Tullow Oil plc 2011 Annual Report and Accounts

AFRICA'S LEADING INDEPENDENT OIL COMPANY

Tullow Oil plc is Africa's leading independent oil company. In recent years we have discovered two new oil basins there, one in the Tano Basin, offshore Ghana, and the other in the Lake Albert Rift Basin, onshore Uganda.

Our success in West Africa led us across the Atlantic in 2011 to a related geological play in South America, where we have discovered a substantial new oil basin, offshore French Guiana.

We are headquartered in London, and have a total workforce of over 1,500 people world-wide. Our portfolio of licences spans 22 countries, organised into three regions: West & North Africa, South & East Africa, and Europe, South America & Asia. Our shares are listed on the London, Irish and Ghana Stock Exchanges and the Group is a constituent of the FTSE 100 index.

LIVING OUR VALUES

Living our values captures and articulates the way we do business in Tullow. We use our values 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 Tullow, our values help us maintain the unique entrepreneurial culture which has contributed so much to our success story. We set out our values at the beginning of each section in this report.

Pages **3, 47, 61, 75 and 111**

Cover Ensco 8503 rig during drilling operations on the Zaedyus-1 well, offshore French Guiana.

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Tullow had a record year in 2011 and there is much to look forward to in 2012. Learn more about us, our performance and the exciting outlook for the Group.

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Tullow has a strong portfolio of operations which combines high-impact exploration prospects, key producing assets and major development projects. Read about our operational performance here.

CORPORATE RESPONSIBILITY 3

Creating shared prosperity is about playing our part in ensuring that the success of the oil and gas industry fosters real social and economic development in host countries. Here you can read about our approach to our responsibilities.

CORPORATE GOVERNANCE 4

Corporate governance is about managing our business in order to create long-term sustainable value for the benefit of all our stakeholders. Learn more about our approach to corporate governance.

FINANCIAL STATEMENTS 5

This section of the report contains statutory financial information and five year financial summary. It also contains key supplementary information including current licence list and information on reserves and resources.

Sections 1-4 make up the Directors' report in accordance with the Companies Act 2006.

THE LEADING GLOBAL INDEPENDENT EXPLORATION AND PRODUCTION COMPANY

Our vision is to be the leading global independent exploration and production company. To achieve this the Group has established a distinctive competitive position. Our strategy is focused on building sustainable long-term growth. Our strategic objective is to deliver substantial returns to shareholders, which will enable us to fulfil our commitment to make a positive and lasting contribution where we operate.

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Production operators in the central control room of the FPSO *Kwame Nkrumah* on the Jubilee field, offshore Ghana.

BUSINESS REVIEW

1

LIVING OUR VALUES

Living our values captures and articulates the four main aspects of the way we do business in Tullow, so that everyone working for Tullow can understand and work according to our expectations.

RECORD RESULTS

Industry leading exploration success continued with the opening of a major new basin, offshore French Guiana, as well as further discoveries in Africa. The Group's financial performance has also been strong with record results for the year based on a 35% increase in production and significantly higher commodity prices helping to deliver an increase in profit after tax of 670% to $689 million. Since year-end, Tullow has completed the $2.9 billion farm-down in Uganda. Tullow now has a strong balance sheet providing financial flexibility for future growth.

74%
EXPLORATION & APPRAISAL SUCCESS RATIO

The highlight of the year was the new Zaedyus discovery, offshore French Guiana. Good progress was also made in appraising the Tweneboa-Enyenra-Ntomme (TEN) discoveries in Ghana. A major aerial survey was undertaken over Kenya, Ethiopia and Madagascar, in preparation for the first well in Kenya in early 2012.

78,200 BOEPD
WORKING INTEREST PRODUCTION

In 2011, Group working interest production increased 35% to 78,200 boepd. While there was a strong performance from the Jubilee production facilities overall, productivity issues were experienced with some of the Jubilee wells related to problems with the original well completion design. The intention is to use 2012 to resolve these issues and a remedial work programme is already under way. In 2012, the Group expects to deliver total net production of 78,000 to 86,000 boepd.

$2.9 BILLION
UGANDA FARM-DOWN

In February 2012, Tullow signed two new Production Sharing Agreements with the Government of Uganda. This was followed by the completion of the farm-down of two thirds of its Ugandan licences to CNOOC and Total for a consideration of $2.9 billion. The Group is now ready with its partners to embark on the development of Uganda's oil industry. First material oil production is likely to be from 2016.

0.38
LOST TIME INJURY FREQUENCY RATE (LTIFR)

In 2011, Tullow achieved the best safety performance in its history with the lowest Lost Time Injury Frequency Rate (LTIFR) of 0.38. The Group also continues to foster the creation of shared prosperity in the countries and communities in our areas of operation through localisation, local content development and social enterprise investment, which increased 346% to $11.6 million in 2011.

26%
INCREASE IN TOTAL WORKFORCE

371 new people joined Tullow in 2011, 36% of whom joined our African operations. This represents a year-on-year increase of 26% and brought our total workforce to 1,548 people by year-end. The results of our 2011 global employee and contractor survey continue to show high levels of employee engagement, which at 81% is considerably higher than the industry benchmark.

85%
LOCAL NATIONAL EMPLOYEES

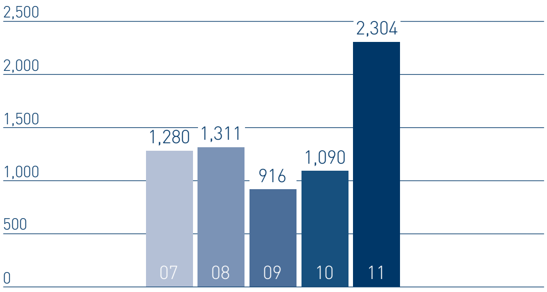
At the end of 2011, 85% of people working in Tullow Ghana were Ghanaian and 84% of people working for Tullow in Uganda were Ugandan. Developing an industry run by nationals through training, education and employee succession planning will create real opportunities for local people to participate in their country's developing oil and gas industry.

Sales revenue

$2.3 BILLION

2010: $1.1 BILLION

↑ **111%**

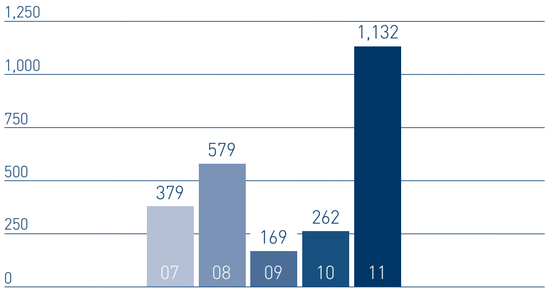


Operating profit

$1.1 BILLION

2010: $0.3 BILLION

↑ **332%**

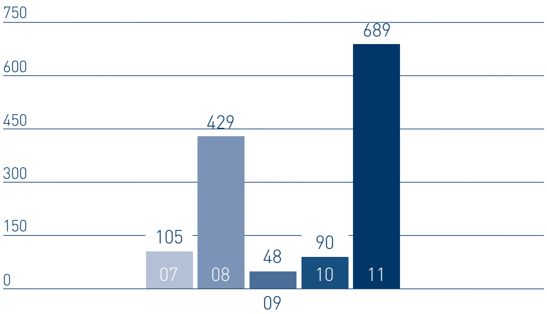


Profit after tax

$689 MILLION

2010: $90 MILLION

↑ **670%**

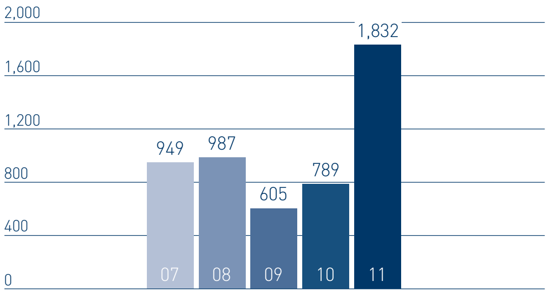


Operating cash flow

$1.8 BILLION

2010: $0.8 BILLION

↑ **132%**

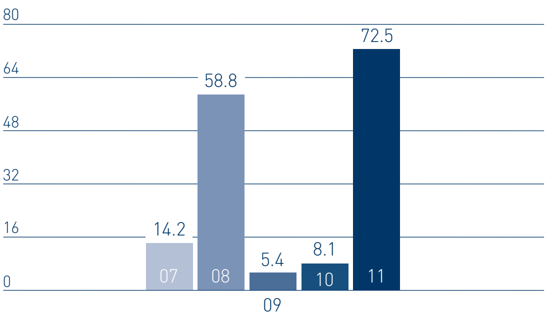


Basic earnings per share

72.5 CENTS

2010: 8.1 CENTS

↑ **795%**

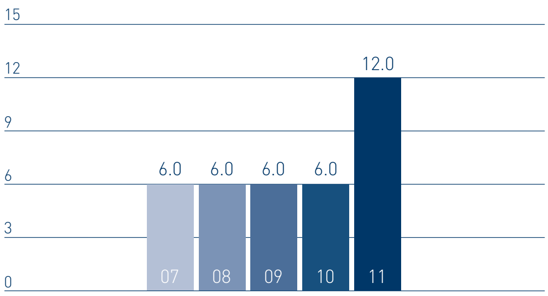


Dividend per share

12.0 PENCE

2010: 6.0 PENCE

↑ **100%**



FOCUSED PORTFOLIO OF WORLD-CLASS ASSETS

Tullow has more than 100 licences in 22 countries, organised into three Regional Businesses. The Group has key producing assets in six countries in Africa, including the world-class Jubilee field in Ghana, where Tullow is operator. Other producing assets are in the UK, the Netherlands and Bangladesh. There are major development projects under way in Ghana and Uganda and high-impact exploration prospects in Africa and the Atlantic Margins.

E Exploration
D Development
P Production
★ Key offices

E&A Exploration & Appraisal

2011 drilling activity

Offshore Onshore

WEST & NORTH AFRICA

2011	Total
Countries (with EDP)	9
Licences	42
Employees	374
Acreage (sq km)	66,425
E&A wells	22
Successful E&A wells	16
Development wells	59
Production (boepd)	57,400

1 Ghana
66,000 bopd produced

In 2011, gross production from the Jubilee field averaged 66,000 bopd (2010: 3,200 bopd), However, production from the field was below expectations due to reduced productivity in a number of wells related to problems with the original well completion design. The issue is not expected to impact the level of field reserves or resources and a remedial work programme is under way to regain well productivity lost to date.

2 Mauritania
New C-10 exploration licence

Tullow became the Operator of a new deepwater licence, offshore Mauritania, where the Group sees potential to extend the successful Jubilee play along the coastline from Ghana.

3 Liberia & Sierra Leone
Three-well exploration campaign

In November 2011, the Montserrado exploration well offshore Liberia was drilled and made a non-commercial oil discovery. Following the well in Liberia, the rig moved to Sierra Leone to drill the Jupiter-1 exploration well which finished in February 2012. The well encountered 30 metres of net pay in multiple zones, The Mercury-2 well is currently drilling.

4 Côte d'Ivoire
Two exploration wells

Following the lifting of Force Majeure for both deepwater exploration blocks, the plan to drill one well in each block was reactivated. The Eirik Raude rig was released from Ghana and commenced drilling the Kosrou prospect (CI-105) in February 2012. This will be followed by the drilling of the high-impact Paon prospect (CI-103).

SOUTH & EAST AFRICA

2011	Total
Countries (with ED)	6
Licences	18
Employees	297
Acreage (sq km)	151,677
E&A wells	9
Successful E&A wells	8
Development wells	0
Production (boepd)	0

5 Uganda
$2.9 billion farm-down

On 3 February 2012, Tullow signed two Production Sharing Agreements (PSAs) relating to the Lake Albert Rift Basin with the Government of Uganda. This enabled Tullow and its new partners to complete the farm-down on 21 February 2012, and operatorship responsibilities within the basin will be divided between the Partners. Total will operate Exploration Area-1 (EA-1) and Tullow will operate Exploration Area-2 (EA-2). In the former Exploration Area-3A, CNOOC will operate the new Kanywataba licence and the Kingfisher production licence.

6 Kenya and Ethiopia
Exploration drilling commences

A Full Tensor Gradiometry (FTG) Gravity Survey, acquired across most of the Kenya-Ethiopia licence blocks, covering an area of around 100,000 sq km, has been completed and processed. The data quality is excellent and there are strong similarities with the successful FTG survey acquired in Uganda in 2009. The Ngamia well in Block 10BB in Kenya, which has an anticipated depth of 2,700 metres, spudded on 25 January 2012.

7 Namibia
Kudu gas field

A new Kudu Petroleum Agreement was signed in October 2011 and a 25 year Production Licence was issued by the Minister of Mines & Energy in November. The Upstream Joint Operating Agreement, Project Development Agreement and Gas Sales Agreement Heads of Terms are being progressed and when concluded will allow the development to proceed to sanction. An investment decision is targeted for late 2012.

EUROPE, SOUTH AMERICA & ASIA

2011	Total
Countries (with EDP)	7
Licences	47
Employees	154
Acreage (sq km)	57,793
E&A wells	4
Successful E&A wells	2
Development wells	1
Production (boepd)	20,800

8 French Guiana
72 metres net pay

In September 2011, the Zaedyus-1 exploration well made a significant oil discovery offshore French Guiana, encountering 72 metres of net oil pay in two turbidite fans. This is the first well in Tullow's extensive Guyanas acreage and successfully opened a new basin. Shell took over operatorship of the block on 1 February 2012.

9 Netherlands
€300 million acquisition

In May 2011, Tullow significantly enhanced its Dutch portfolio though the acquisition of Nuon Exploration & Production from the Vattenfall Group for a cash consideration of €300 million ($432 million). This is a non-operated portfolio of gas producing fields, a range of exploration opportunities and an equity interest in infrastructure.

10 United Kingdom
12,500 boepd production

Net production from the UK assets in 2011 was in line with expectations averaging 12,500 boepd (2010: 13,300 boepd). These mature fields performed well, with high production efficiency despite their natural decline.

11 Bangladesh
100 mmscfd gross production

Gross production from the Bangora field in 2011 was just over 100 mmscfd and 325 bpd of condensate. In March 2012, Tullow commenced a process to divest its Asian assets.

Dear Shareholder

I take over as Chairman of your Company at an exciting time for Tullow. 2011 has been a very good year for the Group. We have drilled 35 Exploration and Appraisal (E&A) wells with a 74% success ratio and have made further discoveries in Ghana and Uganda as well as opening up a major new basin with significant potential offshore French Guiana. Once again, this represents an industry-leading result for our exploration-led growth strategy.

Our financial performance has also been strong with record results for 2011. Sales revenue grew 111% to $2.3 billion (2010: $1.1 billion) as a result of a 41% increase in sales volumes and significantly higher average price realisations. Profit before tax was up 499% to $1,073 million (2010: $179 million). Profit after tax for the year increased 670% to $689 million (2010: $90 million). Basic earnings per share grew 795% to 72.5 cents (2010: 8.1 cents). During the year we invested $1.4 billion in operations and spent $737 million on acquisitions. We also increased the debt facilities available to us to strengthen the financial resources of the Group and position ourselves to pursue new opportunities.

Simon Thompson
Chairman

We have enhanced our Environment, Health and Safety (EHS) processes, aligning and embedding high standards across the business to ensure that we continue to improve the health and safety of our employees and contractors and safeguard the environment. In 2011, we achieved the best safety performance in our history with our lowest Lost Time Injury Frequency Rate (LTIFR) of 0.38. We also continued to foster the creation of shared prosperity in the countries and communities where we operate through localisation, local content development and social enterprise investment, which increased 346% to $11.6 million in 2011.

During the course of 2011 the Group faced some significant strategic and operational challenges. Progressing our major project in Uganda took considerably longer than originally envisaged. The discovery of oil by Tullow has created the opportunity to transform the economy of Uganda, and the lives of local people and communities, if wisely managed. This has triggered a debate, at every level, about how best to develop these resources in the national interest. Tullow's commitment to reaching an agreement that will benefit all parties and to building durable relationships that will stand the test of time was rewarded in February 2012. We signed two new Production Sharing Agreements (PSAs) with the Government of Uganda, and completed the farm-down of two-thirds of our Ugandan licences to CNOOC and Total. We are now ready, with our partners, to embark upon the development of the country's oil industry. First oil could be as soon as late 2012, with material production volumes likely to be from 2016.

In October 2011, allegations were made in the Ugandan Parliament that Tullow employees had bribed senior government ministers. The accusations were made on the basis of forged documents and we have worked with the UK Serious Fraud Office, the Metropolitan Police and the relevant authorities in Uganda and Malta (where the payments were allegedly made) to demonstrate irrefutably that the allegations are entirely unfounded. Tullow has an absolute commitment to upholding high ethical standards. Our approach is based not only on our legal obligations, but on the firm belief that our reputation for integrity underpins our attractiveness as an employer, a business partner and an investor in the countries where we operate.

"We are committed to building strong relationships with the countries and communities in which we operate, that will benefit all parties and stand the test of time."

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In Ghana, we have experienced technical challenges related to the completions of the Jubilee Phase 1 production wells. The cause has been identified and remedial work has already commenced. This work, in parallel with the Phase 1A development which was approved in January 2012, is expected to restore production capacity steadily during the year. The Plan of Development (PoD) for Tweneboa-Enyenra-Ntomme (TEN) discoveries in Ghana is progressing well and is expected to be submitted in the second half of 2012. The Group underpinned its long-term commitment to Ghana with a secondary listing on the Ghana Stock Exchange in July 2011, which raised approximately $72 million. This provides the opportunity for Ghanaian individuals and institutions to invest in the future of their oil industry and to share in the performance of Tullow's global operations.

Tullow's financial position has been significantly strengthened by production and cash flow from the Jubilee field. As a result, the Board feels that it is appropriate to increase the final dividend to 8.0 pence per share, which brings the total payout for the year to 12 pence per share. This represents an increase of 100% compared with 2010. The dividend will be paid on 24 May 2012 to shareholders on the register on 20 April 2012. The Annual General Meeting (AGM) will be held on 16 May 2012 at Haberdashers Hall, 18 West Smithfield, London EC1A 9HQ. A meeting for shareholders in Ireland will be held on 30 May 2012 at the Royal College of Physicians of Ireland, No.6 Kildare Street, Dublin 2.

Our successful exploration-led growth strategy requires disciplined resource allocation and effective risk management to be embedded into all of our activities. The broad range of risks that we face are outlined in this report, starting on page 40, and the measures that we take to mitigate them are necessarily varied and numerous. However, underpinning them all is a corporate culture that strikes a balance between entrepreneurial risk-taking and prudent risk management, combined with outstanding people with a strong commitment to the long-term success of Tullow.

Continuing this success depends upon our ability to build organisational capacity without compromising our unique culture. As we continue to grow, it is necessary to introduce more formal processes and procedures, but we remain absolutely committed to maintaining our entrepreneurial character and to upholding our core values of teamwork and commitment, entrepreneurial spirit and initiative, focus on results, and integrity and respect.

At the end of 2011, Pat Plunkett retired after 11 years as Chairman. David Williams, Chairman of the Audit Committee, will retire after the AGM in 2012 after six years on the Board. Steve McTiernan, the Senior Independent Director, will retire from the Board before the end of 2012 after 10 years on the Board. I would like to thank them on your behalf, and on behalf of the Board, for their contribution to a period of outstanding growth and success for Tullow. In March 2012, Steve Lucas was appointed as a non-executive Director with effect from 14 March 2012.

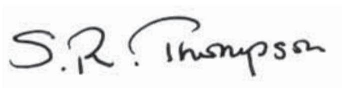
In our search for two new directors, we have identified the personal attributes, background and experience that we require for the next phase of growth. We will also seek to increase the diversity of the Board – both gender and nationality – as part of this process and will conduct the searches sequentially to ensure that the two successful candidates bring complementary skills and experience to Tullow.

Executive remuneration has been the focus of considerable comment over the past year. At the beginning of 2011, Tullow granted 20% salary increases to our Executive Directors, to reflect the outstanding performance and growth of the company and the fact that increases in the previous two years were limited to inflation adjustments. In 2012, in common with all other members of staff, the Executive Directors will receive salary increases in line with inflation.

As part of my induction as Chairman, I conducted the Board evaluation in 2011. Timely approvals for the PoD in Uganda and production ramp-up in Ghana are clearly key issues for the Board in 2012. Talent management, succession planning, and financial and portfolio management will also be areas of particular focus. In addition, we intend to continue to improve the quality of information and analysis available to the Board on political and economic risk, the competitive landscape and industry benchmarking.

The early months of 2012 have seen strong oil prices driven by uncertainty over supply. While Tullow carefully hedges much of its production we remain exposed to any major change in oil prices. Recent forecasts expect global economic growth to exceed 3% this year, which is seen as a key level to underpin oil prices. Asia is likely to be the main driver of economic growth and almost all of the growth in demand for oil is expected to come from non-OECD countries.

The performance of Tullow is testament to the strength of our people. I thank Aidan Heavey, our Chief Executive Officer, the Executive Directors and all Tullow employees and contractors for their contribution to past performance and commitment to the future success of the Group. Tullow has consistently demonstrated the ability to create new opportunities for growth, develop major projects effectively and generate exceptional shareholder returns. Despite the current economic uncertainties, the outlook for oil price remains good and the Group's exploration programme and development pipeline have never been stronger. With these rich opportunities ahead, Tullow looks forward with confidence and excitement.



Simon R Thompson
Chairman

UNIQUE COMPETITIVE ADVANTAGE

Tullow had another excellent year in 2011. The Group's strong performance was reinforced by the long-awaited completion of the farm-down in Uganda in February 2012. This has been a period of rapid growth for the Group based on exceptional exploration discoveries and successful delivery of major development projects. As a result, we are carving out a unique competitive position and evolving to be the leading global independent oil company.

This period of success is another step on our journey and is part of the natural evolution of the Group. Over the years, Tullow has developed a wide range of skills and competencies. These include managing mature assets, becoming one of the best deal makers in the sector, building a track record as a world-class explorer and developing superior operating capability.

Tullow also has a number of key attributes that form the bedrock of our success. While assets and licences come and go, we have consistently invested in having a great team of people and ensuring we put relationships ahead of short-term gains. This long-term approach has enabled us to be successful in seeking out frontier areas and finding new basins.

This level of success has brought its own challenges as we seek to manage a business that is growing very rapidly. In 2011, we experienced challenges with production from the Jubilee field and in completing our deal in Uganda.

Material production growth

In 2011, Group working interest production increased 35% to 78,200 boepd. While there was a strong performance from the Jubilee production facilities overall, with average FPSO uptime of over 95%, productivity issues were experienced with some of the Jubilee wells related to problems with the original well completion design. The intention is to use 2012 to resolve these issues and a remedial work programme is already under way to rebuild the production rate towards facility capacity and ensure that plateau production is delivered in 2013. Recoverable resource estimates are unchanged and the Group remains focused on the field's long-term upside potential. We also continue to invest in our other key producing assets and future development projects to ensure that these provide high returns and strong production growth.

Further development in Ghana

Phase 1A development of the Jubilee field was sanctioned in January 2012 and drilling of the first production well commenced on schedule in February 2012. This development will be conducted over an 18 month period and the total cost is expected to be approximately $1.1 billion. In 2012, the Group expects to deliver total net production of 78,000 to 86,000 boepd.

During 2011, good progress was also made in appraising the TEN discoveries in Ghana. In February 2012, this was supported by the flow testing of the Owo-1 well which produced at a combined rate of approximately 20,000 bopd giving confidence in the ultimate commerciality of the field. The engineering design of this development, which will consist of an FPSO and major subsea infrastructure, is progressing and a PoD is expected to be submitted in the third quarter of 2012, with first oil forecast 30 months after approval.

Success in Uganda

Throughout the year we continued to negotiate with the Government of Uganda and finally achieved a successful outcome with the completion of the $2.9 billion farm-down in February 2012. We are investing in the success of Uganda, not just in oil exploration and appraisal. Our presence there has contributed to social enterprise investment, to local employment and to building capacity for the nascent oil industry through local supplier and institutional development. In addition, there is an opportunity to increase our economic contribution considerably as the partners commence the basin development.

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Strong organisation performance

Our EHS performance is robust again this year and in 2012 the EHS strategy team is rolling out a new vision with the ambitious goal of consistently achieving top quartile industry EHS performance. We are continuing to develop our expertise and organisational capacity in key areas, particularly those that help us manage non-financial and non-technical risks. These areas include compliance, government relations, stakeholder engagement, social enterprise and reputation management. Our reputation is based on fair play and a fair deal. It has been built on honesty, seeking the best terms for all parties and honouring our commitments.

Our 2011 employee survey, Talkback, shows that we are achieving high levels of engagement of 81%, in spite of a further 26% increase in our total workforce in 2011. As we continue to build the disciplines and processes of a larger company we are always mindful of protecting our team spirit and entrepreneurial culture. This culture is in the DNA of Tullow and underpins a strong and dynamic future for the Group.

Higher commodity prices

2011 was characterised by major geopolitical, sovereign debt and financial markets events, which contributed to considerable oil price volatility. It was a difficult year for the global economy, with low levels of activity in the US economy, the negative impact of the Japanese earthquake and the persistent and deepening fiscal crisis in Europe. The Brent oil price peaked in April 2011 at $126/barrel, driven by a combination of continued strong demand in Asia and concerns over tightening supply from the growing unrest across the Middle East and North Africa. Brent moderated somewhat during the rest of the year as the global economy slowed, but remained at levels well ahead of 2010 prices. Brent closed the year at $108/barrel, representing a 16% year-on-year increase. We achieved a realised oil price of $108/barrel (post hedging), which was 38% higher than in 2010. Strong oil prices and with good growth in production underpinned the strong financial performance for the Group this year.

Positive backdrop for continued investment

Developments in the global economy will, of course, impact oil prices and we will need to continue to manage our exposure to volatility and any potential decline in oil price. Our 2012-2014 business plan supports the delivery of our strategy and is closely aligned with our financial and operational objectives. The business plan assumptions look at a range of scenarios and currently anticipate a moderate softening of oil prices over the period. Nevertheless, forecast price levels are more than high enough to justify continued strong investment in our exploration-led growth strategy. The competition for access to new opportunities continues to increase but we are very well positioned to compete. Our portfolio of opportunities is rich and deep and our 2012 / 2013 exploration and appraisal programme is as exciting as any we have undertaken in the last five years. In addition, we are forging new strategic exploration partnerships including a non-exclusive partnership with Shell in the Atlantic Margins, announced in January 2012, which draws on the complementary skills of both companies.

> "By investing in a great team of people and looking out towards a long-term horizon, we have been able to seek out success in frontier areas and deliver consistent multi-basin exploration success which is now being leveraged through multi-basin developments."

Aidan Heavey
Chief Executive Officer

Excellent long-term total shareholder return

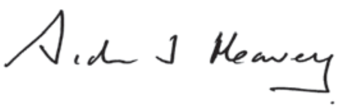
Tullow has created significant shareholder value and delivered total shareholder return of 389% over five years to the end of 2010, outperforming the FTSE 350 oil and gas sector as a comparator index by 351%. In 2011, the share price was impacted by a number of issues. The global economy weakened during the year creating greater market uncertainty and instability. The longer time frame for completion of the Ugandan transactions and disappointment over deferred production from Ghana also had an effect. Despite this, total shareholder return for 2011 was 12%, compared with a negative 2% return for the FTSE 100 for the same period. The resilience of our investment proposition and the high regard in which Tullow is held recognises, in my view, our consistent and clear strategy and the Group's ability to continue to add value.

Evolving as the leading global independent

In this year's 'special feature', starting on the next page, we illustrate how we are establishing a distinctive competitive advantage and evolving into the leading global independent exploration and production company with a solid financial foundation differentiated from our E&P peers by high-impact exploration-led growth. The Group has a unique exploration inventory which is focused on frontier areas and concentrates on specific core regions and geological plays. Our multi-basin opportunities are complemented by a series of major development projects. Material growth in production and cash flow gives us the ability to fund aggressive exploration and development programmes as well as deliver returns to shareholders via a growing dividend. We are managing this diversified mix of exploration, development and production assets to create a world-class resource portfolio.

Only the scale has changed

Tullow's core strategy is unchanged. We are still focused on consistently growing our reserves and production, balancing quality high-impact exploration with development, pursuing selective acquisitions and ensuring rigorous capital allocation and portfolio management. What has changed is the scale of the business and the game-changing opportunities we have to pursue. In 2012, we expect significant progress in Ghana and Uganda as we grow Jubilee production and progress the Jubilee Phase 1A, TEN and Lake Albert developments. We have a very exciting exploration programme ahead of us to open new basins, and we expect to extend our reach in Africa and elsewhere along the Atlantic Margins with major new partnerships. With many opportunities for growth, 2012 promises to be another excellent year for Tullow.



Aidan Heavey
Chief Executive Officer

Pat Plunkett retired as Chairman of Tullow at the end of 2011. He joined the Board in 1998 and became Chairman in 2000. He presided over an extraordinary period of growth in the Group's history and was one of the key architects of Tullow today.

He ably led and guided the Board as we moved swiftly through a series of major acquisitions, doubled in size every two years, achieved industry-leading exploration success and built Africa's leading independent oil company; breaking many records along the way and transforming the Group.

I would like to thank Pat for his wonderful contribution to Tullow and wish him and his family all the very best for the future.


Pat Plunkett

CLEAR VISION

SPECIAL FEATURE

TO BE THE LEADING GLOBAL INDEPENDENT EXPLORATION AND PRODUCTION COMPANY

We are at an exciting stage as a company. We have unique high-impact exploration growth opportunities in frontier basins combined with increasing financial strength from rising production and portfolio management. We are establishing an unrivalled competitive position which differentiates us from our peers.

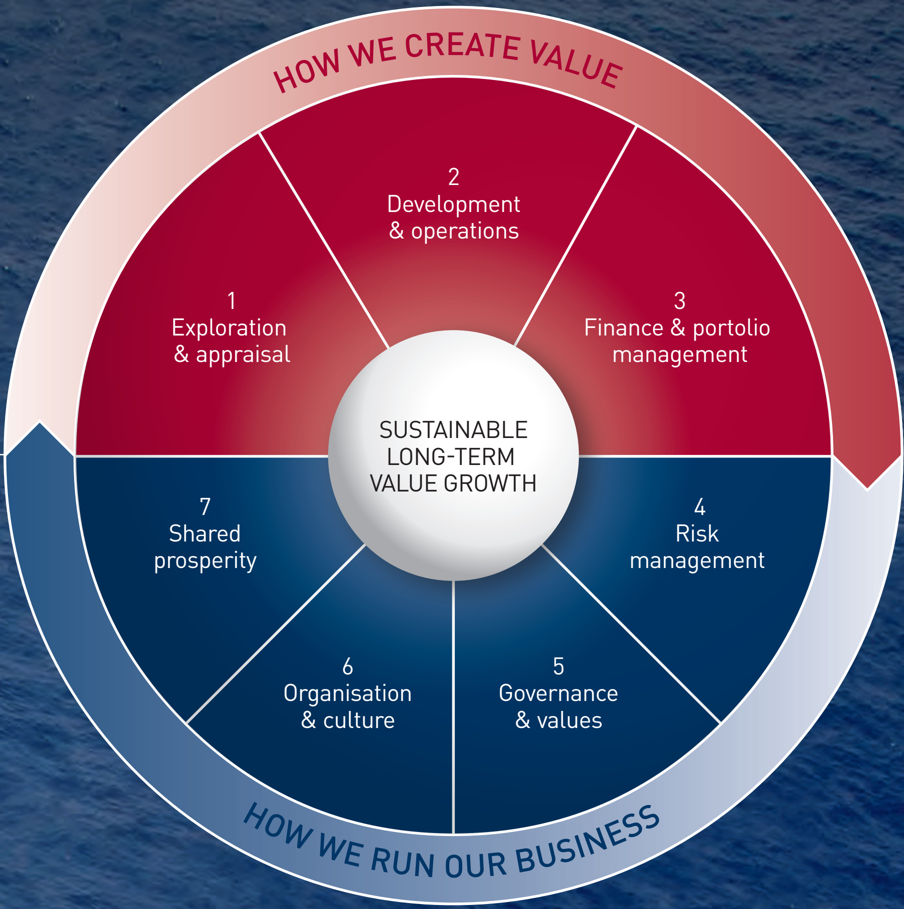
EXPLORATION-LED GROWTH STRATEGY

Our exploration-led growth strategy is based on building a balanced resource portfolio that includes a diversified mix of high-impact exploration, near-term development projects and material production growth, underpinned by a strong balance sheet that includes a broad range of funding from cash flow, portfolio management and the capital markets.

Our strategy is focused on building sustainable long-term value growth and our objectives are to deliver substantial returns to shareholders as well as fulfil our commitments to make a positive and lasting contribution where we operate.

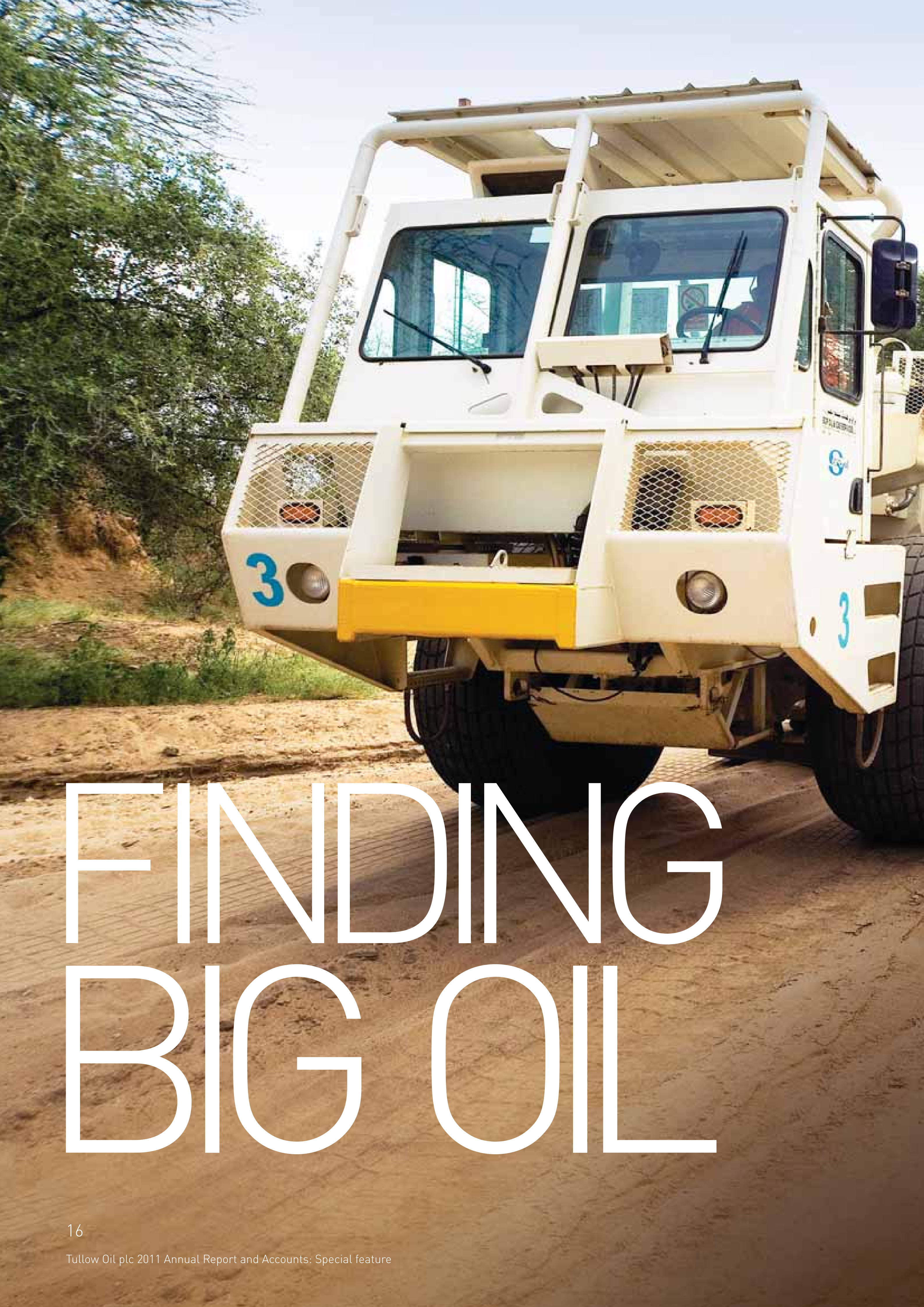
OUR BUSINESS MODEL

We create value in two ways. We find oil through successful exploration and strategic acquisitions. We sell oil, by developing to produce or farming down to enhance our portfolio of assets and skills, both of which generate cash flow for reinvestment in the business and support a well funded balance sheet. How we run our business is equally important in enabling us to successfully deliver our business plans and continue our growth strategy. Protecting our business, sustaining our good reputation, maintaining our entrepreneurial culture and contributing to social and economic development are the cornerstones of what we are building our business on. In the following pages we set out how our business model creates long-term value and delivers our strategic priorities in each area of activity.

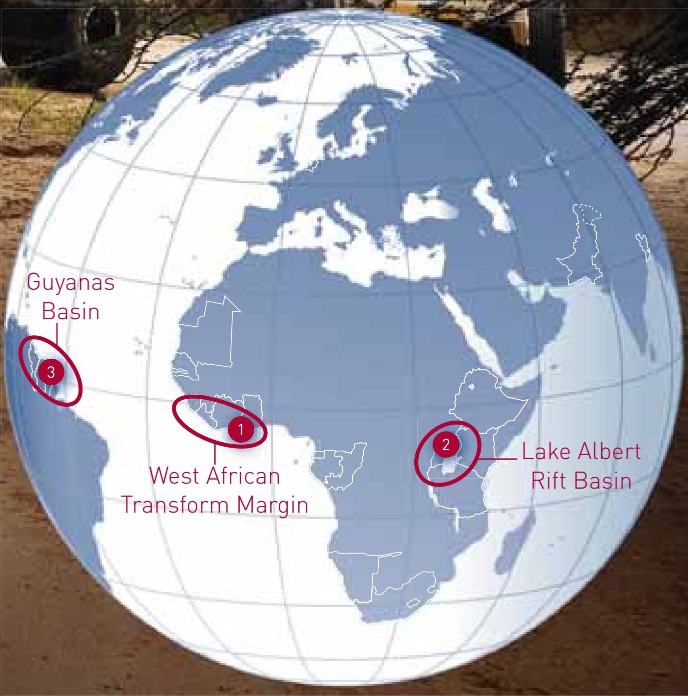


OUR STRATEGIC PRIORITIES

1. Execute selective high-impact exploration and appraisal programmes.
2. Safely manage and deliver all major projects and production operations increasing cash flow and commercial reserves.
3. Manage financial and business assets to enhance our portfolio, replenish upside potential and support funding needs.
4. Ensure safe people, procedures and operations and minimise environmental impacts.
5. Achieve strong governance across all Tullow activities and continue to build trust and reputation with all stakeholders.
6. Build a strong unified team with excellent commercial, technical and financial skills and entrepreneurial flair.
7. Nurture long-term relationships with local governments, communities and key stakeholders.



FINDING BIG OIL



EXPLORATION & APPRAISAL

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

We focus on finding high-value oil in material commercial quantities in the regions and geological plays we know best. Our entrepreneurial approach to high-grading our portfolio has built up a range of world-class exploration assets. We have broadened our portfolio by acquiring large positions in highly prospective frontier basins.

We are seeking transformational growth but have balanced the associated risks as each new focus area is a logical extension of our past success. By concentrating on a limited number of geological plays – stratigraphic traps, rift and salt basins – where we have proven expertise, we have delivered an industry-leading exploration and appraisal success ratio.

Three new basins in five years

1

WEST AFRICA

The world-class Jubilee field offshore Ghana was discovered in 2007. First Oil was achieved in December 2010.

2

EAST AFRICA

Oil was discovered in Uganda in the Lake Albert Rift Basin in 2005, with the commercial threshold for development achieved in 2008.

3

SOUTH AMERICA

Across the Equatorial Atlantic from West Africa, Tullow pursued the Jubilee play and discovered oil offshore French Guiana.

DELIVERING MATERIAL PRODUCTION GROWTH

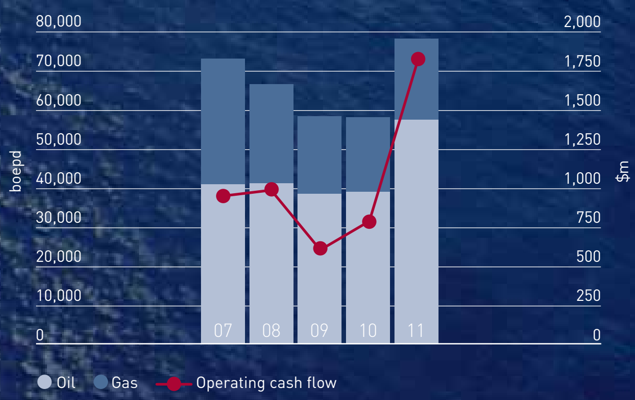
DEVELOPMENT & OPERATIONS

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

Growing our production profile develops a strong predictable cash flow for the Group and improves our financial flexibility. In recent years we have enhanced our capability as an Operator to deliver major development projects. This has allowed us to significantly increase the EHS, technical, project execution and operating expertise within our organisation.

Our team's focus is on safely managing all activities and the early commercialisation of our exploration discoveries to ensure we maximise the value of our exploration success. The latter is delivered through the sale of the resource in ground or the early development to generate cash flow. This approach underpins funding for a long-term exploration campaign, selective investment in key development projects and acquisitions and a progressive dividend policy.

Working interest production and operating cash flow



BUILDING A WELL FUNDED BALANCE SHEET

FINANCE & PORTFOLIO MANAGEMENT

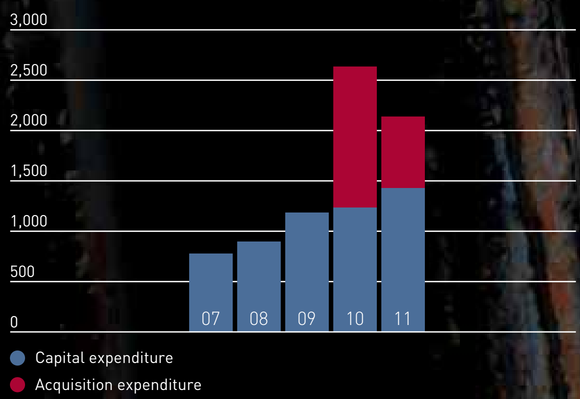
Strategic priority: Manage financial and business assets to enhance our portfolio, replenish upside potential and support the Group's funding needs.

Our financial strategy is to maintain a well funded balance sheet to enable growth through exploration, development and acquisitions. We utilise a range of funding sources including debt, equity, operating cash flow and portfolio management.

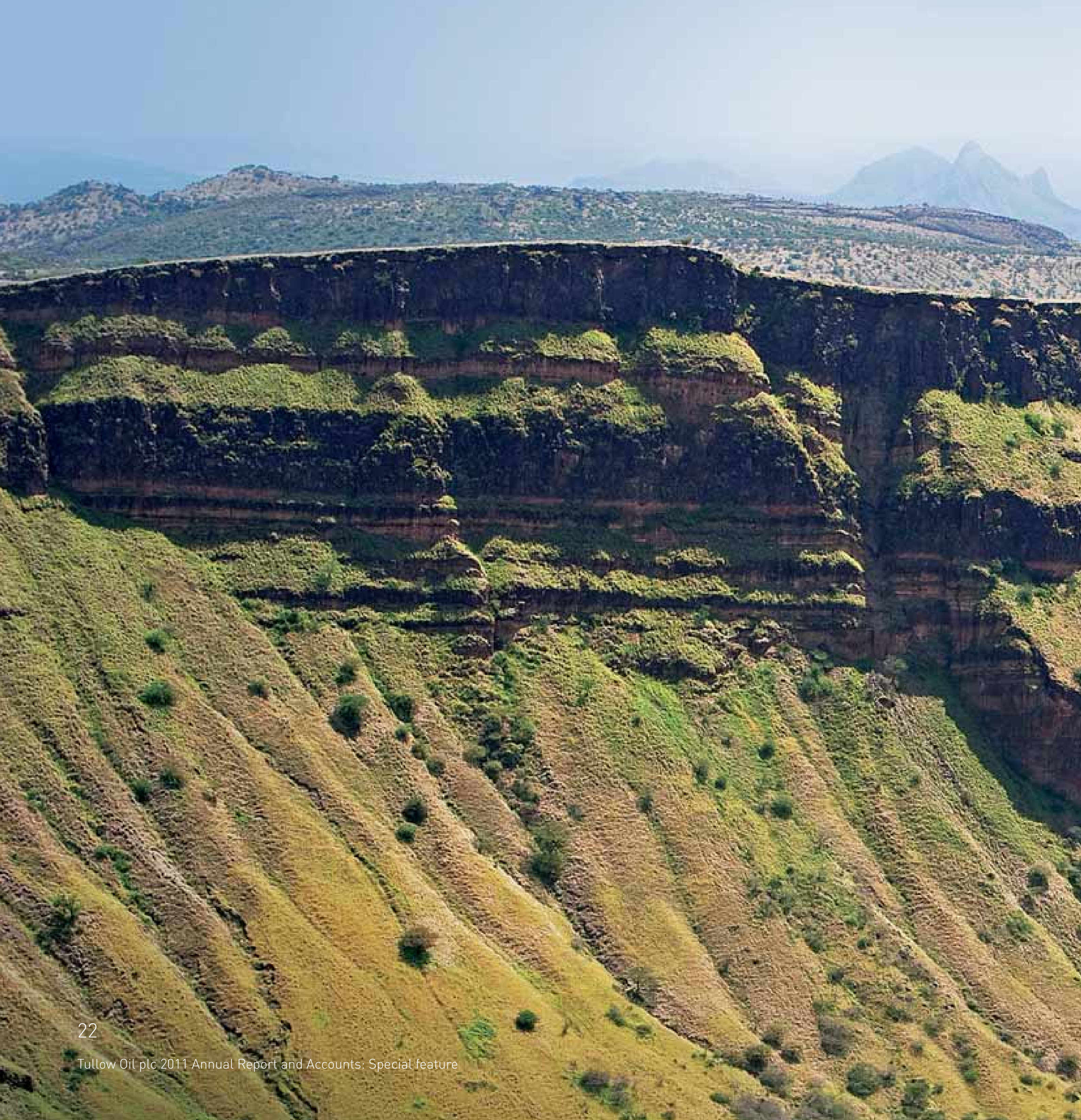
Tullow's appetite for funding is very significant and growing. 2012 capital expenditure is forecast to be approximately $2 billion. Over a period of time capital expenditure is split approximately 50:50 between Exploration & Appraisal and Development & Operations. In any given year it will depend on our investment priorities, which are based on a rigorous approach to capital allocation. The key principle of Tullow's financial management is to achieve a good balance between high-impact exploration campaigns and world-class developments that have strong near-term momentum in growing production.

Another key element of our growth is portfolio management, an area where we have built up a strong track record and considerable expertise. There are opportunities to reorganise our existing portfolio and consolidate our assets through divestment. We are also well positioned to continue to create value through acquisitions. Opportunities include adding new big oil plays to our portfolio, increasing an existing equity interest to material levels or enhancing our production profile.

Capital and acquisition expenditure ($m)



PROTECTING
PEOPLE, THE ENVIRONMENT
& THE BUSINESS



RISK MANAGEMENT

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

The oil and gas industry is inherently high risk. It combines a complex set of technical risks in finding resources and monetising them over a long time horizon. Operations encompass a wide range of non-technical risks such as the environment, health and safety, reputation management, political risk and bribery and corruption. Activities are capital intensive with no guarantee of success, creating significant financial exposure. This is counterbalanced with the need to achieve substantial financial returns, both to invest for the future growth of the business and to deliver returns to shareholders. By its nature oil and gas is a dynamic industry which often operates in a fluid geopolitical and social environment.

