Tullow Oil plc
2009 Annual Report and Accounts

Africa's
leading independent oil company

Africa's leading independent oil company

Tullow Oil plc is a global independent oil and gas company with over 90 licences in 25 countries. The Group is headquartered in London and employs nearly 900 people world-wide. Tullow is listed on the London and Irish Stock Exchanges and is a constituent of the FTSE 100 index.

We have a long history in Africa and the continent has been the major focus of our activity and investment in recent years. As a result we are now within sight of delivering first commercial production from two new oil basins. Combined with a high-impact exploration portfolio across the continent and an approach to corporate responsibility that aims to create shared prosperity, Tullow is establishing itself as Africa's leading independent oil company.

For more information visit **www.tullowoil.com**

Cover
Kingdom Sefadazi, Lead Stevedore
Takoradi, Ghana

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We explain how we create value through expanding and commercialising our resource base.

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With first oil this year in Ghana, we have developed a special feature to give an overview of this major project to date.

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We have expanded our corporate responsibility section and added new content.

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Lynda Biribonwa, Environmental Compliance Advisor
Sanjay Patel, Senior Systems Administrator
Kampala office, Uganda

1

Creating stakeholder value

We have a responsibility to create value and deliver benefits for all our stakeholders. Value is created by doing what we do to the best of our abilities.

Financial results 4

The 2009 results reflect a period of financial transition as we invest in key development projects that will fundamentally transform the business.

Operational highlights 5

It was a great year across Tullow with Jubilee first oil on track, record exploration success and strong portfolio management.

Where we operate 6

We have a global footprint that spans 25 countries, over 90 licences and 202,000 sq km of acreage combining world-class exploration opportunities and growing production.

How we are organised 8

Tullow has a strong governance and organisational framework that is based on responsibility, accountability and transparency.

How we create value 10

Tullow creates value in two ways. We consistently grow our resource base through successful exploration and strategic acquisitions and then we commercialise those resources through development and portfolio management.

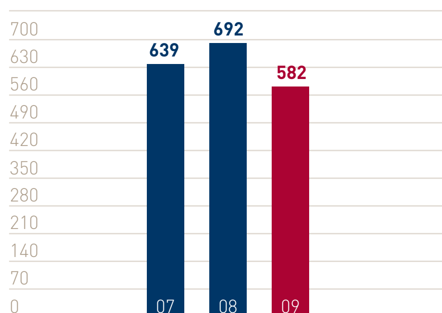
Financial results

The 2009 results are in line with expectations and reflect a period of financial transition as we re-position the business. We significantly strengthened our balance sheet and have put in place a capital structure integral to delivering our medium-term strategy. This enables us to invest in high-impact exploration and develop significant production from two world-class basins.

Sales revenue

£582 million

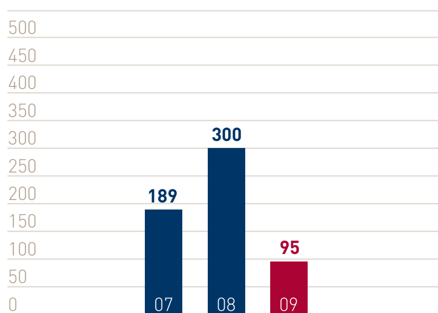
Lower commodity prices and sales volumes resulted in a 16% decrease in sales revenue in 2009.



Operating profit

£95 million

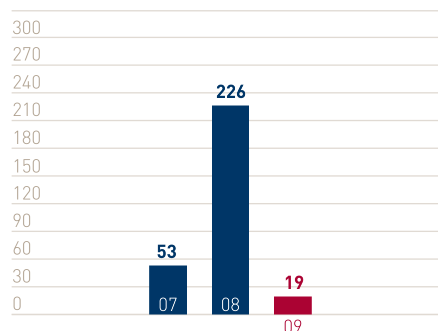
Operating profit decreased by 68% due to lower sales revenue, significantly lower profit on asset disposals compared with 2008, offset by a decrease in exploration costs written-off.



Profit after tax

£19 million

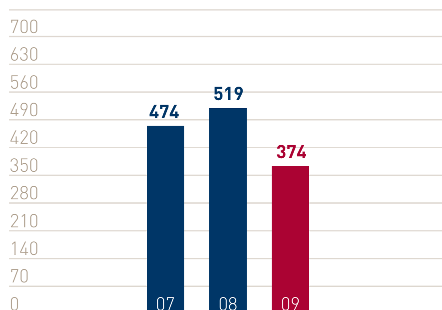
Profit after tax decreased by 92% mainly due to lower operating profit and an IAS 39 charge of £37 million (2008: credit of £43 million), offset by a lower effective tax rate.



Operating cash flow

£374 million

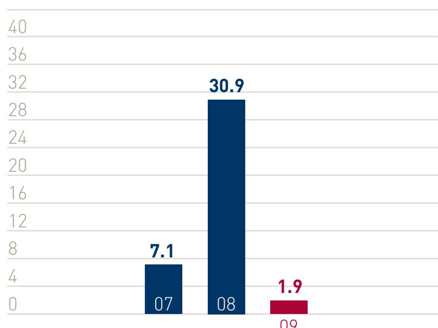
Lower commodity prices and sales volumes led to a reduction of 28% in operating cash flow. Operating cash flow and equity placing proceeds facilitated capital investment of £758 million in 2009.



Basic earnings per share

1.9 pence

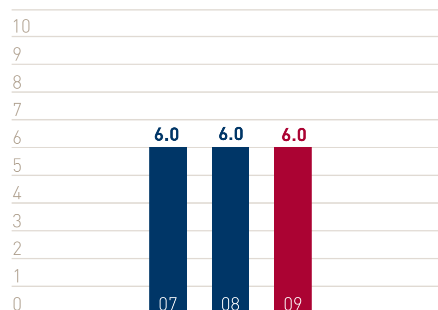
Basic earnings per share decreased by 94% in 2009 primarily due to the reduction in profit after tax and also an increase in issued share capital during the year.



Dividend per share

6.0 pence

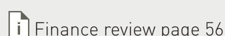
With considerable opportunity to deliver shareholder value by continuing to invest in the business, the Board feels it is appropriate to maintain the dividend at the 2008 level.



Operational highlights

Strengthened
Capital structure

A US$2 billion refinancing was secured in March 2009 and a further US$250 million corporate facility was finalised in December 2009. Gross proceeds of £1.3 billion were raised from two successful equity placings in January 2009 and January 2010. Coupled with the anticipated Ugandan farmdown, the Group will have successfully restructured its balance sheet and put in place a more appropriate capital structure for the medium-term delivery of its growth strategy.

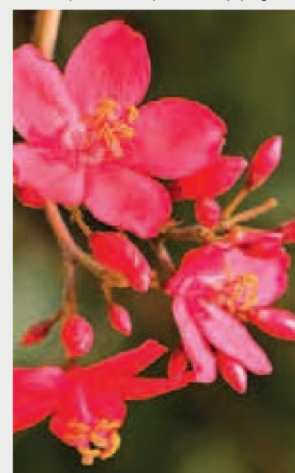

Finance review page 56

Drilling operations, Uganda

6.6million
Hours worked

Good Environment, Health and Safety performance delivered in a busy year across Tullow.

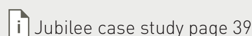
Corporate responsibility page 68



Local flora, Ghana

First oil 2010
Jubilee on target to deliver

Jubilee Phase 1 is on time and within its US$3.1 billion budget. First oil is expected 40 months after the field was discovered, setting a new benchmark for deepwater development.


Jubilee case study page 39

Process module installation, FPSO Singapore

Atwood Hunter Rig, offshore Ghana

87%
Exploration success

There were 13 discoveries from 15 wells in 2009. Highlights included the 300 million barrel Jobi-Rii discovery in Uganda, the Tweneboa discovery in Ghana and the successful Venus B-1 exploration well in Sierra Leone.

Exploration on page 26

Uganda
Pre-emption and farmdown

Good progress is being made to align interests in the Lake Albert Rift Basin and facilitate an accelerated development plan.

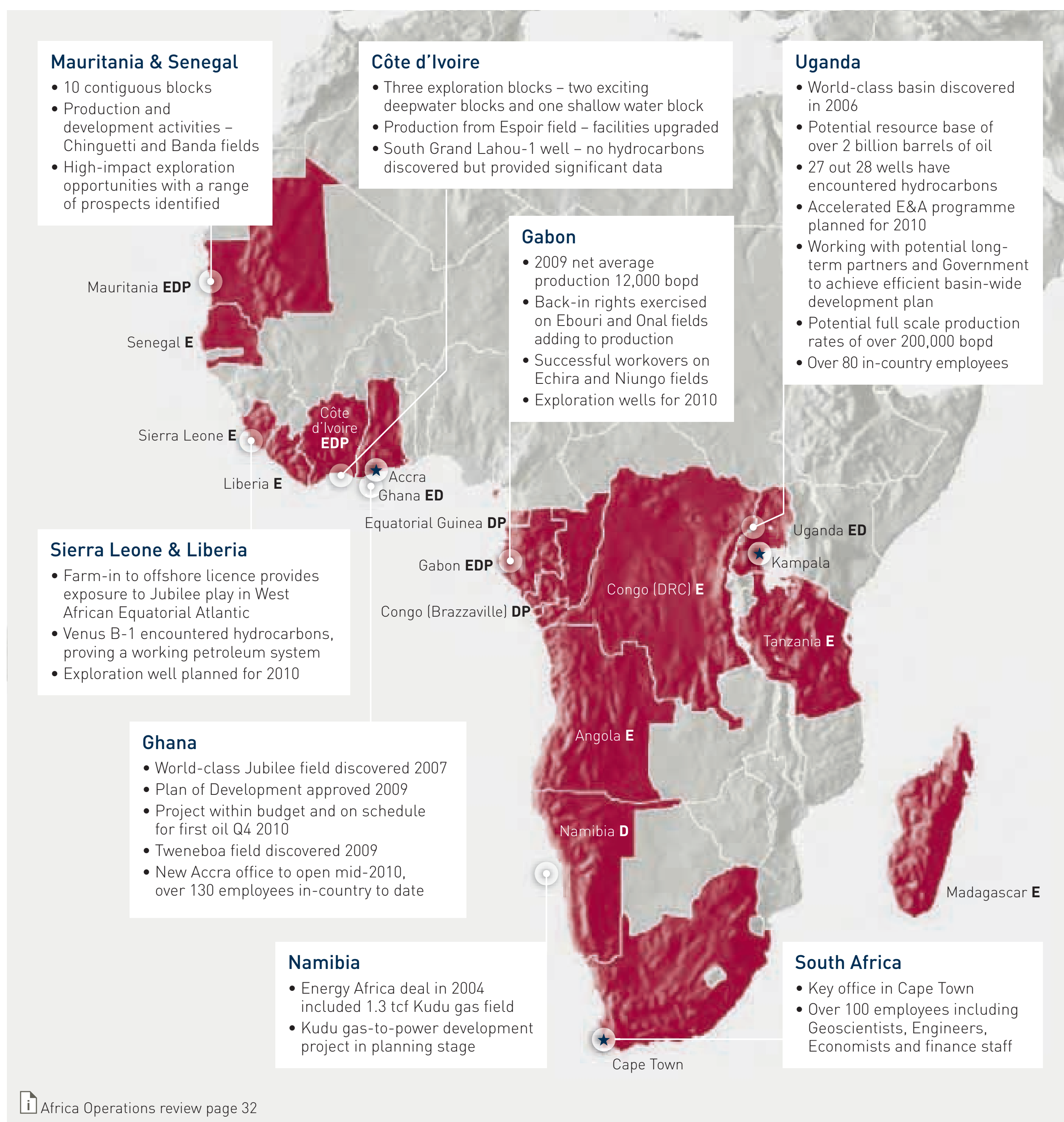
Uganda operations review page 33

Tim O'Hanlon, Vice President Africa

Where we operate

Africa: We have materially enhanced our exploration portfolio in 2009 through the success of key wells in Uganda, Ghana and Sierra Leone.

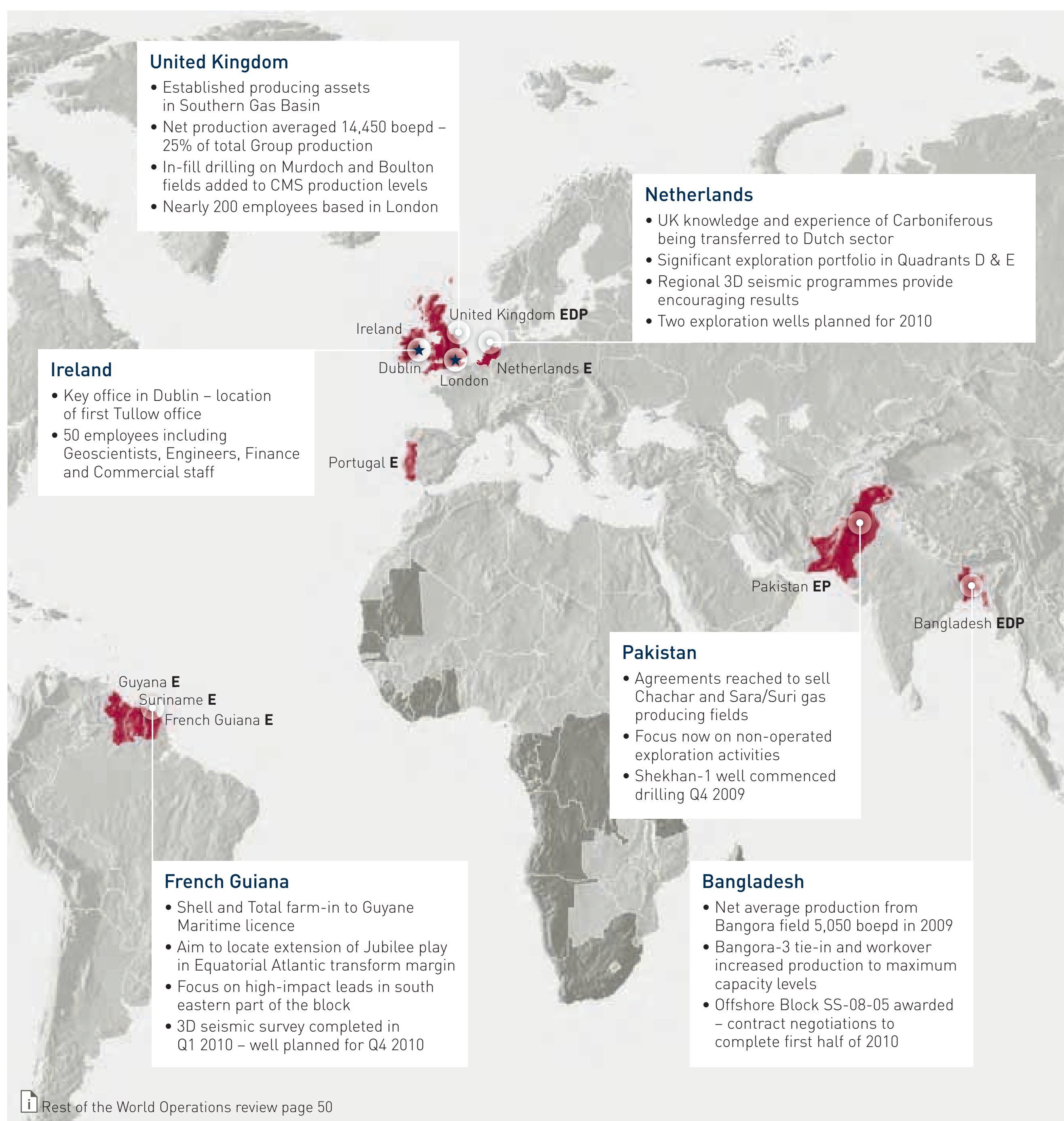
Countries	16
Licences	50
People	338
Acreage ('000 sq km)	130
Exploration & Appraisal wells	15
Discoveries	13
Development wells	70
Production (boepd)	38,500



E Exploration **D** Development **P** Production ★Key offices

Rest of the World: We are developing a global portfolio with producing assets in Europe and South Asia and high-impact exploration opportunities in South America.

Countries	9
Licences	43
People	332
Acreage ('000 sq km)	72
Exploration & Appraisal wells	0
Discoveries	0
Development wells	4
Production (boepd)	19,800



United Kingdom

- Established producing assets in Southern Gas Basin
- Net production averaged 14,450 boepd – 25% of total Group production
- In-fill drilling on Murdoch and Boulton fields added to CMS production levels
- Nearly 200 employees based in London

Netherlands

- UK knowledge and experience of Carboniferous being transferred to Dutch sector
- Significant exploration portfolio in Quadrants D & E
- Regional 3D seismic programmes provide encouraging results
- Two exploration wells planned for 2010

Ireland

- Key office in Dublin – location of first Tullow office
- 50 employees including Geoscientists, Engineers, Finance and Commercial staff

Pakistan

- Agreements reached to sell Chachar and Sara/Suri gas producing fields
- Focus now on non-operated exploration activities
- Shekhan-1 well commenced drilling Q4 2009

French Guiana

- Shell and Total farm-in to Guyane Maritime licence
- Aim to locate extension of Jubilee play in Equatorial Atlantic transform margin
- Focus on high-impact leads in south eastern part of the block
- 3D seismic survey completed in Q1 2010 – well planned for Q4 2010

Bangladesh

- Net average production from Bangora field 5,050 boepd in 2009
- Bangora-3 tie-in and workover increased production to maximum capacity levels
- Offshore Block SS-08-05 awarded – contract negotiations to complete first half of 2010

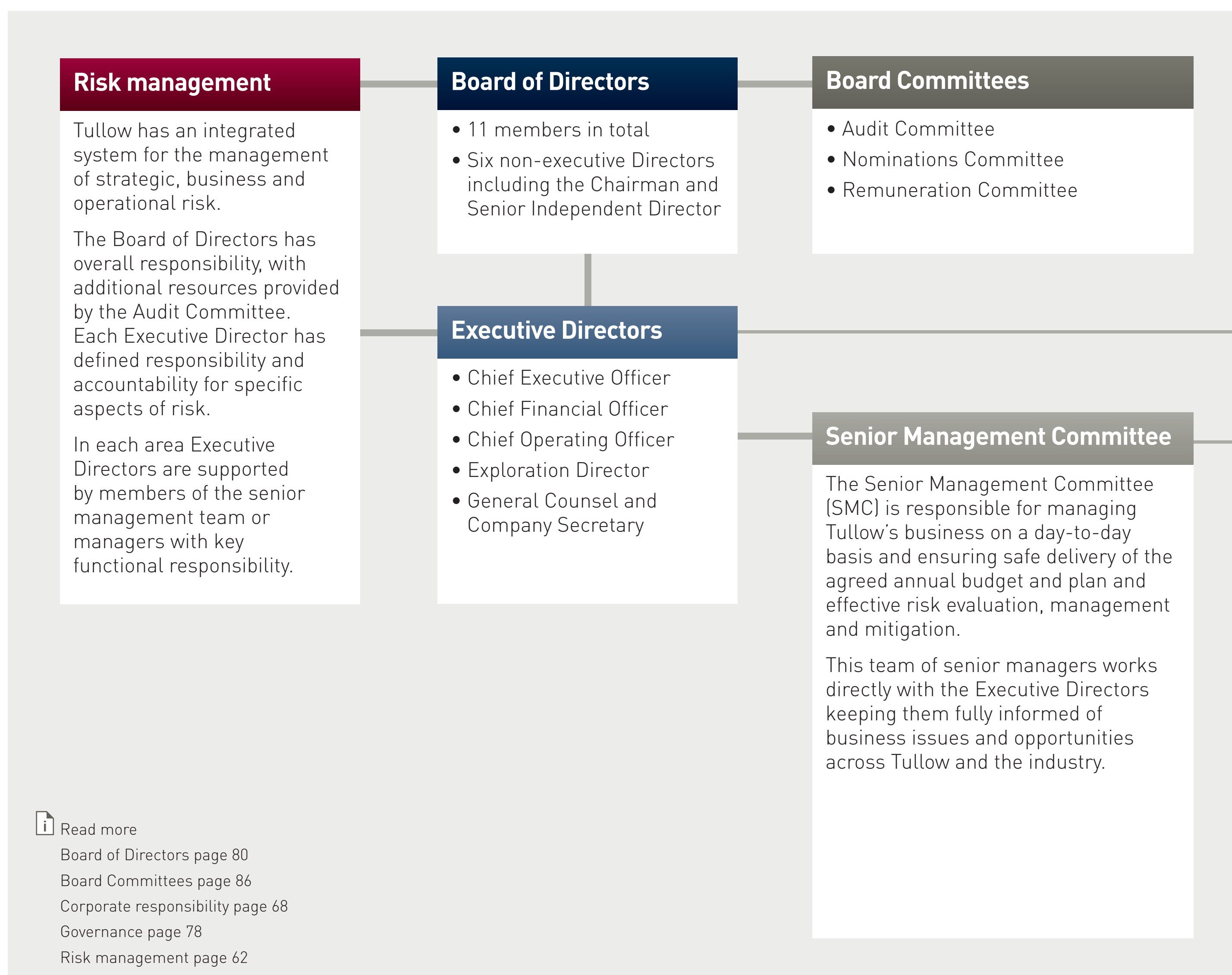
Rest of the World Operations review page 50

How we are organised

We continue to invest in building our team and structuring our organisation so that we can deliver the exceptional growth opportunities that the Group has in its business today.

At Tullow, a strong governance and organisational framework defines the roles and responsibilities of our Board of Directors and senior management. It is based on accountability, transparency and achieving the highest standards of ethics and integrity. It also plays a leading role in risk management.

This framework holds the Board and management accountable for the Group's performance by ensuring we critically evaluate the business decisions, strategies and risks we undertake. It helps us to engage with and respond to our many stakeholders. This in turn helps to protect and build our reputation and create long-term sustainable growth.



Read more
Board of Directors page 80
Board Committees page 86
Corporate responsibility page 68
Governance page 78
Risk management page 62

Ian Springett
Chief Financial Officer

- Business Systems
- Corporate Planning & Economics
- Finance
- Internal Audit
- Investor Relations
- Risk & Marketing
- Supply Chain Management

Paul McDade
Chief Operating Officer

- Environment, Health & Safety (EHS)
- Commercial
- Engineering
- Major projects
- Operations
- Production & Development
- Well Engineering

Aidan Heavey
Chief Executive Officer

- External Affairs

Angus McCoss
Exploration Director

- Global Exploration Leadership Team
- Exploration & Appraisal business
- Exploration new ventures
- Group geosciences
- Geophysical technology

Graham Martin
General Counsel and Company Secretary

- Legal
- Compliance
- Human Resources
- Secretariat

Senior Management Committee

Pete Dickerson, Head of Corporate Planning & Economics
Chris Flavell, General Manager Exploration
Gordon Headley, Chief Human Resources Officer
Martyn Morris, General Manager Production & Development
Mike Simpson, Group Commercial Manager
Julian Tedder, General Manager Finance
Brian Williams, Head of Risk & Marketing

Corporate functions

Graham Brunton, Group EHS Manager
Rosalind Kainyah, Vice President External Affairs
Andrew Marks, Chief Information Officer
Joe Mongan, Geophysical Technology Manager
David Mooney, Group Supply Chain Manager
Tim O'Hanlon, Vice President Africa
Chris Perry, Head of Investor Relations
Peter Sloan, Group Legal Manager
Gert-Jan Smulders, Group Engineering Manager
Roger Swaine, Group Projects Manager
Mike Williams, Group Well Engineering Manager

In-country management

Brian Glover, Uganda
Dai Jones, Ghana
Brian Kay, Angola
Richard Lee, Bangladesh
Kemal Mohamedou, Mauritania
Peter Owens, Namibia
Kevin Quinn, Dublin
David Roux, Gabon
Bill Torr, Cape Town
Franco Uliana, Côte d'Ivoire
Muzaffar Virk, Pakistan
Awa Wane, Senegal
Nick Woodall-Mason, Tanzania

How we create value

Tullow creates value in two main ways. We grow our resource base through successful exploration and strategic acquisitions, which complement our business in our areas of focus. We then commercialise those resources by efficiently developing fields or by farming down and re-investing for strategic advantage.

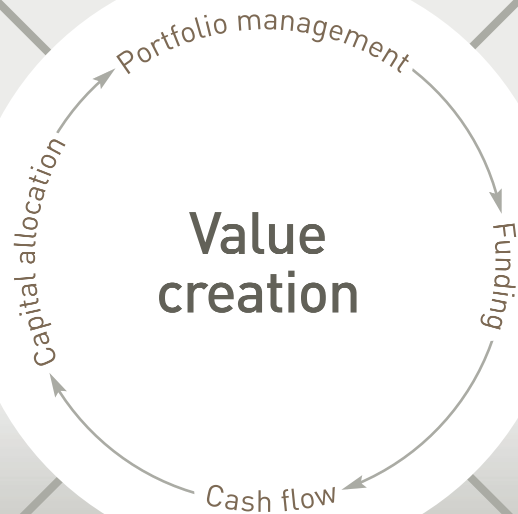
1 Growing our resource base

Explore to find

Successful exploration is often the most cost-effective way to add transformational resources. Tullow finds oil and gas through geological expertise and enhanced geophysical prospecting technologies. We balance high-risk exploration drilling in frontier areas which have lots of follow-up potential, with low-risk appraisal and satellite drilling activity.

Acquire to grow

We have developed a strong track record of successfully acquiring assets and companies which complement and extend our portfolio, skill set and business opportunities. Since 2000 we have acquired and quickly integrated UK North Sea gas assets, Energy Africa and Hardman Resources; each creating a step change which has contributed to the transformation of Tullow.



Value and sustainable long-term growth is created by having a balanced business in which we selectively invest in key development projects and a material annual exploration programme. These activities are funded by a combination of operational cash flow, debt and equity funding and proceeds from portfolio management.

2 Commercialising our resource base

Develop to produce

Turning resources into reserves and then into production revenue is one of our core strengths. We have a successful track record in managing mature production operations and the fast-track development of major projects in Ghana and Uganda is shifting our operating capability to a different level.

Dilute to re-invest

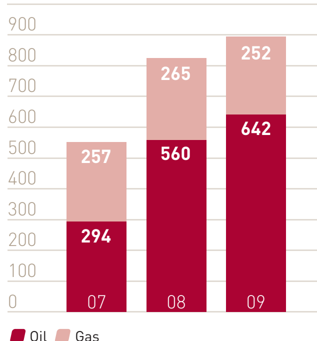
Strategic portfolio management dilutes selected exploration and production assets and generates additional cash flow for re-investment into high value growth opportunities. It also provides a platform for us to introduce new partners with complementary skills, gives host governments the ability to participate and establishes a market value for return on future investments.

Total reserves and resources

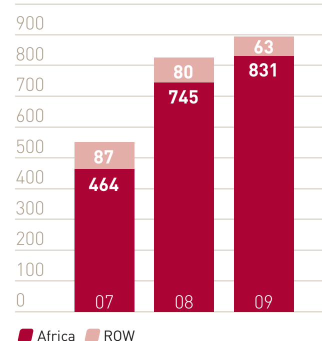
894 mmboe

Our aim is to continuously grow our resource base to generate value-adding development or dilution opportunities. We achieved 437% organic replacement in 2009 and 1,232% in 2008.

By type



By region

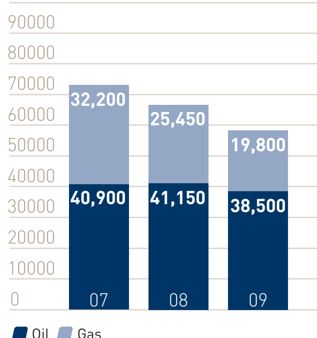


Working interest production

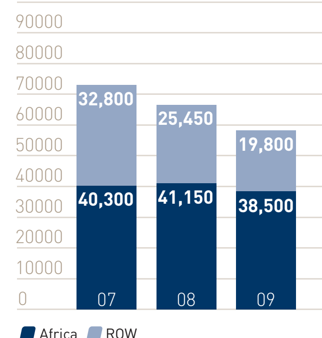
58,300 boepd

Production is key to revenue growth and free cash flow generation. Our medium-term objective is to build a business with a production profile that is capable of funding a major annual exploration programme.

By type



By region



Graham Guy, Production Superintendent
FPSO construction site, Singapore

2

Delivering on all fronts

Tullow achieved an exceptional business and operational performance in 2009, with an unprecedented level and pace of activity throughout the Group. We also delivered well against our Key Performance Indicators (KPIs) and effectively managed our principal risks.

Chairman's statement 14

A first-class performance in 2009 and an excellent start to 2010 puts Tullow in a great position. We continue to build on our strong progress and create material opportunities through our unique position in Africa. We are poised for major production growth and our busy exploration programme continues. Our capital structure is significantly strengthened and our future growth and performance prospects are very bright.

Governance highlights 17

2009 built on what has been an extraordinary period of growth and success for Tullow. Throughout our development one of our guiding principles has consistently been to become a better run company.

Key Performance Indicators 18

We measure our progress against seven KPIs and in 2009 added very specific deliverables in the areas of finance, portfolio management and for our major projects in Ghana and Uganda.

Chairman's statement

"Over the years we have built a strong reputation with host governments and partners, which has helped us to grow and monetise our resources and deliver value for all stakeholders."

Pat Plunkett
Chairman

2009 was another great year for Tullow. Across the business our people, processes, operations and projects delivered on all fronts.

Results in line with expectations

The Group's financial results were in line with market expectations and reflect the stage we are at in developing the business. Capital allocation in recent years has focused on building and commercialising our resource base. With first oil from Ghana later this year, we are entering a phase that should deliver major production growth, which should underpin a stronger financial performance. As a result, Tullow is in a period of transition and this will be reflected in our 2010 and 2011 results.

In 2009, the Group's financial results were down compared with a record 2008. This is mainly as a result of lower production volumes, lower commodity prices and an increased charge for IAS 39: Financial Instruments. In addition, while exploration write-offs in 2009 were lower than 2008, the Group had less profit on disposal of assets to offset this as a result of lower levels of portfolio management activity.

Continued exploration success

Exploration and Appraisal (E&A) activity continued apace, delivering a record 87% success rate in 2009. Highlights for the year include:

- The 300 million barrel Jobi-Rii discovery in Uganda, one of Africa's largest onshore oil fields;

- The commercial threshold for development of the Lake Albert Rift Basin in Uganda was comfortably exceeded with a 96% drilling success rate to date;
- An ongoing E&A campaign in Ghana confirmed significant further potential;
- The Tweneboa discovery indicated the potential of another world-class oil and gas accumulation, some 25 km west of the Jubilee field; and
- The successful Venus B-1 exploration well in Sierra Leone demonstrated a petroleum system that spans two of the most exciting and highly prospective basins in the world today.

Solid production and fast-track development

Excellent performance was achieved by production and development. Highlights include:

- Efficient execution of incremental development projects throughout our portfolio of assets to achieve production of 58,300 boepd in 2009;
- Setting a new industry benchmark for the fast-track development of the Jubilee field, which is on target to deliver first oil in the fourth quarter of this year;
- Best in class deepwater well delivery by the Tullow well engineering team; and
- Initiating development work in Uganda that is targeting first commercial oil in 2011, with early production from well testing in 2010.

Creating value for all stakeholders

Our vision is to be the leading global independent oil and gas company. To achieve this we have a clear and consistent strategy and a long-term perspective on how we develop our business. This means we protect our reputation, carefully manage and mitigate risk and invest in people and partnerships. We also work to ensure that we create the internal and external operating environment Tullow needs to successfully continue our growth strategy and deliver our business plans. By doing all of these things well, we create competitive advantage for Tullow and more importantly we create long-term benefits for all our stakeholders.

Keeping people safe

Our number one priority is to keep everyone who works with Tullow or lives in our local communities safe. We have a very clear Health and Safety (H&S) policy which is strongly supported by our EHS Leadership Team and commitment statements. It is reflected in employee inductions, continuous training and careful monitoring and reporting to Tullow's Board and management.

Despite this, in 2009, Tullow had its first ever fatality when a building contractor died at the Bangora gas processing facility in Bangladesh. We deeply regret his death and are very saddened by the effect this tragedy has had on his family, whom we continue to support. In addition, we undertook a comprehensive response, spearheaded by Paul McDade, our Chief Operating Officer and Board Director responsible for EHS, and full details are set out on page 73.

Overall, our safety performance for the year was satisfactory. We achieved our target of a Lost Time Injury Frequency Rate (LTIFR) of less than 1.0, but we did not achieve our stretch target of 0.50 as we recorded an outcome of 0.76 (2008: 0.54). Total Recordable Injuries declined to 20 (2008: 28) and High Potential Incidents (HIPOs) declined to 10 (2008: 24). Over 6.6 million hours were worked in Tullow in 2009, an increase of 18% on 2008. 4.4 million of those hours were worked in Africa.

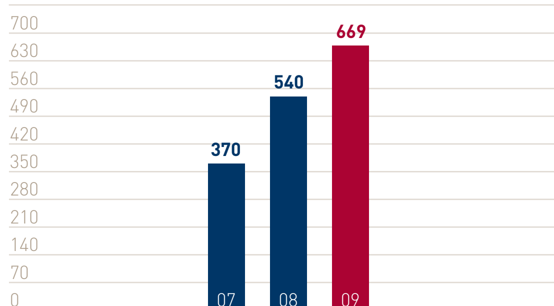
Excellent environmental engagement

Across the Group, a strong environmental performance was achieved. There were no major environmental incidents and good progress was made with toes (Tullow Oil Environment Standards). Some excellent work was undertaken with the Ghana Jubilee Environmental Impact Assessment (EIA) and public consultation process, the French Guiana EIA and the environmentally sensitive approach taken to drilling the Ngassa-2 well in Uganda. While these case studies will be fully documented in our upcoming 2009 Corporate Responsibility Report, further information is available in the corporate responsibility section on page 72 of this report.

Growth in total workforce

24%

year-on-year increase in Tullow's total workforce in 2009 as we continued to invest in building our team and organisation.



"I would like to take this opportunity to thank our shareholders and banking partners for their continued strong support, which is fundamental to the long-term success of Tullow."

Pat Plunkett
Chairman

Building a very strong team
Each year I write about the level of investment we are making in building the Tullow organisation. 2009 was no different. The Tullow team continued to grow with 182 new people joining during the year. Our total workforce is now 880 people with 669 full time employees and 211 full time contractors. We are also investing in developing in-country skills and now have over 75% Ugandan nationals working in our operations in Uganda and over 80% Ghanaians in our operations in Ghana.

Our 2009 independent employee survey delivered excellent engagement results and most representative of all was staff turnover of only 2.0% during the year. This survey also demonstrated good engagement with our values and culture, which is an important measure, as the Group continues to grow.

Strengthened capital structure
Our finance team secured US$2 billion and US$250 million debt facilities in March and December 2009 and raised gross proceeds of £1.3 billion with two successful equity placings in January 2009 and January 2010. The combination of the Group's equity and debt raising and the successful completion of the Ugandan farmdown will ensure that Tullow is adequately capitalised to fund its medium-term strategy. Further information on Tullow's strategy, long-term financing and risk management are on pages 24, 60 and 62.

In February 2010, we received preliminary results of an independent investment community perception survey. The results are very positive and the Board looks forward to a full presentation in April to review, and address as appropriate, some of the strategic considerations this research has raised.

Strong portfolio management
On 17 January 2010, Tullow chose to exercise its right of pre-emption for the entire interests of Heritage Oil plc, our partner in the Lake Albert Rift Basin, in Uganda. A formal request for Government consent to transfer these assets to Tullow was submitted on 2 February 2010. The acquisition price is expected to be up to US$1.5 billion.

Tullow is now working closely with the Government to gain approval for the pre-emption of the Heritage interests in parallel with the farmdown process, which is now at an advanced stage. Two new potential partners have been identified, CNOOC and Total, and it is expected that each partner will take a one third interest in each of the three blocks.

Presentations by all parties have recently been made to the relevant Ugandan authorities and Tullow expects the transactions to be signed in April 2010. This will result in a unified partnership with considerable experience and financial capability to enable Uganda to become a significant oil producing nation.

Prudent dividend policy
The Group has very significant capital requirements with forecast 2010 capital expenditure close to £1 billion. As a result, the Board feels it is best to continue to be conservative in its approach to Tullow's dividend policy and that it is appropriate to maintain the final dividend at the 2008 level. The final dividend proposed is 4.0 pence per share, which brings the total payout for 2009 to 6.0 pence per share (2008: 6.0 pence per share). The dividend will be paid on 21 May 2010 to shareholders on the register on 16 April 2010. The Annual General Meeting will be held on 12 May 2010 at Haberdashers Hall in London.

Consistent strategy
With partners and governments we are working to commercialise two world-class basins in Ghana and Uganda. We are retaining our exploration focus with up to 12 Equatorial Atlantic, 10 Ugandan and eight wildcat wells planned in our 2010 E&A programme. We are underpinning these activities with appropriate financing and risk management strategies.

Our short to medium-term objective is to build a business with a production output and operational cash flow that is capable of funding a major annual exploration programme.

Dynamic risk management
Risk management is an integral part of our strategy and our operations. As a business we could not function at such a high level unless we are very specific about the identification and management of risk, and how we respond if things go wrong. Risk factors are reported monthly to the Board in an independent process which is validated by Group Internal Audit. It is a dynamic system that continually

updates risk factors as they are identified or come to the fore. It is action-orientated and specifies what must be done, helping us to develop better mitigation and responses to changes in the external operating environment. The key risks for Tullow in 2010 are execution risk in Ghana and Uganda and exploration risk in the context of the high level of planned exploration and appraisal activity across our portfolio. More detail on risk management can be found on pages 62 to 65.

Key Performance Indicators

As our business has grown we have become more disciplined and sophisticated in how we measure our progress. The Group has seven KPIs split between two non-financial and five financial indicators. We also identified the need to recognise the major transition the Group is currently going through. Specific performance objectives have therefore been defined for finance, portfolio management and our major projects in Ghana and Uganda.

While we did well overall against our performance indicators and objectives, there were three areas where we did not achieve the top possible outcome. We fell marginally short of our production target; we reduced our safety performance achievement by 50% as a result of the fatality in Bangladesh and the Ugandan farmdown was not finalised in 2009.

A very bright future

Tullow had another outstanding year in 2009 and the pace of activity continues as we move into 2010, with some remarkable achievements already. We plan to consolidate the exceptional progress we have made in the last five years and leverage our unique position as Africa's leading independent oil company.

Pat Plunkett
Chairman

Graham Martin
General Counsel and Company Secretary

Governance highlights

Governance highlights for the year include:

- First year of full compliance with the Combined Code;
- Three-day Board visit to the Cape Town office;
- Review of the structure and content of Board meetings to increase the focus and time spent on strategic matters;
- Launch and rollout of the Code of Business Conduct and a planned update this year;
- Review by Internal Audit of political and country risk processes and resources;
- Board evaluation which concluded that considerable progress had been made since the last external evaluation in 2007;
- Investment in building an External Affairs function and developing a programme to ensure we manage the significant responsibilities that come with our major projects; and
- Briefings at all locations regarding Tullow's long-standing zero tolerance towards any form of bribery or corruption.

Our approach to corporate responsibility

At Tullow, corporate responsibility incorporates social investment and enterprise development, risk management, EHS, supply chain management and Human Resources (HR). Investor Relations and External Affairs and consultation with our stakeholders is also part of our approach to corporate responsibility.

Shareholder feedback

We always welcome shareholder feedback and please feel free to email Pat Plunkett at chairman@tullowoil.com.

Corporate governance page 78

Key Performance Indicators (KPIs)

We measure our progress through seven KPIs that are closely aligned with delivering our strategy which seeks to deliver sustainable long-term growth. Four KPIs are linked to the bonus element of Executive Directors' remuneration.

Non-financial

Lost Time Injury Frequency Rate (LTIFR)

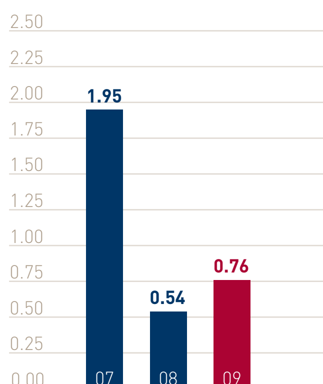
0.76 LTIFR

Aim
Our top operational priority is to keep people safe. To measure this the Group's objective is to deliver top quartile industry safety performance and achieve a preset absolute target.

Measurement
Rigorous and consistent incident reporting procedures are in place throughout Tullow. These include analysis, follow-up, remedial actions and communication of learnings. H&S is reported to the Board monthly and annually.

Risk management
H&S is part of all operational planning and activities. We also have clear H&S policies and procedures supported by strong EHS leadership, accountability and commitment in each asset and at each level of the business.

2009 Performance
While we achieved our baseline target of <1.0 LTIFR, the Group did not deliver top quartile industry safety performance. In 2009, Tullow had its first ever fatality. As a result the bonus element relating to this KPI was reduced by 50%.



Staff turnover

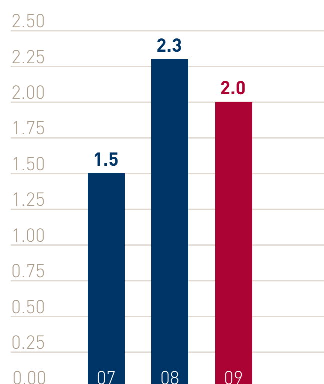
2.0%

Aim
We aim to be the employer of choice in the industry so that we have the right resources and capabilities to deliver our strategy and business plans.

Measurement
We have a Board approved HR strategy and HR resources are deployed throughout the Group. There are systems to identify issues early. People who leave are debriefed so we can improve our policies. An annual global employee survey is conducted.

Risk management
Tullow's best defence against the disruption to the business of a people skills shortage or unexpected departures is to create an environment that allows people to work and contribute in the best way possible and to recognise and reward them appropriately for their contribution.

2009 Performance
2.0% of staff left the Group in 2009, compared with 2.3% in 2008. This is a strong performance during a year when the Group's total staff grew by 24% to 669 people, following a 50% increase in 2008.



Financial

Working interest production

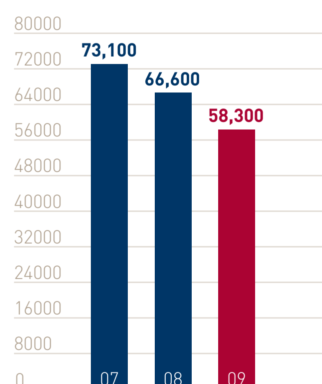
58,300 boepd

Aim
Production is key to revenue and cash generation. We aim to achieve production in line with the Group's annual budget and market guidance.

