS

Our new Investor Relations & Media App for tablets and smart phones enables easy access to our suite of investor materials such as results announcements, presentations, videos, webcasts and images while on the move. You can access this directly by scanning the QR code below.

SUPPLIER CENTRE

Tullow's supplier centre provides local and international companies the facility to view expressions of interest and register their interest to become a supplier.

www.tullowoil.com/supplier_centre

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E-communications

- All documents on the website are available to view without any particular software requirement other than the software which is available on the Group's website.
- For every shareholder who signs up for electronic communications, a donation is made to the eTree initiative run by Woodland Trust. You can register for email communication at: www.etreeuk.com/tullowoilplc

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