Risk management is a critical business function. Understanding the risks and opportunities we face shapes our decisions. To enhance our risk management process, Tullow has developed an integrated 'evergreen' portfolio management tool.

GOVERNANCE & VALUES

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

Good governance and being a responsible company is defined by our values and upheld by the standards we apply in how we deal with people and how we manage our business. Our aim is to be open and transparent in our activities and to demonstrate accountability and strong ethics. As a growing organisation, we foster these attributes through a robust Code of Business Conduct, compliance training and tools as well as disciplinary action if necessary.

SUSTAINING OUR GOOD REPUTATION

MAINTAINING OUR ENTREPRENEURIAL CHARACTER

ORGANISATION & CULTURE

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

Much of our success has been based on the adaptive and entrepreneurial nature of our culture, which is also reflected in our core values. Our culture is part of our competitive advantage. It is the DNA of Tullow and reflects the way our people work as well as the way we communicate. It strongly influences why people join Tullow and why they choose to remain with Tullow. Our people strategy is fully aligned with achieving our vision by ensuring that all our employees contribute the best they can in all that they do and conduct themselves with respect for each other and for the people they work with and the environments they work in. Our Human Resources (HR) strategic objective is very clear. It is to grow value over the long term for the business as the 'employer of choice' in the industry.

SHARED PROSPERITY

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

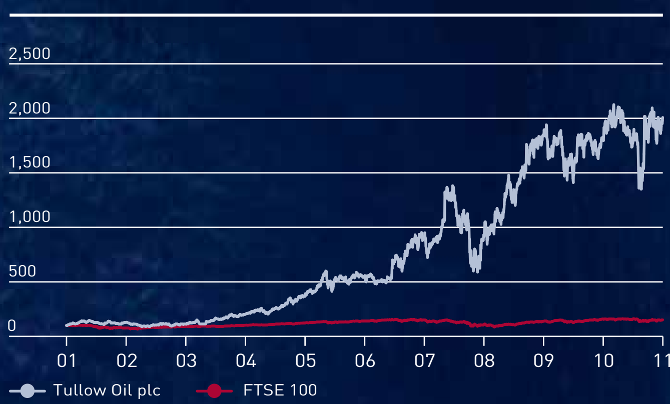
We have made a commitment that we will work to ensure that the success of the oil and gas industry brings transparent and tangible benefits to local people and national economies where we operate. We believe that working together profitably and responsibly will help build a more sustainable business and society. Creating shared prosperity brings together the eight key aspects of our business that support our goal of making a lasting positive contribution.

CREATING SHARED PROSPERITY

DELIVERING SUBSTANTIAL RETURNS

Our strategic objective is to deliver substantial returns to shareholders. This objective is set within a context of achieving sustainable long-term growth and creating shared prosperity. We believe that it is important first and foremost for Tullow to be a successful and profitable company. This in turn will enable us to create further opportunities for both Tullow and our stakeholders.

10 year Tullow TSR compared with 10 year FTSE 100 TSR



MEASURING LONG-TERM PERFORMANCE

NON-FINANCIAL

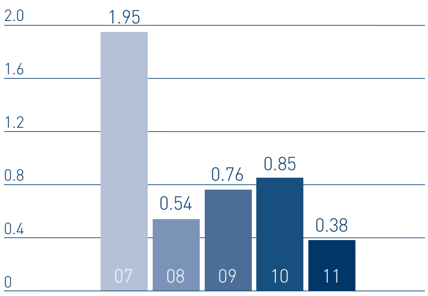
We track non-financial metrics across the business in areas such as the environment, health and safety, people, local content, stakeholder engagement and social enterprise investment.

Our people have been at the heart of our success as a business. At Group level we focus on tracking the safety and satisfaction of our employees.

Linked to executive remuneration

Lost time injury frequency rate (LTIFR)

0.38 LTIFR



One of our strategic priorities is to ensure that people, procedures and operations are safe. We use a range of performance measures to monitor our EHS performance including the recognised industry metric LTIFR to measure safety. Our aim is to consistently deliver top quartile industry performance.

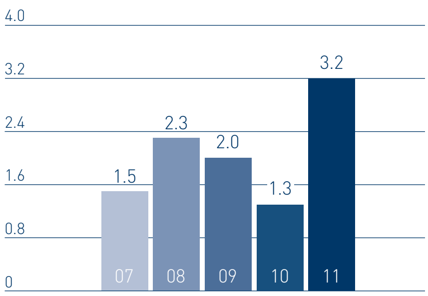
Measurement: We set annual targets for LTIFR which are agreed with the Board as part of overall EHS objectives. There are rigorous incident reporting procedures in place to monitor LTIFR. These include incident analysis, follow-up, remedial action and communication of learnings. EHS is part of monthly Board reporting.

Risk management: EHS is part of all operational activities and planning. This ensures that EHS risks and mitigation opportunities are identified early. EHS is the responsibility of the Tullow Chief Operating Officer, supported by an EHS strategy group and over 100 EHS professionals embedded in the business.

2011 performance: In 2011, LTIFR of 0.38 beat our stretch target of <0.5 LTIFR.

Staff turnover

3.2%



In 2011, our employee numbers grew 29% to 1,207 people. Our goal is to be the employer of choice in the industry so that we attract and retain the best people. Talent management and succession planning are very important for our future growth plans and delivery of our major projects.

Measurement: Staff turnover rates are measured on an ongoing basis. People who leave Tullow are debriefed so we can improve our overall people policies, as necessary. We conduct a biennial global employee and contractor survey and create action plans to resolve any issues arising. Maintaining our culture, succession planning and talent management are key focus areas for the Board.

Risk management: Our best way to avoid a people skills shortage or unexpected departures is to maintain a great working environment, to provide strong training and career development opportunities and to recognise and reward staff appropriately for their contribution.

2011 performance: Staff turnover in 2011 was 3.2%.

FINANCIAL

We measure a range of operational and financial metrics to help us in managing our performance and achieving our business plans.

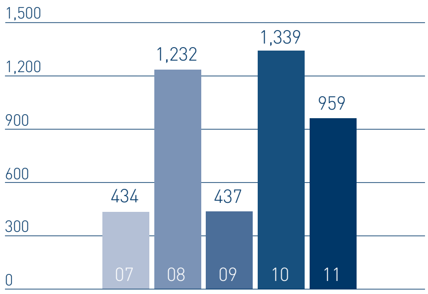
EXECUTIVE DIRECTOR REMUNERATION

The bonus element of Executive Director remuneration is linked to TSR, LTIFR, Working interest production, cash operating costs per boe, finding costs per boe and growth in resources. In addition, each year a range of finance and portfolio management, and regional operating objectives are set, which are aligned with the Group's business plan. Each element has a weighting and a performance target. In 2011, the Remuneration Committee awarded Executive Directors a bonus of 80% of the maximum annual bonus potential. Further information is set out on page 92 of this report.

Linked to executive remuneration

Reserves and resources replacement

959%



Tullow has an exploration-led growth strategy. Replacement of reserves and resources is a key measure of exploration success and is focused on continuing to grow the Group's production profile and portfolio management potential.

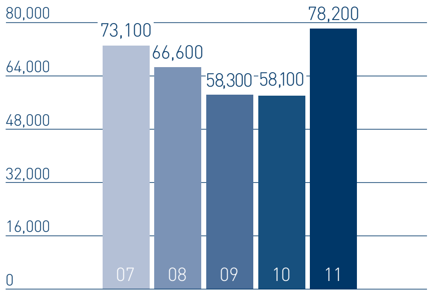
Measurement: Proven and probable Commercial reserves are based on a Group reserves report produced by an independent engineer. Reserves estimates for each field are reviewed by the independent engineer based on significant new data or a material change with a review of each field undertaken at least every two years.

Risk management: The Group manages replacement risk by focusing on finding high value oil in material quantities in core areas and geological plays and by maximising reservoir performance in producing fields, through operational and technical excellence.

2011 performance: The Group achieved 959% organic reserves and resources replacement in 2011 and has total reserves and resources of 1,742.8 mmboe. Post completion of the farm-down in Uganda, total reserves and resources are expected to be 1,139.0 mmboe.

Working interest production

78,200 BOEPD



Tullow sets working interest production targets as part of the Group's annual budget process. We aim to grow our production profile to fund substantially an annual high-impact E&A programme, which is central to our successful exploration-led growth strategy.

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

Risk management: Strong production planning and monitoring mitigates unplanned interruptions. When issues arise, such as with the design of well completions in the new Jubilee field in Ghana, we take a prudent approach to ensure that we determine the right solution for the medium to long term and implement this to protect the reserves and resources of this asset.

2011 performance: The Group's baseline production target for 2011 was 87,800 boepd; the stretch target was 92,190 boepd. 2011 actual production was below both targets.

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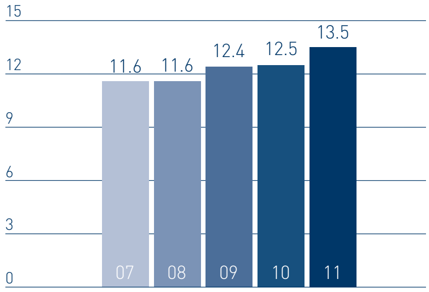
Cash operating costs per boe

$13.5 PER BOE



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

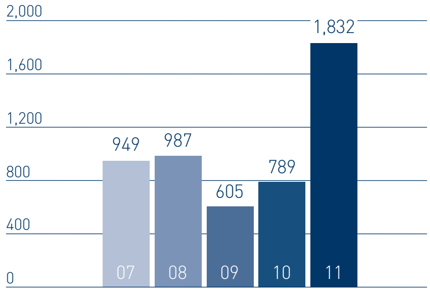
Measurement: Cash operating costs are reported monthly on an asset basis and are monitored closely to ensure that they are maintained within preset annual targets.

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

2011 performance: In 2011, we set a baseline target of $12.8 per boe and a stretch target of $12.2 per boe. Cash operating costs for 2011 were $13.5 per boe. The higher cash operating cost per boe was due to lower than expected production rates.

Operating cash flow before working capital

$1,832 MILLION



Tullow has a large requirement for capital to fund major project development and a very active exploration and appraisal programme. Our goal is to ensure that operating cash flow funds a significant proportion of annual capital expenditure. In 2011, capital expenditure was $1.4 billion, 90% of which was invested in Africa. Capital expenditure is forecast to be $2 billion in 2012, split approximately 50% E&A : 50% Development & Operations (D&O).

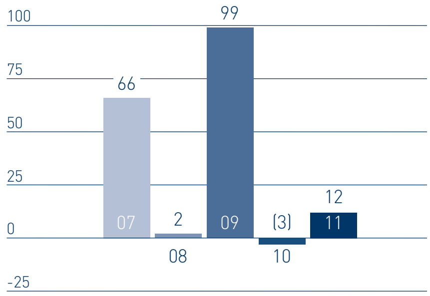
Measurement: Operating cash flow before working capital is reported monthly with regular forecasting for longer periods to support long-range planning and investment decisions.

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. Annual and project budgets require Board approval.

2011 performance: Production sales volumes increased 41% to 66,800 boepd and realised oil price was 38% higher in 2011. Combined, these are the primary drivers of a 132% increase in operating cash flow before working capital.

Total shareholder return

12%



Our strategy is focused on building sustainable long-term value growth and our objectives are to deliver substantial returns to shareholders as well as fulfil our commitments to make a positive and lasting contribution where we operate.

Measurement: TSR (share price movement and dividend payments) is reported monthly and at year-end to the Board. TSR is measured against an industry peer group, which is regularly reviewed, and the performance of the FTSE 100.

Risk management: Tullow has a consistent and clear exploration-led growth strategy. Strategic plans are reviewed annually with the Board as part of three-year business planning and the Executive team is responsible for its execution. Running our business well, delivering in line with business plans, being open and transparent and maintaining strong capital market relationships underpin delivery of TSR.

2011 performance: The performance of the FTSE 100 in 2011 was impacted by a series of financial and political events and delivered negative TSR of 2%. Despite the delays in the completion of the Ugandan farm-down and the slower than expected ramp-up in production in Ghana, Tullow's TSR was 12% in 2011. This represents a top quartile performance versus the comparator group.

FUNDING FUTURE GROWTH

Record financial results in 2011 were complemented in February 2012 with the completion of the $2.9 billion Uganda farm-down to Total and CNOOC. Tullow now has a very strong balance sheet which gives the Group the financial flexibility to pursue its exploration-led growth strategy, invest in key development projects and acquisitions, and support a progressive dividend policy.

"Tullow's successful growth strategy is underpinned by a clear financial strategy, which is to build a strong well funded balance sheet and significant operational cash flow. Jubilee production in Ghana and the completion of the Uganda farm-down provide a powerful platform to fund future growth."

Ian Springett
Chief Financial Officer

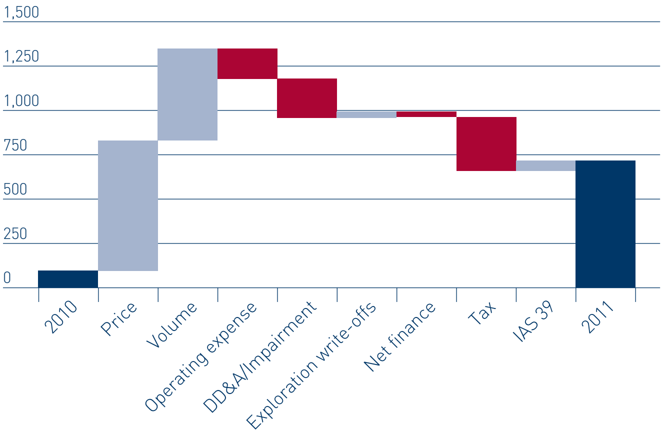
2011 results overview

Tullow delivered record results in 2011. Sales revenue grew 111% to $2.3 billion (2010: $1.1 billion) as a result of a 41% increase in sales volumes and significantly higher average price realisations. Profit from continuing activities before tax was up 499% to $1.1 billion (2010: $179 million) as a result of a combination of:

- $1.2 billion increase in sales revenue;
- $27 million IAS 39 gain;
- $34 million reduction in exploration costs written-off; and
- Partly offset by an increase in operating costs of $160 million and an increase in Depreciation, Depletion and Amortisation (DD&A) and impairment charges of $187 million; both largely due to first year of production from the Jubilee field in Ghana.

Profit for the year from continuing activities increased 670% to $689 million (2010: $90 million). Basic earnings per share grew 795% to 72.5 cents (2010: 8.1 cents).

Profit after tax 2011 versus 2010



Financial results and KPI summary

	2011	2010	Change
Working interest production (boepd)	**78,200**	58,100	+35%
Sales volume (boepd)	**66,800**	47,400	+41%
Realised oil price per barrel ($)	**108.0**	78.0	+38%
Realised gas price per therm (pence)	**57.0**	42.0	+36%
Sales revenue ($m)	**2,304**	1,090	+111%
Cash operating costs per boe ($)[1]	**13.5**	12.5	+8%
Operating profit ($m)[2]	**1,132**	262	+332%
Profit from continuing activities before tax ($m)[2]	**1,073**	179	+499%
Profit for the year from continuing activities ($m)[2]	**689**	90	+670%
Basic earnings per share (cents)[2]	**72.5**	8.1	+795%
Cash generated from operations ($m)[3]	**1,832**	789	+132%
Operating cash flow per boe ($)[3]	**64.2**	37.2	+73%
Dividend per share (pence)	**12.0**	6.0	+100%
Capital investment ($m)[4]	**1,432**	1,235	+16%
Year-end net debt ($m)[5]	**2,854**	1,943	+47%
Interest cover (times)[6]	**16.7**	14.3	2.4 times
Gearing (%)[7]	**60**	50	+10%

1. Cash operating costs are cost of sales excluding depletion, depreciation and amortisation and under/overlift movements.
2. 2010 has been restated to reflect a change in accounting policy with regard to inventory valuation.
3. Before working capital movements.
4. 2011 capital investment excludes the Nuon and EO Group acquisitions.
5. Net debt is cash and cash equivalents less financial liabilities.
6. Interest cover is earnings before interest, tax, depreciation and amortisation charges and exploration written-off divided by net finance costs.
7. Gearing is net debt divided by net assets.

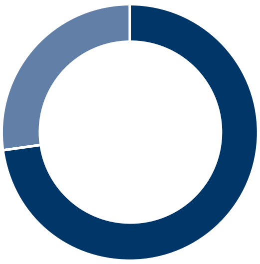
Production, commodity prices and revenue

Working interest production averaged 78,200 boepd, an increase of 35% for the year (2010: 58,100 boepd). This reflects increasing production from the Jubilee field in Ghana, where First Oil was achieved in November 2010. Sales volumes averaged 66,800 boepd, up 41% compared to 2010.

On average, oil prices in 2011 were significantly higher than 2010 levels. Realised oil price after hedging for 2011 was US$108.0/bbl (2010: US$78.0/bbl), an increase of 38%. Tullow's oil production sold at an average premium of 1% to Brent Crude during 2011 (2010: 2% discount). UK gas prices in 2011 were higher than 2010. The realised UK gas price after hedging for 2011 was 57.0 pence/therm (2010: 42.0 pence/therm), an increase of 36%. Higher commodity prices and sales volumes resulted in an overall revenue increase of 111% to $2.3 billion (2010: $1.1 billion).

Realised oil and gas prices

2011 Group working interest production



Operating costs, depreciation and impairments

Underlying cash operating costs, which excludes depletion and amortisation and movements on the underlift/overlift, amounted to $386 million; $13.5/boe (2010: $264 million; $12.5/boe).

DD&A charges before impairment amounted to $514 million; $18.0/boe for the year (2010: $356 million; $16.8/boe). The Group recognised an impairment charge of $51 million; $1.8/boe (2010: $4.3 million; $0.20/boe) in respect of the M'Boundi field in the Congo due to field underperformance and an impairment reversal of $17 million; $0.6/boe in respect of the Chinguetti field in Mauritania due to improved field performance.

At the year-end, the Group was in a net overlift position of 220,000 barrels. The movements during 2011 in the underlift and stock position have given rise to a credit of $2.1 million to cost of sales (2010: credit of $35.6 million).

Administrative expenses of $122.8 million (2010: $89.6 million) include an amount of $23.6 million (2010: $10.2 million) associated with IFRS 2 – Share-based Payments. The increase in total general and administrative costs is primarily due to the continued growth of the Group during 2011 with Tullow's total workforce increasing by 26% to 1,548 people.

Exploration costs written-off

Exploration costs written-off were $121 million (2010: $155 million), in accordance with the Group's successful efforts accounting policy. This requires that all costs associated with unsuccessful exploration are written-off in the income statement. This write-off is principally associated with unsuccessful exploration activities in Ghana, Liberia, Gabon and the UK, together with new ventures activity.

Operating profit

Operating profit grew 332% to $1.13 billion (2010: $262 million). The increase was principally due to increased sales volumes and higher commodity prices, partly offset by higher operating costs and DD&A charges following Ghana First Oil production in November 2010.

Derivative instruments

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

At 31 December 2011, the Group's derivative instruments had a net negative fair value of $47 million (2010: negative $82 million), inclusive of deferred premium. While all of the Group's commodity derivative instruments currently qualify for hedge accounting, a pre tax credit of $27 million (2010: charge of $28 million) has been recognised in the income statement for 2011. The credit is in relation to the increase in time value of the Group's commodity derivative instruments; mainly caused by the Group's oil hedging activity at relatively higher commodity prices throughout the year, compared with the forward curve on 31 December 2011.

At 9 March 2012 the Group's commodity hedge position to the end of 2014 was as follows:

Hedge position	2012	2013	2014
Oil hedges			
Volume (bopd)	34,500	25,500	12,000
Current price hedge ($/bbl)	117.4	111.9	104.6
Gas hedges			
Volume (mmscfd)	29.1	12.2	3.0
Current price hedge (p/therm)	60.2	68.3	75.9

Net financing costs

The net interest charge for the year was $86 million (2010: $55 million) and reflects the increase in net debt levels during 2011, offset by an increase in interest capitalised during the year on qualifying assets and by a one-off gain of $22 million resulting from the purchase of the FPSO by the Jubilee partners in December 2011 and consequent settlement of the Ghana FPSO finance lease liability.

Taxation

The tax charge of $384 million (2010: $90 million) relates to the Group's North Sea, Gabon, Equatorial Guinea and new significant Ghanaian activities. After adjusting for exploration costs and profit on disposal of subsidiaries, the Group's underlying effective tax rate is 32% (2010: 27%). The increase in the effective tax rate is mainly due to the increase in profits before tax driven by the new Ghanaian activities which are subject to a 35% tax rate.

Operating cash flow

Higher production and increased commodity prices drove operating cash flow before working capital movements 132% higher to $1.8 billion (2010: $789 million). In 2011, this cash flow together with increased debt facilities helped fund $1.7 billion capital investment in exploration and development activities, $502 million on acquisitions, $114 million payment of dividends and the servicing of debt facilities.

Summary cash flow

	2011	2010
Sales revenue	**2,304**	1,090
Operating costs	**(386)**	(264)
Operating expenses	**(86)**	(37)
Cash flow from operations	**1,832**	789
Working capital and tax	**(101)**	(57)
Capital expenditure	**(1,653)**	(1,179)
Investing activities	**(388)**	(1,612)
Financing activities	**279**	2,149
Net (decrease)/increase in cash	**(31)**	90

Capital expenditure

2011 capital expenditure amounted to $1.4 billion (2010: $1.2 billion) with 28% invested on development activities, 23% on appraisal activities and 49% on exploration activities. More than 50% of the total was invested in Ghana and Uganda and over 80%, more than $1.2 billion, was invested in Africa. Based on current estimates and work programmes, 2012 capital expenditure is forecast to reach $2.0 billion.

Portfolio management

On 30 June 2011, Tullow completed the acquisition of Nuon E&P from the Vattenfall Group for a cash consideration of €300 million ($432 million), before working capital adjustments. This added a portfolio of 25 licences, over 30 producing fields as well as various development and exploration opportunities together with ownership of key infrastructure.

On 25 July 2011, Tullow completed the acquisition of the Ghanaian interests of EO Group Limited (EO) for a combined cash and share consideration of $305 million, before working capital adjustments. This increased Tullow's interest in the West Cape Three points licence by 3.5% to 26.4% and increased the Group's interest in the Jubilee fields by 1.75% to 36.5%.

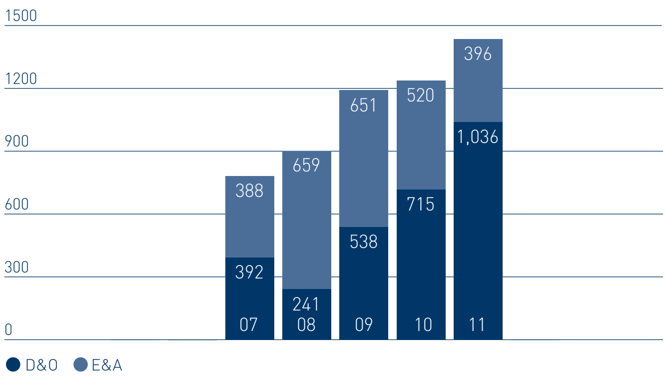
Ghana share listing

In July 2011, Tullow allotted 3,531,546 ordinary shares of 10p each in the capital of Tullow, which rank pari passu with the existing shares in issue, pursuant to the offer for subscription of up to 4,000,000 shares in connection with Tullow's secondary listing on the Ghana Stock Exchange (GSE). This represented a total amount of 109,477,926 Ghana Cedis (approximately $72.3 million). It was the largest primary share offer ever completed on the GSE and has more than doubled the market capitalisation of the GSE. The first day of trading was on 27 July 2011.

2011 capital expenditure

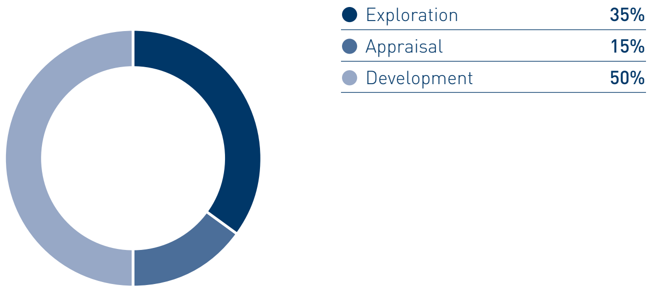
$1.4 BILLION

2010: $1.2 BILLION



2012 forecast capital expenditure

$2.0 BILLION



Dividend

The Board is proposing a final dividend of 8.0 pence per share (2010: 4.0 pence per share). This doubles the total payout in respect of 2011 to 12.0 pence per share, compared with 2010. Tullow's finances have fundamentally changed with material growth in production and record cash flow from operations. As a result, the Board believes that it is appropriate to continue with its progressive dividend policy.

The dividend will be paid on 24 May 2012 to shareholders on the register on 20 April 2012. Shareholders with registered addresses in the UK will be paid their dividends in pounds Sterling. Those with registered addresses in European countries which have adopted the Euro will be paid their dividends in Euro. Such shareholders may, however, elect to be paid their dividends in either pounds Sterling or Euro, provided such election is received at the Company's registrars by the record date for the dividend. Shareholders on the Ghana branch register will be paid their dividends in Ghana Cedis. The conversion rate for the dividend payments in Euro or Ghana Cedis will be determined using the applicable exchange rate on the record date.

Balance sheet

Tullow increased its Reserves Based Lending facility by $1.0 billion to $3.5 billion during 2011. Tullow also extended the term of the $650 million Revolving Corporate Facility by three years to December 2014. The Group had total debt facilities of $4.15 billion at year-end. At 31 December 2011, Tullow had net debt of $2.85 billion (2010: $1.9 million). Unutilised debt capacity at year-end amounted to approximately $825 million. Gearing was 60% (2010: 50%) and EBITDA interest cover increased in 2011 to 16.7 times (2010: 14.3 times). Total net assets at 31 December 2011 amounted to $4.8 billion (31 December 2010: $3.9 billion) with the increase in total net assets principally due to the profit for the year from continuing activities.

Accounting policies

UK listed companies are required to comply with the European regulation to report consolidated statements that conform to International Financial Reporting Standards (IFRS). The Group's significant accounting policies and details of the significant accounting judgements and critical accounting estimates are disclosed within the notes to the financial statements. During the year the Group has revised its inventory product accounting policy to value inventory product at net realisable value. The Group has not made any other material changes to its accounting policies in the year ended 31 December 2011.

Liquidity risk management and going concern

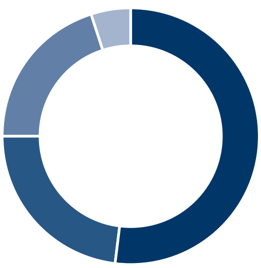
The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's producing assets and delays to development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capacity and flexibility of the Group. The Group's forecasts, taking into account reasonably possible changes as described above, show that the Group will be able to operate within its current debt facilities and have significant financial headroom for the 12 months from the date of approval of the 2011 Annual Report and Accounts.

2012 principal risks and uncertainties

The Board determines the key risks for the Group and monitors mitigation plans and performance on a monthly basis. The principal risks and uncertainties facing the Group at the year-end are detailed in the risk management section of this Annual Report. The Group has identified its principal risks for the next 12 months as being:

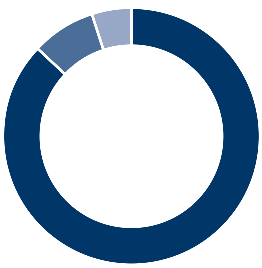
- Remediation of Jubilee production and delivery of Group production targets;
- Exploration risk in the context of a very active programme;
- Delivery of the Lake Albert Rift Basin PoD and approvals for this from the Ugandan authorities; and
- Oil price and overall market volatility.

Shareholder analysis by geography



UK	52%
Europe	23%
North America	20%
RoW	5%

Shareholder analysis by category



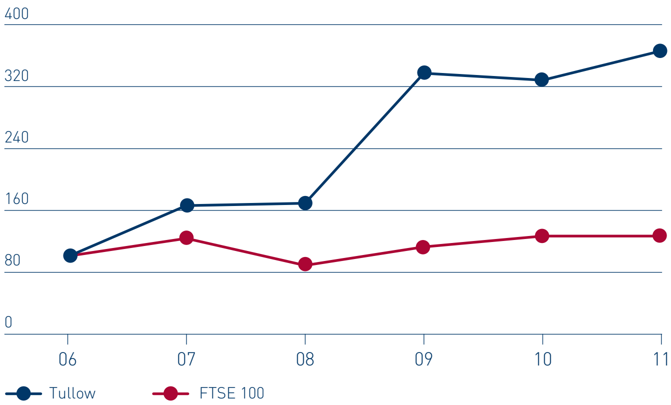
Institutional	87%
Non institutional	8%
Miscellaneous	5%

Capital market relationships

Tullow places great emphasis on achieving top quartile and best practice performance in investor relations and capital market communications. A total of 26 corporate updates were announced during the year in addition to the six annual programme announcements for Results, Operational Updates and Trading Statements and Interim Management Statements. In 2011, Senior Management and Investor Relations met with over 370 institutions in the UK, Europe and North America and presented at 15 investor conferences and 18 sales force briefings. This amounted to almost 50 investor days, split over 22 cities in 13 countries.

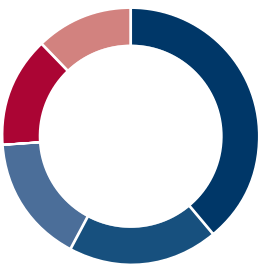
2011 TSR amounted to 12% (2010: down 3%). This compares with a 2% decline in the FTSE 100 TSR performance in 2011.

Five year share price performance relative to the FTSE 100



Tullow's Investor Relations (IR) team was ranked twelfth in Europe and third in the UK in the 2011 Investor Relations Magazine perception survey. This is an excellent achievement and recognises the Group's continued effort to deliver best-in-class Investor Relations and Communications. Tullow also received the award for Best Communication of Governance and Risk in the annual report in the 2011 Investor Relations Society Best Practice Awards.

Shareholder analysis by investment style



Growth	39%
Value	19%
GARP	16%
Index	14%
Other	12%
Hedge funds	<1%

Substantial shareholdings

As at 13 March 2012, the Company had been notified in accordance with the requirements of section 5.1.2 of the UK Listing Authority's Disclosure Rules and Transparency Rules of the following significant holdings (being 3% or more) in the Company's ordinary share capital.

Shareholder	Number of shares	% of issued capital
BlackRock Inc	106,568,436	11.77%
Prudential plc	63,386,247	7.00%
IFG International Trust Company Limited	38,960,366	4.30%
Legal & General Group plc	35,414,975	3.91%

Events since year-end

In February 2012, Tullow completed the farm-down of one third of its Uganda interests to Total and CNOOC for a total headline consideration of $2.9 billion paving the way for full development of the Lake Albert Rift Basin oil and gas resources. The Revolving Corporate Facility commitments reduced from $650 million to $500 million following the Uganda farm-down completion.

Financial strategy

Our financial strategy continues to be to maintain flexibility to support the significant appraisal and development programmes in Ghana and Uganda and effectively allocate capital across the remainder of our business. This financial flexibility has been materially enhanced by expansion of our debt facilities to $4.15 billion during 2011 and by the finalisation of the $2.9 billion Uganda farm-down in early 2012.

Outlook

The outlook is very positive for Tullow. In 2012, we expect significant progress in Ghana and Uganda and we have an exciting high-impact exploration and appraisal programme with wells planned in French Guiana, Côte d'Ivoire, Ghana, Kenya, Sierra Leone and Uganda. We are well positioned to continue to deliver significant growth in shareholder value over the coming years.

Ian Springett
Chief Financial Officer

PROTECTING OUR BUSINESS

The Oil and Gas industry is inherently high risk and as a consequence the management and mitigation of risk is a dynamic and vital business process. It helps us protect our business, our people and our reputation. By doing so we protect the communities and the environment, and enhance our relationships with host governments.

Risk management is central to how we run our business and is fundamental to how we create value and deliver substantial returns to shareholders. It is an integral part of our business model and is a Board level responsibility. Our approach to risk management aims to identify key risks as early as possible and to either reduce or remove those risks. If that is not possible, then we respond when a risk crystallises to reduce that risk to an acceptable level.

Executive Directors have designated responsibility for each key risk. The Group's new Regional and Business Unit organisation structure has embedded risk management more deeply in the running of business.

Each Region is led by a Regional Business Manager (RBM). Each RBM has strategic responsibility and accountability to the Executive team for the successful delivery of the Group's business plans for their Region. A large part of their remit is identifying, mitigating and reporting on risks and opportunities for risk management and mitigation.

Operational assurance for risk is provided by three cross-functional groups – the Global Exploration Leadership Team (GELT), the Development & Operations Leadership Team, including EHS responsibility, and the Financial Risk Committee. Combined, these three groups provide greater support for aligned and effective risk management across the Group. Day-to-day management of risk is assigned to individual managers and each employee is personally responsible for managing risk within the remit of their role.

2011 principal risks and uncertainties

This table sets out the Group's management of principal risks and uncertainties during the year. Detailed information is referenced elsewhere in the report.

Key risk and uncertainty	Performance during the year
Jubilee production ramp-up	This was slower than anticipated due to a technical issue with well completions. Remediation is under way and we anticipate that production will achieve plateau levels in 2013. Working interest production grew 35% in 2011 to 78,200 boepd. Further information is available on page 52.
Timely approvals from Ugandan authorities	While there were further delays in 2011, two new PSAs were signed with the Government of Uganda in February 2012. This was shortly followed by the completion of the $2.9 billion farm-down of two-thirds of the Group's interests in the Lake Albert Rift Basin. Further information is available on page 56.
2011 E&A programme in Africa and South America	Tullow achieved a 74% E&A success ratio. Reserves and resources replacement was 959%. The Group also achieved an excellent EHS performance over the course of the year. Further information is available in the operations review starting on page 48 and EHS performance is detailed in pages 66 to 67.
2011 Board objective with regard to corporate risks	The Board had a 2011 objective with regard to major corporate risks. The Board is satisfied that appropiate discussion took place in 2011 around the principal corporate risks. Further information is set out on pages 78 to 79.

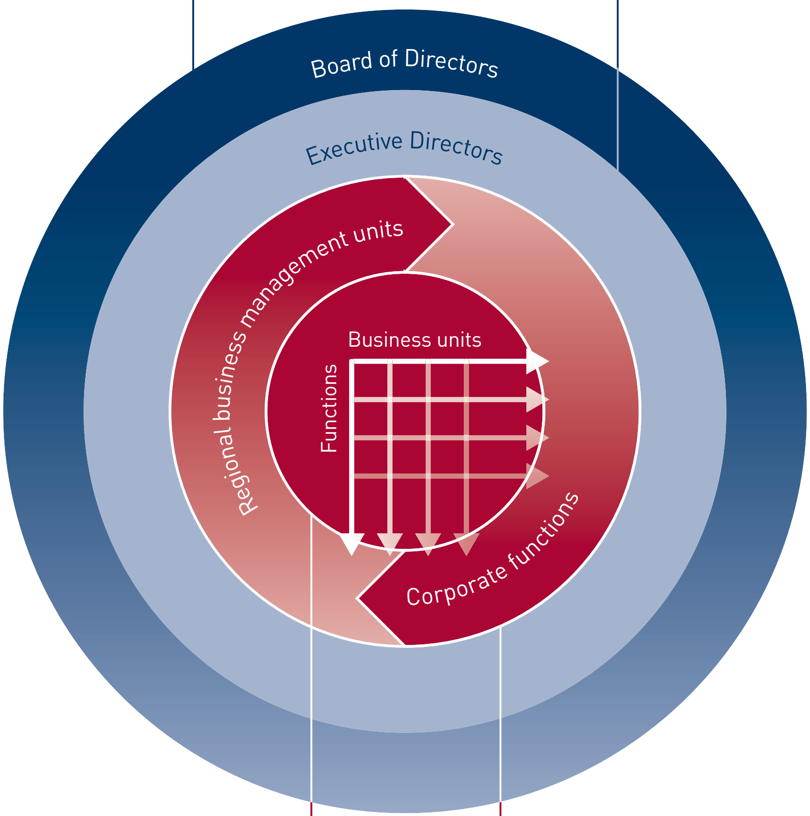
INTEGRATED RISK MANAGEMENT IN TULLOW'S MATRIX ORGANISATION

Board of Directors

The Board, through its regular meetings, provides oversight of the strategic direction of the business and approves the annual budget and business plan. The detailed annual business plan and budget process, extending over a three-year period, provides the principal metrics against which the performance of the Group is measured. These include annual objectives and targets covering production, development, exploration, EHS and financial performance, which are set at a business unit level. Business plans are agreed with the Board together with risks to delivery and defined operational targets. Key risks for strategic delivery of the Group's business plans and objectives are then collated as part of the Board's annual review of Group strategy. The Audit Committee also plays a key role in reviewing the effectiveness of Tullow's internal controls and financial risk management.

Executive Directors

On a weekly basis Executive Directors meet to discuss strategy implementation and key issues of interest with the Regional Business Managers and key function managers. This structure, together with monthly and quarterly reporting, leads to an effective two-way exchange of information and ensures coordinated decision-making takes place with a premium placed on risk management. Updates on key risks form part of monthly reporting to the Board and Senior Management on the operational and financial management of the Group. Risk reporting is an action-oriented process that closely monitors key risks. In this way, it is clear whether risk mitigation has been achieved, is in progress, or whether risk has escalated and requires immediate attention. On a cumulative basis, this approach validates progress being made in mitigating risk throughout the year as well as creating a dynamic risk management system that identifies new risks and refines mitigation processes in line with changes in the external operating environment. Risk reporting is coordinated independently by the Group Internal Audit Manager.



Business units and in-country functions

Risk is managed on a day-to-day basis through in-country operational monitoring and reporting of asset performance, operational reviews and audits, and cross-functional meetings, co-ordinated by Business Unit Managers. Formal operational reporting is completed weekly with monthly financial reporting of performance versus budget, objectives and risk management to Senior Management, the Executive and the Board. Tullow has detailed policies, procedures and systems in place to support risk management across the Group. These include the 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.

Regional business management and corporate functions

The three Regional Business Managers and corporate functions provide a coordination and oversight of the activities of the Business Units and in-country functions, Corporate functions are also responsible for managing a number of Group-wide risks such as EHS, liquidity and corporate responsibility. This is supported by cross-functional committees that provide integrated assurance over the technical, commercial and financial risks associated with the Group's core activities. These committees comprise the GELT, Development & Operations Leadership Team and Financial Risk Committee. In addition, a range of other multi-disciplinary committees provide oversight of the management of specific risks i.e. Information Systems Leadership Group (IT risks), Compliance Committee (compliance and regulatory risks), and EHS Strategy Group (EHS risks). On a quarterly basis Senior Management assess the Group's performance through a series of reviews with the Business Units. These reviews include an assessment of risks to delivery and measures being implemented to manage these potential risks.

Responding to changing risk

We operate in a dynamic environment where responding effectively to changing risks is key to our continued success. During 2011 we addressed emerging risks in the following ways:

- Our crisis management processes were upgraded to meet the challenges of our growing portfolio of assets, including:
  - Dedicated crisis management facilities in the Group's new London head office; and
  - Recruitment of a new Group Asset Protection Manager and a Group Information Security Manager.
- In 2012, the Group is rolling out a new security standard that will apply to all Tullow sites and activities.
- Our compliance processes were enhanced with the establishment of an experienced Compliance team and the implementation of a range of initiatives to support our regulatory compliance programme and to ensure we have effective procedures to address the requirements of the UK Bribery Act enacted during the year. This has included:
  - Implementation of a revised Code of Business Conduct supported by an ongoing programme of training and education endorsed by the Chief Executive Officer and the Board; and
  - Enhanced procedures covering our gifts and hospitality policy and declaration of conflict of interests.
- Tullow Safety Rules were implemented during the year to reinforce our existing safety standards for managing high risk operational activities. These rules comprise a set of requirements designed to manage day-to-day risks associated with our operations that have the potential to adversely affect employees, contractors, the environment and surrounding communities. These rules were developed using industry best practices, guidelines and standards to reinforce existing Tullow and host government regulatory commitments. The Safety Rules are being embedded through a range of activities including:
  - Training of staff throughout the organisation;
  - Working with our contractors to enable them to implement the rules when engaged in operations on Tullow's behalf; and
  - Dedicated Intranet site and Safety Rules booklet distributed to employees to support the education process.
- Tullow's Integrated Management System (IMS) was upgraded during the year to reflect the continuous growth in the business and increased complexity of our portfolio. The IMS sets the minimum business standards to be used throughout Tullow Oil's activities through a framework for managing all business activity throughout the organisation and provides a high level of business assurance by:
  - A systematic approach to critical business activities;
  - High standards in business and EHS performance;
  - Legislative compliance throughout all operations;
  - Sound risk management, planning and decision making;
  - Efficient and cost effective planning and conduct of operations;
  - Clear assignment of responsibilities; and
  - Continuous improvement in all areas of the business.

The IMS is supported by an online tool and is subject to periodic audit.

2012 principal risks and uncertainties

As part of our 2012 to 2014 business plan we identified the following key risks and uncertainties in relation to the Group's financial and operational performance for the period:

- Completion of the Ugandan farm-down (achieved February 2012), followed by delivery of a basin development plan and timely approvals for this from the Ugandan authorities;
- E&A campaign associated risks (approximately 20 high-impact wells are planned in 2012);
- Timely remediation of Jubilee production (2012/2013) and delivery of Group production targets;
- Government relations/stakeholder engagement with particular reference to the 2012 Board objective to significantly improve political and economic risk information and country risk profiling;
- Achieve the appropriate balance between cash flow from operations, equity/debt market opportunities and portfolio management activities; and
- Manage shareholder expectations, particularly with regard to the Group's long-term strategy, production profile and funding.

LONG-TERM PERFORMANCE RISKS

We group our risks into strategic, financial, operational and external risks, which we believe could potentially adversely impact our employees, operations, performance and assets.

Throughout the year we have critically reviewed and evaluated the risks the Group faces. This list is not exhaustive and it is likely to change as some risks assume greater importance than others during the course of the year.

Our business risk systems combined with the Board's ownership of strategic risks ensure that risk management is embedded in the business, aligned with our business model and is directly linked to strategic delivery.

Our assessment of the most significant risks and uncertainties which could impact the Group's long-term performance is outlined in this section of the report. These risks are not set out in any order or priority and they do not comprise all the risks and uncertainties we face.

STRATEGIC RISK

Strategy fails to meet shareholder expectations

Performance indicator
TSR performance

Executive responsibility
Aidan Heavey
Chief Executive Officer

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

Policies and systems
Annual business plan, RBM responsibility supported by corporate functional teams, monthly reporting, annual strategy review, IR programme.

Mitigation process
Strategy focused on delivering Ghana and Uganda developments and selective high-impact exploration programme. Effective communication with all stakeholders, based on open and transparent dialogue.

Progress in 2011
Ghana: Since production start-up in 2010 over 30 million barrels of oil have been produced. Jubilee Phase 1 development was completed in October. Phase 1A development received Government approval in January 2012. Good progress was also made in appraising the TEN discoveries.

Uganda: Government approvals and the related farm-down transactions were completed in February 2012. Development planning for the basin has progressed through integrated teams with CNOOC and Total.

Loss of key staff and succession planning

Performance indicator
Staff turnover

Executive responsibility
Graham Martin
General Counsel
& Company Secretary

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

Policies and systems
Living our values, HR function and policies, training and development.

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

Progress in 2011
Total workforce increased by 26% to support continued business growth. An employee survey was completed and the results will be used to develop targeted improvements in people management as required. Tailored training programmes were also implemented with a focus on developing coaching and mentoring skills, including the commencement of a bespoke leadership programme open to Tullow managers.

Strategic risk continued

Sustained exploration failure

Performance indicator
Reserves and resources organic replacement

Finding costs per boe

Executive responsibility
Angus McCoss
Exploration Director

Impact
Failure to sustain exploration success limits replacement of reserves and resources, which impacts investor confidence in long-term strategic delivery.

Policies and systems
GELT, competitive capital allocation process, clear exploration strategy.

Mitigation process
Board approval of E&A programme. Monthly reporting to the Board on finding costs per boe and high-grading of Group's portfolio, with a view to measuring success of exploration spend.

Continued use of appropriate technologies and technical excellence in exploration methodologies. South America discovery opens new hydrocarbon basin.

Progress in 2011
E&A success ratio of 74% was achieved. This included discoveries in Ghana and Uganda and the significant Zaedyus discovery offshore French Guiana.

FINANCIAL RISK

Insufficient liquidity, inappropriate financial strategy

Performance indicator
Liquidity profile

Executive responsibility
Ian Springett
Chief Financial Officer

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

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

Mitigation process
Prudent approach to debt and equity, with balance maintained through refinancing, equity placing and portfolio management activity. Regular Board review and approval for financing options. Short-term and long-term cash forecasts reported on a monthly basis to Senior Management and the Board. Maintenance of strong banking and equity relationships.

Progress in 2011
Balance sheet was strengthened through commitment increase of $1.0 billion agreed with the Reserves Based Lending Facility. The Group now has total debt facilities of $4.15 billion. Portfolio management included acquiring Nuon's Dutch assets, EO Group's Ghana interests as well as a number of farm in deals in Africa.

Cost and capital discipline

Performance indicator
Cash operating costs per boe

Finding costs per boe

Capital expenditure and cost management targets

Executive responsibility
Paul McDade
Chief Operating Officer
Angus McCoss
Exploration Director

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

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

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

Progress in 2011
2011 capital expenditure of $1.4 billion principally on completion of Phase 1 development of the Jubilee field in Ghana and E&A activities in Ghana, Uganda and French Guiana.

OPERATIONAL RISK

EHS failures and security incident

Performance indicator
No significant environmental incidents, LTIFR <1.0 and top quartile industry safety performance

Executive responsibility
Paul McDade
Chief Operating Officer

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

Policies and systems
EHS policies, IMS, Tullow Oil Environmental Standards (toes), EMS, crisis management procedures, EHS policy, EHS Strategy Forum.

Mitigation process
EHS performance standards set and monitored regularly across the Group through Business Unit performance reporting. EHS management system implemented. Clear policies and procedures supported by strong leadership accountability and commitment throughout the organisation. Tullow Safety Rules launched.

Progress in 2011
EHS performance measures were met. Crisis management resources and procedures were further developed. EHS organisation closely aligned with Regional Businesses with EHS managers in place for each of the three regions. EHS Strategy Forum established. Malaria management processes reviewed and strengthened.

Operational risk continued

Key development failure

Performance indicator / Executive responsibility	Impact / Policies and systems	Mitigation process / Progress in 2011
Performance indicator Specific yearly base and stretch targets that reflect key project milestones **Executive responsibility** Paul McDade Chief Operating Officer	**Impact** Development projects fail to meet cost and schedule budgets or operational objectives, causing returns to be eroded. **Policies and systems** IMS, EHS systems and policies, DoA, Code of Business Conduct, risk management process and Development Operations Leadership Team.	**Mitigation process** Technical, financial and Board approval required for all projects, and for all dedicated project teams. Risk evaluation and progress reporting initiated for all projects. **Progress in 2011** Development expenditure of $396 million in 2011 with key project milestones met.