Measurement
Daily and weekly production is monitored from key producing assets. Production is reported weekly and monthly to senior management and forecast updates are prepared regularly during the year.

Risk management
The Group's investment in major field development in Ghana and Uganda will significantly enhance our production profile and is moving Tullow's operating capability to the next level. A strong operational performance in production planning and monitoring mitigates against unplanned interruptions.

2009 Performance
The Group's baseline production target for 2009 was 58,700 boepd. 2009 actual production was 58,300 boepd, therefore the bonus element relating to this KPI was not awarded.



Reserves and resources replacement

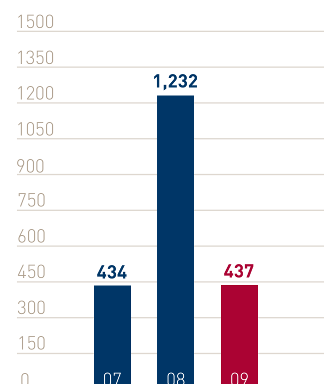
437%

Aim
Replacement of reserves and resources is focused on continuing to grow the Group's production potential.

Measurement
Reserves estimates for each field are reviewed by an independent engineer, in the event of significant new data or a material change. A review of each field is undertaken every two years. Resources estimates are also produced by an independent engineer.

Risk management
The Group manages replacement risk by maximising reservoir performance in producing fields, through operational and technical capability, and continued exploration success based on focused material campaigns.

2009 Performance
The Group achieved 437% organic reserves and resources replacement in 2009. This follows-on from a record 1,232% organic replacement in 2008.



Cash operating costs per boe

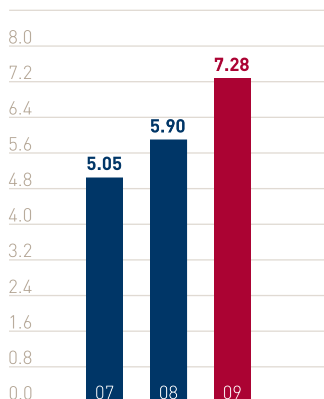
£7.28 per boe

Aim
Cash operating costs per barrel of oil equivalent (boe) are a function of industry costs, inflation, our fixed cost base and production output. We aim to maintain these costs within strict predefined limits.

Measurement
Cash operating costs are reported monthly on an asset basis and are monitored closely to ensure that they are within preset parameters.

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 against the potential effects of cost increases.

2009 Performance
In 2009, Tullow set a baseline target of £7.90 per boe and a stretch target of £7.51 per boe. Cash operating costs for 2009 were £7.28 per boe and the bonus element relating to this KPI was achieved.



Operating cash flow before working capital

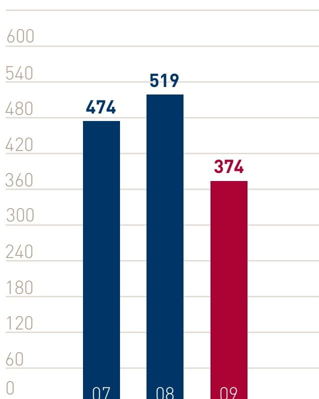
£374 million

Aim
Growing our business is capital and cash intensive and we aim to ensure in the medium term that capital expenditure together with debt and dividend commitments can be serviced from strong operating cash flow.

Measurement
Operating cash flow is reported monthly with regular forecasting for longer periods to support long-range planning and investment decisions. Annual and project budgets require Board approval.

Risk management
Strong financial and operating management, disciplined monitoring and reporting, long-range cash flow forecasting and strong banking and equity relationships assist the Group in managing liquidity.

2009 Performance
Reduced commodity prices and lower sales volumes led to a reduction of 28% in operating cash flow in 2009. The operating cash flow and equity placing proceeds facilitated capital investment of £758 million in 2009.



Total Shareholder Return (TSR)

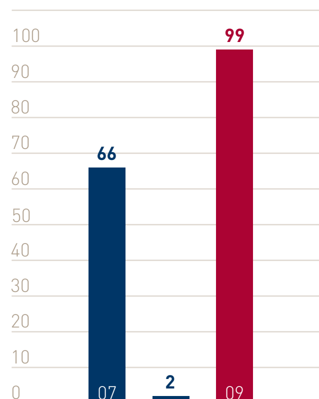
99%

Aim
Our aim is to create shared prosperity for all stakeholders and our strategic objective is to achieve top quintile TSR growth versus our industry peer group.

Measurement
TSR – share price movement and dividend payments – is reported monthly and on an annual basis at year-end to the Board. The industry peer group is regularly reviewed.

Risk management
The Board is responsible for the execution of Tullow's strategy and it is reviewed annually as part of three year business planning. Being a well run business, delivering well against business plans, being open and transparent and maintaining strong capital market relationships underpin delivery of TSR.

2009 Performance
The stretch target relating to the bonus element for TSR is based on top quartile performance and an absolute return of 15% or more. In 2009, Tullow was third out of a 16 strong peer group and delivered 99% TSR. As a result the bonus element relating to this KPI was achieved.



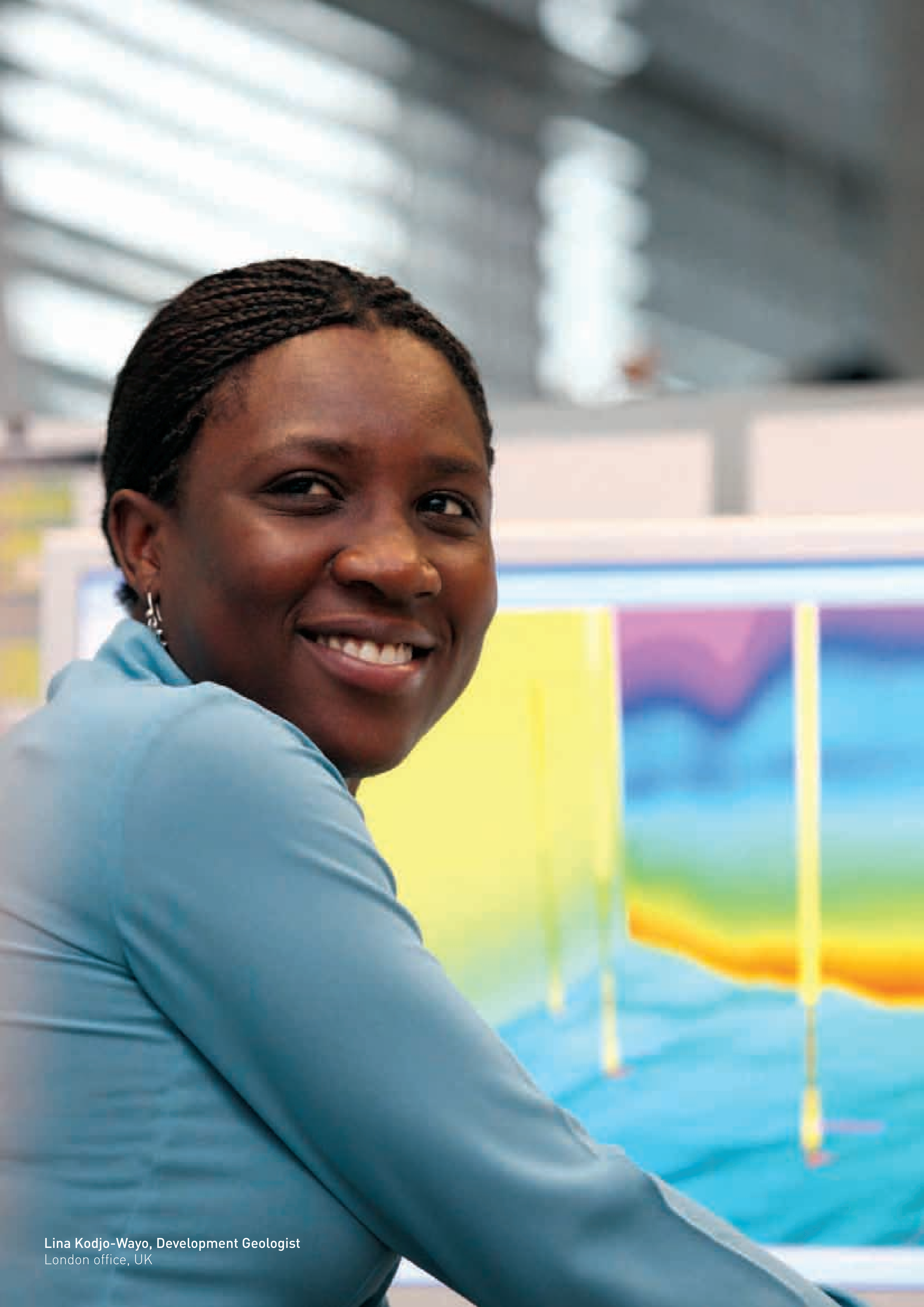
The bonus element of the Executive Directors' remuneration is linked to LTIFR, Working interest production, Cash operating costs per boe and TSR. Other KPIs relating to bonus remuneration include finding costs per barrel, specific in-year finance and portfolio management objectives and key project milestones for Ghana and Uganda.

Our strategy

Our strategy page 24
Risk management page 62
Remuneration Report page 91

Go online at www.tullowoil.com

Glossary
boe Barrels of oil equivalent
boepd Barrels of oil equivalent per day
EHS Environment, Health and Safety
H&S Health and Safety
HR Human Resources
KPI Key Performance Indicator
LTI Lost Time Injury
LTIFR LTI Frequency Rate measured in LTIs per million hours worked
TSR Total Shareholder Return



Lina Kodjo-Wayo, Development Geologist
London office, UK

3

Achieving top quintile growth

Exploration success and consistent delivery in major projects has transformed Tullow into Africa's leading independent oil company. Big projects bring big responsibilities and we want to fulfil our role in the long-term sustainable development of Africa.

Chief Executive's review **22**

2009 was a great year for Tullow and we are clear on our business plans for the next three years. We have never been in a better position to grow and take on new opportunities and we look forward to 2010 with confidence and excitement.

Our strategy **24**

Our objective is to deliver top quintile TSR in our industry peer group. Tullow ranks number one over a five year period with 802% TSR and number three for 2009 with TSR of 99%.

Our markets and industry **25**

Initial indications for the industry in 2010 are positive as demand for oil is expected to rise as the global economy recovers.

Our approach to exploration and production **26**

Exploration and appraisal success is built on teamwork, scientific follow-through and strong relationships with partners and governments. Production and development monetise resources as quickly as possible and this focus is expected to result in first oil from the Jubilee field in record time.

Tullow continues to develop a business that creates value through combining high-impact exploration with lower-risk appraisal and growing production; underpinned by a well funded capital structure.

Becoming Africa's leading independent oil company

Tullow has a long history in Africa. We know and understand the continent well which is rich in under-explored petroleum basins that offer material upside potential. We acquired our first licences in Senegal in 1985 and over the last decade the continent has been the major focus of our activity. We have put our energy and capital into exploring, appraising and developing significant resources in Africa and are well advanced towards first commercial production from major new basins in Ghana and Uganda. We are well organised in Africa and have 50 licences in 16 countries, spanning 130,000 sq km. We have key production and development assets in seven countries, 338 employees, five business units, a main office in Cape Town and regional offices for our major developments in Accra and Kampala.

"Big projects bring with them big responsibilities and we are determined to make a major contribution to building in-country capacity and developing indigenous enterprise. This role fits well with our entrepreneurial spirit and our values."

Aidan Heavey
Chief Executive Officer

Doing business in a transparent and ethical way

Our longevity and experience means we know how to do business in Africa in a transparent and ethical way. We also understand the management of associated risks. We have major project teams in Ghana and Uganda who, together with our partners, complete ongoing risk analysis and reporting. Our African exploration team champion and develop exploration opportunities within a competitive global capital allocation process. We are always challenging where the greatest opportunities are and as a result we continue to de-risk our African portfolio with material discoveries.

There is potential during operations to damage the ecosystems and biodiversity that often underpins the sources of food and the livelihoods of local communities. The open, detailed and transparent approach we took in Ghana to the EIA, together with our investment in the development of 21st Century operations, exemplify how seriously we take this challenge in developing our operations in Africa.

Embracing big projects and big responsibilities

Our reputation is built on trust, respect, transparency and strong business ethics. To us it is a key business enabler. It creates the opportunity for us, for example, to work closely with the Ugandan Government to gain their approval for the pre-emption of the Heritage interests in the Lake Albert Rift Basin, in parallel with a farmdown of up to two-thirds of the combined assets to leading industry partners. This process is now well advanced and we fully expect to agree an aligned and accelerated basin-wide development plan this year.

Tullow's role in the development of two major new oil provinces gives us a significant position in laying the foundations for the long-term development of social and economic capacity and avoiding 'the curse of oil'. Through human resource initiatives and training, we are developing in-country skills and have specific localisation recruitment policies. In our wider supply chain we work with local businesses and suppliers to help them to develop in-country services that Tullow and the industry will require. Given the scale of our investment in Africa, over £2 billion in three years including 2010, we can, and do, exert influence over our supplier base and how large multinational suppliers set-up their operations in-country.

Being entrepreneurial is a core value for Tullow and it is important that other businesses and enterprises develop alongside our operations. We recognise that there is always more work to do and in particular in our contribution and role in social enterprise and community development.

Managing our operating environment

To function as a business we must have a very outward looking perspective. We take account of what our owners, partners, governments, employees, communities and related social groups are saying to us. A large part of my role is to ensure that the environment in which Tullow needs to operate and prosper is working. Together with Tullow's Executive Directors we dedicate a lot of time interacting with our key stakeholders and have developed strong internal resources in areas such as Investor Relations, Human Resources, Internal Communications and, more recently, External Affairs.

Creating shared prosperity

A key responsibility of our new External Affairs function is to develop an aligned long-term approach to corporate responsibility activities to underpin and define all we do in this very important aspect of our business. This approach will work in partnership with all our stakeholders to ensure that the oil and gas resources we manage act as a positive catalyst for new opportunities and economic development, creating shared prosperity.

Building a winning team

African cultures are very people centric and this we feel gives us a natural affinity with Africa. At the heart of Tullow are our people. We are continuously building 'best in class' resources and skill sets across the Group. We have an exceptional exploration team and a great portfolio of assets for them to work on. Our development team has created the benchmark for deepwater development in Ghana and are now looking to accelerate plans to develop another world-class basin in Uganda. We have an experienced production team with a strong track record of adeptly maximising production output who are looking forward to contributing to the management of our growing production profile. We not only build very strong internal teams, but it is our ability to bring groups of companies to work together which means we can consistently deliver on each challenge and milestone.

Having clear business plans

We are clear on our business plans for the next three years. These are developed from our strategy and are closely aligned with continuing to build a business that delivers top quintile growth. Our strategy and business model are outlined on page 24.

Our 2010-2012 business plans are:

1. Deliver Jubilee Phase 1 first oil, production ramp up and assess all subsequent phases of development in Ghana;
2. In Uganda, agree an aligned accelerated basin-wide development plan over the next 12 months, followed by delivery of first commercial oil and first commercial power in 2011;

Our strategy

Vision
Our vision is to be the leading global independent exploration and production company

Strategy
Tullow pursues a consistent and repeatable strategy which seeks to deliver sustainable long-term growth with a balance between funding, exploration and production spend, and major activities in core areas

Strategic objective
To deliver top quintile Total Shareholder Returns versus our industry peer group

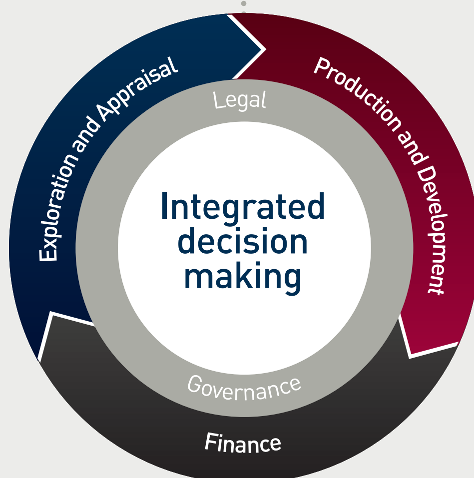
Strategic priorities

1. Executing selective, high-impact exploration programmes funded by surplus cash flow or equity
2. Delivering major projects, with a significant focus on increasing bankable reserves
3. Managing our assets to high-grade the portfolio, replenish upside and assist funding needs
4. Ensuring safe people, procedures and operations, and minimising environmental impacts
5. Building long-term relationships with local governments, communities and key stakeholders
6. Continuing to develop a strong team with excellent commercial, technical and financial skills

Our business model

Exploration and Appraisal
Strategic responsibility for executing prioritised high-impact exploration campaigns, and managing the Group's portfolio of licences to continually replenish upside potential and assist with funding needs. E&A identify core plays, prioritise prospective exploration options and execute E&A programmes with material follow-on campaigns.

Finance
Strategic responsibility for funding sustainable long-term growth through an appropriate capital structure that achieves a balance between the funding requirements of E&A activities, P&D activities and the capital needs of developing major projects.



Production and Development
Strategic responsibility for delivery of major projects with a strong focus on the management of production and increasing bankable reserves, which are critical to revenue and cash flow generation. P&D also has responsibility for ensuring safe people, procedures and operations and minimising environmental impacts.

Legal and Governance
Strategic responsibility for maintaining the highest corporate and ethical standards and building a strong global team with excellent legal and commercial skills. Responsibility includes all governance and legal issues including full regulatory compliance.

KPIs page 18. Risk management page 62

3. Continue to broaden, evaluate and drill out high-impact prospects and maximise the value of all producing assets. A very active E&A programme is under way in 2010 with up to 30 wells planned this year; and
4. Implement a long-term funding plan with a more appropriate capital structure for the increased scale of our business and the number and range of opportunities available to us.

Challenging markets and industry backdrop

There are some signs that major world economies are emerging from recession. Equity markets have improved but remain volatile. Commodity markets improved over the course of 2009 and Brent Crude moved from a low of US$39/bbl in February to a high of US$79/bbl in December 2009. The weakening of the US Dollar was another notable trend for most of 2009, with the Sterling/US Dollar rate reaching a high of £/US$1.70 in August 2009. Our business plans aim to achieve an appropriate return over the long run, even in low price environments but sharp movements can lead to short-term volatility in earnings as demonstrated in our 2009 results.

In 2009, the uncertain economic outlook, coupled with weak commodity pricing at the start of the year, led to delays or postponements in price sensitive capital expenditure. Lower cash flows forced industry peers to preserve capital and focus primarily on development rather than exploration expenditure. This improved in the second half as commodity pricing recovered and most oil-field equipment and services costs fell. Early in 2009, we put in place a strong financial strategy which delivered over £3 billion of funding over the course of a year.

Initial indications for the industry in 2010 appear positive as demand is expected to rise as the global economy recovers. Longer-term oil supply may struggle to keep up with future demand and a growing consensus is that demand in developed economies has peaked and non-OECD countries will drive future demand.

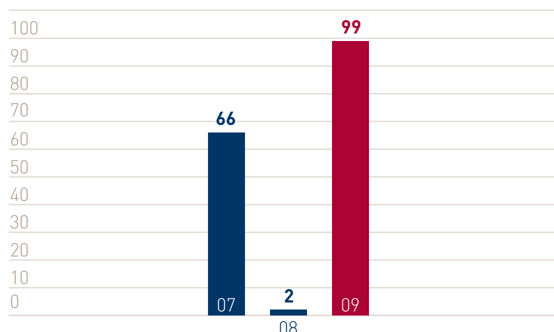
The industry cost picture is more complex. Highly specialised equipment leased on long-term contracts, such as deepwater rigs, largely retain their value but the cost of most general equipment and services has fallen to create a lower cost environment. Delivering current development projects on time and within budget remains a key focus for Tullow.

Well capitalised companies, as we now are, retain financial and operational flexibility, enabling us to maximise value. Corporate activity is strong and limited opportunities to access frontier acreage creates intense competition for these assets.

Total Shareholder Return (TSR)

99%

A strong year saw Tullow finish as the 14th best performer in the FTSE 100.



Rebalancing our business

Increased scale and rapid growth requires us to adjust and evolve aspects of our business model. It is an inevitable consequence of our success and it now sees Tullow transition from a singular focus and investment in exploration and appraisal to building up a more appropriate production profile for a Group of our size. We are rebalancing our business so that we can continue to fund a very active exploration programme with an aligned production output and operating cash flow. Our goal is to have a business that is capable of spending US$500 million per annum on exploration and appraisal. This provides the platform for us to continue to grow and create new opportunities.

Achieving our strategic objective

In 2009, TSR for Tullow was 99% representing a top quintile performance versus our peer group and the 14th best performer in the FTSE 100. In five years to the end of 2009, TSR for Tullow was 802% placing the Group number one for TSR versus our peer group for that period.

Our strategic priorities are clear and consistent and they are aligned with our values, business model and risk management. We have never been in a better position and we look forward with confidence and excitement.

Aidan J Heavey

Aidan Heavey
Chief Executive Officer

Our approach to exploration and production

A fully integrated approach to our business with strong teamwork, appropriate technology and an entrepreneurial culture is enabling us to deliver extraordinary results from our Exploration and Appraisal and Production and Development teams.

Angus McCoss
Exploration Director

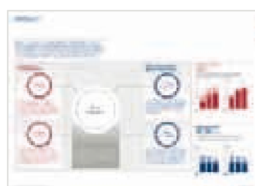
Paul McDade
Chief Operating Officer

Exploration and Appraisal (E&A) and Production and Development (P&D) are two critical parts of Tullow's business. In E&A we explore for oil and gas resources using geographical and geophysical expertise and technologies, balancing high-risk exploration drilling with lower-risk appraisal. In P&D we develop and produce these discovered resources, growing our revenue to fund our annual exploration programme.

Tullow's E&A and P&D teams use a simple, formula for maximum performance. The reasons behind their outstanding results are a combination of strong teamwork, the right technology for each job and a genuinely entrepreneurial culture.

We strive to ensure that the E&A and P&D teams are fully and seamlessly embedded into the Group's overall business development and growth objectives. This is co-ordinated at Group level through the Board and Executive team, who consider the overall capital and resource allocation and adjust the balance between the pace of exploration, appraisal, development and production campaigns with a view to maximising shareholder value.

How we create value



We create value in two main ways, by growing and then commercialising our resource base.

Read more on page 10

Jubilee special feature

First oil in Ghana this year will create a new record from discovery to delivery of major deepwater production.

Read more on page 39

Corporate responsibility

We believe good corporate responsibility is fundamental to implementing our strategy and accomplishing our strategic objective.

Read more on page 68

Exploration and Appraisal

"Tullow's strategy enables bold exploration led-growth. By combining geological insight, teamwork, focus and a lot of experience, we reduce risk and create significant value by discovering nature's hidden oil. To do this well we don't follow the pack, we try and lead it."

Angus McCoss, Exploration Director

Our performance in exploration is marked by notable and consistent success. There's no secret to it. It is down to teamwork. Strong exploration teams are built on a basis of openness, trust and creativity. They are equipped with the most appropriate and often highly innovative technology, have vast and diverse experience and a clear geological focus. This is what makes us different, what gives us an edge. In a sense, this is Tullow's unique selling point. Utilising our collective skills and integrating them for maximum performance, has led us directly to major discoveries such as those in Ghana and Uganda.

The right technology at the right time

In applying our scientific approach Tullow draws on another key determinant of success – applying the right technologies at the right time. We select the best methods and tools at each point of the exploration cycle from new venture identification through seismic acquisition, processing and interpretation to precise well location and drilling methods. We continuously scrutinise our exploration portfolio selecting only the best leads to be matured into prospects before being drilled. Typically only the top 10% of the prevailing lead inventory will be drilled in any year.

Geology before geography

Only 0.5% of the surface of the earth has readily movable oil or gas beneath it. To target only the highest value quartile of this tiny 'oil patch', we limit ourselves to exploring less than 0.125% of the earth's surface. This is a tough challenge and one which is best tackled through scientific methods.

Putting geology before geography means we focus on building prospective acreage positions and strengthening our business relationships in areas with well-founded potential for oil. For Tullow, this means we focus on three core play types and we leverage our capabilities in those plays across the world. The Group has 200 to 300 leads and prospects, covering all stages of evaluation from initial screening through to delivering commercial discoveries. Each of the core plays is proven to have first class potential and each comes with its particular value and challenges.

- Stratigraphic traps can have exceptional upside and often lie subtly within held acreage. We are developing proven expertise in this play and in particular in the vast potential that lies in the Equatorial Atlantic regions of West Africa and South America.
- Rift basins are a fundamentally rich setting for petroleum exploration and benefit from excellent source rocks and generally straightforward structural geology. Tullow has gained extensive expertise in this core play, mainly in Uganda.
- Salt basins – Salt is a first class seal and salt tectonics form a rich diversity of Salt Basin trap types. Tullow's seismic acquisition, processing and interpretation expertise in Salt Basins provides a tangible competitive advantage, which we are applying to our acreage in Mauritania and Senegal.

None of us is as smart as all of us

Ultimately oil is found through creative teamwork. When recruiting and developing staff, we emphasise skills in play-making, prospecting and appraising. We also encourage and develop those who have particular technical expertise to deepen their skills, ensuring Tullow stays at the leading-edge of industry practice. While Tullow values and fosters individual creativity in prospecting, this is amplified by imaginative teamwork and thorough scientific evaluation by multi-disciplinary teams. We extend our teams to include partners in the industry and governments, whose independent approach, local knowledge and basin-wide perspectives make a valuable contribution to exploration success.

Learning from experience

Oil and gas exploration always carries a significant risk of failure. But in this industry any failure helps us to become better. There is no blame or shame in a dry-hole, provided that it was drilled for the right reasons, after due scientific process gave a green light. Even the latest and the best technology and methods, such as advanced 3D seismic, cannot completely remove geological risks. This is especially the case when geological risks in new basins can only be calibrated by referring to distant wells. And they can be very distant. For example, Tullow's successful Venus-B well in Sierra Leone was 1,100 km from the nearest comparable discovery, in deepwater Ghana. Without these challenges, finding oil and gas would be easy. But such challenges, along with our occasional failures, help us to better understand the geological plays and the technology and methods we use, and to hone our interpretation skills. We learn equally from discoveries and from dry-holes. Planning and decisions are guided by the understanding that we garner in the course of both experiences.

Equally, what we decide not to do is often what sets us apart from the rest of the industry. Tullow's successes in the Equatorial Atlantic are firmly based on our focus on Upper Cretaceous turbidites, whilst most of the industry concentrated on the younger Tertiary turbidite prospects elsewhere.

Building and developing exploration capability

Our capability owes a great deal to the way in which we can attract and retain people. The combination of our track record and our reputation for exciting and challenging geological projects makes us an attractive employer for some of the most experienced playmakers and prospectors in the industry today. The best geoscientists are independent thinkers who are also great team players and that's why they feel at home with Tullow. Our Global Exploration Leadership Team (GELT) of 15 leading explorers has over 300 years experience and oversees the overall management of our exploration initiatives and ultimately decides which prospects will be drilled.

The team comprises two distinct elements which operate in a kind of critical tension, given their competing yet complementary responsibilities. There are regional exploration managers who work closely with the regional business units. There are portfolio managers for exploration, technology and new ventures, along with industry specialists. Their function is to assist, challenge and assure, as appropriate, in regard to technical, commercial and financial considerations.

Essentially, this means we get a rigorous and objective exploration process which sifts out weaker leads and concentrates on the most promising opportunities.

Production and Development

"In P&D we work to ensure that Tullow's exploration success translates into long-term value for shareholders and the countries in which we operate. In 2010, we are driving towards first oil in Ghana and considerable effort will be focused on developing our assets in Uganda."

Paul McDade, Chief Operating Officer

Our ability to achieve timely commercialisation of our hydrocarbon resources requires us to identify very clearly what assets merit development and which are better suited to dilution or sale. This ensures that our exploration success, which has resulted in very significant growth in hydrocarbon resources, translates into long-term value for our shareholders.

Unique culture delivers strong results

Tullow's unique culture has reaped benefits for the Group and has helped harness co-operation and knowledge from industry partners and contractors. Ghana's Jubilee deepwater development exemplifies the success of this approach. The field has delivered a new industry benchmark, with the first oil expected in just over three years from discovery of this field. Elsewhere, our new deepwater well engineering team has been independently ranked as the top performing team in West Africa deepwater.

A team approach at all times

We believe that the team approach which has served Tullow so well in recent years can deliver outstanding results in many of the partnerships in which we are involved and where others operate assets on our behalf.

For example, in many projects involving in-fill wells and incremental developments we contribute ideas to ensure that the capital we spend is used as efficiently as possible. This is the case in relation to the Banda gas field in Mauritania where many of our ideas have been taken on board by both the operator and by the national government. Similarly, in Namibia we are working as a team combining the skills of the upstream, downstream and power companies, along with the government, to commercialise the Kudu gas field.

Developing local skills and content

Developing local skills and content is just as important as developing local oil and gas fields. In Ghana and Uganda, Tullow works in partnership with government on a variety of development projects.

In Ghana, for example, we have trained staff from the national oil company and worked with the maritime agency to help local fisherman whilst protecting new offshore assets. In Uganda, we have sponsored projects to educate people in the Lake Albert area about sustainable fishing practices, swimming, lifesaving skills and health training. New roads and transport links will also benefit the region.

Managing the environment

Our approach to the environmental impact of our operations is simple and exacting. At a bare minimum, it is our policy that there should be no net loss in environmental terms wherever we work. We also strive for a net gain over the course of our involvement in any given area. This means very careful planning and using a range of alternative options

Drilling operations on the Mahogany-4 well, offshore Ghana
Mahogany-4 formed part of the exploratory appraisal programme in the south-eastern part of the Greater Jubilee area.

and solutions so that we can protect, sustain and contribute to environmental management wherever Tullow is active.

Environmental concerns are a core component of Tullow's values and are absolutely central to our current and future success. Environmental and Social Impact Assessments (ESIA's) are produced by independent consultants in order to ensure a robust and comprehensive account of the potential effects of our activities. Our overall strategy for environmental management is a key element within our business model and has been independently certified to the internationally recognised ISO 14001 standard. In addition, core parts of our published data are independently assessed and assured. Ultimately, we strive to ensure that our mitigation and preventative strategies effectively minimise our environmental impact.

Safe working and continuous learning

As Tullow has grown we have always tried ensure that the health and safety of our workers, and of those around us, is never compromised. We formed an EHS Leadership Team comprising senior managers who have daily responsibility in this area. The integrated nature of this working group means that best practices are shared and implemented right across all of our operations.

In 2009, the EHS leadership team introduced new initiatives such as operational management commitment statements, where each member states how they plan to deliver a safe working environment for their staff and stakeholders. A new EHS training programme has been designed and launched and will roll out to 110 managers across the Group during 2010.

We also learn lessons when things go wrong. In 2009, Tullow had its first fatality with the tragic death of a subcontractor working for Tullow in Bangladesh. We immediately launched initiates to identify improvements in practice across the Group. Over 85% of our staff attended a Tullow-wide workshop devoted to learning lessons from this tragic accident. Further information on our response is on page 73 of this report.

Value creation through focused commercialisation

Whilst Tullow has continued to increase its capital expenditure on development and production, with around £600 million planned in 2010, the discipline of high-grading assets for development at the appropriate equity participation level ensures capital is used efficiently along with available human resources. By diluting or selling equity in other assets, we aim to ensure these are also commercialised in a timely manner. This high-grading process is also applied to incremental investments in producing assets so that they attract the correct level of investment to deliver optimal reserves recovery and production levels.

In 2010, we will continue to drive towards first oil in Ghana in the fourth quarter and considerable effort will be focused on developing world-class discoveries around Lake Albert in Uganda. As in Ghana, Tullow's approach in Uganda is collaborative, involving all partners and our host government. This will harness the full range of skills and experience to ensure the best long-term commercialisation in this environmentally sensitive area.

Allan Mugisha, Trainee Drilling Engineer
Kampala office, Uganda

4

Success and progress in Africa

Our operations in Africa delivered an outstanding performance in 2009. We made major discoveries and de-risked our portfolio with important basin-defining wells and our development projects are on target to deliver the first step in major production growth from the end of 2010.

Uganda 33

With over 800 million barrels of resources and strong new partners entering the Lake Albert Rift Basin, the Group is poised to accelerate exploration, appraisal and development.

Ghana and Equatorial Atlantic 37

This region holds huge potential for Tullow. Jubilee and Tweneboa are major discoveries with considerable upside potential and Tullow has exposure to prospective acreage in four countries along the Equatorial Atlantic coastline.

Jubilee case study 39

This special feature details progress since the first discovery wells in 2007, and demonstrates how we and our partners are developing the Jubilee field in record time.

Other Africa operations 47

The Group's African operations are delivering two thirds of current production from assets in Equatorial Guinea, Gabon, Côte d'Ivoire, Congo (Brazzaville) and Mauritania.

Africa: Excellent progress has been made across the whole of Tullow's African portfolio in 2009. Existing production remains strong, significant new developments are on track, and the Group's position has been enhanced through highly successful exploration, appraisal and portfolio management activity.

2009 Highlights

38,500boepd
Average working interest production

87%
Exploration and appraisal success rate

Tweneboa
Significant oil and gas condensate field discovered in Ghana

Jobi-Rii
Largest recent oil discovery onshore sub-Saharan Africa

Q4 2010
Jubilee development remains on track for Q4 2010 first oil

CNOOC and **Total**
Very strong partners being introduced to support development in Uganda

Key producing assets

Country	Producing field (Tullow %)	2009 Working interest production (boepd)
Congo (Brazzaville)	M'Boundi (11%)	4,350
Côte d'Ivoire	Espoir (21.33%)	5,000
Equatorial Guinea	Ceiba (14.25%)	4,850
	Okume Complex (14.25%)	10,250
Gabon	Etame/Avouma (7.5%)	1,700
	Niungo (40%)	3,500
	Tchatamba (25%)	3,400
	Others (3.75% – 40%)	3,400
Mauritania	Chinguetti (19.01%)	2,050

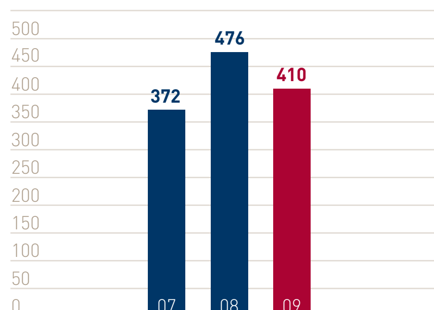
Glossary
boepd Barrels of oil equivalent per day
bopd Barrels of oil per day
CNOOC China National Offshore Oil Corporation
CO_2 Carbon dioxide
DRC Democratic Republic of Congo
FEED Front End Engineering and Design
FPSO Floating Production Storage and Offloading vessel
FTG Full Tensor Gravity Gradiometry
GNPC Ghana National Petroleum Corporation
km kilometres
mmbo Million barrels of oil
mmboe Million barrels of oil equivalent

Sales revenue

£410million

Down 14% on 2008

A 6% decline in production year-on-year and lower global commodity prices in 2009 resulted in sales revenue for Africa falling £66 million.

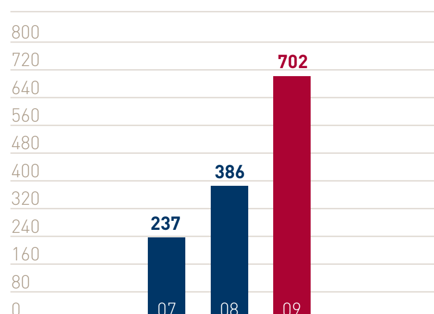


Capital investment

£702million

Up 82% on 2008

Development work on the Jubilee field in addition to extensive exploration activities in Uganda and Ghana, resulted in increased capital expenditure in 2009.



Uganda

2009 has been another landmark year for Tullow in Uganda. The discovered resource base is now in excess of 800 million barrels of oil and the first phase of development has commenced, targeting gas to power and first commercial oil production in 2011. In addition, through a series of ongoing transactions, Tullow is in the process of aligning equity interests across the basin to accelerate development.

Strong partnership to accelerate basin development

In October 2009, Tullow commenced a transparent farm-down process to sell a proportion of its interests in Blocks 1, 2 and 3A in the Lake Albert Rift Basin. The purpose of this process is to bring in experienced and like-minded partners with downstream expertise in order to deliver an accelerated basin-wide development. The process attracted strong interest from a number of major international and national oil companies who visited Tullow's data rooms and Ugandan operations and made representations to the Government of Uganda.

On 23 November 2009 Heritage Oil Plc, Tullow's partner in the basin and operator of Blocks 1 and 3A, announced its intention to sell its entire Ugandan interests to a third party. On 17 January 2010, Tullow chose to exercise its pre-emption rights on this deal and on 2 February 2010 a formal request was submitted to the Government to approve the transfer of the assets involved to Tullow. The acquisition price is up to US$1.5 billion.

Tullow continues to work closely with the Government to gain approval for pre-emption of the Heritage deal in parallel with the farm-down process which is now at an advanced stage. Two new potential partners have been identified, CNOOC and Total, and it is expected that following completion of the deal each partner will hold a one third interest in each of the three blocks. Presentations by all parties have been made to the relevant Ugandan authorities and Tullow expects the transactions to be signed in the coming weeks. This will result in a unified partnership with considerable experience and the financial capability to enable Uganda to become a significant oil producing nation.

Significant discoveries made during the year

In 2009, Tullow continued its exploration and appraisal campaign in Uganda in order to prove up further resources and gain a good understanding of the resource distribution across the basin. Exploration drilling activities during the year focused mainly on the Butiaba area but also included the Ngassa-2 well in Kaiso-Tonya. In 2009, the Group drilled nine wells and total contingent resources for the basin are now in excess of 800 million barrels. Tullow is confident that the basin has the potential to deliver significant additional resources with over 1.5 billion barrels awaiting discovery.

Drilling in Kaiso-Tonya, Uganda
The Ngassa-2 well was drilled from an onshore location targeting a large prospect located beneath the lake.

Tullow has now gained a good understanding of the Butiaba region of Blocks 1 and 2 where a high number of exploration wells and detailed seismic and gravity imaging have significantly de-risked the remaining prospectivity. Six of the seven wells drilled in this region during the year encountered oil: Giraffe-1, Karuka-2, Nsoga-1, Kigogole-3, Wahrindi-1 and Ngara-1. The Giraffe-1 well in particular proved to be transformational as it confirmed the Buffalo-Giraffe field (subsequently renamed Jobi-Rii) to be a 300 million barrel discovery. The field has significant further upside which is to be drilled in 2010. Awaka-1, the only dry well drilled in Uganda during the year, encountered a new sand fairway but was unsuccessful in finding hydrocarbons. However, it effectively delineated the edge of a key geological play in this region.

Drilling activities in the Butiaba area were supplemented by leading edge subsurface imaging technologies. The largest Full Tensor Gravity Gradiometry (FTG) survey ever carried out in Africa was acquired during the year. FTG is a specialist technology ideally suited for imaging near-basement reservoirs. This survey has been integrated with regional 2D seismic data using techniques developed by Tullow's geoscientists and technology partners. This technology is being successfully used to improve definition of the Butiaba fields and prospects in 3D, at a fraction of the cost and time required for a

Significant progress towards Uganda becoming a major oil producing country

Beyond 2010
- Major pipeline in place for transport of surplus crude
- Potential to produce in excess of 200,000 bopd
- Major development focused on refined products for local and regional markets
- First commercial oil expected from Kasamene field by end 2011

2010
- Basin-wide development plan to be agreed by year-end
- Extended well test to produce oil in the first half of 2010
- Tullow proposes farmdown to CNOOC and Total
- Tullow to acquire Heritage's interests in Blocks 1 and 3A

2009
- Over 800 mmbo discovered, with 1.5 billion barrels yet to find
- By the end of 2009, 27 wells yield 26 discoveries
- Commercial threshold exceeded, development team established
- Major Jobi-Rii oil field discovered

2008
- Seven oil discoveries as confidence grows
- Kasamene-1 breakthrough opens Victoria Nile Delta play
- Kingfisher-2 flows at over 14,000 bopd

2007
- Kingfisher-1 flows at over 13,000 bopd
- Major seismic surveys acquired
- Tullow acquires Hardman Resources

2004-2006
- Waraga flowed at >12,000 bopd
- Wildcat oil discoveries Mputa, Waraga, Nzizi and Kingfisher
- In-fill seismic acquired
- Tullow acquires Energy Africa

1997-2003
- Turaco drilling encounters CO_2
- Reconnaissance seismic acquired
- Licences awarded

1986-1993
- International oil companies explore for oil in western Uganda
- Uganda's visionaries prepare for oil exploration

1938-1962
- Uganda gains independence
- Ugandan Geological Survey probe Kibero & Kibuku oil seeps
- Waki-1 first well drilled and oil shows encountered
- 52 oil seeps documented

- Oil seeps found centuries ago
- Petroleum rift basin starts forming 8 million years ago

Jobi-1 (formerly Buffalo-1), Block 1 – 2009

Kingfisher-2, Block 3A – 2008

Turaco-1, Block 3 – 2003

regional 3D seismic survey. In addition, a low-impact weight-drop 3D seismic campaign was successfully trialled over the Kasamene and Wahrindi discoveries. The trials proved the technology to be robust, quicker and cheaper than conventional seismic equipment and with a much lower environmental impact.

In the Kaiso-Tonya area, the Mputa-5 appraisal well was drilled and successfully tested at a stable flow rate of 950 bopd in March 2009. The well results validated the state of the art seismic modelling techniques used to identify and target 'sweet-spots' in the reservoir. This technology will be deployed throughout the Butiaba area.

The near-shore Ngassa-2 well, located in Block 2, commenced drilling in March 2009 from an onshore location. The well reached a total depth of 3,822 metres and encountered an over-pressured interval indicating the potential for a significant oil column which could cover an area in excess of 150 sq km. This discovery has the potential to be the largest in the basin to date. Further drilling from offshore locations will be required to test multiple prospects and appraise the expansive Ngassa structure. Tullow expects to make a commitment to offshore drilling infrastructure in the first half of 2010.

Exploration and appraisal drilling recommenced in January 2010, following a planned three month break. The first well was the Kasamene appraisal well, Kasamene-2, which successfully confirmed an oil column in excess of 70 metres and a gas column of over 20 metres. The well has been suspended as a future producer and will be part of the Phase 1 Lake Albert Rift Basin development.

A programme of 10 further exploration and appraisal wells is scheduled to commence in April utilising two land rigs which will also trial development drilling techniques. Material prospectivity around the Jobi-Rii field will be targeted in Block 1 as well as key appraisal wells in Block 2 in advance of development.

Phased basin-wide development commenced

Following significant exploration success in 2009 and the progress made in forming a new aligned partnership, the focus is now on delivering an accelerated development programme. Tullow is working with the Government of Uganda on clearly defining the phases of development. Phase 1 is already under way.

Lake Albert Phase 1: This involves the development in Block 2 of the Nzizi gas field, to fuel a regional thermal power station, and the Kasamene oil field for industrial consumption within Uganda.

Tullow has embarked on FEED studies to develop the Nzizi gas field to supply gas to a new-build thermal power plant which will be built in the Hoima District.

Operations in Butiaba area, Uganda
The Buffalo-1 well was the initial discovery on the significant Buffalo-Giraffe field (now renamed Jobi-Rii).

Uganda production could exceed
200,000 bopd
A basin-wide development plan is expected to be agreed with partners. Production levels supplying a local refinery and export could ultimately exceed 200,000 bopd.

The discovery will be appraised during the second quarter of 2010 and then developed to supply gas to the power plant. Both the field and power plant will come onstream by the end of 2011. The power plant is being designed to accept both gas and crude to ensure long-term supply.

Detailed development planning for the Kasamene field commenced in the second half of 2009 and FEED studies are currently under way. It is expected that a Plan of Development will be submitted to the Government of Uganda by mid-2010 for approval and subsequent project sanction. Production from this field is expected to commence by the end of 2011. The oil will initially be transported by truck and later by pipeline to a central gathering and distribution hub for onward transportation to domestic and regional markets. Initial production capacity is expected to be around 10,000 bopd with the facilities capable of modular expansion, as further phases of the basin development are brought onstream.

An extended well testing programme is planned to support development planning of Kasamene and subsequent fields, and to supplement the appraisal drilling planned for 2010. This programme, which is focused on gathering essential dynamic production data and testing proposed production systems, will commence in mid-2010, starting with the Kasamene field. The crude oil produced from the testing operations will be used to supply fuel to local industrial users and provide the first domestically produced oil in sub-Saharan East Africa. The appraisal drilling and well testing will be complemented by in-fill 2D and 3D seismic acquisition.

Beyond Phase 1: The first objective of the new proposed partnership will be to agree a basin-wide development plan that will encompass the production of the northern and southern fields via an integrated infrastructure. Production levels could exceed 200,000 bopd and would supply a local refinery and allow export of surplus crude to regional and international markets. The proposed Phase 1 development will provide essential subsurface and production data to support this basin-wide development plan.

Congo (DRC)

Tullow has interests in two Congo (DRC) licences adjacent to its Ugandan acreage on Lake Albert. Following the award of the licences in 2006, the validity of the award was disputed in 2008. Tullow continues to work closely with the Government of Congo (DRC) and is confident of its title to the licences and the integrity of the award process. Tullow expects the President of Congo (DRC) to ratify the contracts in the near future.

Ghana and Equatorial Atlantic

Tullow's position in the Equatorial Atlantic region offshore West Africa incorporates 11 blocks covering four countries: Sierra Leone, Liberia, Côte d'Ivoire and Ghana. In total the Group has prospective acreage over an area of approximately 24,000 sq km stretching along 1,100 km of coastline.

2009 has been another very successful year in this region for Tullow. The Group drilled six exploration and appraisal wells of which five encountered hydrocarbons. Successful wells included the discovery of the significant Tweneboa oil and gas-condensate field and the Venus-1 well, which proved the extension of the Jubilee play significantly westwards. In addition, excellent progress was made on the Phase 1 Jubilee development project which remains on budget and on schedule for first oil in the fourth quarter of 2010.

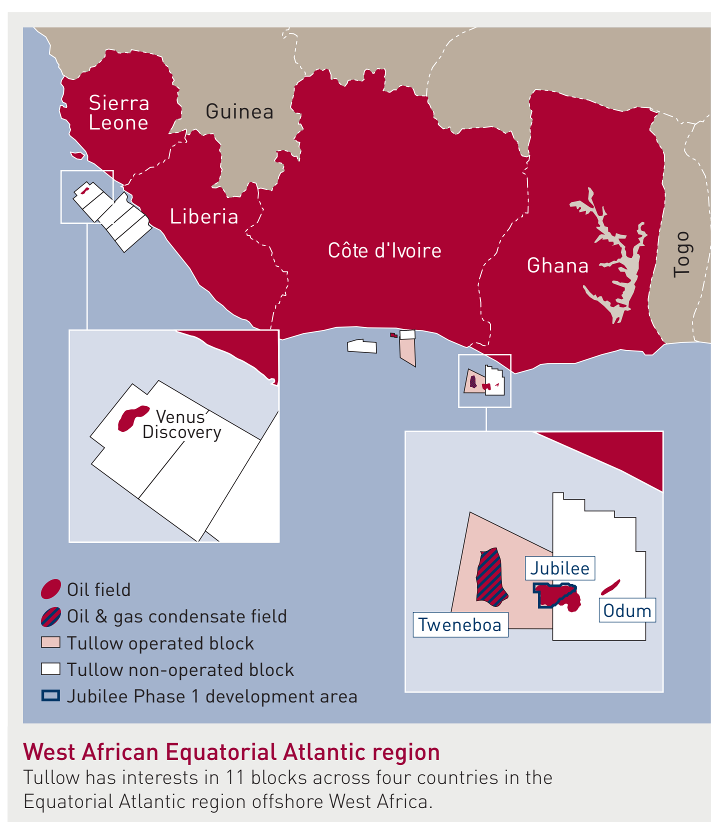
Major exploration and appraisal success in Ghana

Following the successful Mahogany-3 appraisal well in the West Cape Three Points licence at the end of 2008, an exploratory appraisal programme in the south-eastern part of the Greater Jubilee area commenced in October 2009. To date, the Mahogany-4 and Mahogany Deep-2 wells have been drilled. Both encountered significant oil reservoirs and highlighted further prospectivity to the south and east.

The total gross resource base for the Greater Jubilee Area is considered to range from 600 mmbo (P90) through a most likely 1,200 mmbo (P50) to an upside 1,800 mmbo (P10). Interpretation of the recent appraisal and development drilling results has however enabled Tullow to better define the resource estimates for the Jubilee Unit Area within these gross resource estimates. The Jubilee Unit Area is considered to have a gross resource base of 500 mmbo (P90) through a most likely 700 mmbo (P50) to an upside of 1,000 mmbo (P10). This resource base will be developed in several phases, of which Phase 1 is under way with first oil expected in the fourth quarter of 2010.

The remainder of the Greater Jubilee potential is to the southeast and includes the Sapele and Dahoma satellite exploration prospects. The next stage of exploratory appraisal in the south-eastern area commenced in February 2010 with the spudding of the Dahoma-1 well. This will be followed by Mahogany-5 in April.

In March 2009, the Tweneboa-1 exploration well in the Deep Water Tano block, targeting a 200 sq km turbidite fan complex, discovered a significant light hydrocarbon accumulation. The first appraisal well, Tweneboa-2, was drilled six km southeast of the discovery well in January 2010 and proved up a combined oil and gas-condensate column of at least 350 metres. This has confirmed Tweneboa as a major oil and gas-condensate field with potential to yield significant volumes of condensate and light oil. Gross resource volume estimates for the Tweneboa-Owo-Ntomme fan complex have been revised upwards to 100 mmboe (P90) through a most likely 400 mmboe (P50) to an upside of 1,400 mmboe (P10).



West African Equatorial Atlantic region
Tullow has interests in 11 blocks across four countries in the Equatorial Atlantic region offshore West Africa.

The success at Tweneboa is being followed up by an accelerated exploration and appraisal drilling programme in 2010 which will include a flow test. The first wells will be the Owo-1 exploration well and Tweneboa-3 which will target the Ntomme lobe in the southeast of the fan.

In November 2009 the Odum discovery was successfully appraised by the Odum-2 well. This accumulation will likely be developed as a satellite to further discoveries in the area.

Following the reprocessing of the high resolution 3D seismic acquired in 2008, significant prospectivity has been identified in the West Cape Three Points licence east of the Greater Jubilee Area. Detailed seismic interpretation is ongoing in order to optimise the drilling location for a strategic exploration well in this area.

The Ghana prospect inventory, plus the discovered resources in the Greater Jubilee Area and Tweneboa-Owo-Ntomme amount to a gross upside potential of over 4.5 billion boe.

Jubilee play extended

In the first half of 2009, Tullow farmed-in to three blocks in Liberia and two blocks in Sierra Leone, significantly expanding the Group's exposure to the Jubilee play in the West African Equatorial Atlantic region. This was immediately followed by the acquisition of 6,000 sq km of high quality 3D seismic data, one of the largest surveys ever recorded. The results are currently being interpreted to high-grade a comprehensive prospect inventory which includes a large number of Jubilee-type stratigraphic traps. In September, Tullow participated in the Venus-B1 exploration well in Sierra Leone, the first ever deepwater well in the Liberian basin. The well encountered hydrocarbons and proved a working petroleum system with geological characteristics analogous to those offshore Ghana. These well results have been integrated with the Liberian seismic data to calibrate this highly prospective deepwater acreage. Three wells are planned on this acreage in the second half of 2010.

In Côte d'Ivoire, the South Grand Lahou-1 well, chasing the Jubilee play, was drilled in the CI-105 licence in October 2009. It encountered the targeted reservoir sands on prognosis but found them water-bearing at this location. The data gained is however providing valuable proprietary insights into the Jubilee play fairways and will be followed up with the acquisition of 2,300 sq km of 3D seismic data over the CI-103 and CI-105 licences with a view to firming up additional prospectivity.

Jubilee subsea equipment in Takoradi, Ghana
Installation of the subsea trees and umbilicals above commenced in the first quarter of 2010.

Excellent progress on Jubilee Phase 1 development

The Jubilee Phase 1 development project continues to meet key project milestones, is on track for first oil in the fourth quarter of 2010 and remains within its US$3.1 billion budget. The project will produce first oil approximately 40 months after the field was discovered, a new benchmark for global deep water developments. Significant regulatory milestones were also achieved in 2009 including the formal approval by the Government of Ghana of the Jubilee Plan of Development, the signing of the Field Unitisation Agreement and the approval of the Environmental Impact Assessment (EIA). Further development phases, to access the significant resource potential of the Jubilee Unit Area, up to 1,000 mmbo, are now being prepared and will include further infill wells, additional subsea systems and reviewing the possibility of increasing the capacity of the Floating, Production, Storage and Offloading vessel (FPSO).

Good progress was made on the FPSO construction in Singapore during 2009. All process modules and the external turret have now been installed and module integration and commissioning work is ongoing. Fabrication of the subsea equipment including manifolds, risers, flowlines and control umbilicals was completed in 2009 and installation work commenced in January 2010. The FPSO is scheduled to leave Singapore for Ghana in the second quarter of 2010 and will be connected to the subsea network during the fourth quarter of 2010.

Phase 1 development includes nine production wells which are expected to produce at a plateau rate of 120,000 bopd. Pressure support will be provided by six water injection wells and two gas injection wells. The wells are being drilled and completed by the Eirik Raude semi submersible rig. Operations to date have been on time and on budget with 16 wells drilled and the installation of production tubing and completion equipment now under way. Well completion operations, expected to take approximately 15 months, commenced in February 2010. Well results continue to be in line with pre-drill expectations. Well testing has proven deliverability in excess of 20,000 bopd per well and reservoir connectivity over distances exceeding six kilometres.

Gas produced during oil production will initially be re-injected to provide pressure support for production. An export project to deliver gas to shore for power generation is however under consideration by GNPC. It is expected that in the longer term, the Jubilee field will supply approximately 70% of its associated gas to this scheme.

On track

Jubilee special feature

Eirik Raude, semi-submersible, offshore Ghana

On track for the fastest ever full scale deep water development

"This has been a major collaborative effort between the field partners and contractors both in Ghana and internationally. It sets a new industry benchmark."

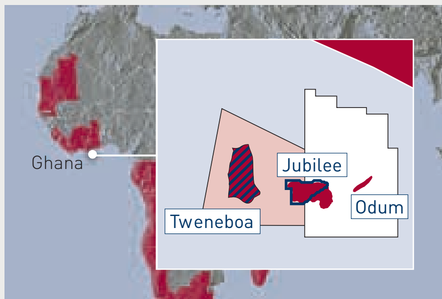
Stuart Wheaton, Ghana Development Manager

Our journey to first oil and beyond | March 2006 Ghana licences signed | June 2007

3.5 years from discovery to first oil

In 2007, based on the results of the first two exploration wells, the Jubilee field partners and the Government of Ghana jointly took the early decision to proceed with the development of the Jubilee field. An Integrated Project Team (IPT) was rapidly assembled, bringing together major deepwater skills and experience from across the partnership. In parallel, Tullow quickly developed a deepwater development drilling capability and a total of 16 wells have been drilled to date. First oil is scheduled for the fourth quarter of 2010, representing a record time from discovery to delivery of major deepwater production.

The Jubilee field



The integrated project team

Established in February 2008 to prepare the Jubilee Plan of Development and deliver a fully commissioned field development system.

GNPC
Ghana's National oil company, a field partner and national regulator

Tullow Oil plc
Unit operator of the Jubilee Phase 1 development

KOSMOS Energy
US exploration company. Technical operator of the Jubilee Phase 1 project

Anadarko
Large independent US E&P company with proven deepwater project capabilities and a major contributor to the team

Sabre Oil and Gas
Privately owned exploration company

EO Group Ltd
Ghanaian oil company

1. Environment, health and safety (EHS)

Supporting people and the environment

Tullow's EHS performance in Ghana is excellent with only two lost time incidents in 2.1 million hours worked and no major environmental incidents. Our EHS policy sets out the standards and expectations to manage key EHS risks in our operations and, as an example, a comprehensive Environmental Impact Assessment (EIA) was carried out during 2009 including wide public consultation of stakeholders. Key components of the EIA include environmental monitoring, waste management, oil spill contingency planning and community engagement and investment.

"Tullow on behalf of the field partners has worked closely with the local people, government and interest groups throughout its time in Ghana. These relationships have been an important factor in our ability to achieve EIA approval for the Jubilee development."

Cesar Molina, EHS Manager Ghana

Local fishermen in Takoradi, Ghana

Helping local fisheries in the community

Tullow is working closely with the fishing industry in Ghana to generate awareness of the Jubilee project while supporting sustainable development of the fishing communities along the western region.

Invested

£0.7 million

1st Jubilee discovery well: Mahogany-1

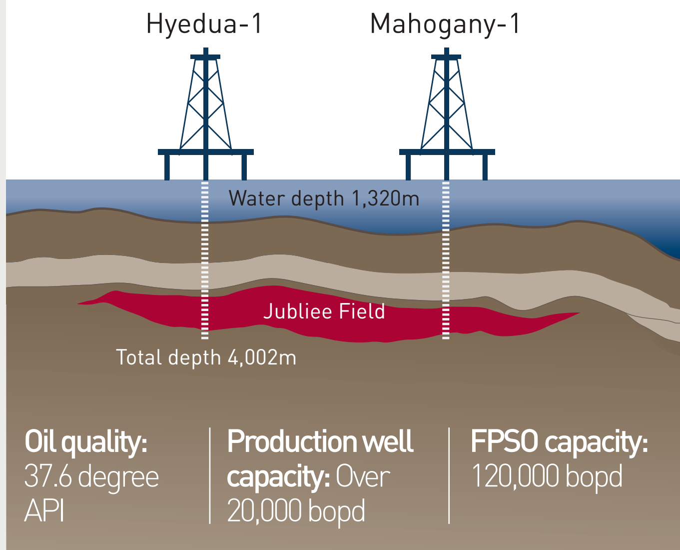
August 2007 2nd Jubilee discovery well: Hyedua-1

Emmanuel Kwadjo-Dei, Trainee Production Operator, and **Randy Griffin,** Senior Operations Readiness Engineer on the FPSO in Singapore.

2. Sub-surface

Exceptional oil and reservoir quality

The quality of the Jubilee oil and reservoirs was apparent after drilling only two wells. Production well tests have since demonstrated reservoir connectivity over 6km and excellent productivity.



Oil quality: 37.6 degree API

Production well capacity: Over 20,000 bopd

FPSO capacity: 120,000 bopd

3. Well engineering

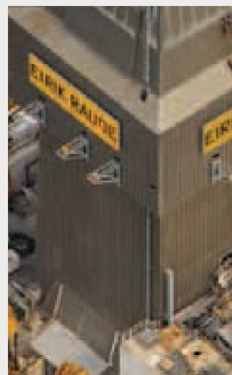
Industry Leading Performance

Independently ranked as the top performing drilling team operating in West African deepwater.

8 of 9 production wells drilled

6 water injection wells drilled

2 gas injection wells drilled



The Eirik Raude: Proven technology at work

The exceptional performance of the Eirik Raude, a fifth generation semi submersible rig that is home to 120 crew, has enabled operations to continue non-stop since October 2008.

Metres drilled

48,133

February 2008 Tullow designated as field unit operator

February 2008 Jubilee Phase 1

4. Facilities delivery

Accelerating construction and delivery deadlines

By delivering first oil in the fourth quarter of 2010, the project will have realised production in just 3½ years from discovery. This achievement is a reflection of the confidence and commitment by all partners to invest based on discovery and appraisal well results alone.

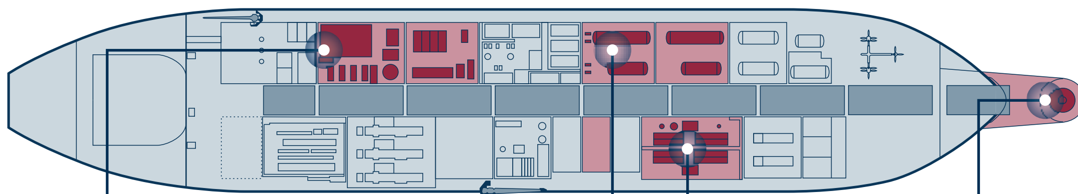
A highly experienced project team, comprised of personnel from the main partners including Tullow, Anadarko Petroleum and led by Technical Operator Kosmos Energy, has set out to deliver a quality outcome in record time. Proven contractors have used proven designs to meet functional rather than truly precise specifications. This has resulted in some quite dramatic schedule reductions when benchmarked to general industry performance.

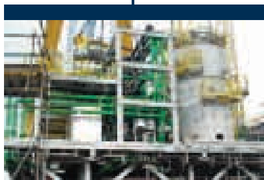
Key contractors involved in the facilities delivery include MODEC Inc. (FPSO), Technip (flowlines, risers and installation), and FMC and Aker Solutions.

"We have worked very closely with our contractors and suppliers to deliver incredible efficiencies. This project is an outstanding achievement by all."

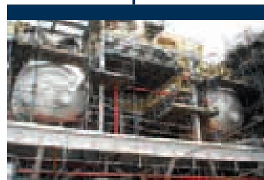
Dennis McLaughlin, IPT, Project Director

FPSO topside module fabrication completed on time

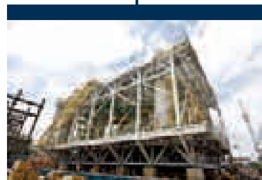




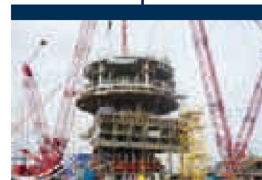
Water treatment modules
Malaysia
Fabricated by Aker Solutions at Port Klang to process over 230,000 barrels per day of sea water for reservoir injection.



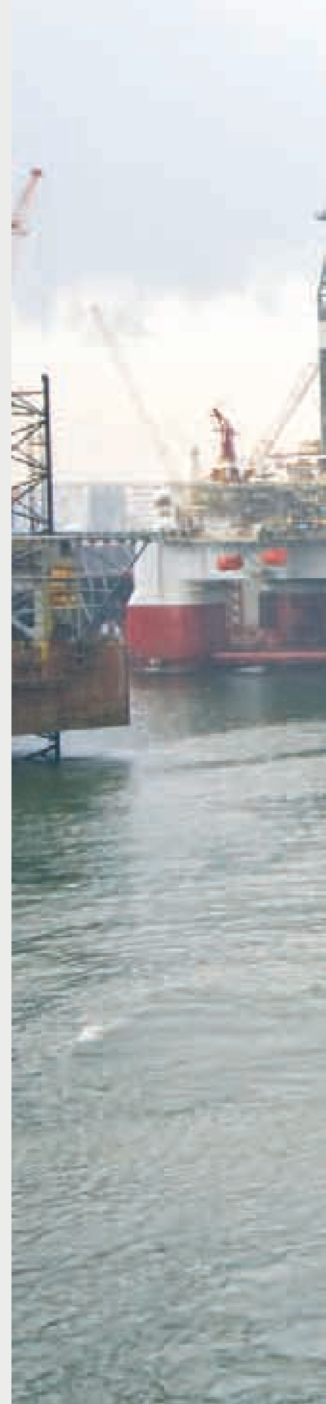
Oil processing modules
Indonesia
Fabricated by VME Process, Batam to process 120,000 barrels of oil per day through two process trains.



Gas compression modules
Singapore
Fabricated by Dyna-mac Engineering Services to handle up to 160 mmscfd of produced gas for re-injection and export to shore.



Turret structure
Malaysia
Fabricated by Malaysia Marine & Heavy Engineering. One of the world's largest external turret structures mounted on the bow of the FPSO to connect to the subsea flowlines and control lines.



January 2009 Hyedua-2 tested at 16,750 bopd

Turret lift, FPSO construction site, Singapore

May 2009 Mahogany-1 tested at 21,000 bopd

July 2009 Phase 1 Development Plan

5. Sub-sea system delivery

Sub-sea fabrication well underway

Over 40 km of subsea flowlines will connect the 17 oil production and water/gas injection wells to the FPSO and 28 km of umbilicals will control the wells and ensure optimum production.

The project has employed the latest technology and worked with proven contractors who have delivered an excellent performance. The fabrication of subsea equipment has taken place in the UK, Singapore, USA, France, Finland, Norway and Ghana. In January 2010, equipment began arriving to Ghana and installation, to last some nine months, commenced.

"The exceptional performance of the Eirik Raude rig and crew has been key to ensuring that this world-class project remains on budget and on schedule."

Alan Dowokpor, Well Engineering Manager, Ghana

1.

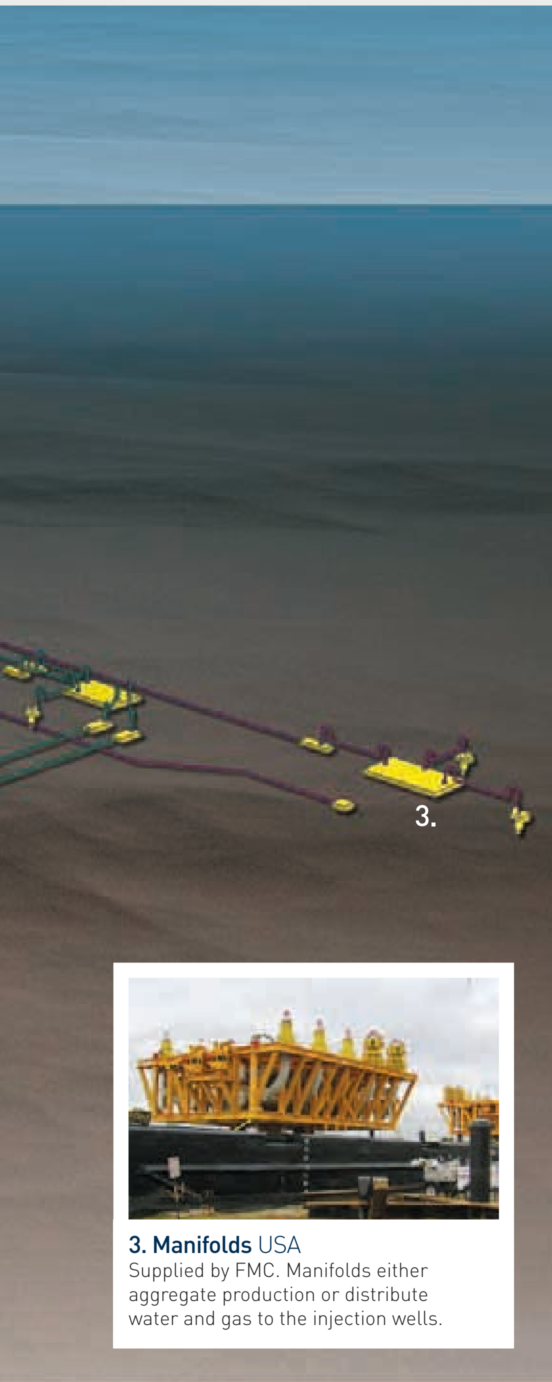
2.

1. Flexible flowlines France
Fabricated by Technip. Flexible riser flow lines will be used to connect the FPSO to the subsea equipment.

2. Subsea trees USA, Singapore, UK, Norway
Supplied by FMC. The subsea trees control the production or injection of individual wells. 19 have been ordered for the Jubilee Phase 1 project.

and field unitisation approved

December 2009 EIA approved



3. Manifolds USA
Supplied by FMC. Manifolds either aggregate production or distribute water and gas to the injection wells.

6. Operations readiness

Upgrading marine services and port facilities

Port facilities at Takoradi and Sekondi, which are key to Jubilee land-based operations, have been upgraded. This included new access roads, offices, canteens, warehouses, communications, housing and reinforced cement foundations for handling heavy materials.

Civil engineering works for production

100% complete

Quayside at Takoradi port, Ghana

Building new staff offices and housing

Tullow continues to upgrade the in-country infrastructure and make investments with local contractors. In Accra, Tullow is building a new head office and modern staff housing. In Takoradi, a supply base, an aviation service to Accra and offshore, a major marine operation and a new regional head-office have all been established.

Staff in Ghana

138 employees
85% are Ghanaian

Design for new offices in Accra, Ghana

New helicopters, Takoradi, Ghana

Significant aviation requirements
Tullow has leased two latest generation helicopters and secured the services of several fixed wing aircraft to transport staff and contractors 100 km offshore and from the main airport at Accra 240 km to the port in Takoradi.

Investment in infrastructure

+£25million

Q3 2010 FPSO to arrive in Ghana

Q4 2010 First oil

7. Installation, Commissioning and Ready for Start-up

Q4 2010

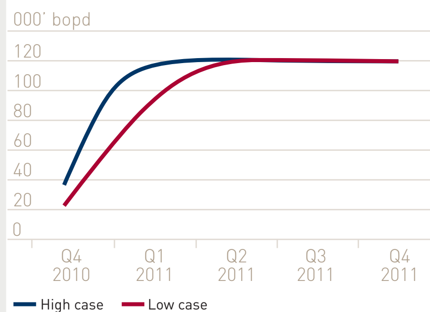
Subsea equipment installation work commenced in Ghana in January 2010. A fleet of 14 vessels is directly involved in shipping and then installing the flowlines, umbilicals, controls, manifolds and subsea wellhead trees. The operation is being run from the port of Takoradi-Sekondi in western Ghana.

The facility installation work will take up to nine months to complete including the tie-in of the FPSO during the third quarter. This will be followed by a period of commissioning of the vessel and subsea systems in-situ and oil is expected to start producing into the facilities in the fourth quarter.

Production ramp up

Various production ramp up scenarios have been forecast. Following a period of testing, production will gradually increase over approximately six months to a plateau level of 120,000 bopd. The ramp up in production thereafter will depend on the number of wells from further phases of development that have been completed and the FPSO/subsea equipment performance.

Jubilee Phase 1 production ramp up



Our outstanding in-country team

"I am extremely proud of the in-country team we have built since 2008. Tullow's policy is to employ as many local nationals as possible and currently over 80% of our employees are Ghanaian and we expect this to rise to over 90% by 2013."

Dai Jones, President & General Manager
Tullow Ghana

Crude oil sample

Marketing Jubilee crude oil
Jubilee crude oil is light and sweet. Independent laboratory analysis indicates that the crude has an API Gravity of 37.6 degrees and sulphur content of 0.25 % wt, with no unusual characteristics. Crude oils of this type attract a wide range of refiners and can be expected to command competitive prices in the market. When producing at 120,000 bopd, three or four large cargoes will be exported each month and Tullow's share will be marketed individually on a cargo by cargo basis.

Follow our progress at **www.tullowoil.com**

Other Africa operations

Equatorial Guinea

Gross combined production from the Okume Complex and Ceiba fields averaged approximately 106,000 bopd in 2009. Two rigs drilled five development wells on the Okume Complex during the year in order to maintain plateau production. Drilling activities are expected to continue into the second half of 2010 with nine wells planned. A time-lapse (4-D) seismic survey is planned for 2010 over both fields to identify infill targets and optimise well locations.

Gabon

Net production from Tullow's Gabon assets averaged 12,000 bopd in 2009. During the year Tullow exercised its back-in rights on the Ebouri and Onal fields thereby adding 1,200 bopd of net production. Production was also supported by successful workovers on the Echira and Niungo fields. Niungo production is expected to be further enhanced during 2010 with four horizontal infill wells planned. In total, 39 production wells are planned on the Group's Gabon assets in 2010 and net production is expected to average 12,400 bopd.

Tullow completed the acquisition of a 1,300 sq km 3D seismic survey in the Kiarsseny block and seismic reprocessing and interpretative work in the Azobe block where the Noix de Coco prospect has been identified for drilling in 2010. In February the Maroc-Nord-1 exploration well discovered 50 metres of net oil pay in an emerging under-explored stratigraphic trap play which will be brought into the Onal area development and followed-up through further exploration and appraisal drilling.

Côte d'Ivoire

Gross production from the East and West Espoir fields was in line with expectations in 2009, averaging 23,550 boepd. A planned upgrade to the processing capacity of the FPSO was deferred in 2009 and is now scheduled for mid-2010. The upgrade will provide capacity for future incremental production projects including an infill drilling campaign planned for 2011/12.

Congo (Brazzaville)

An active reservoir management programme on the onshore M'Boundi field was initiated in 2008 and continued throughout 2009 focusing on development drilling and a water injection upgrade. Utilising six land rigs, a total of 18 producers and five injection wells were drilled during the year and the water injection rate was increased from 46,000 to 60,000 bwipd. Gross field production during 2009 averaged 39,500 bopd. In 2010, the combination of the 35 new wells and an increase in water injection capacity to 200,000 bwipd by the end of the second quarter, is expected to increase gross average production to 42,000 bopd.

Mauritania and Senegal

Gross production from the offshore Chinguetti field averaged approximately 10,750 bopd for 2009. Production has declined in line with expectations through the year and has recently stabilised due to high facilities uptime and prudent reservoir management. Potential for further drilling in 2010 and beyond continues to be evaluated. Work is ongoing to review the development options that would allow commercialisation of the Banda gas field. The development options are currently under discussion with the Mauritanian Government to ensure that they meet both partner and Government objectives.

A planned break in exploration drilling has provided time to complete a thorough two-year regional basin and prospectivity review. From this review numerous plays, leads and prospects have emerged. The new prospects are unrelated to the established thin Miocene reservoir plays, such as at Chinguetti, which were pursued by previous operators and which proved difficult to develop. Instead, Tullow is drawing on its Equatorial Atlantic successes to target high-impact Cretaceous prospectivity. In Mauritania two exploration wells are planned for 2010 ahead of further exploration activity planned for 2011 and 2012.

Tanzania

Tullow has interests in the onshore Lindi and Mtwara blocks in the frontier Ruvuma Basin in southern Tanzania. Following interpretation of newly reprocessed seismic data, Likonde-1 was selected as the first well to establish the potential of a possible new oil play fairway. The well commenced drilling in January 2010 and a result is expected in late March 2010. Further evaluation planned for 2010 includes reprocessing the seismic dataset and incorporating and interpreting the new drilling results, the outcome of which will influence the forward exploration programme.

Namibia

In Namibia, progress is being made to reinvigorate the development of the 1.3 tcf offshore Kudu field. Inter-governmental talks between Russia, Namibia and South Africa have taken place in an attempt to move forward the development via a gas-to-power project. This has resulted in Gazprom announcing its plans to build an 800 MW power station. Eskom, the South African power utility, will be the targeted buyer of electricity that is surplus to Namibia's requirements. Tullow fully supports this initiative to commercialise Kudu gas and is working with the Ministry, Gazprom and the existing partners to progress this new initiative. Should this initiative proceed as planned, Tullow will be Upstream Operator and will reduce its equity to around 30%.

Jonathan Leather, Geologist – Dublin
Nhlanhla Kubheka, Geophysicist – Cape Town
Dublin office, Ireland

5

Developing a significant asset base worldwide

We have important assets in Europe, South Asia and South America which contribute to Group production and cash flow and form part of an exploration portfolio that offers longer-term growth opportunities.

Europe 51

Tullow has mature production in the UK Southern North Sea and hopes to leverage its understanding of this play in the adjacent Carboniferous province offshore the Netherlands.

South Asia 52

The demand for energy in Asia is strong and this region has excellent growth potential through exploration. Tullow has good opportunities in Pakistan, where the Group has a significant non-operated position.

South America 53

We are seeking to replicate the success of the Jubilee field throughout the Equatorial Atlantic region with a focus on the Transform Margin stretching from Guyana through Suriname to French Guiana.

Rest of the World: Tullow's assets in Europe, South Asia and South America collectively provide good cash flow and important growth opportunities. Extensive seismic programmes in French Guiana and Guyana and new exploration drilling in Pakistan are providing strong building blocks towards achieving this growth.

2009 Highlights

19,800boepd
Average working interest production

Shell and Total
Major partners introduced in French Guiana

Equatorial Atlantic
Chasing the successful Jubilee play in South America

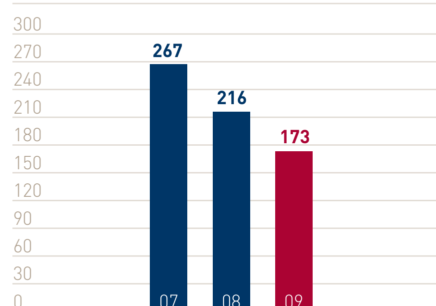
Pakistan restructuring completed
New exploration drilling commences in Kohat block

Sales revenue

£173million

20% decrease on prior year

A 28% decline in year-on-year production in the UK and lower global commodity prices in 2009 resulted in sales revenue for the Rest of the World falling £43 million.



Key producing assets

Country	Producing field (Tullow %)	2009 Working interest production (boepd)
Europe		
UK	CMS Area fields (9.5% – 100%)	9,350
	Thames Area fields (50% – 100%)	5,100
South Asia		
Bangladesh	Bangora-Lalmai (30%)	5,050
Pakistan	Chachar[1] (75%)	190
	Sara/Suri[2] (38.18%)	110

1. Tullow completed the sale of this interest in March 2009.
2. Tullow is awaiting completion of the sale of this asset.

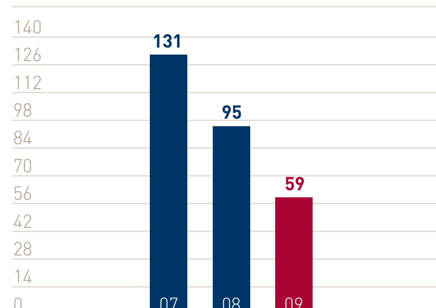
Glossary
boepd Barrels of oil equivalent per day
CMS Caister Murdoch System
EHS Environment, Health and Safety
mmscfd Million standard cubic feet per day
sq km square kilometres

Capital investment

£59million

38% decrease on prior year

The Group's capital has been focused on high-impact drilling activities in Africa and as a result the Rest of the World spend has decreased.



The Group's Rest of the World assets form an important part of Tullow's business. Gas production in the UK and South Asia generate strong revenues and combine low risk exploration prospects and development opportunities in Europe with high-impact potential in South America and South Asia.

Europe

Tullow's well established producing assets lie in the Southern Gas Basin offshore UK and are centred around two gas producing hubs, associated fields and infrastructure. Tullow also has a portfolio of operated exploration blocks offshore the Netherlands where it is looking to capitalise on the exploration success it has experienced in adjacent UK blocks over the last seven years. In 2009, the decision was taken to assign the Group's Portuguese interests to other licence partners, following completion of an agreed work programme and detailed analysis of the results.

UK

Net UK production for 2009 was in line with expectations at 14,450 boepd (2008: 20,095 boepd). Several factors were responsible for this 28% reduction including the sale of Tullow's Hewett field interests in 2008, the re-scheduling of in-fill wells in the CMS Area and natural field decline. EHS performance and production efficiency were excellent on the Group's operated fields throughout the year. Successful in-fill drilling and well interventions were completed on Boulton and Murdoch and will help support future production levels.

In the Thames Area, the modifications to allow combined flow from the Wissey and Horne & Wren fields were completed in May 2009, thereby boosting Thames infrastructure throughput and improving asset longevity. The Bure North development well targeted an infill opportunity in the Bure field but results showed that the reservoir compartment was depleted by other producing wells in the area and consequently the well was abandoned.

In the CMS Area, the operated Ketch field performed above expectation during 2009. During July 2009, works to tie-in the third-party Topaz development to the Schooner platform were successfully completed. Production from this field commenced in November adding tariff income and reducing unit operating cost of the field. The KA-08Z infill well on the Ketch field has been sanctioned and is due to spud in the second quarter of 2010. Planning and design work is well advanced and a rig has been secured.

In 2009, three non-operated infill wells were drilled on the Murdoch and Boulton fields. These wells added over 100 mmscfd to CMS gross production. Further infill opportunities are being considered for 2010 including a re-drill of the Boulton B1 well which ceased production in August following a build-up of salt in the well bore.

The Harrison discovery provides the most attractive near term development opportunity in the CMS Area. Work on this project progressed in 2009 and a Joint Operating Agreement was signed by the field partners. Major capital expenditure was deferred to 2010 and first gas is now expected in 2012. In addition, the partnership is evaluating drilling possibilities on the adjacent Cameron prospect. The scope of the Harrison development is likely to include the option to tie-in a successful Cameron discovery.

CMS Area production, offshore UK
The Ketch field produced above expectation in 2009.

UK's contribution to Group production

25%

The UK remains an important part of the Group's producing asset base with 14,450 boepd produced in 2009.

Netherlands
Leveraging on the success and experience gained in the Carboniferous play of the UK CMS, Tullow has built an extensive exploration position within the adjacent Carboniferous province of the Dutch offshore and is now in a strong position to exploit this play. In April 2009, Tullow added to the six operated exploration blocks already held with the award of Block E11. Tullow and its partners initiated two major regional 3D seismic reprocessing programmes in 2009. Over 1,000 sq km of seismic on the E and D blocks have been included and results thus far are very encouraging. Exploration drilling is planned for later in 2010.

Portugal
Tullow holds interests in three blocks in the Alentejo Basin – Lavagante, Santola and Gamba. Interpretation of 3,000 km of proprietary 2D seismic and over 5,000 km of 2D has resulted in a number of high-risk exploration leads being developed. Following completion of the agreed work programme and a detailed evaluation of the full subsurface dataset in 2009, Tullow plans to assign its interest in this acreage to other licence partners.

Bangora field producing at maximum capacity

120 mmscfd

Following a successful workover and tie-in carried out during 2009, production from the Bangora gas field has increased to the maximum capacity of the gas processing facility.

Exploration drilling, Pakistan
The Shekhan-1 exploration well commenced drilling in November 2009.

South Asia
The demand for energy in Asian economies remains strong and this region offers Tullow excellent growth potential through exploration, particularly in Pakistan where the Group has a significant non-operated position.

Bangladesh
Production from the Bangora field increased from 100 to 120 mmscfd, the maximum capacity of the gas processing facility, following a successful workover and tie-in of the Bangora-3 well in October 2009. In addition, a Hydrocarbon Dewpoint Control system is being installed at the Bangora Processing Facility which will enhance condensate recovery from the gas stream and deliver full specification gas to the export pipeline. The system is due to be commissioned during the first half of 2010.

Elsewhere in Bangladesh, Tullow was awarded offshore Block SS-08-05 as part of the Third Licensing Round. Contract negotiations are expected to be completed in early 2010, thereby enabling the acquisition of a 2D seismic programme during the 2010/2011 weather window.

Pakistan
As part of a restructuring of the Group's business in Pakistan Tullow reached agreement, during 2009, to dispose of its producing assets and focus on non-operated exploration activities. In January 2009, a sale and purchase agreement was signed for the Chachar field and the field interest was transferred to Pakistan Petroleum Ltd. In November 2009, a sale and purchase agreement was signed for our interests in the Sara/Suri gas fields and completion of that transaction is subject to approval from the Government of Pakistan.

The Mesozoic and Tertiary aged Tethys Basin between Kurdistan and Pakistan forms one of the richest petroleum provinces in the world and provides Tullow with access to significant upside potential. Existing hydrocarbon infrastructure provides a ready link to a growing regional energy market and creates lucrative opportunities to quickly monetise discoveries.

Shekhan-1, the first exploration well since the restructuring of our Pakistan business, commenced drilling in the Kohat block in November 2009. The well is designed to test a large thrust anticline and is expected to reach total depth in late-March 2010. Based on several significant analogous discoveries made in the surrounding areas in recent years, multiple sandstone and limestone reservoir intervals are being targeted.

Elsewhere in Pakistan, seismic operations are planned to recommence in the Kalchas block. Results to date enhance the prospectivity of this block with confirmation that the surface anticline continues into the subsurface forming a valid trap at depth.

South America

In South America, Tullow's main focus is on the transform margin from Guyana through Suriname to French Guiana, where the Group is seeking to replicate the success at Jubilee throughout the Equatorial Atlantic region. Tullow's frontier exploration programmes are being matured with a view to a high-impact drilling campaign in 2010 and 2011.

French Guiana

Following a complete re-evaluation of the exploration potential of the extensive (32,500 sq km) Guyane Maritime block in 2008, the focus of attention shifted to high-impact leads in the southeast portion of the block, the 'Eastern Slope' play. These leads comprise high-risk stratigraphic traps analogous to the Jubilee field offshore Ghana being formed in similarly aged Upper Cretaceous turbidite fans.