EXTERNAL RISK

Corporate responsibility

Performance indicator / Executive responsibility	Impact / Policies and systems	Mitigation process / Progress in 2011
Performance indicator TSR performance **Executive responsibility** Graham Martin General Counsel & Company Secretary	**Impact** The overall political, industry or market environment negatively impacts the Group's ability to grow and manage its business. **Policies and systems** Code of Business Conduct, corporate responsibility policies and systems.	**Mitigation process** Consistent ethical standards established and applied through the Code of Business Conduct, and through contract and procurement procedures. Regular review of compliance requirements with periodic Board reporting. **Progress in 2011** Compliance team strengthened, revised Code of Business Conduct launched and rolled out to employees, contractors and suppliers. New Compliance Committee formed which will report to Board on a quarterly basis.

Country risk

Performance indicator / Executive responsibility	Impact / Policies and systems	Mitigation process / Progress in 2011
Performance indicator TSR performance **Executive responsibility** Aidan Heavey Chief Executive Officer	**Impact** Government regulations change rapidly, which can result in expropriation of assets and the introduction of burdensome tariffs or taxes. Political changes affect the competitive environment, with political instability and civil disturbances disrupting the Group's operations. **Policies and systems** Social Enterprise investment programme. Stakeholder engagement strategy and plan. Human Rights Policy.	**Mitigation process** Successful relationships with Governments and other external stakeholders built and maintained. Through these relationships trust is grown, key issues identified and processes improved. Social Enterprise projects aligned with the needs of stakeholders and the business in support of creating shared prosperity. **Progress in 2011** Membership of Transparency International's Corporate Supporters forum and became of a supporter of the Extrachives Industry Transparency Initiative (EITI). Held a multi-stakeholder forum to discuss Tullow's corporate responsibility initiatives. Developed guidelines and toolkit to support external stakeholder engagement and issues management.

Oil and gas price volatility

Performance indicator / Executive responsibility	Impact / Policies and systems	Mitigation process / Progress in 2011
Performance indicator Realised commodity prices **Executive responsibility** Ian Springett Chief Financial Officer	**Impact** Volatility in commodity prices impacts the Group's revenue streams, with an adverse effect on liquidity. **Policies and systems** Hedging strategy.	**Mitigation process** Hedging strategy agreed by the Board, with monthly reporting of hedging activity. **Progress in 2011** Conservative hedging policy implemented, with realised oil and gas prices of $108/bbl and 57 pence per therm. Detailed monthly Board reporting of hedge positions. Board also reviewed and approved ongoing hedging strategy throughout the year.

UK-based explorationists observing an outcrop of fluvial sands in the Nyamsika River Valley in Exploration Area 1, Uganda.

OPERATIONS REVIEW

2

WORKING WITH INTEGRITY & RESPECT

Work with integrity and with respect for people, and for the environments in which we operate. Tullow takes a long-term view in conducting its business, which ensures we put fostering relationships and protecting the environment ahead of short-term gains.

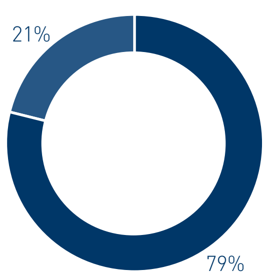
2011 OPERATIONS OVERVIEW

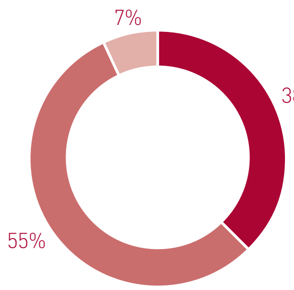
Overall, the Group continues to deliver a strong operational performance.

GROUP HIGHLIGHTS

Group reserves and resources

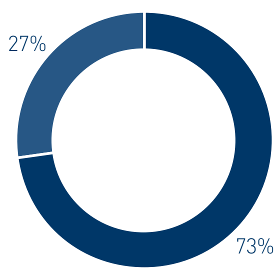
1,743 MMBOE

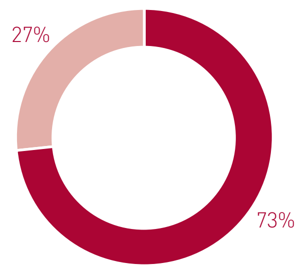




Group working interest production

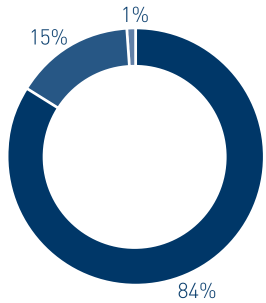
78,200 BOEPD

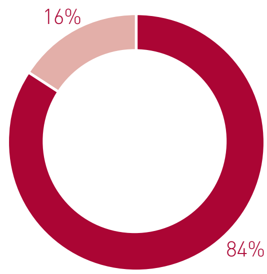




Group revenue

$2,304 MILLION





● Oil ● Gas ● Tariff Income ● West & North Africa ● South & East Africa ● Europe, South America & Asia

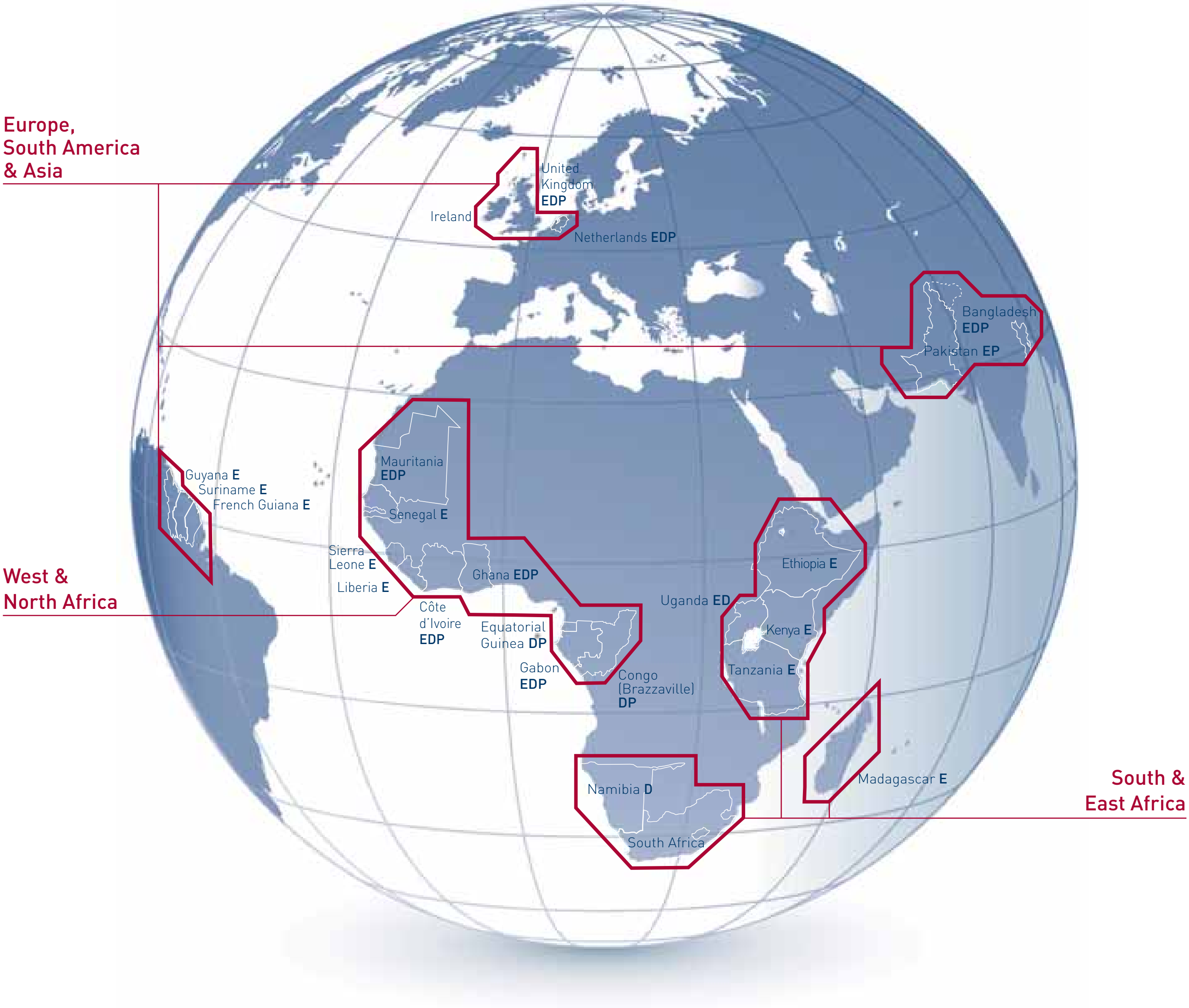
KEY PRODUCING ASSETS

West & North Africa

Country	Producing field (Tullow %)	2011 working interest production (boepd)
Congo (Brazzaville)	M'Boundi (11%)	3,000
Côte d'Ivoire	Espoir (21.33%)	3,750
Equatorial Guinea	Ceiba (14.25%)	2,850
	Okume (14.25%)	10,200
Gabon	Tchatamba (25%)	3,100
	Niungo (40%)	3,000
	Etame Complex (7.50%)	1,620
	Others (3.75% – 52.78%)	5,030
Ghana	Jubilee (35.48%)	23,500
Mauritania	Chinguetti (22.25%)	1,400
Total		**57,400**

Europe, South Amercia & Asia

Country	Producing field (Tullow %)	2011 working interest production (boepd)
Netherlands	26 fields (4.69% – 22.5%)	3,000
UK	CMS Area (6.91% – 100%)	11,500
	Thames Area (50% – 100%)	1,000
Bangladesh	Bangora (30%)	5,150
Pakistan	Shekhan-1 (40%)	150
Total		**20,800**



EXPLORATION & APPRAISAL SUCCESS

West & North Africa

Country	Well Success	Seismic
Côte d'Ivoire	–	Onshore
Equatorial Guinea	–	Onshore
Gabon	6/8	Onshore
Ghana	9/11	Onshore
Liberia	0/1	
Mauritania	1/2	Acquisition, Onshore

South & East Africa

Country	Well Success	Seismic
Ethiopia	–	Acquisition, Airborne
Kenya	–	Acquisition, Onshore, Airborne
Madagascar	–	Acquisition, Onshore
Uganda	8/9	Acquisition, Onshore

Europe, South America & Asia

Country	Well Success	Seismic
UK	1/2	
Netherlands	0/1	Onshore
French Guiana	1/1	Onshore
Bangladesh	–	Onshore

Seismic

Acquisition Onshore Airborne

EXPLORATION & APPRAISAL

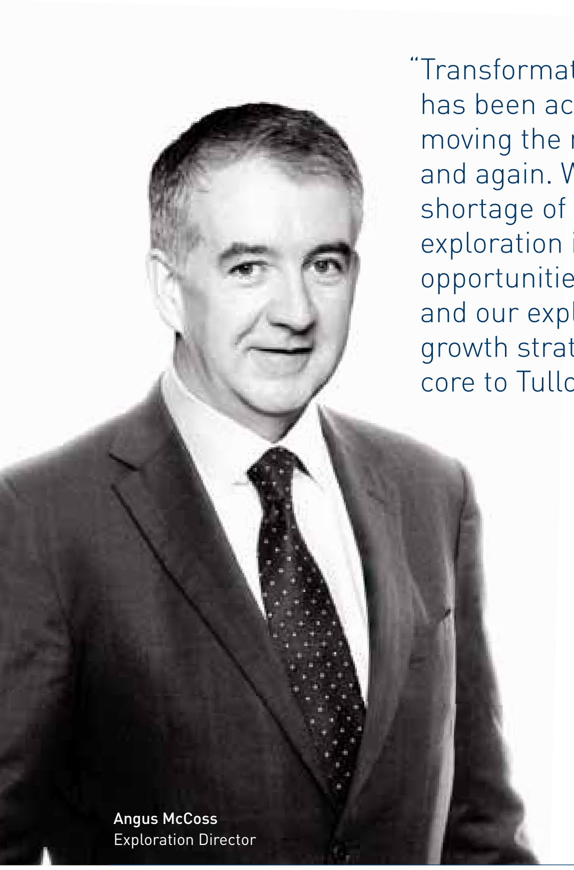
Bold exploration strategy

Our bold exploration strategy differentiates Tullow within the industry and is focused on discovering big volumes of light oil, for premium value, at low finding costs.

Our focus areas for exploration are Africa and the Atlantic Margins, with Asia providing non-core upside potential. Our three core plays are giant stratigraphic traps (e.g. Ghana, French Guiana and Mauritania), oil-prone rift basins (e.g. Uganda, Kenya, Ethiopia and Madagascar) and prolific salt basins (e.g. Mauritania, Southern North Sea and Gabon). We have also been building capability to take on a fourth play, carbonates (e.g. Mauritania).

We have consistently converted exploration investment into high-value discoveries. Our exploration discoveries greatly enable fund raising and generate vital cash flow through either farming down or developing to generate production revenues.

Our scale grows proportionately with our investment in exploration and has evolved from individual high-graded prospects in Tullow's early days, through prolific plays, to transformational basin opening campaigns, to where we are today, exploring systems of related hydrocarbon basins. We are taking ever more material acreage positions, with sensible commitments and low cost entry points, to significantly amplify the commercial follow-up potential in the event of early discoveries.



"Transformational growth has been achieved by moving the needle again and again. We have no shortage of good exploration ideas, opportunities or capability, and our exploration-led growth strategy remains core to Tullow's success."

Angus McCoss
Exploration Director

Industry-leading success

Tullow's exploration leadership in the industry was demonstrated again by the Zaedyus-1 discovery in 2011. This strategic well proved our Atlantic twin basins concept, based on tectonics, extending the Jubilee play from Ghana across to the corresponding basin on the opposite Atlantic Margin offshore French Guiana, and also de-risked Tullow's commanding position in the offshore Guyanas.

Transformational campaigns

Through investing in years of careful geological evaluation, we have developed numerous high-equity, high-quality opportunities which have met our stringent criteria for entry into our current prospect inventory. For sustainable growth, we are setting up other potentially transformational up-and-coming exploration campaigns for our future portfolio. In Mauritania and Senegal our commanding acreage position and our in-depth geological studies of new plays have positioned Tullow to 'move the needle' again following any basin opening discoveries. If we can open these high-impact new plays then the potential for further exploration is really significant.

In Kenya and Ethiopia we have embarked on a complementary rift basin exploration campaign covering approximately 100,000 square kilometres. We have covered this unexplored acreage, which is 10 times larger than our Uganda acreage, with the world's largest ever Full Tensor Gradiometry (FTG) gravity survey. Advanced fidelity 2D seismic surveying is ongoing and these data are being integrated with the FTG. Like all exploration campaigns, our work in Ethiopia and Kenya is high-risk but we are hopeful of a breakthrough with the first few wells planned for 2012. Numerous leads are currently being interpreted and the scope for follow-up in our Kenya and Ethiopia acreage, in the event of a breakthrough, could project continuous E&A activities into the middle of the century.

In addition, there are other campaigns under way, including exploration of pre-salt sandstone reservoirs in Tullow's offshore Gabon acreage and further exploration in the West Africa Transform Margin where our E&A team is focused on extending the Jubilee play, building on the results which come with each well.

New strategic exploration alliances

Tullow is also developing a number of strategic exploration alliances with other E&P companies around complementary exploration skills and opportunities, such as the non-binding, non-exclusive Memorandum of Understanding with Royal Dutch Shell where we have agreed to jointly investigate certain new frontier exploration opportunities on the Atlantic Margins.

DEVELOPMENT & OPERATIONS

A new scale of activity

Tullow's exceptional exploration success has provided an exciting and growing portfolio of development and production assets in both Africa and South America. In 2011, we have strengthened our operational organisation through a new regional business structure, comprising West & North Africa, South & East Africa and Europe, South America & Asia, which provides focused leadership of our operations. In addition, we have created a new Development and Operations Group at a corporate level that combines all our engineering and development functions. This is to ensure that Regional Business Units are provided with world-class technical resources and access to the most appropriate technologies.

Excellent EHS performance

In 2011, we also delivered an excellent EHS performance with the lowest LTIFR in our history, in addition to a best in class FPSO performance in Ghana and no LTIs since its arrival in Ghanaian waters in June 2010. Our goal is to consistently achieve top quartile industry performance and, in line with the new organisation, we have significantly enhanced our EHS capability through improvements to our EHS resources, reporting structures and the introduction of new standards.

The next steps in Ghana

Having brought the Jubilee field on production in November 2010, Phase 1 development activities continued throughout 2011 as the final producers and injectors were commissioned and production rates increased. However, production from Jubilee in 2011 was lower than anticipated and this is being remediated through the installation of newly designed well completion equipment. We anticipate that the issue will be resolved this year allowing us to achieve plateau production in 2013. Production will also be supported by Jubilee Phase 1A which will include a total of eight additional wells. Utilising the existing FPSO, acquired in December 2011, the Phase 1A operations are expected to take around 18 months to complete at an estimated cost of $1.1 billion.

During 2011, a successful E&A programme on the TEN cluster enabled Tullow, as Operator, to initiate FEED works in August. We have established a project office in Singapore and FEED work has been carried out on the FPSO and subsea infrastructure options with a Plan of Development (PoD) expected to be submitted to the Government of Ghana in the third quarter of this year. We expect first oil to commence some 30 months after approval with combined production in the region of 100,000 bopd. Initial gas production will be split between export and re-injection to manage reservoir performance.

2012 working interest production

2012 production is forecast to average between 78,000 and 86,000 boepd with an exit rate of over 90,000 boped expected. Gross Jubilee production is currently around 70,000 bopd and is expected to average 70,000 to 90,000 bopd in 2012.

Our medium-term priority is to ensure we do the right things to deliver the critical elements that will enable us to maximise the long-term value and recovery rates from the field.

Further production growth

Due to the delays in Uganda, the ability to progress development activity was limited during 2011. With the successful completion of the farm-down in February 2012, the partnership can now plan to accelerate activity with the aim of submitting a PoD to the Government of Uganda later this year. Some small scale production is envisaged to start late 2012 but substantial production is expected approximately 36 months after a basin-wide PoD is approved by the Government. Based on this timetable, ramp-up to major production should commence in 2016.

Elsewhere, the exciting discovery made in French Guiana will be appraised in 2012 to allow for an early review of development concepts. In Mauritania, where we took over Operatorship of the C-10 licence this year, we are reviewing concepts to progress the Banda oil and gas discovery. In Namibia, we are continuing to pursue development of the significant Kudu gas field. In addition, approximately 40% of our development capital is invested incrementally in mature producing fields, significantly offsetting production decline in these assets.

"Tullow's success has always been based on our people and their ability to influence our business. We are evolving our structure in a way that allows these teams to continue to deliver substantial shareholder value."

Paul McDade
Chief Operating Officer

WEST & NORTH AFRICA

Total production

57,400 BOEPD

Total reserves and resources

657.8 MMBOE

Sales revenue

$1,944 MILLION

2011 investment

$768 MILLION

Tullow's African production comes from Ghana, Equatorial Guinea, Gabon, Côte d'Ivoire, Congo (Brazzaville) and Mauritania. Whilst the main development and operating focus is on the Jubilee and TEN projects offshore Ghana, Tullow has significant ongoing development activities in the majority of its operational areas. The Group also has high-impact exploration acreage across this region in Mauritania, Senegal, Liberia, Sierra Leone, Côte d'Ivoire and Ghana.

Ghana

Tullow has interests in two licences offshore Ghana, Deepwater Tano and West Cape Three Points. 2011 activity included the ramp-up of production from the Jubilee field, further appraisal drilling which confirmed Enyenra as a major light oil field, and additional exploration success in the Ntomme-2A, Teak-1, 2 and 3A wells. Production operations on the FPSO *Kwame Nkrumah* continued to perform well with a low rate of unplanned shut-downs and no significant safety or environmental issues. Activity in 2012 will include the start of the Jubilee Phase 1A development and further appraisal and development activities on the TEN project.

Jubilee field Phase 1 & 1A developments

The start of 2011 saw the first lifting of Jubilee crude oil from the FPSO *Kwame Nkrumah,* and since then over 30 million barrels of oil have been produced and 30 cargoes have been safely exported. Following the strong operating performance of the FPSO *Kwame Nkrumah*, Tullow, on behalf of the Jubilee Partners, acquired the from Modec on 29 December 2011. This acquisition will enable the Jubilee Partners to maximise the FPSO's commercial value and operational efficiency whilst Modec will continue to provide operations and maintenance services.

The Jubilee Phase 1 development was completed in October 2011 when the last of the initial 17 wells were drilled, completed and brought on stream. Also at this time, the water injection design capacity for the FPSO was reached, with rates over 235,000 bwpd being injected into the reservoirs and pressure support being seen across the field. By the end of 2011, gas re-injection reached 80 mmscfd and gas flaring was reduced to minimal levels.

In 2011, gross production from the Jubilee field averaged 66,000 bopd (2010: 3,200 bopd), reaching 88,000 bopd before declining to approximately 70,000 bopd at the end of the year. However, production from the field was below expectations due to reduced productivity in a number of wells related to problems with the original well completion design. The issue is not expected to impact the level of field reserves or resources and a remedial work programme is under way to regain well productivity lost to date. This work involved the sidetracking of the J-07 production well using a new completion design which is now on-stream and being closely monitored. Further remedial work including acid stimulations and additional recompletions are planned for 2012.

The next phase of development for the Jubilee field is Phase 1A. Following approval gained from the Government of Ghana in early 2012, development started in February 2012, with the spudding of the first production well, and will continue over the next 18 months. The development is anticipated to cost approximately $1.1 billion and will consist of eight new wells, five producers, three additional water injectors and the expansion of the subsea network. The first of the Phase 1A wells is expected to come onstream from late in the second quarter of 2012.

The combination of the Phase 1 remedial work and the additional Phase 1A wells coming onstream will enable production to resume its build-up towards the FPSO design capacity of 120,000 bopd. Production is expected to average between 70,000 and 90,000 bopd in 2012, depending on the well performance achieved from the Phase 1 recovery programme and the execution schedule of the Phase 1A wells.

Tweneboa-Enyenra-Ntomme (TEN) Cluster Development

During 2011, significant progress was made in the programme of appraisal drilling and flow testing of the Tweneboa, Enyenra and Ntomme fields, collectively known as TEN. Tullow anticipates developing the three accumulations in an integrated subsea cluster development scheme using a single FPSO.

The appraisal programme commenced in January 2011 with the drilling of the Tweneboa-3 well comprising two deviated exploratory boreholes drilled into the Ntomme prospect which was proven to be a material and separate gas-condensate accumulation. Appraisal of the Ntomme accumulation commenced in early 2012 with the drilling of the Ntomme-2A well, located over four kilometres south of Tweneboa-3. This exploratory appraisal well successfully discovered high-quality oil bearing reservoirs, below the Ntomme gas-condensate accumulation, reinforcing the overall TEN resource base potential.

Senior Drilling Supervisor with trainees on board the Sedco Energy during drilling of the Owo-1RA well, offshore Ghana.

Further appraisal drilling on the Enyenra field has continued during 2011 including the re-drill of the Owo-1 discovery well in December 2011, to allow testing and coring. To determine the level of reservoir connectivity and well deliverability, the well was flow tested. The lower channel was tested at a rate of approximately 10,000 bopd, and a commingled rate for the two upper channels was approximately 12,000 bopd. The pressure response will be monitored by pressure gauges deployed in the Enyenra-2A and Enyenra-3A wells, located to the south and north respectively. The Enyenra-4A well is currently drilling to determine the southern extent of the Enyenra field.

The TEN Development Project has made significant progress since the Front End Engineering & Design (FEED) commenced in August 2011. A design competition has commenced with three FPSO contractors and a local project office has been set up in Singapore to support this activity. Subsea FEED is nearing completion and tenders for this work are being prepared.

Tullow expects to submit the TEN Plan of Development (PoD) and a formal declaration of commerciality to the Government of Ghana in the third quarter of 2012. This will incorporate the information gained from the FEED work and the ongoing appraisal programme. First production from the TEN cluster development is anticipated to be approximately 30 months after Government approval of the PoD.

Exploration & Appraisal activity

In 2011, Tullow continued its exploratory drilling activity in Ghana, drilling the Teak-1, Teak-2, Teak-3, Banda-1, Akasa-1 and Makore-1 wells in the West Cape Three Points licence, operated by Kosmos. The Teak-1 well drilled in February 2011 encountered a thick tally of oil and gas pay, and the Teak-2 well drilled in March 2011 tested the fault block between the Teak-1 discovery and the Jubilee field, where it penetrated a gas reservoir that may represent a gas cap to the Jubilee field. The Teak-3 well was drilled in November 2011 and confirmed the northern extension of the Teak discovery, across a major fault. Plans are in place for the Teak-4 appraisal well and flow testing in 2012, the outcome of which will guide future development plans.

The Banda-1 exploration well in the east of the West Cape Three Points block was drilled in June 2011 to explore the previously untargeted Cenomanian play. The well found very thick but low porosity Cenomanian sandstones with only three metres of oil pay. The Makore-1 exploration well was drilled in July 2011 targeting a discrete Jubilee-type reservoir. The well found excellent quality sandstones which were unfortunately water-bearing at this location. These results have been integrated into Tullow's regional geological model to enable better targeting of these plays elsewhere in Tullow's Equatorial Atlantic acreage.

In August 2011, the Akasa-1 well (previously known as Dahoma up-dip) was drilled and made a light oil discovery. The Turonian reservoirs encountered are similar in age to those discovered at the Jubilee field and the oil samples recovered from the Akasa-1 well indicate 38 degrees API gravity. The West Cape Three Points operator, Kosmos, remains in discussions with the Government of Ghana in relation to further appraisal and development plans for the Mahogany, Teak, Banda and Akasa discoveries.

In the Deepwater Tano licence operated by Tullow, a set of attractive remaining prospects has been identified and exploration activity will be completed before the end of the first quarter of 2013. Three exploration wells are expected to be drilled on the block and potential prospects include: Wawa-1 which will target hydrocarbons that may have moved to a trap up-dip from the TEN oil and gas-condensate fields; Sapele-1, immediately south of the Jubilee field, will test a prospective turbidite lobe and Tweneboa Deep-1, a material prospect below the TEN fields.

EO Group Ghanaian interests acquisition and equity redetermination

On 26 May 2011, Tullow entered into a conditional agreement to acquire the Ghanaian interests of EO Group Limited (EO) for a combined share and cash consideration of $305 million. This acquisition increased Tullow's interest in the West Cape Three Points licence offshore Ghana by 3.5% to 26.4% and increased the Group's interest in the Jubilee field by 1.75% to 36.5%. The acquisition was completed on 25 July 2011.

In October 2011 the partnership completed the first equity redetermination of the Jubilee Unit Area (JUA) and the net result is that Tullow's working interest in the JUA has reduced slightly from 36.5% to 35.5% which became effective from 1 December 2011.

Liberia & Sierra Leone

Tullow has four contiguous deepwater licences offshore Liberia and Sierra Leone where the Group is looking to capitalise on the success of the Jubilee play in Ghana. In May 2011, Tullow increased its equity from 10% to 20% in block SL-07B-10 (originally SL-06 and SL-07) in Sierra Leone by exercising pre-emptive rights. In November 2011, the Montserrado exploration well offshore Liberia was drilled and made a non-commercial oil discovery. Further analysis is being carried out following this result which will enable the partners to consider follow-up exploration targets in the play. Following the well in Liberia, the rig moved to Sierra Leone to drill the Jupiter-1 exploration well which finished in February 2012. The well encountered 30 metres of net pay in multiple zones, thus confirming a working hydrocarbon system in the Liberian Basin. The Mercury-2 exploratory well, a bold step out from the Mercury discovery, is currently drilling and is expected to complete in April 2012.

Côte d'Ivoire

Net production in 2011 from the East and West Espoir fields averaged 3,750 boepd (2010: 3,850 boepd). During the year, production was impacted by gas compressor issues; however, all four gas compressors are now operational and gas exports have recovered to full capacity. A drilling campaign of at least eight infill wells across West and East Espoir is planned to start in the fourth quarter of 2012. This campaign will rejuvenate production and extend the life of the field.

Following the lifting of Force Majeure for both deepwater exploration blocks, CI-103 and CI-105, the plan to drill one well in each block was reactivated. The Eirik Raude rig was released from Ghana and commenced drilling the Kosrou prospect (CI-105) in February 2012. The well is expected to complete in April 2012. This will be followed by the drilling of the high-impact Paon prospect (CI-103).

Rig floor of the RR 600 during drilling operations on the Jobi-2 well in Exploration Area 1, Uganda.

2011 E&A success ratio

74%

Mauritania & Senegal

Production from the Chinguetti field in Mauritania continued to decline but at a reduced rate with full year net production averaging 1,400 boepd (2010: 1,500 boepd). Potential for further production optimisation in 2012 is being evaluated.

Two exploration wells were drilled in Mauritania in the first half of 2011. The Cormoran-1 well in Block 7 intersected four stacked hydrocarbon accumulations. In the deepest of these sections the well discovered highly pressured rich gas in the Petronia prospect, providing an encouraging test of our concept that Tullow's core play in Late Cretaceous turbidites extends into northern Mauritania. The Gharabi-1 well in Block 6 encountered poorly developed water-bearing reservoir and was plugged and abandoned in February 2011. The well was drilled by the operator to meet a commitment on the block and the result has no impact on Tullow's future plans for its Mauritanian acreage.

Tullow signed the new C-10 exploration Production Sharing Contract (PSC) in Mauritania on 27 October 2011 at an operated equity of 59%. This licence, the exploration area of the previous PSC A and PSC B, is over 10,000 sq km in area and carries a two-well commitment in the first three years. Tullow is planning a number of exploration activities across its various exploration licenses in the Mauritania-Senegal basin during 2012 including 3D seismic acquisition and drilling.

In addition, Tullow has been granted extensions to the discovery areas of the previous PSC A and PSC B licences and increased its equity in these licences to 67.3% and 64.1% respectively. These licences, which Tullow now operates, contain the Banda, Tevet and Tiof oil and gas discoveries. The development of the Banda oil and gas discovery is progressing with project concepts under review.

Equatorial Guinea

The Ceiba field performed above expectation in the first half of 2011 but fell below 15,000 bopd gross in the second half of the year due to delays to the workover programme. Gross production averaged 19,915 bopd in 2011 (2010: 27,600 bopd). A major workover and infill drilling programme is now underway to restore production to higher levels. The Ocean Valiant rig moved to the field in January 2012 and began work on the first of the three well workovers before commencing the drilling of eight infill wells.

Production in the Okume Complex fell in the second half of 2011 due to a delay on the Akom North field tieback; gross production averaged 71,680 bopd in 2011 (2010: 82,360 bopd). The Akom North well was drilled and completed in late December 2011 and first oil was produced in January 2012. A major infill drilling campaign is planned with a rig secured to start operations in July 2013.

The results of the 4D seismic, shot in 2011, have been used to support the drilling campaigns in both fields.

Gabon

Net production in Gabon averaged 12,700 bopd for the year (2010: 12,850 bopd). Appraisal and infill drilling has been very successful throughout 2011 with over 120 wells being drilled and completed resulting in production being sustained and reserves replacement of 351%, an exceptional result in this mature area. This level of development and drilling activity is expected to be sustained in 2012.

In June 2011, Tullow completed a 20% farm-in to the Perenco-operated onshore exploration blocks DE-7 and Ogueyi. However, the Big Oba prospect in DE-7 and the Nkongono prospect in the Ogueyi block both proved unsuccessful and the Ogueyi block has since been relinquished. Acquisition of further 2D seismic data is planned to outline additional prospects in the DE-7 and Nziembou blocks; a multi-azimuth 3D survey is planned on the offshore Arouwe block in the first quarter of 2012. The seismic processing over Kiarsseny is now complete and interpretation is ongoing; the intention is to drill two exploration wells back-to-back, commencing in the fourth quarter of 2012.

Congo (Brazzaville)

Net production from the M'Boundi field was below expectations averaging 3,000 bopd in 2011 (2010: 4,000 bopd). Production volumes from the field fell in the second half of the year following issues with the water injection system which have now been resolved. Infill drilling and workover activity continued throughout the year with 19 wells drilled. Production volumes are expected to recover in the first quarter of 2012 as sustained water injection rates continue following the installation of a second high-volume pump in the field.

SOUTH & EAST AFRICA

Total reserves and resources

964 MMBOE

2011 investment

$418 MILLION

Following the sale of a two-thirds interest in the Lake Albert Rift Basin to CNOOC and Total in February 2012, the Group now has an aligned partnership focused on completion of the Exploration and Appraisal programme and development of the basin. Following the success in Uganda, Tullow recently embarked upon the next stage of its exploration strategy in the region by securing significant acreage in Kenya and Ethiopia in 2011, with drilling commencing in Kenya in January 2012. In Namibia, following the signing of the Kudu field Petroleum Agreement in the third quarter of 2011, development activities are being advanced pending finalisation of the commercial agreements.

Uganda

Tullow has worked in Uganda since 2004 when the Group acquired Energy Africa. Tullow increased its interests in Uganda through the acquisitions of Hardman Resources in 2007 and Heritage Oil and Gas Ltd's Ugandan interests in 2010. Since entering the basin, Tullow has drilled 46 wells, completed a pioneering Full Tensor Gradiometry (FTG) Gravity Survey and has discovered 1.1 billion barrels of P50 resources in the Lake Albert Rift Basin with only two dry holes.

Following the completion of the acquisition of Heritage's interests in Uganda in July 2010, Tullow signed a Memorandum of Understanding (MoU) with the Government of Uganda on 15 March 2011. As a result, Tullow signed Share Purchase Agreements (SPAs) with CNOOC and Total for the farm-down of two thirds of Tullow's interests in Uganda on 30 March 2011.

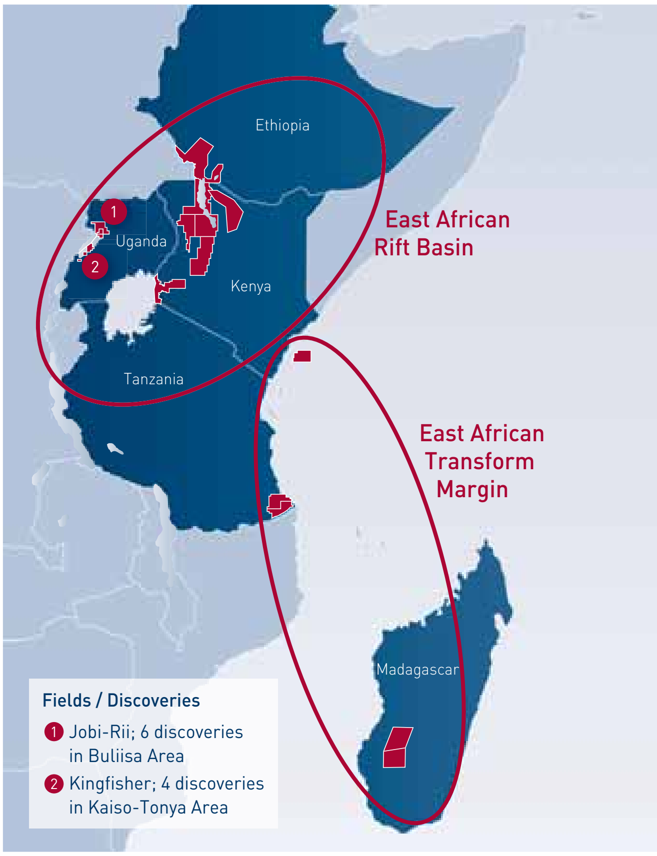
On 3 February 2012, Tullow signed two Production Sharing Agreements (PSAs) relating to the Lake Albert Rift Basin with the Government of Uganda. This enabled Tullow and its new partners to complete the farm-down on 21 February 2012 for a consideration of $2.9 billion. Pursuant to the completion of the deal, operatorship responsibilities within the Basin will be divided between the Partners. Total will operate Exploration Area-1 (EA-1) and Tullow will operate Exploration Area-2 (EA-2). In the former Exploration Area-3A, CNOOC will operate the new Kanywataba licence and the Kingfisher production licence.

Alongside the March 2011 MoU with the Government of Uganda, Tullow was designated by the Ugandan Revenue Authority (URA) as agent to the transaction between Tullow and Heritage. This designation required Tullow to pay a recoverable security of $313 million to the URA. This sum is equivalent to the outstanding Capital Gains Tax that the Ugandan Government believes it is owed by Heritage. Separately, and under the terms of Tullow and Heritage's SPA, Tullow has commenced proceedings against Heritage in London to recover this sum. The case is expected to be heard in early 2013 after other cases involving Heritage in London and Kampala have been concluded.

The Partnership expects to submit options for the development of the Lake Albert Rift Basin later this year and these options will include a refinery and an export pipeline. Some small scale production is envisaged starting late 2012 but substantial production from the Basin is expected approximately 36 months after a basin-wide plan of development is approved by the Government of Uganda. Based on this timetable, ramp-up of major production should commence in 2016.

Drilling operations in the Lake Albert Rift Basin continued in 2011. In EA-1, Tullow made an important discovery with the Jobi-East 1 well in June 2011 which encountered 20 metres of hydrocarbon bearing reservoir. Following this discovery, Tullow drilled the Jobi-2 appraisal well in the north of the Jobi-Rii field in July 2011 and confirmed the northward extension of this exciting discovery. Elsewhere in EA-1, Tullow drilled the Mpyo-3 well in June 2011 which confirmed the reservoir sands to be good quality with viscous oil, similar to that encountered in the shallower oil bearing zone of Mpyo-1.

East African exploration acreage



In East Africa Tullow is looking to replicate its Uganda Rift Basin success onshore Kenya where Tullow has acreage covering 100,000 sq km. In addition, Tullow is exploring various oil plays in the East African Transform Margin with acreage offshore Kenya and onshore Madagascar.

Tullow then drilled the Gunya-1 well in July 2011, which made a discovery in an undrilled fault block downdip of the Mpyo field. Appraisal drilling on the Jobi-East discovery commenced with Jobi-East-5 in August 2011 and Jobi-East-2 in September 2011. Jobi-East-5 provided valuable data for regional reservoir mapping but was drilled just outside the closure of the field. Jobi-East-2 successfully extended the field five kilometres north. A significant inventory of prospects has also been identified in EA-1 in a play that extends to the west of the river Nile. The Omuka well will test this new play and will spud in the fourth quarter of 2012. A large number of appraisal wells and well tests are also planned in the block in 2012.

In EA-2, three successful appraisal wells, Nsoga-2, Kigogole-6 and Ngege-2, were drilled and an extensive 3D seismic campaign covering the Kasamene, Ngiri, Nsoga and Kigogole discoveries was completed. The data recovered is of high quality and is currently being interpreted. In October 2011, Tullow received confirmation of the continuation of the appraisal periods for Kasamene, Wahrindi, Kigogole, Nsoga, Ngege and Ngara for an additional year and well testing will take place in the first half of 2012. Drilling activity in 2012 will focus on further appraisal of the Ngege, Nsoga and Waraga discoveries. The Kanywataba prospect at the southern end of the basin is expected to be drilled in the third quarter of 2012.

Kenya and Ethiopia

Tullow farmed into blocks 10A, 10BA, 10BB, 12A & 13T in Kenya and the South Omo block in Ethiopia in 2011 and Block 12B in Kenya in February 2012. Tullow operates and has a 50% interest in all seven blocks. The acreage covers the Turkana Rift Basin, which has similar characteristics to the Lake Albert Rift Basin, and includes a south-east extension of the geologically older Sudan rift basin trend.

A Full Tensor Gradiometry (FTG) Gravity Survey acquired across most of the Kenya-Ethiopia licence blocks, covering an area of around 100,000 sq km, has been completed and processed. The data quality is excellent and there are strong similarities with the successful FTG survey acquired in Uganda in 2009. A 1,000 km 2D seismic programme in the South Omo Block in Ethiopia completed in early 2012. In Kenya, a 500 km 2D seismic programme was started in Block 13T in January 2012. This will be followed by a 1,350 km 2D survey in Block 10BA.

The Ngamia-1 well in Block 10BB, which has an anticipated depth of 2,700 metres, spudded on 25 January 2012. Once this well is completed, the rig will drill the Paipai-1 well in Block 10A. It is also planned to drill a well in the South Omo Block in Ethiopia, in the third quarter of 2012.

In 2011, Tullow completed a farm-in to Block L8, offshore Kenya, and holds a 15% equity position with a 5% additional equity option. The high-impact Mbawa-1 well will be drilled in the third quarter of 2012 where Tullow has identified a potential oil prone area in this gas rich province.

Namibia

Tullow acquired an interest in the Kudu gas field through the acquisition of Energy Africa in 2004. Numerous initiatives have been pursued over the intervening years and the development of the field, as a gas-to-power project, is now making progress. A new Kudu Petroleum Agreement was signed in October 2011 and a 25-year Production Licence was issued by the Minister of Mines & Energy in November 2011. The Upstream Joint Operating Agreement, Project Development Agreement and Gas Sales Agreement Heads of Terms are being progressed and when concluded will allow the development to proceed to sanction. An investment decision is targeted for late 2012 which could mean the delivery of gas and power generation by the end of 2015.

Madagascar

Following the completion of a field programme in the first half of 2011, over 450 km of good quality 2D seismic data was then acquired in Blocks 3109 and 3111 which is still being processed. The rift basin trend covered by the seismic data has already proven successful for light oil in Block 3133 directly to the south. Based on encouraging data, Tullow's intention is to acquire further seismic and use these data to pick potential wildcat well locations. A farm-out process is also under way, with the intention of reducing Tullow's equity to 50%.

Tanzania

Until November 2011, Tullow held a 50% interest in the Lindi and Mtwara Blocks. In November 2011, Tullow farmed down half its interest to its partners, Ndovu Resources Ltd (Aminex) and Solo Oil. The Ntorya-1 well spudded on 22 December 2011 in the Mtwara Block and Tullow elected not to participate in the final section of the well in March 2012.

EUROPE, SOUTH AMERICA & ASIA

Total production

20,800 BOEPD

Total reserves and resources

120.8 MMBOE

Sales revenue

$360 MILLION

2011 investment

$246 MILLION

Tullow has gas production assets, ongoing developments and exploration acreage in the UK and the Netherlands which provide valuable cash flow to the Group. Tullow's experience in the North Sea provides a strong platform for expansion in this region. Tullow has qualified as an operator in Norway as a first step in the Group's strategy in the North Atlantic.

In South America, Tullow has significant exploration acreage in French Guiana, Guyana and Suriname where the Group is attempting to replicate the success of the West African Jubilee play across the Atlantic. The first test of this was the Zaedyus-1 well in French Guiana which successfully discovered oil in September 2011. In 2012, follow-up drilling in French Guiana and Guyana aims to further establish this area as a new and exciting petroleum province.

The Group also produces from the Bangora field in Bangladesh and has an exploration portfolio in Pakistan. In March 2012, Tullow took the decision to commence a process to sell these Asian assets in order to focus on its core African and Atlantic Margin strategy.

UK
Net production from the UK assets in 2011 was in line with expectations averaging 12,500 boepd (2010: 13,300 boepd). These mature fields performed well, with high production efficiency despite their natural decline.

In the Thames Area, net production averaged 1,000 boepd supported by a combined flow from Wren, Wissey and Horne fields. In August 2011, Tullow drilled the 49/30b-10 well on the Foxtrot prospect, the sands were found to be water wet and the well has been suspended for later re-entry following evaluation of the deeper Rotliegendes play.

In the CMS Area, 2011 net production averaged 11,500 boepd. Tullow has well intervention programmes in place to ensure optimal well performance to maximise reserve recovery. In September 2011, the Katy development project was sanctioned, consisting of a single well tie-back to the CMS facilities. The KA-10 infill well commenced in mid-November 2011 and drilling progress is in line with expectations, with production due to commence in March 2012.

Further exploration activity took place in the CMS Area in 2011, with Tullow operating the Cameron-1 exploration well (44/19a-7a). The well commenced drilling in April 2011 and discovered gas within the Carboniferous play. Since the discovery, the commerciality of the Cameron field has been assessed and a decision on development options will be made with partners in the first half of 2012.

Looking forward, Tullow's strategy for the UK is to ensure rigorous technical assessment of all opportunities in an effort to offset natural decline and to prolong the life of the fields.

Netherlands
In May 2011, Tullow significantly enhanced its Dutch portfolio though the acquisition of Nuon Exploration & Production from the Vattenfall Group for a cash consideration of €300 million ($432 million). This is a non-operated portfolio of gas producing fields, a range of exploration opportunities and an equity interest in infrastructure. Net production in the second half of 2011 was between 6,000 and 7,000 boepd, an improvement on the rates at the time of the acquisition. Additional production came from the GdF Suez L15-FA 107 well which was brought onstream in November 2011. The well tested around 30 mmscfd and is anticipated to recover around 25 bcf of gas.

In late 2011, a significant well and reservoir campaign commenced on the Joint Development Area (JDA) offshore the Netherlands. Four additional non-operated wells are expected to be drilled on the acreage in 2012 and 25 JDA wells will be worked over by mid-2013. This will extend the field life by 10 years and the combined net incremental production of these activities is expected to be over 1,500 boepd.

Tullow considers the area to have great potential and purchased 51,174 sq km of PGS MegaMerge 3D seismic data in the Dutch Southern North Sea to evaluate future regional exploration. In the Tullow operated E-Block, a risked and ranked prospect inventory was completed in 2011 and Tullow will drill the Vincent prospect in Block E11 in 2012. Tullow's high success ratio in this Carboniferous play in the UK bodes well for the adjacent Dutch portfolio.

French Guiana
In September 2011, the Zaedyus-1 exploration well made a significant oil discovery offshore French Guiana, encountering 72 metres of net oil pay in two turbidite fans. This is the first well in Tullow's extensive Guyanas Basin acreage and successfully opened a new basin, proving that the Jubilee play is mirrored across the Atlantic from West Africa to South America.

Drilling operations, which commenced in March 2011, continued after the discovery until mid-November 2011. An extensive data gathering programme was conducted including sidetracking of the well to cut a core through the reservoir and gather essential data. A liner was run over the main oil bearing reservoir and the well was suspended for future re-entry. The rig went off contract on 23 November 2011.

The Joint Venture partners are discussing a comprehensive follow-up exploration and appraisal programme which will include 3D seismic acquisition and a drilling programme, scheduled to commence in mid-2012. The drilling programme is expected to start with an appraisal well on the Zaedyus discovery and be followed by an exploration well on one of the neighbouring prospects. The Ministerial Order granting Tullow, Shell and Total approval for both the transfer and renewal of the Guyane Maritime licence was received on 22 December 2011. Shell took over Operatorship of the block on 1 February 2012.

Suriname
In Suriname, Tullow finalised the farm-down of a 30% interest in Block 47 to Statoil in December 2011. Planning is now well advanced to acquire over 2,500 sq km of 3D seismic which will commence in the second quarter of 2012, subject to the necessary environmental approvals. The 3D programme is scheduled to take approximately four months to complete.

On the onshore Coronie licence, drilling operations began at the beginning of December 2011 on the first of five initial exploration wells. The first well has encountered oil shows which is encouraging for the following four wells in the programme. It is anticipated that drilling operations will continue until the second quarter of 2012. Having fulfilled all contractual obligations on the Uitkijk Block, Tullow returned its equity to Paradise Oil in June 2011 and no longer retains any equity in the block.

West African and South American exploration acreage

In 2011 Tullow proved the transatlantic nature of the Jubilee play in the Equatorial Atlantic region with the successful Zaedyus-1 well in French Guiana. Tullow has a major exploration campaign across this region on both sides of the Atlantic in 2012 with high impact wells in Ghana, Côte d'Ivoire, Liberia, Sierra Leone, French Guiana and Guyana.