To de-risk the prospectivity and delineate drilling targets, a 2,500 sq km 3D seismic survey commenced in September 2009 and was completed in March 2010. Processing and interpretation of this data will take place during the rest of the year. Planning for drilling operations has commenced with a view to securing a deepwater rig to enable Tullow to spud its first well in the block around year end.

In the fourth quarter of 2009, Tullow farmed out 33% of its 97.5% holding in this block to Shell and a further 25% to Total, leaving Tullow with 39.5%. Northpet Investments retains the remaining 2.5%. Shell has an option to take up a further 12% and the operatorship in late-2010. The assignment of interests to both Shell and Total await formal approval from the French Government.

Guyana

An extensive 3D seismic survey was completed over the Georgetown block early in 2009. The data has been processed and interpreted and a number of stratigraphic trap prospects at Upper Cretaceous and Tertiary levels have been identified and matured. A first exploratory well is expected to commence around year-end.

Suriname

In the onshore Uitkijk block the drilling programme was completed in early 2009. The wells were targeting stratigraphically-trapped heavy oil at shallow depths in Lower Tertiary sands analogous to the adjacent Tamberadjo field. Oil pay was encountered in two wells. The drilling of five wells in the onshore Coronie block, in the same play, was originally scheduled for 2009 but due to delays with the rig construction this has now moved into 2010.

3D Seismic Survey, French Guiana
The Geo Caribbean seismic vessel acquired 2,500 sq km 3D during 2009/2010.

Tullow's exposure to high-impact drilling in French Guiana

39.5%

During 2009 Tullow farmed down 33% and a further 25% of its Guyana Maritime block to Shell and Total respectively where high-risk stratigraphic traps analogous to Jubilee have been identified.

Brian Macpherson, EHS Superintendent
Ngassa wellsite, Uganda

6

Funding for an exceptional set of opportunities

We aim to develop the Group's production and cash flow profile to enable us to fund a US$500 million exploration programme per annum so that we can continue to grow and develop Tullow as the leading global independent oil and gas company.

Finance review **56**

We delivered results in line with expectations and the Group's financial profile is in a period of transition in anticipation of first oil and production ramp-up in Ghana. We maintained our dividend this year and invested £758 million on high-impact exploration and developing our major projects.

Risk management **62**

As a business we could not function at such a high level unless we are very specific about the identification and management of risk and how we respond to changes in the external environment.

Finance review

"We are forecasting almost £1 billion of capital expenditure for 2010, over 85% in Africa."

Ian Springett
Chief Financial Officer

Tullow has materially strengthened its balance sheet in the last 12 months with US$2.25 billion of new debt facilities and £1.3 billion raised from equity placings. We now have an appropriate capital structure for the medium term.

Historically Tullow has primarily been funded through a combination of operational cash flow, portfolio management and reserve based debt facilities.

The scale of our current exploration portfolio, exploration success and associated appraisal together with the fast-track development of two world-class basins in Ghana and Uganda have resulted in a number of important operational and financial strategic decisions being taken in 2009 and 2010.

These will enable the Group to continue to grow and underpin the business with an appropriate capital structure. Key decisions include:

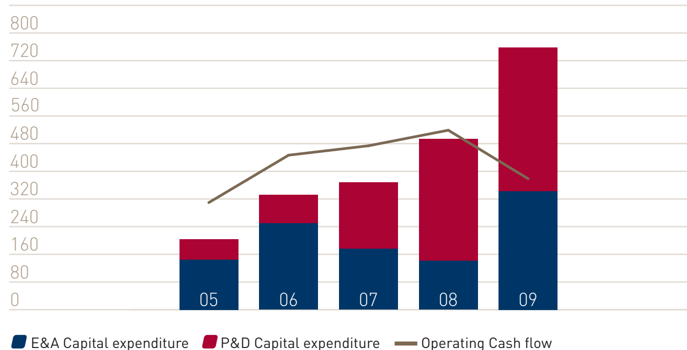
- Continued operational focus on the development of Jubilee Phase 1 in Ghana, the commercialisation of the Lake Albert Rift basin in Uganda and a high-impact exploration drilling programme;
- Raising £402 million of equity and extending the reserve-based lending debt facility to US$2 billion in the first quarter of 2009, and adding a Corporate debt facility of US$250 million in December 2009;
- Taking a decision to pre-empt the sale of Heritage's Ugandan assets and then working to farmdown our interests to 33⅓% by bringing in partners to deliver a unified and accelerated basin development plan; and
- Raising a further £925 million of equity in January 2010 to facilitate the Uganda pre-emption and then, after the farmdown, to provide substantial financial flexibility for the foreseeable future.

From a financial perspective, these decisions allow Tullow to bridge the gap between the Group's current cash and profit generating ability and more significant production and cash flow in the future. This starts with Jubilee Phase 1 production in the fourth quarter of 2010.

Operating cash flow and capital investment

£374 million

Tullow continues to invest in high-impact exploration and major projects. The operating cash flow generated by the business should significantly improve from the fourth quarter of 2010 with first production from Jubilee Phase 1.



Key financial metrics

	2009	2008	Change
Production (boepd, working interest basis)	58,300	66,600	-12%
Sales volume (boepd)	48,350	55,000	-12%
Realised oil price (US$ per bbl)	60.0	73.6	-18%
Realised gas price (pence per therm)	39.3	52.4	-25%
Cash operating costs per boe (£)[1]	7.28	5.90	+23%
Operating cash flow before working capital per boe (£)	15.8	21.3	-26%
Net debt (£ million)[2]	718	400	+80%
Interest cover (times)[3]	6.3	17.8	-11.5 times
Gearing (%)[4]	47	31	+16%

1. Cash operating costs are cost of sales excluding depletion, depreciation and amortisation and under/over lift movements.
2. Net debt is cash and cash equivalents less financial liabilities net of unamortised arrangement fees.
3. Interest cover is earnings before interest, tax, depreciation and amortisation (EBITDA) charges and exploration written-off divided by net finance costs.
4. Gearing is net debt divided by net assets.

2009 financial results

2009 financial results were down compared with the record results recorded in 2008 primarily because of the following:

- Production volumes were down as expected by 12%;
- Lower oil and gas prices and the impact of Sterling weakness on Dollar-based costs;
- Exploration write-offs were £174 million lower in 2009, but this was more than offset by asset disposal proceeds that were £231 million higher in 2008; and
- An IAS 39 charge of £37 million in 2009 compared with a credit of £43 million in 2008.

Production, commodity prices and revenue

Working interest production averaged 58,300 boepd, 12% lower than 2008, due to natural decline in mature fields and deferred production due to the reallocation of capital to development projects and high-impact exploration. Sales volumes averaged 48,350 boepd, representing a decrease of 12%, also driven by changes in the proportion of sales arising from Production Sharing Contracts (PSC).

On average, oil prices in 2009 were lower than 2008 levels reflecting the global economic downturn. Realised oil price after hedging for 2009 was US$60.0/bbl (2008: US$73.6/bbl), a reduction of 18%. Tullow's oil production sold at an average discount of 2% to Brent Crude during 2009 (2008: 4% discount).

UK gas prices in 2009 were significantly lower than 2008 levels. The realised UK gas price after hedging for 2009 was 39.3 pence/therm (2008: 52.4 pence/therm), a reduction of 25%.

Lower commodity prices and lower sales volumes were partially offset by the weakening of Sterling against the US Dollar, which averaged approximately GBP£1:US$1.55 in 2009 compared to GBP£1:US$1.90 in 2008. Overall revenue decreased by 16% to £582.3 million (2008: £691.7 million).

Operating costs, depreciation and impairments

Underlying cash operating costs, which exclude depletion and amortisation and movements on under/overlift, amounted to £155.1 million; £7.28/boe (2008: £143.9 million; £5.90/boe). In absolute terms cash operating costs increased by 8%, principally due to the significant weakening in Sterling during the period which materially affected the cost in Sterling terms of the underlying US Dollar cash operating costs. Cash operating costs on a per barrel basis increased by 23% above 2008 levels, also impacted by the decrease in production volumes during the year.

Depreciation, depletion and amortisation charges before impairment charges for the year amounted to £223.2 million; £10.54/boe (2008: £198.4 million; £8.14/boe). The depreciation rate for 2009 was also materially affected by the weakening of Sterling when compared to 2008. The Group has also recognised an impairment charge of £8.1 million; £0.38/boe (2008: £26.3 million; £1.08/boe) in respect of the Chinguetti field in Mauritania.

At the year-end the Group was in a net overlift position amounting to 148,000 barrels. The movements during 2009 in the overlift position compared with 2008 and stock movements during the year have given rise to a charge of £6.3 million to cost of sales (2008: credit of £6.4 million).

Administrative expenses of £49.5 million (2008: £43.0 million) include an amount of £11.3 million (2008: £7.9 million) associated with IFRS 2 – Share-based payments. The increase in total general and administrative costs is also due to the continued growth of the Group during 2009 with staff numbers increasing by 24% to 669 people.

Exploration cost written-off

Exploration costs written-off were £52.8 million (2008: £226.7 million), in accordance with the Group's 'successful efforts' accounting policy, which requires that all costs associated with unsuccessful exploration are written-off in the income statement. This write-off is principally associated with exploration activities in Côte d'Ivoire, new ventures activity and licence relinquishments. In 2008, Tullow undertook a fundamental review of its exploration portfolio following the decision to focus on fast-tracking its discoveries in Ghana and Uganda coupled with a more selective high-impact exploration programme. This resulted in significant write-offs in respect of interests in Mauritania, Suriname, Tanzania and Trinidad and Tobago.

Derivative instruments

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

At 31 December 2009, the Group's derivative instruments had a net negative mark-to-market value of £11.1 million (2008: positive £49.3 million). This is principally due to the increase in the oil price from the beginning of 2009.

While all of the Group's commodity derivative instruments currently qualify for hedge accounting, a pre tax charge of £37.2 million (2008: credit of £42.9 million) has been recognised in the income statement for 2009. The charge is principally due to a combination of Brent forward oil prices strengthening during the year and reduced volatilities, with a consequent reduction in the time value of the oil derivative instruments for Tullow. This was only partially mitigated by a credit for time value on gas derivative instruments arising from UK gas prices, which weakened during the year.

Commodity hedging summary

At 3 March 2010 the Group's commodity hedge position to the end of 2012 was as follows:

Hedge Position

	2010	2011	2012
Oil Hedges			
Volume – bopd	14,500	11,000	7,000
Current Price Hedge – US$/bbl	81.66	83.55	84.68
Gas Hedges			
Volume – mmscfd	29.45	10.43	4.31
Current Price Hedge – pence/therm	42.00	45.98	47.06

Operating profit

Operating profit amounted to £95.1 million (2008: £299.7 million), a decrease of 68%. The reduction was principally due to lower commodity prices and sales volumes and less profit relating to portfolio management activities, partly offset by lower exploration costs written-off during 2009.

Gearing, financing costs and interest cover

The net interest charge for the period was £37.6 million (2008: £43.3 million) and reflects the increase in net debt levels during 2009 offset by an increase in interest capitalised during the year on qualifying assets, principally due to the Jubilee phase 1 development in Ghana.

At 31 December 2009, Tullow had net debt of £718.3 million (2008: £400.3 million), while unutilised debt capacity was in excess of US$620 million. The Group's gearing was 47% (2008: 31%) and EBITDA interest cover has decreased to 6.3 times (2008: 17.8 times).

Taxation

The tax charge of £1.8 million (2008: £73.1 million) relates to the Group's North Sea, Gabon, Equatorial Guinea, Ghanaian and Mauritanian activities. After adjusting for exploration costs and profit on disposal of subsidiaries, the Group's underlying effective tax rate is 3% (2008: 26%). The reduction in the effective tax rate is principally due to the recognition of tax losses available for utilisation against future revenues from Ghana.

Dividend

The Group has significant opportunities to increase shareholder value by continuing to invest in its portfolio of assets, principally in Ghana and Uganda, and the Board feels that it is appropriate to maintain the final dividend at the 2008 level. Consequently the Board has proposed a final dividend of 4.0 pence per share (2008: 4.0 pence per share). This brings the total payout in respect of 2009 to 6.0 pence per share (2008: 6.0 pence per share). The dividend will be paid on 21 May 2010 to shareholders on the register on 16 April 2010.

Summary cash flow

	2009 £m	2008 £m
Revenue	582.3	691.7
Operating costs	(161.4)	(137.5)
Operating expenses	(42.4)	(35.4)
Cash flow from operations	**378.4**	**518.8**
Working capital and tax	(203.4)	(8.0)
Capital expenditures	(757.4)	(460.4)
Investing activities	11.8	288.7
Financing activities	457.8	(151.7)
Net (decrease)/increase in cash and cash equivalents	**(112.7)**	**187.4**

Operating cash flow; focused capital investment

Reduced commodity prices and lower sales volumes led to an operating cash flow before working capital movements of £373.5 million (2008: £518.8 million), 28% lower than 2008. This cash flow together with the equity placing proceeds helped facilitate 2009 capital investment of £757.4 million in exploration and development activities, payment of dividends and servicing of debt facilities.

Based on the current estimates and work programmes capital expenditure for 2010 is forecast to be £990 million. Approximately 40% of this investment will be for exploration and appraisal and the remainder will be on development and production activities. Tullow's activities in Ghana and Uganda will comprise approximately 60% of the anticipated 2010 capital outlay.

Balance sheet

Total net assets at 31 December 2009 amounted to £1,525.9 million (31 December 2008: £1,309.2 million), with the increase mainly as a result of the 9.1% share placing in January 2009, currency translation adjustments and hedge movements.

Net assets decreased by £32.7 million in the year due to the movement of the hedge reserve in accordance with IAS 39 – Financial Instruments: Recognition and Measurement. A reduction in net assets (foreign currency translation reserve) of £125.8 million resulted from the strengthening of Sterling against the US Dollar from US$1.45 to US$1.60 in the year. As a consequence, underlying US Dollar denominated assets decreased in Sterling value terms at the year end.

Portfolio management

During 2009 Tullow completed the sale of the Chachar field in Pakistan for US$7.5 million (£4.8 million), received final consideration from the sale of the Hewett-Bacton interests and farmed out an interest in the Guyane Maritime licence in French Guiana to Shell and Total.

In October 2009, Tullow commenced a transparent farmdown process to sell a proportion of its interests in Blocks 1, 2 and 3A in the Lake Albert Rift Basin in Uganda. The purpose of this process was to bring in an experienced and like-minded partner with downstream expertise to commence an accelerated basin-wide development plan. The process gained strong interest from a number of major international and national oil companies who visited the dataroom and operations and made representations to the Government of Uganda.

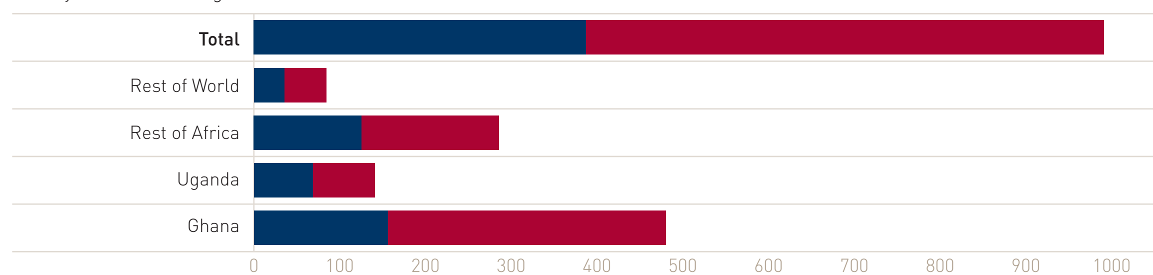
On 23 November 2009 Heritage Oil plc, Tullow's partner in the basin, announced that it intended to sell its entire interests in Uganda. On 17 January 2010, Tullow chose to exercise its right of pre-emption on this transaction and formal request for Government consent for the assets to be transferred to Tullow was submitted on 2 February 2010. The acquisition price for these interests is up to US$1.5 billion.

Tullow is now working closely with the Government to gain approval for the pre-emption of the Heritage interests in parallel with the farmdown process which is now at an advanced stage. Two new potential partners have been identified, CNOOC and Total and it is expected that each partner will take a

2010 Capital expenditure

£990million

The current forecast for 2010 capital expenditure is approximately £1 billion, a 30% increase on 2009.
Activity in Ghana and Uganda will account for 60%.



Exploration & Appraisal | Production & Development

> "We are always looking at our business to manage our capital, our funding and to keep an appropriate balance between exploration, major projects and development."

Ian Springett
Chief Financial Officer

one third interest in each of the three blocks. Presentations by all parties have recently been made to the relevant Ugandan authorities and Tullow expects the transactions to be signed by the end of April 2010. This will result in a unified partnership with considerable experience and financial capability to enable Uganda to become a significant oil producing nation.

Long-term funding

In March 2009 Tullow finalised arrangements for US$2 billion (£1.28 billion) of new debt, structured in the form of secured reserve-based lending facilities with a seven-year term. In December 2009 this was supplemented with a new US$250 million (£160 million) revolving credit facility. Tullow raised £402 million in a placing of ordinary shares in January 2009 and in January 2010 the Group raised an additional £925 million in a further placing of ordinary shares. Together with the anticipated proceeds from the Ugandan farmdown process, this funding significantly strengthens the balance sheet as Tullow seeks to:

- Maintain a US$500 million (£320 million) per annum exploration programme and develop longer-term exploration options;
- Accelerate development in Uganda across a unified basin with new partners; and
- Progress activities in Ghana with accelerated appraisal of the Tweneboa discovery and initiate subsequent phases of the Jubilee development.

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 material changes to its accounting policies in the year ended 31 December 2009.

Presentational currency

With effect from 1 January 2010 the Group will present its financial statements in US Dollars. The Group has decided it is now appropriate to change the presentational currency from Sterling as the majority of the Group's activities are in Africa where oil revenue and costs are Dollar denominated.

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 portfolio of producing fields and delays in development projects. The Group normally seeks to ensure that it has a minimum ongoing capacity of US$500 million (£320 million) for a period of at least 12 months to safeguard the Group's ability to continue as a going concern.

Following the placing announced in January 2010, the planned portfolio activity and with the US$2 billion (£1.28 billion) financing already secured in March 2009, the Group's forecasts and projections show that there is significant capacity and financial flexibility for the 12 months from the date of the 2009 Annual Report and Accounts.

After taking account of the above, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the 2009 Annual Report and Accounts.

Risk management

Effective risk management is critical to achieving the Group's strategic objectives and protecting its people and reputation. The management of key risks has been assigned to individual Executive Directors and senior managers. The principal risks and uncertainties facing the Group, their potential impact and the mitigation strategies developed are detailed in the risk management section commencing on page 62 of this report.

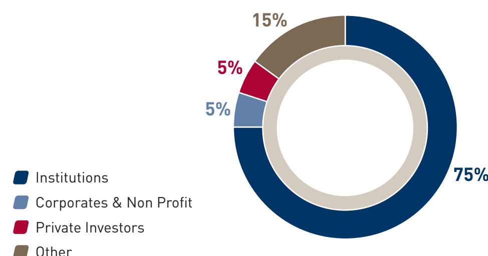
Risks to 2010 performance

In common with other companies in the oil sector, Tullow is exposed to commodity price risk, the delivery of major projects and ensuring safe operations in all locations. The Board determines the specific key risks for the company and required mitigation plans and reviews delivery on a regular basis. Risks for 2010 include delivery of Jubilee first Oil, completion of the Uganda pre-emption and farm-down, and maintaining an adequate hedging programme.

Institutional ownership

75%

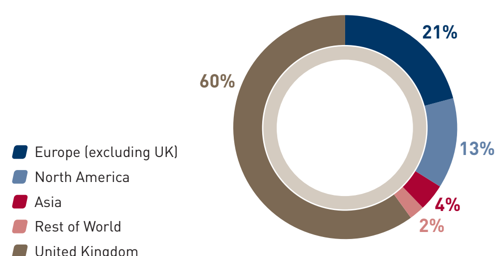
Tullow has a well established base of global institutional investors, which the Executive team and senior managers meet on a regular basis to discuss the operations and strategy of the business.



International ownership

40%

In 2009, Tullow grew its North American and Asian shareholder base. 40% of Tullow shares are now owned by investors outside of the UK.



Capital market relationships

Tullow takes great pride in achieving top quartile and best practice performance in investor relations and capital market communications. In 2009, senior management participated in over 200 investor meetings in the UK, Europe and North America and presented at 13 capital market conferences and hosted investors and sell-side analyst events in the UK.

There was strong news flow during 2009 which resulted in positive TSR of 99%, the 14th best performance in the FTSE 100 index and in the top quintile in Tullow's comparator group. We were also recognised for good disclosure with an award for the Most Effective Overall Annual Report in the FTSE 100 for our 2008 Annual Report.

As part of our ongoing strategy to improve shareholder relations, Tullow commissioned the Rivel Research Group to undertake an independent Investment Community Perception Study in December 2009. The study's preliminary findings were received in February 2010. The full report will be presented to the Board in April. Initial findings confirmed the high level of respect the investment community has for the Tullow management team and the Group's strategy. It has also identified specific strategic challenges for the Board to consider and communicate on during 2010. In addition the study demonstrated a high approval rating for the effectiveness of Tullow's Investor Relations programme, which provides open and transparent disclosure and good access to Tullow executive management.

Financial strategy and outlook

Tullow's financial strategy is to ensure the Group has a strong and well funded balance sheet. This means having the capacity to undertake a significant and growing activity set through a combination of operating cash flow and an appropriate mix of debt and equity funding, supplemented by selective acquisitions and divestments.

The outlook for 2010 is very positive for Tullow. First oil from Jubilee in the second half of 2010, the Group's equity fund raising and the successful completion of the Ugandan farmdown will all ensure that Tullow is adequately capitalised to fund its growth strategy.

Ian Springett
Chief Financial Officer

Risk management

As a business we could not function properly unless we are very specific about the identification and management of risk and how we respond to changes in the external operating environment.

Managing risk effectively is a critical element of our corporate responsibility and underpins the safe delivery of our business plans and strategic objectives. It protects our reputation, supports our ability to do business and helps to create long-term competitive advantage. Risk management is embedded in Tullow's organisation structure, operations and performance management tools. The Group has a systematic approach to risk identification and management which combines the Board's assessment of risk with risk factors originating from and identified by the Group's business units and in-country operations.

Monitored monthly

Overall responsibility for risk management resides with Tullow's Board of Directors. Key risks are monitored by the Board as part of a monthly operational and financial management report for the Group, which includes operational, financial, EHS and external market progress against predefined performance indicators. In this report, progress in implementing plans to manage risks is through a narrative commentary and a traffic light system. In this way it is clear whether risk mitigation has been achieved, is in progress or has escalated and requires immediate attention. This provides a dynamic risk management process where new risks are identified and mitigation processes are refined in the context of the current external operating environment.

Clear accountability

Tullow has nominated Executive Directors with responsibility for key risks and this approach is closely aligned with the Group's business model which integrates and coordinates exploration, production, finance, legal and governance decision making.

Part of Group strategy

While risk management operates on a rolling calendar basis, key risks for strategic delivery of the Group's business plans and objectives are identified as part of the Board's annual review of Group strategy. The Chief Executive's review sets out the Group's growth strategy, strategic objective and strategic priorities, which is on page 22 of this Report.

Embedded in the business

The Executive directors meet weekly to discuss strategy implementation and separately with the Senior Management Committee (SMC). The SMC comprises the General Managers of E&A, P&D and Finance and the Heads of Corporate Planning & Economics, Commercial, HR and Risk & Marketing and this group is responsible for delivery of the annual budget. This reporting and communication structure between the Executive Directors and SMC leads to an effective two-way exchange of information and ensures co-ordinated decision-making takes place with a premium placed on risk management.

In each area of risk the Executive Directors are supported by members of the senior management team or senior managers with functional, business unit or in-country roles. Accountability for managing risk is assigned to individual managers and each employee is personally responsible for managing risk within the remit of their role.

Independently reported

The risk reporting process is co-ordinated independently by the Group Internal Audit Manager with input from the Executive Directors and senior managers accountable for managing risks. This provides the Board with an active, action-oriented process that closely monitors key risks. The system also validates progress being made in mitigating risk throughout the year across the business.

Linked to annual performance

Tullow undertakes a detailed annual business planning and budget process extending over a three-year planning horizon. The budget provides the key financial measures against which the efficiency and management of individual work programmes and the performance of the Group is measured. The budget and planning process includes annual objectives and targets covering production, development, exploration, EHS and financial performance, which are set at a business unit and asset level. Business plans are agreed with the Board together with risks to delivery and defined operational targets.

Actual performance against the plan is reported on a monthly basis including an explanation of key variances. On a quarterly basis senior management assess the Group's performance through a series of reviews with business units. These reviews include an assessment of risks to delivery and measures being implemented to manage these potential risks. Longer range financial projections are also regularly prepared.

This operational risk management and reporting process combined with the Board's strategic risk review ensures that risk management is linked to strategic delivery and the achievement of Business Unit operational targets and objectives.

Defined Audit Committee participation

The Audit Committee plays a key role in reviewing the effectiveness of the Group's internal control procedures and financial risk management systems. In 2009, the Committee approved the annual internal audit plan and received summary results from all of the audits conducted during the year. In addition, the Committee monitors the integrity of the financial statements and the work of the external auditors, reviews the work of the independent reserves auditors ERC and the arrangements in place for managing Information Technology risk relating to the Group's critical business systems. Further details on the Audit Committee can be found in the Corporate Governance section on page 86 of this report.

How risk management responds

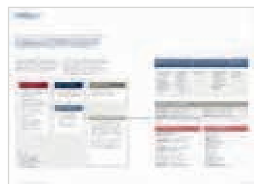
A key feature of Tullow's approach to risk are the actions taken in response to situations where risks crystallise. We reacted quickly to our first fatality in 2009 and developed a comprehensive response culminating in a Group-wide health and safety audit by the end of the year. The key actions arising from this audit process will be implemented in 2010. Full details on our response to this fatality are on page 73 of this Report.

How risk management evolves

Tullow has established dedicated project teams to manage major developments in Ghana and Uganda. As part of that process project milestones were established covering EHS, cost, schedule and technical aspects of the development. At each stage detailed risk analysis is completed with inputs from partners as appropriate. Plans to mitigate these risks are developed by the project teams and reviewed by the Executive and the Board.

On an ongoing basis the Jubilee project development team produce a comprehensive monthly report that provides a detailed summary of progress being made in meeting key project milestones. Key execution risks are identified along with the mitigation actions being implemented to manage these risks. Through this process risk identification, mitigation and monitoring are completed as part of the day-to-day management

How we are organised



At Tullow, a strong governance and organisational framework defines the roles and responsibilities of your Board and senior management.

Read more on page 8

of these operations. As risks are effectively mitigated they are replaced with emerging risks.

The report is distributed to senior management, partners and the Ghanaian government and also forms part of the Group's monthly operational and financial report for the Tullow Board.

Appropriate policies and procedures

Tullow has detailed policies, procedures and systems in place to support risk management across the Group. These include the Group's Code of Business Conduct, HR and EHS policies and systems, supply chain management, crisis management plans and ISO14001 certification of the Group's Environmental Management System. Further information on these are contained in the corporate responsibility section of this report, on page 70.

2010 principal risks

The Group has identified its 2010 principal risks as being:

- Execution risk in major development projects in Ghana and Uganda; and
- Exploration risk in the context of a very active 2010 programme which includes up to 12 Equatorial Atlantic, 10 Ugandan and eight wildcat wells planned in our 2010 E&A programme.

Enhanced risk disclosure

Tullow groups risk into strategic, financial, operational and external risk. Throughout the year we have critically reviewed and evaluated the risks the Group faces. We have synthesised these in this year's report and have improved our disclosure through aligning risks with Executive Director responsibility, Group's KPI's and related policies and systems. In recognition of the level of strategic risk associated with the Group's major projects key operational and business milestones have been added to performance indicators. We have also reported on the progress made during 2009 in key Group risks.

Risk	KPI	Mitigation
Strategic risk — **Impact:** Ineffective or poorly executed strategy fails to create shareholder value or fails to meet shareholder expectations.		
Strategy fails to meet shareholder expectations	Top quintile TSR	Strategy focused on delivering Ghana and Uganda developments and a selective high-impact exploration programme. Effective communication with all stakeholders based on uniform, open and transparent dialogue.
Loss of key staff and succession planning	Staff turnover	An open, engaging and empowering culture, career potential, and remuneration policies to attract and retain staff. Succession planning, specific development and training policies and the continuing success of the Group.
Financial risk — **Impact:** Asset performance and excessive leverage results in the Group being unable to meet its financial obligations.		
Insufficient liquidity, inappropriate financing strategy	Liquidity profile Capital expenditure and cost management targets	Prudent approach to debt and equity with a balance maintained through refinancing and equity placing. Regular Board review and approval for financing options. Short- and long-term cash forecasts reported to senior management and Board monthly. Maintenance of strong banking and equity relationships.
Cost and capital discipline	Operating cost per barrel Full finding costs per barrel	Comprehensive annual budgeting process covering all expenditure approved by the Board. Executive management approval required for major categories of expenditure effectively managing capital allocation. Monthly reporting versus budget with variance analysis.
Operational risk — **Impact:** Operational event impacting staff, contractors, communities or the environment leading to loss of reputation and/or revenue.		
EHS failures and security incident	No major environmental incidents LTIFR <1.0 and top quartile industry safety performance	EHS performance standards set and monitored regularly across the Group through performance reporting. EHS management system implemented. Clear policies and procedures supported by strong leadership accountability and commitment throughout the organisation.
Key development failure	Specific yearly base and stretch targets that reflect key project milestones	Technical, financial and Board approval for all projects and dedicated project teams established. Risk evaluation and progress reporting initiated for all projects. Project milestone KPI's established for Ghana and Uganda.
Sustained exploration failure	Reserves and resources organic replacement Full finding costs per barrel	Board approval of E&A programme. Finding cost per barrel and high-grading of the Group's portfolio measuring success of exploration spend, reported monthly to Board. Use of appropriate technologies and technical excellence in exploration methodologies.
External risk — **Impact:** The overall external political, industry or market environment may negatively impact on the Group's ability to independently grow and manage its business.		
Corporate responsibility*	Top quintile industry performance	Consistent ethical standards established and applied through code of business conduct and contract and procurement procedures. Developing and maintaining successful relationships with governments and communities. Regular review of compliance requirements with periodic Board reporting.
Oil gas price volatility	Realised commodity prices	Hedging strategy agreed by Board, monthly reporting of hedging activity.
Hostile acquisition	Remaining independent	Robust defence strategies against hostile acquisitions. Effective investor engagement and ongoing open honest and transparent communications programmes.

* Includes corruption or reputation risk, political risk and fiscal change and corporate governance failings.

Progress in 2009	Executive responsibility	Policies and systems	Read more
Jubilee Phase I development on track for Q4 2010 first oil within budget. Project milestones met, approval of the Plan of Development, Field Unitisation Agreement and Environmental Impact Assessment granted. Uganda commercial threshold exceeded, pre-emption and farmdown accelerating development programme underway.	Aidan Heavey	Annual business plan, SMC responsibility, monthly reporting, annual strategy review, IR programme	Pages 10 and 11, 19 and 24
Staff numbers increased by 24% to support business growth, positive results from employee survey. Succession planning and staff development programmes established.	Graham Martin	Living our values, HR function and policies, training and development	Pages 18, 74 and 75
Significant strengthening of balance sheet through equity placings in 2009/2010 realising £1.3 billion, US$2 billion reserve-based refinancing, additional US$250 million revolving credit facility secured.	Ian Springett	Finance strategy, cash flow forecasting and management, capital allocation processes	Pages 56 to 61
Capital expenditure increased during year to accelerate exploration and appraisal activities in Ghana and Uganda, together with licence acquisitions in the Liberian basin and exploration drilling in Côte d'Ivoire.	Paul McDade Angus McCoss	Delegation of Authority (DOA) and budgeting and reporting processes	Pages 56 to 61
EHS performance measures met, EHS leadership and accountability process updated and embedded, enhanced accident and incident reporting. Following Bangladesh fatality comprehensive response plan implemented and H&S audit completed by year-end.	Paul McDade	EHS policies, IMS, toes, EMS, crisis management procedures, H&S policy, EHS Leadership Team	Pages 28 and 29, 70 to 73
Jubilee development milestones met with project on track and on budget. Uganda exploration and appraisal programme confirmed in excess of 800 million barrels of oil. Accelerated basin development programme through Heritage deal pre-emption and advanced farmdown process.	Paul McDade	IMS, EHS systems and policies, DOA, Code of Business Conduct, risk management process	Pages 70 to 73
Record 87% exploration and appraisal success including 300 million barrel Jobi-Rii discovery in Uganda, Tweneboa oil and gas discovery in Ghana and Venus B-1 well in Sierra Leone.	Angus McCoss	GELT, competitive capital allocation process, clear exploration strategy	Pages 8 and 9, 24, 26 to 28
Review and update of Code of Business Conduct, establishment of External Affairs function, review of political and country risk process completed.	Graham Martin	Code of Business Conduct, CR policies, social enterprise investment	Pages 68 to 75 78 to 90
Conservative hedging policy with realised oil and gas prices of US$60/bbl and 39 pence per therm. Detailed monthly Board reporting of hedge positions and performance.	Ian Springett	Hedging strategy DOA	Pages 25, 58 56 to 61
Defence strategy updated and ongoing review of readiness arrangements with key advisors.	Graham Martin	Documented defence manual	–

Goretti Kabajumbura, Local Community Worker
Kaiso-Tonya Region, Uganda

7

Creating shared prosperity

Our corporate responsibility approach is to work more closely with external stakeholders to ensure that oil and gas resources generate new opportunities for long-term economic development, creating shared prosperity for all.

Corporate responsibility 68

To achieve our vision we take a long-term perspective in protecting our reputation, managing risk, investing in people and creating the right operating environment to enable us to successfully execute our strategy.

Living our values 70

As our organisation grows we must not lose sight of the unique characteristics that have supported our success to date.

Environment, Health and Safety 72

Successful EHS performance depends on keeping line management fully engaged with EHS, and we have a 21-member EHS Leadership Team at Tullow to support this.

Our people 74

Feedback from employees is critical in helping us understand where there is room for improvement or where we simply need to try a little harder.

Corporate responsibility is part of how we organise and run our business. At Tullow, we believe it is fundamental to implementing our strategy and accomplishing our strategic objective.

2009 Highlights

Zero
significant environmental incidents

Successful EIA
in Ghana which achieved the first part of a two stage Government approval process

ISO 14001
re-certification of the Environmental Management System at the Group level

14 GNPC secondees
and four technicians welcomed to Tullow for training and development

2.0% staff turnover*
during the year with the total workforce increasing by 24% to 880 people

83% response rate
to our first global employee and contractor survey

0.76 LTIFR*
which achieved our baseline target but did not deliver top quartile industry performance

US$2.0million
on voluntary social enterprise investment in over 100 projects in 11 countries

* Group KPI KPIs pages 18 and 19

Glossary
EHS Environment, Health and Safety
EIA Environmental Impact Assessment
GNPC Ghana National Petroleum Corporation
ISO International Organization for Standardization
KPI Key Performance Indicator
LTIFR Lost Time Injury Frequency Rate measured in LTIs per million hours worked

Our vision is to be the leading global independent exploration and production company. To achieve this we take a long-term approach in protecting our reputation, managing risk, investing in people and creating the environment that we need to successfully execute our growth strategy and deliver our business plans. By doing this well we create competitive advantage which in turn enables Tullow to create long-term value for all our stakeholders. Our vision and growth strategy are supported by six strategic priorities and three of these relate to corporate responsibility:

- Ensuring safe people, procedures and operations, and minimising environmental impacts;
- Building long-term relationships with local governments, communities and key stakeholders; and
- Continuing to develop a strong team with excellent commercial, technical and financial skills.

A transparent and accountable approach

The Group has a strong governance and organisational framework that promotes accountability, transparency and achieving the highest ethical and business standards. Corporate responsibility spans key areas that are embedded in how we run our business and each area is the designated responsibility of an Executive Director.

- EHS is the responsibility of Paul McDade, Chief Operating Officer;
- Governance including the Group's Code of Business Conduct is the responsibility of Graham Martin, General Counsel and Company Secretary. Graham also has responsibility for Human Resources;
- Risk management and supply chain management are the responsibility of Ian Springett, Chief Financial Officer, as is Investor Relations which is an important function in how we engage with our shareholders and Capital Markets; and
- Social enterprise investment is the responsibility of Aidan Heavey.

How we organise and structure our business is on page 8 and 9 of this report.

"For a company yet to produce first oil, Tullow Ghana has done so well in consulting with diverse stakeholders, and this gives a foretaste of the relationship that will exist with local communities."

Nana Nketia
Paramount Chief, Western Region Ghana

A new External Affairs function

Tullow has grown very rapidly in the last five years and part of that journey is that we continually strive to be a better run company. Big projects bring big responsibility and we need to match our significant social responsibilities in Africa, in particular, and the wider reputation management issues that come with having world-class oil projects. In 2009, Tullow established an External Affairs function that reports directly to Aidan Heavey, Chief Executive Officer. This new function will:

- Reshape our Corporate Responsibility Committee and its Terms of Reference;
- Create internal relationships and systems that ensure that corporate responsibility activities and initiatives are joined-up across the Group;
- Develop a wider programme for stakeholder engagement and dialogue with communities, governments, non-governmental organisations and national and international media; and
- Deliver a major step-change in how we approach and support social enterprise and community investment.

Another part of the responsibility of the External Affairs team will be to improve our disclosure in the area of corporate responsibility and move Tullow towards best practice reporting in this area. We know that being transparent helps us to create trust and confidence and effective communication is an essential part of that.

Creating shared prosperity

A key output of a four-day External Affairs workshop in Uganda in January 2010 was to define a new long-term approach to inform all corporate responsibility activities. Moving forward, we will work more closely with external stakeholders to ensure that oil and gas resources create shared prosperity.

Growing stakeholder engagement

While we recognise that our new External Affairs function will enhance wider external stakeholder engagement processes, the Group's engagement processes with shareholders, communities and employees (see Tullow Talkback on page 75), developed further in 2009.

Education in Uganda

In Uganda, we are providing education support in teaching standards, learning materials and physical infrastructure. We have partnered with Link Community Development to provide teacher training in eight schools surrounding our operations. In the Hoima and Buliisa districts we are renovating and constructing schools, building housing for teachers and supporting school library projects. This programme has been universally welcomed by teachers, the Education Standards Authority and District Education Officers.

Shareholder relations

Communication with shareholders is given high priority and we hold regular dialogue with institutional investors and other Capital Markets participants. Throughout 2009, Executive Directors and senior management conducted over 200 individual meetings. The Board receives regular reports covering key investor meetings and activities, as well as shareholder and investor feedback.

Tullow conducted a community investment perception survey in the first quarter of 2010, the findings of which will be presented to the Board for consideration in April. Preliminary headline results confirmed a high level of respect for Tullow's management team and strategy. In addition, the survey found that Tullow's Investor Relations programme is highly rated in relation to a global companies peer group, oil and gas peers and FTSE 100 peers.

Community engagement

We are committed to open and consistent communication with local stakeholders and we believe this is pivotal to Tullow's reputation as a responsible operator. Our Community Relations teams are keeping local communities informed of our activities. In addition to regular local community visits, engagements include local radio talk shows and town hall meetings, which attract a cross section of stakeholders.

In Uganda, we opened two Community Liaison Offices in 2009 to support our community engagement strategy. Community Liaison Offices act as local resource centres providing information not only on Tullow's operations, but also on what stakeholders can expect from the emerging oil and gas industry. We will be opening six Community Liaison Offices in the western region of Ghana in 2010.

Appropriate policies, procedures and management systems

Part of Tullow's journey has also been to continually develop policies, procedures and management systems that support the highest standards of governance and corporate responsibility. The Group has a framework for the consistent application of the standards that all of our operations must comply with. We safeguard this through corporate governance processes together with monitoring and oversight by the Board. We benchmark consistent application though Internal Audit reviews.

Living our values

We have a shared vision across the business wherever we work. Living our values captures and articulates the four main aspects of the way we do business in Tullow; so that everyone working for or with Tullow can be aligned with our expectations.

Our values are prominently displayed across the Tullow world. We use them as the foundation of our recruitment and performance management processes, demonstrating that how we do things is just as important as what we do.

In a rapidly growing organisation such as ours, it is easy to forget the fundamentals of success and we are determined to maintain the core values we started with and which have strongly contributed to our phenomenal success story.

In our 2009 employee survey, 76% of respondents were positive that these values were alive at Tullow.

Focus on results
Strong sense of focus on results, driving tasks and projects through to completion with the flexibility to adapt to changing situations.

Integrity and respect
Work with integrity and with respect for people, and for the environments in which we operate.

Commitment to Tullow and each other
Work in a collaborative manner, empowering ourselves and others, whilst taking responsibility for our actions.

Entrepreneurial spirit and initiative
Maintain our entrepreneurial and creative spirit as we challenge ourselves to develop the business and ourselves.

In 2009 these reviews included the application of the delegation of authority and budgetary approval, EHS statistical reporting procedures and employee induction processes.

Key aspects of our policies and systems include:

- Code of Business Conduct incorporating General Business Principles, Ethics & Integrity Policy, Whistleblowing Policy and Human Rights Policy setting out the required standards for employee and contractor behaviour;
- Integrated Management System which sets minimum business standards to be used throughout Tullow, including EHS risk management guidelines;
- EHS policy sets out Tullow's commitment to high standards of EHS performance across the business supported by EHS leadership commitment statements;
- Tullow Oil Environmental Standards (toes) provides guidance and information to internal and external stakeholders on Tullow's management approach to environmental issues and acts as a knowledge sharing tool within the organisation;
- Human resource policies – Living our values, Harassment and Equal Opportunity – establish a consistent set of values and standards for managing employees and contractors throughout the Group;
- Supply chain management have detailed procedures for tendering, evaluation, selection and award of contracts that require competitive tendering and evaluation with management approval for all significant contract awards;
- Risk management guideline defines the process for identifying, quantifying and managing risk throughout the entire asset life cycle; and
- Crisis management plans define the philosophy and approach to managing any local emergency or company crisis.

Further, Tullow has re-certified the corporate Environmental Management System to ISO 14001 standard in 2009. During this process, specific audits have been carried out in the UK, Dublin, Cape Town, Bangladesh, Pakistan and Mauritania. The application of this standard provides a framework for identifying and evaluating key areas of environmental risk, risk management and review through all phases of operations.

Hathay Bunano project in Bangladesh

The communities surrounding our Bangora operations in the Comilla District, Bangladesh, are predominately employed in the agricultural sector, which offers very few employment opportunities for women. Our partnership with social business enterprise, Hathay Bunano Proshikhan Society (HBps) generates sustainable income and economic opportunities for women by offering training and employment in the production of crochet toys. Currently 200 women have completed training and are now earning independent incomes. The centre also offers free child care and very flexible working conditions.

Corporate responsibility continued

Environment, Health and Safety

Over 6.6 million hours were worked, representing an 18% increase on 2008. As a result, EHS teams throughout Tullow undertook a number of very significant work programmes. The key to successful EHS performance is to ensure that line management are fully supportive of and engaged with EHS.

Tullow's EHS Leadership Team, which was set up in late-2008, and comprises 21 senior personnel with specific responsibility for higher risk activities across Tullow. This group is led by Paul McDade, Chief Operating Officer.

Environment

During the course of 2009 Tullow, with the support of its partners and the Ghana Environmental Protection Agency (EPA), carried out the stipulated Environmental Impact Assessment (EIA) for the Jubilee Field, an offshore development situated 60 km off the coast of Ghana. The project's scale set high expectations and created keen interest. To address this, extensive public consultations across the Western and Central regions of Ghana was undertaken as part of the EIA programme. This allowed Tullow to communicate information on the proposed development, and listen to concerns from key stakeholders that were then carried forward into the EIA process. In December 2009, the Ghana EPA issued the first part of a two-stage approval to cover the installation and commissioning phase of the project. The EIA met both Ghanaian legislative requirements and international good practice.

Similarly in French Guiana, before Tullow could begin its seismic activities offshore it was important to develop a baseline understanding of marine biodiversity to ensure we mitigated any negative impacts from our operations. In 2009, we began conducting an EIA. We partnered with the South Paris University to assist us and are working closely with the Government and national environmental regulators to ensure we acquire a sound understanding, particularly of the marine mammals and turtles that are known to occupy the area.

In 2009 in the Lake Albert Rift Basin in Uganda, we drilled the Ngassa-2 well, which had to be sensitively located due to subsurface constraints and distance under the lake of the target location. All personnel involved in the Ngassa-2 project, including our rig contractors, subcontractors, and local employees worked closely with us to ensure that the project was completed with no safety issues and no negative

EHS Leadership Development

"In my role as Business Unit Manager Europe, I participated in the EHS Leadership Development training during 2009. I attended two three-day sessions covering two modules with others whose responsibilities include high risk EHS activities such as operations and drilling. Both modules provided a balance of theory, practice, policy, procedure and case studies. They are designed to include Tullow material, which makes the content relevant and real to all participants.

"This training provided a great opportunity to spend time with my Tullow peers and to listen to and understand their EHS challenges and lessons learnt. Perhaps most important though, was that we all took on the challenge of ensuring that our new learning is applied, and linked directly to continuous improvement in EHS performance at Tullow."

Claire Hawkings
Business Unit Manager, Europe

> "There are high expectations of Tullow and we are investing in building a world-class external stakeholder relations programme in support of working in partnership to create shared prosperity."
>
> **Rosalind Kainyah**
> Vice President, External Affairs

environmental legacy. While the remediation work is ongoing, it is clear that full reinstatement of the Ngassa-2 site is achievable.

First ever fatality

The safety of our staff, contractors and members of the public involved in our operations is a core value for Tullow and we focus our energy on maintaining safe places of work and establishing high safety standards in all that we do. In May 2009, however, we failed to manage this adequately and Tullow suffered its first ever fatality when one of our subcontractors was electrocuted at a construction site in the Bangora gas field in Bangladesh.

Following this incident, we made the site safe and initiated a full investigation. Three senior managers were mobilised to Bangladesh and together with the local team delivered a comprehensive investigation that was fully documented. The investigation team reported progress directly to the Tullow Board, who remained actively involved in this incident and the ongoing actions. We also sought to provide support to this man's family and continue to do so.

While clearly any death is one too many, Tullow has worked hard to identify improvements from this incident and implement them across the Group. We embarked on a communication exercise to ensure everyone in Tullow understood what happened and reached approximately 85% of all parties in Tullow over a six-week period. In other areas, a revised electrical inspection programme identified a series of installation improvements. Our Bangladesh team implemented several operational improvements at the Bangora site including an improved third party electrical inspection programme, contractor management and clarity on roles and responsibilities.

We also undertook an independent health and safety audit and identified some key learnings, which focus on our management system including understanding of risk, the management of change and the lack of formal audit programme. All of which will be actioned in 2010.

Health and safety

A key health initiative introduced in 2009 was developing and implementing a Group malaria programme. Malaria is a very serious illness and is prevalent in many of the countries where Tullow operates. We are strongly aware that malaria presents a serious health risk to individuals in our workforce who are travelling to, or working in malaria-endemic areas, and to the communities around our operations. Malaria is both preventable and curable, but can be fatal if not treated promptly. During the year Tullow developed and rolled out a malaria management policy in close consultation with the World Health Organisation and in line with International Association of Oil and Gas Producers (OGP) Malaria Guidelines for travellers. Tullow's EHS Leadership Team has also developed a personal malaria programme and in-country programmes.

Supply chain management

We ensure that our suppliers align and comply with our Code of Business Conduct and adhere to best practice standards. We operate a competitive bidding process that is centred around the quality, value and integrity of the products and services being supplied. Evaluation and selection of suppliers is based on criteria such as availability, reliability and price, providing Tullow with efficient access to the best commercial arrangements available, mitigating financial risk, and delivering measurable value.

A key element of our supply chain management strategy, and one that helps develop local enterprise, is our drive to promote local content, using local and regional suppliers. Procurement and supply chain management is not a centralised function. Instead, we have in-country teams with local knowledge and this gives greater opportunity to prioritise local procurement and support enterprise and employment creation for local communities. As a result of this our suppliers range from small and medium-sized local companies to multinational corporations.

GNPC secondee programme

"After graduating with a BSc in Geology from the University of Ghana, I spent three years with GNPC before joining Tullow's Ghana sub-surface team in London in 2008. During my time there I was able to gain insight into well log interpretation, reservoir characterisation, software training and well development techniques. I also had coaching and mentoring, team building, report writing and presentation skills training. The programme is excellent and has given me sufficient knowledge to fit into a working technical office. The support I have received from experienced Tullow people was fantastic and I would love to work for such a company in the future."

Mark Prempeh
GNPC Secondee

Mark is now undertaking a Tullow sponsored MSc in Petroleum Sciences at Imperial College, London.

Social enterprise investment

Our overall social enterprise objective is to create a lasting positive legacy from Tullow's operations. Enterprise development is now our priority focus area and underpins our aim to help communities to support themselves over the long-term. In 2009, we invested over US$2 million on voluntary social enterprise projects, of this US$1.7 million was invested in projects in Africa. Our budget has significantly increased in 2010, to enhance our contribution and support our role in social enterprise and local community development particularly around our major projects in Ghana and Uganda.

Our people

We introduced the new human resources strategy in 2008 and with a 46% increase in staff numbers in 2008 and 24% in 2009, a lot of work has been undertaken in this area.

Reward & recognition

2009 saw the formation of a Pensions Governance Committee comprising company and staff representatives with new plans being offered in Bangladesh, Ghana and Uganda in 2010. In the UK, presentations on the Spring Budget and Finance Act implications were provided to all staff. A major review of the way we hire contractors during 2009 resulted in a more streamlined, cost-effective contractor engagement process.

Talent development

Our T for Talent programme went from strength to strength in 2009. 231 employees attended an in-house soft skills course, totalling 470 days training in London alone. Some core programmes have been delivered globally, such as effective management, fulfiling our commitment to development opportunities for all. We have also taken the initial step in launching career development frameworks, with the first one being undertaken in the Tullow geosciences community. In April this year we will launch the first leadership development programme, aimed at our top 50 managers.

Performance Management

Our commitment in 2009 was to provide an electronic process through Tullow's intranet for performance management and this was delivered. We had some good learning on how the systems functioned and the process will be further streamlined for mid-year reviews in 2010. Along with this improvement, a bespoke performance management e-learning package was designed and made available to all staff ensuring that, in even the remotest locations, a consistent approach can be applied to this important line management function.

Culture and Engagement

The HR team led the introduction of 'Living our Values', which articulates the four key aspects of Tullow's culture we feel are essential for us to encourage and develop in new recruits. Our organisation continues to grow rapidly and spread geographically and we know we must not lose sight of the unique characteristics that have supported our success to date. Read more about 'Living our Values' on page 70 of this report.

Developing in-country skills

We were delighted to welcome 14 secondees from the Ghana National Petroleum Company (GNPC), one of our partners in the Jubilee development, to Tullow in 2009. We have a strong commitment to developing an Exploration and Production (E&P) skills base in both Ghana and Uganda, and our experience with secondees from GNPC has been positive and rewarding.

This young team included talented graduates from well engineering, EHS, petroleum engineering and geosciences. They participated in a diverse range of industry training, exams and environmental awareness, as well as a broad set of soft skills training to equip them to play a major role in the development of an oil industry in Ghana. All have added value to our business by contributing to real projects with meaningful work experience in various functions. We were delighted with their contribution and the majority of secondees are now completing Tullow sponsored Masters of Science degrees in various disciplines at leading UK educational institutions including Heriot Watt, Imperial College and Universities in Aberdeen and Leeds.

We also trained four production technicians on a 26 week training programme at TTE in Middlesbrough (UK), who are specialists in the training of production and operations technicians. Having completed their offshore survival training, the technicians returned to Ghana to join the Tullow team in Accra.

Tullow engagement survey top line results

In October 2009, we launched our first global employee and contractor survey called Tullow Talkback. The survey was conducted by a third party to ensure confidentiality and it was distributed electronically to all Tullow locations. Talkback addressed job, career, reward and recognition, leadership and management, team, company and Tullow values through a series of 80 questions. It also included a range of open questions seeking views on how to improve internal communications, what Tullow's reputation is about or any subject in particular the respondent wanted to convey their views on to the Group's leadership team.

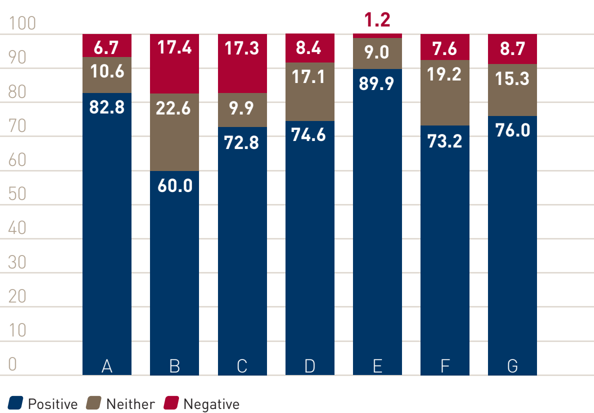
The results achieved were very positive showing high levels of engagement and enthusiasm across the Group. We set ourselves two benchmarks for a successful survey – a 70% response rate and that 90% of employees would recommend Tullow as an employer to a friend. We achieved an 83% response rate, and 91% of employees would recommend Tullow to a friend.

We will report in full on the results of Tullow Talkback and the progress we have made with our follow-up action plans in the 2009 Corporate Responsibility Report.

Go online at www.tullowoil.com

Tullow engagement survey top line results

A. My job
B. My career
C. How am I recognised and rewarded
D. My boss
E. My team
F. My company
G. Tullow Values



Emmanuel Kwadjo-Dei, Production Operations Technician Trainee
TTE Training Centre Middlesborough, UK

8

Maintaining the highest standards of governance

Tullow is committed to all aspects of good corporate and ethical behaviour. Policies and processes are in place to ensure we comply fully with all legislative and regulatory requirements and where those are inadequate or non-existent in areas of operation we apply responsible standards.

Chairman's introduction **78**

The Board provides strategic leadership, guidance and plays a leading role in risk management. This ensures the Group is well managed with a balanced approach to risk and reward and stays on target with its strategic priorities.

Board of Directors **80**

There are 11 members on the Tullow Board, five Executive Directors and six non-executive Directors including the Chairman and Senior Independent Director.

Corporate governance **82**

A governance highlight for 2009 is that this is the first year of full compliance with the Combined Code.

Directors' remuneration report **91**

We provide a full explanation of the Group's remuneration policy for Executive and non-executive Directors, together with details of their remuneration for 2009.

Other statutory information **101**

Chairman's introduction

Pat Plunkett
Chairman

2009 Objectives and performance

Ensure that the Group stays on target with its key 2009 business plans

The Group delivered very well against its KPIs for the year. See pages 18 and 19 for more information.

Review Board Committees and processes

The Board's Committees continued to operate efficiently, and although consideration was given to changing the composition of the Committees it was felt that the current structure continued to suit Tullow for now. Improvement in communications between the Committees and the Board will be actioned in 2010.

Define and progress succession planning

Some initiatives have been taken but there is more to do. See 2010 Board objectives.

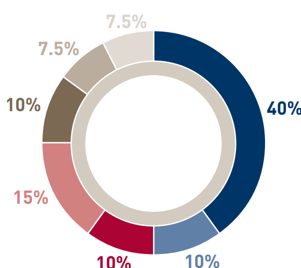
Undertake key risk reporting, mitigation and process evaluation

Excellent progress was made risk management identification, mitigation and action-orientated monthly reporting. Risk management is on page 62 to 65.

Enhance Board meeting administration systems

Some improvements were made but further efficiencies are targeted. See 2010 Board objectives.

Topics discussed at 2009 Board meetings



- Strategy including portfolio management and acquisitions, corporate planning, strategy days and external presentations
- Corporate Governance, including Combined Code compliance, Code of Business conduct; and related matters
- Financial Management including liquidity, banking, investor relations, hedging and financing generally
- P&D, key projects particularly Ghana and Uganda, major project milestones, relations with stakeholders
- E&A including exploration campaigns and new exploration business areas
- EHS including Bangladesh fatality
- HR including organisational growth and challenges

The Tullow Board seeks to function in a manner that encourages open and honest discussion in an environment of trust and mutual respect.

At the heart of our continued success lie the principles of good governance and corporate responsibility, which underpin our ability to deliver our business plans and strategy. Governance highlights for the year are summarised in my statement on pages 16 and 17.

2009 Board evaluation

The internal 2009 Board evaluation undertaken by the Senior Independent Director concluded that there had been considerable progress since the last full external evaluation in 2007. New Directors have settled in well to their Board duties and contribute fully at meetings. Corporate strategy is well defined, understood and disseminated throughout the organisation and to all stakeholders. The re-ordering of Board agendas in 2009 focused debate on the key strategic issues facing the Group and communication with employees has improved substantially.

Rebalancing Board time

While we did not record Board discussion topics by the hour the chart below is indicative of the themes and matters, which occupied us most during the year. In such a fast-paced organisation that operates in a very dynamic environment, one of the key roles of the Board is to respond and reprioritise matters as appropriate and this we did, for example, when Tullow had its first fatality and when Heritage Oil plc announced the sale of its Ugandan assets. In addition to a strong strategic focus at Board meetings, another new feature is invitations to external experts to meet with the Board with a view to 'broadening our minds' on topical issues.

Increased direct interaction with staff

The Board visited Cape Town for three days in June and through general staff gatherings, presentations and other initiatives significantly increased our level of direct interaction with all employees during the year. Four non-executive Directors visited Kampala and our Ugandan field operations in 2009 and one visited Accra and our shore base facilities. The response to these initiatives has been very rewarding and positive. From the Executive and Board perspective it reflects the importance of making leadership more visible and showing strong commitment to the Group, together with fostering a unified Tullow culture particularly as our employee numbers have increased 46% and 24% in 2008 and 2009 respectively.

Strong shareholder and employee relations

The support of our shareholders has been fundamental to the success of Tullow. We have a very active annual Investor Relations programme that allows us to understand and take due regard of different shareholder priorities. We undertook an independent investment community survey in the first quarter of this year and the headline results are excellent. Tullow's Investor Relations efforts were rated very highly on a global and FTSE 100 scale and this is mirrored by the Award for the most effective overall Annual Report (printed and online) in the FTSE 100 for our 2008 Annual Report. There were some significant strategic challenges to the Board arising from the survey which we will begin to address once the full report has been presented in April. As we have grown we have also invested in developing human resource initiatives and fostering employee engagement. The results of our latest global employee survey are presented on page 75 of this report.

New External Affairs initiatives

In 2009, recognising the need to match our growing social responsibilities and wider reputation management issues we established an External Affairs function. It is early days yet but part of their remit will be to reshape our approach to corporate responsibility, review the corporate social responsibility committee, improve our external stakeholder engagement processes and drive a major revamp of social enterprise and community investment initiatives.

Consistently improving how we run Tullow

2009 built on what has been an extraordinary period of growth and success for Tullow. Throughout this time one of our guiding goals has always been to consistently become a better run company. We have committed ourselves to being open and transparent with our employees, owners, partners, government and other key stakeholders. This has helped us generate trust, demonstrate accountability and build our reputation. At the heart of this lies how governance and corporate responsibility considerations are integrated into our strategy and strategic priorities. We reflect them in how we run our business on a day-to-day basis and how decisions are made, including how risk management is embedded into our business model. They are equally reflected in how your Board operates and the activities we undertake and prioritise during the year.

Pat Plunkett
Chairman

2010 Board objectives

The following are the key 2010 Board objectives. A review of progress will be undertaken mid-year by Pat Plunkett, Chairman and Graham Martin, General Counsel and Company Secretary.

Corporate strategy

- Ensure Board focus is on high-level issues and strategy; and
- Invite suitable external advisers and speakers to Board meetings to stimulate discussion and debate.

Succession planning

- Appoint external advisers;
- Consider matters within Nominations Committee Terms of Reference;
- Develop clear roadmap for non-executive Director refreshment and Chairman succession;
- Increase African profile of Tullow Board, management and staff; and
- Consider development plan for each of the Executives and senior management.

Board training and administration

- Select suitable external courses for non-executive Directors and Executives and formalise Directors' training register;
- Continue to review membership of sub-committees; and
- Investigate electronic/web based solutions for Board administration.

Board visibility and Group communications

- Attendance of Directors at Group functions;
- Demonstrate support for key offices;
- Consider further non-executive Director visits to key offices; and
- Improve accessibility of Board to all staff.

Executive Directors

Aidan Heavey [2]

Chief Executive Officer (Age 57)

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. A Chartered Accountant, he previously held roles in the airline and engineering sectors in Ireland. Aidan is a director of Traidlinks, an Irish-based charity established to develop and promote enterprise and diminish poverty in the developing world, particularly Africa.

Ian Springett

Chief Financial Officer (Age 52)

A Chartered Accountant, Ian Springett, was appointed Chief Financial Officer and to the Board on 1 September 2008. Prior to joining Tullow, he worked at BP for 23 years where he gained a wealth of international oil and gas experience. Most recently at BP, he was the Group Vice President for Planning with other senior positions including 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 with Coopers & Lybrand.

Graham Martin

General Counsel and Company Secretary (Age 56)

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 WS, 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 its formation in 1985. He was appointed General Counsel in 2004 and Company Secretary in 2008.

Angus McCoss

Exploration Director (Age 48)

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. He 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.

Paul McDade

Chief Operating Officer (Age 46)

Paul McDade was appointed to the Board in March 2006. Mr McDade 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 20 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.

Non-executive Directors

Pat Plunkett [2,3]

Chairman (Age 59)

Pat Plunkett joined the Board as a non-executive Director in 1998 and was appointed non-executive Chairman in 2000. Mr Plunkett is an accountant with over 30 years' experience in the financial services sector, particularly in the areas of asset management, stockbroking and corporate finance. Since leaving ABN AMRO Bank in 1998, he has been providing strategic business advice to a number of private companies. He is a former director of The Irish Stock Exchange.

1. Steven McTiernan [1,2,3]

Senior Independent Director (Age 58)

Steven McTiernan was appointed as a non-executive Director in 2002 and was appointed Senior Independent Director on 1 January 2008. Mr McTiernan began his career as a petroleum engineer, working with BP, Amoco and Mesa in the Middle East and the UK. In 1979, he joined Chase Manhattan Bank, where he became Senior Vice-President and head of the bank's energy group based in New York. From 1996 to 2001 he held senior energy-related positions at NatWest Markets and then CIBC World Markets. He is currently principal of Sandown Energy Consultants Limited, a natural resources advisory firm based in London.

2. Clare Spottiswoode CBE [1,2,3]

Non-executive Director (Age 57)

Clare Spottiswoode was appointed as a non-executive Director in 2002. A mathematician and an economist by training, Ms Spottiswoode began her career in the Treasury before starting her own software company. Between 1993 and 1998 she was Director General of Ofgas, the UK gas regulator. She is Chairman of Gas Strategies Limited, and also a non-executive Director of Energy Solutions Inc and Chairman of Energy Solutions Europe. In November 2006 she became the Policyholder Advocate for Aviva plc. Previously, she was Deputy Chairman of British Energy from 2002 to 2007.

1 Member of the Audit Committee.
2 Member of the Nominations Committee.
3 Member of the Remuneration Committee.

3. David Bamford [1,2,3]

Non-executive Director (Age 63)

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

4. Ann Grant [1,2,3]

Non-executive Director (Age 61)

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. She was British High Commissioner to South Africa from 2000 to 2005. She joined Standard Chartered Bank in London as a Special Adviser in 2005. She chairs the Banking Working Group of the Commonwealth Business Council, is a Board Member of the Overseas Development Institute and an independent Trustee on the UK Disasters Emergency Committee.

5. David Williams [1,2,3]

Non-executive Director (Age 64)

David Williams was appointed as a non-executive Director in 2006. A Chartered Accountant, he brings a wealth of public company experience to Tullow from many years with Bunzl plc where he was Finance Director until he retired in 2006, and prior to that as Finance Director of Tootal Group plc. He is the joint Chairman of Mondi plc and the Senior Independent Director of Taylor Wimpey plc. He will be retiring from the board of Taylor Wimpey plc on 31 March 2010. He is also a non-executive Director of Meggitt PLC and DP World Limited, a Dubai quoted company, chairing the audit committee at both companies.

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Corporate governance

Compliance with the Combined Code on corporate governance (the Code)

In working towards its strategic objectives, the Board continues to be committed to ensuring that the highest levels of corporate governance are achieved. This is integral to its stated overall aim to create a culture amongst the Company's employees, suppliers, contractors and other industry partners which places strong emphasis upon high standards of business conduct, ethics and integrity. Tullow's Code of Business Conduct, which is reviewed by the Board at least annually, is available on the Company's website.

As a UK listed company, Tullow Oil plc is required to make certain statements relating to the way it is governed covering issues laid down in the Combined Code on Corporate Governance issued by the Financial Reporting Council (FRC) and most recently amended in June 2008 (the Code). A copy of the Code can be found on the Financial Reporting Council's website at: www.frc.org.uk/corporate/combinedcode.cfm.

In compliance with these requirements, this report (which is deemed to form part of the Directors' Report) describes the manner in which the Company has applied the main principles of governance set out in Section 1 of the Code.

The Company is also required to state whether it has complied throughout the year under review with the detailed provisions of the Code. In recent years, the Board has been addressing the level of its detailed compliance and, following a review, it considers that the Company fully complied with the provisions set out in Section 1 of the Code throughout the year ended 31 December 2009. This is the first full year in respect of which the Company has, in the Board's opinion, complied without exception to the Code provisions. This follows the re-balancing of the Board completed during 2008 which resulted in at least half the Board (excluding the Chairman) comprising independent non-executive Directors as required by the Code. Details of the Company's corporate governance practices are set out below and are also available on the Company's website at: www.tullowoil.com/about-us/corporate-governance.html

The FRC is currently consulting on proposed revisions to the Code. The revised Code (to be re-named The UK Corporate Governance Code) is expected to be published in mid-2010, following which the Board will address its new provisions and report on the Company's compliance in the next Annual Report.

Board of Directors

Role of the Board

The Board sets the Group's strategy, ensuring that the necessary resources are in place to achieve the agreed strategic priorities, 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.

Composition

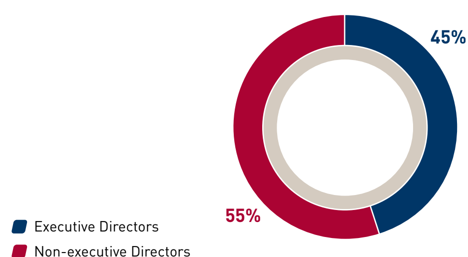
The Board currently comprises a non-executive Chairman, five Executive Directors and five independent non-executive Directors. Each of the Executive Directors has extensive knowledge of the oil and gas industry.

Together, the non-executive Directors bring a broad range of business, commercial and other relevant experience to the Board, which is vital to the management of an expanding international company. Three of the five non-executive Directors either currently hold or previously held appointments in oil and gas companies or companies with energy interests.

The Board considers there is an appropriate balance between Executive and non-executive Directors, with a view to promoting shareholder interests and governing the business effectively.

Biographical details of the Board members, including details of any other major directorships held, are set out on pages 80 and 81.

Composition of Board



Chairman and Chief Executive Officer

There is a clear separation of the roles of the Chairman, Pat Plunkett, and the Chief Executive Officer, Aidan Heavey, to ensure an appropriate balance of responsibility and accountability. The division of responsibilities has been fully established, set out in writing and agreed by the Board.

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

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

Non-executive Directors

Appointment

Non-executive Directors are appointed for an initial term of three years, which may be extended by mutual agreement subject to satisfactory performance. The letters of appointment of each non-executive Director are available for inspection at the registered office.

Meetings of non-executive Directors

In addition to their attendance at Board and, as appropriate, Committee meetings, the non-executive Directors also met formally on two occasions during 2009 without executive management present. At these meetings, the non-executive Directors examined and reviewed the performance of the executive management. This review process is in part dealt with by the Board Committees referred to on pages 86 to 88. Separately, the Chairman and Chief Executive Officer held informal meetings with the non-executive Directors to discuss issues affecting the Group, such as target objectives, strategy, key performance indicators and remuneration matters.

Senior Independent Director

The Senior Independent Director is Steven McTiernan. In this role Mr McTiernan is available to shareholders who have concerns that cannot be resolved through discussion with the Chairman, Chief Executive Officer or Chief Financial Officer or where such contact is inappropriate. No such meetings were held or requested during the year.

Independence and conflicts

The Board considers each of the current non-executive Directors to be independent in character and judgement and there are no relationships or circumstances which are likely to affect (or could appear to affect) the judgement of any Director.

With effect from 1 October 2008, 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 which could result in a possible conflict of interest and has adopted appropriate processes to manage and, if appropriate, approve any such conflicts.

Election and re-election

All new Directors are required by the Company's Articles of Association to be elected by shareholders at the first Annual General Meeting (AGM) after their appointment. Subsequently, Directors are subject to re-election by shareholders every three years. Where a non-executive Director has served longer than nine years, it is Board policy that the Director be subject thereafter to annual re-election in accordance with the Code.

At the 2010 AGM, Aidan Heavey, Angus McCoss and David Williams having been in office for three years since they were last elected, retire and being eligible, they offer themselves for re-election. In addition, as Pat Plunkett has now been a Director for more than nine years he now retires annually and a resolution for his re-election will be proposed at this year's AGM.

Corporate governance continued

How the Board operates

Board meetings

The Board holds scheduled meetings regularly during the year and meets on an ad hoc basis as required. The Board has arranged to hold at least one Board meeting each year at one of the principal overseas offices of the Group. This provides senior managers from across the Group 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 good cross-section of staff and to assess senior managers at first hand.

The attendance record of each Director is shown below. During 2009, the Board met formally on 10 occasions. Two formal strategy review meetings were also held with senior management present. In addition to the formal 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 as regards their area of responsibility and to keep them fully briefed on the Group's operations.

Also, in order to ensure that the non-executive Directors are fully briefed on the more technical and operational aspects of our activities, such as the Jubilee offshore development 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 to receive more in-depth briefings.

Attendance at meetings

The attendance of Directors at meetings of the Board and its Committees during 2009 was as follows:

No. of Meetings	Board (10)	Audit (4)	Nominations (2)	Remuneration (4)
Pat Plunkett	10/10	–	2/2	4/4
Aidan Heavey	10/10	–	2/2	–
David Bamford	10/10	3/4	2/2	3/4
Ann Grant	10/10	4/4	2/2	4/4
Graham Martin	10/10	–	–	–
Angus McCoss	10/10	–	–	–
Paul McDade	9/10	–	–	–
Steven McTiernan	10/10	4/4	2/2	4/4
Clare Spottiswoode	10/10	4/4	2/2	4/4
Ian Springett	10/10	–	–	–
David Williams	10/10	4/4	2/2	4/4

Information flow

Directors have access to a regular supply of financial, operational, strategic and regulatory information to assist them in the discharge of their duties. Much of this information is provided as part of the normal management reporting process. Board papers are circulated in time to allow Directors to be properly briefed in advance of meetings. In addition, Board meetings generally include a review of the history, performance and future potential of a material individual asset or business unit. This is designed to ensure that all material assets are considered on a cyclical basis and to enable Board members to familiarise themselves with the key assets and operations of the Group.

Independent professional advice

In accordance with Board policy, all Directors and Committees have access to independent professional advice, at the Company's expense, as and when required.

Matters reserved

A formal schedule of matters reserved for Board approval is in place and is reviewed annually.

The matters reserved include (amongst others):

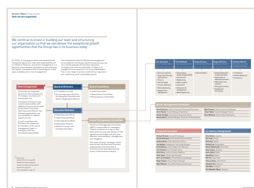
- Agreeing the Group's overall strategy;
- Approval of financial statements, material acquisitions and disposals, material contracts, major capital expenditure projects and budgets;
- Approval of any amendments to the annual budget; and
- A regular review of the Group's overall corporate governance arrangements.

Delegated authorities

Certain matters are delegated by the Board to the Audit, Nominations and Remuneration Committees, each of which is described in more detail on pages 86 to 88.

Subject to these matters, 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 meets weekly and is responsible for implementing Group policy and monitoring the detailed performance of all aspects of the business. The Executive Committee is assisted by the Senior Management Committee (SMC) which is responsible for managing the group's portfolio of assets and delivering against the approved budget and plan. The Committee meets weekly with the Executive Directors, and enables the right level and quality of resources to deliver our business objectives. This Committee, which consists of Exploration, P&D and Finance General Managers and the Heads of Planning & Economics, Commercial, HR and Risk & Marketing is also responsible for identifying, evaluating and mitigating business risk as explained on pages 62 to 65.

How we are organised



At Tullow, a strong governance and organisational framework defines the roles and responsibilities of your Board and senior management

Read more on page 8

Board effectiveness

Board performance evaluation

The 2009 evaluation of the Board, its Committees and individual directors was, as in 2008, carried out internally, but this year was led by Steven McTiernan, the Senior Independent Director.

1. Questionnaire

The evaluation took the form of a comprehensive questionnaire, similar to previous years so that comparisons could be made, but also including extra questions on relevant current topics or issues of particular relevance to the Board in 2009.

2. One-to-one with Senior Independent Director

Following the completion of the questionnaire, each Director participated in a one to one discussion with Mr McTiernan to consider his or her views on Board performance in the year and also to allow general discussion on other relevant issues.

3. Presented to Board

The results were compiled by Mr McTiernan, circulated to the Directors and then presented by him at the first Board meeting in 2010.

4. Board sets objectives

Arising from this, the Board objectives for 2010 have been set and now agreed. The objectives are set out on page 79.

In summary, the 2009 Board evaluation concluded that there had been considerable progress in many areas since the last full external evaluation in 2007 and the internal evaluation in 2008. The more recent Directors have settled in well to their Board duties and contributed fully at meetings. Corporate strategy is believed to be well defined, understood and disseminated throughout the organisation to all stakeholders. The re-ordering of Board agendas in 2009 focused debate on the key strategic issues facing the Group and communication with employees has improved substantially.

The Board recognised however that Tullow's exceptional growth and success had also brought challenges and that the Board must continue to upgrade its approach and composition to meet them. Succession planning for Directors was recognised as an area that will require special attention in 2010, to ensure that the Board continued to have available to it the correct balance of skills and experience to meet the financial, operational and governance challenges of growth.

The Board's Committees continued to operate efficiently, and although consideration was given to changing the composition of the Committees it was felt that the current structure continued to suit Tullow for the time being. Certain improvements in communications between the Committees and the full Board were noted for action in 2010.

As part of the Board evaluation, the Senior Independent Director had discussions with each of the Directors on his or her individual performance and separately, the non-executive Directors have reviewed the performance of the Chairman with input from the Executive Directors. The Board is of the view that each non-executive Director commits sufficient time to discharge his or her duties effectively.

In conclusion, while recognising the need for continued improvement in the structure of Board meetings and administrative procedures, the Board members considered that the Board continues to function in a manner that encourages open and honest discussion in an environment of trust and mutual respect.

Induction

All new Directors receive an induction as soon as practicable after appointment. This includes meetings with senior management, functional and business unit heads and where appropriate, visits to the principal offices and operations. The Company Secretary also provides new Directors with an overview of their duties as Directors, corporate governance policies and established Board procedures as part of the induction process.

Continuing professional development

All members of the Board have access to appropriate training in respect of their obligations and duties as Directors, and during the year, a number of the Directors attended external seminars on relevant topics. In addition, specific briefings were also given to the Board to ensure Board members remain up-to-date with current regulations and developments. These included the implications for Tullow of the 2009 UK Bribery Bill.

Committees

The Board has established the following principal Committees, each of which has written terms of reference (approved by the Board) setting out its authority and duties. Copies of the terms of reference which were reviewed and updated where necessary during the year, can be viewed on the About us section of the Company's website: www.tullowoil.com. Hard copies can also be obtained from the Company Secretary.

Audit Committee

David Williams, Chairman
David Bamford
Ann Grant
Steven McTiernan
Clare Spottiswoode

Main responsibilities

- Monitoring the integrity of the financial statements and formal announcements relating to the Group's financial performance;
- Reviewing significant financial reporting issues and accounting policies and disclosures in financial reports;
- Reviewing the effectiveness of the Group's internal control procedures and risk management systems;
- Considering how the Group's internal audit requirements shall be satisfied and making recommendations to the Board;
- Making recommendations to the Board on the appointment or re-appointment of the Group's external auditors;
- Overseeing the Board's relationship with the external auditors and, where appropriate, the selection of new external auditors; and
- Ensuring that an effective whistle-blowing procedure is in place.

The Committee comprises five independent non-executive Directors and oversees the Group's financial reporting and internal controls and provides a formal reporting link with the auditors.

David Williams, who is Chairman of the Committee, is a Chartered Accountant and until his retirement in 2006 was Finance Director of Bunzl plc. Currently, he also chairs the audit committees of Meggitt PLC and DP World Limited and is a member of the audit committee of Taylor Wimpey plc until he retires as a non-executive director of Taylor Wimpey on 31 March 2010. It is a requirement of the Combined Code that at least one Committee member has recent and relevant financial experience. David Williams therefore meets this requirement.

The performance of the Committee was evaluated as part of the Board evaluation process described on page 85.

The Group's external auditors are Deloitte LLP and 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 has been implemented to formalise these arrangements which requires Audit Committee approval for certain categories or work. A breakdown of the fees paid to the external auditors in respect of audit and non-audit work is included in note 3 on page 119 to the financial statements. In addition to processes put in place to ensure segregation of audit and non-audit roles, Deloitte LLP are 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 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.

The Chief Financial Officer, the Group Internal Audit Manager, the General Manager Finance, the Deputy Company Secretary and representatives of the external auditors are normally invited to attend each meeting of the Committee. The Chairman of the Board also attends meetings of the Committee by invitation. The external auditors have unrestricted access to the Committee Chairman. During the 2009 audit process, the Audit Committee Chairman met with Deloitte's Audit Engagement Partner without the presence of management.

In 2009, the Audit Committee met on four occasions. The key work undertaken by the Committee was as follows:

- Consideration and review of full year and half-yearly results
  The Committee met with the external auditors as a part of the full year and half-yearly accounts approval process.

  During this exercise the Committee considered the most appropriate treatment and disclosure of any new or judgemental matters identified during the audit or half-yearly review, as well as any recommendations or observations made by the external auditors.

- Audit planning and update on relevant accounting developments
  The Group prepares financial statements under International Financial Reporting Standards (IFRSs). The adoption of new and revised Standards and interpretations during 2009 and their impact on the financial statements are described on page 111 and 112.

- Consideration and approval of the risk management framework, annual Internal Audit Plan and periodic reports from Internal Audit
  The Group Internal Audit Manager has direct access and responsibility to the Audit Committee. His main responsibilities include: evaluating and developing 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 2009, the Audit Committee Chairman met with the Group Internal Audit Manager without the presence of management.

  The Committee approved the programme of 2009 internal audit work aimed at addressing both financial and overall risk management objectives identified within the Group. A number of internal audit reviews were undertaken during 2009 covering a range of financial and business processes in the Group's main business units in London and Cape Town and the main operational locations in Ghana and Uganda. 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 2009. 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 oversee the work of the independent reserves auditors ERC and arrangements in place for managing Information Technology risk relating to the Group's critical business systems.

  Updated whistle-blowing procedures for the Group were implemented during the year and an independent external reporting service is being introduced to enable staff to raise concerns confidentially. The Committee considers these amended whistle-blowing procedures to be appropriate for the size and scale of the Group.

- Review of the 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 through a series of questionnaires. Internal Audit co-ordinated the review with results presented to the members of the Audit Committee. The Committee was considered to be operating effectively and in accordance with the guidance recommended by the Smith Committee included in the Combined Code.

  In addition, and in line with best practice, the effectiveness of Tullow's Internal Audit function, that was established in 2006, was independently reviewed by Deloitte LLP. The results of this review confirmed that significant progress had been made in developing the function and that the internal audit process was operating effectively. A plan to further develop the functions resources and capabilities is being implemented to ensure Internal Audit continues to effectively support the Group.

  The external audit process was also considered to be operating effectively.

Nominations Committee

Pat Plunkett, Chairman
David Bamford
Ann Grant
Aidan Heavey
Steven McTiernan
Clare Spottiswoode
David Williams

Main responsibilities

- 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 with regard to membership of the Audit and Remuneration Committees in consultation with the Chairman of each Committee.

The Committee comprises all the non-executive Directors and the Chief Executive and meets as required. During the year, the Committee met twice, primarily to review Board and Board Committee composition and succession matters.

The Nominations Committee continually reviews the composition and balance of the Board to ensure that the Group has the right structure, skills and experience in place for the effective management of the Group's expanding business. It has been recognised that the Committee is likely to be particularly active in 2010 in planning for the progressive refreshment of the Board in the coming years to ensure that there are Directors with the appropriate skills and experience to match the particular challenges that will face Tullow in the future. The views of major shareholders will be sought at the same time.

The performance of the Committee was evaluated as part of the Board performance evaluation process described on page 85.

Remuneration Committee

Clare Spottiswoode, Chairman
David Bamford
Ann Grant
Steven McTiernan
Pat Plunkett
David Williams

Main responsibilities

- Determining and agreeing with the Board the remuneration policy for the Chief Executive Officer, Chairman, Executive Directors and senior executives;
- Approving the design of, and determining targets for, an annual performance-related pay scheme for the Executive Directors and senior executives;
- 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 senior executive; and
- Reviewing and noting the remuneration trends across the Group

When fulfilling these responsibilities, the Remuneration Committee obtains independent advice where necessary and takes due account of emerging market and best practice, together with any relevant regulatory guidance. In addition, the Committee consults with major shareholders and investor representative bodies where appropriate.

The performance of the Committee was evaluated as part of the Board performance evaluation process described on page 85.

The Directors' Remuneration report on pages 91 to 100 contains further details of the role and activities of the Remuneration Committee.

Shareholder relations

Communication with shareholders is given high priority and there is regular dialogue with institutional investors, as well as general presentations to analysts at the time of the release of the full year and half-yearly results. Throughout 2009, Executive Directors and senior management met with institutional investors in London and across the UK, as well as in Dublin and several other European cities. Five roadshow trips took place in North America and attendances at 13 UK and European conferences provided for comprehensive and engaging dialogue with shareholders, with over 200 individual meetings held. During 2010, Tullow is planning to host a Capital Markets Day in Ghana for UK analysts. The Board receives regular investor relations reports covering key investor meetings and activities, as well as shareholder and investor feedback. As part of our ongoing strategy to improve shareholder relations, Tullow commissioned the Rivel Research Group to undertake an independent investment community Perception Study in December 2009. The study's preliminary findings were received in February 2010. The full report will be presented to the Board in April. Initial findings confirmed the high level of respect the investment community has for the Tullow management team and the Group's strategy. It has identified specific strategic challenges for the Board to consider and communicate on during 2010. The study also demonstrated a high approval rating for the effectiveness of Tullow's Investor Relations programme which provides open and transparent disclosure and good access to Executive Management.

The Group issues its results and other news releases promptly via the London Stock Exchange's Regulatory News Service and publishes them on the Investor Relations section of the Group's website: www.tullowoil.com. Regular updates to record news in relation to the Group and the status of exploration and development programmes are also included on the website. Shareholders and other interested parties can subscribe to receive these news updates by email by registering online on the website. A new corporate website with additional functionality was launched in February 2010 to enhance the Group's communication with all stakeholders. The Chairman is available to meet with institutional shareholders to discuss any issues and address any concerns in relation to the Company's governance and strategy. Non-executive Directors have the opportunity to attend meetings with major shareholders and are available to attend if requested to do so. Meetings are also held with the corporate governance representatives of institutional investors when requested.

At the AGM, a business presentation is provided for the benefit of shareholders. Individual shareholders are given the opportunity to put questions to the Chairman, the chairmen of the Audit, Nominations and Remuneration Committees and to other members of the Board. In addition, the Board is committed to maintaining strong links with its significant Irish shareholder base and holds a business presentation in Dublin following the AGM to allow these shareholders similar access to the Company. Notice of the AGM is sent to shareholders at least 20 working days before the meeting and details of proxy votes for and against each resolution, together with votes withheld, are made available after the vote has been dealt with on a show of hands. In the event a vote at the AGM is held on a poll, the result of the poll (including the votes cast for and against together with the votes withheld) is made available as soon as reasonably practicable through a regulatory information service and on the Group's website.

All shareholders are offered the choice of receiving shareholder documentation, including the Annual Report, electronically or in paper format as well as the choice of submitting proxy votes either electronically or by post.

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 comply with the Turnbull Committee guidance on the Combined Code. 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 them 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.