Guyana

The Atwood Beacon jack-up rig, contracted to drill the Late Cretaceous Jaguar prospect in the Georgetown block in Guyana, was expected to commence drilling in the fourth quarter of 2011. Operational and weather delays, on wells drilled by other parties in Suriname, meant that the rig did not arrive on location until early December 2011. Inclement weather conditions meant that the well did not commence drilling until February 2012 and operations are expected to take 180 days to complete the well.

Bangladesh

Gross production from the Bangora field in 2011 was just over 100 mmscfd and 325 bpd of condensate. This was marginally lower than planned due to well maintenance issues. Tullow will be installing new compression facilities in 2012 to optimise the production profile for the longer term and ultimately increase recoverable reserves. Installation and commissioning of these new facilities will lead to some production downtime, but gross production is still expected to average 100 mmscfd in 2012. Reprocessing of 3D geophysical data over the entire Bangora area is expected to lead to the identification of additional prospectivity within the Bangora development lease. Planning will then commence for development and near-field drilling in 2013. Negotiations with the Government for the award of offshore exploration block SS-08-05 are pending resolution of an ongoing maritime boundary dispute with India.

Pakistan

In Pakistan, production from the extended well test at Shekhan in the Kohat licence was maintained for the full year at low levels and is providing reservoir data which will be used to plan additional appraisal or development drilling. Also in the Kohat licence, drilling of the Jabbi-1 well, a second exploration well located 20 km along the trend west of Shekhan, is ongoing. The well is due to complete in early 2012 and, if successful, could quickly be tied into the processing plant already installed at Shekhan. Plans are in place for a comprehensive 2D and 3D seismic survey over the Shekhan, Jabbi and adjacent prospective structures which should provide a portfolio of development, appraisal and exploration targets for drilling in 2013-4.

Recent successful drilling at Zin, which is near to Tullow interests in Block 28 and the Kohlu and Kalchas licences, is a positive sign for prospectivity and operational access to these areas.

For latest news and results visit: **www.tullowoil.com**

Ugandan trainee Production Technicians with the Production Superintendent of the Bangora field facilities in Bangladesh.

CORPORATE RESPONSIBILITY

3

COMMITMENT TO TULLOW & EACH OTHER

We work in a collaborative manner, empowering ourselves and others, whilst taking responsibility for our own actions. This value is reflected externally in the role we take in developing the oil and gas industry in host countries.

CREATING SHARED PROSPERITY

We have made a commitment to playing our part in ensuring that the success of the oil and gas industry brings transparent and tangible benefits to local people and national economies where we operate.

Tullow is involved in developing new oil industries in Ghana and Uganda. The Group is also engaged in high-impact E&A campaigns in Africa and the Atlantic Margins in up to 14 countries within the next 12 months. This level of activity is driving an accelerating step change in our corporate responsibilities as we seek to manage complex operations in diverse political, social and environmental contexts. Our success in discovering three new oil basins in the last five years has also significantly raised Tullow's profile and we are dealing with an ever increasing group of stakeholders with disparate and sometimes conflicting agendas.

The 'Creating Shared Prosperity' element of Tullow's business model brings together eight areas of focus to ensure we make a lasting and positive contribution wherever we operate. It also helps shape our investment in projects that establish clear links between the need to manage our impacts and to achieve our strategic objectives. Other aspects of the business model, notably 'Finance & portfolio management', 'Governance & values' and 'Organisation & culture', are also considered to be key contributors to creating shared prosperity.

We provide a summary here of how we performed in 2011. A detailed review will be published in a separate Corporate Responsibility (CR) Report which will be available in June this year.

$ FINANCIAL PERFORMANCE

Delivering returns for shareholders and providers of capital

The cornerstone of creating shared prosperity is to be a successful and profitable company. This enables us to fund exploration-led growth, invest in major development projects, meet our commitments to suppliers and employees and generate returns for shareholders and other providers of capital. It also enables us to create opportunities for local suppliers, local national employees and local communities.

Highlights of our record financial performance in 2011 are on page 4, with full details in the Financial review starting on page 34.

GOVERNANCE

Managing our business ethically and with integrity

2011 highlights

- Launch of the new Tullow Code of Business Conduct
- Membership of Transparency International's Corporate Supporters Forum and became a supporter of the Extractives Industry Transparency Initiative (EITI)
- Successful defence of fictitious allegations of corruption in Uganda

New Code of Business Conduct

The highlight of 2011 activity in governance & compliance was the launch of the new Tullow Code of Business Conduct (the Code) in August by the Chief Executive Officer, Aidan Heavey. Our reputation with our investors, partners and those communities of which we are part is based on our collective behaviour. Tullow expects every employee and all those who work on the Group's behalf to exercise good judgement and common sense while carrying out our business activities. Everyone working for Tullow is personally responsible for living our values, following the Code and ensuring that we conduct our business safely and in a fair, honest and ethical manner. During the year Tullow was accepted as a member of Transparency International's Corporate Supporters Forum. The Group also became a supporter of EITI. These are particularly relevant to Tullow given its area of operations in developing regions.

Compliance awareness training

In 2011, an ongoing Group-wide awareness programme was developed for employees and contract staff, covering the new Code and the UK Bribery Act. A number of policies and guidance documents have been introduced to support the embedding of the Code throughout the business. These are outlined on page 73.

Compliance Manager (centre) at Industry Partners compliance workshop in Bangladesh.

First industry partner forum on compliance and ethics held in bangladesh

Tullow's Compliance team, along with Supply Chain in Bangladesh, hosted their first Industry Partner compliance workshop in January 2012. 19 representatives from 17 companies attended, mainly from the construction and logistics sectors. The forum featured an overview of anti-bribery legislation, including the UK Bribery Act 2010, and outlined Tullow's compliance expectations of Industry Partners. The forum also covered the importance of due diligence, the effects of non-compliant behaviour and details of Tullow's confidential reporting line.

In addition, the Industry Partners were given an overview of Tullow's Code of Business Conduct, introducing key supplier related elements such as our gifts and hospitality policy and facilitation payments guidance. The issue of facilitation payments was an area of particular interest when Tullow and the Industry Partners discussed the challenges of working in developing countries.

Speaking up

Tullow encourages everyone to promptly report any concerns they have about the Group's business practices or where someone is concerned or suspects that the Code has been breached. Where staff do not feel comfortable reporting concerns internally 'speaking up' provides an alternative means of reporting via an independent, confidential reporting line operated by Safecall, which is available 24 hours a day and seven days a week. All calls are treated in confidence by trained operators who take full details of the issue and then relay this to the Group Compliance Manager to initiate any appropriate actions. While there were no calls to Safecall during 2011, there was an increase in internal reporting and a total of 12 investigations were carried out. As a consequence three people have left Tullow and one contract with a supplier has been terminated.

Dealing with fictitious allegations

As discussed in the Chairman's statement on page 8, allegations of corruption were made against Tullow employees in the Ugandan parliament in October 2011. These accusations, which were based on forged documents, were vigorously defended by Tullow, and found to be untrue. The Group Compliance Manager reported the allegations to the UK Serious Fraud Office and kept them informed throughout the process of proving these allegations to be false.

Code of business conduct

The Code is published online at
www.tullowoil.com/code

A booklet has been rolled out to all Tullow employees and contract staff. A network of compliance champions in all countries is being developed and a group of employees are being trained to enable local offices to investigate breaches of the Code.

STAKEHOLDER ENGAGEMENT

Engaging with and responding to all our stakeholders

2011 highlights

- Completion of a reputation perception survey across eight countries canvassing the views of stakeholders
- First Socially Responsible Investor (SRI) roadshow in Europe
- Ghana-Ireland Trade and Investment Forum
- Introduction to oil and gas courses in Ghana, Uganda, Kenya and French Guiana

Most of our activities are in developing regions and emerging oil countries. This creates a varied and expanding landscape for stakeholder engagement although our broad stakeholder groups are fairly consistent. They include our employees, shareholders, governments (national, regional and local), regulators, policymakers, local communities, non-governmental organisations (NGOs), civil society organisations (CSOs), academics and the media.

Reputation management in Uganda

Aspects of the internal debate in Uganda on the nascent oil industry during 2011 highlighted reputation management issues for Tullow. As a result, we are working to create a greater understanding of the oil and gas sector and address some of the specific areas of concern for stakeholders; both in Kampala and in the Lake Albert Basin area. Key initiatives under way include:

- More effective communication with parliamentarians about developments in the industry as well as soliciting feedback;
- Two new Lake Albert community information centres to provide easy access to information on the oil and gas industry;
- Further introductory courses to the oil and gas industry, with an increased focus on development activity;
- Improved engagement with donor agencies, industry and multilateral organisations;
- A public information programme about Tullow's supply chain and local supplier development in Uganda;
- An outreach campaign to Ugandan diaspora to engage and inform them about Tullow in Uganda and address any questions they may have; and
- An employee engagement programme to keep Tullow Uganda staff fully informed, including regular meetings with Tullow Group management.

Managing our operating environment

Our stakeholders shape our operating environment, directly influencing our commercial success, so we need to engage with them on a regular basis to ensure the smooth continuation of our business. A strong foundation of understanding amongst our stakeholder groups can play a major role in moving a project through the various stages of its lifecycle. Failure to engage effectively can lead to delays in executing our business plans and damage to our reputation. It can have serious implications for Tullow's ability to secure local buy-in, lead to erosion of shareholder value and make it much more difficult to attract and retain the talent we need.

A guiding principle for Tullow has always been ensuring we put relationships ahead of short-term gains. Taking a long-term perspective has enabled us to invest the time and effort in fostering relationships and building strong and durable bonds in host countries.

In 2011, the management of external stakeholder relationships was one of the specific corporate risks identified and formed part of the Board's objectives for the year. Given its strategic importance to the Group it remains a Board focus in 2012. Another Board objective in 2012 is to increase the frequency of Board-level interactions with employees, key decision-makers and other opinion formers in our countries of operation.

Stakeholder perception survey

We commissioned a reputation survey in 2011, canvassing the views of key opinion formers in Uganda, Ghana, UK, Gabon, French Guiana, Mauritania, Brussels (EU) and the USA. This provided Tullow with insights into the Group's main external reputation drivers and allowed us to benchmark our reputation against other oil and gas companies working in the same geographic areas.

The Group's strongest reputational asset is being seen as a well run business. Stakeholders recognise Tullow's long-term vision and perspective, strong financial footing and strong management team. To a lesser extent, Tullow's social and economic contribution to host countries is also acknowledged as an asset in areas such as support for development needs and in using and developing local suppliers. Some clear areas for improvement were also highlighted, particularly the desire for deeper two-way communication and greater transparency both in dealings with Government and in Tullow's recruitment and procurement practices.

Developing robust processes

In 2011, we have focused on building more robust internal capacity and processes for external stakeholder engagement. We have developed a competency framework to guide the development of External Affairs in line with the growing demands of the business. We have also established a set of Stakeholder Engagement Guidelines and tools to govern and support our stakeholder engagement processes and stakeholder issues management. These will form the basis of a development pack for new country entry as well as training for existing operations.

Social performance standards

We are progressing the development of Group social performance standards, which will guide the way in which we understand and manage our social impacts across our portfolio. Once finalised, Regional External Affairs Managers will have responsibility for executing regional work programmes in accordance with those standards. In conjunction with this we are continuing to develop our social competencies in each region. In Uganda, for example, Tullow has introduced International Finance Corporation (IFC) Social Performance Standards training for the local team, to include the development of effective IFC compliant grievance management systems for local communities. This year the team will also implement a centralised social information system for stakeholder engagement, baseline data management and land access issues for Tullow's Uganda operations. The focus of this will be the management and reporting of social responsibility in an operational context, and the management of social risk and reputation management from a corporate viewpoint.

A wide engagement programme

In 2011, the Group External Affairs engagement programme included new initiatives such as a European road show for Socially Responsible Investors and an event in Dublin to encourage Irish investment in Ghana. We have also continued with introductory oil and gas industry courses in Ghana and Uganda, in conjunction with Robert Gordon University, and have extended this during the year to stakeholders in French Guiana and Kenya. In addition, we ran our first course for UK stakeholders, including government departments, NGOs and foreign diplomats based in London.

Our Group Compliance Manager has led engagement with our industry peers, regulatory bodies and NGOs/CSOs in the area of transparency and anti-corruption. Industry partner forums on compliance and ethics have been held in Bangladesh and Kenya to date. The IR team has a highly active IR programme in the UK, Europe and North America. This is supported by the Executive and Senior Management and amounted to almost 50 investor days in 2011, covering 22 cities in 13 countries. HR has been increasing our engagement with diaspora groups as part of our localisation efforts, and Internal Communications at Group and country level have run a variety of initiatives for employees, which are discussed in the our people section of this report, on pages 68 to 69.

In Ghana and Uganda, Community Liaison Officers (CLOs) undertake an ongoing outreach programme, including face-to-face meetings, consultations and radio question and answer sessions. Where we have new operations, such as in Kenya, we have held sensitisation meetings with local stakeholders to begin to develop relationships and help ensure our presence is welcomed.

Ghana-Ireland trade and investment forum

In October 2011, over 150 delegates attended the first Ghana-Ireland Trade and Investment Forum in Dublin. The event, which was sponsored and organised by Tullow and The Ghanaian Embassy, brought together Irish and Ghanaian business leaders to discuss opportunities for trade between the two countries. Representatives from 22 Ghanaian companies took part in the delegation visiting Ireland.

Foreign Direct Investment in Ghana has grown by over 70% in the last year and building international trade relationships is a key priority for the country, as the Government of Ghana is keen to diversify investment beyond the oil and gas industry.

For this reason, the forum focused on business opportunities for Irish companies in four sectors: agriculture, food processing, construction and engineering. To date seven Irish companies who attended are either developing business opportunities with the Ghanaian contacts they made or intend to do so within the next two years.

Ireland has a small but developing trade relationship with Ghana. In 2010, Irish exports to Ghana are estimated to have been in excess of $60 million, an increase of over 20% on the prior year. In 2010, Ghana exported approximately $16 million of goods to Ireland. Ghana is one of the fastest growing economies in the world, with double digit economic growth forecast for 2012.

"Tullow has been developing business relationships in Ghana since the 1980s, long before we discovered oil there in 2007. We believe opportunities for Irish and other businesses are vast, so we are happy to support this event."

Rosalind Kainyah,
Vice President of External Affairs, Tullow Oil

Hon. Dr Joseph Annan MP, Deputy Minister of Trade and Industry, Ghana speaking at the Ghana-Ireland Investment Forum in Ireland.

ENVIRONMENT, HEALTH & SAFETY (EHS)

Keeping our people safe and minimising our environmental footprint

2011 highlights

- Achieved the lowest Lost Time Injury Frequency Rate (LTIFR) in the Group's history
- Reorganised the EHS function to reflect Tullow's new regional business structure, including the recruitment of three senior Regional EHS Managers
- Introduced Tullow Safety Rules
- Undertook a detailed review of EHS KPIs and made some significant changes for 2012 to reflect the changing nature of Tullow's activities and EHS risks

EHS is a priority in all that we do, based on our desire to ensure we do no harm to our colleagues, our neighbours or the diverse environments in which we work. In 2011, we delivered an excellent EHS performance with our lowest Lost Time Injury Frequency Rate (LTIFR) despite the increasing scale and diversity of our assets and activities.

To ensure we can consistently deliver this superior performance we have continued to enhance our EHS capability through improvements to our EHS resources and reporting structures and with the introduction of new standards. We have reorganised our EHS function to reflect our new regional business structure with the recruitment of three senior Regional EHS Managers. These EHS managers and their Regional Business Managers provide EHS leadership in their area and are the conduit for EHS reporting to the Executive.

We have also implemented a number of new standards and procedures across the business, the most important being the introduction of the Tullow Safety Rules. In addition, in 2011 we set up a strategic EHS Strategy Forum, which includes both Executive Directors and Senior Management, to ensure that we continue to look for new ways of thinking about how to improve EHS performance. The EHS Strategy Forum team has already generated some innovative thinking and ideas of how we can ensure that we maintain a dynamic and fresh approach to EHS.

EHS operators carrying out safety checks on facilities at the Bangora field in Bangladesh.

EHS Key Performance Indicators

We manage our EHS performance through a combination of leading and lagging KPIs. Leading indicators are qualitative and focus on achieving improvements in performance in targeted areas. Lagging indicators show how we have performed based on quantitative data and preset targets.

2011 lagging indicators

In 2011, over 13 million hours were worked across Tullow including a significant number of higher risk activities such as deepwater drilling offshore French Guiana and the ramp-up of production and delivery of oil to tankers from the FPSO in Ghana. During 2010, we held a Group-wide safety stand-down to raise the profile of our performance targets and reaffirm the Group's commitment to making the safety of people paramount in our operations. We reinforced this in 2011 with the introduction of Tullow Safety Rules. These are a set of requirements designed to manage high-risk activities that have the potential to adversely affect our personnel, surrounding communities and the environment. They were established using industry practices, guidelines and standards and are intended to reinforce Tullow standards and applicable host country regulatory requirements. In 2011, we had an excellent safety performance and achieved our stretch target for LTIFR. We achieved our baseline target for Total Recordable Injury Frequency Rate (TRIFR) and our stretch target for High Potential Incident Frequency Rate (HiPoFR). Full details are outlined in the lagging indicator table on page 67.

Vehicle accidents

In 2011, we did not achieve our Vehicle Accident Frequency Rate (VAFR) which at 1.46, exceeded our target of 1.0. There were 12 recordable vehicle incidents during the year, all in Africa. There were no fatalities, although three were high potential incidents and three caused minor injury. Unfortunately since year-end there has been one third party fatality in Ghana and another third party fatality in Kenya. Full investigations of all incidents have been carried out and a series of key actions are being undertaken as a matter of urgency. In the first instance, an external review of Tullow's journey management plans and driving policy will be conducted and further driver training will be provided.

Uncontrolled releases

We did not achieve our Uncontrolled Releases targets, which was a KPI we introduced in 2011. This KPI reflects the fact that Tullow's operations are mainly based in sensitive environmental areas and it is important to demonstrate good practice and the integrity of our equipment. In adopting this KPI we have significantly improved our reporting of environmental incidents and as a result we have collected valuable data which will help us improve our processes.

The effect of Uncontrolled Releases to the environment depends on two vital components – the volume released and the receiving environment. For example, while the release of contaminated water is often thought to pose a lower risk to the environment, it may contain oilfield chemicals which could be detrimental. Equally onshore releases can be as damaging as offshore releases both from the perspective of sensitive habitats (ecology and tourism) and the perception of stakeholders to accidental spills or releases; hence the need to have a strong KPI.

In 2011, Tullow had 14 incidents of uncontrolled releases, over four times our target. All of those incidents occurred in Africa, with eight in Uganda and six in Ghana. Over 50% of the incidents related to drilling fluids. While none of the incidents were significant a key focus for 2012 will be integrity management across all our operations, with a particular focus on drilling fluid storage and management in Uganda.

2011 leading indicators

In 2011, we achieved three of our leading indicators, which are outlined on this page. Activity to improve the management of EHS contractor processes is ongoing, with the recruitment of dedicated supply chain EHS resources planned. We reviewed the independent EHS audit indicator and replaced this with a focus on operating in environmentally sensitive areas, which is increasing every year for Tullow. The management of our environmental footprint and the process we adopt for evaluating our activities in protected/sensitive areas is very important. As a consequence we are developing guidelines for new country entry in 2012, which will be followed as part of New Ventures' planning processes.

2012 KPIs

Historically the Group's EHS KPIs were defined each year in support of driving improvement in certain areas of EHS performance. Towards the end of 2011, the new EHS Strategy Forum undertook a detailed review to ensure that EHS KPIs reflect the changing nature of Tullow and the critical EHS risks across the business. The objective is to encourage the right EHS and leadership behaviours. In 2012, leading indicators will build on the 2011 performance with a refined focus on action tracking, safety critical equipment, contractor management, toes and EHS leadership. A more significant change was undertaken with lagging indicators because of a concern that these focused too much on statistics and incidents rather than learning and improving. The 2012 lagging indicators have therefore been changed to ensure that we learn from those incidents that could have a significant impact on Tullow's business including High Potential Incidents, significant spills through uncontrolled releases and malaria management. We will continue to track and report industry standard KPIs as a matter of good practice.

Lagging indicators

	Target	Number of incidents	2011 performance	Status
LTIFR <0.76 with a stretch target of <0.5 per million worked hours	0.76	5	0.38	
TRIFR <3.0 with a stretch target of <2.5 per million worked hours	3.0	36	2.71	
HiPoFR <1.2 with a stretch target of <1.0 per million worked hours	1.2	12	0.90	
Vehicle Accident Frequency rate <1.0 with a stretch target of <0.8 per million kilometres	1.0	12	1.46	
Uncontrolled Releases Number of loss of containment incidents (Water, diesel oil, chemicals, vapours, gases, etc) > 50lt ≤3 with stretch target of ≤2	≤3	15	15	

Leading indicators

	Comments	Status
Implementation of Corporate EHS audit programme and achieve a minimum of six audits 2011	Approved audit plan in place. Six audits completed in 2011.	
Implement Tullow Safety Rules for all operations	Tullow Safety Rules launched on 1 August 2011. Roll out completed.	
Develop management of contractor EHS process, incorporating EHS input to contracts, identification of high risk contractors and audit of high risk contracts.	Recruitment planned for specific EHS resources to support contract strategy in Supply Chain Management.	
Complete independent audit of malaria management policy, procedures and implementation. Agree system improvements and implement by end of Q3 2011.	Audit completed in Corporate offices, Ghana and Uganda. Action plan in place and implementation being monitored.	
Undertake an independent EHS audit to further identify opportunities to strengthen EHS systems and culture.	This objective was superceded by the work undertake by the new EHS strategy team and was not undertaken as a consequence.	

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

OUR PEOPLE

Being a rewarding, challenging and great place to work

2011 highlights

- 26% increase in total workforce (employee and contractors); 29% increase in employees
- 3.2% staff turnover rate for 2011, which is a modest increase on the prior year and within our baseline target of less than 5%
- Over 84% participation in our global employee and contractor feedback survey, 'Talkback'
- 81% favourable engagement score in Talkback, which is significantly higher than the industry benchmark
- 371 new people joined Tullow in 2011, 36% of which joined our African operations
- Our total workforce increased 26% to 1,548 by year-end

Since 2007 our employee numbers have more than trebled, in line with our transformation as a business. Much of our success has been based on the adaptive and entrepreneurial nature of our culture, with organisation & culture forming a key part of our business model, as outlined on page 26 of this report. Our culture is also reflected in our values.

One of our key people challenges is the need to develop and implement systems and processes that provide both rigour and control but ensure that we continue to foster a values based entrepreneurial culture throughout the organisation.

Talkback: global employee and contractor feedback survey

'Talkback' provides a voice to employees and contractors globally. In 2011, the survey received an 84% response rate. Our overall engagement score was 81% favourable, significantly above the energy benchmark defined by the survey intelligence provider, Sirota. Our employees feel our strengths are in the areas of safety, responsibility, innovation, empowerment and teamwork. The main areas for improvement are the obstacles we face as a growing company in achieving more efficiency and effective change management and in the increasing challenges we have in managing a diverse international pool of talent. There are also regional variations in responses that we will need to address. One of our 2012 objectives is to consult widely and to create action plans to further improve our employee engagement and address priority issues. Overall, 71% of employees responded that they intended to stay with Tullow for four years or more, indicating strong and very encouraging retention. Detailed results from the survey will be published in the Corporate Responsibility Report.

Significant organisational growth

In 2011, we set up operations in Kenya, Ethiopia and Singapore and expanded our offices in Mauritania, the Netherlands and Dublin. We created new specialist teams such as the Subsurface Technology Group and the Global IS Service Desk. We also reorganised the business into regions supported by a strong Group centre and sought to maintain a sharp focus on 'business as usual' despite significant uncertainty in Uganda, one of the Group's major projects.

Our HR function facilitates informal communication and involvement on matters that affect employees. Communication and employee consultation form part of our change management approach and we seek to involve stakeholders as early as possible on any new initiatives. Our Global Share Option Plan provides all employees with the ability to have a stake in the success of Tullow. In addition to this, we have expanded our reward benchmarking in countries where it has not previously existed.

Maintaining our culture

Maintaining our culture was a key Board-level corporate objective in 2011, and we continue to take a number of clear steps to manage this objective. At the recruitment phase we look for people with the requisite skills who align with our values. We reinforce this through our induction process, employee handbook and universal performance management system, where we seek evidence of our values in individual performance. Through our leadership development and coaching programmes we help people to live our values every day at work and to provide support to their teams to do so as well. Our values are outlined on pages 3, 47, 61, 75 and 111.

We also track staff turnover as one of the Group's KPIs. Our staff turnover in 2011 was 3.2% (2010: 1.3%). We are conscious of this increase despite staff turnover remaining low relative to our industry. Continuing to offer competitive remuneration, providing people with development opportunities and tracking where we can improve our employee engagement will help us minimise staff turnover. We seek to learn from each person who leaves Tullow to help us to improve our employment offer.

Staying connected

Tullow has operations in 22 countries and 45 nationalities of people managing our business from different cultures and backgrounds means we have to work hard to stay connected, informed and engaged as a group, in all locations and at all levels.

We have an Internal Communications team that are primarily based in London, but have local representation in Uganda and Ghana. The team is tasked with keeping everyone involved and engaged with the Group's initiatives and activities. We manage a variety of channels ranging from our Intranet, videos, Townhall meetings, informal meetings with Senior Management and e-newsletters. Our Intranet, 'TullowNet', is accessed by over 1,000 people per day and provides employees and contractors with regular updates on our business and people stories as well as social and corporate responsibility news. Over 300 stories were published during the year.

Attendees at conference of Ghanaian Graduates and Students of Higher Education held at Coventry University, UK.

Future talent pool

In October 2011, Chief HR Officer, Gordon Headley made a presentation at the Conference of Ghanaian Graduates and Students of Higher Education in the UK. He discussed the HR challenges in Ghana's oil industry, and participated in a question and answer session. Reaching out to this Ghanaian diaspora, many of whom are completing oil and gas related degrees, helps Tullow to create an understanding of the Ghanaian oil industry and to listen to their views and concerns about the development of the sector in their home country. 268 people from various UK universities attended.

In 2011, one of the Board's objectives was to improve its visibility both as a group and as individual Directors. There have been 15 formal 'Meet the Executive' sessions around our global offices, as well as Executive sessions at our Leadership Development Programme. When visiting local offices, members of the Executive make time to host Townhall meetings, informal lunches and Q&A sessions.

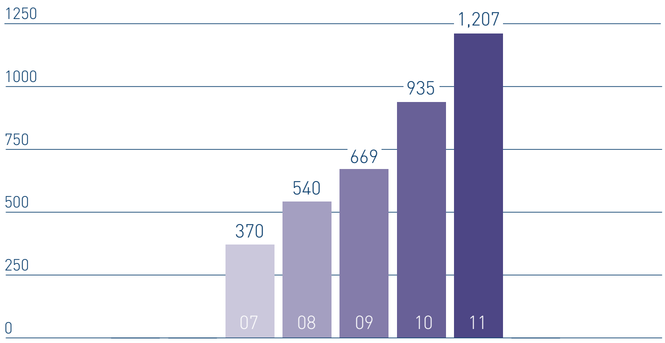
Talent management

In 2011, we introduced a process for succession planning and career development and enhanced our existing global online appraisal process. This will be fully rolled out in 2012. We also launched an employee referral scheme in the UK to complement our internal vacancies board. We continue to support our 'T for Talent' programme. For example, in 2011 we developed a Well Engineering Development Programme where 17 of our well engineers will undertake a programme to develop best-in-class skills in this critical area of our business. During the year, our Learning & Development teams have supported the development of eLearning training for EHS, Compliance and Employee Induction. In 2011, the Tullow Leadership Development Programme was launched with Ashridge Business School. 123 leaders within Tullow have attended the first module of this training; a four-day session on what leadership is and means at Tullow.

Localisation

In 2011, we further clarified our approach to localisation by developing a definition and vision, which provides a common platform for consistent implementation and communication of our localisation aims. We also recruited a Group Localisation Manager to lead the development and implementation of our Group Localisation strategy. In the short-term he is focusing on working with Business Unit management teams in Ghana and Uganda to ensure that our localisation agenda in those countries is executed effectively.

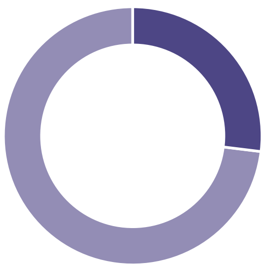
Growth in employees



Deployment of employees

West & North Africa	31%
South & East Africa	24%
Europe, South America & Asia	13%
Corporate functions	32%

Workforce diversity



Female	27%
Male	73%

SUSTAINABLE SUPPLY CHAIN

Building long-term sustainable supplier relationships

2011 highlights

- New online supplier centre launched, see case study below
- Tullow's five key criteria for contract evaluation intentionally address the 10 principles of the UN Global Compact to develop more sustainable supply chain practices
- Contractual terms with suppliers amended to reflect Tullow's new Code of Business Conduct and the enactment of the UK Bribery Act

Tullow evaluates suppliers against five criteria. 1) Does the supplier's approach to safety and the environment meet Tullow's and industry standards? 2) Does the supplier's offer meet the technical requirements for the goods or services tendered? 3) How much local content is incorporated in the tender offer? 4) Is the company working in an ethically compliant way, adhering to Tullow's Code of Business Conduct and all applicable laws and regulations. 5) Is the supplier providing the best technically acceptable commercial offer? These five key criteria address the 10 principles of the UN Global Compact to develop more sustainable supply chain practices.

We have contractual commitments in place for EHS, local content and bribery and corruption. Activities such as child labour are outlawed within the terms of the contract. Freedom of association and fair pay are also mandated and in some cases we pay directly to individual contractors to ensure they are being paid correctly. Tullow people are very active on location so we believe we would see any transgressions in acceptable behaviour or practices quickly. Reporting gives us additional assurance of high standards of performance, particularly in areas of health and safety.

Supply Chain works closely with specialist functions within the business such as Compliance and EHS. In addition, complex contracts may need a wide range of resources such as tax, legal or treasury. This helps to identify the key risks in relation to the goods or services and the contract strategy focuses on addressing all of those risks. A contract strategy, depending on its size and value, will go through a peer review before it goes back to the business for acceptance. This enables us to specifically identify the bespoke elements of the contract that are required to ensure that the actual contract commitments draw on or exceed the 10 principles of developing a sustainable supply chain and Tullow's criteria. While a lot of large companies will have similar terms within their contracts, in most instances they simply penalise companies if those terms are broken. We recognise that many of our suppliers are in developing countries and we work directly with them through our supplier development programmes to help improve and meet the standards required.

In addition, we work with local governments, in all aspects and not just with host country regulators. We support the development of robust legislation, coupled with strong government initiatives, that help to build local capacity. Building skills that are transferable will ultimately create sustainable economic and social development. We can already demonstrate success where local logistic companies have gone on to win contracts with major international companies because of their operations, standards and experience.

Developing local suppliers in Uganda

MSL Logistics limited are specialists in oil field logistic service solutions in Uganda and have been in operation since 1998.

We met with Abe Serabola, who is an engineer with the company.

Q: How would you describe working with Tullow?
A: Both personally and as a company, we have a good relationship with Tullow; however, it is challenging. All work that is meaningful tends to be challenging though because most of the things we do involve change. The oil industry is new here in Uganda and the standards in the oil industry are not common to other areas. Issues regarding safety and environment are new to most people here, so it is challenging to raise awareness of these issues, and have everyone live up to them. The requirements are very exacting, so you need to find talent that can live up to those expectations.

Doing business with Tullow

In 2011, Tullow launched an online supplier centre to provide all suppliers, but particularly local companies, with the opportunity to register their interest to become a supplier. This helps us work with suppliers in terms of pre-qualification criteria and where necessary assist companies in improving their standards to enable them to submit tenders to either Tullow or the Group's international suppliers working in host countries. The centre provides easy access to key supplier information. Current opportunities are advertised in a notice board for Expressions of Interest in countries such as Madagascar and Uganda, which complements in-country advertising. Supplier events are also advertised such as the compliance workshop hosted in Kenya in March 2012.

For more information visit
www.tullowoil.com/supplier_centre

LOCAL CONTENT

Creating real opportunities for local people and local enterprise development

2011 highlights

- Supplier development programme established to support local suppliers and enable them to compete for contracts
- Social enterprise working group formed to develop integrated initiatives between Social Enterprise, Supply Chain and Human Resources in support of local content development

A principal element of shared prosperity in host countries is creating real opportunities for local people and local enterprise development. Tullow's strategy is to create local opportunities in three interconnected ways:

- Supply Chain local content – enabling local companies to enter the industry's supply chain, either directly with Tullow or through Tullow's supplier relationships;
- Localisation – to be capable of running each of the Group's country assets with a majority of local managers and staff. HR has functional responsibility for this area; and
- Strategic Social Enterprise investment – investing in education and enterprise programmes that build capacity for the oil and gas industry and provide support for Tullow's localisation and supply chain local content strategies. This is the responsibility of the Social Enterprise working group and External Affairs.

Each aspect has a significant role to play in fostering social and economic development in emerging oil countries. However, with almost $2 billion forecast capital expenditure in 2012, Supply Chain has a leading role to play in the development of local content. In particular, all Supply Chain tenders submitted are reviewed for opportunities for local content, which is a key consideration in host country contracting strategy.

Tullow has a local supplier development programme designed to provide support to suppliers not only to enable them to respond to tenders but also to help them improve their business processes, allowing them to compete with international suppliers. A key initiative undertaken in 2011 was to identify a series of activities that would support supply chain local content development. These include building sustainable and viable supplier networks in host countries and developing sustainable and self-governing training initiatives delivering recognised international qualification.

Specific projects under way include opening enterprise centres in Ghana and Uganda in 2012 and running a pilot vocational training scheme for selected trades as a learning exercise. Central to the success of any initiative is to ensure that they are aligned with host country development goals and are supported or delivered by strong collaborative partnerships with NGOs, governments, industry bodies and professional providers.

Developing local suppliers in Ghana

Macro Group is a Ghanaian company that offers a portfolio of services including shipping, logistics and trucking. The company started life as Macro Shipping in 2005, and has grown by recognising further opportunities in the emerging oil and gas industry and adding additional services including Macro Logistics and Macro Trucking.

The company started with three members of staff in 2005 and now employs over 75 people. Macro Group has worked with Tullow since 2009, providing heavy vehicles and drivers and ports and harbours agency services.

Its founder Kwame Macafui talks about the Macro Group and their work with Tullow.

Q: What do you find positive about working with Tullow?
A: I'd describe working for Tullow as like being in school, but it's fascinating as everyone is prepared to learn, with no complaints. Since the start of our relationship we have learned a number of lessons and have grown in experience as an organisation. While some lessons are positive and others more challenging, we believe that as we work together more, our business will continue to improve.

Q: In what ways has your business changed since working with Tullow?
A: Tullow has a remarkable environment, health and safety management system and it ensures that we conform to the high standards within this industry. Tullow's stance on EHS has made us focus in the same direction to keep us ahead of the market and our competitors. One of our objectives is to build a strong safety culture and we regularly train our staff in a number of internationally recognised EHS practices.

Q: Do you feel the skills learnt by working with Tullow are transferable both in-country and internationally?
A: Yes, we do, and we very much appreciate the opportunity and experience we have gained. Working with Tullow has helped us to raise and set our own standards and we believe we are prepared for work around the world. Each tender process we go through is tough and challenging, but we consider them to be learning curves that help prepare us for world-class performance anywhere, anytime.

The Hon. Hanna S. Tetteh, Minister of Trade & Industry, on the Tullow stand at the 2nd AGI Local Content Oil and Gas Conference in Ghana.

SOCIAL ENTERPRISE INVESTMENT

Working with and supporting our local communities

2011 highlights

- In 2011, Tullow's discretionary social enterprise investment increased 346% to $11.6 million (2010: $2.6 million)
- Introduction of the Tullow Education and Enterprise Development (TEED) fund

Our social enterprise (SE) programme is focused on supporting education and enterprise development to build local capacity for the oil and gas industry and other sectors that promote economic diversification. In addition, many of the communities in which we operate require assistance with primary education, healthcare and building small local businesses. We expect all our SE initiatives to deliver demonstrable value and contribute to an environment in which Tullow can run its operations effectively in order to achieve its business objectives.

Aligned investment goals

We seek to align our projects with the development goals of a host country as well as our own business plans and initiatives. We engage regularly with local communities, authorities and other stakeholders to help inform our SE programme. Our projects vary in scale and nature. They can be highly localised, such as a community health check, or have a country-wide reach, such as the Tullow Group Scholarship Scheme (TGSS). Our overall goals are to invest where we see the opportunity to bring meaningful and lasting benefits for sustainable long-term development and, where appropriate, to balance this with support for certain immediate needs that our local communities may face.

Integrated in the business

In 2011, we strengthened the links between social enterprise investment and business aims by establishing a working group that develops integrated initiatives between Social Enterprise, Supply Chain and HR. This working group focuses on projects that support local content development and promotes economic diversification in host countries. Tullow's commitment, in this regard, is to create real opportunities for local people and local enterprise development through localisation, local supplier development and building industry capacity. The SE working group includes representatives from Supply Chain, HR, Finance, EHS, External Affairs and IR to get a broad spectrum of skills and experience, in conjunction with a wide range of stakeholder perspectives. This working group is responsible for project approval at Group level.

Growing investment

In 2011, Tullow's discretionary SE investment increased 346% to $11.6 million (2010: $2.6 million). A significant part of this increase relates to the introduction of the Tullow Education and Enterprise Development (TEED) fund. The fund's mandate is to support projects that help to develop local/national capacity for the oil and gas industry and develop local businesses. The fund also supports initiatives to attract Foreign Direct Investment into Africa in order to promote economic growth and diversification so that there is not an over dependence on oil and gas. Through its investments, we aim to support education and training to facilitate direct and indirect employment in the industry and other growth sectors. Investments by TEED will be closely aligned with our local content objectives and localisation plans.

Social enterprise investment by region

West & North Africa	43%
South & East Africa	50%
Europe, South America & Asia	7%

Social enterprise investment by focus area

Education	42%
Health	30%
Other	16%
Enterprise	10%
Environment	2%

Tullow Group Scholarship Scheme

TEED-funded projects include the Tullow Group Scholarship Scheme, which was launched in early 2012. The scheme will fund postgraduate degree, technical training and vocational studies. These scholarships aim to support local people's participation in the oil and gas industry, and in other sectors that promote economic diversification. The scheme will address both existing industry skills gaps and national capacity development requirements and is aligned with Tullow's aim of supporting long-term socio-economic growth in countries where it operates. It is run through a partnership between Tullow and the British Council, an internationally recognised service provider in scholarship management and partnership development in higher education. The British Council also has a strong profile in Africa and has a great deal of experience in running educational programmes to support development goals and priorities. The pilot phase has provided 24 Ghanaians from public sector organisations with full scholarships to study oil and gas and business related Masters Degrees at a range of UK universities.

For more information visit:
www.tullowgroupscholarshipscheme.org

Key corporate responsibility policies and systems

GOVERNANCE

- Code of Business Conduct
  - Gifts & hospitality policy and online register
  - Guidance on avoiding facilitation payments
  - Guidance on expenditure on Foreign Policy Officials
  - Conflicts of interest declaration form
  - Awareness training programme
- Compliance online portal
- Compliance Committee
- Independent system for 'speaking up/whistle blowing'

STAKEHOLDER ENGAGEMENT

- Employee stakeholder engagement guidelines (2012)
- Global online stakeholder management tool (2012)

ENVIRONMENT, HEALTH & SAFETY

- EHS Strategy Forum
- EHS policy (to be revised in 2012)
- Tullow Safety Rules
- Tullow Oil Environmental Standards (toes)
- IS014001 accreditation for Environmental Management System
- Crisis management and emergency response facilities and plans
- HIV/AIDS policy
- Participant membership of the Voluntary Principles on Security and Human Rights (2012)

PEOPLE

- Tullow values
- Group HR policies
- Employee handbooks / induction / local legislation requirements
- Equal opportunities policy
- Harassment policy
- Localisation policy

SUSTAINABLE SUPPLY CHAIN

- Supplier centre online
- Group local content policy (2012)
- Master contract reflects Code of Business Conduct, UK Bribery Act
- Tullow five contract criteria assessment, which incorporates the United Nations Global Compact Sustainable Supply Chain principles

SOCIAL ENTERPRISE

- Social enterprise guidelines
- Tullow Education and Enterprise Development (TEED) fund
- Social enterprise working group responsible for approving TEED projects
- Local and community SE projects managed by in-country teams

Governance & risk framework

Tullow has a strong governance and risk framework that gives direct ownership of risk management and corporate responsibility to the Board and Executive Directors. This cascades down the organisation through a Regional Business structure, which is supported by specialist corporate functions. It promotes accountability and transparency in our activities and sets the standard for acceptable and ethical behaviour. It is embedded in how we run our business and is fully integrated with the Group's business model.

More information	Page
Corporate governance	76
Governance and risk framework	80
Our business model	14

Seismic Project Manager with BGP's Party Chief and
EPI Group's Acquisition Supervisor during seismic operations in Block 13T, Kenya.

CORPORATE GOVERNANCE

4

ENTREPRENEURIAL SPIRIT & INITIATIVE

Maintain our entrepreneurial and creative spirit as we challenge ourselves to develop the business and as individuals. This value is reflected in the agility, innovation and sense of personal initiative that have underpinned Tullow's success to date.

Dear Shareholder

Your Board is committed to maintaining high standards of corporate governance. As Tullow continues to grow in size and complexity, one of the greatest challenges that we face is to ensure that we have in place the right people and processes to manage risk and opportunity effectively, without stifling the agility, innovation and sense of personal initiative and commitment that have underpinned the Group's success to date.

During the year, the Board reviewed the new UK Corporate Governance Code. In particular, we looked at the principles of the Code and how best to implement them in practice. In this 'Introduction to Corporate Governance' I will touch on how some of the specific principles are applied by the Tullow Board, but ultimately good governance depends upon the values and behaviours of every employee. At Board level, we seek to provide strong leadership, to set the tone for the organisation, and to continuously improve the way we work together as a collaborative team, to ensure that we maintain and enhance the culture and values of the entire Group.

Simon Thompson
Chairman

2011 Board performance

In 2011, your Board set objectives in six key areas. How we performed in each area is set out in the table on page 78. Overall, we achieved most of our objectives but some will be carried over into 2012. The successful launch of the new Tullow Code of Business Conduct was a particularly important achievement. It has been rolled out to all employees and contractors and embedded in our supplier contracts. Seven training sessions for employees have been completed and the awareness and training programme will continue in 2012. We are also undertaking bribery and corruption training with our suppliers in an effort to ensure good practice throughout the supply chain.

2011 Board evaluation

As part of my induction for the role of Chairman, I conducted the Board evaluation this year. Last year's externally facilitated process provided a good baseline against which to measure progress. Part of the purpose of the 2011 evaluation was for the Board to collectively agree a work programme that will enable the Board to lead Tullow through the next phase of its development. The process consisted of a questionnaire, one-to-one structured interviews with each Director, and a full Board discussion of the conclusions and recommendations. The exercise has resulted in an action plan and a 12 month rolling agenda to ensure that the Board addresses all of the key issues identified.

The evaluation showed that we are building from a strong base, with an informal, engaged and supportive working climate on the Board, coupled with a healthy level of challenge and debate. Relations between Executive Directors and non-executive Directors are good and there is a remarkable degree of alignment on the areas requiring attention over the coming year as part of the Board's commitment to continuous improvement.

Risk management processes are generally robust and well embedded in the corporate culture, but some improvements to the quality of Board reporting were identified in relation to political and economic risk analysis, the competitive landscape and industry benchmarking.

"Corporate governance is about managing the business in order to create long-term sustainable value for the benefit of all of our stakeholders. It means striking the right balance between entrepreneurial risk-taking and prudent risk management."

In order to provide the human and financial resources needed to meet Tullow's growth ambitions, talent management, organisational design, succession planning, portfolio management and medium-term cash flow forecasting were identified as areas requiring particular focus over the coming year. We also identified a number of topics where outside speakers and other external resources will be accessed as part of a continuing programme of Board development and education.

2012 Board objectives
The 2011 Board evaluation informed the 2012 Board objectives which are set out on page 79. I will undertake a mid-year review of progress in each area with Graham Martin, General Counsel and Company Secretary, the nominated Executive Director with responsibility for Board matters.

Board membership
In 2011, the Board comprised the non-executive Chairman, the Chief Executive Officer, four Executive Directors and six non-executive Directors. At the beginning of 2012, I replaced Pat Plunkett as non-executive Chairman and during the course of the year two other non-executive Directors, Steve McTiernan and David Williams, will leave the Board. Steve McTiernan, the Senior Independent Director, has agreed to remain on the Board until the end of the year, notwithstanding the fact that he has been on the Board for more than 10 years. In my judgement, he continues to act wholly independently and will provide very valuable continuity as the Board is refreshed. In March 2012, the Board approved the appointment of Steve Lucas as a non-executive Director with effect from 14 March 2012.

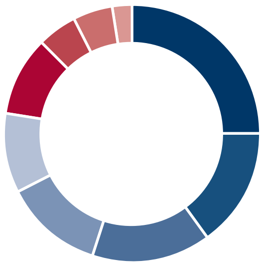
We have carried out an analysis of the knowledge and experience required by the Board and will conduct the searches for the two new non-executive Directors sequentially to ensure that they collectively bring the desired blend of personal attributes, background and skills.

In accordance with the new UK Corporate Governance Code, all the Directors, with the exception of David Williams who is retiring from the Board, will stand for re-election at the AGM. The 2011 Board evaluation confirmed that each Director continues to provide the Board with valuable knowledge and expertise and to devote sufficient time in support of the Group. I strongly recommend their re-election.

Diversity
Until May 2011, Tullow had two female directors, representing 16% of Board membership. However, Clare Spottiswoode retired at the 2011 AGM, reducing our membership to one. For a Group whose business activities are mainly outside the United Kingdom, international experience is as important as gender diversity. We will seek to increase both as we refresh the Board over the coming year.

Almost 27% of the Group's workforce are female, which is a relatively high level for the oil industry, and we are particularly pleased to have achieved a high representation in some of our areas of operation where female employment offers real empowerment and emancipation. 17% of our managers are female. This number is growing steadily and now includes one of the three Regional Business Managers, one of the most senior positions in the Group. The pipeline of younger talent within the Group is also diverse and bodes well for the future.

2011 Board time



Strategy	25%
Uganda	15%
Financial Management	15%
Corporate Governance	12.5%
D&O	10%
E&A	10%
EHS	5%
HR	5%
Stakeholder Management	2.5%

Shareholder relationships
Tullow has a very active investor relations programme through which the CEO, the CFO, the other Executive Directors and Senior Management regularly meet major shareholders. In 2011, 370 investor meetings were held, presentations were made at 15 international conferences and 18 broker sales team briefings were conducted. In addition, over 30 news releases were issued. In 2010, we conducted a capital markets perception survey which was reported to the Board. We will conduct a similar survey this year.

Part of my role as Chairman is to ensure that the Board is kept fully informed of shareholder views. Over the past few months I have met several major shareholders, investor associations and stock broking analysts. I also participated in the recent review of our corporate broking arrangements. These interactions have enabled me to gain a clearer understanding of investors' views on Tullow, its management and its strategy. I am looking forward to meeting many more shareholders over the coming months and would encourage as many as possible to attend the AGM.

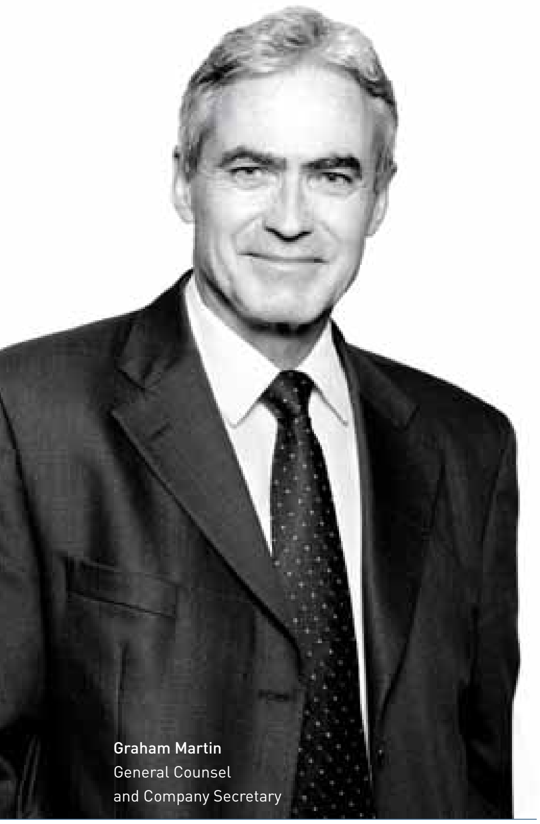
Remuneration changes
Tullow's remuneration policy seeks to align the interests of Executive Directors and shareholders and is structured to enable the Group to attract, motivate and retain the talent required to deliver the business strategy. In 2011, certain changes were made to the remuneration packages of the Executive Directors following an extensive review of our market positioning and consultation with the Group's major shareholders. The changes reflect the successful growth of our business and the reduced competitiveness of the remuneration of the Executive Directors, whose salaries had fallen well below

the median. The Remuneration Committee is cognisant of the current sensitivity relating to executive director remuneration but believes that a strong emphasis on long-term performance-related pay continues to be appropriate and helps ensure that the Tullow's remuneration policy does not encourage inappropriate risk-taking. Full details are set out in the Remuneration Committee report, which commences on page 88 of this report.

Board time

Uganda took up a considerable amount of the Board's time again during 2011, as would be expected given the strategic importance of this major project. Corporate responsibility – governance, environment, health and safety, human resources and stakeholder management – took up a third of the Board's time, which underlines the importance of our wider social and environmental responsibilities. Strategy and risk management are core elements of the Board's activities and in 2012 we will seek to increase the amount of time we spend preparing for the future and discussing the major opportunities and challenges that the Group faces. A full breakdown of Board time in 2011 is on page 77.

"Our goal in Tullow is to follow the principle that good behaviour is an integral part of doing your job and that full compliance is expected, whether you are staff, a contractor or supplier."



Graham Martin
General Counsel
and Company Secretary

2011 BOARD OBJECTIVES

Corporate strategy	Ensure sufficient Board time is given to strategic debate, listening to external views and the determination of new options to generate long-term value. Formally review corporate strategy at least annually.
Corporate risk	Principal risks and uncertainties in relation to the Group's financial and operational performance in 2011 are set out in the risk management report on page 40. In addition the Board has an objective to ensure that major corporate risks continue to be identified and that adequate systems, processes and procedures are in place to monitor and mitigate them. Specific corporate risks currently identified are: 1. External stakeholder relationships; 2. Health and safety, with particular emphasis on malaria awareness and prevention; 3. UK Bribery Act and Tullow's Code of Business Conduct; 4. Organisational capacity; and 5. Maintenance of Tullow culture.
Board Committees	Implement succession plan for Chairman and non-executive Directors. Review and revise remuneration structure to align with current phase of growth. Re-visit composition of Board Committees. Further improve Board visibility both as a whole and as individual Directors and examine the effectiveness of internal communications in assessing the views of employees, both long-serving and new joiners.
Training of Directors	The Chairman is to agree formal training and development plans with each Director and review progress in completing these plans.
Board administration	A more thorough review of electronic/web-based Board administration systems will be made in 2011 to enhance Board efficiency.

I am delighted to have taken on the role as Chairman of Tullow and welcome shareholder feedback. If you have any comments or observations please feel free to email me at chairman@tullowoil.com.

S.R. Thompson

Simon R Thompson
Chairman
13 March 2012

2011 PERFORMANCE

At a two-day offsite mid-year, the Board received strategic presentations from heads of business units and functions and reviewed the overall Group strategy. Approximately 40% of Board time in 2011 was devoted to strategic discussions, assisted by presentations from external parties.

The Board is satisfied that appropriate discussion took place in 2011 around the principal identified risks, with particular emphasis last year on health and safety issues (including malaria prevention), bribery and corruption and organisational overstretch. As a result some policy and procedural improvements were identified which will be carried forward for action in 2012.

The appointment of Simon Thompson to replace Pat Plunkett as Chairman was made. A clear succession plan for other non-executive Directors is now being implemented, at a pace designed to ensure a measure of continuity.

A revised remuneration structure for Executives Directors was developed in 2011 and approved by shareholders.

The composition of Board committees was reviewed and a restructuring agreed which was implemented shortly after year end.

While the Board believes there is always room for improvement in Board visibility and communications, there were a significant number of Group-wide events in 2011 at which Board members were able to meet a wide cross section of employees.

All directors underwent some training in 2011, usually of a type identified by themselves as being required or helpful in their respective roles, rather than as part of a formal plan. The Board intend to introduce more formality into this process in 2012.

A thorough review was carried out of web-based Board administration packages and a supplier selected. This will be implemented in the first half of 2012.

2012 BOARD OBJECTIVES

Strategy	Annual strategy review to focus on risk management; resource allocation within the portfolio of exploration, appraisal and development projects; and building organisational capacity to meet our growth expectations. Strategy to be regularly updated, incorporating external views on economic and political developments in host countries.
Risk management	Continue to ensure that the Group's financial and operating risks are identified and that adequate systems and processes are in place to monitor and mitigate them, with a particular focus on: 1. External stakeholder relationships; 2. Portfolio management; 3. Improving quality of Board reporting on evolving risks; 4. Building organisational capacity; 5. EHS and asset integrity; and 6. Maintaining and enhancing the Tullow culture.
Succession planning	Improve quality of succession planning for the Board and Senior Management. Implement succession plan for the chair of the Audit Committee and two other non-executive Directors.
Board Committees	Review remuneration structure and KPIs to ensure alignment with evolving strategic objectives and risk management. Agree strategy and criteria for Director succession at the full Board. Reduce size of Nominations Committee and use it to execute the agreed strategy.
Board visibility, engagement and communication	Ensure appropriate frequency of Board level interactions with employees, key decision makers and other opinion formers in countries of operation. Review 'Talk Back' staff climate survey and take appropriate actions.
Board procedures	Implement electronic distribution of Board papers. Implement 12 month rolling agenda to enhance Board planning.

GOVERNANCE AND RISK FRAMEWORK

Tullow has a strong governance and risk framework that gives direct ownership of risk and corporate responsibility to the Board and executive Directors.

EXECUTIVE DIRECTORS RESPONSIBILITIES

Executive Directors	Aidan Heavey Chief Executive Officer	Graham Martin General Counsel & Company Secretary	Paul McDade Chief Operating Officer	Angus McCoss Exploration Director	Ian Springett Chief Financial Officer
Direct reports	• Other Executive Directors • External Affairs & CSR • Africa Advisers	• Governance & compliance • Human resources • Legal • Company Secretariat	• Development & operations • EHS • Regional Business Units • Projects	• Exploration • Geophysical Technology • Information Technology • Subsurface Technology	• Communications & IR • Corporate planning & economics • Finance • Internal audit • Risk & marketing • Supply chain • Taxation
Risk management	Strategic risk External risk	Strategic risk External risk	Financial risk Operational risk	Financial risk Operational risk	Financial risk External risk
Risk assurance		Compliance Committee	Development & Operations Leadership Team	Global Exploration Leadership Team	Finance Risk Committee
CR Responsibilities	External affairs, Stakeholder engagement, Social enterprise investment	People, Localisation, Governance, Ethics, Compliance	Environment, Health & safety, Crisis management	Information systems management	Sustainable supply chain, Local content, Shareholder relations

EXPERIENCED LEADERSHIP

The Board is well balanced in terms of composition, experience and length of tenure.

EXECUTIVE DIRECTORS

Aidan Heavey
Chief Executive Officer
Age: 58
Nationality: Irish
Tenure: 26 years
Term of office: Rolling 1 year
Service contract: Dated 2 September 2002
Re-election to Board: Annual

A founding Director and shareholder of the Company, Aidan Heavey has played a key role in the development of Tullow from its formation in 1985 to its current international status as a leading independent oil and gas exploration and production group. A Chartered Accountant, he previously held roles in the airline and engineering sectors in Ireland.

Committee membership:
Nominations Committee.

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

Graham Martin
General Counsel & Company Secretary
Age: 57
Nationality: British
Tenure: 15 years
Term of office: Rolling 1 year
Service contract: Dated 2 September 2002
Re-election to Board: Annual

Graham Martin is a UK solicitor and joined Tullow as Legal and Commercial Director in 1997 from Vinson & Elkins, a leading international law practice. Prior to that, he was a partner in Dickson Minto 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.

Paul McDade
Chief Operating Officer
Age: 48
Nationality: British
Tenure: 5 years
Term of office: Rolling 1 year
Service contract: Dated 29 March 2006
Re-election to Board: Annual

Paul McDade was appointed to the Board in 2006. 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 25 years' experience, he has worked in various operational, commercial and management roles with Conoco, Lasmo and ERC. He has broad international experience having worked in the UK North Sea, Latin America, Africa and South East Asia and holds degrees in Civil Engineering and Petroleum Engineering.

Angus McCoss
Exploration Director
Age: 50
Nationality: British
Tenure: 5 years
Term of office: Rolling 1 year
Service contract: Dated 18 April 2006
Re-election to Board: Annual

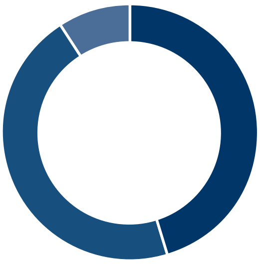
Angus McCoss was appointed to the Board in December 2006. He is a geologist with a BP sponsored PhD and, prior to joining Tullow in April 2006 as General Manager Exploration, he had 21 years of wide-ranging exploration experience, working primarily with Shell in Africa, Europe, China, South America and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

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

Ian Springett
Chief Financial Officer
Age: 54
Nationality: British
Tenure: 3 years
Term of office: Rolling 1 year
Service contract: Dated 1 September 2008
Re-election to Board: Annual

A Chartered Accountant, Ian Springett was appointed Chief Financial Officer and to the Board in 2008. Prior to joining Tullow, he worked at BP for 23 years where he gained a wealth of international oil and gas experience. 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.

Board split



Executive Directors	5
Non-executive Directors	5
Chairman	1

NON-EXECUTIVE DIRECTORS

Simon Thompson
Chairman
Age: 52
Nationality: British
Tenure: 10 months
Term of office: 3 years
Letter of appointment:
Dated 16 December 2011
Re-election to Board: Annual

Simon Thompson was appointed as a non-executive Director in May 2011 and was appointed non-executive Chairman from 1 January 2012. He holds a degree in geology and brings a wealth of international investment banking and natural resources knowledge and experience, especially in Africa. From 1985, he held investment banking roles at N M Rothschild and S G Warburg. In 1995, he joined the Anglo American group where he held a number of senior positions including chief executive of the base metals division, chairman of the exploration division and chairman of the Tarmac Group.

Committee membership: Nominations (Chairman) and Remuneration Committees.

Other directorships and offices: Simon was appointed an executive director of Anglo American plc in 2005. Since leaving Anglo American in 2007, he has held a number of non-executive director positions. These currently include Newmont Mining Corporation (USA), Sandvik AB (Sweden) and AMEC plc (UK).

Steven McTiernan
Senior Independent Director
Age: 60
Nationality: British
Tenure: 10 years
Term of office: 10 months
Letter of appointment:
Dated 28 February 2012
Re-election to Board: Annual

Steven McTiernan was appointed as a non-executive Director in 2002 and was appointed Senior Independent Director in 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.

Committee membership: Audit, Nominations and Remuneration Committees.

Other directorships and offices: From 1996 to 2001 Steven held senior energy-related positions at NatWest Markets and CIBC World Markets. He is currently principal of Sandown Energy Consultants Limited, a natural resources advisory firm based in London, and a non-executive director of First Quantum Minerals Limited.

David Williams
Non-executive Director
Age: 66
Nationality: British
Tenure: 5 years
Term of office: 3 years
Letter of appointment:
Dated 8 December 2009
Re-election to Board: Annual

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.

Committee membership: Audit (Chairman) and Remuneration Committees.

Other directorships and offices: David is the joint chairman of Mondi plc. He is also the senior independent director of Meggitt PLC and a non-executive director of DP World Limited, a Dubai quoted company, and is chairman of the audit committee at both companies. From 2007 to 2010, he was the senior independent director of Taylor Wimpey plc.

Ann Grant
Non-executive Director
Age: 63
Nationality: British
Tenure: 3 years
Term of office: 3 years
Letter of appointment:
Dated 19 April 2011
Re-election to Board: Annual

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

Committee membership: Audit and Nominations Committees.

Other directorships and offices: In 2005, Ann joined Standard Chartered Bank as vice chairman, Standard Chartered Capital Markets. She is a board member of the Overseas Development Institute and an independent trustee on the UK Disasters Emergency Committee.

David Bamford
Non-executive Director
Age: 65
Nationality: British
Tenure: 7 years
Term of office: 3 years
Letter of appointment:
Dated 30 June 2010
Re-election to Board: Annual

David Bamford was appointed as a non-executive Director in 2004. With a PhD in Geological Sciences, he has had over 23 years' exploration experience with BP where he was chief geophysicist from 1990 to 1995, general manager for West Africa from 1995 to 1998, and acted as vice president, exploration, directing BP's global exploration programme, from 2001 to 2003.

Committee membership:
Remuneration Committee (Chairman).

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

Tutu Agyare
Non-executive Director
Age: 49
Nationality: Ghanaian
Tenure: 1 year
Term of office: 3 years
Letter of appointment:
Dated 24 August 2010
Re-election to Board: Annual

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

Committee membership: Audit and Remuneration Committees.

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

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

David Williams, Committee Chairman

Committee member	Member throughout 2011	Number of meetings attended
David Williams (Chair)	✓	4
Tutu Agyare	✓	4
David Bamford[1]	✓	4
Ann Grant	✓	4
Steven McTiernan	✓	4
Clare Spottiswoode	To 12 May 2011	1
SimonThompson[2]	✓	2

1 Ceased as a member of the Committee on 17 January 2012.

2 Ceased as a member of the Committee on appointment as Chairman of the Company on 1 January 2012.

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 Audit Committee terms of reference can be accessed via the corporate website. The Board approved the terms of reference in December 2011. The Committee fully discharged these responsibilities during the year.

Governance

David Williams, who is Chairman of the Committee, is a Chartered Accountant and until his retirement in 2006 was finance director of Bunzl plc. It is a requirement of the UK Corporate Governance Code that at least one Committee member has recent and relevant financial experience. David Williams therefore meets this requirement.

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 is in place to formalise these arrangements which requires Audit Committee approval for certain categories of work. This policy has been reviewed and updated in line with updated Audit Practice Board Ethical Standards and FRC Guidance to Audit Committees, and is available on the corporate website.

A breakdown of the fees paid to the external auditors in respect of audit and non-audit work is included in note 5 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 the objectivity to allow them to continue to serve the members of the Company. This confirmation was given and no matters of concern were identified by the Committee.

The Chief Financial Officer, the Group Internal Audit Manager, the General Manager Finance, the Deputy Company Secretary and representatives of the external auditors are invited to attend each meeting of the Committee and participated in all of the meetings during 2011. The Chairman of the Board also attends meetings of the Committee by invitation and was present at all of the meetings in 2011. The external auditors have unrestricted access to the Committee Chairman.

During the 2011 audit process, the Audit Committee Chairman met with Deloitte's audit engagement partner without the presence of management.

Meetings

In 2011, the Audit Committee met on four occasions. Meetings are scheduled to allow sufficient time to enable full discussion of key topics. 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 (IFRS). The adoption of new and revised Standards and Interpretations during 2011 and their impact on the financial statements are described in the accounting policies commencing on page 118.
- The Audit Committee approved the scope of the work to be undertaken by the external auditors for half-year and year-end statutory audits.

Consideration and approval of the risk management framework, annual Internal Audit Plan, internal audit resources 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 2011, the Group Internal Audit Manager met with the Audit Committee Chairman without the presence of management to discuss the planning of Audit Committee meetings and to brief him on the results of audits completed. The Group Internal Audit Manager also supported the development of Audit Committee meeting agendas with the Chairman with input from the CFO and General Manager Finance.
- The Committee approved the programme of 2011 internal audit work aimed at addressing both financial and overall risk management objectives identified within the Group. 31 internal audit reviews were undertaken during 2011, covering a range of financial and business processes in the Group's main business units in London and Dublin, the main operational locations in Ghana and Uganda, as well as a review of the new Kenya operations. 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 2011. The Group also undertook regular audits of non-operated joint ventures under the supervision of business unit management and the Group Internal Audit Manager.
- In addition, the Committee oversees the work of the independent reserves auditors ERC and the arrangements in place for managing Information Technology risk relating to the Group's critical information systems.
- The Group Tax Manager also provided an update to the Audit Committee on tax processes and controls established to mitigate operational and strategic tax risks.

Review of the whistle-blowing arrangements

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

Review the Audit Committee terms of reference

- The Committee reviewed its terms of reference during the year. These are in line with the best practice guidance.

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. This was conducted through a series of questionnaires. Internal Audit coordinated the review. The review also incorporated the results of the Board evaluation with the combined 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 UK Corporate Governance Code.
- The Internal Audit team was further strengthened through the recruitment of additional resources and the adoption of updated procedures to enhance audit processes.
- In addition to the questionnaire-based review of effectiveness, the Audit Committee also assessed the qualification, expertise and resources, and independence of the external auditors and the effectiveness of the audit process. This covered all aspects of the audit service provided by Deloitte LLP, including obtaining a report on the audit firm's own internal quality control procedures and consideration of audit firms' annual transparency reports in line with the UK Corporate Governance Code. The Audit Committee also approved the external audit terms of engagement and remuneration. As a result of these reviews, the Audit Committee considered the external audit process to be operating effectively.
- The UK Corporate Governance Code states that the Audit Committee should have primary responsibility for making a recommendation on the appointment, re-appointment or removal of the external auditors. On the basis of the review of external audit effectiveness, the Committee recommended to the Board that it recommends to shareholders the re-appointment of the auditors at the 2012 AGM.

"We have identified the personal attributes, background and experience required by the Board to lead the next phase of growth."

Simon Thompson, Committee Chairman

Committee member	Member throughout 2011	Number of meetings attended
Simon Thompson (Chair from 1 January 2012)	From 16 May 2011	2
Pat Plunkett[1] (Chair to 31 December 2011)	✓	5
Tutu Agyare[2]	✓	5
David Bamford[2]	✓	5
Ann Grant	✓	5
Aidan Heavey	✓	4
Steven McTiernan	✓	5
Clare Spottiswoode	To 12 May 2011	2
David Williams[2]	✓	5

1 Ceased as a member of the Committee on retirement from the Board on 31 December 2011

2 Ceased as members of the Committee on 17 January 2012

Committee's role

The Committee reviews the composition and balance of the Board and senior Executive team on a regular basis to ensure that the Board and management have the right structure, skills and experience in place for the effective management of the Group's expanding business. This review includes a forward-looking analysis of the skills and diversity required of Board members. This analysis is reviewed and discussed with the Board, the primary aim being to schedule a progressive refreshment of the Board. It is the Committee's policy when conducting a search for a new Executive or a non-executive Director to appoint external search consultants to provide the Committee with long lists of candidates against an agreed role and experience specification from which a short list is produced.

Main responsibilities

The main duties are:

- Reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any changes required;
- Succession planning for Directors and other senior executives;
- Identifying and nominating, for Board approval, candidates to fill Board vacancies as and when they arise;
- Reviewing annually the time commitment required of non-executive Directors; and
- Making recommendations to the Board regarding membership of the Audit and Remuneration Committees in consultation with the Chairman of each Committee.

Committee membership

The Committee currently comprises three non-executive Directors and the Chief Executive Officer and met five times during 2011. Throughout the year, Pat Plunkett was Chairman of the Committee until he retired from the Board on 31 December 2011. Simon Thompson was appointed as Committee Chairman from 1 January 2012. On 17 January 2012, as part of a restructuring of all three Board Committees, the Board approved a reduction in the number of members on the Nominations Committee from seven to four with David Bamford, Tutu Agyare and David Williams ceasing to be members from that date. The membership and attendance of members at Committee meetings held in 2011 are shown in the adjoining table.

Committee activities during the 2011 and subsequent to the year end

- Board refreshment – In early 2011, the Committee recommended to the Board that the renewal of the terms of appointment for Clare Spottiswoode and Steven McTiernan, who had both been in office for more than nine years, should be for shorter periods than the usual three-year term. This was with a view to considering appointing new non-executive

Directors in their place. On 12 May 2011, Clare Spottiswoode retired from the Board and Simon Thompson joined the Board as a non-executive Director on 16 May 2011.

Simon Thompson was selected from a shortlist of candidates put forward by a specialist search consultancy. Following an interview selection process and having received and evaluated feedback from Board members, the Committee recommended to the Board that he be appointed as an additional non-executive Director with effect from 16 May 2011. This recommendation was approved by the Board in March 2011.

Since the end of 2011, and to provide continuity, the Board has extended the term of appointment for Steven McTiernan to 31 December 2012. It is intended that a new non-executive Director be appointed in Mr McTiernan's place no later than 31 December 2012.

On 12 March 2012, the Board approved recommendations by the Committee that Steve Lucas be appointed as an additional non-executive Director with effect from 14 March 2012 and as Chairman designate of the Audit Committee. This follows David William's decision to retire from the Board (and as Chairman of the Audit Committee) at the conclusion of the AGM on 16 May 2012. Steve Lucas will then assume Chairmanship of that Committee.

- Chairman succession – Pat Plunkett had advised the Board in early 2011 that he intended to retire as Chairman by the 2012 AGM. Accordingly, the Committee commenced a search process in June 2011 for a range of external candidates to interview and evaluate as his successor. Following a comprehensive selection process, the Committee made a recommendation to the Board that Simon Thompson, a current Tullow non-executive Director, be appointed Chairman with effect from 1 January 2012. The recommendation was approved by the Board on 8 November 2012. The Committee will commence a search for a replacement non-executive Director during the course of 2012.
- Board Diversity – Following the publication of the Davies Report 'Women on Boards' in February 2011, the Committee reviewed a statement of Tullow's goals on diversity which was subsequently agreed by the Board. This statement, published on the Tullow website in September 2011, affirms that the Board strongly supports the analysis and principles of the Davies Report and shares its aspiration that 25% of Board positions should be filled by women by 2015. In tandem, the Committee has reviewed the Board's succession planning and selection procedures and will encourage executive search consultants appointed to assist in the selection process for both new Executive and non-executive Directors to include the strongest possible field of female candidates when presenting their long lists of candidates. Notwithstanding the Board's intention of increasing the diversity of its composition (whether based upon gender or other attributes), its overriding objective is to ensure that all appointments to the Board are based upon merit and suitability of the candidate to the particular role being filled.
- Senior Management succession planning – The Committee has been closely involved with Executive Directors in reviewing the Senior Management talent pool within Tullow. The aim is to ensure that an agreed programme is established to identify those individuals who could be developed to take on newly created senior roles as the Group grows or who could be considered as suitable candidates to fill existing roles.
- Board Committee membership – The Committee is responsible for nominating appropriate individuals for membership of the Board's Committees. Following the year-end, a number of changes have been made to the composition of the Board Committees to ensure that they are comprised of individuals with the necessary skills, knowledge and experience.
- Committee Evaluation – The performance of the Committee was evaluated as part of the annual Board evaluation exercise.

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

David Bamford, Committee Chairman

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' report on remuneration for 2011, for which we will be seeking approval from shareholders at our Annual General Meeting.

Tullow's remuneration policy is focused on aligning the interests of Executives and shareholders and is structured to enable the Group to attract, motivate and retain the executive talent required to deliver the business strategy. Certain changes were made to the Executive Director remuneration package during 2011, including (i) revising salaries, (ii) revising the annual bonus scorecard, (iii) revising the Performance Share Plan (PSP) performance condition, (iv) linking PSP grant policy to a fixed number of shares, and (v) increasing the Executive share ownership requirements. The changes were implemented following an extensive review of our market positioning, and consultation with the Company's major shareholders to help ensure the pay structure is consistent with our remuneration policy and is robust and competitive.

The Committee is very aware of the sensitive nature of executive remuneration and regularly considers the implications for Tullow of external factors such as the Association of British Insurers' guidelines on executive remuneration and the recent Department for Business Innovation & Skills consultation. The changes made during the year reflect the successful growth of our business over the last three years (market capitalisation increasing by 262% over the period) and the reduction in the competitiveness of the remuneration packages for the Executive Directors (salaries were well below median). When considering the senior executive remuneration structure the Committee also takes into account the pay and conditions of employees. We are pleased that employee feedback continues to show high levels of engagement (81%) and that most staff feel fairly rewarded. We also believe that it is critical for all permanent employees to have a stakeholding in the business to help ensure their alignment with shareholders. This is reinforced through the issuance of share options to all permanent staff, excluding Executive Directors, on an annual basis.

The Committee believes that the strong emphasis on long-term performance-related pay continues to be appropriate and helps ensure that the Company's executive remuneration policy does not encourage inappropriate risk-taking which may be to the long-term detriment of shareholders. The Committee is satisfied that risk is managed through (i) an annual bonus plan which includes targets that are set with due account taken of the Company's approach to operational risk, (ii) the significant compulsory share deferral feature in the annual bonus plan, (iii) the regular annual grant of awards of share incentives, (iv) the application of share ownership guidelines and (v) the use of Total Shareholder Return targets in both short- and long-term incentives underpinned by Remuneration Committee discretion to alter payouts if other factors, such as environmental or safety-related incidents, make it appropriate to do so.

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

David Bamford
Chairman of the Remuneration Committee
13 March 2012

CONTENTS

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) 2008 Regulations 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

The Remuneration Committee

The Committee currently comprises five non-executive Directors and met seven times during the year.

The full terms of reference of the Committee can be found on the Tullow website (www.tullowoil.com) and copies are available on request.

Committee member	Member throughout 2011	Number of meetings attended
David Bamford (Chair from 12 May 2011)	✓	7
Tutu Agyare	✓	7
Ann Grant[1]	✓	7
Steven McTiernan	✓	7
Pat Plunkett[2]	✓	7
Clare Spottiswoode (Chair to 12 May 2011)	To 12 May 2011	3
Simon Thompson	From 16 May 2011	3
David Williams	✓	6

1 Ceased as a member of the Committee on 17 January 2012.

2 Ceased as a member of the Committee on retirement from the Board on 31 December 2011.

Committee's main responsibilities

- Determining and agreeing with the Board the remuneration policy for the Chief Executive Officer, Chairman, Executive Directors and senior executives;
- Reviewing progress made against KPI targets and agreeing final performance related bonus award;
- 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;
- Reviewing and noting the remuneration trends across the Group.

Committee's advisers

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

- The Chief HR Officer;
- Kepler Associates, appointed by the Committee in 2010. Kepler Associates does not provide any other services to the Company; and
- Aon Hewitt Limited (operating through the brand New Bridge Street), provides technical advice in connection with the operation of the Company's share incentive arrangements. During this period, Aon Corporation provided certain insurance broking services to the Company, which the Committee did not believe prejudiced New Bridge Street's position as its independent advisers.

The Committee also consults with the Company's major investors and investor representative groups as appropriate. No Director takes part in any decision directly affecting his or her own remuneration. The Company Chairman also absents himself during discussion relating to his own fees.

Remuneration policy

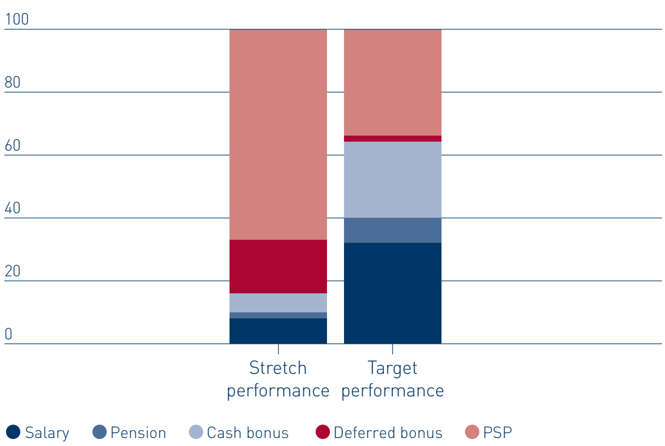
The Group's policy is to maintain levels of remuneration so as to attract, motivate and retain Executive Directors and senior executives of the highest calibre who can contribute their experience to continue to deliver industry leading performance within the Group's operations. The elements of the remuneration package for Executive Directors and Senior Management are base salary, annual bonus, taxable benefits, pension payments (Defined Contribution) and participation in the Group's share incentive arrangements.

During 2012, the Remuneration Committee will review the suitability of introducing a clawback feature to the incentive structure. Any changes will be disclosed in full in the 2012 Annual Report.

Summary of Executive Director remuneration policy and structure

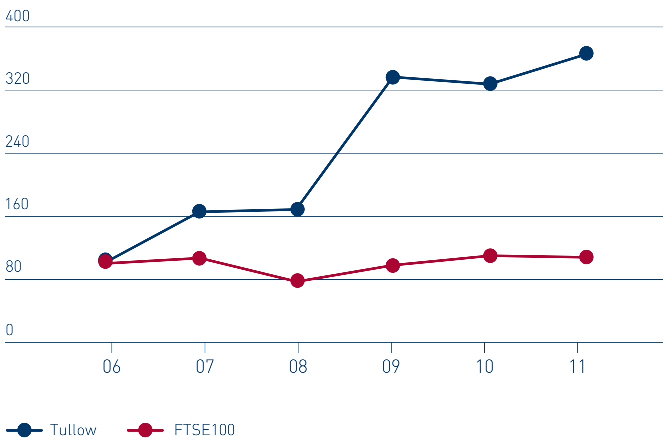
Component	Objective(s)	Details
Salary	• Support recruitment and retention	• Adjustments are effective 1 January • Targeted around the median of the relevant market
Pension & Benefits	• Provide competitive benefit and pension provision	• Executive Directors receive a pension benefit of 25% of salary • Other benefits include health and medical insurance
Annual Bonus	• Reinforce the delivery of key short-term operational objectives	• Opportunity of up to 200% of salary for Executive Directors • Payout is based on the Remuneration Committee's assessment of performance using a balanced scorecard comprising Relative TSR, Health & Safety, Operational & Financial and Project Milestones
Deferred Bonus	• Ensure the release of significant bonuses is spread over multiple years	• Any bonus earned in excess of 75% of salary is paid in shares and deferred for three years
PSP	• Reinforce the delivery of absolute and relative returns to shareholders • Provide alignment with shareholders	• Annual awards of conditional shares, fixed by number of shares for the 2011, 2012 and 2013 cycles • Shares vest on Tullow's three-year TSR outperformance of oil and gas sector peers (70% of award) and FTSE 100 companies (30% of award) • Full vesting requires Tullow to outperform the benchmark by 20% p.a. • Vesting is also dependent on the Remuneration Committee's assessment of underlying performance
Share ownership guidelines	• Provide alignment with shareholders	• Executive Directors are required to retain at least 50% of the post-tax shares that vest under the PSP and Deferred Bonus until they have built up a shareholding worth at least 400% of base salary

Proportion of Executive Director pay package value delivered through each pay component (%)



'Target' performance scenario assumes the annual bonus pays out at target, the PSP vests at 15% of max and share price growth of 10% p.a. over the vesting period. 'Stretch' performance scenario assumes the annual bonus pays out at max, the PSP vests in full and share price growth of 20% p.a. over the vesting period.

Value of £100 investment



The chart shows Tullow's TSR vs the FTSE 100 Index over the five-year period from 1 January 2007 to 31 December 2011. The order points plotted are the values at intervening financial year ends. The FTSE 100 has been chosen as it is the index that the Company has been a member of for the majority of the five-year period.

Remuneration mix

The pay structure has been developed to be significantly performance-oriented; at 'Target' performance c.60% (by fair value) of the Executive Director remuneration package is delivered through variable components, rising to c.90% at 'Stretch' levels of performance.

Alignment with shareholders

The structure of the remuneration package aims to ensure alignment between Executives and shareholders. Over the last five years Tullow's TSR has significantly outperformed the FTSE 100 Index; during this period the value created for shareholders has been £10.94 billion, based on the change in the market cap of the Company.

Over this same period, the value delivered to the Executive Directors through pay and their own shareholdings has correlated well with the value created for shareholders.

Determination of pay levels

The remuneration policy which guides the design of the remuneration package for the Executive Directors is consistent with that which guides the package for other employees across the Group. For all employees, salaries are determined by individual performance as well as having regard to market salary levels for similar positions, all staff are eligible to participate in the Group bonus plan and our share ownership schemes.

Remuneration components

Base salary

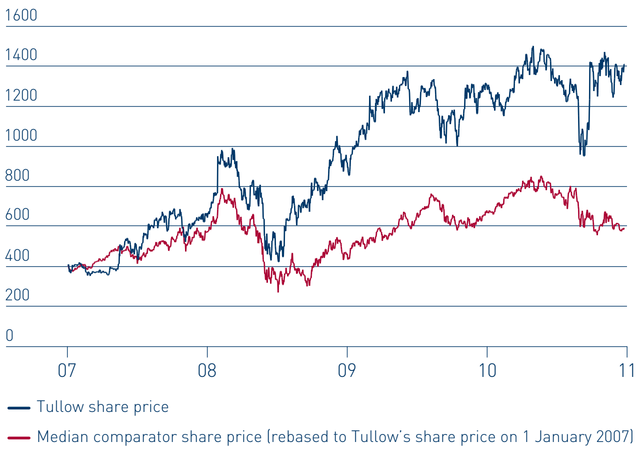
Base salaries are reviewed annually with effect from 1 January.

In early 2011, the Committee reviewed remuneration for the Executive Directors. The exercise showed that our Executive Director's salaries were becoming less competitive, primarily as a result of the successful growth of our business over recent years and inflation-only adjustments to salary during 2009 and 2010. Consequently, the Committee approved salary increases of 20% for 2011 to help ensure Executive Director salaries remained competitive and to support the retention of key executives. When setting Executive Director salaries, the Committee takes into account the salary positioning policy for other senior managers across the rest of the Group. The Committee is aware that these adjustments were outside the current trend of general industry. However, it is important to provide a competitive base package within the highly competitive global market for talent in the oil and gas industry, especially since we have generated and delivered industry-leading performance.

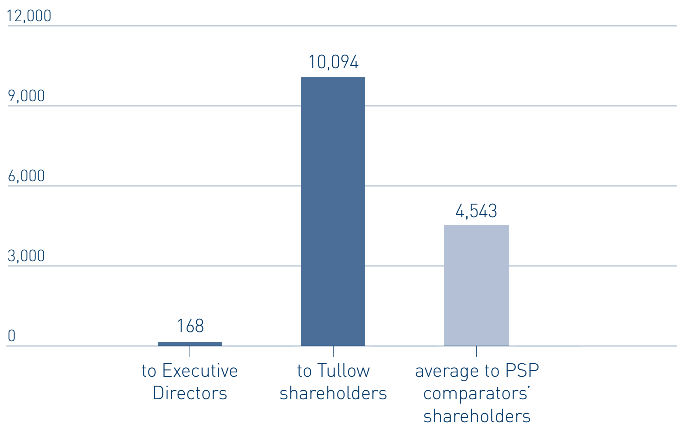
For 2012, Executive Director salaries have been changed in line with the all-staff inflation increase of 5%.

Executive	2010 salary	2011 salary	2012 salary
Aidan Heavey	£679,450	£815,340	£856,110
Graham Martin	£384,250	£461,100	£484,160
Angus McCoss	£384,250	£461,100	£484,160
Paul McDade	£384,250	£461,100	£484,160
Ian Springett	£408,000	£489,600	£514,080

Tullow share price versus median comparator share price (pence)



Cumulative 5-year value delivered (£m)



'Value to EDs' is based on the aggregate total remuneration earned (salary, bonus paid and the change in the fair value of share-based remuneration) by the Executive Directors in each of the last five years plus the change in their own beneficial shareholdings. 'Value to shareholders' is based on the change in the Company's market cap.

Annual bonus

Executive Directors are eligible to participate in the Executive Annual Bonus Scheme, the key features of which in 2011 were as follows:

- Maximum annual bonus potential for the Executive Directors of 200% of salary;
- For achieving target performance, a bonus of 80% of salary is payable (40% of the maximum);
- Any bonus earned in excess of 75% of salary is paid in shares and deferred for three years under the Deferred Share Bonus Plan (DSBP);
- Payout is determined by the Committee taking into account the general financial performance of the Group and the achievement of specific targets captured in a Group scorecard based:
  - 25% on Tullow's one-year TSR performance relative to the same Oil and Gas group as is used to measure performance for the PSP (see page 93); no bonus is paid unless median performance is delivered, with full payout for upper quartile;
  - 75% reflecting strategic objectives and on certain corporate KPIs comprising Health & Safety, Operational & Financial and Project Milestones

In recognition of the significant achievements made during 2011, the Committee awarded Executive Directors a bonus of 80% of maximum. In its determination of the bonus outcome, the Committee took into account performance against the Group scorecard, summarised below. Please see additional information pertaining to our KPIs on pages 31 to 33.

Determination of 2011 annual bonus outcome

		Performance achievement		
Performance category	Weighting	Below threshold	Between target and stretch	Above stretch
Relative TSR	25%			✓
Health & Safety	15%			✓
Operational and financial	37.5%		✓	
Project milestones	22.5%		✓	

2011 bonus outcome by Executive Director*

Executive Director	Cash	Deferred shares	Total
Aidan Heavey	£611,505	£693,039	£1,304,544
Graham Martin	£345,825	£391,935	£737,760
Angus McCoss	£345,825	£391,935	£737,760
Paul McDade	£345,825	£391,935	£737,760
Ian Springett	£367,200	£416,160	£783,360

* The Remuneration Committee also determined that no executive bonus for 2011 would be payable until successful completion of its Uganda farm-down to Total and CNOOC.

No changes to the bonus plan are proposed for 2012.

Pension and other benefits

Each Executive Director is entitled to receive a payment of 25% of his base salary into the Company's group personal pension plan (Defined Contribution) or his private pension arrangements. 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

The Company operates several share-based employee share schemes in which the Executive Directors and other senior executives are eligible to participate. The schemes include the Performance Share Plan (PSP), the 2010 Share Option Plan, the Deferred Share Bonus Plan (DSBP) and the Share Incentive Plan.

Performance Share Plan (PSP)

Executive Director awards in 2011

The PSP is structured to reward returns to shareholders in excess of both the market generally and a group of oil and gas sector peers. Substantial changes were made to the PSP in 2011 to help ensure the plan continues to provide alignment with shareholders and motivate our senior executives. A new policy was approved by shareholders at the 2011 AGM whereby Executive Directors will be granted a fixed number of shares under the PSP in each of the 2011, 2012 and 2013 award cycles, subject to annual review by the Committee to ensure the number remains appropriate, taking into account all relevant factors (e.g. share price movements and developments in incentives at competitors).

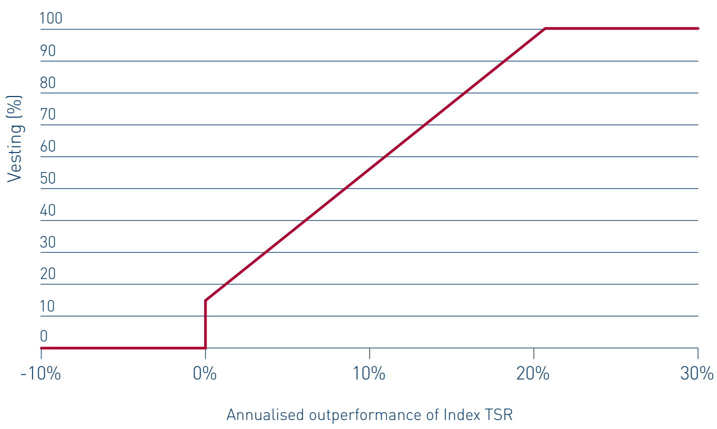
2011 PSP grant policy

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

The Committee recognises that the value of the PSP grant sizes in 2011 was higher than that previously granted under the PSP (2x salary in normal circumstances) but concluded that the higher grant value is commensurate with the extremely demanding performance conditions required for full vesting (see below). Furthermore, shareholding guidelines for the Executive Directors were raised from 200% to 400% of base salary at the same time as revising the PSP.

PSP awards vest subject to the Company's TSR performance, calculated in common currency, over a three-year period commencing on 1 January in the financial year in which the award is granted, with no opportunity to re-test. 2011 PSP awards vest 70% on TSR vs an international oil sector comparator group and 30% on TSR vs the constituents of the FTSE 100. No award will vest unless the Committee considers that both the Group's underlying financial performance and its performance against other key factors (e.g. Health & Safety) over the relevant period is satisfactory.

PSP vesting schedule, 2011 awards for Executive Directors



PSP TSR oil sector comparator group constituents, by outstanding PSP cycle

Company	2009	2010	2011
Addax Petroleum	✓		
Anadarko	✓	✓	✓
Apache	✓	✓	✓
BG Group		✓	✓
Cairn Energy	✓	✓	✓
Canadian Natural Resources		✓	✓
Dana Petroleum	✓	✓	
EOG Resources		✓	✓
Forest Oil	✓	✓	✓
Hess		✓	✓
Lundin Petroleum	✓	✓	✓
Marathon Oil		✓	✓
Nexen	✓	✓	✓
Niko Resources	✓	✓	✓
Noble Energy	✓	✓	✓
Pioneer Natural Resources	✓	✓	✓
Premier Oil	✓	✓	✓
Santos	✓	✓	✓
SOCO	✓		
Talisman Energy	✓	✓	✓
Venture Production	✓		
Woodside Petroleum		✓	✓

The FTSE 100 benchmark is based on the constituents of the FTSE 100 Index as of the first day of the performance period. The constituents of the oil sector group have been selected on the basis of their similarity to Tullow with regard to several factors including business mix, geographic location etc. The oil sector comparators for the 2011 PSP cycle and other outstanding PSP cycles are shown above. For the 2011 PSP cycle, the FTSE 100 element (30% of an award), 'Index TSR' is based on the median TSR of the individual constituents of the index. For the oil sector element (70% of an award), 'Index TSR' is based on the weighted mean TSR (i.e. each comparator's TSR is weighted by the comparator's market cap at the start of the performance period, subject to a weighting cap of 10% and a collar of 2% for any individual company).

PSP awards in prior years

PSP awards granted to Executive Directors in prior years were based on annual awards of conditional shares worth up to 200% of salary each year (300% in exceptional circumstances, such as to facilitate the recruitment of a new Executive Director), with vesting 50% on three-year TSR vs an international oil sector comparator group and 50% on three-year TSR vs the constituents of the FTSE 100. Vesting is based on the Company's TSR rank vs each benchmark, with no vesting if Company TSR is below median; 30% vests at median with full vesting at upper quintile (i.e. top 20%). 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 are satisfactory.

Approximately 58 other senior Executives also participate in the PSP. The award structure for these Executives was in 2011 based on the structure used previously for the Executive Directors (i.e. based on the Company's TSR rank).

2012 awards

The Committee intends to grant PSP awards in 2012 to the Executive Directors under the same structure as in 2011. The structure of the 2012 PSP awards for other senior executives will be unchanged from previous years albeit with awards based on a % of salary.

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'). The 2000 Scheme expired in 2010 and a replacement scheme was introduced – the 2010 Share Option Plan. It is intended that Executive Directors (and other PSP participants) will not be granted options under the 2010 Share Option Plan.

All-employee Share Incentive Plans

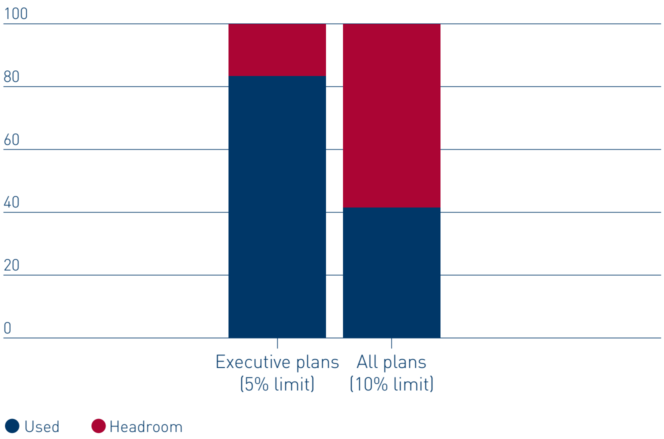
Executive Directors may also participate, on the same terms as other employees, in the Tullow Oil UK and Irish Share Incentive Plans. These all-employee plans enable employees to save out of salary up to prescribed limits each month. Each quarter's contributions are used by the Plan trustees to acquire 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 a 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 a 10-year period.

As at 31 December 2011, the headroom under the Company's 5% and 10% limits was 7.5 million and 52.7 million shares respectively, out of an issued share capital of 904.9 million shares. As at 31 December 2011, the Tullow Oil Employee Trust held 0.8 million shares.

Dilution limits (%)



Service agreements

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

The term of each service contract is not fixed. 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.

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.

Non-executive Director remuneration policy

Fees

A Committee of the Board comprising the Chairman and Executive Directors sets the remuneration of non-executive Directors. The fees paid are set at a level to attract individuals with the necessary experience and ability to make a significant contribution to the Group's activities, while also reflecting the time commitment and responsibility of the role. Each non-executive Director currently receives an annual fee of £67,000. Steven McTiernan receives an additional annual fee of £15,000 to reflect his responsibilities as Senior Independent Director. David Bamford and David Williams each receive an additional annual fee of £15,000 and £20,000 respectively, to reflect their responsibilities as Chairman of the Remuneration and Audit Committees. 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 £300,000.

Non-executive Director fee structure

		2011	2012
Chairman fee		£220,000	£300,000
Non-executive Director base fee		£63,000	£67,000
Additional fees for	Senior Independent Director	£14,000	£15,000
	Audit Committee Chair	£14,000	£20,000
	Remuneration Committee Chair	£14,000	£15,000

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
Simon Thompson	2011	0	16.12.11	31.12.14
Steven McTiernan	2002	10	28.02.12	31.12.12
David Bamford	2004	7	30.06.10	30.06.13
David Williams	2006	5	08.12.09	31.05.12
Ann Grant	2008	3	19.04.11	14.05.14
Tutu Agyare	2010	1	24.08.10	24.08.13

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.