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 portfolio of producing fields and delays in development projects. The Group normally seeks to ensure that it has a minimum ongoing capacity of US$500 million (£320 million) for a period of at least 12 months to safeguard the Group's ability to continue as a going concern.

Following the placing announced in January 2010, the planned portfolio activity and with the US$2.25 billion (£1.44 billion) financing already secured in 2009, the Group's forecasts and projections show that there is significant capacity and financial flexibility for the 12 months from the date of the 2009 Annual Report and Accounts.

After taking account of the above, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the 2009 Annual Report and Accounts.

Further information which is relevant to the application of the going concern assumption is provided in Notes 17 and 18 to the Financial Statements and the sections related to funding within the Business Review.

Pat Plunkett
Chairman
9 March 2010

Directors' remuneration report

Year ended 31 December 2009

Dear Shareholder

Tullow's Executive Directors continue to deliver outstanding returns to shareholders, with the Company now an established member of the FTSE 100 – the share price having increased by over 90% in 2009 and Total Shareholder Return growth over 750% higher than that of the FTSE 100 over the last five years.

In this context, the Remuneration Committee is very mindful of the need to ensure that the Executive Directors are appropriately remunerated and incentivised. As a result, and following the Committee's most recent review of Tullow's executive remuneration policy against market and best practice, it has been decided that certain changes be made to the Executive Directors' remuneration packages. These changes are summarised below and described more fully later in this report.

Base Salary

Notwithstanding another year of exceptional performance, base salaries have been increased by only 2% (reflecting the general rate of salary increase applied across the Group).

Pension

Pension provision will be increased so that all Executive Directors will receive a defined contribution pension provision at a rate of 25% of salary (from 15%, or 10% below aged 50).

Annual Bonus

The maximum annual bonus opportunity of the Executive Directors will be increased to 200% of salary (from 150% of salary) which reflects median practice. There will also be a corresponding increase in target bonus opportunity from 60% of salary to 80% of salary, which will remain below median. The underlying structure of the annual bonus will remain unchanged from last year, in that (i) 25% of the bonus opportunity will be based on Tullow's relative TSR performance against the bespoke Oil & Gas comparator group used for Performance Share Plan awards, (ii) 25% will be based upon absolute TSR growth targets, (iii) 50% will be based upon corporate KPIs (relating to Health & Safety, Operational & Financial, and Project-specific targets) and (iv) any bonus in excess of 75% of salary will continue to be deferred into shares for three years under the Company's Deferred Share Bonus Plan.

Long-Term Incentives

The main other element of the Executive Directors' packages – long-term incentive provision – will remain unchanged and will be provided via regular annual awards of shares worth up to 200% of salary under the Company's Performance Share Plan which will vest three years after grant subject to continued employment and the Company's relative TSR performance against (i) a bespoke group of international Oil & Gas companies (as to 50%) and (ii) the FTSE 100 (as to the remaining 50%). In addition, the Company's share ownership guidelines, which require Executive Directors to build up and hold a shareholding worth at least 200% of salary, will be retained.

The Committee is conscious of the fact that these changes increase the value of the Executive Directors' remuneration packages. However, in this regard, the Committee considers this approach entirely appropriate and that, notwithstanding these increases, the remuneration packages of this highly regarded management team remain below median of comparable benchmarks.

The Committee also believes that the executive remuneration policy does not encourage inappropriate risk-taking which may be to the long-term detriment of shareholders, with the Executive Directors' interests very closely aligned with the long-term interests of investors through (i) the significant compulsory share deferral feature in the annual bonus plan, (ii) the regular annual grant of awards of share incentives, (iii) the application of share ownership guidelines and (iv) the use of Total Shareholder Return targets in both short-and long-term incentives albeit, in both cases, underpinned by a Remuneration Committee discretion to reduce payouts if other factors make it appropriate to do so.

Finally, I would like to draw your attention to the resolution that is to be tabled at the forthcoming AGM relating to the establishment of a new 2010 Share Option Plan. This new Plan will effectively replace the Company's existing Option Scheme which will shortly expire. As before, it is not intended that Executive Directors (nor any other participants in the Performance Share Plan) will receive awards under this new Plan.

Should any shareholder wish to contact me in connection with the Group's senior executive remuneration policy, please email me at: remunerationchair@tullowoil.com.

Yours sincerely

Clare Spottiswoode
Chairman of the Remuneration Committee
9 March 2010

Introduction

This Directors' remuneration 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 Regulations) 2008 which set out requirements for the disclosure of Directors' remuneration, and also in accordance with the requirements of the Listing Rules of the Financial Services Authority.

The relevant legislation requires the auditors to report to the Company's members on the 'auditable part' of the Directors' remuneration report and to state whether, in their opinion, the part of the report that has been subject to audit has been properly prepared in accordance with the relevant legislation. This report is therefore divided into separate sections to disclose the audited and unaudited information.

Unaudited information

Remuneration Committee

Clare Spottiswoode (Chairman)
David Bamford
Ann Grant
Steven McTiernan
Pat Plunkett
David Williams

Main responsibilities

- Determining and agreeing with the Board the remuneration policy for the Chief Executive Officer, Chairman, Executive Directors and senior executives;
- Approving the design of, and determining targets for, an annual performance-related pay scheme for the Executive Directors and senior executives;
- 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 senior executive; and
- Reviewing and noting the remuneration trends across the Group.

The Committee met four times during the year. The full terms of reference for the Committee are available on the Group's website.

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 Gordon Headley, Chief HR Officer. No Director takes part in any decision directly affecting his own remuneration. The Company Chairman, Pat Plunkett, also absents himself during discussion relating to his own fees. The Committee has appointed Hewitt New Bridge Street (HNBS) as its independent remuneration advisers. They also provide technical advice to the Group in connection with the operation of its share incentive arrangements. A statement outlining the business relationship with HNBS can be viewed on the Investor Relations section of the Group's website. The Committee also consults with the Company's major investors and investor representative groups as appropriate.

Remuneration policy

The Group's policy is to maintain levels of remuneration so as to attract, motivate and retain Executive Directors and senior executives of the highest calibre who can contribute their experience to the Group's operations. The elements of the remuneration package for Executive Directors and senior management are base salary, annual bonus, taxable benefits, pension payments and participation in the Group's share incentive arrangements. A significant element of the potential remuneration package is, therefore, performance-linked.

When determining the total remuneration of the Executive Directors and senior management, the Committee predominately takes into account the remuneration practices adopted by UK listed companies of a similar market capitalisation and overseas complexity to Tullow. Practice within other relevant Oil & Gas companies is also considered.

The key elements of the remuneration package for the Executive Directors are set out below.

Executive Directors' remuneration

Base salary

Base salaries are reviewed annually with effect from 1 January, and are set primarily by reference to external benchmarking data for other UK listed companies of similar market capitalisation and overseas complexity with, as stated above, practice in the Oil & Gas sector also taken into account.

Following the most recent review, the base salary of each Executive Director with effect from January 2010 is:

Director	2010 salary	Approx. % increase since 2009
Aidan Heavey	£679,450	2%
Graham Martin	£384,250	2%
Angus McCoss	£384,250	2%
Paul McDade	£384,250	2%
Ian Springett	£408,000	2%

In setting these salaries, the Committee has kept percentage increases in line with those across the rest of the Group and has reflected the Group's policy that there is a significant weighting attached to the performance-related elements of pay. Consequently, the salaries of the Executive Directors are currently positioned below median.

Annual bonus

Each Executive Director is entitled to participate in the Executive Annual Bonus Scheme in respect of each financial year of the Company.

2009 Annual Bonus Scheme

The key features of the Annual Bonus Scheme for the Executive Directors for 2009 were as follows:

- The maximum annual bonus potential for the Executive Directors was 150% of salary;
- For meeting target performance, a bonus of 60% of salary was payable (40% of the maximum);
- Any bonus earned in excess of 75% of salary will be paid in shares and deferred for three years under the Deferred Share Bonus Plan (DSBP); and
- All the Executive Directors were subject to the same performance targets, as follows:
  - 25% was based on Tullow's TSR performance relative to the same Oil & Gas group as is used to measure performance for the PSP awards made in 2009 (see page 94) – no bonus is paid unless median performance is delivered, with the full bonus for upper quartile performance;
  - 25% was based on growth in absolute TSR, with a full bonus payable if Tullow's TSR grows by 15% over the year; and
  - 50% was based on certain corporate key performance indicators (KPIs) comprising Health & Safety, Operational & Financial and Project-specific targets.

The Committee also has broad discretion before finalising any award level on the above parameters to take into account other factors and circumstances reflecting the general financial condition and the performance of the Group as it considers appropriate.

The Committee's assessment of performance under each of the bonus elements for 2009 was as follows:

- Relative TSR: 100% of maximum achievement;
- Absolute TSR: 100% of maximum achievement; and
- Corporate KPIs: 72% of maximum achievement.

In assessing the performance of the Corporate KPIs, the Health & Safety element was reduced to reflect a fatality that occurred to one of our contractors in our Bangladesh operation during 2009.

Based upon the above achievements, the bonus awards for all the Executive Directors in 2009 are 129% of salary, reflecting another year of excellent performance. As set out above, the bonus in excess of 75% of salary (i.e. 54% of salary) will be paid in shares and deferred for three years under the DSBP. Since the end of the financial year, the terms of past DSBP awards have been amended to allow recipients to delay receiving the shares for up to seven years after vesting. The method of achieving this and the potential tax benefits of doing this are explained below in relation to the Company's Performance Share Plan. Future awards will be structured in a similar manner.

2010 Annual Bonus Scheme

For 2010, maximum annual bonus opportunity for the Executive Directors will be increased to 200% of salary. For meeting target performance, a bonus of 80% of salary will be payable (40% of the maximum). Any bonus earned in excess of 75% of salary will continue to be paid in shares and deferred for three years under the DSBP (with the ability to defer receipt of the shares beyond vesting, as mentioned above). The same approach to targets will apply as were employed in 2009:

- 25% will be based on relative TSR compared to the same Oil & Gas comparator group as is used for the PSP award to be made in 2010 (see page 94);
- 25% will be based on growth in absolute TSR with the same growth range as for 2009; and
- 50% will be based on corporate KPIs, comprising Health & Safety, Operational & Financial and Project-specific targets.

Notwithstanding this increase in bonus opportunity, the remuneration packages of the Executive Directors remain below median. The increased target bonus of 80% is below median, with the new maximum bonus of 200% of salary around median levels.

Pension and other benefits

From January 2010, each Executive Director is entitled to receive a payment of 25% of his base salary into the Company's group personal pension plan or his private pension arrangements (previously 15%, 10% below age 50). These increased pension contributions are around median levels.

Each Executive Director is entitled to 30 days' annual leave, permanent health insurance, private medical insurance and life assurance benefits. The Group also reimburses the Executive Directors in respect of all expenses reasonably incurred by them in the proper performance of their duties.

Share incentive arrangements

Performance Share Plan (PSP)

Under the PSP, senior executives are eligible for conditional awards of rights over whole shares worth up to 200% of salary each year (300% in exceptional circumstances, such as to facilitate the recruitment of a new Executive Director). Currently, it is the policy to grant the Executive Directors 200% of salary each year, although the Committee may vary the allocation taking into account the circumstances which prevail at the time (but always subject to the plan maximum).

PSP awards vest subject to a TSR-based performance condition under which the Company's TSR performance is measured over a fixed three-year period commencing on 1 January in the financial year in which the award is granted, with no opportunity to re-test.

For the awards made in 2008 and 2009, half are subject to performance against the constituents of the FTSE 100 Index at the start of the performance period (of which Tullow is a constituent) and the other half are subject to performance against the following comparator group of international Oil & Gas companies:

Addax Petroleum	Niko Resources
Anadarko	Noble Energy Inc.
Apache Corporation	Pioneer Natural Resources
Cairn Energy	Premier Oil
Dana Petroleum	Santos
Forest Oil Corporation	SOCO International
Lundin Petroleum AB	Talisman Energy Inc.
Nexen Inc.	Venture Production

In line with best practice, a 'common currency' approach is adopted for calculating TSR.

For each portion of the award, vesting is as follows:

Company's ranking in comparator group	Vesting percentage
Below median	0%
Median	30%
Upper quintile (top 20%)	100%
Intermediate performance	Pro rata between 30% and 100%

In addition, 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 is satisfactory.

The Committee continues to believe that this approach remains appropriate. It encourages the Executive Directors to generate returns to shareholders in excess of both the market generally and a group of sector peers, and is a robust reflection of management's success in achieving the strategic targets required to ensure the Group's continued growth. Therefore, the performance condition applying to the forthcoming 2010 awards will remain unchanged, save that the following Oil & Gas comparator group will be used:

Anadarko	Marathon Oil Corporation
Apache Corporation	Nexen Inc
BG Group	Niko Resources
Cairn Energy	Noble Energy Inc
Canadian Natural Resources	Pioneer National Resources
Dana Petroleum	Premier Oil
EOG Resources	Santos
Forest Oil Corporation	Talisman Energy Inc
Hess Corporation	Woodside Petroleum
Lundin Petroleum	

The performance condition applying to outstanding PSP awards made in 2007 are shown in the notes to the table on page 99.

As permitted by the PSP rules, future awards will be granted as nil exercise price share options. Since the end of the financial year, the PSP rules have also been altered so that the exercise period from the end of the three year vesting period will be up to seven years rather than six months. This revised basis for PSP awards will provide participants with greater flexibility to decide the tax year in which their awards are taxed (very similar to the 2000 Executive Share Option Scheme and the proposed new share option plan referred to below). Those who choose to defer exercising their awards will generally retain an interest in a greater number of shares than if the awards had vested earlier and shares had been sold to pay the tax due. The terms of existing unvested PSP awards vesting after 6 April 2010 have also been amended to provide similar flexibility.

Share Ownership Guidelines

From 2008, to further align their interests with shareholders, the Executive Directors are required to retain at least 50% of the shares that vest under the PSP and DSBP (after selling sufficient shares to pay tax liabilities) until they have built up a shareholding worth at least 200% of base salary (with existing holdings taken into account).

Share Option Scheme

Before the introduction of the PSP in 2005, Executive Directors were eligible for grants of options under the 2000 Executive Share Option Scheme (the '2000 Scheme'). During 2009, options were granted to substantially all employees of the Group under the 2000 Scheme, other than the Executive Directors and other senior executives who were granted PSP awards.

The 2000 Scheme will shortly expire. Therefore, as set out in the notice of the forthcoming AGM, shareholder approval is being sought for a new 2010 Share Option Plan. Its main features will remain largely unchanged from the 2000 Scheme. For example, it is intended that Executive Directors (and other PSP participants) will not be granted options under the new Plan.

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. 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.

Sourcing of shares and dilution
Awards under all the Group 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 discretionary schemes which may be satisfied by new issue shares must not exceed 5% of the Company's issued share capital in any rolling 10-year period, and the total of all awards satisfied via new issue shares under all plans must not exceed 10% of the Company's issued share capital in any rolling 10-year period.

As at 31 December 2009, the headroom under the Company's 5% and 10% limits was 6.0 million and 46.2 million shares respectively, out of an issued share capital of 804.3 million shares.

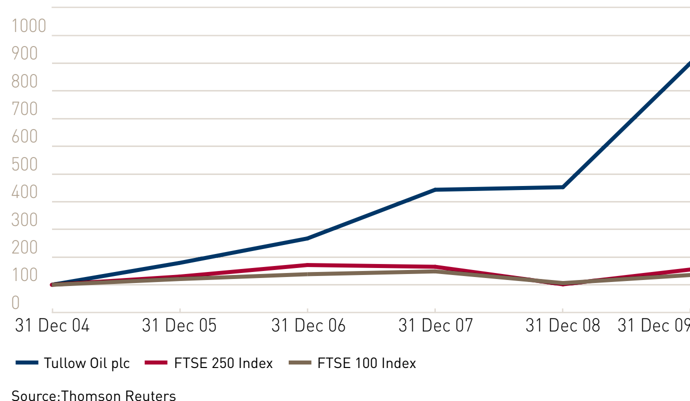
As at 31 December 2009, the Tullow Oil Employee Trust held 0.94 million shares.

Non-executive Directors' fees
A Committee of the Board comprising the Chairman and Executive Directors sets the remuneration of non-executive Directors. The fees paid are set at a level to attract 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 currently receives an annual fee of £57,000. Steven McTiernan receives an additional annual fee of £12,000 to reflect his responsibilities as Senior Independent Director and Clare Spottiswoode and David Williams each receive an additional annual fee of £12,000 to reflect their responsibilities as Chairman of the Remuneration and Audit Committees respectively. 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.

The Remuneration Committee, with the Chairman absenting himself from discussions, sets the remuneration of the Chairman, whose annual fee is currently £200,000.

Performance graph
The graph below shows Tullow's TSR against both the FTSE 100 Index and FTSE 250 Index over the five-year period from 1 January 2005 to 31 December 2009. Over this period Tullow outperformed the indices by 766% and 746% respectively. The indices are set to 100 at the beginning of the period. They have both been shown because the FTSE 250 is the comparator Index for awards made under the PSP in March 2007 before Tullow moved to the FTSE 100 in September 2007.



Source:Thomson Reuters

This graph shows the value, by the end of 2009, of £100 invested in Tullow Oil on 31 December 2004 compared with the value of £100 invested in the FTSE 100 and FTSE 250 Indices. The other points plotted are the values at intervening financial year ends.

Service agreements and letters of appointment
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.

The term of each service contract is not fixed, although each Executive Director is required to retire from service on attaining age 65. Each agreement is 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 any Executive Director is entitled to receive compensation upon the early termination of his service agreement, other than in accordance with these notice periods.

Each service agreement sets out restrictions on the ability of the Director to participate in businesses competing with those of the Group or to entice or solicit away from the Group any senior employees in the six months after ceasing employment.

The above reflects the Committee's policy that service contracts should be structured to reflect the interests of the Group and the individuals concerned, while also taking due account of market and best practice. It is also the Committee's policy that, on any early termination of a Director's service contract, the Committee will take account of the departing Director's duty to mitigate his loss when determining the amount of any compensation.

Non-executive Director Terms of Appointment

Non-executive Director	Year appointed Director	Number of complete years on the Board	Date of current engagement letter	Expiry of current term
Pat Plunkett	1998	11	08.12.09	31.12.10
Steven McTiernan	2002	8	01.03.08	28.02.11
Clare Spottiswoode	2002	8	01.03.08	28.02.11
David Bamford	2004	5	29.06.07	30.06.10
David Williams	2006	3	08.12.09	31.05.12
Ann Grant	2008	1	14.05.08	14.05.11

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.

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

External appointments
The Board has not introduced a formal policy in relation to the number of external directorships that an Executive Director may hold. Currently, the only Executive 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.

Audited information

Directors' remuneration

The remuneration of the Directors for the year ended 31 December 2009 payable by Group companies was as follows:

	Salary/ fees £	Bonuses Cash £	Bonuses Shares[1] £	Pensions £	Taxable benefits[2] £	**2009 Total £**	2008 Total £
Executive Directors							
Aidan Heavey	666,104	499,578	359,696	99,915	34,562	**1,659,855**	**1,634,435**
Graham Martin	376,700	282,525	203,418	56,505	3,925	**923,073**	**908,371**
Angus McCoss	376,700	282,525	203,418	37,670	2,352	**902,665**	**889,901**
Paul McDade	376,700	282,525	203,418	37,670	2,987	**903,300**	**890,591**
Ian Springett[3]	400,000	300,000	216,000	60,000	2,928	**978,928**	**301,876**
Past Directors							
Tom Hickey[4]	–	–	–	–	–	**–**	**752,457**
Matthew O'Donoghue[5]	–	–	–	–	–	**–**	**73,500**
Subtotal	2,196,204	1,647,153	1,185,950	291,760	46,754	**5,367,821**	**5,451,131**
Non-executive Directors							
Pat Plunkett	180,000	–	–	–	–	**180,000**	**170,000**
David Bamford	56,000	–	–	–	–	**56,000**	**53,000**
Ann Grant[6]	56,000	–	–	–	–	**56,000**	**33,363**
Steven McTiernan	67,000	–	–	–	–	**67,000**	**63,000**
Clare Spottiswoode	67,000	–	–	–	–	**67,000**	**63,000**
David Williams	67,000	–	–	–	–	**67,000**	**63,000**
Subtotal	493,000	–	–	–	–	**493,000**	**445,363**
Total	2,689,204	1,647,153	1,185,950	291,760	46,754	**5,860,821**	**5,896,494**

1. These figures represent that part of the bonus required to be deferred into shares as explained on page 93.
2. The amounts disclosed under Taxable benefits for Aidan Heavey include car benefits.
3. Ian Springett was appointed as Chief Financial Officer on 1 September 2008.
4. Tom Hickey resigned from the Board on 1 September 2008.
5. Matthew O'Donoghue who retired from the Board on 31 March 2008 provided consultancy services for a 12-month period from 1 April 2008 for which he received fees of £294,000 in total (£73,500 being paid in respect of services provided for the period 1 January 2009 to 31 March 2009).
6. Ann Grant was appointed as a non-executive Director on 15 May 2008.

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 2009, are set out in the table below. The table also shows the holdings at the date of this report and reflect changes since 31 December 2009 as summarised in the note following the table:

Director	Ordinary shares 09.03.10	Ordinary shares 31.12.09	Ordinary shares 01.01.09
Aidan Heavey	6,265,666	6,240,500	6,000,000
Graham Martin	1,450,490	1,435,687	1,352,005
Angus McCoss	59,053	59,053	–
Paul McDade	207,458	203,181	243,600
Ian Springett	12,000	12,000	12,000
Pat Plunkett	761,326	761,326	1,011,326
David Bamford	13,445	13,445	13,445
Ann Grant	2,371	2,371	–
Steven McTiernan	–	–	–
Clare Spottiswoode	–	–	–
David Williams	5,000	5,000	5,000

The awards of shares granted under the Deferred Share Bonus Plan on 18 January 2007 as detailed in the table on page 100 vested in Aidan Heavey, Graham Martin and Paul McDade on 4 January 2010. All three Directors sold sufficient shares to meet tax obligations, retaining 25,166, 14,803 and 4,277 shares respectively. As a result, the interests of Messrs Heavey, Martin and McDade have increased since the year end. Other than as set out above and in the notes to the tables below, there have been no changes in the interests of any Director between 1 January 2010 and the date of this report.

Tullow Oil UK Share Incentive Plan (UK SIP)

Details of shares purchased and awarded to Executive Directors in accordance with the terms of the UK SIP. A brief description of the UK SIP is set out on page 95.

Director	Shares held 01.01.09	Partnership shares acquired in year	Matching shares awarded in year	Total shares held 31.12.09	SIP shares that have become unrestricted in the year
Graham Martin	6,386	196	196	6,778	2,348
Angus McCoss	1,416	196	196	1,808	–
Paul McDade	6,386	196	196	6,778	2,348
Ian Springett	0	143	143	286	–

1. Graham Martin, Angus McCoss, Paul McDade and Ian Springett each acquired 33 partnership shares and were awarded 33 matching shares on 5 January 2010.
2. Unrestricted shares are those that have been held until there is no longer a tax liability if they are withdrawn from the plan.

Performance Share Plan 2005 (PSP)

Details of conditional awards over ordinary shares granted to Executive Directors for nil consideration under the PSP.

Director	Award grant date	As at 01.01.09	Granted in year	Vested in year	As at 31.12.09	Vesting date
Aidan Heavey	30.03.06	219,512	–	219,512	–	30.03.09
	22.03.07	230,567	–	–	230,567	22.03.10
	15.05.08	141,939	–	–	141,939	15.05.11
	18.03.09	–	173,916	–	173,916	18.03.12
		592,018	173,916	219,512	546,422	
Graham Martin	30.03.06	129,125	–	129,125	–	30.03.09
	22.03.07	130,402	–	–	130,402	22.03.10
	15.05.08	80,277	–	–	80,277	15.05.11
	18.03.09	–	98,355	–	98,355	18.03.12
		339,804	98,355	129,125	309,034	
Angus McCoss	27.04.06	100,230	–	100,230	–	27.04.09
	22.03.07	90,539	–	–	90,539	22.03.10
	15.05.08	80,277	–	–	80,277	15.05.11
	18.03.09	–	98,355	–	98,355	18.03.12
		271,046	98,355	100,230	269,171	
Paul McDade	30.03.06	118,364	–	118,364	–	30.03.09
	22.03.07	90,539	–	–	90,539	22.03.10
	15.05.08	80,277	–	–	80,277	15.05.11
	18.03.09	–	98,355	–	98,355	18.03.12
		289,180	98,355	118,364	269,171	
Ian Springett	01.09.08	68,873	–	–	68,873	01.09.11
	18.03.09	–	104,438	–	104,438	18.03.12
		68,873	104,438	–	173,311	

1. The awards of conditional shares made on 18 March 2009 equated to shares worth 200% of salary for each Executive Director based on the average of the share prices for the five dealing days preceding the date of grant. The Tullow share price on the date of grant of the awards made on 18 March 2009 was 778p.
2. Under the PSP 2007 awards, 50% of each award is subject to a condition that compares Tullow's TSR to the constituents of the FTSE 250 Index (excluding investment trusts). The other 50% of the award is subject to a condition that compares Tullow's TSR to a comparator group of specific oil and gas companies. For median performance, 30% of the relevant part of the award will vest, with full vesting for upper quartile performance. Details of the conditions applying to the awards made in 2008 and 2009 are set out on page 94.
3. The PSP awards made in March 2007 reached the end of their performance period on 31 December 2009. The Remuneration Committee determined that both parts of the relevant performance condition were met in full, as the Company was ranked in the upper quartile compared to both the relevant comparator groups, and the underlying performance of the Company was determined to be a fair reflection of the Company's TSR. Accordingly, the Executive Directors will be eligible to receive their awards on 22 March 2010, the third anniversary of grant, subject to continued employment.
4. On 30 March 2009 and 27 April 2009, being the dates on which awards made in March and April 2006 vested, the market prices of a Tullow share were 771.5p and 783.0p respectively.

Deferred Share Bonus Plan (DSBP)

Details of awards over ordinary shares granted to Executive Directors for nil consideration under the DSBP.

Director	Award grant date	As at 01.01.09	Granted in year	Vested in year	As at 31.12.09	Vesting date
Aidan Heavey	30.03.06	20,988	–	20,988	–	01.01.09
	18.01.07	42,714	–	–	42,714	04.01.10
	13.03.08	28,328	–	–	28,328	01.01.11
	18.03.09	–	50,169	–	50,169	01.01.12
		92,030	50,169	20,988	121,211	
Graham Martin	30.03.06	12,908	–	12,908	–	02.01.09
	18.01.07	25,126	–	–	25,126	04.01.10
	13.03.08	16,021	–	–	16,021	01.01.11
	18.03.09	–	28,374	–	28,374	01.01.12
		54,055	28,374	12,908	69,521	
Angus McCoss	13.03.08	14,686	–	–	14,686	01.01.11
	18.03.09	–	28,374	–	28,374	01.01.12
		14,686	28,374	–	43,060	
Paul McDade	30.03.06	19,806	–	19,806	–	02.01.09
	18.01.07	7,260	–	–	7,260	04.01.10
	13.03.08	14,686	–	–	14,686	01.01.11
	18.03.09	–	28,374	–	28,374	01.01.12
		41,752	28,374	19,806	50,320	

1. The awards of shares made in 2009 equated to shares worth the amount of bonus deferred into shares for 2008 based on the share prices for the five dealing days preceding the date of grant. The Tullow share price on the date of grant of the awards made on 18 March 2009 was 778p.
2. Further details of the DSBP are set out in the Annual bonus section of this report on page 93.

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 01.01.09	Granted during year	Exercised during year	As at 31.12.09	Exercise price	Date from which exercisable	Last date exercisable
Graham Martin	10.10.01	380,000	–	–	380,000	80p	10.10.04	09.10.11
	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
		970,000	–	–	970,000			

1. The performance condition that is attached to options granted under the 2000 Scheme on the above dates 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. This performance condition has been satisfied for all the options above which are therefore fully exercisable.
2. During 2009, the highest mid-market price of the Company's shares was 1305p and the lowest was 600.5p. The year-end price was 1305p.

Other statutory information

Results and dividends

The profit on ordinary activities after taxation of the Group for the year ended 31 December 2009 amounted to £18.5 million (2008: £226.2 million).

An interim dividend of Stg2.0p (2008: Stg2.0p) per ordinary share was paid on 6 November 2009. The Directors recommend a final dividend of Stg4.0p (2008: Stg4.0p) per ordinary share which, if approved at the 2010 AGM, will be paid on 21 May 2010 to shareholders whose names are on the Register of Members on 16 April 2010.

Subsequent events

In January 2010, the Group announced the successful placing and subsequent issue of a total of 80,431,796 new ordinary shares with institutions at Stg1,150.0p per share. This represented an increase of approximately 9.99% in Tullow's existing issued share capital. These shares were credited as fully paid and rank pari passu in all respects with existing ordinary shares of 10p each in the capital of the Company, including the right to receive all dividends and other distributions declared, made or paid on or in respect of such shares after the date of issue.

In January 2010, the Group announced that it had exercised its pre-emption rights over Heritage Oil's Ugandan sale for up to US$1.5 billion (£1.0 billion). In addition, two new potential partners have been identified, CNOOC and Total, and it is expected that each partner will acquire a one third interest in each of the three Ugandan blocks.

In January 2010, the Group announced that the appraisal well, Tweneboa 2, proved up a combined oil and gas-condensate column of at least 35 metres. This has confirmed Tweneboa as a major oil and gas-condensate field.

Share capital

As at 9 March 2010, the Company had an allotted and fully paid up share capital of 884,749,772 ordinary shares of Stg10p each with an aggregate nominal value of £88,474,977.20.

Substantial shareholdings

As at 9 March 2010, the Company had been notified of the following significant holdings (being 3% or more) in the Company's ordinary share capital.

Shareholder	Number of shares	% of issued capital
BlackRock Inc	107,963,933	12.20%
Prudential plc	72,123,865	8.15%
IFG International Trust Company Limited	38,960,366	4.40%
Legal & General Group Plc	32,230,429	3.64%

Shareholders' rights

The rights and obligations attaching to the 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 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). On a poll, every shareholder who is present in person or by proxy has one vote for every share held by that shareholder (the deadline for exercising voting rights by proxy is set out in the form of proxy). 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 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 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 sum 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 sanction of a special resolution of the shareholders and any other sanction required by the applicable legislation, (a) divide among the shareholders the whole or any part of the Company's assets; or (b) 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 assets upon 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.

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 right 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$1.785 billion senior secured revolving credit facility agreement between, among others, the Company and certain subsidiaries of the Company, BNP Paribas, Bank of Scotland plc, The Royal Bank of Scotland plc, Standard Chartered Bank, Lloyds TSB Bank plc and Calyon 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 junior secured revolving credit facility agreement between, among others, the Company and certain subsidiaries of the Company, BNP Paribas, Bank of Scotland plc, The Royal Bank of Scotland plc and Lloyds TSB 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;
- US$115 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;
- US$250 million secured revolving credit facility agreement between, among others, the Company and certain subsidiaries of the Company, BNP Paribas, Bank of Scotland plc, Calyon, Standard Chartered Bank and The Royal Bank of Scotland 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; and
- US$1.55 billion secured irrevocable guarantee facility agreement between, among others, the Company and certain subsidiaries of the Company, Standard Chartered Bank, Calyon, BNP Paribas and The Royal Bank of Scotland plc and the lenders specified therein pursuant to which each lender thereunder may demand that full cash cover is provided immediately in respect of outstanding amounts or the buyer guarantee provided thereunder is otherwise repaid immediately and 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.

For the purposes of these provisions, (a) 'control' has the meaning given to it under section 416 of the Income and Corporation Taxes Act 1988 and (b) 'acting in concert' has the meaning given to it in the City Code on Takeovers and Mergers.

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) Companies Act 2006.

Directors

The biographical details of the Directors of the Company at the date of this report are given on pages 80 and 81.

Details of Directors' service agreements and letters of appointment are set out on pages 95 and 96. Details of the Directors' interests in the ordinary shares of the Company and in the Group's long-term incentive and share option schemes are set out on pages 99 and 100 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.

Powers of Directors

The general powers of the Company's Directors are set out in Article 97 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 Memorandum and 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 £4,004,047. The authority lasts until the earlier of the Annual General Meeting of the Company in 2010 or 30 June 2010;

- 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 which 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 98 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) not less than two nor more than 15 Directors. The appointment and replacement of Directors may be made as follows:

- The members may by ordinary resolution appoint any person who is willing to act to be a Director;
- The Board may appoint 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 shall retire from office at the third Annual General Meeting after the Annual General Meeting at which he was last elected but he may be reappointed by ordinary resolution if eligible and willing;
- 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 resignation, where he suffers mental incapacity, compounds with his creditors, is declared bankrupt or is prohibited by law from being a Director.

Charitable and political donations
The Group made charitable, social and community-related donations during the year totalling £1.4 million (2008: £1.0 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 68 to 75. 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 2009.

Auditors and disclosure of relevant audit information
Having made the requisite enquires, 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 themselves 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 enclosed with 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 12 May 2010 at 12 noon.

This Directors' Report comprising pages 4 to 103 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
9 March 2010

Registered office:
3rd Floor
Building 11
Chiswick Park
566 Chiswick High Road
London W4 5YS

Company registered in England and Wales
No. 3919249

Michelle Wilsoncroft, Assistant Accountant
London office, UK

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Financial statements and supplementary information

The financial statements, prepared in accordance with International Financial Reporting Standards, 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.

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Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Group

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the IAS Regulation to prepare the Group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 2006 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Company

The Directors 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). The Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the 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.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Parent Company 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.

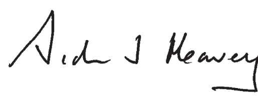
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement required by DTR 4.1.12R

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with International Financial Reporting Standards, 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
9 March 2010

Ian Springett
Chief Financial Officer
9 March 2010

Independent auditors' 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 2009 which comprise the Group income statement, the Group statement of comprehensive income and expense, the Group balance sheet, the Group cash flow statement 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors
As 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 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 (APB'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.

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 2009 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 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 matters where the Companies Act 2006 requires us 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; and
- The part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matters
We have reported separately on the parent company financial statements of Tullow Oil plc for the year ended 31 December 2009 and on the information in the Directors' Remuneration Report that is described as having been audited.

Matthew Donaldson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, UK

9 March 2010

Group income statement

Year ended 31 December 2009

	Notes	2009 £m	2008 £m
Sales revenue	2	**582.3**	691.7
Cost of sales		**(398.1)**	(366.1)
Gross profit		**184.2**	325.6
Administrative expenses		**(49.5)**	(43.0)
Profit on disposal of subsidiaries	26	**10.1**	213.2
Profit on disposal of oil and gas assets	26	**3.1**	30.6
Exploration costs written off	9	**(52.8)**	(226.7)
Operating profit	3	**95.1**	299.7
(Loss)/gain on hedging instruments	18	**(37.2)**	42.9
Finance revenue	2	**1.3**	3.9
Finance costs	5	**(38.9)**	(47.2)
Profit from continuing activities before tax		**20.3**	299.3
Income tax expense	6	**(1.8)**	(73.1)
Profit for the year from continuing activities		**18.5**	226.2
Attributable to:			
Owners of the parent		**15.1**	223.2
Minority interest	24	**3.4**	3.0
		18.5	226.2
Earnings per ordinary share	8	**Stg p**	Stg p
Basic		**1.87**	30.86
Diluted		**1.85**	30.49

Group statement of comprehensive income and expense

Year ended 31 December 2009

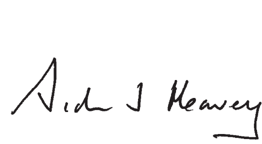
	Notes	2009 £m	2008 £m
Profit for the year		**18.5**	226.2
Cash flow hedges			
(Losses)/gains arising in the year	18	**(25.6)**	88.5
Reclassification adjustments for (losses)/gains included in profit on realisation	18	**(15.3)**	74.8
		(40.9)	163.3
Exchange differences on translation of foreign operations		**(128.1)**	222.3
Other comprehensive income		**(169.0)**	385.6
Tax relating to components of other comprehensive income		**8.2**	(2.3)
Other comprehensive income for the year		**(160.8)**	383.3
Total comprehensive income for the year		**(142.3)**	609.5
Attributable to:			
Owners of the parent		**(143.4)**	599.7
Minority interest		**1.1**	9.8
		(142.3)	609.5

Group balance sheet

As at 31 December 2009

	Notes	2009 £m	2008 £m
ASSETS			
Non-current assets			
Intangible exploration and evaluation assets	9	**1,333.2**	1,417.8
Property, plant and equipment	10	**1,380.2**	986.4
Investments	11	**0.7**	0.4
Deferred tax assets	20	**31.6**	–
Derivative financial instruments	18	**–**	29.3
		2,745.7	2,433.9
Current assets			
Inventories	13	**68.8**	37.8
Trade receivables	12	**58.0**	69.3
Other current assets	14	**185.8**	60.2
Cash and cash equivalents	15	**158.3**	311.0
Derivative financial instruments	18	**1.4**	20.0
		472.3	498.3
Total assets		**3,218.0**	2,932.2
LIABILITIES			
Current liabilities			
Trade and other payables	16	**(350.0)**	(330.2)
Other financial liabilities	17	**–**	(210.5)
Current tax liabilities		**(46.3)**	(105.3)
		(396.3)	(646.0)
Non-current liabilities			
Trade and other payables	16	**(20.0)**	(6.1)
Other financial liabilities	17	**(825.4)**	(489.0)
Deferred tax liabilities	20	**(297.6)**	(347.9)
Provisions	20	**(140.3)**	(134.0)
Derivative financial instruments	18	**(12.5)**	–
		(1,295.8)	(977.0)
Total liabilities		**(1,692.1)**	(1,623.0)
Net assets		**1,525.9**	1,309.2
EQUITY			
Called up share capital	22	**80.4**	73.3
Share premium	22	**167.8**	160.7
Other reserves	23	**427.6**	582.2
Retained earnings	21	**823.7**	467.7
Equity attributable to equity holders of the parent		**1,499.5**	1,283.9
Minority interest	24	**26.4**	25.3
Total equity	21	**1,525.9**	1,309.2

Approved by the Board and authorised for issue on 9 March 2010



Aidan Heavey
Chief Executive Officer

Ian Springett
Chief Financial Officer

Group cash flow statement

Year ended 31 December 2009

	Notes	2009 £m	2008 £m
Cash flows from operating activities			
Cash generated from operations	25	**293.8**	587.7
Income taxes paid		**(118.8)**	(76.9)
Net cash from operating activities		**175.0**	510.8
Cash flows from investing activities			
Disposal of subsidiaries	26	**3.2**	207.7
Disposal of oil and gas assets		**7.8**	77.5
Purchase of intangible exploration and evaluation assets		**(425.9)**	(323.5)
Purchase of property, plant and equipment		**(331.5)**	(136.8)
Finance revenue		**0.8**	3.4
Net cash used in investing activities		**(745.6)**	(171.7)
Cash flows from financing activities			
Net proceeds from issue of share capital		**397.1**	8.1
Debt arrangement fees		**(64.2)**	(5.3)
Repayment of bank loans		**(240.3)**	(372.6)
Drawdown of bank loan		**448.2**	312.9
Finance costs		**(31.4)**	(40.4)
Dividends paid	7	**(48.1)**	(43.2)
Purchase of treasury shares		**(3.5)**	(11.2)
Net cash generated by /(used in) financing activities		**457.8**	(151.7)
Net (decrease)/increase in cash and cash equivalents		**(112.8)**	187.4
Cash and cash equivalents at beginning of year		**311.0**	82.2
Translation difference		**(39.9)**	41.4
Cash and cash equivalents at end of year	15	**158.3**	311.0

Accounting policies

Year ended 31 December 2009

(a) General information

Tullow Oil plc is a company incorporated in Great Britain under the Companies Act 2006. The address of the registered office is given on page 162. The nature of the Group's operations and its principal activities are set out in the operations and finance reviews on pages 32 to 61.

(b) Adoption of new and revised standards

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

IAS 1 (revised 2007) Presentation of Financial Statements
IAS 1(2007) has introduced a number of changes in the format and content of the financial statements.

Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)
The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

IFRS 8 Operating Segments
IFRS 8 is a disclosure Standard that requires analyses of the Group's reportable segments based on management reporting to the chief operating decision maker (see note 1). This has not resulted in any amendments to the reporting of the Group's operating segments.

Standards not affecting the reported results nor 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.

Amendment to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance
IAS 20 has been amended to require that the benefit of a government loan at a below-market rate of interest to be treated as a government grant. This accounting treatment was not permitted prior to this amendment.

IAS 23 (revised 2007) Borrowing Costs
The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.

Amendment to IAS 38 Intangible Assets
IAS 38 has been amended to state that an entity is permitted to recognise a prepayment asset for advertising or promotional expenditure only up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

Amendment to IAS 40 Investment Property
IAS 40 has been amended to include within its scope investment property in the course of construction.

Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations
The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions and clarify the accounting treatment for cancellations.

Embedded Derivatives (Amendments to IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement)
The amendments clarify the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the 'fair value through profit or loss' (FVTPL) category as permitted by the October 2008 amendments to IAS 39 Financial Instruments: Recognition and Measurement.

IFRIC 15 Agreements for the Construction of Real Estate
The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction of real estate should be recognised.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation
The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.

IFRIC 18 Transfers of Assets from Customers (adopted for transfers of assets from customers received on or after 1 July 2009)
The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes what item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of transfer, with the credit recognised in accordance with IAS 18 Revenue.

(b) Adoption of new and revised standards continued

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 1/ IAS 27	Cost of and investment in a subsidiary, jointly controlled entity or associate (amended)
IFRS 3	Business combinations (revised 2008)
IAS 27	Consolidated and separate financial statements (revised 2008)
IAS 28	Investments in Associates (revised 2008)
IFRIC 17	Distributions of Non-cash Assets to Owners

Improvements to IFRSs (April 2009)

The Directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group except for treatment of acquisition of subsidiaries and associates when IFRS 3 (revised 2008), IAS 27 (revised 2008) and IAS 28 (revised 2008) come into effect for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009.

(c) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB and 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 principal accounting policies adopted by the Group are set out below.

The financial statements have been prepared on a going concern basis (see Directors' report page 90 for further details).