AUDITED INFORMATION

Directors' remuneration

The remuneration of the Directors for the year ended 31 December 2011 payable by Group companies was as follows:

		Bonuses					
	Salary/fees £	Cash £	Shares[1] £	Pensions £	Taxable benefits[2] £	2011 Total £	2010 Total £
Executive Directors							
Aidan Heavey[2]	815,340	611,505	693,039	203,835	41,304	**2,365,023**	1,670,909
Graham Martin	461,100	345,825	391,935	115,275	5,181	**1,319,316**	926,621
Angus McCoss	461,100	345,825	391,935	115,275	3,008	**1,317,143**	925,330
Paul McDade	461,100	345,825	391,935	115,275	4,509	**1,318,644**	931,924
Ian Springett	489,600	367,200	416,160	122,400	6,503	**1,401,863**	984,097
Subtotal	2,688,240	2,016,180	2,285,004	672,060	60,505	**7,721,989**	5,438,881
Non-executive Directors							
Pat Plunkett[3]	220,000	–	–	–	–	**220,000**	200,000
Tutu Agyare	63,000	–	–	–	–	**63,000**	20,096
David Bamford	72,333	–	–	–	–	**72,333**	57,000
Ann Grant	63,000	–	–	–	–	**63,000**	57,000
Steven McTiernan	77,000	–	–	–	–	**77,000**	69,000
Clare Spottiswoode[4]	32,083	–	–	–	–	**32,083**	69,000
Simon Thompson[5]	41,408	–	–	–	–	**41,408**	–
David Williams	77,000	–	–	–	–	**77,000**	69,000
Subtotal	645,824	–	–	–	–	**645,824**	541,096
Total	3,334,064	2,016,180	2,285,004	672,060	60,505	**8,367,813**	5,979,977

1 These figures represent that part of the bonus required to be deferred into shares as explained on page 92.
2 The amounts disclosed under Taxable benefits for Aidan Heavey include car benefits.
3 Pat Plunkett retired as a Director on 31 December 2011.
4 Clare Spottiswoode retired as a Director on 12 May 2011.
5 Simon Thompson was appointed as a non-executive Director on 16 May 2011.

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 2011, are set out in the table below:

Director	Ordinary shares 31.12.11	Ordinary shares 01.01.11 (or date of appointment)
Aidan Heavey	6,401,511	6,401,511
Graham Martin	1,702,766	1,527,320
Angus McCoss	150,845	112,396
Paul McDade	260,801	260,801
Ian Springett	12,000	12,000
Simon Thompson	1,747	1,747
Tutu Agyare	–	–
David Bamford	13,445	13,445
Ann Grant	2,371	2,371
Steven McTiernan	–	–
Pat Plunkett (retired 31 December 2011)	761,326	761,326
David Williams	5,000	5,000

These interests do not include those set out in the table below. Other than as detailed in the table below there have been no changes in the interests of any Director between 1 January 2012 and the date of this report.

Tullow Oil UK Share Incentive Plan (UK SIP)

Details of shares purchased and awarded to Executive Directors under the UK SIP. A brief description of the UK SIP is set out on page 94.

Director	Shares held 01.01.11	Partnership shares acquired in year	Matching shares awarded in year	Total shares held 31.12.11	SIP shares that became unrestricted in the year	Total unrestricted shares held at 31.12.11
Graham Martin	7,056	119	119	7,294	984	5,166
Angus McCoss	2,086	119	119	2,324	196	196
Paul McDade	7,056	119	119	7,294	984	5,166
Ian Springett	562	120	120	802	–	–

Graham Martin, Paul McDade and Ian Springett each acquired 29 partnership shares and were awarded 29 matching shares and Angus McCoss acquired 30 partnership shares and was awarded 30 matching shares on 3 January 2012.

Unrestricted shares (which are included in the total shares held at 31 December 2011) are those held until there is no longer a tax liability if they are withdrawn from the plan.

Performance Share Plan 2005 (PSP)

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

Director	Award grant date	As at 01.01.11	Granted during year	Exercised during year	As at 31.12.11	Earliest date shares can be acquired	Latest date shares can be acquired
Aidan Heavey	15.05.08	141,939	–	–	141,939	15.05.11	14.05.18
	18.03.09	173,916	–	–	173,916	18.03.12	17.03.19
	17.03.10	106,496	–	–	106,496	17.03.13	16.03.20
	13.05.11	–	300,000	–	300,000	13.05.14	12.05.21
		422,351	**300,000**	**–**	**722,351**		
Graham Martin	15.05.08	80,277	–	–	80,277	15.05.11	14.05.18
	18.03.09	98,355	–	–	98,355	18.03.12	17.03.19
	17.03.10	60,227	–	–	60,227	17.03.13	16.03.20
	13.05.11	–	175,000	–	175,000	13.05.14	12.05.21
		238,859	**175,000**	**–**	**413,859**		
Angus McCoss	15.05.08	80,277	–	80,277	–	15.05.11	14.05.18
	18.03.09	98,355	–	–	98,355	18.03.12	17.03.19
	17.03.10	60,227	–	–	60,227	17.03.13	16.03.20
	13.05.11	–	175,000	–	175,000	13.05.14	12.05.21
		238,859	**175,000**	**80,277**	**333,582**		
Paul McDade	15.05.08	80,277	–	–	80,277	15.05.11	14.05.18
	18.03.09	98,355	–	–	98,355	18.03.12	17.03.19
	17.03.10	60,227	–	–	60,227	17.03.13	16.03.20
	13.05.11	–	175,000	–	175,000	13.05.14	12.05.21
		238,859	**175,000**	**–**	**413,859**		
Ian Springett	01.09.08	68,873	–	–	68,873	01.09.11	31.08.18
	18.03.09	104,438	–	–	104,438	18.03.12	17.03.19
	17.03.10	63,949	–	–	63,949	17.03.13	16.03.20
	13.05.11	–	175,000	–	175,000	13.05.14	12.05.21
		237,260	**175,000**	**–**	**412,260**		

The awards made on 13 May 2011 were granted as of nil exercise cost options. The Tullow share price on the date of grant of those awards was 1330p. Details of the conditions applying to the awards are set out on page 93.

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

Details of the conditions applying to the awards made in 2008, 2009 and 2010 are set out on pages 93 and 94.

The PSP awards made in March 2009 reached the end of their performance period on 31 December 2011. The Remuneration Committee determined that both parts of the relevant performance condition were met in full, as the Company was ranked in the upper quintile 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, these awards will vest in full on 18 March 2012, the third anniversary of grant, subject to continued employment.

The gain made by Angus McCoss on the exercise of nil exercise cost options under the PSP during the year was £1.05 million. On 16 May 2011, being the date that Angus McCoss exercised the options listed in the table, the market price of a Tullow share was 1328p.

On 15 May 2011 and 1 September 2011, being the dates on which awards made in May and September 2008 vested, the market prices of a Tullow share were 1328p and 1109p, respectively.

During 2011, the highest mid-market price of the Company's shares was 1493p and the lowest was 945.5p. The year-end price was 1402p.

Deferred Share Bonus Plan (DSBP)

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

Director	Award grant date	As at 01.01.11	Granted during year	Exercised during year	As at 31.12.11	Earliest date shares can be acquired	Latest date shares can be acquired
Aidan Heavey	13.03.08	28,328	–	–	28,328	01.01.11	12.03.18
	18.03.09	50,169	–	–	50,169	01.01.12	17.03.19
	17.03.10	28,189	–	–	28,189	01.01.13	16.03.20
	18.03.11	–	19,995	–	19,995	01.01.14	17.03.21
		106,686	**19,995**	**–**	**126,681**		
Graham Martin	13.03.08	16,021	–	–	16,021	01.01.11	12.03.18
	18.03.09	28,374	–	–	28,374	01.01.12	17.03.19
	17.03.10	15,941	–	–	15,941	01.01.13	16.03.20
	18.03.11	–	11,308	–	11,308	01.01.14	17.03.21
		60,336	**11,308**	**–**	**71,644**		
Angus McCoss	13.03.08	14,686	–	–	14,686	01.01.11	12.03.18
	18.03.09	28,374	–	–	28,374	01.01.12	17.03.19
	17.03.10	15,941	–	–	15,941	01.01.13	16.03.20
	18.03.11	–	11,308	–	11,308	01.01.14	17.03.21
		59,001	**11,308**	**–**	**70,309**		
Paul McDade	13.03.08	14,686	–	–	14,686	01.01.11	12.03.18
	18.03.09	28,374	–	–	28,374	01.01.12	17.03.19
	17.03.10	15,941	–	–	15,941	01.01.13	16.03.20
	18.03.11	–	11,308	–	11,308	01.01.14	17.03.21
		59,001	**11,308**	–	**70,309**		
Ian Springett	17.03.10	16,927	–	–	16,927	01.01.13	16.03.20
	18.03.11	–	12,007	–	12,007	01.01.14	17.03.21
		16,927	**12,007**	**–**	**28,934**		

The awards of shares made on 18 March 2011 equated to shares worth the amount of bonus deferred into shares for 2010, based on the share prices for the two dealing days preceding the date of grant. The Tullow share price on the date of grant of those awards was 1362p.

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

Further details of the DSBP are set out in the Annual bonus section of this report on page 92.

During 2011, the highest mid-market price of the Company's shares was 1493p and the lowest was 945.5p. The year-end price was 1402p.

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 01.01.11	Granted during year	Exercised during year	As at 31.12.11	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	**–**	**380,000**	**590,000**			

The performance condition attached to the above options granted under the 2000 Scheme required Tullow's TSR to have exceeded that of the median company of the FTSE 250 (excluding investment trusts) over three years from the date of grant. It has been satisfied for all the options which are therefore fully exercisable.

The gain made by Graham Martin on the exercise of the options under the ESOS during the year was £5.2 million. On 1 April 2011, being the date that Graham Martin exercised the options listed in the table, the market price of a Tullow share was 1478p.

During 2011, the highest mid-market price of the Company's shares was 1493p and the lowest was 945.5p. The year-end price was 1402p.

The UK Corporate Governance Code

The UK Corporate Governance Code 2010 (the "Code") took effect from June 2010, replacing the Combined Code on Corporate Governance. The Code is publicly available on the Financial Reporting Council's website at www.frc.org.uk. As a UK company with a premium listing on the London Stock Exchange, Tullow Oil plc is required to state how it has applied the principles contained in the Code and to disclose whether it has complied with the provisions of the Code during the year. The main principles of the Code focus on Leadership, Effectiveness, Accountability, Remuneration and Relations with Shareholders. Details of how Tullow has applied these main principles are set out below. It is the Board's view that the Company has fully complied with the Code provisions during the year ended 31 December 2011.

Leadership

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

The Role of the Board

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

Board meetings

The core activities of the Board are carried out in scheduled meetings of the Board and its Committees. These meetings are timed to link to key events in the Company's corporate calendar and regular reviews conducted of specific business areas. Additional meetings and conference calls are arranged to consider matters which require decisions outside the scheduled meetings. In addition to the scheduled meetings of the Board, two strategy meetings are held annually with Senior Management present. During 2011, the Board met on 10 occasions of which 9 were scheduled meetings.

In order that the Board has the opportunity to see the Company's operations overseas, the Board holds 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 with the opportunity to present to the Board and to meet the Board members informally. It also provides the Board with an opportunity to meet a broad cross-section of staff and to assess senior managers at first hand. In 2011, the overseas Board meeting was held at our Dublin office.

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

Matters reserved

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

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

Summary of the Board's work in the year

During 2011, the Board considered all relevant matters within its remit, but focused in particular on the following key issues:

- Strategy and management with a particular focus on the farm-down of its interests in Uganda;
- Environment, Health and Safety;
- Financial management;
- Regulatory/Compliance – including implications of the UK Bribery Act;
- Appointments and succession planning – this is dealt with more fully in the Nominations Committee report on pages 86 and 87; and
- Stakeholder relations.

Attendance at meetings

The attendance of Directors at the nine scheduled meetings of the Board during 2011 was as follows:

Meetings attended[1]	
Pat Plunkett[2]	9
Simon Thompson[3]	5
Aidan Heavey	9
Tutu Agyare	9
David Bamford	9
Ann Grant	9
Graham Martin	8
Angus McCoss	9
Paul McDade	9
Steven McTiernan	9
Clare Spottiswoode[4]	4
Ian Springett	9
David Williams	9

1 This table shows attendance at scheduled Board meetings. In addition, one ad hoc meeting was held during the year to approve the appointment of Simon Thompson as Chairman with effect from 1 January 2012.

2 Pat Plunkett retired as a Director on 31 December 2011

3 Simon Thompson was appointed as a Director on 16 May 2011 and has attended every scheduled Board meeting since his appointment.

4 Clare Spottiswoode retired as a Director on 12 May 2011

Division of Responsibilities

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

The Chairman

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

Non-executive Directors

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

As Senior Independent Director, Steven McTiernan is available to meet shareholders if they have concerns that cannot be resolved through discussion with the Chairman, Chief Executive Officer or Chief Financial Officer or for which such contact is inappropriate.

Efforts are made to ensure that the non-executive Directors are briefed on the more technical and operational aspects of our activities, such as 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 when they are able to contribute more fully at in-depth discussions.

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

Delegated authorities

Board Committees

The Board has delegated matters to three Committees, namely the Audit, Nominations and Remuneration Committees. The memberships, roles and activities of these are detailed in separate reports: the Audit Committee on pages 84 to 85 the Nominations Committee on pages 86 to 87 and the Remuneration Committee on pages 88 to 99. Each Committee reports to, and has its terms of reference reviewed and approved annually, by the Board. Reports of the issues considered at meetings of the Committees are made to the Board by the respective Committee Chairmen.

Individual Delegations

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

Executive Committee

The Board delegates authority for the management of the day-to-day business and operational matters to the Chief Executive Officer and the other Executive Directors who form the Executive Committee. This Committee meets weekly and is responsible for implementing Group strategy and monitoring the detailed performance of all aspects of the business.

Effectiveness

Composition of the Board

The Board currently comprises a Chairman, Chief Executive Officer, four other Executive Directors and five independent non-executive Directors. Biographical details of the Board members are set out on pages 81 to 83.

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

The following changes in Board composition were made during the year. On 12 May 2011, Clare Spottiswoode retired as a non-executive Director having been on the Board for more than nine years. On 16 May 2011, Simon Thompson joined as a non-executive Director and, on 31 December 2011, Pat Plunkett retired as a non-executive Director.

In May 2011, the Board renewed the contract of Ann Grant who had served three years as a non-executive Director for a further three-year term. In December 2011, following the announcement of the appointment of Simon Thompson as Chairman from 1 January 2012, the Board approved a new three-year term of office for Simon Thompson until 31 December 2014. The Board has also approved an extension to the term of office for Steven McTiernan until 31 December 2012 on expiry of his existing term on 28 February 2012.

In March 2012, the Board approved the appointment of Steve Lucas as an additional non-executive Director with effect from 14 March 2012. David Williams is to step down from the Board at the forthcoming AGM.

Independence

The Board considers each of the non-executive Directors to be independent in character and judgement. Notwithstanding that the Senior Independent Director, Steven McTiernan, has served on the Board for more than 10 years, the Board is fully satisfied that he demonstrates complete independence, robustness of character and judgement both in his designated role and as a Board member. The Board is of the view that no individual or group of individuals dominates decision taking.

Appointments to the Board

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

Commitment

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

Training and development needs

Induction

All new Directors receive an induction as soon as practicable on joining the Board. This includes one-to-one meetings with Senior Management, functional and business unit heads and, where appropriate, visits to the Group's principal offices and operations. The Company Secretary also provides new Directors with an overview of their duties as Directors, corporate governance policies and Board processes as part of the induction process. A tailored induction programme was established for Simon Thompson on his joining the Board in May 2011. In addition to one-to-one meetings described above he has visited our main offices in Ghana, Cape Town and Dublin and has also met with a number of the Group's key investors.

Familiarisation and development

All members of the Board have access to appropriate professional development courses in respect of their obligations and duties as Directors, and during the year Directors attended external seminars on relevant topics relating to the business. In addition to business updates, the Board (and Committees) receive ongoing briefings including updates on governance and regulatory issues to ensure Board members remain up to date with current regulations and developments.

Information and support

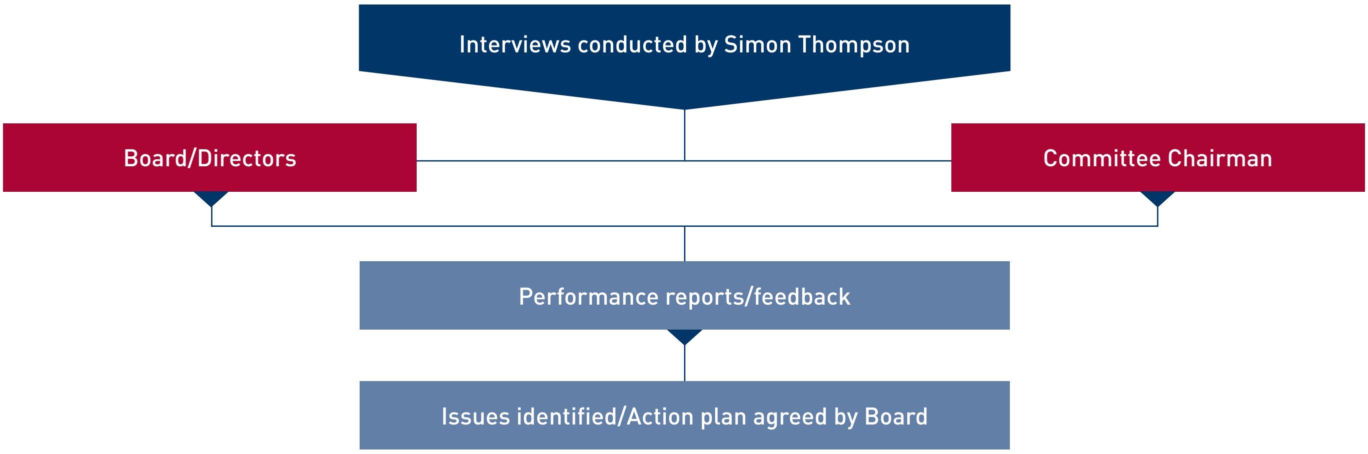
Independent advice

Directors have access to independent professional advice at the Company's expense on any matter relating to their responsibilities.

The Company Secretary

The Company Secretary is Graham Martin who is also an Executive Director and General Counsel. He is available to Directors to provide advice and is responsible for ensuring that all Board procedures are complied with. As with all Board positions, this combined role is regularly reviewed. The Company Secretary is supported by a Deputy Company Secretary in the provision of company secretarial services to the Group. The Deputy Company Secretary acts as secretary to the Audit, Nominations and Remuneration Committees and has direct access to the Chairmen of these Committees.

BOARD PERFORMANCE EVALUATION



Board evaluation

As an external evaluation of the Board, its Committees and individual Directors was conducted in 2010, the Board decided that the 2011 evaluation should be conducted internally.

In November 2011, the Board appointed Simon Thompson, a non-executive Director, to undertake the evaluation. He conducted a review of the Board, each of its Committees and individual Directors. This was done via structured interviews following an agreed comprehensive questionnaire. Given the change in Chairman that had been announced, no Chairman's performance assessment was conducted. The individual Chairmen of each Committee received a report on the performance of their respective Committees. Simon Thompson also presented the Board's performance report and those of each Committee to the Board as a whole and an action plan has been agreed.

In summary, it was felt that the Board was functioning well and that all the Directors feel proud to be part of the Tullow team. There was a remarkably high degree of alignment on the principal challenges facing the Company and the steps that needed to be taken collectively in order to lead the Company through the next phase of its development.

The principal recommendations were as follows:

1. More of the Board's time should be devoted to the major strategic opportunities and challenges facing the Company.
2. Risk management processes are generally robust and well embedded in the corporate culture, but some improvements to the quality of Board reporting were identified in relation to political risk analysis, the competitive landscape and industry benchmarking.
3. In order to ensure that Tullow has the resources to meet its growth objectives the Board needs to allocate more time to discussing: talent management; organisational design; succession planning; portfolio management; and medium term cash flow forecasting.

Re-Election

The Board has agreed that all Directors shall seek re-election on an annual basis. In 2012, all Directors will stand for re-election, other than David Williams who will retire at the conclusion of the AGM. The Board has set out in the Notice of Annual General Meeting its reasons for supporting the re-election of those Directors seeking re-election at the forthcoming AGM.

Accountability

The Board is committed to providing shareholders with a clear assessment of the Group's position and prospects. This is achieved through this report and as required in other periodic financial and trading statements.

The arrangements established by the Board for the application of risk management and internal control principles are detailed on pages 40 to 45 and page 104 respectively. The Board has delegated to the Audit Committee oversight of the relationship with the Group's auditors as outlined in the Audit Committee report on page 84.

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. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capacity and flexibility of the Group. The Group's forecasts, taking into account reasonably possible changes as described above, show that the Group will be able to operate within its current debt facilities and have significant financial headroom for the 12 months from the date of approval of the 2011 Annual Report and Accounts.

Internal controls

The Directors acknowledge their responsibility for the Group's and the Company's systems of internal control, which are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication and to comply with the Turnbull Committee guidance. The Group's internal control procedures require technical, financial and Board approval for all projects. All major expenditures require Senior Management approval at the appropriate stages of each transaction. Overall control is ensured by a regular detailed reporting system covering both technical progress of projects and the state of the Group's financial affairs. The Board has put in place procedures for identifying, evaluating and managing any significant risks that face the Group. Risk assessment and evaluation is an integral part of the annual planning cycle. Each business unit documents its strategic objectives and the significant risks in achieving them and regularly reports on progress against these objectives. Key risks are also reported monthly to the Board. There is a comprehensive budgeting and planning system for all items of expenditure with an annual budget approved by the Board. Actual results are reported against budget on a monthly basis. Revised financial forecasts for the year and financial projections for future years are regularly prepared.

The Board has ultimate responsibility for the effectiveness of the Group's risk management activities and internal control processes. Any system of internal control can provide only reasonable, and not absolute, assurance that material financial irregularities will be detected or that the risk of failure to achieve business objectives is eliminated. The Board's objective is to ensure Tullow has appropriate systems in place for the identification and management of risks.

The Board receives reports from business unit and corporate teams throughout the year to enable it to assess on an ongoing basis the effectiveness of the system of internal controls and risk management.

During the year, the Group Internal Audit Manager reviewed a number of areas of risk and his findings were reported to the Audit Committee. No significant weaknesses were identified. The Board has confirmed that through its Audit Committee it has reviewed the effectiveness of the system of internal financial, operational and compliance controls and risk management, and considers that the system of internal controls operated effectively throughout the financial year and up to the date on which the financial statements were signed.

Remuneration

The Board has delegated to the Remuneration Committee responsibility for agreeing the remuneration policy for the Chairman, Chief Executive Officer, Executive Directors and senior executives. The Directors' remuneration report on pages 88 to 99 contains full details of the role and activities of the Remuneration Committee.

Relations with Shareholders

Communication and dialogue

Communication with all our shareholders is given a high priority. There is regular dialogue through meetings, presentations, conferences and ad hoc events with institutional investors and sell-side analysts. Throughout 2011, Executive Directors and Senior Management met with institutional investors in the UK, Ireland, Germany, France, Switzerland, Scandinavia, Benelux and North America. In total, over 370 institutions met with Senior Management and the Investor Relations team during the year and the Group also participated in 15 investor conferences.

Following a successful Capital Markets Day event hosted in Ghana during 2010, a similar event was arranged for nine global institutional investors in September 2011. The investors toured the onshore logistics base, were flown offshore to view the FPSO and drilling rigs and met with the in-country management team, local Ghanaian investors and several of the

Executive team. In 2012, Tullow plans to host a Capital Markets Day in the second half of the year to increase the understanding and knowledge of certain parts of the Group's business.

In December 2011, the Group commenced a review of its corporate brokers. Following submissions from eight banks, Barclays Capital and Morgan Stanley in London were appointed as joint corporate brokers with Davy retaining their role as corporate brokers in Dublin.

On the 27 July 2011, Tullow shares commenced trading on the Ghana Stock Exchange (GSE). The Group placed over 3.5 million shares on the GSE following the announcement of the Group's intention to list on the GSE in June and a successful marketing trip by the Group's CEO who meet with a number of large Ghanaian institutional investors. Tullow now has over 10,000 Ghanaian shareholders and in early May 2012, it is planned to hold the first Investor Forum in Accra.

The Group issues its results and other news releases via the London Stock Exchange's Regulatory News Service. These are published on the Media and Investor Relations sections of the Group's website: www.tullowoil.com. Regular updates in relation to the Group and the status of exploration and development programmes are also included on the website and via social media service Twitter: www.twitter.com/TullowOilplc. Shareholders and other interested parties can subscribe to receive these news updates by email by registering online on the website. The corporate website has additional functionality routinely rolled out across the site to enhance the Group's communication with all stakeholders. Over 500,000 visits and 2.5 million page views were made during 2011 along with significant followers on the Group's corporate Twitter, Facebook, YouTube and LinkedIn accounts.

The Chairman is available to meet institutional shareholders to discuss any issues and address any concerns in relation to the Group's governance and strategy. The new Chairman has already held meetings with a number of UK-based investors. 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. Tullow met several Socially Responsible Investing (SRI) fund managers upon request in 2011 and completed a four-day SRI roadshow in London, Edinburgh, Paris, Geneva and Basle in November 2011. The Group Environmental, Health and Safety, External Relations and Investor Relations Managers met 16 institutional investors to discuss a number of topics including health and safety, the environment, corporate governance, bribery and corruption, country and political risk and operational matters. The 2010 Corporate Responsibility Report was issued in June 2011 and was also made available in full HTML format on the corporate website.

Constructive use of the AGM

At the AGM, a business presentation is provided for the benefit of shareholders and 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. All resolutions at the 2011 AGM were voted on by way of a poll with the final results, which included all votes cast for against and those withheld, announced via the London Stock Exchange as soon as practicable after the meeting. The announcement is also made on the Company's corporate website. Notice of the AGM is sent to shareholders at least 20 working days before the meeting.

On behalf of the Board

Simon R Thompson
Chairman

13 March 2012

Results and dividends
The profit on ordinary activities after taxation of the Group for the year ended 31 December 2011 amounted to $689.0 million (2010: $89.5 million).

An interim dividend of Stg 4p (2010: Stg 2p) per ordinary share was paid on 3 November 2011. The Directors recommend a final dividend of Stg 8p (2010: Stg 4p) per ordinary share which, if approved at the 2012 AGM, will be paid on 24 May 2012 to shareholders whose names are on the Register of Members on 20 April 2012.

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

In February 2012, Tullow signed two new Production Sharing Agreements (PSAs) with the Government of Uganda. The new PSAs cover the EA-1 and Kanywataba licences in the Lake Albert Rift Basin. Tullow has also been awarded the Kingfisher production licence.

In February 2012, Tullow completed the farm-down of one-third of its Uganda interests to both Total and CNOOC for a total consideration of $2.9 billion paving the new way for full development of the Lake Albert Rift Basin oil and gas resources.

In February 2012, the Group announced the Jupiter-1 exploration well in Block SL-07B-11 offshore Sierra Leone had successfully encountered hydrocarbons. This has been confirmed by the results of drilling, wireline logs and samples of reservoir fluids.

Share capital
As at 13 March 2012, the Company had an allotted and fully paid up share capital of 905,004,587 ordinary shares of 10 pence each with an aggregate nominal value of £90,500,458.70.

Substantial shareholdings
As at 13 March 2012, the Company had been notified in accordance with the requirements of section 5.1.2 of the UK Listing Authority's Disclosure Rules and Transparency Rules of the following significant holdings (being 3% or more) in the Company's ordinary share capital.

Shareholder	Number of shares	% of issued capital
BlackRock Inc	106,568,436	11.77%
Prudential plc	63,386,247	7.00%
IFG International Trust Company Limited	38,960,366	4.30%
Legal & General Group plc	35,414,975	3.91%

Shareholders' rights
The rights and obligations attaching to the Company's shares are as follows:

- Dividend rights – holders of the Company's ordinary shares may, by ordinary resolution, declare dividends but may not declare dividends in excess of the amount recommended by the Directors. The Directors may also pay interim dividends. No dividend may be paid other than out of profits available for distribution. Subject to shareholder approval, payment or satisfaction of a dividend may be made wholly or partly by distribution of specific assets;
- Voting rights – voting at any general meeting is by a show of hands unless a poll is duly demanded. On a show of hands every shareholder who is present in person at a general meeting (and every proxy or corporate representative appointed by a shareholder and present at a general meeting) has one vote regardless of the number of shares held by the shareholder (or represented by the proxy or corporate representative). If a proxy has been appointed by more than one shareholder and has been instructed by one or more of those shareholders to vote 'for' the resolution and by one or more of those shareholders to vote 'against' a particular resolution, the proxy shall have one vote for and one vote against that resolution. On a poll, every shareholder who is present in person has one vote for every share held by that shareholder and a proxy has one vote for every share in respect of which he has been appointed as proxy (the deadline for exercising voting rights by proxy is set out in the form of proxy). On a poll, a corporate representative may exercise all the powers of the company that has authorised him. A poll may be demanded by any of the following: (a) the Chairman of the meeting; (b) at least five shareholders entitled to vote and present in person or by proxy or represented by duly authorised corporate representative at the meeting; (c) any shareholder or shareholders present in person or by proxy or represented by a duly authorised corporate representative and holding shares or being a representative in respect of a holder of shares representing in the aggregate not less than one-tenth of the total voting rights of all shareholders entitled to attend and vote at the meeting; or (d) any shareholder or shareholders present in person or by proxy or represented by a duly authorised corporate representative and holding shares or being a representative in respect of a holder of shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sums paid up on all the shares conferring that right;
- Return of capital – in the event of the liquidation of the Company, after payment of all liabilities and deductions taking priority, the balance of assets available for distribution will be distributed among the holders of ordinary shares according to the amounts paid up on the shares held by them. A liquidator may, with the authority of a special resolution, divide among the shareholders the whole or any part of the Company's assets; or vest the

Company's assets in whole or in part in trustees upon such trusts for the benefit of shareholders, but no shareholder is compelled to accept any property in respect of which there is a liability;

- Control rights under employee share schemes – the Company operates a number of employee share schemes. Under some of these arrangements, shares are held by trustees on behalf of employees. The employees are not entitled to exercise directly any voting or other control rights. The trustees will generally vote in accordance with employees' instructions and abstain where no instructions are received. Unallocated shares are generally voted at the discretion of the trustees; and
- Restrictions on holding securities – there are no restrictions under the Company's Articles of Association or under UK law that either restrict the rights of UK resident shareholders to hold shares or limit the rights of non-resident or foreign shareholders to hold or vote the Company's ordinary shares.

There are no UK foreign exchange control restrictions on the payment of dividends to US persons on the Company's ordinary shares.

Material agreements containing 'change of control' provisions

The following significant agreements will, in the event of a 'change of control' of the Company, be affected as follows:

- US$3.235 billion 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 Crédit Agricole Corporate and Investment Bank and the lenders specified therein pursuant to which each lender thereunder may demand repayment of all outstanding amounts owed by the Company and certain subsidiaries of the Company to it under the agreement and any connected finance document, which amount will become immediately due and payable and, in respect of each letter of credit issued under the agreement, full cash cover will be required immediately, in the event that any person (or group of persons acting in concert) gains control of the Company;
- US$100 million 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$165 million finance contract in respect of a senior secured revolving credit facility agreement between, among others, the Company and certain subsidiaries of the Company and International Finance Corporation and the lenders specified therein pursuant to which each lender thereunder may demand repayment of all outstanding amounts owed by the Company and certain subsidiaries of the Company to it under the agreement and any connected finance document, which amount will become immediately due and payable, in the event that any person (or group of persons acting in concert) gains control of the Company; and
- US$500 million secured revolving credit facility agreement between, among others, the Company and certain subsidiaries of the Company, BNP Paribas, Credit Agricole Corporate and Investment Bank, Standard Chartered Bank and HSBC Bank plc and the lenders specified therein pursuant to which each lender thereunder may demand repayment of all outstanding amounts owed by the Company and certain subsidiaries of the Company to it under the agreement and any connected finance document, which amount will become immediately due and payable, in the event that any person (or group of persons acting in concert) gains control of the Company.

Under the terms of each of these agreements, a 'change of control' occurs if any person, or group of persons acting in concert (as defined in the City Code on Takeovers and Mergers) gains control of the Company.

Contractual or other arrangements

The Group does not have any contractual or other arrangements that are essential to the business of the Group as described by section 417 (5)(c) of the Companies Act 2006.

Directors

The biographical details of the Directors of the Company at the date of this report are given on pages 81 to 83.

Details of Directors' service agreements and letters of appointment are set out on page 95. Details of the Directors' interests in the ordinary shares of the Company and in the Group's long-term incentive and other share option schemes are set out on pages 97 to 99 in the Directors' remuneration report.

Directors' indemnities and insurance cover

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by the Companies Act 2006, against claims from third parties in respect of certain liabilities arising out of, or in connection with, the execution of their powers, duties and responsibilities as Directors of the Company or any of its subsidiaries. The Directors are also indemnified against the cost of defending a criminal prosecution or a claim by the Company, its subsidiaries or a regulator provided that where the defence is unsuccessful the Director must repay those defence costs. The Company also maintains Directors' and Officers' Liability insurance cover, the level of which is reviewed annually.

Conflicts of interest

A Director has a duty to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Group. The Board has satisfied itself that there is no compromise to the independence of those Directors who have appointments on the boards of, or relationships with, companies outside the Group. The Board requires Directors to declare all appointments and other situations which could result in a possible conflict of interest and has adopted appropriate procedures to manage and, if appropriate, approve any such conflicts.

Powers of Directors

The general powers of the Company's Directors are set out in Article 104 of the Articles of Association of the Company. It provides that the business of the Company shall be managed by the Board which may exercise all the powers of the Company whether relating to the management of the business of the Company or not. This power is subject to any limitations imposed on the Company by applicable legislation. It is also limited by the provisions of the 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 £4,445,679. The authority lasts until the earlier of the Annual General Meeting of the Company in 2013 or 30 June 2013:
- Repurchase of shares – subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act 2006. Any shares 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 105 of the Company's Articles of Association, unless sanctioned by an ordinary resolution of the Company's shareholders.

Appointment and replacement of Directors

The Company shall appoint (disregarding Alternate Directors) no fewer than two nor more than 15 Directors. The appointment and replacement of Directors may be made as follows:

- The shareholders may by ordinary resolution elect any person who is willing to act to be a Director;
- The Board may elect any person who is willing to act to be a Director. Any Director so appointed shall hold office only until the next Annual General Meeting and shall then be eligible for election;
- Each Director is required in terms of the Articles of Association to retire from office at the third Annual General Meeting after the Annual General Meeting at which he was last elected or re-elected although he may be re-elected by ordinary resolution if eligible and willing. However, to comply with the principles of best corporate governance, the Board intends that each Director will submit themselves for re-election on an annual basis;
- The Company may by special resolution remove any Director before the expiration of his period of office or may, by ordinary resolution, remove a Director where special notice has been given and the necessary statutory procedures are complied with; and
- There are a number of other grounds on which a Director's office may cease, namely voluntary resignation, where all the other Directors (being at least three in number) request his resignation, where he suffers physical or mental incapacity, where he is absent from meetings of the Board without permission of the Board for six consecutive months, becomes bankrupt or compounds with his creditors or is prohibited by law from being a Director.

Employees with disabilities

Tullow is committed to eliminating discrimination and encouraging diversity amongst its workforce. Tullow's aim is that its workforce will be truly representative of all sections of society and each employee feels respected and able to give their best. Decisions related to recruitment selection, development or promotion are based upon merit and ability to adequately meet the requirements of the job, and are not influenced by factors such as gender, marital status, race, ethnic origin, colour, nationality, religion, sexual orientation, age, or disability. Tullow commits to provide equal opportunities for all. Tullow's Code of Business Conduct and Equal Opportunities Policy provides guidelines on fair employment practices and fair treatment.

All employees are helped and encouraged to develop their full potential. Tullow aims to provide an optimal working environment to suit the needs of all employees, including the needs of employees with disabilities. For employees who become disabled during their time with the Group, Tullow will provide support to best accommodate continuous employment. Tullow's EHS Function actively seeks to keep people safe, whatever their needs.

Charitable and political donations

The Group made charitable, social and community-related donations during the year totalling $11.6 million (2010: $2.6 million). In line with Group policy, no donations were made for political purposes.

Corporate responsibility

The Group is fully committed to high standards of environmental, health and safety management. A review, together with an outline of the Group's involvement in the community, is set out in the Corporate Responsibility section on pages 61 to 73. 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 2011.

Auditors and disclosure of relevant audit information

Having made the requisite enquiries, so far as the Directors are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditors are unaware and each Director has taken all steps that ought to have been taken to make 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 accompanying this Annual Report which sets out the resolutions to be proposed at the forthcoming AGM. The meeting will be held at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ on Wednesday 16 May 2012 at 12 noon. This Directors' Report comprising pages 4 to 109 and the information referred to therein has been approved by the Board and signed on its behalf by:

A. Graham Martin

Graham Martin
General Counsel and Company Secretary

13 March 2012

Registered office:
9 Chiswick Park
566 Chiswick High Road
London W4 5XT

Company registered in England and Wales No. 3919249

Members of the HR and Administration staff at work in the Dhaka office in Bangladesh.

FINANCIAL STATEMENTS

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As part of our Code of Business Conduct we ensure all documentation, including financial accounts and records, is accurate, complete and truthful. This is essential to support sound business decisions, to meet our legal and regulatory obligations and our responsibilities to all of our stakeholders.

SUPPLEMENTARY INFORMATION

FOCUS ON RESULTS

Strong sense of focus on results, driving tasks and projects through to completion with the flexibility to adapt to changing situations. Our strong financial and operational track record is a clear demonstration of this value in action.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

Company

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Group

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

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

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Aidan Heavey
Chief Executive Officer

13 March 2012

Ian Springett
Chief Financial Officer

13 March 2012

Independent Auditor's Report
to the members of Tullow Oil plc

We have audited the Group financial statements of Tullow Oil plc for the year ended 31 December 2011 which comprise the Group income statement, the Group statement of comprehensive income and expense, the Group balance sheet, the Group statement of changes in equity, the Group cash flow statement, the accounting policies and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the Group financial statements:

- Give a true and fair view of the state of the Group's affairs as at 31 December 2011 and of its profit for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB
As explained in the accounting policies to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The Directors' statement contained within the Directors' report in relation to going concern;
- The part of the Corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- Certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matter
We have reported separately on the parent company financial statements of Tullow Oil plc for the year ended 31 December 2011 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 Auditor
London, UK

13 March 2012

Group income statement
Year ended 31 December 2011

	Notes	2011 $m	*Restated 2010 $m
Continuing activities			
Sales revenue	4	**2,304.2**	1,089.8
Cost of sales		**(930.8)**	(584.1)
Gross profit		**1,373.4**	505.7
Administrative expenses		**(122.8)**	(89.6)
Profit on disposal of oil and gas assets		**–**	0.5
Profit on disposal of other assets		**2.0**	–
Exploration costs written off		**(120.6)**	(154.7)
Operating profit	5	**1,132.0**	261.9
Gain / (loss) on hedging instruments	20	**27.2**	(27.7)
Finance revenue	4	**36.6**	15.1
Finance costs	7	**(122.9)**	(70.1)
Profit from continuing activities before tax		**1,072.9**	179.2
Income tax expense	8	**(383.9)**	(89.7)
Profit for the year from continuing activities		**689.0**	89.5
Attributable to:			
Owners of the parent		**649.0**	71.0
Non-controlling interest	25	**40.0**	18.5
		689.0	89.5
Earnings per ordinary share from continuing activities	10	**¢**	¢
Basic		**72.5**	8.1
Diluted		**72.0**	8.0

* Certain numbers shown above do not correspond to the 2010 financial statements as a result of a retrospective restatement as set out in note 1.

Group statement of comprehensive income and expense
Year ended 31 December 2011

	Notes	2011 $m	*Restated 2010 $m
Profit for the year		**689.0**	89.5
Cash flow hedges			
Losses arising in the year	20	**(6.7)**	(26.8)
Reclassification adjustments for losses included in profit on realisation	20	**15.2**	(10.3)
		8.5	(37.1)
Exchange differences on translation of foreign operations		**(34.5)**	(11.4)
Other comprehensive income		**(26.0)**	(48.5)
Tax relating to components of other comprehensive income	20	**2.9**	8.2
Other comprehensive income for the year		**(23.1)**	(40.3)
Total comprehensive income for the year		**665.9**	49.2
Attributable to:			
Owners of the parent		**625.9**	30.7
Non-controlling interest		**40.0**	18.5
		665.9	49.2

* Certain numbers shown above do not correspond to the 2010 financial statements as a result of a retrospective restatement as set out in note 1.

Group balance sheet
As at 31 December 2011

	Notes	2011 $m	*Restated 2010 $m	*Restated 2009 $m
ASSETS				
Non-current assets				
Intangible exploration and evaluation assets	11	**5,450.0**	4,001.2	2,121.6
Property, plant and equipment	12	**3,658.2**	2,974.4	2,199.8
Investments	13	**1.0**	1.0	1.0
Other non-current assets	16	**313.5**	–	–
Deferred tax assets	22	**39.0**	100.4	50.4
		9,461.7	7,077.0	4,372.8
Current assets				
Inventories	15	**225.7**	183.0	127.1
Trade receivables	14	**272.4**	158.9	92.4
Other current assets	16	**360.2**	655.3	296.0
Current tax assets		**7.0**	–	–
Cash and cash equivalents	17	**307.1**	338.3	252.2
Derivative financial instruments	20	**–**	–	2.3
		1,172.4	1,335.5	770.0
Total assets		**10,634.1**	8,412.5	5,142.8
LIABILITIES				
Current liabilities				
Trade and other payables	18	**(1,118.6)**	(1,008.2)	(557.1)
Other financial liabilities	19	**(217.8)**	(309.8)	–
Current tax liabilities		**(153.8)**	(120.6)	(73.0)
Derivative financial instruments	20	**(42.4)**	(47.1)	–
		(1,532.6)	(1,485.7)	(630.1)
Non-current liabilities				
Trade and other payables	18	**(2.4)**	(354.0)	(31.8)
Other financial liabilities	19	**(2,858.1)**	(1,890.0)	(1,314.6)
Deferred tax liabilities	22	**(1,030.0)**	(465.5)	(474.3)
Provisions	22	**(440.8)**	(278.6)	(223.5)
Derivative financial instruments	20	**(4.2)**	(35.3)	(20.0)
		(4,335.5)	(3,023.4)	(2,064.2)
Total liabilities		**(5,868.1)**	(4,509.1)	(2,694.3)
Net assets		**4,766.0**	3,903.4	2,448.5
EQUITY				
Called up share capital	23	**146.2**	143.5	130.1
Share premium	23	**551.8**	251.5	242.3
Other reserves	24	**551.1**	574.2	614.5
Retained earnings		**3,441.3**	2,873.6	1,419.5
Equity attributable to equity holders of the parent		**4,690.4**	3,842.8	2,406.4
Non-controlling interest	25	**75.6**	60.6	42.1
Total equity		**4,766.0**	3,903.4	2,448.5

* Certain numbers shown above do not correspond to the 2010 and 2009 financial statements as a result of a retrospective restatement as set out in note 1.

Approved by the Board and authorised for issue on 13 March 2012.

Aidan Heavey
Chief Executive Officer

Ian Springett
Chief Financial Officer

Group statement of changes in equity

Year ended 31 December 2011

	Share capital $m	Share premium $m	Other reserves (note 24) $m	Retained earnings $m	Total $m	Non-controlling interest $m	Total equity $m
At 1 January 2009	119.7	231.1	607.8	898.6	1,857.2	36.7	1,893.9
Total recognised income and expense for the year (restated*)	–	–	(1.7)	42.7	41.0	5.4	46.4
Purchase of treasury shares	–	–	(5.7)	–	(5.7)	–	(5.7)
Issue of equity shares (note 23)	9.7	–	–	549.3	559.0	–	559.0
New shares issued in respect of employee share options	0.7	11.2	–	–	11.9	–	11.9
Vesting of PSP shares	–	–	14.1	(14.1)	–	–	–
Share-based payment charges	–	–	–	18.3	18.3	–	18.3
Dividends paid	–	–	–	(75.3)	(75.3)	–	(75.3)
At 1 January 2010 (restated*)	130.1	242.3	614.5	1,419.5	2,406.4	42.1	2,448.5
Total recognised income and expense for the year (restated*)	–	–	(40.3)	71.0	30.7	18.5	49.2
Issue of equity shares (note 23)	13.1	2.1	–	1,432.9	1,448.1	–	1,448.1
New shares issued in respect of employee share options	0.3	7.1	–	–	7.4	–	7.4
Vesting of PSP shares	–	–	–	(0.2)	(0.2)	–	(0.2)
Share-based payment charges	–	–	–	29.6	29.6	–	29.6
Dividends paid (note 9)	–	–	–	(79.2)	(79.2)	–	(79.2)
At 1 January 2011 (restated*)	**143.5**	**251.5**	**574.2**	**2,873.6**	**3,842.8**	**60.6**	**3,903.4**
Total recognised income and expense for the year	**–**	**–**	**(23.1)**	**649.0**	**625.9**	**40.0**	**665.9**
Issue of equity shares (note 23)	**2.2**	**285.5**	**–**	**–**	**287.7**	**–**	**287.7**
New shares issued in respect of employee share options	**0.5**	**14.8**	**–**	**–**	**15.3**	**–**	**15.3**
Vesting of PSP shares	**–**	**–**	**–**	**(0.1)**	**(0.1)**	**–**	**(0.1)**
Share-based payment charges	**–**	**–**	**–**	**33.0**	**33.0**	**–**	**33.0**
Dividends paid (note 9)	**–**	**–**	**–**	**(114.2)**	**(114.2)**	**–**	**(114.2)**
Distribution to minority shareholders (note 25)	**–**	**–**	**–**	**–**	**–**	**(25.0)**	**(25.0)**
At 31 December 2011	**146.2**	**551.8**	**551.1**	**3,441.3**	**4,690.4**	**75.6**	**4,766.0**

* Certain numbers shown above do not correspond to the 2010 and 2009 financial statements as a result of a retrospective restatement as set out in note 1.

Group cash flow statement
Year ended 31 December 2011

	Notes	2011 $m	2010 $m
Cash flows from operating activities			
Cash generated from operations	26	**1,903.1**	818.0
Income taxes paid		**(171.8)**	(85.6)
Net cash from operating activities		**1,731.3**	732.4
Cash flows from investing activities			
Disposal of oil and gas assets		**–**	6.7
Disposal of other assets		**2.4**	–
Purchase of subsidiaries		**(404.0)**	–
Purchase of intangible exploration and evaluation assets		**(1,018.4)**	(2,006.1)
Purchase of property, plant and equipment		**(635.1)**	(625.6)
Advances to contractors		**–**	(172.4)
Finance revenue		**13.6**	5.4
Net cash used in investing activities		**(2,041.5)**	(2,792.0)
Cash flows from financing activities			
Net proceeds from issue of share capital		**86.7**	1,453.3
Debt arrangement fees		**(30.0)**	(16.7)
Repayment of bank loans		**(320.0)**	(20.9)
Drawdown of bank loan		**1,200.0**	907.0
Repayment of obligations under finance leases		**(308.4)**	–
Finance costs		**(210.2)**	(94.2)
Dividends paid	9	**(114.2)**	(79.2)
Distribution to minority shareholders		**(25.0)**	–
Net cash generated by financing activities		**278.9**	2,149.3
Net (decrease)/increase in cash and cash equivalents		**(31.3)**	89.7
Cash and cash equivalents at beginning of year		**338.3**	252.2
Foreign exchange		**0.1**	(3.6)
Cash and cash equivalents at end of year	17	**307.1**	338.3

(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 175.