(d) 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.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The results of subsidiaries acquired or disposed of during the year are included in the Group income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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 cost 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, plus any costs directly attributable to the business combination. 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 profit or loss.

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.

(e) 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.

(f) 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.

(g) Over/underlift
Lifting or offtake arrangements for oil and gas produced in certain of the Group's jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production less stock is 'underlift' or 'overlift'. Underlift and overlift are valued at market value and included within debtors and creditors respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis. The Group's share of any physical stock, warehouse stock and materials are accounted for at the lower of cost and net realisable value.

(h) Inventory
Inventories 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.

(i) Foreign currencies
The Pound Sterling is the presentation currency of the Group. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign 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, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Currency translation adjustments arising on the restatement of opening net assets of foreign subsidiaries, together with differences between the subsidiaries' results translated at average rates versus closing rates, are taken directly to reserves. 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 Sterling 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.

(j) 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 are initially capitalised in cost centres by well, field or exploration area, as appropriate. Directly attributable administration costs and interest payable are capitalised insofar as they relate 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.

(k) 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 a proven and probable reserves and a 50 per cent statistical probability that it will be less.

(l) 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. 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.

(l) Depletion and amortisation – discovery fields continued
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 depreciation that would have been charged since the impairment.

(m) 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.

(n) 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.

(o) 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.

(p) Share issue expenses and share premium account
Costs of share issues are written off against the premium arising on the issues of share capital.

(q) 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 substantially 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.

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

(s) 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 equity and the ineffective portion, as well as any change in time value, is recognised in the income statement. The gains and losses taken to equity 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.

(t) 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.

(u) 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 Company 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.

(v) 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.

(w) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand 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.

(x) 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.

(y) 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.

(z) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

(aa) 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.

(ab) 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.

(ac) 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 fixed assets (note 9);

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 is included in accounting note (j).

- Carrying value of property, plant and equipment (note 10);

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 10);

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;

Refer to directors report page 90.

- Derivative financial instruments (note 17);

The Groups derivative financial instruments are marked to market.

- Decommissioning costs (note 20); and

The cost of decommissioning are reviewed twice annually and is estimated by reference to operators, where applicable, and internal engineers.

Provision for environmental clean-up and remediation costs are based on current legal and constructive requirements, technology and price levels.

- Recoverability of deferred tax assets (note 20).

Note 1. Segmental reporting

The Group has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. The adoption of IFRS 8 has not resulted in any changes in the disclosure of the Group's operating segments.

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

The following tables present revenue, profit and certain asset and liability information regarding the Group's business segments for the years ended 31 December 2009 and 2008. All sales are to external customers.

	Africa £m	Europe £m	South Asia £m	South America £m	Unallocated £m	Total £m
2009						
Sales revenue by origin	409.5	158.8	14.0	–	–	582.3
Segment result	134.4	(6.8)	5.1	(1.3)	–	131.4
Profit on disposal of subsidiaries						10.1
Profit on disposal of oil and gas assets						3.1
Unallocated corporate expenses						(49.5)
Operating profit						95.1
Loss on hedging instruments						(37.2)
Finance revenue						1.3
Finance costs						(38.9)
Profit before tax						20.3
Income tax expense						(1.8)
Profit after tax						18.5
Total assets	2,612.7	410.6	49.0	116.7	29.0	3,218.0
Total liabilities	(623.5)	(167.0)	(11.4)	(30.9)	(859.3)	(1,692.1)
Other segment information						
Capital expenditure:						
Property, plant and equipment	316.5	30.4	3.3	–	5.9	356.1
Intangible exploration and evaluation assets	409.6	17.4	2.5	6.4	1.6	437.5
Depletion, depreciation and amortisation	(137.1)	(80.9)	(5.2)	–	(5.4)	(228.6)
Impairment losses recognised in income statement	(8.1)	–	–	–	–	(8.1)
Exploration costs written off	(13.3)	(35.9)	(1.0)	(1.3)	(1.3)	(52.8)

Included in revenue arising from Africa are revenues of approximately £171.9 million (2008: £261.2 million) which arose from sales to the Group's two largest customers.

Note 1. Segmental reporting continued

	Africa £m	Europe £m	South Asia £m	South America £m	Unallocated £m	Total £m
2008						
Sales revenue by origin	475.7	204.6	11.4	–	–	691.7
Segment result	137.4	50.6	(31.8)	(40.5)	–	115.7
Profit on disposal of subsidiaries						213.2
Profit on disposal of oil and gas assets						30.6
Unallocated corporate expenses						(59.8)
Operating profit						299.7
Gain on hedging instruments						42.9
Finance revenue						3.9
Finance costs						(47.2)
Profit before tax						299.3
Income tax expense						(73.1)
Profit after tax						226.2
Total assets	2,229.7	495.1	65.3	100.6	41.5	2,932.2
Total liabilities	(651.3)	(213.0)	(19.4)	(31.8)	(707.5)	(1,623.0)
Other segment information						
Capital expenditure:						
Property, plant and equipment	103.7	40.0	4.4	–	7.0	155.1
Intangible exploration and evaluation assets	293.7	34.4	11.6	12.1	–	351.8
Depletion, depreciation and amortisation	(110.7)	(82.0)	(5.7)	–	(4.0)	(202.4)
Impairment losses recognised in income	(18.2)	–	(8.1)	–	–	(26.3)
Exploration costs written off	(146.9)	(12.6)	(26.7)	(40.5)	–	(226.7)

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.

Note 2. Total revenue

	2009 £m	2008 £m
Sales revenue		
Oil and gas revenue from the sale of goods	**560.3**	800.7
Profit/(loss) on realisation of cash flow hedges	**15.2**	(119.2)
	575.5	681.5
Tariff income	**6.8**	10.2
Total operating revenue	**582.3**	691.7
Finance revenue	**1.3**	3.9
Total revenue	**583.6**	695.6

Note 3. Operating profit

	2009 £m	2008 £m
Operating profit is stated after charging:		
Staff costs (see note 4 below)	**23.2**	18.8
Depletion and amortisation	**223.2**	198.4
Impairment of property, plant and equipment	**8.1**	26.3
Depreciation of other fixed assets	**5.4**	4.0
Write down of inventory recognised as an expense	**–**	2.4
Exploration write off	**52.8**	226.7
Share-based payment charge (including provisions for NI)	**11.3**	7.9
(Loss)/gain on hedging instruments	**(37.2)**	42.9
Operating lease rentals	**2.4**	5.1
Auditors' remuneration (see below)	**1.4**	0.8

	2009 £m	2008 £m
Audit services:		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**0.3**	0.2
Audit of the Company's subsidiaries pursuant to legislation	**0.3**	0.3
Other services pursuant to legislation	**0.2**	0.1
	0.8	0.6
Tax services:		
Compliance services	**0.1**	–
Advisory services	**–**	–
	0.1	–
Other non-audit services:		
Services related to corporate finance transactions	**–**	0.1
Services relating to information technology	**0.2**	–
Other services		
Corporate social responsibility services	**0.1**	0.1
Accounting advice and agreed upon procedures	**0.2**	–
	0.5	0.2
Total	**1.4**	0.8

Note 4. Staff costs

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

	2009 Number	2008 Number
Administration	292	265
Technical	268	206
Total	**560**	471

Staff costs in respect of those employees was as follows:

	2009 £m	2008 £m
Salaries	47.4	41.5
Social security costs	6.6	2.3
Pension costs	2.8	2.2
	56.8	46.0

A proportion of the Group's staff costs shown above is recharged to the Group's joint venture partners 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 the income statement was £23.2 million (2008: £18.8 million).

Details of Directors' remuneration, Directors' transactions and Directors' interests are set out in the part of the Directors' Remuneration Report described as having been audited which forms part of these financial statements.

Note 5. Finance costs

	2009 £m	2008 £m
Interest on bank overdrafts and loans	28.3	36.6
Interest on obligations under finance leases	0.2	0.2
Total borrowing costs	28.5	36.8
Less amounts included in the cost of qualifying assets	(25.3)	(6.0)
	3.2	30.8
Finance and arrangement fees	24.3	6.4
Foreign exchange losses	2.0	–
Unwinding of discount on decommissioning provision (note 20)	9.4	10.0
	38.9	47.2

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.89% (2008: 5.36%) to cumulative expenditure on such assets.

Note 6. Taxation on profit on ordinary activities

(a) Analysis of charge in period

The tax charge comprises:

	2009 £m	2008 £m
Current tax		
UK corporation tax	20.9	38.6
Foreign taxation	49.1	77.0
Total corporate tax	70.0	115.6
UK petroleum revenue tax	(2.8)	1.4
Total current tax	67.2	117.0
Deferred tax		
UK corporation tax	(45.4)	(10.4)
Foreign taxation	(20.1)	(37.4)
Total corporate tax	(65.5)	(47.8)
UK petroleum revenue tax	0.1	3.9
Total deferred tax (note 20)	(65.4)	(43.9)
Total tax expense	1.8	73.1

Note 6. Taxation on profit on ordinary activities continued

(b) Factors affecting tax charge for period

The tax rates applied to profit on ordinary activities in preparing the reconciliation below is the upstream UK corporation tax applicable to the Group's oil and gas activities plus the rate of Supplementary corporation tax (SCT).

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 derived from upstream activities (30%) plus the rate of SCT in respect of UK upstream profits (20%) to the profit before tax is as follows:

	2009 £m	2008 £m
Group profit on ordinary activities before tax	**20.3**	299.3
Tax on group profit on ordinary activities at a combined standard UK corporation tax and SCT rate of 50% (2008: 50%)	**10.1**	149.6
Effects of:		
Expenses not deductible for tax purposes	**7.6**	0.9
Utilisation of tax losses not previously recognised	**(10.7)**	1.8
Net losses not recognised	**38.4**	118.4
Petroleum revenue tax (PRT)	**(2.7)**	5.2
UK corporation tax deductions for current PRT	**1.3**	(2.6)
Adjustments relating to prior years	**(4.4)**	(0.4)
Income taxed at a different rate	**3.5**	(29.8)
Income not subject to corporation tax	**(41.3)**	(170.0)
Group total tax expense for the year	**1.8**	73.1

The Group's profit before taxation will continue to be subject to jurisdictions where the effective rate of taxation differs from that in the UK. Furthermore, unsuccessful exploration expenditure is often incurred in jurisdictions where the Group has no taxable profits, such that no related tax benefit arises. Accordingly, the Group's tax charge will continue to depend on the jurisdictions in which pre-tax profits and exploration costs written off arise.

The Group has tax losses of £363.3 million (2008: £155.0 million) that are available indefinitely 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 £24.4 million in deferred tax assets in relation to taxable losses (2008: £nil).

No deferred tax liability is recognised on temporary differences of £277.0 million (2008: £270.0 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

	2009 £m	2008 £m
Declared and paid during year		
Final dividend for 2008: Stg4p (2007: Stg4p) per ordinary share	**32.1**	28.7
Interim dividend for 2009: Stg2p (2008: Stg2p) per ordinary share	**16.0**	14.5
Dividends paid	**48.1**	43.2
Proposed for approval by shareholders at the AGM		
Final dividend for 2009: Stg4p (2008: Stg4p) per ordinary share	**32.2**	29.3

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.

	2009 £m	2008 £m
Earnings		
Net profit attributable to equity shareholders	**15.1**	223.2
Effect of dilutive potential ordinary shares	**–**	–
Diluted net profit attributable to equity shareholders	**15.1**	223.2

	2009	2008
Number of shares		
Basic weighted average number of shares	**796,431,613**	723,355,745
Dilutive potential ordinary shares	**9,006,048**	8,675,224
Diluted weighted average number of shares	**805,437,661**	732,030,969

Note 9. Intangible exploration and evaluation assets

	2009 £m	2008 £m
At 1 January	**1,417.8**	956.6
Additions	**437.5**	351.8
Disposals	**–**	(40.2)
Amounts written off	**(52.8)**	(226.7)
Transfer (to)/from property, plant and equipment (note 10)	**(346.2)**	0.4
Currency translation adjustments	**(123.1)**	375.9
At 31 December	**1,333.2**	1,417.8

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.

Additions include capitalised interest of £11.0 million (2008: £nil). The Group only capitalises interest in respect of intangible exploration and evaluation assets where it is considered that development is inevitable and advanced appraisal and development is ongoing.

In 2008 amounts written off included an impairment charge calculated in accordance with IAS 36 – Impairment of assets of £60.1 million determined by estimating its value in use. The impairment resulted from lower reserves estimates following a change in the most likely development plans and lower assumed oil prices following the fall in oil prices in the second half of 2008. In calculating this impairment, management used a range of assumptions, including a long-term oil price of $80 per barrel and a 15% pre-tax discount rate.

Note 10. Property, plant and equipment

	Oil and gas assets £m	Other fixed assets £m	Total £m
Cost			
At 1 January 2008	1,522.1	14.4	1,536.5
Additions	148.1	7.0	155.1
Disposals	(33.7)	(0.3)	(34.0)
Transfer to intangible exploration and evaluation fixed assets (note 9)	(0.4)	–	(0.4)
Currency translation adjustments	319.3	1.9	321.2
At 1 January 2009	**1,955.4**	**23.0**	**1,978.4**
Additions	**350.2**	**5.9**	**356.1**
Disposals	**(18.4)**	**–**	**(18.4)**
Transfer from intangible exploration and evaluation fixed assets (note 9)	**346.2**	**–**	**346.2**
Currency translation adjustments	**(125.6)**	**0.2**	**(125.4)**
At 31 December 2009	**2,507.8**	**29.1**	**2,536.9**
Depreciation, depletion and amortisation			
At 1 January 2008	638.5	7.4	645.9
Charge for the year	198.4	4.0	202.4
Impairment loss	26.3	–	26.3
Disposals	(25.9)	(0.1)	(26.0)
Currency translation adjustments	142.3	1.1	143.4
At 1 January 2009	**979.6**	**12.4**	**992.0**
Charge for the year	**223.2**	**5.4**	**228.6**
Impairment loss	**8.1**	**–**	**8.1**
Disposals	**(13.7)**	**–**	**(13.7)**
Currency translation adjustments	**(58.4)**	**0.1**	**(58.3)**
At 31 December 2009	**1,138.8**	**17.9**	**1,156.7**
Net book value			
At 31 December 2009	**1,369.0**	**11.2**	**1,380.2**
At 31 December 2008	975.8	10.6	986.4

Additions include capitalised interest of £14.3 million (2008: £6.0 million).

The carrying amount of the Group's oil and gas assets includes an amount of £8.5 million (2008: £9.8 million) in respect of assets held under finance leases.

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

The 2009 impairment loss relates to the Chinguetti field in Mauritania (2008: Chinguetti field in Mauritania).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 2010 and 2011 and $80 per barrel thereafter and a pre-tax discount rate assumption of 15%.

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 11. Investments

	2009 £m	2008 £m
Unlisted investments	**0.7**	0.4

The fair value of these investments is not materially different from their carrying value.

Principal subsidiary undertakings

At 31 December 2009 the Company's principal subsidiary undertakings, all of which are included in the consolidated Group financial statements, 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	Isle of Man	British Virgin Islands
Tullow Oil International Limited	100	Channel Islands	Jersey
Tullow Pakistan (Developments) Limited	100	Pakistan	Jersey
Tullow Bangladesh Limited	95	Bangladesh	Jersey
Tullow Côte d'Ivoire Limited	100	Côte d'Ivoire	Jersey
Tullow Côte d'Ivoire Exploration Limited	100	Côte d'Ivoire	Jersey
Tullow India Operations Limited	100	India	Jersey
Tullow Madagascar Limited	100	Madagascar	Jersey
Tullow Ghana Limited	100	Ghana	Jersey
Tullow Angola B.V.	100	Angola	Netherlands
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
Hardman Chinguetti Production (Pty) Limited	100	Mauritania	Australia
Hardman Petroleum (Mauritania) (Pty) Limited	100	Mauritania	Australia
Planet 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

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

* 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 12. Trade Receivables

Trade Receivables comprises amounts due for the sale of oil and gas. No receivables have been impaired and no allowance for doubtful debt has been recognised (2008: £nil).

Note 13. Inventories

	2009 £m	2008 £m
Warehouse stocks and materials	58.6	27.9
Oil stocks	10.2	9.9
	68.8	37.8

Inventories includes a provision of £2.4 million (2008: £2.4 million) for warehouse stock and materials where it is considered that the net realisable value is lower than the original cost.

Note 14. Other current assets

	2009 £m	2008 £m
Other debtors	145.7	45.6
Prepayments	28.8	5.5
VAT recoverable	11.3	9.1
	185.8	60.2

Included within other debtors are amounts due from joint venture partners of £75.6 million (2008: £30.2 million), advances to contractors £50.5m (2008: £nil), deferred expenses of £6.0 million (2008: £8.6 million) and other sundry debtors of £13.6 million (2008: £6.8 million).

Note 15. Cash and cash equivalents

	2009 £m	2008 £m
Cash at bank and in hand	151.4	241.5
Short-term deposits	6.9	69.5
	158.3	311.0

Cash and cash equivalents includes an amount of £1.5 million (2008: £36.0 million) which is a reserve held on fixed term deposit in support of a Letter of Credit facility which relates to the Group's share of certain decommissioning costs and an amount of £96.0 million (2008: £153.0 million) which the Group holds as operator on behalf of joint venture partners.

Note 16. Trade and other payables

Current liabilities

	2009 £m	2008 £m
Trade payables	**83.0**	129.7
Other payables	**33.4**	30.9
Deferred income (take or pay)	**–**	0.7
Accruals	**202.2**	138.3
PAYE and social security	**17.8**	17.5
VAT and other similar taxes	**10.8**	10.2
Current portion of finance lease (note 19)	**2.8**	2.9
	350.0	330.2

Non-current liabilities

	2009 £m	2008 £m
Other payables	**17.2**	–
Non-current portion of finance lease (note 19)	**2.8**	6.1
	20.0	6.1
– After one year but within five years	**20.0**	6.1
– After five years	**–**	–
	20.0	6.1

Trade and other payables are non-interest bearing except for finance leases (note 19).

Note 17. Financial liabilities

	2009 £m	2008 £m
Current		
Short-term borrowings	–	210.5
Non-current		
Term loans repayable		
– After one year but within two years	620.9	393.2
– After two years but within five years	204.5	95.8
	825.4	489.0

Group bank loans are stated net of unamortised arrangement fees of £51.2 million (2008: £11.8 million).

Short-term borrowings, term loans and guarantees are secured by fixed and floating charges over the oil and gas assets (note 10) 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 in the objectives, policies or processes during the year ended 31 December 2009.

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.

	2009 £m	2008 £m
External borrowings	876.6	711.3
Less cash and cash equivalents	(158.3)	(311.0)
Net debt	718.3	400.3
Equity	1,525.9	1,309.2
Net debt ratio	47%	31%

The movement from 2008 is attributable to higher external borrowings during 2009, principally as a result of the Group's £757.4 million investment in development, appraisal and exploration activities in conjunction with holding less cash as at 31 December 2009 which is offset by an increase in equity attributable to the equity raise in January 2009.

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 2009 was as follows:

	Stg £m	Euro £m	US$ £m	Other £m	Total £m
Cash at bank at floating interest rate	21.6	0.7	122.4	6.0	150.7
Cash at bank on which no interest is received	–	–	7.1	0.5	7.6
Fixed rate debt	–	–	(342.1)	–	(342.1)
Floating rate debt	(37.0)	–	(446.3)	–	(483.3)
Net (debt)/cash	(15.4)	0.7	(658.9)	6.5	(667.1)

The profile at 31 December 2008 for comparison purposes was as follows:

	Stg £m	Euro £m	US$ £m	Other £m	Total £m
Cash at bank at floating interest rate	55.7	1.3	240.2	9.4	306.6
Cash at bank on which no interest is received	–	–	4.0	0.5	4.5
Fixed rate debt	–	–	(34.5)	–	(34.5)
Floating rate debt	–	–	(676.9)	–	(676.9)
Net cash/(debt)	55.7	1.3	(467.2)	9.9	(400.3)

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 US$2 billion Reserves Based Lending Facility incurs interest on outstanding debt at Sterling or US Dollar LIBOR plus a margin ranging from 350 basis points to 375 basis points. The outstanding debt is repayable in variable amounts (determined semi-annually) over the period to 31 December 2015, or such time as is determined by reference to the remaining reserves of the assets, whichever is earlier. There is no requirement under the Reserves Based Lending Facility to hedge interest rate exposure to Sterling LIBOR and US Dollar LIBOR. The Reserves Based Lending Facility states that consideration should be given to hedging at least 30% of the interest rate exposure to fluctuations in LIBOR for Sterling and US Dollars in respect of loans under the facility, net of relevant cash balances.

The US$250m Revolving Credit Facility is repayable in full on 31 December 2011. The facility incurs interest on outstanding debt at US Dollar LIBOR plus a margin of 500 basis points. The Revolving Credit Facility states that the terms of the Reserves Based Lending Facility Hedging Policy (above) shall apply to the Revolving Credit Facility.

At the end of December 2009, the headroom under the two facilities amounted to US$620 million (£389.3 million); US$370 million (£232.3 million) under the US$2 billion Reserves Based Lending and US$250 million (£157.0 million) under the Revolving Credit Facility. At the end of December 2008, the headroom under the two facilities was US$335 million (£231.4 million); US$235 million (£162.3 million) under the US$1,350 million Reserves Based Lending Facility and US$100 million (£69.1 million) under the Hardman Bridge Facility.

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 rate exposure on an ongoing basis through the use of interest rate derivatives, namely interest rate swaps, interest rate collars and interest rate caps. The Group put in place a material interest rate hedging programme in mid 2009. The two year interest rate swaps currently in place have an average swap rate of 2.61% for a current notional principal of US$100 million (£62.8 million). The three year interest rate swaps currently in place have an average swap rate of 2.19% for a current notional principal of US$250 million (£156.7 million). The five year interest rate swaps currently in place have an average swap rate of 3.14% for a notional principal of US$50 million (£31.4 million). The effect of the interest rate collar currently in place limits the exposure to US Dollar LIBOR at varying rates (maximum of 4.3%) over the remaining life of the derivative (May 2011) for a current notional principal of US$50 million (£31.4 million). The combined mark-to-market position as at 31 December 2009 was £5.6 million out of the money (2008: £2.1 million out of the money). The interest rate hedges excluding the collar are included in the fixed rate debt in 2009, in the above table, and were also included in the fixed rate debt in 2008.

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 foreign 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 2009 year end. 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 2009, the only material monetary assets or liabilities of the Group that were not denominated in the functional currency of the respective subsidiaries involved were US$1,337 million (£839.4 million) cash drawings under the US$2 billion Reserved Based Lending Facility. As at 31 December 2008, the only material monetary assets or liabilities of the Group that were not denominated in the functional currency of the respective subsidiaries involved were US$930 million (£642.3 million) cash drawings under the US$1,350 million Borrowing Base Facility and US$100 million (£69.1 million) cash drawings under the US$200 million Hardman Bridge Facility. These US Dollar cash drawings at 31 December 2009 continue to be held as a hedge against US Dollar denominated net assets in subsidiaries.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are net liabilities of £739.9 million (2008: net liabilities of £444.5 million).

Note 17. Financial liabilities continued

Foreign currency sensitivity analysis

The Group is mainly exposed to fluctuations in the US Dollar. The Group measures its market risk exposure by running various sensitivity analyses including 20% favourable and adverse changes in the 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 2009, a 20% increase in Sterling against the US Dollar would have resulted in a decrease in foreign currency denominated liabilities and equity of £142.3 million (2008: £133.1 million) and a 20% decrease in Sterling against US Dollar would have resulted in an increase in foreign currency denominated liabilities and equity of £213.4 million (2008: £199.7 million).

Liquidity risk

The Group manages the liquidity requirements by the use of both short- and long-term cash flow projections, supplemented by maintaining debt financing plans and active portfolio management. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of 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. The Group normally seeks to ensure that it has a minimum ongoing capacity of $500 million (£320 million) for a period of at least 12 months to safeguard the Group's ability to continue as a going concern.

Following the equity placing announced in January 2010, the planned portfolio activity and the US$2 billion financing already secured in March 2009, the Group's forecasts and projections show that there is significant capacity and financial flexibility for the 12 months from the date of this Annual Report and Accounts.

After taking account of the above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the 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 2009							
Non-interest bearing	**0%**	**102.5**	**34.2**	**8.2**	**–**	**–**	**144.9**
Finance lease liability	**2.8%**	**–**	**–**	**2.9**	**2.9**	**–**	**5.8**
Variable interest rate instruments	**4.7%**	**3.4**	**6.9**	**30.8**	**783.2**	**215.5**	**1,039.8**
Total		**105.9**	**41.1**	**41.9**	**786.1**	**215.5**	**1,190.5**

	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 2008							
Non-interest bearing	0%	177.0	4.0	0.7	7.3	–	189.0
Finance lease liability	2.8%	–	–	2.7	5.5	–	8.2
Variable interest rate instruments	4.4%	1.7	3.5	230.3	516.4	–	751.9
Total		178.7	7.5	233.7	529.2	–	949.1

Note 18. Financial instruments

Financial risk management objectives

The Group holds a portfolio of commodity derivative contracts, with various counterparties, covering both its underlying oil and gas businesses. In addition, the Group holds a small portfolio of interest rate derivatives. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors. Compliance with policies and exposure limits is reviewed by the internal auditors on a regular basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Fair values of financial assets and liabilities

The Group considers the carrying value of all the financial assets and liabilities to be materially the same as the fair value. The Group has no material financial assets that are past due. The Group predominately sells to large oil and gas multinationals and no financial assets are impaired at the balance sheet date and all are considered to be fully recoverable.

Fair values of derivative instruments

Under IAS 39 all derivatives must be recognised at fair value on the balance sheet with changes in such fair value between accounting periods being recognised immediately in the income statement, unless the derivatives have been designated as cash flow or fair value hedges. The fair value is the amount for which the asset or liability could be exchanged in an arm's length transaction at the relevant date. Fair values are determined using quoted market prices (marked-to-market values) where available. 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 instrument book and fair values were as follows:

Assets/(liabilities):	**Less than one year £m**	**One to three years £m**	**Total 2009 £m**	Less than one year £m	One to three years £m	Total 2008 £m
Cash flow hedges						
Gas derivatives	**8.4**	**–**	**8.4**	(5.6)	(5.2)	(10.8)
Oil derivatives	**(3.2)**	**(10.7)**	**(13.9)**	26.5	35.7	62.2
Interest rate derivatives	**(3.8)**	**(1.8)**	**(5.6)**	(0.9)	(1.2)	(2.1)
	1.4	**(12.5)**	**(11.1)**	20.0	29.3	49.3

The derivatives' maturity and the timing of the recycling into profit or loss coincide.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable:

All derivative financial instruments of the Group are level 2 (2008: 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 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between Level 1 and 2 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.

Note 18. Financial instruments continued

Oil and gas prices

The Group uses a number of derivative instruments to mitigate the commodity price risk associated with its underlying oil and gas revenues. Such commodity derivatives will tend to be priced using pricing 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 2009, the Group's oil hedge position was summarised as follows:

Oil hedges	H1 2010	H2 2010	2011	2012
Volume – bopd	14,500	14,500	10,500	6,500
Average Price* – $/bbl	81.39	83.83	85.77	88.02

* Average hedge prices are based on market prices as at 31 December 2009 and represent the current value of hedged volumes at that date.

At 31 December 2009, the Group's gas hedge position was summarised as follows:

Gas hedges	H1 2010	H2 2010	2011	2012
Volume – mmscfd	32.73	19.71	10.43	4.31
Average Price* – p/therm	42.56	45.22	49.11	50.50

* Average hedge prices are based on market prices as at 31 December 2009 and represent the current value of hedged volumes at that date.

As at 31 December 2009, 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 on oil and ratio analysis on gas. There is, however, 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 a degree of ineffectiveness inherent in the Group's gas hedges which arise from, among other factors, field production performance on any day.

Income statement hedge summary

The changes in the fair value of hedges which are required to be recognised immediately in the income statement for the year were as follows:

(Loss)/gain on hedging instruments:	2009 £m	2008 £m
Cash flow hedges		
Gas derivatives		
Ineffectiveness	–	0.1
Time value	4.1	4.3
	4.1	4.4
Oil derivatives		
Ineffectiveness	(4.3)	8.2
Time value	(37.0)	30.3
	(41.3)	38.5
Total net (loss)/gain for the year in the income statement	(37.2)	42.9

The following table summarises the deferred (losses)/gains on derivative instruments, net of tax effects, recorded in the hedge reserve (note 23) for the year:

Deferred amounts in the hedge reserve	2009 £m	2008 £m
At 1 January	29.0	(132.0)
Amounts recognised in profit for the year	37.2	(42.9)
Deferred (losses)/gains before tax arising during the year	(61.8)	206.2
Deferred tax movement taken directly to equity	(8.2)	(2.3)
	(32.8)	161.0
At 31 December	(3.8)	29.0

Deferred amounts in the hedge reserve net of tax effects	2009 £m	2008 £m
Cash flow hedges		
Gas derivatives	**5.5**	(3.6)
Oil derivatives	**(3.7)**	34.1
Interest rate derivatives	**(5.6)**	(1.5)
	(3.8)	29.0

The hedge reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges. The movement for the period in the hedge reserve is recognised in other comprehensive income.

Gains from settlements during the period amounted to £15.3 million, while revaluation losses during the period amounted to £25.6 million. The resulting total reclassification from equity to profit or loss during the period was £40.9 million. Gains transferred from equity into profit and loss during the period of £15.3 million are included in the revenue line.

Financial derivatives

The Group internally measures its market risk exposure by running various sensitivity analyses, including utilising 10% favourable and adverse changes in the key variables.

Oil and gas sensitivity analysis

The following analysis, required by IFRS 7, is intended to illustrate the sensitivity to changes in market variables, being Dated Brent oil prices and UK D-1 Heren and M-1 Heren natural gas prices. The sensitivity analysis, which is used internally by management to monitor financial derivatives, has been prepared using the following assumptions:

- The pricing adjustments relate only to the point forward mark-to-market (MTM) evaluations;
- 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 the MTM oil and gas hedges.

As at 31 December 2009, a 10% increase in the dated Brent oil price curve would have decreased equity by approximately £10.3 million (2008: £22.0 million), a 10% decrease would have increased equity by approximately £6.6 million (2008: £27.0 million).

As at 31 December 2009, a 10% increase in the UK D-1 Heren and M-1 Heren natural gas price curves would have decreased equity by approximately £2.9 million (2008: £10.5 million), a 10% decrease would have increased equity by approximately £3.2 million (2008: £10.3 million).

Interest rate sensitivity analysis

As at 31 December 2009, the interest rate derivative position was out-of-the-money to an amount of £5.6 million (2008: £2.1 million); a 25bps increase in the underlying interest rate would increase equity by approximately £1.5 million (2008: £0.5 million).

Credit risk

Credit risk refers to the risk that the 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 credit worthiness 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 concluded 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 was £404.2 million (2008: £490.2 million).

Note 19. Obligations under finance leases

	2009 £m	2008 £m
Amounts payable under finance leases:		
– Within one year	**2.9**	3.2
– Within two to five years	**2.9**	6.3
	5.8	9.5
Less future finance charges	**(0.2)**	(0.5)
Present value of lease obligations	**5.6**	9.0
Amount due for settlement within 12 months (note 16)	**2.8**	2.9
Amount due for settlement after 12 months (note 16)	**2.8**	6.1

The fair value of the Group's lease obligations approximates the carrying amount. The remaining lease term is two years (2008: three years). For the year ended 31 December 2009, the effective borrowing rate was 2.8% (2008: 2.8%).

Note 20. Provisions

(i) Decommissioning costs

	2009 £m	2008 £m
At 1 January	**134.0**	135.1
New provisions and changes in estimates	**4.2**	10.1
Disposal of subsidiaries (note 26)	**(1.4)**	(37.9)
Decommissioning payments	**(1.3)**	(0.2)
Unwinding of discount (note 5)	**9.4**	10.0
Currency translation adjustment	**(4.6)**	16.9
At 31 December	**140.3**	134.0

The decommissioning provision represents the present value of decommissioning costs relating to the UK, African and Asian oil and gas interests, which are expected to be incurred up to 2025. These provisions have been created based on Tullow's internal estimates and, where available and appropriate, operator's estimates. 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 2008	(383.6)	51.4	12.8	13.2	(1.4)	(307.6)
Charge/(credit) to income statement	74.3	(4.5)	(4.5)	(17.6)	(3.9)	43.8
Credit to other comprehensive income	–	–	(2.3)	–	–	(2.3)
Credit directly to equity	(7.4)	–	–	–	–	(7.4)
Exchange differences	(59.6)	(16.4)	–	1.6	–	(74.4)
At 1 January 2009	**(376.3)**	**30.5**	**6.0**	**(2.8)**	**(5.3)**	**(347.9)**
Charge/(credit) to income statement	**25.4**	**13.1**	**(2.1)**	**29.1**	**(0.1)**	**65.4**
Credit to other comprehensive income	**–**	**–**	**(8.2)**	**–**	**–**	**(8.2)**
Charge directly to equity	**–**	**–**	**–**	**0.8**	**–**	**0.8**
Exchange differences	**23.4**	**0.4**	**–**	**0.1**	**–**	**23.9**
At 31 December 2009	**(327.5)**	**44.0**	**(4.3)**	**27.2**	**(5.4)**	**(266.0)**

	2009 £m	2008 £m
Deferred tax liabilities	**(297.6)**	(347.9)
Deferred tax assets	**31.6**	–

No deferred tax has been provided on unremitted earnings of overseas subsidiaries, as the Group has no plans to remit these to the UK in the foreseeable future.

Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the level of deferred tax assets recognised which can result in a charge or credit in the period in which the change occurs.

Note 21. Reconciliation of changes in equity

	Share capital £m	Share premium £m	Other reserves (note 23) £m	Retained earnings £m	Total £m	Minority interest £m	Total equity £m
At 1 January 2008	72.0	128.4	210.1	286.7	697.2	15.5	712.7
Total recognised income and expense for the year	–	–	376.5	223.2	599.7	9.8	609.5
Purchase of treasury shares	–	–	(11.3)	–	(11.3)	–	(11.3)
New shares issued in respect of employee share options	0.7	5.9	–	–	6.6	–	6.6
New shares issued in respect of royalty obligation	0.6	26.4	–	–	27.0	–	27.0
Vesting of PSP shares	–	–	6.9	(6.9)	–	–	–
Share-based payment charges	–	–	–	7.9	7.9	–	7.9
Dividends paid (note 7)	–	–	–	(43.2)	(43.2)	–	(43.2)
At 1 January 2009	**73.3**	**160.7**	**582.2**	**467.7**	**1,283.9**	**25.3**	**1,309.2**
Total recognised income and expense for the year	**–**	**–**	**(158.5)**	**15.1**	**(143.4)**	**1.1**	**(142.3)**
Purchase of treasury shares	**–**	**–**	**(3.5)**	**–**	**(3.5)**	**–**	**(3.5)**
Issue of equity shares (note 23)	**6.7**	**–**	**–**	**394.9**	**401.6**	**–**	**401.6**
Expenses of issue of equity shares	**–**	**–**	**–**	**(10.1)**	**(10.1)**	**–**	**(10.1)**
New shares issued in respect of employee share options	**0.4**	**7.1**	**–**	**–**	**7.5**	**–**	**7.5**
Vesting of PSP shares	**–**	**–**	**7.4**	**(7.4)**	**–**	**–**	**–**
Share-based payment charges	**–**	**–**	**–**	**11.6**	**11.6**	**–**	**11.6**
Dividends paid (note 7)	**–**	**–**	**–**	**(48.1)**	**(48.1)**	**–**	**(48.1)**
At 31 December 2009	**80.4**	**167.8**	**427.6**	**823.7**	**1,499.5**	**26.4**	**1,525.9**

Note 22. Called up equity share capital and share premium account

(a) Authorised

	2009 £m	2008 £m
1,000,000,000 Ordinary shares of Stg10p each	**100.0**	100.0

(b) Allotted equity share capital and share premium

	Equity share capital allotted and fully paid		Share premium
	Number	£m	£m
Ordinary shares of Stg10p each			
At 1 January 2008	719,610,522	72.0	128.4
Issues during the year			
– Exercise of share options	6,926,931	0.7	5.9
– New shares issued in respect of royalty obligation	6,352,114	0.6	26.4
At 1 January 2009	**732,889,567**	**73.3**	**160.7**
Issues during the year			
– Shares issued	**66,938,141**	**6.7**	**–**
– Exercise of share options	**4,486,268**	**0.4**	**7.1**
At 31 December 2009	**804,313,976**	**80.4**	**167.8**

Note 23. Other reserves

	Merger reserve £m	Foreign currency translation reserve £m	Hedge reserve £m	Treasury shares £m	Total £m
At 1 January 2008	408.0	(58.3)	(131.9)	(7.7)	210.1
Hedge movement (note 18)	–	–	161.0	–	161.0
Currency translation adjustment	–	215.5	–	–	215.5
Vesting of PSP shares	–	–	–	6.9	6.9
Purchase of treasury shares	–	–	–	(11.3)	(11.3)
At 1 January 2009	**408.0**	**157.2**	**29.1**	**(12.1)**	**582.2**
Hedge movement (note 18)	**–**	**–**	**(32.7)**	**–**	**(32.7)**
Currency translation adjustment	**–**	**(125.8)**	**–**	**–**	**(125.8)**
Vesting of PSP shares	**–**	**–**	**–**	**7.4**	**7.4**
Purchase of treasury shares	**–**	**–**	**–**	**(3.5)**	**(3.5)**
At 31 December 2009	**408.0**	**31.4**	**(3.6)**	**(8.2)**	**427.6**

During 2009 the Company issued 66,938,141 ordinary shares via an equity placing. In accordance with the provisions of Section 612 of the Companies Act 2006, the Company has transferred the premium on the shares issued of £394.9 million (£384.8 million net of expenses), using the market value at the date of acquisition, to retained earnings as the premium is considered to be realised.

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 hedging instruments classed as cash flow hedges that are determined as an effective hedge.

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 27).

Note 24. Minority interest

	2009 £m	2008 £m
At 1 January	**25.3**	15.5
Foreign currency translation	**(2.3)**	6.8
Share of profit for the year	**3.4**	3.0
At 31 December	**26.4**	25.3

The minority interest materially relates to Tulipe Oil SA, where the Group acquired a 50% controlling shareholding during 2007.

Note 25. Cash flows from operating activities

	2009 £m	2008 £m
Profit before taxation	**20.3**	299.3
Adjustments for:		
Depletion, depreciation and amortisation	**228.6**	202.4
Impairment loss	**8.1**	26.3
Exploration costs written off	**52.8**	226.7
Profit on disposal of subsidiaries	**(10.1)**	(213.2)
Profit on disposal of oil and gas assets	**(3.1)**	(30.6)
Decommissioning expenditure	**(1.3)**	(0.2)
Share-based payment charge	**3.4**	7.9
Loss/(gain) on hedging instruments	**37.2**	(42.9)
Finance revenue	**(1.3)**	(3.9)
Finance costs	**38.9**	47.2
Operating cash flow before working capital movements	**373.5**	519.0
(Increase)/decrease in trade and other receivables	**(118.3)**	18.5
Increase in inventories	**(33.7)**	(12.9)
Increase in trade payables	**72.3**	63.1
Cash generated from operations	**293.8**	587.7

Note 26. Disposal of subsidiaries and oil and gas assets

(i) Disposal of subsidiary

Tullow completed the sale of Tullow Oil UK Limited incorporating the 51.68% interest in the Hewett-Bacton complex to ENI in November 2008.

The net assets of Tullow Oil UK Limited at the date of disposal in November 2008 were as follows:-

	2008 £m
Property, plant and equipment	24.3
Inventories	1.0
Trade receivables	3.8
Cash and cash equivalents	–
Other creditors	(15.3)
Current tax liability	11.2
Deferred tax liability	7.4
Provisions	(37.9)
Net liability on disposal	(5.5)
Gain on disposal	213.2
Total consideration	207.7
Satisfied by:	
Cash	207.7

An additional £10.1 million has been recognised on this sale during 2009 following the settlement of tax and other working capital adjustments.

(ii) Disposal of oil and gas assets

Profit on disposal of oil and gas assets of £3.1 million (2008: £30.6 million) comprises £2.5 million deferred consideration received due to the extension of the Ngosso Permit in Cameroon that was sold during 2007 and £0.3 million in relation to the CMS disposal during 2008. The remaining £0.3 million is consideration received at first gas in relation to the West Bukha field in Oman that was sold during 1996.

Note 27. Share-based payments

2005 Performance Share Plan (PSP)

Under the PSP, senior executives can receive conditional awards of rights over whole shares worth up to 200% of salary p.a. (300% in exceptional circumstances). Awards granted in 2009 vest subject to a Total Shareholder Return (TSR) performance condition. Half of an award is tested against constituents of the FTSE 100 index (excluding investment trusts) and the other half against a comparator group of oil and gas companies. 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 page 94.

The shares outstanding under the PSP are as follows:

	2009 PSP shares	2009 Average weighted share price at grant p	2008 PSP shares	2008 Average weighted share price at grant p
Outstanding at 1 January	**3,856,913**	**552.9**	4,451,474	293.3
Granted	**1,572,567**	**785.8**	1,328,692	917.6
Exercised during the year	**(1,095,350)**	**354.1**	(1,747,750)	187.5
Forfeited/expired during the year	**(28,644)**	**780.3**	(175,503)	365.8
Outstanding at 31 December	**4,305,486**	**687.0**	3,856,913	552.9
The inputs of the option valuation model were:				
Risk free interest rate		**1.9% pa**		4.4%-4.7% pa
Expected volatility		**54%**		39%-41%
Dividend yield		**0.8% pa**		0.7%-0.8% 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 2009 was 579.9p per award (2008: 653.9p).

The Group recognised a total expense of £3.6 million (2008: £4.0 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 (60% for bonuses paid for 2007 and earlier years) of a senior executive nominated by the Remuneration Committee is deferred into shares. DSBP awards normally vest following the end of three financial years commencing with that in which the award is granted.

The shares outstanding under the DSBP are as follows:

	2009 DSBP shares	2009 Share price at grant	2008 DSBP shares	2008 Share price at grant
Outstanding at 1 January	**200,633**	**507.9p**	184,254	375.4p
Granted	**135,291**	**778.0p**	96,166	629.5p
Exercised during the year	**(104,467)**	**396.0p**	(79,787)	348.5p
Outstanding at 31 December	**231,457**	**716.3p**	200,633	507.9p
The inputs of the option valuation model were:				
Dividend Yield		**1.0% pa**		1.0% pa

The expected life is the period from the date of grant to the vesting date. The fair value of the awards granted in 2009 was 760.2p per award (2008: 611.9p).