(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 not affecting the reported results or the financial position
The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

IAS 24 Related Party Disclosures (Revised)
The revision to IAS 24 has clarified the definition of a related party, particularly in relation to significant influence and joint control. It also provides partial exemption for government related entities from the disclosure requirements of IAS 24.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)
IAS 32 has been amended to classify a rights issue as an equity instrument if the rights are given pro rata to all existing owners of the equity instrument and the rights are to acquire a fixed number of equity instruments at a fixed price.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)
IFRIC 14 has been amended to provide further guidance on the assessment of the recoverable amount of a net pension asset, whereby the prepayment of a minimum funding requirement will now be treated as an asset.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
IFRIC 19 requires that equity instruments issued in order to extinguish a financial liability are consideration paid. The equity instruments are measured at their fair value or the fair value of the liability extinguished if the fair value of the equity instrument cannot be measured reliably.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 7 (amended)	Financial Instruments: Disclosure
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 1 (amended)	Presentation of Items of Other Comprehensive Income
IAS 12 (amended)	Income Taxes
IAS 19 (revised)	Employee Benefits
IAS 28 (revised)	Investments in Associates and Joint Ventures
IAS 32 (amended)	Offsetting Financial Assets and Financial Liabilities

The adoption of IFRS 9 which the Group plans to adopt for the year beginning on 1 January 2015 will impact both the measurement and disclosures of financial instruments.

The Directors do not expect that the adoption of the other standards listed above will have a material impact on the financial statements of the Group in future periods.

(c) Changes in accounting policy
The Group has revised its oil product inventory valuation policy during the year to value oil product inventory at net realisable value in line with IAS 2 Inventories. In order to aid comparability the Group has retrospectively applied the accounting policy. Refer to note 1 for details. Other than oil product inventory and the changes to the standards noted above, the Group's accounting policies are consistent with the prior year.

(d) Basis of accounting
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value. The financial statements are presented in US dollars and all values are rounded to the nearest $0.1 million, except where otherwise stated. The financial statements have been prepared on a going concern basis (see note 19 for further details).

The principal accounting policies adopted by the Group are set out below.

(e) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

The results of subsidiaries acquired or disposed of during the year are included in the Group income statement from the transaction date of acquisition, being the date on which the Group gains control and will continue to be included until the date that control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The consideration of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition costs incurred are expensed and included in administration expenses. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 non-current assets held for sale and discontinued operations, which are recognised and measured at fair value less costs to sell. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement or in income or expense.

Joint ventures

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

(f) Non-current assets held for sale

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(g) Revenue

Sales revenue represents the sales value, net of VAT and overriding royalties, of the Group's share of liftings in the year together with tariff income. Revenue is recognised when goods are delivered and title has passed.

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

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

(h) Over/underlift

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

In respect of redeterminations, any adjustments to the Group's net entitlement of future production are accounted for prospectively in the period in which the make-up oil is produced. Where the make-up period extends beyond the expected life of a field an accrual is recognised for the expected shortfall.

(i) Inventory

Inventories, other than oil product, are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses. Net realisable value is determined by reference to prices existing at the balance sheet date.

Oil product is stated at net realisable value and changes in net realisable value are recognised in the income statement.

(j) Foreign currencies

The US dollar is the presentation currency of the Group. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's non US dollar denominated operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Currency translation adjustments arising on the restatement of opening net assets of non US dollar subsidiaries, together with differences between the subsidiaries' results translated at average rates versus closing rates, are taken directly to reserves. All resulting exchange differences are classified as equity until disposal of the subsidiary. On disposal, the cumulative amounts of the exchange differences are recognised as income or expense.

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated into US dollars at the exchange rate ruling at the balance sheet date, with a corresponding charge or credit to the income statement. However, exchange gains and losses arising on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment. In addition, exchange gains and losses arising on long-term foreign currency borrowings which are a hedge against the Group's overseas investments are dealt with in reserves.

(k) Exploration, evaluation and production assets

The Group adopts the successful efforts method of accounting for exploration and appraisal costs. All licence acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalised in cost centres by well, field or exploration area, as appropriate. Interest payable is capitalised insofar as it relates to specific development activities. Pre-licence costs are expensed in the period in which they are incurred.

These costs are then written off as exploration costs in the income statement unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment.

All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities are amortised in accordance with the Group's depletion and amortisation accounting policy.

(l) Commercial reserves

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent statistical probability that it will be less.

(m) Depletion and amortisation – discovery fields

All expenditure carried within each field is amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field-by-field basis or by a group of fields which are reliant on common infrastructure. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs. Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single cash generating unit for impairment purposes.

Any impairment identified is charged to the income statement as additional depletion and amortisation. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any amortisation that would have been charged since the impairment.

(n) Decommissioning

Provision for decommissioning is recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is included as a finance cost.

(o) Property, plant and equipment

Property, plant and equipment is stated in the balance sheet at cost less accumulated depreciation and any recognised impairment loss. Depreciation on property, plant and equipment other than production assets is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful economic life of between three and five years.

(p) Finance costs and debt

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Finance costs of debt are allocated to periods over the term of the related debt at a constant rate on the carrying amount. Arrangement fees and issue costs are deducted from the debt proceeds on initial recognition of the liability and are amortised and charged to the income statement as finance costs over the term of the debt.

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

(r) Taxation
Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred corporation tax is recognised on all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted. Deferred tax is measured on a non-discounted basis.

Deferred tax is provided on temporary differences arising on acquisitions that are categorised as Business Combinations. Deferred tax is recognised at acquisition as part of the assessment of the fair value of assets and liabilities acquired. Any deferred tax is charged or credited in the income statement as the underlying temporary difference is reversed.

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

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

(t) Derivative financial instruments
The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates, interest rates and movements in oil and gas prices.

Derivative financial instruments are stated at fair value.

The purpose for which a derivative is used is established at inception. To qualify for hedge accounting, the derivative must be 'highly effective' in achieving its objective and this effectiveness must be documented at inception and throughout the period of the hedge relationship. The hedge must be assessed on an ongoing basis and determined to have been 'highly effective' throughout the financial reporting periods for which the hedge was designated.

For the purpose of hedge accounting, hedges are classified as either fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges, where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or forecasted transaction.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from re-measuring the derivative and the hedged item at fair value is recognised immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the income statement.

For cash flow hedges, the portion of the gains and losses on the hedging instrument that is determined to be an effective hedge is taken to other comprehensive income and the ineffective portion, as well as any change in time value, is recognised in the income statement. The gains and losses taken to other comprehensive income are subsequently transferred to the income statement during the period in which the hedged transaction affects the income statement or if the hedge is subsequently deemed to be ineffective. A similar treatment applies to foreign currency loans which are hedges of the Group's net investment in the net assets of a foreign operation.

Gains or losses on derivatives that do not qualify for hedge accounting treatment (either from inception or during the life of the instrument) are taken directly to the income statement in the period.

(u) Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases and are charged to the income statement on a straight-line basis over the term of the lease.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

(v) Share-based payments
The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions of that standard, only those awards that were granted after 7 November 2002, and had not vested at 1 January 2005, are included.

All share-based awards of the Group are equity settled as defined by IFRS 2. The fair value of these awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Group's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

The fair values were calculated using a binomial option pricing model with suitable modifications to allow for employee turnover after vesting and early exercise. Where necessary, this model was supplemented with a Monte Carlo model. The inputs to the models include: the share price at date of grant; exercise price; expected volatility; expected dividends; risk free rate of interest; and patterns of exercise of the plan participants.

(w) Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL); 'held-to-maturity' investments; 'available-for-sale' (AFS) financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(x) Cash and cash equivalents

Cash and cash equivalents comprise cash 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.

(y) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(z) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. The Group chooses not to disclose the effective interest rate for debt instruments that are classified as at fair value through profit or loss.

(aa) Financial liabilities and equity instruments

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

(ab) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(ac) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(ad) Critical accounting judgements and key sources of estimation uncertainty

Details of the Group's significant accounting judgements and critical accounting estimates are set out in these financial statements and include:

- Carrying value of intangible exploration and evaluation fixed assets (note 11);

Where a project is sufficiently advanced the recoverability of intangible exploration assets is assessed by comparing the carrying value to internal and operator estimates of the net present value of projects. Intangible exploration assets are inherently judgemental to value and further details on the accounting policy is included in accounting note (k). The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

- Carrying value of property, plant and equipment (note 12);

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 12);

Proven and probable reserves are estimated using standard recognised evaluation techniques. The estimate is reviewed at least twice annually and is regularly reviewed by independent consultants. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

- Presumption of going concern (note 19);

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's portfolio of producing fields and delays in development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capacity and flexibility of the Group. The Group's forecasts, taking into account reasonably possible changes as described above, show that the Group will be able to operate within its current debt facilities and have significant financial headroom for the 12 months from the date of approval of the 2011 Annual Report and Accounts.

- Decommissioning costs (note 22);

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

A review of all decommissioning cost estimates was undertaken by an independent specialist in 2010 which has been assessed and updated internally for the purposes of the 2011 financial statements.

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

- Recoverability of deferred tax assets (note 22); and

Deferred tax assets are recognised for used tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgement is required to determine the value of the deferred tax asset, based upon the timing and level of future taxable profits.

- Other tax provisions.

The Group operates in a number of jurisdictions in which the tax legislation is open to interpretation. Tax provisions, which are made based on the Group's best estimate of the amount expected to be paid, may change as agreement is reached with the relevant taxation authority.

Note 1. Retrospective restatement

During the year the Group has revised its inventory oil product valuation accounting policy to value inventory oil product at net realisable value in line with IAS 2 Inventories. In order to aid comparability the Group has retrospectively applied the revised accounting policy. The impact on the financial statements is summarised in the table below.

	Previously stated 2010 $m	Impact of revision in accounting policy $m	Restated 2010 $m	Previously stated 2009 $m	Impact of revision in accounting policy $m	Restated 2009 $m
Effect on income statement:						
Cost of sales	(611.4)	27.3	(584.1)	(625.5)	17.5	(608.0)
Profit from continuing activities before tax	151.9	27.3	179.2	32.5	17.5	50.0
Income tax expense	(79.4)	(10.3)	(89.7)	(1.9)	–	(1.9)
Profit from continuing activities	72.5	17.0	89.5	30.6	17.5	48.1
Effect on balance sheet:						
Deferred tax assets	110.7	(10.3)	100.4	50.4	–	50.4
Non-current assets	7,087.3	(10.3)	7,077.0	4,372.8	–	4,372.8
Inventories	138.2	44.8	183.0	109.6	17.5	127.1
Current assets	1,290.7	44.8	1,335.5	752.5	17.5	770.0
Total assets	8,378.0	34.5	8,412.5	5,125.3	17.5	5,142.8
Current tax liabilities	(120.0)	(0.6)	(120.6)	(73.8)	0.8	(73.0)
Current liabilities	(1,485.1)	(0.6)	(1,485.7)	(630.9)	0.8	(630.1)
Deferred tax liabilities	(466.1)	0.6	(465.5)	(473.5)	(0.8)	(474.3)
Non-current liabilities	(3,024.0)	0.6	(3,023.4)	(2,063.4)	(0.8)	(2,064.2)
Total liabilities	(4,509.1)	–	(4,509.1)	(2,694.3)	–	(2,694.3)
Net assets	3,868.9	34.5	3,903.4	2,431.0	17.5	2,448.5
Retained earnings	2,839.1	34.5	2,873.6	1,402.0	17.5	1,419.5
Total equity	3,868.9	34.5	3,903.4	2,431.0	17.5	2,448.5

Note 2. Business combinations

On 24 May 2011 Tullow announced that it had acquired 100% of Nuon Exploration & Production B.V. ("Nuon") from the Vattenfall Group. The acquisition of Nuon added a portfolio of 25 licences over 30 producing fields, a number of development and exploration opportunities and ownership of key infrastructure. The Nuon transaction had an effective date of 1 January 2011 but completed on 30 June 2011 and this is therefore the acquisition date. Accordingly, the financial statements include the balance sheet of Nuon including fair value adjustments. Revenue and expenses were included within the Group income statement from 1 July 2011.

The fair value allocation to the Nuon assets is preliminary due to the finalisation of an independent review of acquired contingent resources and will be reviewed in accordance with the provisions of IFRS 3 – Business Combinations. The purchase consideration equals the aggregate of the fair value of the identifiable assets and liabilities of Nuon and therefore no goodwill has been recorded on the acquisition. Deferred tax has been recognised in respect of the fair value adjustments as applicable.

	Provisional fair value $m
Intangible exploration and appraisal assets	**424.1**
Property, plant and equipment	**539.6**
Trade and other receivables	**19.8**
Trade and other payables	**(20.0)**
Deferred tax liabilities	**(472.9)**
Provisions	**(86.6)**
Total consideration satisfied by cash	**404.0**

Transaction costs in respect of the Nuon acquisition of $1.1 million have been recognised in the income statement. From the date of the acquisition, Nuon has contributed $67.6 million to Group revenues and $3.2 million to the profit of the Group. If the acquisition had been completed on the first day of the financial year, Group revenues for the year would have been $2,384.3 million and group profit would have been $695.4 million.

There were no acquisitions involving business combinations in 2010 or 2009.

Note 3. Segmental reporting

In the opinion of the Directors the operations of the Group comprise one class of business, oil and gas exploration, development and production and the sale of hydrocarbons and related activities. In 2011 the Group reorganised its operational structure into three regions so that the management and resources of the business are aligned with the delivery of business objectives. The reportable segments in accordance with IFRS 8 are therefore now the three geographical regions that the Group operates within, being Europe, South America and Asia; West and North Africa and South and East Africa. The following tables present revenue, profit and certain asset and liability information regarding the Group's business segments for the year ended 31 December 2011, 31 December 2010 and 31 December 2009. The tables for the years ended 31 December 2010 and 31 December 2009 have been restated to reflect the new reportable segments of the business.

	Europe, South America and Asia $m	West and North Africa $m	South and East Africa $m	Unallocated $m	Total $m
2011					
Sales revenue by origin	**360.2**	**1,944.0**	**–**	**–**	**2,304.2**
Segment result	**31.9**	**1,216.7**	**4.2**	**–**	**1,252.8**
Profit on disposal of other assets					**2.0**
Profit on disposal of oil and gas assets					**–**
Unallocated corporate expenses					**(122.8)**
Operating profit					**1,132.0**
Gain on hedging instruments					**27.2**
Finance revenue					**36.6**
Finance costs					**(122.9)**
Profit before tax					**1,072.9**
Income tax expense					**(383.9)**
Profit after tax					**689.0**
Total assets	**1,790.1**	**4,745.1**	**3,977.6**	**121.3**	**10,634.1**
Total liabilities	**(920.7)**	**(1,202.8)**	**(565.5)**	**(3,179.1)**	**(5,868.1)**
Other segment information					
Capital expenditure:					
Property, plant and equipment	**92.7**	**638.6**	**0.8**	**31.8**	**763.9**
Intangible exploration and evaluation assets	**171.9**	**482.5**	**535.6**	**–**	**1,190.0**
Acquisition of subsidiaries (note 2)	**963.7**	**–**	**–**	**–**	**963.7**
Depletion, depreciation and amortisation	**(170.1)**	**(344.3)**	**(0.4)**	**(19.0)**	**(533.8)**
Impairment losses recognised in income statement	**–**	**(51.0)**	**–**	**–**	**(51.0)**
Exploration costs written off	**(39.7)**	**(85.9)**	**5.0**	**–**	**(120.6)**

All sales are to external customers. Included in revenue arising from West and North Africa are revenues of approximately $1,036.0 million (2010: $546.1 million, 2009: $269.2 million) which arose from sales to the Group's largest customers.

Unallocated expenditure and net liabilities include amounts of a corporate nature and not specifically attributable to a geographic area. The liabilities comprise the Group's external debt and other non-attributable corporate liabilities. The unallocated capital expenditure for the period comprised the acquisition of non-attributable corporate assets.

	Europe, South America and Asia $m	West and North Africa $m	South and East Africa $m	Unallocated $m	Total $m
2010 (restated)					
Sales revenue by origin	237.9	851.9	–	–	1,089.8
Segment result	(9.1)	424.9	(64.8)	–	351.0
Profit on disposal of oil and gas assets					0.5
Unallocated corporate expenses					(89.6)
Operating profit					261.9
Loss on hedging instruments					(27.7)
Finance revenue					15.1
Finance costs					(70.1)
Profit before tax					179.2
Income tax expense					(89.7)
Profit after tax					89.5
Total assets	814.3	4,334.7	3,099.9	163.6	8,412.5
Total liabilities	(341.8)	(1,552.6)	(336.9)	(2,277.8)	(4,509.1)
Other segment information					
Capital expenditure:					
Property, plant and equipment	78.4	1,040.9	–	33.1	1,152.4
Intangible exploration and evaluation assets	39.8	249.0	1,758.9	–	2,047.7
Depletion, depreciation and amortisation	(128.4)	(228.7)	–	(10.2)	(367.3)
Impairment losses recognised in income statement	–	(4.3)	–	–	(4.3)
Exploration costs written off	(28.8)	(61.1)	(64.8)	–	(154.7)

Note 3. Segmental reporting continued

	Europe, South America and Asia $m	West and North Africa $m	South and East Africa $m	Unallocated $m	Total $m
2009 (restated)					
Sales revenue by origin	270.5	645.4	–	–	915.9
Segment result	(4.7)	231.9	(2.0)	–	225.2
Profit on disposal of subsidiaries					16.0
Profit on disposal of oil and gas assets					4.9
Unallocated corporate expenses					(77.6)
Operating profit					168.5
Loss on hedging instruments					(59.8)
Finance revenue					2.1
Finance costs					(60.8)
Profit before tax					50.0
Income tax expense					(1.9)
Profit after tax					48.1
Total assets	923.7	2,836.2	1,328.4	54.5	5,142.8
Total liabilities	(333.3)	(745.1)	(236.6)	(1,379.3)	(2,694.3)
Other segment information					
Capital expenditure:					
Property, plant and equipment	52.7	498.6	–	9.4	560.7
Intangible exploration and evaluation assets	41.4	440.3	200.5	2.5	684.7
Depletion, depreciation and amortisation	(134.9)	(214.5)	–	(9.8)	(359.2)
Impairment losses recognised in income statement	–	(12.5)	–	–	(12.5)
Exploration costs written off	(59.9)	(18.7)	(2.0)	(2.1)	(82.7)

Sales revenue by origin	**2011 $m**	2010 $m	2009 $m
Ghana[1]	**930.3**	–	–
Equatorial Guinea[1]	**372.5**	343.4	257.2
Côte d'Ivoire[1]	**79.2**	75.4	82.4
Gabon[1]	**447.1**	306.5	202.8
Congo[1]	**80.9**	79.4	68.8
Mauritania[1]	**34.0**	47.2	34.2
Total Africa	**1,944.0**	851.9	645.4
UK	**272.0**	216.8	248.6
Netherlands	**67.4**	–	–
Total Europe	**339.4**	216.8	248.6
Pakistan	**1.0**	0.6	2.7
Bangladesh	**19.8**	20.5	19.2
Total Asia	**20.8**	21.1	21.9
Total revenue	**2,304.2**	1,089.8	915.9

1. Included within the West and North Africa region.

Non-current assets by origin	2011 $m	2010 $m	2009 $m
Ghana[1]	**2,643.3**	2,032.0	963.3
Uganda[2]	**3,306.6**	2,830.3	1,111.4
Mauritania[1]	**412.5**	371.3	348.7
Other	**1,116.2**	1,058.4	1,147.6
Total Africa	**7,478.6**	6,292.0	3,571.0
UK	**390.4**	449.8	503.9
Netherlands	**870.0**	25.0	18.4
Total Europe	**1,260.4**	474.8	522.3
Total Asia	**59.9**	55.6	53.4
Total South America	**244.4**	161.4	157.5
Unallocated	**104.9**	93.2	68.6
Total Non-current assets	**9,148.2**	7,077.0	4,372.8

1 Included within the West and North Africa region.
2 Included within the South and East Africa region.

Note 4. Total revenue

	2011 $m	2010 $m
Sales revenue (excluding tariff income)		
Oil and gas revenue from the sale of goods	**2,359.9**	1,074.3
Profit on realisation of cash flow hedges	**(69.8)**	3.4
	2,290.1	1,077.7
Tariff income	**14.1**	12.1
Total sales revenue	**2,304.2**	1,089.8
Finance revenue	**36.6**	15.1
Total revenue	**2,340.8**	1,104.9

For 2011 included within finance revenue is a $22.3 million gain on cancellation of a finance lease, see note 21.

Note 5. Operating profit

	2011 $m	2010 $m
Operating profit is stated after charging / (crediting):		
Staff costs (see note 6)	**42.9**	55.4
Depletion and amortisation	**513.6**	355.9
Impairment of property, plant and equipment	**51.0**	4.3
Impairment reversal	**(17.4)**	–
Depreciation of other fixed assets	**20.2**	11.4
Write down of physical inventory recognised as an expense	**–**	0.2
Exploration write off	**120.6**	154.7
Share-based payment charge (including provisions for NI)	**28.5**	11.9
Operating lease rentals	**7.0**	6.5
Auditor's remuneration (see below)	**2.6**	2.9

	2011 $m	2010 $m
Fees payable to the Company's auditor for:		
The audit of the Company's annual accounts	**0.2**	0.2
The audit of the Company's subsidiaries pursuant to legislation	**1.4**	1.0
Total audit and other assurance services	**1.6**	1.2
Non-audit services:		
Audit related assurance services	**0.3**	0.2
Other assurance services	**0.1**	0.2
Tax advisory services	**–**	0.1
Tax compliance services	**0.1**	0.3
Information technology services	**0.1**	0.3
Corporate finance services	**0.1**	0.3
Other services – non assurance	**0.3**	0.3
Total non-audit excluding assurance services	**1.0**	1.7
Total	**2.6**	2.9

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

Tax advisory services include assistance in connection with enquiries from local fiscal authorities. Information technology services includes IT security analysis and assistance provided to management in the selection of new systems. The auditor is not involved in the design or implementation of IT systems.

Other services – non assurance includes assistance to management in assessing changes to the finance function resulting from the Group's expansion and subscription fees for upstream data.

Details of the company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee Report on pages 84 to 85. No services were provided pursuant to contingent fee arrangements.

Note 6. Staff costs

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

	2011 Number	2010 Number
Administration	**643**	567
Technical	**410**	323
Total	**1,053**	890

Staff costs in respect of those employees were as follows:

	2011 $m	2010 $m
Salaries	**198.9**	105.4
Social security costs	**17.2**	12.1
Pension costs	**10.1**	7.2
	226.2	124.7

A proportion of the Group's staff costs shown above is recharged to the Group's joint venture partners, a proportion is allocated to operating costs and a proportion is capitalised into the cost of fixed assets under the Group's accounting policy for exploration, evaluation and production assets. The net staff costs recognised in the administrative expenses was $42.9 million (2010: $55.4 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 7. Finance costs

	2011 $m	2010 $m
Interest on bank overdrafts and loans	**144.0**	103.4
Interest on obligations under finance leases	**44.3**	3.1
Total borrowing costs	**188.3**	106.5
Less amounts included in the cost of qualifying assets	**(128.8)**	(78.2)
	59.5	28.3
Finance and arrangement fees	**35.5**	28.5
Foreign exchange losses	**7.0**	–
Unwinding of discount on decommissioning provision (note 22)	**20.9**	13.3
	122.9	70.1

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 4.05% (2010: 4.51%) to cumulative expenditure on such assets.

Note 8. Taxation on profit on ordinary activities

(a) Analysis of charge in period

The tax charge comprises:

	2011 $m	*Restated 2010 $m
Current tax		
UK corporation tax	**37.4**	23.6
Foreign tax	**137.4**	99.7
Total corporate tax	**174.8**	123.3
UK petroleum revenue tax	**11.6**	10.2
Total current tax	**186.4**	133.5
Deferred tax		
UK corporation tax	**15.2**	1.0
Foreign tax	**185.7**	(38.8)
Total deferred corporate tax	**200.9**	(37.8)
Deferred UK petroleum revenue tax	**(3.4)**	(6.0)
Total deferred tax (note 22)	**197.5**	(43.8)
Total tax expense	**383.9**	89.7

* Certain numbers shown above do not correspond to the 2010 financial statements as a result of a retrospective restatement as set out in note 1.

(b) Factors affecting tax charge for period

The tax rate applied to profit on ordinary activities in preparing the reconciliation below is the UK corporation tax rate applicable to the Group's non upstream UK profits.

The difference between the total current tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax applicable to UK profits (26%) (2010:28%) to the profit before tax is as follows:

	2011 $m	*Restated 2010 $m
Group profit on ordinary activities before tax	**1,072.9**	179.2
Tax on Group profit on ordinary activities at the standard UK corporation tax rate of 26% (2010: 28%)	**279.0**	50.2
Effects of:		
Expenses not deductible for tax purposes	**69.7**	36.4
Utilisation of tax losses not previously recognised	**(20.9)**	(1.5)
Net losses not recognised	**21.3**	22.0
Petroleum revenue tax (PRT)	**9.1**	1.8
UK corporation tax deductions for current PRT	**(3.0)**	(0.9)
Adjustments relating to prior years	**(5.8)**	0.5
Adjustments to deferred tax relating to change in tax rates	**18.2**	–
Income taxed at a different rate	**82.3**	21.5
Income not subject to corporation tax	**(66.0)**	(40.3)
Group total tax expense for the year	**383.9**	89.7

* Certain numbers shown above do not correspond to the 2010 financial statements as a result of a retrospective restatement as set out in note 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 $1,082.3 million (2010: $840.1 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 $117.5 million in deferred tax assets in relation to taxable losses (2010: $175.1 million).

No deferred tax liability is recognised on temporary differences of $253.0 million (2010: $485.6 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 9. Dividends

	2011 $m	2010 $m
Declared and paid during year		
Final dividend for 2010: 4 pence (2009: 4 pence) per ordinary share	**79.2**	51.6
Interim dividend for 2011: 4 pence (2010: 2 pence) per ordinary share	**35.0**	27.6
Dividends paid	**114.2**	79.2
Proposed for approval by shareholders at the AGM		
Final dividend for 2011: 8 pence (2010: 4 pence) per ordinary share	**113.3**	54.9

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 10. 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.

	2011 $m	2010 $m
Earnings		
Net profit attributable to equity shareholders	**649.0**	71.0
Effect of dilutive potential ordinary shares	**–**	–
Diluted net profit attributable to equity shareholders	**649.0**	71.0

	2011	2010
Number of shares		
Basic weighted average number of shares	**895,676,666**	879,788,671
Dilutive potential ordinary shares	**6,229,785**	7,952,123
Diluted weighted average number of shares	**901,906,451**	887,740,794

Note 11. Intangible exploration and evaluation assets

	2011 $m	2010 $m	2009 $m
At 1 January	**4,001.2**	2,121.6	2,052.8
Acquisition of subsidiaries	**424.1**	–	–
Additions	**1,190.0**	2,047.7	684.7
Disposals	**–**	(6.2)	–
Amounts written off	**(120.6)**	(154.7)	(82.7)
Transfer to property, plant and equipment (note 12)	**–**	(7.0)	(542.1)
Currency translation adjustments	**(44.7)**	(0.2)	8.9
At 31 December	**5,450.0**	4,001.2	2,121.6

The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

Included within 2011 additions is $128.8 million of capitalised interest (2010: $30.7 million, 2009: $17.5 million). The Group only capitalises interest in respect of intangible exploration and evaluation assets where it is considered that development is highly likely and advanced appraisal and development is ongoing. Additions in 2010 include $1,450 million in relation to the acquisition of a 50% stake in Blocks 1 and 3A in Uganda.

Note 12. Property, plant and equipment

	Oil and gas assets $m	Other fixed assets $m	Total $m
Cost			
At 1 January 2009	2,845.3	32.0	2,877.3
Additions	551.7	9.0	560.7
Disposals	(29.3)	–	(29.3)
Transfer to intangible exploration and evaluation fixed assets (note 11)	542.1	–	542.1
Currency translation adjustments	108.0	4.4	112.4
At 1 January 2010	4,017.8	45.4	4,063.2
Additions	1,112.9	39.5	1,152.4
Transfer from intangible exploration and evaluation fixed assets (note 11)	7.0	–	7.0
Currency translation adjustments	(35.3)	(0.3)	(35.6)
At 1 January 2011	**5,102.4**	**84.6**	**5,187.0**
Additions of subsidiaries	**539.4**	**0.2**	**539.6**
Additions	**728.6**	**35.3**	**763.9**
Disposals	**–**	**(4.8)**	**(4.8)**
Currency translation adjustments	**(58.1)**	**(3.7)**	**(61.8)**
At 31 December 2011	**6,312.3**	**111.6**	**6,423.9**
Depreciation, depletion and amortisation			
At 1 January 2009	(1,432.4)	(16.7)	(1,449.1)
Charge for the year	(350.7)	(8.5)	(359.2)
Impairment loss	(12.5)	–	(12.5)
Disposals	21.8	–	21.8
Currency translation adjustments	(62.0)	(2.4)	(64.4)
At 1 January 2010	(1,835.8)	(27.6)	(1,863.4)
Charge for the year	(355.9)	(11.4)	(367.3)
Impairment loss	(4.3)	–	(4.3)
Currency translation adjustments	22.3	0.1	22.4
At 1 January 2011	**(2,173.7)**	**(38.9)**	**(2,212.6)**
Charge for the year	**(513.6)**	**(20.2)**	**(533.8)**
Impairment loss	**(51.0)**	**–**	**(51.0)**
Impairment reversal	**17.4**	**–**	**17.4**
Disposals	**–**	**3.7**	**3.7**
Currency translation adjustments	**8.3**	**2.3**	**10.6**
At 31 December 2011	**(2,712.6)**	**(53.1)**	**(2,765.7)**
Net book value			
At 31 December 2011	**3,599.7**	**58.5**	**3,658.2**
At 31 December 2010	2,928.7	45.7	2,974.4
At 31 December 2009	2,182.0	17.8	2,199.8

Note 12. Property, plant and equipment continued

The 2011 additions did not include capitalised interest (2010: $47.4 million, 2009: $22.8 million).

The carrying amount of the Group's oil and gas assets includes an amount of $nil million (2010: $346.7 million, 2009: $13.5 million) in respect of assets held under finance leases.

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

The 2011 impairment loss relates to the M'Boundi field in Congo (2010: Chinguetti field in Mauritania, 2009: 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 2012 and 2013 and $80 per barrel (2010: $80 per barrel) thereafter and a post-tax discount rate assumption of 10% (the M'Boundi field operates in a Production Sharing Contract regime under which "tax" is deducted at source and included within the Governments share of profit oil) (2010: Chinguetti, 15% pre-tax). In 2011 an impairment reversal of $17.4 million has been recorded in respect of the Chinguetti field in Mauritania as a result of increased proven and probable reserves estimates arising from improved field performance.

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.

On 25 July 2011, Tullow completed the acquisition of the Ghanaian interests of EO Group Limited (EO) for a combined cash and share consideration of $305 million and $9.9 million of working capital adjustments to acquire an additional 3.5% share in the West Cape Three Points licence and 1.75% in the Jubilee field. The consideration was allocated between oil and gas assets ($282.9 million) and intangible exploration and evaluation assets ($32.0 million).

Note 13. Investments

	2011 $m	2010 $m	2009 $m
Unlisted investments	**1.0**	1.0	1.0

The fair value of these investments is not materially different from their carrying value.

Details of the subsidiaries which the Directors consider are the most important subsidiaries as at 31 December 2011 and the percentage of share capital owned by the Company are set out below. All of these subsidiaries are included in the consolidated Group financial statements. A complete list of investments in subsidiary undertakings will be attached to the Company's annual return made to the Registrar of Companies:

Name	%	Country of operation	Country of registration
Directly held			
Tullow Oil SK Limited	100	United Kingdom	England & Wales
Tullow Oil SPE Limited	100	United Kingdom	England & Wales
Tullow Group Services Limited	100	United Kingdom	England & Wales
Tullow Oil Limited	100	Ireland	Ireland
Tullow Overseas Holdings B.V.	100	Netherlands	Netherlands
Tullow Gabon Holdings Limited (50% held indirectly)	100	Gabon	Isle of Man
Indirectly held			
Tullow (EA) Holdings Limited	100	Netherlands	British Virgin Islands
Tullow Oil International Limited	100	Channel Islands	Jersey
Tullow Pakistan (Developments) Limited	100	Pakistan	Jersey
Tullow Bangladesh Limited	100	Bangladesh	Jersey
Tullow Côte d'Ivoire Limited	100	Côte d'Ivoire	Jersey
Tullow Côte d'Ivoire Exploration Limited	100	Côte d'Ivoire	Jersey
Tullow Ghana Limited	100	Ghana	Jersey
Tullow Kenya B.V.	100	Kenya	Netherlands
Tullow Ethiopia B.V.	100	Ethiopia	Netherlands
Tullow Tanzania B.V.	100	Tanzania	Netherlands
Tullow Netherlands B.V.	100	Netherlands	Netherlands
Tullow Exploration & Production The Netherlands B.V.	100	Netherlands	Netherlands
Tullow Guyane B.V.	100	Guyana	Netherlands
Tullow Liberia B.V.	100	Liberia	Netherlands
Tullow Sierra Leone B.V.	100	Sierra Leone	Netherlands
Tullow Suriname B.V.	100	Suriname	Netherlands
Tullow Congo Limited	100	Congo	Isle of Man
Tullow Equatorial Guinea Limited	100	Equatorial Guinea	Isle of Man
Tullow Kudu Limited	100	Namibia	Isle of Man
Tullow Uganda Limited	100	Uganda	Isle of Man
Tullow Oil Gabon SA	100	Gabon	Gabon
Tulipe Oil SA*	50	Gabon	Gabon
Tullow Chinguetti Production (Pty) Limited	100	Mauritania	Australia
Tullow Petroleum (Mauritania) (Pty) Limited	100	Mauritania	Australia
Tullow Oil (Mauritania) Limited	100	Mauritania	Guernsey
Tullow Uganda Operations (Pty) Limited	100	Uganda	Australia
Tullow Hardman Holdings B.V.	100	Netherlands	Netherlands
Tullow South Africa (Pty) Limited	100	South Africa	South Africa
Hardman Petroleum France SAS	100	French Guiana	France

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

* The Group is deemed to control Tulipe Oil SA in accordance with IAS 27 as it has a majority of the voting rights on the board of Tulipe Oil SA.

Note 14. Trade receivables

Trade receivables comprise amounts due for the sale of oil and gas. No receivables have been impaired and no allowance for doubtful debt has been recognised (2010: $nil, 2009: $nil).

Note 15. Inventories

	2011 $m	*Restated 2010 $m	*Restated 2009 $m
Warehouse stocks and materials	**132.0**	118.6	93.4
Oil stocks	**93.7**	64.4	33.7
	225.7	183.0	127.1

* Certain numbers shown above do not correspond to the 2010 and 2009 financial statements as a result of a retrospective restatement as set out in note 1.

Inventories includes a provision of $3.8 million (2010: $3.8 million, 2009: $3.8 million) for warehouse stock and materials where it is considered that the net realisable value is lower than the original cost.

Note 16. Other assets

	2011 $m	2010 $m	2009 $m
Non-current			
Other debtors	**313.5**	–	–
Current			
Other debtors	**266.7**	604.4	232.1
Prepayments	**56.1**	12.5	45.9
VAT recoverable	**37.4**	38.4	18.0
	360.2	655.3	296.0

In March 2011, Tullow was designated by the Ugandan Revenue Authority (URA) as agent to the transaction between Tullow and Heritage Oil & Gas Limited ("Heritage") in respect of the sale of their interests in Uganda. This designation required Tullow to pay a recoverable security of $313.5 million to the URA. This sum is equivalent to the outstanding Capital Gains Tax that the Ugandan Government believes it is owed by Heritage. Separately, and under the terms of Tullow and Heritage's PSA, Tullow has opened proceedings against Heritage in London to recover this sum. The case is expected to be heard in early 2013 after other cases involving Heritage in London and Kampala have been concluded.

Included within other debtors are amounts due from joint venture partners of $204.9 million (2010: $58.0 million, 2009: $120.4 million), advances to contractors for the Jubilee FPSO $nil (2010: $433.2 million, 2009: $80.4 million), deferred expenses of $0.8 million (2010: $2.8 million, 2009: $9.6 million) and other sundry debtors of $61.0 million (2010: $110.4 million, 2009: $21.7 million).

Note 17. Cash and cash equivalents

	2011 $m	2010 $m	2009 $m
Cash at bank and in hand	**307.1**	338.3	241.2
Short-term deposits	**–**	–	11.0
	307.1	338.3	252.2

Cash and cash equivalents includes an amount of $nil (2010: $nil, 2009: $2.4 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 $221.3 million (2010: $279.0 million, 2009: $152.9 million) which the Group holds as operator in joint venture bank accounts.

Note 18. Trade and other payables

Current liabilities

	2011 $m	2010 $m	2009 $m
Trade payables	**85.8**	68.3	132.2
Other payables	**469.1**	229.1	53.1
Accruals	**541.2**	657.8	321.8
PAYE and social security	**–**	–	28.4
VAT and other similar taxes	**22.5**	37.3	17.2
Current portion of finance lease (note 21)	**–**	15.7	4.4
	1,118.6	1,008.2	557.1

The other payables balance primarily contains payables in relation to operated licences (shown gross in the Group consolidated financial statements).

Non-current liabilities

	2011 $m	2010 $m	2009 $m
Other payables	**2.4**	27.3	27.4
Non-current portion of finance lease (note 21)	**–**	326.7	4.4
	2.4	354.0	31.8
– After one year but within five years	**–**	115.4	31.8
– After five years	**2.4**	238.6	–
	2.4	354.0	31.8

Trade and other payables are non-interest bearing except for finance leases (note 21).

Note 19. Financial liabilities

	2011 $m	2010 $m	2009 $m
Current			
Short-term borrowings	**217.8**	309.8	–
Non-current			
Term loans repayable			
– After one year but within two years	**728.8**	192.5	989.0
– After two years but within five years	**2,129.3**	1,697.5	325.6
	2,858.1	1,890.0	1,314.6

Group bank loans are stated net of unamortised arrangement fees of $85.3 million (2010: $81.3 million, 2009: $81.6 million).

Short-term borrowings, term loans and guarantees are secured by fixed and floating charges over the oil and gas assets (note 12) 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 2011.

Note 19. Financial liabilities continued

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.

	2011 $m	2010 $m	2009 $m
External borrowings	**3,161.2**	2,281.2	1,396.1
Less cash and cash equivalents	**(307.1)**	(338.3)	(252.2)
Net debt	**2,854.1**	1,942.9	1,143.9
Equity	**4,766.0**	3,903.4	2,448.5
Net debt ratio	**60%**	50%	47%

The movement from 2010 is attributable to higher external borrowings during 2011, principally as a result of the Group's $2,057.5 million investment in development, appraisal and exploration activities and acquisitions which is partially offset by operating cash flows.

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 2011 was as follows:

	US$ $m	Euro $m	Stg $m	Other $m	Total $m
Cash at bank at floating interest rate	**138.9**	**5.2**	**38.5**	**21.3**	**203.9**
Cash at bank on which no interest is received	**99.5**	**0.6**	**0.5**	**2.6**	**103.2**
Fixed rate debt	**(291.6)**	**–**	**–**	**–**	**(291.6)**
Floating rate debt	**(2,624.1)**	**–**	**(160.2)**	**–**	**(2,784.3)**
	(2,677.3)	**5.8**	**(121.2)**	**23.9**	**(2,768.8)**

The profile at 31 December 2010 for comparison purposes was as follows:

	US$ $m	Euro $m	Stg $m	Other $m	Total $m
Cash at bank at floating interest rate	224.5	5.7	18.7	12.0	260.9
Cash at bank on which no interest is received	74.8	0.4	0.3	1.9	77.4
Fixed rate debt	(386.4)	–	(158.4)	–	(544.8)
Floating rate debt	(1,655.0)	–	–	–	(1,655.0)
	(1,742.1)	6.1	(139.4)	13.9	(1,861.5)

The profile at 31 December 2009 for comparison purposes was as follows:

	US$ $m	Euro $m	Stg $m	Other $m	Total $m
Cash at bank at floating interest rate	34.4	1.0	194.9	9.7	240.0
Cash at bank on which no interest is received	–	–	11.4	0.8	12.2
Fixed rate debt	–	–	(544.8)	–	(544.8)
Floating rate debt	(58.9)	–	(710.9)	–	(769.8)
	(24.5)	1.0	(1,049.4)	10.5	(1,062.4)

Floating rate debt comprises bank borrowings at interest rates fixed in advance from overnight to three months at rates determined by US dollar LIBOR and sterling LIBOR. Fixed rate debt comprises bank borrowings at interest rates fixed in advance for periods greater than three months or bank borrowings where the interest rate has been fixed through interest rate hedging.

The $3.5 billion Reserves Based Lending Facility incurs interest on outstanding debt at sterling or US dollar LIBOR plus an applicable margin. 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 $650 million Revolving Credit Facility is repayable in full on 31 December 2014. The facility incurs interest on outstanding debt at US dollar LIBOR plus an applicable margin.

At the end of December 2011, the headroom under the two facilities amounted to $826 million; $176 million under the $3.5 billion Reserves Based Lending Facility and $650 million under the Revolving Credit Facility. At the end of December 2010, the headroom under the two facilities amounted to $685 million; $175 million under the $2.5 billion Reserves Based Lending Facility and $510 million under the Revolving Credit Facility. At the end of December 2009, the headroom under the two facilities was $620 million; $370 million under the $2 billion Reserves Based Lending Facility and $250 million under the Revolving Corporate 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 swaps. The mark-to-market position of the Group's interest rate portfolio as at 31 December 2011 is $7.2 million out of the money (2010: $13.6 million and 2009: $8.9 million out of the money). The interest rate hedges are included in the fixed rate debt in the above table.

Foreign currency risk

Wherever possible, the Group conducts and manages its business in sterling (UK) and US dollars (all other countries), the operating currencies of the industry in the areas in which it operates. The Group's borrowing facilities are also denominated in sterling and US dollars, which further assists in foreign currency risk management. From time to time the Group undertakes certain transactions denominated in 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 2011 year end (2010: nil). Cash balances are held in other currencies to meet immediate operating and administrative expenses or to comply with local currency regulations.

As at 31 December 2011, the only material monetary assets or liabilities of the Group that were not denominated in the functional currency of the respective subsidiaries involved were £106.0 million ($163.8 million) cash drawings under the Group's borrowing facilities (2010: £106.0 million and 2009: $1,337.0 million).

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are net liabilities of $163.8 million (2010: net liabilities of $164.0 million and 2009: net liabilities of $1,337.0 million).

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 2011, a 20% increase in foreign exchange rates against the functional currencies of entities in the Group would have resulted in a decrease in foreign currency denominated liabilities and equity of $27.3 million (2010: $27.3 million and 2009: $226.7 million) and a 20% decrease in foreign exchange rates against the functional currencies of entities in the Group would have resulted in an increase in foreign currency denominated liabilities and equity of $32.8 million (2010: $32.8 million and 2009 $339.9 million).

Note 19. Financial liabilities continued

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. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capacity and flexibility of the Group. The Group's forecasts, taking into account reasonably possible changes as described above, show that the Group will be able to operate within its current debt facilities and have significant financial headroom for the 12 months from the date of approval of the 2011 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 2011							
Non-interest bearing	**0%**	**81.3**	**86.4**	**395.7**	**8.8**	**5.2**	**577.4**
Variable interest rate instruments	**4.3%**	**11.5**	**22.9**	**327.5**	**3,198.7**	**–**	**3,560.6**
Total		**92.8**	**109.3**	**723.2**	**3,207.5**	**5.2**	**4,138.0**

	Weighted average effective interest rate	Less than 1 month $m	1-3 months $m	3 months to 1 year $m	1-5 years $m	5+ years $m	Total $m
31 December 2010							
Non-interest bearing	0%	100.4	188.5	15.4	30.4	–	334.7
Finance lease liability	14%	4.5	14.3	43.8	232.5	401.2	696.3
Variable interest rate instruments	4.7%	7.9	16.3	400.9	2,256.7	–	2,681.8
Total		112.8	219.1	460.1	2,519.6	401.2	3,712.8

	Weighted average effective interest rate	Less than 1 month $m	1-3 months $m	3 months to 1 year $m	1-5 years $m	5+ years $m	Total $m
31 December 2009							
Non-interest bearing	0%	163.3	54.5	13.1	–	–	230.9
Finance lease liability	2.8%	–	–	4.6	4.6	–	9.2
Variable interest rate instruments	4.7%	5.4	11.0	49.0	1,247.5	343.2	1,656.1
Total		168.7	65.5	66.7	1,252.1	343.2	1,896.2

Note 20. 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 predominantly 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:

31 December 2011 Assets/Liabilities	**Less than one year $m**	**One to three years $m**	**Total 2011 $m**
Cash flow hedges			
Oil derivatives	**10.0**	**33.1**	**43.1**
Gas derivatives	**(0.4)**	**(1.1)**	**(1.5)**
Interest rate derivatives	**(4.0)**	**(3.0)**	**(7.0)**
	5.6	**29.0**	**34.6**
Deferred premium			
Oil derivatives	**(47.7)**	**(32.9)**	**(80.6)**
Gas derivatives	**(0.3)**	**(0.3)**	**(0.6)**
	(48.0)	**(33.2)**	**(81.2)**
Total liabilities	**(42.4)**	**(4.2)**	**(46.6)**

31 December 2010 Liabilities	Less than one year $m	One to three years $m	Total 2010 $m
Cash flow hedges			
Oil derivatives	(12.7)	(4.9)	(17.6)
Gas derivatives	(7.0)	(7.3)	(14.3)
Interest rate derivatives	(8.4)	(5.2)	(13.6)
	(28.1)	(17.4)	(45.5)
Deferred premium			
Oil derivatives	(18.7)	(17.8)	(36.5)
Gas derivatives	(0.3)	(0.1)	(0.4)
	(19.0)	(17.9)	(36.9)
Total liabilities	(47.1)	(35.3)	(82.4)

Note 20. Financial instruments continued

31 December 2009 Assets/(liabilities):	Less than one year $m	One to three years $m	Total 2009 $m
Cash flow hedges			
Oil derivatives	12.7	2.4	15.1
Gas derivatives	13.4	0.1	13.5
Interest rate derivatives	(6.0)	(2.9)	(8.9)
	20.1	(0.4)	19.7
Deferred premium			
Oil derivatives	(17.8)	(19.6)	(37.4)
Gas derivatives	–	–	–
	(17.8)	(19.6)	(37.4)
Total assets/(liabilities)	2.3	(20.0)	(17.7)

The derivatives' maturity and the timing of the recycling into income or expense 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 (2010: Level 2, 2009: 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.

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 2011, the Group's oil hedge position was summarised as follows:

Oil hedges	H1 2012	H2 2012	2013	2014
Volume – bopd	34,500	34,500	21,000	10,000
Average Price* – $/bbl	105.63	103.85	100.84	96.83

* Average hedge prices are based on market prices as at 31 December 2011 and represent the current value of hedged volumes at that date.

At 31 December 2011, the Group's gas hedge position was summarised as follows:

Gas hedges	H1 2012	H2 2012	2013	2014
Volume – mmscfd	29.66	18.06	10.97	1.81
Average Price* – p/therm	54.99	58.90	64.02	70.74

* Average hedge prices are based on market prices as at 31 December 2011 and represent the current value of hedged volumes at that date.

At 31 December 2010, the Group's oil hedge position was summarised as follows:

Oil hedges	H1 2011	H2 2011	2012	2013
Volume – bopd	16,500	16,500	10,500	7,500
Average price* – $/bbl	93.56	93.73	94.44	93.88

* Average hedge prices are based on market prices as at 31 December 2010 and represent the current value of hedged volumes at that date.

At 31 December 2010, the Group's gas hedge position was summarised as follows:

Gas hedges	H1 2011	H2 2011	2012	2013
Volume – mmscfd	47.90	30.80	19.75	7.35
Average price* – p/therm	57.55	56.69	59.79	61.89

* Average hedge prices are based on market prices as at 31 December 2010 and represent the current value of hedged volumes at that date.