The Group recognised a total expense of £0.5 million (2008: £0.5 million) in respect of the DSBP.

Note 27. Share-based payments continued

2000 Executive Share Option Scheme (ESOS)

The only share option scheme operated by the Company during the year was the 2000 ESOS. Options normally only become exercisable from the third anniversary of the date of the grant and if the performance condition has been met. The awards are tested against constituents of an index and 100% of awards will vest if the Company's TSR is above the median of the index over three years following grant. For awards from March 2008 the Index is the FTSE 100 index (excluding investment trusts); for awards before March 2008, the Index is the FTSE 250 index (excluding investment trusts).

Options granted under the previous 1998 ESOS had all been exercised at 31 December 2009. All awards under the 1998 ESOS were made prior to 7 November 2002 and therefore, under the IFRS transitional provisions, they have not been accounted for in accordance with IFRS 2 – Share-based payments.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options under the 1998 ESOS and the 2000 ESOS during the year.

	2009 Number	2009 WAEP p	2008 Number	2008 WAEP p
Outstanding as at 1 January	14,688,105	282.1	19,216,684	166.0
Granted during the year	3,155,150	781.0	2,475,251	647.3
Exercised during the year	(4,486,268)	168.4	(6,926,931)	91.5
Forfeited/expired during the year	(99,146)	643.1	(76,899)	210.4
Outstanding at 31 December	**13,257,841**	**436.6**	14,688,105	282.1
Exercisable at 31 December	**5,700,412**	**177.8**	7,971,074	121.5

The weighted average share price at exercise for options exercised in 2009 was 1,000.5p (2008: 854.3p).

Options outstanding at 31 December 2009 had exercise prices of 63.0p to 1,179.0p and remaining contractual lives of 1 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	1.9-2.5% pa
Expected volatility	49%
Dividend yield	0.5-0.8% 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

The Group recognised a total expense of £1.8 million (2008: £3.2 million) in respect of the ESOS.

UK & Irish Share Incentive Plans (SIPs)

The SIPs were launched at the beginning of 2004. These are all employee plans, which have been set up in the UK and Ireland, enable employees to save out of salary up to prescribed monthly limits. Contributions are used by the Plan trustees to acquire Tullow shares ('Partnership Shares'). The Company makes a matching contribution to acquire a matching number of Tullow shares ('Matching Shares') on a one-for-one basis at the end of each three month accumulation period. 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 expense of £0.1 million (2008: £0.1 million) for the matching shares and £0.1 million (2008: £0.1 million) for the partnership shares.

Note 28. Operating lease arrangements

	2009 £m	2008 £m
Minimum lease payments under operating leases recognised in income for the year	2.4	5.1

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:

	2009 £m	2008 £m
Minimum lease payments under operating leases		
Due within one year	7.7	7.8
After one year but within two years	12.1	7.8
After two years but within five years	7.5	16.8
Due after five years	–	0.9
	27.3	33.3

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 29. Capital commitments

Capital commitments as at 31 December 2009 are £810.4 million (2008: £606.2 million).

Note 30. Contingent liabilities

At 31 December 2009 there existed contingent liabilities amounting to £150.3 million (2008: £73.3 million) in respect of performance guarantees for committed work programmes.

Note 31. 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.

	2009 £m	2008 £m
Short-term employee benefits	**4.4**	4.6
Post employment benefits	**0.3**	0.3
Amounts awarded under long-term incentive schemes	**1.2**	1.0
Share-based payments	**2.8**	2.3
	8.7	8.2

Short-term employee benefits

These amounts comprise fees paid to the Directors in respect of salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

Post employment benefits

These amounts comprise amounts paid into the pension schemes of the Directors.

Amounts awarded under long-term incentive schemes

These amounts relate to the shares granted under the annual bonus scheme that 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 Remuneration Report on pages 91 to 100.

Note 32. Subsequent events

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

In January 2010 the Group announced the successful placing and subsequent issue of a total of 80,431,796 new ordinary shares with institutions at 1,150 pence per share. This represents an increase of approximately 9.99% in Tullow's existing issued share capital. These shares are credited as fully paid and rank pari passu in all respects with existing ordinary shares of 10 pence each in the capital of the Company, including the right to receive all dividends and other distributions declared, made or paid on or in respect of such shares after the date of issue.

In January 2010 the Group announced that it had exercised its pre-emption rights over Heritage Oil's Ugandan sale for up to $1.5 billion (£1.0 billion). In addition, two new potential partners have been identified, CNOOC and Total, and it is expected that each partner will acquire a one third interest in each of the three Ugandan blocks. The Group expects the transaction to be signed in the coming weeks.

In January 2010 the Group announced that the appraisal well, Tweneboa 2, proved up a combined oil and gas-condensate column of at least 35 metres. This has confirmed Tweneboa as a major oil and gas-condensate field.

Note 33. 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 £3.3 million (2008: £2.2 million). At 31 December 2009, there was a liability of £0.6 (2008: £0.1 million) for contributions payable included in creditors.

Independent auditors' report

To the members of Tullow Oil plc

We have audited the Parent Company financial statements of Tullow Oil plc for the year ended 31 December 2009 which comprise the balance sheet and the related notes 1 to 13. These Parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Tullow Oil plc for the year ended 31 December 2009 and on the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As 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 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 (APB'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.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- Give a true and fair view of the state of the Parent Company's affairs as at 31 December 2009;
- 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.

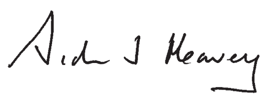
Matthew Donaldson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, UK

9 March 2010

Company balance sheet
As at 31 December 2009

	Notes	2009 £m	2008 £m
Fixed assets			
Investments	1	**959.9**	950.8
Deferred tax assets	3	**24.4**	–
		984.3	950.8
Current assets			
Debtors	4	**1,232.1**	739.1
Cash at bank and in hand		**8.4**	29.8
		1,240.5	768.9
Creditors – amounts falling due within one year			
Trade and other creditors	5	**(11.3)**	(4.3)
Bank loans	6	**–**	(210.5)
		(11.3)	(214.8)
Net current assets		**1,229.2**	554.1
Total assets less current liabilities		**2,213.5**	1,504.9
Creditors – amounts falling due after more than one year			
Bank loans	6	**(825.4)**	(489.0)
Loans from subsidiary undertakings	7	**(156.3)**	(127.7)
Net assets		**1,231.8**	888.2
Capital and reserves			
Called up equity share capital	8	**80.4**	73.3
Share premium account	8	**167.8**	160.7
Other reserves	10	**343.3**	339.4
Profit and loss account	9	**640.3**	314.8
Shareholders' funds	9	**1,231.8**	888.2

Approved by the Board and authorised for issue on 9 March 2010.



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 Principles (UK GAAP). 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 loss of £15.4 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 110.

(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 allocated to periods over the term of the related debt at a constant rate on the carrying amount.

Interest-bearing bank loans are recorded at 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
Sterling 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 Sterling 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 and share premium account
Costs of share issues are written off against the premium arising on the issues of share capital.

(g) Taxation
Current and deferred tax, including UK corporation tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

(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

	2009 £m	2008 £m
Shares at cost in subsidiary undertakings	**959.2**	950.4
Unlisted investments	**0.7**	0.4
	959.9	950.8

The increase in the year is attributable to an additional investment in Ikon Science Limited (unlisted investment) and additional investments in the Group's subsidiary companies.

Principal subsidiary undertakings

At 31 December 2009 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	Isle of Man	British Virgin Islands
Tullow Oil International Limited	100	Channel Islands	Jersey
Tullow Pakistan (Developments) Limited	100	Pakistan	Jersey
Tullow Bangladesh Limited	95	Bangladesh	Jersey
Tullow Côte d'Ivoire Limited	100	Côte d'Ivoire	Jersey
Tullow Côte d'Ivoire Exploration Limited	100	Côte d'Ivoire	Jersey
Tullow India Operations Limited	100	India	Jersey
Tullow Madagascar Limited	100	Madagascar	Jersey
Tullow Ghana Limited	100	Ghana	Jersey
Tullow Angola B.V.	100	Angola	Netherlands
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
Hardman Chinguetti Production (Pty) Limited	100	Mauritania	Australia
Hardman Petroleum (Mauritania) (Pty) Limited	100	Mauritania	Australia
Planet 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

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 in IFRS 6, 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

	2009 £m	2008 £m
Declared and paid during year		
Final dividend for 2008: Stg4.0p (2007: Stg4.0p) per ordinary share	32.1	28.7
Interim dividend for 2009: Stg2.0p (2008: Stg2.0p) per ordinary share	16.0	14.5
Dividends paid	**48.1**	43.2
Proposed for approval by shareholders at the AGM		
Final dividend for 2009: Stg4.0p (2008: Stg4.0p)	32.2	29.3

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 £87.1 million (2008: £35.0 million) that are available indefinitely for offset against future non ring fence taxable profits in the Company. A deferred tax asset of £24.4 million has been recognised in respect of these losses as at December 2009 on the basis that the Company anticipates making non ring fence profits in the foreseeable future.

Note 4. Debtors

Amounts falling due within one year

	2009 £m	2008 £m
Other debtors	2.8	0.4
Due from subsidiary undertakings	1,229.3	738.7
	1,232.1	739.1

The amounts due from subsidiary undertakings include £183.4 million (2008: £332.9 million) that incurs interest at LIBOR plus 1.7%-2.7%. The remaining amounts due from subsidiaries accrue no interest. All amounts are repayable on demand.

Note 5. Trade and other creditors

Amounts falling due within one year

	2009 £m	2008 £m
Other creditors	3.8	2.3
Accruals	7.4	1.7
VAT	0.1	0.3
	11.3	4.3

Note 6. Bank loans

	2009 £m	2008 £m
Current		
Short-term borrowings	–	210.5
Non-current		
Term loans repayable		
– After one year but within two years	620.9	393.2
– After two years but within five years	204.5	95.8
	825.4	489.0

Company bank loans are stated net of unamortised arrangement fees of £51.2 million (2008: £11.8 million).

Term loans and guarantees are secured by fixed and floating charges over the oil and gas assets (note 10) of the Group.

Interest rate risk

The interest rate profile of the Company's financial assets and liabilities at 31 December 2009 was as follows:

	Stg £m	US$ £m	Total £m
Cash at bank at floating interest rate	0.2	8.2	8.4
Amounts due from subsidiaries at LIBOR + 1.7%	183.4	–	183.4
Fixed rate debt	–	(342.2)	(342.2)
Floating rate debt	(37.0)	(446.3)	(483.3)
Net cash/(debt)	146.6	(780.3)	(633.7)

The profile at 31 December 2008 for comparison purposes was as follows:

	Stg £m	US$ £m	Total £m
Cash at bank at floating interest rate	29.8	–	29.8
Amounts due from subsidiaries at LIBOR + 1.7%	494.6	–	494.6
Fixed rate debt	–	(69.1)	(69.1)
Floating rate debt	–	(642.3)	(642.3)
Net cash/(debt)	524.4	(711.4)	(187.0)

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 US$2 billion Reserves Based Lending Facility incurs interest on outstanding debt at Sterling or US Dollar LIBOR plus a margin ranging from 350 basis points to 375 basis points depending on utilisation and concentration of non-OECD assets. The outstanding debt is repayable in variable amounts (determined semi-annually) over the period to 31 December 2015, or such time as is determined by reference to the remaining reserves of the assets, whichever is earlier. The Reserves Based Lending Facility states that consideration should be given to hedging at least 30% of the interest rate exposure to fluctuations in LIBOR for Sterling and US Dollars in respect of loans under the facility, net of relevant cash balances.

The $250 million Corporate Facility is a revolving facility which is repayable in full on 31 December 2011. The facility incurs interest on outstanding debt at US Dollar LIBOR plus a margin of 500 basis points. The Corporate Facility states that the terms of the Reserves Based Lending Facility Hedging Policy (above) shall apply to the Corporate Facility.

At the end of December 2009, the headroom under the two facilities amounted to US$620 million (£389.3 million); US$370 million (£232.3 million) under the US$ 2 Billion Reserves Based Lending and US$250 million (£157.0 million) under the Corporate Facility. At the end of December 2008, the headroom under the two facilities was US$335 million (£231.4 million); US$235 million (£162.3 million) under the US$ 1,350 million Reserves Based Lending Facility and US$100 million (£69.1 million) under the Hardman Bridge Facility.

The Company is exposed to floating rate interest rate risk as entities in the Group borrow funds at floating interest rates. The Company hedges its floating rate interest rate exposure on an ongoing basis through the use of interest rate derivatives, namely interest rate swaps, interest rate collars and interest rate caps. The two year interest rate swaps currently in place have an average swap rate of 2.61% for a current notional principal of US$100 million (£62.8 million). The three year interest rate swaps currently in place have an average swap rate of 2.19% for a current notional principal of US$250 million (£156.7 million). The five year interest rate swaps currently in place have an average swap rate of 3.14% for a notional principal of US $50 million (£31.4 million). The effect of the interest rate collar currently in place limits the exposure to US Dollar LIBOR at varying rates (maximum of 4.3%) over the remaining life of the derivative (May 2011) for a current notional principal of US$50 million (£31.4 million). The combined mark-to-market position as at the 2009 year end was £5.6 million (2008: £2.1 million). The interest rate hedges are included in the fixed rate debt in 2009, in the above table, and were also included in fixed rate debt in 2008.

Foreign currency risk

As at 31 December 2009, the only material monetary assets or liabilities of the Company that were not denominated in the functional currency of the respective subsidiaries involved were US$1,337 million (£839.4 million) cash drawings under the US$2 billion Borrowing Base Facility. As at 31 December 2008 the only material assets or liabilities that were not denominated in the functional currency of the respective subsidiaries involved were US$930 million (£642.3 million) cash drawings under the US$1,350 million Borrowing Base facility and US$100 million (£69.1 million) cash drawings under the $200 million Hardman Bridge Facility. These US Dollar cash drawings at 31 December 2009 continue to be held as a hedge against US Dollar denominated net assets in subsidiaries.

The net carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date was £825.3 million (2008: £711.3 million).

Foreign currency sensitivity analysis

The Company is mainly exposed to fluctuation in the US dollar. The Group measures its market risk exposure by running various sensitivity analyses including 20% favourable and adverse changes in the 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 2009, a 20% increase in Sterling against the US Dollar would have resulted in a decrease in foreign currency denominated liabilities and equity of £140.0 million (2008: £118.6 million 20% decrease) and a 20% decrease in Sterling against US Dollar would have resulted in an increase in foreign currency denominated liabilities and equity of £209.9 million (2008: £177.8million 20% increase).

Note 7. Loans from subsidiary undertakings

Amounts falling due after more than one year

	2009 £m	2008 £m
Loans from subsidiary companies	156.3	127.7

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

(a) Authorised

	2009 £m	2008 £m
1,000,000,000 Ordinary shares of Stg10p each	**100.0**	100.0

(b) Allotted equity share capital and share premium

	Equity share capital allotted and fully paid Number	£m	Share premium £m
Ordinary shares of Stg10p each			
At 1 January 2008	719,610,522	72.0	128.5
Issues during the year			
– Exercise of share options	6,926,931	0.7	5.8
– New shares issued in respect of royalty obligation	6,352,114	0.6	26.4
At 1 January 2009	**732,889,567**	**73.3**	**160.7**
Issues during the year			
– New shares issued	**66,938,141**	**6.7**	**–**
– Exercise of share options	**4,486,268**	**0.4**	**7.1**
At 31 December 2009	**804,313,976**	**80.4**	**167.8**

Note 9. Shareholders' funds

	Share capital £m	Share premium £m	Other reserves (note 9) £m	Profit and loss account £m	Total £m
At 1 January 2008	72.0	128.4	343.8	35.0	579.2
Total recognised income and expense for the year	–	–	–	321.9	321.9
Purchase of treasury shares	–	–	(11.2)	–	(11.2)
New shares issued in respect of employee share options	0.7	5.9	–	–	6.6
New shares issued in respect of royalty obligation	0.6	26.4	–	–	27.0
Vesting of PSP shares	–	–	6.8	(6.8)	–
Share-based payment charges	–	–	–	7.9	7.9
Dividends paid	–	–	–	(43.2)	(43.2)
At 1 January 2009	**73.3**	**160.7**	**339.4**	**314.8**	**888.2**
Total recognised income and expense for the year	**–**	**–**	**–**	**(15.4)**	**(15.4)**
Issue of share capital	**6.7**	**–**	**–**	**394.9**	**401.6**
Transaction costs	**–**	**–**	**–**	**(10.1)**	**(10.1)**
Purchase of treasury shares	**–**	**–**	**(3.5)**	**–**	**(3.5)**
New shares issued in respect of employee share options	**0.4**	**7.1**	**–**	**–**	**7.5**
Vesting of PSP shares	**–**	**–**	**7.4**	**(7.4)**	**–**
Share-based payment charges	**–**	**–**	**–**	**11.6**	**11.6**
Dividends paid	**–**	**–**	**–**	**(48.1)**	**(48.1)**
At 31 December 2009	**80.4**	**167.8**	**343.3**	**640.3**	**1,231.8**

During 2009 the Company issued 66,938,141 ordinary shares via an equity placing. In accordance with the provisions of Section 612 of the Companies Act 2006, the Company has transferred the premium on the shares issued of £394.9 million (£384.8m 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	Total £m
At 1 January 2008	351.5	(7.7)	343.8
Purchase of treasury shares	–	(11.3)	(11.3)
Vesting of PSP shares	–	6.9	6.9
At 1 January 2009	**351.5**	**(12.1)**	**339.4**
Purchase of treasury shares	**–**	**(3.5)**	**(3.5)**
Vesting of PSP shares	**–**	**7.4**	**7.4**
At 31 December 2009	**351.5**	**(8.2)**	**343.3**

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 10).

Note 11. Share-based payments

2005 Performance Share Plan (PSP)

Under the PSP, senior executives can receive conditional awards of rights over whole shares worth up to 200% of salary p.a. (300% in exceptional circumstances). Awards granted in 2009 vest subject to a Total Shareholder Return (TSR) performance condition. Half of an award is tested against constituents of the FTSE 100 index (excluding investment trusts) and the other half against a comparator group of oil and gas companies. 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 page 94.

The shares outstanding under the PSP are as follows:

	2009 PSP shares	**2009 Average weighted share price at grant p**	2008 PSP shares	2008 Average weighted share price at grant p
Outstanding at 1 January	**3,856,913**	**552.9**	4,451,474	293.3
Granted	**1,572,567**	**785.8**	1,328,692	917.6
Exercised during the year	**(1,095,350)**	**354.1**	(1,747,750)	187.5
Forfeited/expired during the year	**(28,644)**	**780.3**	(175,503)	365.8
Outstanding at 31 December	**4,305,486**	**687.0**	3,856,913	552.9

The inputs of the option valuation model were:

	2009 Average weighted share price at grant p	2008 Average weighted share price at grant p
Risk free interest rate	**1.9% pa**	4.4%-4.7% pa
Expected volatility	**54%**	39%-41%
Dividend yield	**0.8% pa**	0.7%-0.8% 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 2009 was 579.9p per award (2008: 653.9p).

The Company recognised a total expense of £2.3 million (2008: £1.8 million) in respect of the PSP.

Note 11. Share-based payments continued

2005 Deferred Share Bonus Plan (DSBP)

Under the DSBP, the portion of any annual bonus above 75% of the base salary (60% for bonuses paid for 2007 and earlier years) of a senior executive nominated by the Remuneration Committee is deferred into shares. DSBP awards normally vest following the end of three financial years commencing with that in which the award is granted.

The shares outstanding under the DSBP are as follows:

	2009 DSBP shares	2009 Share price at grant	2008 DSBP shares	2008 Share price at grant
Outstanding at 1 January	**200,633**	**507.9p**	184,254	375.4p
Granted	**135,291**	**778.0p**	96,166	629.5p
Exercised during the year	**(104,467)**	**396.0p**	(79,787)	348.5p
Outstanding at 31 December	**231,457**	**716.3p**	200,633	507.9p
The inputs of the option valuation model were:				
Dividend yield		**1.0% pa**		1.0% pa

The expected life is the period from the date of grant to the vesting date. The fair value of the awards granted in 2009 was 760.2p per award (2008: 611.9p).

The Company recognised a total expense of £0.5 million (2008: £0.5 million) in respect of the DSBP.

2000 Executive Share Option Scheme (ESOS)

The only share option scheme operated by the Company during the year was the 2000 ESOS. Options normally only become exercisable from the third anniversary of the date of the grant and if the performance condition has been met. The awards are tested against constituents of an index and 100% of awards will vest if the Company's TSR is above the median of the index over three years following grant. For awards from March 2008 the Index is the FTSE 100 index (excluding investment trusts); for awards before March 2008, the Index is the FTSE 250 index (excluding investment trusts).

Options granted under the previous 1998 ESOS had all been exercised at 31 December 2009. All awards under the 1998 ESOS were made prior to 7 November 2002 and therefore, under the FRS transitional provisions, they have not been accounted for in accordance with FRS 20 – Share-based payments.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options under the 1988 ESOS, the 1998 ESOS and the 2000 ESOS during the year.

	2009 Number	2009 WAEP p	2008 Number	2008 WAEP p
Outstanding as at 1 January	**14,688,105**	**282.1**	19,216,684	166.0
Granted during the year	**3,155,150**	**781.0**	2,475,251	647.3
Exercised during the year	**(4,486,268)**	**168.4**	(6,926,931)	91.5
Forfeited/expired during the year	**(99,146)**	**643.1**	(76,899)	210.4
Outstanding at 31 December	**13,257,841**	**436.6**	14,688,105	282.1
Exercisable at 31 December	**5,700,412**	**177.8**	7,971,074	121.5

The weighted average share price at exercise for options exercised in 2009 was 1,000.5p (2008: 854.3p).

Options outstanding at 31 December 2009 had exercise prices of 63.0p to 1,179.0p 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	1.9-2.5% pa
Expected volatility	49%
Dividend yield	0.5-0.8% pa
Employee turnover	5%
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

The Company recognised a total expense of £nil (2008: £nil) in respect of the ESOS.

UK & Irish Share Incentive Plans (SIPs)

The SIPs were launched at the beginning of 2004. These are all employee plans, which have been set up in the UK and Ireland, that enable employees to save out of salary up to prescribed monthly limits. Contributions are used by the Plan trustees to acquire Tullow shares ('Partnership Shares'). The Company makes a matching contribution to acquire a matching number of Tullow shares ('Matching Shares') on a one-for-one basis at the end of each three month accumulation period. 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.

Matching shares vest three years after grant and dividends are paid to the employee during this period. The Company recognised a total expense of £0.1 million (2008: £0.1 million) for the matching shares and £0.1 million (2008: £0.1 million) for the partnership shares.

Note 12. 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.

	2009 £m	2008 £m
Short-term employee benefits	**4.1**	4.6
Post employment benefits	**0.5**	0.3
Amounts awarded under long-term incentive schemes	**1.2**	1.0
Share based payments	**2.8**	2.3
	8.6	8.2

Short-term employee benefits

These amounts comprise fees paid to the Directors in respect of salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

Post employment benefits

These amounts comprise amounts paid into the pension schemes of the Directors.

Amounts awarded under long-term incentive schemes

These amounts relates 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 91 to 100.

Note 13. Subsequent events

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

In January 2010 the Group announced the successful placing and subsequent issue of a total of 80,431,796 new ordinary shares with institutions at 1,150 pence per share. This represents an increase of approximately 9.99% in Tullow's existing issued share capital. These shares are credited as fully paid and rank pari passu in all respects with existing ordinary shares of 10 pence each in the capital of the Company, including the right to receive all dividends and other distributions declared, made or paid on or in respect of such shares after the date of issue.

In January 2010 the Group announced that it had exercised its pre-emption rights over Heritage Oil's Ugandan sale for up to $1.5 billion (£1.0 billion). In addition, two new potential partners have been identified, CNOOC and Total, and it is expected that each partner will acquire a one third interest in each of the three Ugandan blocks. The Group expects the transaction to be signed in the coming weeks.

In January 2010 the Group announced that the appraisal well, Tweneboa 2, proved up a combined oil and gas-condensate column of at least 35 metres. This has confirmed Tweneboa as a major oil and gas-condensate field.

Five year financial summary

	2009 £m	2008 £m	2007 (as restated*) £m	2006 £m	2005 £m
Group income statement					
Sales revenue	**582.3**	691.7	639.2	578.8	445.2
Cost of sales	**(398.1)**	(366.1)	(353.7)	(261.3)	(243.1)
Gross profit	**184.2**	325.6	285.5	317.5	202.1
Administrative expenses	**(49.5)**	(43.0)	(31.6)	(22.5)	(13.8)
Profit/(loss) on disposal of subsidiaries	**10.1**	213.2	(0.6)	–	–
Profit on disposal of oil and gas assets	**3.1**	30.6	–	–	36.0
Exploration costs written off	**(52.8)**	(226.7)	(64.2)	(32.5)	(25.8)
Operating profit	**95.1**	299.7	189.1	262.5	198.5
(Loss)/profit on hedging instruments	**(37.2)**	42.9	(29.3)	15.7	(0.2)
Finance revenue	**1.3**	3.9	3.1	3.0	4.4
Finance costs	**(38.9)**	(47.2)	(48.7)	(18.0)	(24.2)
Profit from continuing activities before taxation	**20.3**	299.3	114.2	263.2	178.5
Taxation	**(1.8)**	(73.1)	(61.6)	(105.9)	(65.4)
Profit for the year from continuing activities	**18.5**	226.2	52.6	157.3	113.1
Earnings per share					
Basic – Stg p	**1.87**	30.86	7.10	24.23	17.50
Diluted – Stg p	**1.85**	30.49	6.96	23.67	17.20
Dividends paid	**48.1**	43.2	39.4	32.5	14.6
Group balance sheet					
Non-current assets	**2,745.7**	2,433.9	1,847.4	1,755.3	897.6
Net current assets /(liabilities)	**76.0**	(147.7)	(67.5)	(290.9)	(71.3)
Total assets less current liabilities	**2,821.7**	2,286.2	1,779.9	1,464.4	826.3
Long term liabilities	**(1,295.8)**	(977.0)	(1,067.3)	(697.9)	(437.3)
Net assets	**1,525.9**	1,309.2	712.6	766.5	389.0
Called up equity share capital	**80.4**	73.3	72.0	65.2	64.7
Share premium	**167.8**	160.7	128.4	126.1	123.0
Other reserves	**427.6**	582.2	210.1	305.4	60.6
Retained earnings	**823.7**	467.7	286.7	269.8	140.7
Equity attributable to equity holders of the parent	**1,499.5**	1,283.9	697.2	766.5	389.0
Minority interest	**26.4**	25.3	15.4	–	–
Total equity	**1,525.9**	1,309.2	712.6	766.5	389.0

* The 2007 comparatives have been restated due to an asset held for sale being reclassified during 2008.

Commercial reserves and contingent resources (unaudited) working interest basis

Year ended 31 December 2009

	Africa		Europe		South Asia		Total		
	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Petroleum mmboe
Commercial reserves[1]									
1 January 2009	256.5	12.3	1.8	191.4	–	130.9	258.3	334.6	314.1
Revisions	13.0	12.3	(0.4)	(22.0)	–	–	12.6	(9.7)	11.0
Disposals	–	–	–	–	–	(20.3)	–	(20.3)	(3.4)
Production	(13.9)	(1.2)	(0.2)	(30.4)	–	(11.6)	(14.1)	(43.2)	(21.3)
31 December 2009	**255.6**	**23.4**	**1.2**	**139.0**	**–**	**99.0**	**256.8**	**261.4**	**300.4**
Contingent resources[2]									
1 January 2009	301.6	1,110.5	–	131.8	–	16.2	301.6	1,258.5	511.3
Revisions	83.6	7.1	–	(16.9)	–	–	83.6	(9.8)	82.0
31 December 2009	**385.2**	**1,117.6**	**–**	**114.9**	**–**	**16.2**	**385.2**	**1,248.7**	**593.3**
Total									
31 December 2009	640.8	1,141.0	1.2	253.9	–	115.2	642.0	1,510.1	893.7

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.

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 265.4 mmboe at 31 December 2009 (31 December 2008: 114.5 mmboe).

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

Licence interests

Current exploration, development and production interests

Licence	Fields	Area sq km	Tullow interest	Operator	Other partners
AFRICA					
Angola					
Block 1/06		3,839	50.00%	Tullow	Sonangol P&P, ProdOil, Force Petroleum
Congo (Brazzaville)					
M'Boundi	M'Boundi	146	11.00%	ENI	SNPC
Congo (DRC)					
Block I[1]		3,700	48.50%	Tullow	Heritage, COHYDRO
Block II[1]		2,870	48.50%	Tullow	Heritage, COHYDRO
Côte d'Ivoire					
CI-26 Special Area "E"	Espoir	235	21.33%	CNR	PETROCI
CI-102		865	31.50%	Edison	Kufpec, PETROCI
CI-103		2,603	45.00%[2]	Tullow	Anadarko[2], PETROCI
CI-105		2,070	22.37%	Anadarko	PETROCI, Al Thani
Equatorial Guinea					
Ceiba	Ceiba	70	14.25%	Hess	GEPetrol
Okume Complex	Okume, Oveng, Ebano & Elon	192	14.25%	Hess	GEPetrol
Gabon					
Avouma	Avouma	52	7.50%	Vaalco	Addax (Sinopec), Sasol, Sojitz, PetroEnergy
Azobe Marin[3]		1,737	60.00%	Tullow	MPDC Gabon
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
Kiarsseny Marin		5,442	47.50%	Tullow	Addax (Sinopec), Sonangol P&P
Limande	Limande	10	40.00%	Perenco	
Niungo	Niungo	96	40.00%	Perenco	
Nziembou		1,027	40.00%	Perenco	
Oba	Oba	44	5.00%[4]	Perenco	AIC Petrofi
Obangue	Obangue	40	3.75%[4]	Addax (Sinopec)	AIC Petrofi
Omko	Omko	16	7.50%[4]	Maurel & Prom	AIC Petrofi
Onal	Onal	46	7.50%[4]	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%[4]	Addax (Sinopec)	AIC Petrofi
Turnix	Turnix	18	27.50%	Perenco	
Back-In Rights[5]					
Arouwe		4,414	7.50%[6]	Perenco	
Azobe Marin[3]		1,737	5.00%	Tullow	MPDC Gabon
DE7 (formerly Ombena)		2,188	5.00%[6]	Perenco	AIC Petrofi
Dussafu Marin		2,780	5.00%[6]	Harvest Natural Res	Pan-Petroleum
Etame Marin		2,972	7.50%	Vaalco	Addax (Sinopec), Sasol, Sojitz, PetroEnergy
Etekamba		773	5.00%[6]	Maurel & Prom	
Maghena		631	3.75%[6]	Addax (Sinopec)	
Nyanga Mayumbe		2,831	3.75%[6]	Maurel & Prom	
Omoueyi		4,133	7.50%[6]	Maurel & Prom	

Current exploration, development and production interests continued

Licence	Fields	Area sq km	Tullow interest	Operator	Other partners
AFRICA continued					
Ghana					
Deepwater Tano	Jubilee, Tweneboa	1,108	49.95%	Tullow	Kosmos, Anadarko, GNPC, Sabre
West Cape Three Points	Jubilee Odum	1,497	22.90%	Kosmos	Anadarko, GNPC, E.O. Group, Sabre
Jubilee Field Unit Area[7]	Jubilee		34.70%	Tullow/Kosmos[8]	Anadarko, GNPC, Sabre, E.O Group
Liberia					
LB-15		3,400	25.00%	Anadarko	Repsol, Woodside
LB-16		3,225	25.00%	Anadarko	Repsol, Woodside
LB-17		3,150	25.00%	Anadarko	Repsol, Woodside
Madagascar					
Block 3109		11,050	50.00%	Tullow	Madagascar Oil[9]
Block 3111		9,050	100.00%	Tullow	
Mauritania					
Block 1		3,936	38.00%	Dana	GDF, Roc Oil
Block 2		4,898	83.78%	Tullow	Dana, Roc Oil
PSC – Area A Block 3 Blocks 4 & 5 shallow		6,969	24.30%	Petronas	Premier, Kufpec, Roc Oil
PSC – Area B Blocks 4 & 5 deep		8,028	21.60%	Petronas	Premier, Kufpec, Roc Oil
PSC Area B – Chinguetti EEA	Chinguetti	929	19.01%	Petronas	SMH, Premier, Kufpec, Roc Oil
Block 6		4,023	22.42%	Petronas	Roc Oil
Block 7		6,676	16.20%	Dana	Petronas, GDF, Roc Oil
Namibia					
Production Licence 002	Kudu	4,567	31.00%[10]	Tullow	Gazprom/NAMCOR JV, Itochu
Senegal					
St Louis		4,195	60.00%	Tullow	Dana, Petrosen
Sierra Leone					
SL-06/07 & SL-07		5,493	10.00%	Anadarko	Repsol, Woodside
Tanzania					
Lindi		7,315	50.00%	Tullow	Aminex, Solo
Mtwara		5,045	50.00%	Tullow	Aminex, Solo
Uganda					
Block 1	Jobi-Rii	4,285	50.00%	Heritage[11]	
Block 2	Mputa, Waraga, Kasamene	3,900	100.00%	Tullow	
Block 3A	Kingfisher	1,991	50.00%	Heritage[11]	

1. Licences awaiting Presidential ratification. The validity of the original licence was disputed during 2008, however, Tullow is working closely with the government of Congo (DRC) and continues to be confident of its title to these blocks.
2. Farm out to Anadarko still awaiting government signature.
3. Tullow has 'Back-In Rights' on this licence as well as a working interest.
4. Tullow's interest in this licence is held through its 50% holding in Tulipe Oil SA.
5. Back-In Rights: Tullow has the option, in the event of a discovery, to acquire varying interests in these licences.
6. Tullow has the option to acquire an interest in this licence through its 50% holding in Tulipe Oil SA.
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 is the Unit Operator and Kosmos is the Technical Operator for Phase 1 of the Jubilee Development.
9. Madagascar Oil has given notice of its intention to withdraw from this licence.
10. Interest subject to Ministry and partner approvals.
11. Tullow has agreed the purchase of Heritage's interest in these blocks. The deal is awaiting government approval.

Licence / Unit area	Blocks	Fields	Area sq km	Tullow interest	Operator	Other partners
EUROPE						
United Kingdom						
CMS Area						
P450	44/21a	Boulton B & F	77	9.50%	ConocoPhillips	GDF
P451	44/22a 44/22b	Murdoch Boulton H[12], Watt[12]	121	34.00%	ConocoPhillips	GDF
P452	44/23a (part)	Murdoch K[12]	48	6.91%	ConocoPhillips	GDF
P453	44/28b	Ketch	85	100.00%	Tullow	
P516	44/26a	Schooner[13]	99	97.05%	Tullow	GDF
P1006	44/17b	Munro[14]	60	20.00%	GDF	ConocoPhillips
P1058	44/18b 44/23b	 Kelvin	129	22.50%	ConocoPhillips	GDF
P1139	44/19b		60	22.50%	ConocoPhillips	GDF
P1437	44/13a		192	25.00%	GDF	E.ON, Endeavour
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, Watt		14.10%	ConocoPhillips	GDF
Munro Unit[15]	44/17b 44/17a	Munro		15.00%	ConocoPhillips	GDF
Schooner Unit[15]	44/26a 43/30a	Schooner		90.35%	Tullow	GDF, Faroe Petroleum
Thames-Hewett 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
P060	50/26a	Orwell	27	100.00%	Tullow	
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
P1445	48/28c, 52/03a 52/04b, 52/05b		428	100.00%	Tullow	
Gawain Unit[15]	49/24F1(part) 49/29a (part)	Gawain		50.00%	Perenco	

Current exploration, development and production interests continued

Licence	Fields	Area sq km	Tullow interest	Operator	Other partners
EUROPE continued					
Netherlands					
D9		149	25.00%	Tullow	XTO,GTO, Gas Plus, EBN
E10		401	32.00%	Tullow	XTO, GTO, EBN
E11		401	60.00%	Tullow	EBN
E13a		234	50.00%	Tullow	EBN, Gas Plus
E13b		168	10.00%	GDF	Wintershall, EBN, Dyas
E14		403	32.00%	Tullow	XTO, GTO, EBN
E15c		343	20.00%	Tullow	XTO, GTO, Gas Plus, EBN
E18b		192	32.00%	Tullow	XTO, GTO, EBN
L12c		30	30.00%	Tullow	EBN, Nuon, Wintershall
L12d		225	30.00%	Tullow	EBN, Nuon, Wintershall
L15d		62	30.00%	Tullow	EBN, Nuon, Wintershall
Portugal					
Lavagante[17]		3,089	80.00%	Tullow	Partex, Galp Energia
Santola[17]		3,065	80.00%	Tullow	Partex, Galp Energia
Gamba[17]		2,945	80.00%	Tullow	Partex, Galp Energia
SOUTH ASIA					
Bangladesh					
Block 9	Bangora/Lalmai	1,770	30.00%	Tullow	Niko, Bapex
Pakistan					
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		1,107	40.00%	OGDCL	MGCL, SEL
Kohlu		2,459	30.00%	OGDCL	MGCL
Sara D&PL[18]	Sara	83	38.18%	Tullow	OGDCL, POL, Attock
Suri D&PL[18]	Suri	24	38.18%	Tullow	OGDCL, POL, Attock
SOUTH AMERICA					
French Guiana					
Guyane Maritime		32,120	39.50%	Tullow	Shell[19], Total[19], Northpet Investments
Guyana					
Georgetown Block		8,400	30.00%	Repsol	YPF, CGX Resources
Suriname					
Coronie[20]		2,592	40.00%[21]	Paradise Oil	
Uitkijk		757	40.00%[21]	Paradise Oil	

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. Tullow is to assign its interest in this licence to existing partners.
18. Tullow has agreed the sale of these interests. The deal is awaiting completion.
19. Shell and Total farm-in deals awaiting final approval.
20. Tullow will acquire its interest on completion of work programme.
21. Tullow has a 40% title interest (36.5% economic interest).

Shareholder information

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, whose contact details are as follows:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Contact: www.investorcentre.co.uk/contactus

Telephone number – UK shareholders:	0870 703 6242
Telephone number – Irish shareholders:	00 353 1 216 3744
Telephone number – other shareholders:	00 44 870 703 6242

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. 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.

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 41 270 3203
Other shareholders*:	00 44 141 270 3203

Further details of the terms applying to the service can also be obtained from the Shareholder Services section of the Investors area of the Tullow website: www.tullowoil.com.

* Kindly note, this service cannot be offered to residents of any territories where such offers are not permitted by local securities regulations or other regulatory requirements. It is the responsibility of shareholders outside the European Union who wish to use this service to ensure compliance with local law and regulatory requirements. If you are in any doubt you should consult an appropriate professional advisor.

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 emailed 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

Financial year end	31 December 2009
2009 Full-year results announced	10 March 2010
Annual General Meeting	12 May 2010
Interim Management Statement	12 May 2010
2009 Final dividend payable	21 May 2010
2010 Half-yearly results announced	25 August 2010
2010 Interim dividend payable	November 2010
Interim Management Statement	November 2010

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Glossary

API	Measure of crude oil quality
AGM	Annual General Meeting
bbl	Barrel
bcf	Billion cubic feet
boe	Barrels of oil equivalent
boepd	Barrels of oil equivalent per day
bopd	Barrels of oil per day
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
CO_2	Carbon dioxide
DRC	Democratic Republic of Congo
DSBP	Deferred Share Bonus Plan
E&A	Exploration and Appraisal
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EHS	Environment, Health and Safety
EIA	Environmental Impact Assessment
EPA	Environmental Protection Agency
ERC	Energy Resource Consultants
ESIA	Environmental and Social Impact Assessment
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
FTSE 250	Equity index whose constituents are the next 250 largest UK listed companies after the top 100
GELT	Global Exploration Leadership Team
GNPC	Ghana National Petroleum Corporation
Group	Company and its subsidiary undertakings
H&S	Health and Safety
HIPO	High Potential Incident
HNBS	Hewitt New Bridge Street
HR	Human Resources
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IMS	Information Management System
IPT	Integrated Project Team
ISO	International Organization for Standardization
km	Kilometres
KPI	Key Performance Indicator
LIBOR	London Interbank Offered Rate
LTI	Lost Time Incident
LTIFR	LTI Frequency Rate measured in LTIs per million hours worked
mmbbl	Million barrels
mmbo	Million barrels of oil
mmboe	Million barrels of oil equivalent
mmscfd	Million standard cubic feet per day
OGP	International Association of Oil & Gas Producers
P&D	Production and Development
PAYE	Pay As You Earn
PRT	Petroleum Revenue Tax
PSC	Production Sharing Contract
PSP	Performance Share Plan
SCT	Supplementary Corporation Tax
SIP	Share Incentive Plan
SMC	Senior Management Committee
sq km	Square kilometres
tcf	Trillion cubic feet
toes	Tullow Oil Environmental Standards
TSR	Total Shareholder Return
VAT	Value Added Tax
WAEP	Weighted Average Exercise Price

Get more online at www.tullowoil.com

We are committed to improving our disclosure and communication to increase the understanding of our business. Our policy is to be open, transparent, uniform and timely.

We will continue to upgrade our corporate website.

Additional features
We will be incorporating new features, including the ability to customise the site for individual users.

New content
We will be adding video, new content and an improved 'major projects' section to make the site more interesting.

More interactivity
We will be upgrading site tools to make the site more user-friendly.

New reporting centre www.tullowoilreports.com

We are creating a central hub for our main corporate reports, which is being launched as part of the online 2009 Corporate Responsibility Report in May 2010.

2009 Annual Report and Accounts

We publish an online Annual Report and this year will be including a number of new tools including the ability to create your own report. Visit: **http://ara2009.tullowoil.com**

2009 Corporate Responsibility Report

The 2009 Corporate Responsibility Report will be published in May 2010. We will also publish an online version. Visit: **www.tullowoilreports.com**

2010 Full Fact Book

We publish a Fact Book twice a year in March and August to coincide with results reporting. It contains lots of additional operational information to complement the results announcement and presentation.

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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