As at 31 December 2011 and 31 December 2010, all of the Group's oil and gas derivatives have been designated as cash flow hedges. The Group's oil and gas hedges have been assessed to be 'highly effective' within the range prescribed under IAS 39 using regression analysis. There is, however, the potential for a degree of ineffectiveness inherent in the Group's oil hedges arising from, among other factors, the discount on the Group's underlying African crude relative to Brent and the timing of oil liftings relative to the hedges. There is also the potential for a degree of ineffectiveness inherent in the Group's gas hedges which arises from, among other factors, field production performance on any day.

Note 20. Financial instruments continued

Income statement hedge summary

Losses from settlements during the period amounted to $69.8 million (2010: $3.4 million gain) (note 4) and these are included in the revenue line.

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:

Gain/(loss) on hedging instruments:	2011 $m	2010 $m	2009 $m
Cash flow hedges			
Gas derivatives			
Ineffectiveness	–	–	–
Time value	16.7	(11.9)	6.0
	16.7	(11.9)	6.0
Oil derivatives			
Ineffectiveness	(0.2)	(0.2)	(6.9)
Time value	10.7	(15.6)	(58.9)
	10.5	(15.8)	(65.8)
Total net gain/(loss) for the year in the income statement	27.2	(27.7)	(59.8)

Hedge reserve summary

The hedge reserve represents the portion of deferred 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.

Revaluation losses on open contracts arising during the year amounted to $6.7 million while reclassification adjustments for losses included in profit on realisation amounted to $15.2 million. After tax effects of $2.9 million the total movement in the hedge reserve amounts to $11.4 million (note 24):

Deferred amounts in the hedge reserve	2011 $m	2010 $m	2009 $m
At 1 January	(25.7)	3.2	46.9
Revaluation losses arising in the year	(6.7)	(26.8)	(18.0)
Reclassification adjustments for losses/(gains) included in profit on realisation	15.2	(10.3)	(13.3)
Movement in deferred tax	2.9	8.2	(12.4)
	11.4	(28.9)	(43.7)
At 31 December	(14.3)	(25.7)	3.2

The following table summarises the deferred (losses)/gains on derivative instruments in the hedge reserve, by type of commodity and net of tax effects:

Deferred amounts in the hedge reserve net of tax effects	2011 $m	2010 $m	2009 $m
Cash flow hedges			
Gas derivatives	0.1	1.2	9.4
Oil derivatives	(7.2)	(13.3)	2.7
Interest rate derivatives	(7.2)	(13.6)	(8.9)
	(14.3)	(25.7)	3.2

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 2011, a 10% increase in the dated Brent oil price curve would have decreased equity (only adjusting the intrinsic value element) by approximately $17.8 million (2010: $21.8 million), a 10% decrease would have increased equity by approximately $7.2 million (2010: $5.9 million).

As at 31 December 2011, a 10% increase in the UK D-1 Heren and M-1 Heren natural gas price curves would have decreased equity by approximately $3.3 million (2010: $8.6 million), a 10% decrease would have increased equity by approximately $2.0 million (2010: $3.4 million).

Interest rate sensitivity analysis

As at 31 December 2011, the interest rate derivative position was out-of-the-money to an amount of $7.2 million (2010: $13.6 million); a 25bps increase in the underlying interest rate would increase equity by approximately $0.5 million (2010: $1.2 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 creditworthiness after transactions have been initiated. The Group attempts to mitigate credit risk by entering into contracts that permit netting and allow for termination of the contract upon the occurrence of certain events of default. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions 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 2011 was $1,254.2 million (2010: $1,153.0 million).

Note 21. Obligations under finance leases

	2011 $m	2010 $m	2009 $m
Amounts payable under finance leases:			
– Within one year	–	62.5	4.6
– Within two to five years	–	232.5	4.6
– After five years	–	401.3	–
	–	696.3	9.2
Less future finance charges	–	(353.9)	(0.4)
Present value of lease obligations	–	342.4	8.8
Amount due for settlement within 12 months (note 18)	–	15.7	4.4
Amount due for settlement after 12 months (note 18)	–	326.7	4.4

The fair value of the Group's lease obligations approximates the carrying amount. The average remaining lease term as at 2010 was 10 years and 2009: two years. For the year ended 31 December 2010, the effective borrowing rate was 14% (2009: 2.8%).

The decrease during the year is due to the Jubilee FPSO (Kwame Nkrumah) being derecognised as a finance lease as it was acquired from the lessor by the Jubilee field unit partners, a $22.3 million gain was recognised in finance income in respect of this transaction.

Note 22. Provisions

(i) Decommissioning costs and other provisions

	2011 $m	2010 $m	2009 $m
At 1 January	**278.6**	223.5	194.0
New provisions and changes in estimates	**81.6**	55.5	6.6
Acquisition of subsidiary	**86.6**	–	–
Disposal of subsidiary	**–**	–	(2.2)
Decommissioning payments	**(16.7)**	(10.3)	(2.0)
Unwinding of discount (note 7)	**20.9**	13.3	14.7
Currency translation adjustment	**(10.2)**	(3.4)	12.4
At 31 December 2011	**440.8**	278.6	223.5

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 2035. A review of all decommissioning estimates was undertaken by an independent specialist in 2010 which has been assessed and updated internally for the purposes of the 2011 financial statements.

Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

(ii) Deferred taxation

	Accelerated tax depreciation $m	Decommissioning $m	Revaluation of financial assets $m	Other timing differences $m	PRT $m	Total $m
At 1 January 2009	(544.9)	44.0	8.7	(4.1)	(7.5)	(503.8)
Charge/(credit) to income statement (*restated)	39.2	21.5	(2.9)	44.6	(0.2)	102.2
Credit to other comprehensive income	–	–	(12.4)	–	–	(12.4)
Credit directly to equity	–	–	–	1.3	–	1.3
Exchange differences	(16.0)	4.7	–	0.9	(0.8)	(11.2)
At 1 January 2010	(521.7)	70.2	(6.6)	42.7	(8.5)	(423.9)
Charge/(credit) to income statement (*restated)	(106.8)	(5.3)	6.0	143.9	6.0	43.8
Credit to other comprehensive income	–	–	8.2	–	–	8.2
Credit directly to equity	–	–	–	3.7	–	3.7
Exchange differences	5.9	(1.9)	(0.2)	(0.9)	0.2	3.1
At 1 January 2011	**(622.6)**	**63.0**	**7.4**	**189.4**	**(2.3)**	**(365.1)**
Charge/(credit) to income statement	**(111.7)**	**(0.3)**	**(9.0)**	**(79.9)**	**3.4**	**(197.5)**
Acquisition of subsidiary	**(462.8)**	**(10.1)**	**–**	**–**	**–**	**(472.9)**
Credit to other comprehensive income	**–**	**–**	**2.9**	**–**	**–**	**2.9**
Charge directly to equity	**–**	**–**	**–**	**(5.1)**	**–**	**(5.1)**
Exchange differences	**46.8**	**–**	**–**	**–**	**(0.1)**	**46.7**
At 31 December 2011	**(1,150.3)**	**52.6**	**1.3**	**104.4**	**1.0**	**(991.0)**

* Certain numbers shown above do not correspond to the 2010 and 2009 financial statements as a result of retrospective a restatement as set out in note 1.

	2011 $m	*Restated 2010 $m	*Restated 2009 $m
Deferred tax liabilities	**(1,030.0)**	(465.5)	(474.3)
Deferred tax assets	**39.0**	100.4	50.4
	(991.0)	(365.1)	(432.9)

No deferred tax has been provided on unremitted earnings of overseas subsidiaries, as the Group has no plans to remit these to the UK in the foreseeable future.

Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the level of deferred tax assets recognised which can result in a charge or credit in the period in which the change occurs.

Note 23. Called up equity share capital and share premium account

Allotted equity share capital and share premium

	Equity share capital allotted and fully paid Number	Equity share capital allotted and fully paid $m	Share premium $m
Ordinary shares of 10 pence each			
At 1 January 2009	732,889,567	119.7	231.1
Issues during the year			
– Exercise of share options	66,938,141	9.7	–
– New shares issued in respect of royalty obligation	4,486,268	0.7	11.2
At 1 January 2010	804,313,976	130.1	242.3
Issues during the year			
– Shares issued	82,004,589	13.1	2.1
– Exercise of share options	1,918,305	0.3	7.1
At 1 January 2011	**888,236,870**	**143.5**	**251.5**
Issues during the year			
– Shares issued	**13,668,742**	**2.2**	**285.5**
– Exercise of share options	**3,009,637**	**0.5**	**14.8**
At 31 December 2011	**904,915,249**	**146.2**	**551.8**

The Company does not have an authorised share capital.

Note 24. Other reserves

	Merger reserve $m	Foreign currency translation reserve $m	Hedge reserve $m	Treasury shares $m	Total $m
At 1 January 2009	755.1	(171.6)	46.9	(22.6)	607.8
Hedge movement (note 20)	–	–	(43.7)	–	(43.7)
Currency translation adjustment	–	42.0	–	–	42.0
Vesting of PSP shares	–	–	–	14.1	14.1
Purchase of treasury shares	–	–	–	(5.7)	(5.7)
At 1 January 2010	755.1	(129.6)	3.2	(14.2)	614.5
Hedge movement (note 20)	–	–	(28.9)	–	(28.9)
Currency translation adjustment	–	(11.4)	–	–	(11.4)
At 1 January 2011	**755.1**	**(141.0)**	**(25.7)**	**(14.2)**	**574.2**
Hedge movement (note 20)	**–**	**–**	**11.4**	**–**	**11.4**
Currency translation adjustment	**–**	**(34.5)**	**–**	**–**	**(34.5)**
At 31 December 2011	**755.1**	**(175.5)**	**(14.3)**	**(14.2)**	**551.1**

During 2011 the Company issued 3,531,546 ordinary shares via an equity placing in Ghana and 10,137,196 ordinary shares in respect of the EO Group Limited transaction (2010: 80,431,796 ordinary shares via 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 $nil million ($nil million net of expenses) (2010: $1,464.8 million, $1,432.9 million net of expenses and 2009: $565.0 million, $549.3 million net of expense) 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.

Note 24. Other reserves continued

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 25. Non-controlling interest

	2011 $m	2010 $m	2009 $m
At 1 January	**60.6**	42.1	36.7
Share of profit for the year	**40.0**	18.5	5.4
Distribution to minority shareholders	**(25.0)**	–	–
At 31 December	**75.6**	60.6	42.1

The non-controlling interest relates to Tulipe Oil SA, where the Group acquired a 50% controlling shareholding during 2007.

Note 26. Cash flows from operating activities

	2011 $m	*Restated 2010 $m
Profit before taxation	**1,072.9**	179.2
Adjustments for:		
Depletion, depreciation and amortisation	**533.8**	367.3
Impairment loss	**51.0**	4.3
Impairment reversal	**(17.4)**	–
Exploration costs written off	**120.6**	154.7
Profit on disposal of oil and gas assets	**–**	(0.5)
Profit on disposal of other assets	**(2.0)**	–
Decommissioning expenditure	**(14.2)**	(10.3)
Share-based payment charge	**28.5**	11.9
Loss on hedging instruments	**(27.2)**	27.7
Finance revenue	**(36.6)**	(15.1)
Finance costs	**122.9**	70.1
Operating cash flow before working capital movements	**1,832.3**	789.3
Increase in trade and other receivables	**(91.9)**	(66.7)
Increase in inventories	**(43.8)**	(56.3)
Increase in trade payables	**206.5**	151.7
Cash generated from operations	**1,903.1**	818.0

* Certain numbers shown above do not correspond to the 2010 financial statements as a result of a retrospective restatement as set out in note 1.

Note 27. Share-based payments

2005 Performance Share Plan (PSP)

Under the PSP, senior executives can be granted nil exercise price options (normally exercisable between three to ten years following grant). At the 2011 Annual General Meeting, the annual grant limit for an individual was increased to 300,000 shares. Awards made before 8 March 2010 were made as conditional awards to acquire free shares on vesting. To provide flexibility to participants, those awards have been converted into nil exercise price options. Awards vest subject to a Total Shareholder Return (TSR) performance condition. 50% (70% for awards granted to Directors in 2011) of an award is tested against a comparator group of oil and gas companies. The remaining 50% (30% for awards granted to Directors in 2011) is tested against constituents of the FTSE 100 index (excluding investment trusts). Performance is measured over a fixed three-year period starting on 1 January prior to grant, and an individual must normally remain in employment for three years from grant for the shares to vest. No dividends are paid over the vesting period. There are further details of PSP award measurement in the Directors' Remuneration Report on pages 88 to 99.

The shares outstanding under the PSP are as follows:

	2011 PSP shares	**2011 Average weighted share price at grant p**	2010 PSP shares	2010 Average weighted share price at grant p	2009 PSP shares	2009 Average weighted share price at grant p
Outstanding at 1 January	**4,101,876**	**978.6**	4,305,486	687.0	3,856,913	552.9
Granted	**2,173,954**	**1342.6**	1,274,971	1281.0	1,572,567	785.8
Exercised during the year	**(389,126)**	**942.5**	(1,441,136)	371.2	(1,095,350)	354.1
Forfeited/expired during the year	**(29,170)**	**1249.8**	(37,445)	1120.7	(28,644)	780.3
Outstanding at 31 December	**5,857,534**	**1116.0**	4,101,876	978.6	4,305,486	687.0
The inputs of the option valuation model were:						
Risk free interest rate		**1.6% pa**		1.9% pa		1.9% pa
Expected volatility		**49%**		52%		54%
Dividend yield		**0.4% pa**		0.5% pa		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 2011 was 728.8p per share subject to an award (2010: 700.8p, 2009: 579.9p).

The Group recognised a total charge of $17.0 million (2010: $12.6 million, 2009: $9.4 million) in respect of the PSP.

2005 Deferred Share Bonus Plan (DSBP)

Under the DSBP, the portion of any annual bonus above 75% of the base salary of a senior executive nominated by the Remuneration Committee is deferred into shares. Awards normally vest following the end of three financial years commencing with that in which they are granted. They are granted as nil exercise price options, normally exercisable from when they vest until 10 years from grant. Awards granted before 8 March 2010 as conditional awards to acquire free shares have been converted into nil exercise price options to provide flexibility to participants.

The shares outstanding under the DSBP are as follows:

	2011 DSBP shares	**2011 Share price at grant p**	2010 DSBP shares	2010 Share price at grant p	2009 DSBP shares	2009 Share price at grant p
Outstanding at 1 January	**301,951**	**896.6**	231,457	716.3	200,633	507.9
Granted	**65,926**	**1362.0**	92,939	1281.0	135,291	778.0
Exercised during the year	**–**	**–**	(22,445)	629.5	(104,467)	396.0
Outstanding at 31 December	**367,877**	**980.0**	301,951	896.6	231,457	716.3
The inputs of the option valuation model were:						
Dividend yield		**0.4% pa**		0.5% 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 2011 was 1344.1p per share subject to an award (2010: 1263.1p, 2009: 760.2p).

The Group recognised a total charge of $1.7 million (2010: $1.3 million, 2009: $0.8 million) in respect of the DSBP.

Note 27. Share-based payments continued

2010 Share Option Plan (2010 SOP) and 2000 Executive Share Option Scheme (2000 ESOS)

The only share option scheme operated by the Company during the year was the 2010 SOP. Options have an exercise price equal to market value shortly before grant and normally only become exercisable from the third anniversary of the date of the grant.

Options granted prior to 2011 were granted under the 2000 ESOS on very similar terms except that their exercise was subject to a performance condition. These awards are tested against constituents of the FTSE 100 index (excluding investment trusts) and 100% of awards will vest if the Company's TSR is above the median of the index over three years following grant.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options under the 2010 SOP and 2000 ESOS during the year.

	2011 Number	**2011 WAEP p**	2010 Number	2010 WAEP p	2009 Number	2009 WAEP p
Outstanding as at 1 January	**13,941,969**	**623.9**	13,257,841	436.6	14,688,105	282.1
Granted during the year	**3,616,898**	**1368.5**	2,814,218	1274.3	3,155,150	781.0
Exercised during the year	**(2,620,511)**	**363.9**	(1,918,305)	247.8	(4,486,268)	168.4
Forfeited/expired during the year	**(214,838)**	**1176.6**	(211,785)	939.0	(99,146)	643.1
Outstanding at 31 December	**14,723,518**	**845.0**	13,941,969	623.9	13,257,841	436.6
Exercisable at 31 December	**5,782,542**	**360.2**	6,062,182	246.1	5,700,412	177.8

The weighted average share price at exercise for options exercised in 2011 was 1387.2p (2010: 1231.9p, 2009: 1000.5p).

Options outstanding at 31 December 2011 had exercise prices of 82p to 1374.2p (2010: 79p to 1,299.9p, 2009: 63.0p to 1179.0p) 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	1.2-2.4% pa
Expected volatility	46-49%
Dividend yield	0.4-0.6% pa
Employee turnover	5% pa
Early exercise	At rates dependent upon potential gain from exercise

Expected volatility was determined by calculating the historical volatility of the Company's share price over a period commensurate with the expected lifetime of the awards.

The fair values and expected lives of the options valued in accordance with IFRS 2 were:

Award date	Weighted average exercise price p	Weighted average fair value p	Weighted average expected life from grant date years
Jan – Dec 2007	396.9	123.4	4.8
Jan – Dec 2008	647.3	205.8	4.3
Jan – Dec 2009	781.0	283.5	4.0
Jan – Dec 2010	1274.3	456.2	4.3
Jan – Dec 2011	1368.5	580.4	4.7

The Group recognised a total charge of $19.0 million (2010: $11.5 million, 2009: $7.6 million) in respect of the SOP and ESOS.

UK & Irish Share Incentive Plans (SIPs)

These are all-employee plans set up in the UK and Ireland, to enable employees to save out of salary up to prescribed monthly limits. Contributions are used by the Plan trustees to buy Tullow shares ('Partnership Shares') at the end of each three-month accumulation period. The Company makes a matching contribution to acquire Tullow shares ('Matching Shares') on a one-for-one basis. Matching Shares are subject to time-based forfeiture over three years on leaving employment in certain circumstances or if the related Partnership Shares are sold.

The fair value of a Matching Share is its market value at the start of the accumulation period.

For the UK plan, Partnership Shares are purchased at the lower of the market values at the start of the Accumulation Period and the purchase date (which is treated as a three-month share option for IFRS 2 purposes). For the Irish plan, shares are bought at the market price at the purchase date which does not result in any IFRS 2 accounting charge.

Matching shares vest three years after grant and dividends are paid to the employee during this period.

The Group recognised a total charge of $0.6 million (2010: $0.2 million, 2009: $0.2 million) for the UK SIP Plan and $0.2 million (2010: $0.2 million, 2009: $0.2 million) for the Irish SIP plan.

Note 28. Operating lease arrangements

	2011 $m	2010 $m
Minimum lease payments under operating leases recognised in income for the year	**7.0**	6.5

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:

	2011 $m	2010 $m
Minimum lease payments under operating leases		
Due within one year	**16.4**	17.1
After one year but within two years	**10.0**	16.3
After two years but within five years	**20.8**	23.2
Due after five years	**73.9**	66.8
	121.1	123.4

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

Contracted capital commitments as at 31 December 2011 are $1,049.2 million (2010: $876.3 million, 2009: $1,270.0 million).

Note 30. Contingent liabilities

At 31 December 2011 there existed contingent liabilities amounting to $147.0 million (2010: $221.0 million, 2009: $239.4 million) in respect of performance guarantees for abandonment obligations, committed work programmes and certain financial obligations.

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.

	2011 $m	2010 $m
Short-term employee benefits	**8.7**	7.0
Post employment benefits	**1.1**	0.9
Amounts awarded under long-term incentive schemes	**3.7**	1.4
Share-based payments	**7.5**	5.6
	21.0	14.9

Short-term employee benefits

These amounts comprise fees paid to the Directors in respect of salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

Post employment benefits

These amounts comprise amounts paid into the pension schemes of the Directors.

Amounts awarded under long-term incentive schemes

These amounts relate to the shares granted under the annual bonus scheme that is deferred for three years under the Deferred Share Bonus Plan (DSBP).

Share-based payments

This is the cost to the Group of Directors' participation in share-based payment plans, as measured by the fair value of options and shares granted, accounted for in accordance with IFRS 2, Share-based Payments.

There are no other related party transactions. Further details regarding transactions with the Directors of Tullow Oil plc are disclosed in the Directors' remuneration report on pages 88 to 99.

Note 32. Subsequent events

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

In February 2012, Tullow signed two new Production Sharing Agreements (PSAs) with the Government of Uganda. The new PSAs cover the EA-1 and Kanywataba licences in the Lake Albert Rift Basin. Tullow has also been awarded the Kingfisher production licence.

In February 2012, Tullow completed the farm-down of one-third of its Uganda interests to both Total and CNOOC for a total consideration of $2.9 billion paving the way for full development of the Lake Albert Rift Basin oil and gas resources.

In February 2012 the Group announced the Jupiter-1 exploration well in the Block SL-07B-11 offshore Sierra Leone had successfully encountered hydrocarbons. This has been confirmed by the results of drilling, wireline logs and samples of reservoir fluids.

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 $10.1 million (2010: $4.5 million). At 31 December 2011, there was a liability of $0.3 million (2010: $0.3 million) for contributions payable included in creditors.

Independent Auditor's 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 2011 which comprise the balance sheet, the accounting policies and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor
As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the Parent Company financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 December 2011;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- The part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the Group financial statements of Tullow Oil plc for the year ended 31 December 2011.

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

13 March 2012

Company balance sheet
As at 31 December 2011

	Notes	2011 $m	2010 $m
Fixed assets			
Investments	1	**4,097.5**	3,433.8
Deferred tax assets	3	**–**	41.4
		4,097.5	3,475.2
Current assets			
Debtors	4	**2,942.0**	2,349.2
Cash at bank and in hand		**15.5**	23.3
		2,957.5	2,372.5
Creditors – amounts falling due within one year			
Trade and other creditors	5	**(152.0)**	(31.1)
Bank loans	6	**(217.8)**	(309.8)
		(369.8)	(340.9)
Net current assets		**2,587.7**	2,031.6
Total assets less current liabilities		**6,685.2**	5,506.8
Creditors – amounts falling due after more than one year			
Bank loans	6	**(2,858.1)**	(1,890.0)
Loans from subsidiary undertakings	7	**(1.1)**	(1.1)
Net assets		**3,826.0**	3,615.7
Capital and reserves			
Called up equity share capital	8	**146.2**	143.5
Share premium account	8	**551.8**	251.5
Other reserves	10	**850.8**	850.8
Profit and loss account	9	**2,277.2**	2,369.9
Shareholders' funds	9	**3,826.0**	3,615.7

Approved by the Board and authorised for issue on 13 March 2012.

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 financial statements are presented in US dollars and all values are rounded to the nearest $0.1 million, except where otherwise stated. The following paragraphs describe the main accounting policies under UK GAAP which have been applied consistently.

In accordance with the provisions of Section 408 of the Companies Act, the profit and loss account of the Company is not presented separately. During the year the Company made a loss of $16.5 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 117.

In accordance with the exemptions available under FRS 8 'Related party transactions', the Company has not separately presented related party transactions with other Group companies.

The Company closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Company's portfolio of producing fields and delays in development projects. In addition to the Company's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capacity and flexibility of the Company. The Company's forecasts, taking into account reasonably possible changes as described above, show that the Company will be able to operate within its current debt facilities and have significant financial headroom for the 12 months from the date of approval of the 2011 Annual Report and Accounts.

(b) Investments
Fixed asset investments, including investments in subsidiaries, are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

(c) Finance costs and debt
Finance costs of debt are recognised in the profit and loss account over the term of the related debt at a constant rate on the carrying amount.

Interest-bearing bank loans are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(d) Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(e) Foreign currencies
The US dollar is the reporting currency of the Company. Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date, with a corresponding charge or credit to the profit and loss account. However, exchange gains and losses arising on long-term foreign currency borrowings, which are a hedge against the Company's overseas investments, are dealt with in reserves.

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

(g) Taxation
Current tax, including UK corporation tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which it can be deducted.

(h) Share-based payments

The Company has applied the requirements of FRS 20 Share-based Payments. In accordance with the transitional provisions of that standard, only those awards that were granted after 7 November 2002, and had not vested at 1 January 2005, are included.

All share-based awards of the Company are equity settled as defined by FRS 20. The fair value of these awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Company's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

The fair values were calculated using a binomial option pricing model with suitable modifications to allow for employee turnover after vesting and early exercise. Where necessary this model was supplemented with a Monte Carlo model. The inputs to the models include: the share price at date of grant; exercise price; expected volatility; expected dividends; risk free rate of interest; and patterns of exercise of the plan participants.

(i) Capital management

The Company defines capital as the total equity of the Company. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Company's ability to continue as a going concern. Tullow is not subject to any externally-imposed capital requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital, issue new shares for cash, repay debt, and put in place new debt facilities.

Note 1. Investments

	2011 $m	2010 $m
Shares at cost in subsidiary undertakings	**4,096.5**	3,432.8
Unlisted investments	**1.0**	1.0
	4,097.5	3,433.8

The increase in the year is attributable to additional investments in the Company's subsidiary companies.

Principal subsidiary undertakings

At 31 December 2011 the Company's principal subsidiary undertakings were:

Name	%	Country of operation	Country of registration
Directly held			
Tullow Oil SK Limited	100	United Kingdom	England & Wales
Tullow Oil SPE Limited	100	United Kingdom	England & Wales
Tullow Group Services Limited	100	United Kingdom	England & Wales
Tullow Oil Limited	100	Ireland	Ireland
Tullow Overseas Holdings B.V.	100	Netherlands	Netherlands
Tullow Gabon Holdings Limited (50% held indirectly)	100	Gabon	Isle of Man
Indirectly held			
Tullow (EA) Holdings Limited	100	Netherlands	British Virgin Islands
Tullow Oil International Limited	100	Channel Islands	Jersey
Tullow Pakistan (Developments) Limited	100	Pakistan	Jersey
Tullow Bangladesh Limited	100	Bangladesh	Jersey
Tullow Côte d'Ivoire Limited	100	Côte d'Ivoire	Jersey
Tullow Côte d'Ivoire Exploration Limited	100	Côte d'Ivoire	Jersey
Tullow Ghana Limited	100	Ghana	Jersey
Tullow Kenya B.V.	100	Kenya	Netherlands
Tullow Ethiopia B.V.	100	Ethiopia	Netherlands
Tullow Tanzania B.V.	100	Tanzania	Netherlands
Tullow Netherlands B.V.	100	Netherlands	Netherlands
Tullow Exploration & Production The Netherlands B.V.	100	Netherlands	Netherlands
Tullow Guyane B.V.	100	Guyana	Netherlands
Tullow Liberia B.V.	100	Liberia	Netherlands
Tullow Sierra Leone B.V.	100	Sierra Leone	Netherlands
Tullow Suriname B.V.	100	Suriname	Netherlands
Tullow Congo Limited	100	Congo	Isle of Man
Tullow Equatorial Guinea Limited	100	Equatorial Guinea	Isle of Man
Tullow Kudu Limited	100	Namibia	Isle of Man
Tullow Uganda Limited	100	Uganda	Isle of Man
Tullow Oil Gabon SA	100	Gabon	Gabon
Tulipe Oil SA*	50	Gabon	Gabon
Tullow Chinguetti Production (Pty) Limited	100	Mauritania	Australia
Tullow Petroleum (Mauritania) (Pty) Limited	100	Mauritania	Australia
Tullow Oil (Mauritania) Limited	100	Mauritania	Guernsey
Tullow Uganda Operations (Pty) Limited	100	Uganda	Australia
Tullow Hardman Holdings B.V.	100	Netherlands	Netherlands
Tullow South Africa (Pty) Limited	100	South Africa	South Africa
Hardman Petroleum France SAS	100	French Guiana	France

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

* The Company is deemed to control Tulipe Oil SA in accordance with FRS 2 as it has a majority of the voting rights on the board of Tulipe Oil SA.

The Company is required to assess the carrying values of each of its investments in subsidiaries for impairment. The net assets of certain of the Company's subsidiaries are predominantly intangible exploration and evaluation (E&E) assets. Where facts and circumstances indicate that the carrying amount of an E&E asset held by a subsidiary may exceed its recoverable amount, by reference to the specific indicators of impairment of E&E assets, an impairment test of the asset is performed by the subsidiary undertaking and the asset is impaired by any difference between its carrying value and its recoverable amount. The recognition of such an impairment by a subsidiary is used by the Company as the primary basis for determining whether or not there are indications that the investment in the related subsidiary may also be impaired, and thus whether an impairment test of the investment carrying value needs to be performed. The results of exploration activities are inherently uncertain, and the assessment for impairment of E&E assets by the subsidiary, and that of the related investment by the Company, is judgemental.

Note 2. Dividends

	2011 $m	2010 $m
Declared and paid during year		
Final dividend for 2010: 4 pence (2009: 4 pence) per ordinary share	**79.2**	51.6
Interim dividend for 2011: 4 pence (2010: 2 pence) per ordinary share	**35.0**	27.6
Dividends paid	**114.2**	79.2
Proposed for approval by shareholders at the AGM		
Final dividend for 2011: 8 pence (2010: 4 pence)	**113.3**	54.9

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 $283.0 million (2010: $147.8 million) that are available indefinitely for offset against future non-ring-fence taxable profits in the Company. A deferred tax asset of $nil million (2010: $41.4 million) has been recognised in respect of these losses 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

	2011 $m	2010 $m
Other debtors	**2.2**	2.9
Due from subsidiary undertakings	**2,939.8**	2,346.3
	2,942.0	2,349.2

The amounts due from subsidiary undertakings include $2,609.6 million (2010: $2,118.5 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

	2011 $m	2010 $m
Other creditors	**7.4**	4.5
Accruals	**14.5**	26.6
Due to subsidiary undertakings	**130.1**	–
	152.0	31.1

Note 6. Bank loans

	2011 $m	2010 $m
Current		
Short-term borrowings	**217.8**	309.8
Non-current		
Term loans repayable		
– After one year but within two years	**728.8**	192.5
– After two years but within five years	**2,129.3**	1,697.5
	2,858.1	1,890.0

Company bank loans are stated net of unamortised arrangement fees of $85.3 million (2010: $81.3 million).

Term loans and guarantees are secured by fixed and floating charges over the oil and gas assets (note 12) of the Group financial statements.

Interest rate risk

The interest rate profile of the Company's financial assets and liabilities at 31 December 2011 was as follows:

	$ $m	Stg $m	Other $m	Total $m
Fixed rate debt	**(291.6)**	**–**	**–**	**(291.6)**
Floating rate debt	**(2,624.1)**	**(160.2)**	**–**	**(2,784.3)**
Amounts due to subsidiaries at LIBOR + 1.7%	**(130.1)**	**–**	**–**	**(130.1)**
Cash at bank at floating interest rate	**8.3**	**0.1**	**7.1**	**15.5**
Amounts due from subsidiaries at LIBOR + 1.7%	**2,223.5**	**386.1**	**–**	**2,609.6**
Net cash/(debt)	**(814.0)**	**226.0**	**7.1**	**(580.9)**

The profile at 31 December 2010 for comparison purposes was as follows:

	$ $m	Stg $m	Total $m
Fixed rate debt	(386.4)	(158.4)	(544.8)
Floating rate debt	(1,655.0)	–	(1,655.0)
Cash at bank at floating interest rate	20.6	2.7	23.3
Amounts due from subsidiaries at LIBOR + 1.7%	2,118.5	–	2,118.5
Net cash/(debt)	97.7	(155.7)	(58.0)

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 $3.5 billion Reserves Based Lending Facility incurs interest on outstanding debt at sterling or US dollar LIBOR plus an applicable margin. 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 $650 million Revolving Credit Facility is repayable in full on 31 December 2014. The facility incurs interest on outstanding debt at US dollar LIBOR plus an applicable margin.

At the end of December 2011, the headroom under the two facilities amounted to $826 million; $176 million under the $3.5 billion Reserves Based Lending Facility and $650 million under the Revolving Credit Facility. At the end of December 2010, the headroom under the two facilities amounted to $685 million; $175 million under the $2.5 billion Reserves Based Lending Facility and $510 million under the Revolving Credit Facility.

Note 6. Bank loans continued

The Company is exposed to floating rate interest rate risk as entities in the Group borrow funds at floating interest rates. The Group hedges its floating rate interest 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 mark-to-market position of the Group's interest rate portfolio as at 31 December 2011 was $7.2 million out of the money (2010: $13.6 million out of the money). The interest rate hedges are included in the fixed rate debt in the above table.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are net liabilities of $163.8 million (2010: net liabilities of $164.0 million).

Foreign currency sensitivity analysis

The Company is mainly exposed to fluctuations in the US dollar. The Company 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 adjust their translation at the period end for a 20% change in foreign currency rates.

As at 31 December 2011, a 20% increase in foreign exchange rates against the US dollar would have resulted in a decrease in foreign currency denominated liabilities of $27.3 million (2010: $27.3 million) and a 20% decrease in foreign exchange rates against the US dollar would have resulted in an increase in foreign currency denominated liabilities and equity of $32.8 million (2010: $32.8 million).

Note 7. Loans from subsidiary undertakings

Amounts falling due after more than one year

	2011 $m	2010 $m
Loans from subsidiary companies	**1.1**	1.1

The amounts due from subsidiaries do not accrue interest. All loans from subsidiary companies are not due to be repaid within five years.

Note 8. Called up equity share capital and share premium account

Allotted equity share capital and share premium

	Equity share capital allotted and fully paid Number	Share capital $m	Share premium $m
At 1 January 2010	804,313,976	130.1	242.3
Issues during the year			
– Exercise of share options	1,918,305	0.3	7.1
– New shares issued	82,004,589	13.1	2.1
At 1 January 2011	**888,236,870**	**143.5**	**251.5**
Issues during the year			
– Exercise of share options	**3,009,637**	**0.5**	**14.8**
– New shares issued	**13,668,742**	**2.2**	**285.5**
At 31 December 2011	**904,915,249**	**146.2**	**551.8**

The Company does not have an authorised share capital.

Note 9. Shareholders' funds

	Share capital $m	Share premium $m	Other reserves (note 10) $m	Profit and loss account $m	Total $m
At 1 January 2010	130.1	242.3	850.8	1,037.6	2,260.8
Total recognised income and expense for the year	–	–	–	(47.1)	(47.1)
Issue of share capital	13.1	2.1	–	1,432.9	1,448.1
New shares issued in respect of employee share options	0.3	7.1	–	–	7.4
Vesting of PSP shares	–	–	–	(0.2)	(0.2)
Share-based payment charges	–	–	–	25.9	25.9
Dividends paid	–	–	–	(79.2)	(79.2)
Translation reserve					
At 1 January 2011	**143.5**	**251.5**	**850.8**	**2,369.9**	**3,615.7**
Total recognised income and expense for the year	**–**	**–**	**–**	**(16.5)**	**(16.5)**
Issue of share capital	**2.2**	**285.5**	**–**	**–**	**287.7**
New shares issued in respect of employee share options	**0.5**	**14.8**	**–**	**–**	**15.3**
Vesting of PSP shares	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Share-based payment charges	**–**	**–**	**–**	**38.1**	**38.1**
Dividends paid	**–**	**–**	**–**	**(114.2)**	**(114.2)**
At 31 December 2011	**146.2**	**551.8**	**850.8**	**2,277.2**	**3,826.0**

During 2011 the Company issued 3,531,546 ordinary shares via an equity placing in Ghana and 10,137,196 ordinary shares in respect of the EO Group Limited transaction (2010: 80,431,796 ordinary shares via 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 $nil million ($nil million net of expenses) (2010: $1,464.8 million, $1,432.9 million net of expenses) using the market value at the date of acquisition, to retained earnings as the premium is considered to be realised.

Note 10. Other reserves

	Merger reserve $m	**Treasury shares $m**	**Foreign currency translation reserve $m**	**Total $m**
At 1 January 2011 and 31 December 2011	**671.6**	**(14.2)**	**193.4**	**850.8**

The treasury shares reserve represents the cost of shares in Tullow Oil plc purchased in the market and held by the Tullow Oil Employee Trust to satisfy options held under the Group's share incentive plans (see note 11).

Note 11. Share-based payments

2005 Performance Share Plan (PSP)

Under the PSP, senior executives can be granted nil exercise price options (normally exercisable between three to ten years following grant. At the 2011 Annual General Meeting, the annual grant limit for an individual was increased to 300,000 shares. Awards made before 8 March 2010 were made as conditional awards to acquire free shares on vesting. To provide flexibility to participants, those awards have been converted into nil exercise price options. Awards vest subject to a Total Shareholder Return (TSR) performance condition. 50% (70% for awards granted to Directors in 2011) of an award is tested against a comparator group of oil and gas companies. The remaining 50% (30% for awards granted to Directors in 2011) is tested against constituents of the FTSE 100 index (excluding investment trusts). Performance is measured over a fixed three-year period starting on 1 January prior to grant, and an individual must normally remain in employment for three years from grant for the shares to vest. No dividends are paid over the vesting period. There are further details of PSP award measurement in the Directors' Remuneration Report on pages 88 to 99.

The shares outstanding under the PSP are as follows:

	2011 PSP shares	**2011 Average weighted share price at grant p**	2010 PSP shares	2010 Average weighted share price at grant p	2009 PSP shares	2009 Average weighted share price at grant p
Outstanding at 1 January	**4,101,876**	**978.6**	4,305,486	687.0	3,856,913	552.9
Granted	**2,173,954**	**1342.6**	1,274,971	1281.0	1,572,567	785.8
Exercised during the year	**(389,126)**	**942.5**	(1,441,136)	371.2	(1,095,350)	354.1
Forfeited/expired during the year	**(29,170)**	**1249.8**	(37,445)	1120.7	(28,644)	780.3
Outstanding at 31 December	**5,857,534**	**1116.0**	4,101,876	978.6	4,305,486	687.0
The inputs of the option valuation model were:						
Risk free interest rate		**1.6% pa**		1.9% pa		1.9% pa
Expected volatility		**49%**		52%		54%
Dividend yield		**0.4% pa**		0.5% pa		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 2011 was 728.8 per award (2010: 700.8p).

The Company recognised a total charge of $17.0 million (2010: $12.6 million) in respect of the PSP.

2005 Deferred Share Bonus Plan (DSBP)

Under the DSBP, the portion of any annual bonus above 75% of the base salary of a senior executive nominated by the Remuneration Committee is deferred into shares. Awards normally vest following the end of three financial years commencing with that in which they are granted. They are granted as nil exercise price options, normally exercisable from when they vest until 10 years from grant. Awards granted before 8 March 2010 as conditional awards to acquire free shares have been converted into nil exercise price options to provide flexibility to participants.

The shares outstanding under the DSBP are as follows:

	2011 DSBP shares	**2011 Share price at grant p**	2010 DSBP shares	2010 Share price at grant p	2009 DSBP shares	2009 Share price at grant p
Outstanding at 1 January	**301,951**	**896.6**	231,457	716.3	200,633	507.9
Granted	**65,926**	**1362.0**	92,939	1281.0	135,291	778.0
Exercised during the year	**–**	**–**	(22,445)	629.5	(104,467)	396.0
Outstanding at 31 December	**367,877**	**980.0**	301,951	896.6	231,457	716.3
The inputs of the option valuation model were:						
Dividend yield		**0.4% pa**		0.5% 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 2011 was 1344.1p per share subject to an award (2010: 1263.1p).

The Company recognised a total charge of $1.7 million (2010: $1.3 million) in respect of the DSBP.

2010 Share Option Plan (2010 SOP) and 2000 Executive Share Option Scheme (2000 ESOS)

The only share option scheme operated by the Company during the year was the 2010 SOP. Options have an exercise price equal to market value shortly before grant and normally only become exercisable from the third anniversary of the date of the grant.

Options granted prior to 2011 were granted under the 2000 ESOS on very similar terms except that their exercise was subject to a performance condition. These awards are tested against constituents of the FTSE 100 index (excluding investment trusts) and 100% of awards will vest if the Company's TSR is above the median of the index over three years following grant.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options under the 2010 SOP and 2000 ESOS during the year.

	2011 Number	**2011 WAEP p**	2010 Number	2010 WAEP p	2009 Number	2009 WAEP p
Outstanding as at 1 January	**13,941,969**	**623.9**	13,257,841	436.6	14,688,105	282.1
Granted during the year	**3,616,898**	**1368.5**	2,814,218	1274.3	3,155,150	781.0
Exercised during the year	**(2,620,511)**	**363.9**	(1,918,305)	247.9	(4,486,268)	168.4
Forfeited/expired during the year	**(214,838)**	**1176.6**	(211,785)	939.0	(99,146)	643.1
Outstanding at 31 December	**14,723,518**	**845.0**	13,941,969	623.9	13,257,841	436.6
Exercisable at 31 December	**5,782,542**	**360.2**	6,062,182	246.1	5,700,412	177.8

The weighted average share price at exercise for options exercised in 2011 was 1387.2p (2010: 1231.9p).

Options outstanding at 31 December 2011 had exercise prices of 82p to 1374.2p (2010: 79p to 1299.9p) 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	1.2-2.4% pa
Expected volatility	46-49%
Dividend yield	0.4-0.6% pa
Employee turnover	5% pa
Early exercise	At rates dependent upon potential gain from exercise

Expected volatility was determined by calculating the historical volatility of the Company's share price over a period commensurate with the expected lifetime of the awards.

The fair values and expected lives of the options valued in accordance with FRS 20 were:

Award date	Weighted average exercise price p	Weighted average fair value p	Weighted average expected life from grant date years
Jan – Dec 2007	396.9	123.4	4.8
Jan – Dec 2008	647.3	205.8	4.3
Jan – Dec 2009	781.0	283.5	4.0
Jan – Dec 2010	1274.3	456.2	4.3
Jan – Dec 2011	1368.5	580.4	4.7

The Company recognised a total charge of $19.0 million (2010: $11.5 million) in respect of the SOP and ESOS.

Note 11. Share-based payments continued

UK & Irish Share Incentive Plans (SIPs)

These are all-employee plans set up in the UK and Ireland, to enable employees to save out of salary up to prescribed monthly limits. Contributions are used by the Plan trustees to buy Tullow shares ('Partnership Shares') at the end of each three-month accumulation period. The Company makes a matching contribution to acquire Tullow shares ('Matching Shares') on a one-for-one basis. Matching Shares are subject to time-based forfeiture over three years on leaving employment in certain circumstances or if the related Partnership Shares are sold.

The fair value of a Matching Share is its market value at the start of the accumulation period.

For the UK plan, Partnership Shares are purchased at the lower of the market values at the start of the Accumulation Period and the purchase date (which is treated as a three-month share option for FRS 20 purposes). For the Irish plan, shares are bought at the market price at the purchase date which does not result in any FRS 20 accounting charge.

Matching Shares vest three years after grant and dividends are paid to the employee during this period.

The Company recognised a total charge of $0.6 million (2010: $0.2 million) for the UK SIP Plan and $0.2 million (2010: $0.2 million) for the Irish SIP plan.

Note 12. Related party transactions

The Directors of Tullow Oil plc are considered to be the only key management personnel as defined by FRS 8 – Related Party Disclosures.

	2011 $m	2010 $m
Short-term employee benefits	**8.7**	7.0
Post employment benefits	**1.1**	0.9
Amounts awarded under long-term incentive schemes	**3.7**	1.4
Share-based payments	**7.5**	5.6
	21.0	14.9

Short-term employee benefits

These amounts comprise fees paid to the Directors in respect of salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

Post employment benefits

These amounts comprise amounts paid into the pension schemes of the Directors.

Amounts awarded under long-term incentive schemes

These amounts relate to the shares granted under the annual bonus scheme that is deferred for three years under the Deferred Share Bonus Plan (DSBP).

Share-based payments

This is the cost to the Group of Directors' participation in share-based payment plans, as measured by the fair value of options and shares granted accounted for in accordance with FRS 20, Share-based Payments.

There are no other related party transactions. Further details regarding transactions with the Directors of Tullow Oil plc are disclosed in the Remuneration Report on pages 88 to 99.

Note 13. Subsequent events

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

In February 2012, Tullow signed two new Production Sharing Agreements (PSAs) with the Government of Uganda. The new PSAs cover the EA-1 and Kanywataba licences in the Lake Albert Rift Basin. Tullow has also been awarded the Kingfisher production licence.

In February 2012, Tullow completed the farm-down of one third of its Uganda interests to both Total and CNOOC for a total consideration of $2.9 billion paving the way for full development of the Lake Albert Rift Basin oil and gas resources.

In February 2012 the Group announced the Jupiter-1 exploration well in the Block SL-07B-11 offshore Sierra Leone had successfully encountered hydrocarbons. This has been confirmed by the results of drilling, wireline logs and samples of reservoir fluids.

Five year financial summary

	2011 $m	*Restated 2010 $m	*Restated 2009 $m	2008 $m	*Restated 2007 $m
Group income statement					
Sales revenue	**2,304.2**	1,089.8	915.9	1,310.6	1,279.5
Cost of sales	**(930.8)**	(584.1)	(608.0)	(687.3)	(708.0)
Gross profit	**1,373.4**	505.7	307.9	623.3	571.5
Administrative expenses	**(122.8)**	(89.6)	(77.6)	(79.2)	(63.3)
Profit/(loss) on disposal of subsidiaries	**–**	–	16.0	395.6	(1.2)
Profit on disposal of oil and gas assets	**–**	0.5	4.9	57.8	–
Profit on disposal of other assets	**2.0**	–	–	–	–
Exploration costs written off	**(120.6)**	(154.7)	(82.7)	(419.0)	(128.5)
Operating profit	**1,132.0**	261.9	168.5	578.5	378.5
Profit/(loss) on hedging instruments	**27.2**	(27.7)	(59.8)	66.6	(58.7)
Finance revenue	**36.6**	15.1	2.1	7.3	6.2
Finance costs	**(122.9)**	(70.1)	(60.8)	(87.5)	(97.4)
Profit from continuing activities before taxation	**1,072.9**	179.2	50.0	564.9	228.6
Taxation	**(383.9)**	(89.7)	(1.9)	(135.7)	(123.3)
Profit for the year from continuing activities	**689.0**	89.5	48.1	429.2	105.3
Earnings per share					
Basic – ¢	**72.5**	8.1	5.4	58.8	14.2
Diluted – ¢	**72.0**	8.0	5.3	58.1	13.9
Dividends paid	**114.2**	79.2	75.3	80.9	78.9
Group balance sheet					
Non-current assets	**9,461.7**	7,077.0	4,372.8	3,524.0	3,689.8
Net current (liabilities)/assets	**(360.2)**	(150.2)	139.9	(215.4)	(134.8)
Total assets less current liabilities	**9,101.5**	6,926.8	4,512.7	3,308.6	3,555.0
Long-term liabilities	**(4,335.5)**	(3,023.4)	(2,064.2)	(1,414.7)	(2,131.7)
Net assets	**4,766.0**	3,903.4	2,448.5	1,893.9	1,423.3
Called up equity share capital	**146.2**	143.5	130.1	119.7	117.4
Share premium	**551.8**	251.5	242.3	231.1	178.0
Other reserves	**551.1**	574.2	614.5	607.8	541.9
Retained earnings	**3,441.3**	2,873.6	1,419.5	898.6	555.0
Equity attributable to equity holders of the parent	**4,690.4**	3,842.8	2,406.4	1,857.2	1,392.3
Non-controlling interest	**75.6**	60.6	42.1	36.7	31.0
Total equity	**4,766.0**	3,903.4	2,448.5	1,893.9	1,423.3

* The 2007 comparatives have been restated due to an asset held for sale being reclassified during 2008. The 2009 and 2010 comparatives have been restated due to a change in the inventory accounting policy.

Commercial reserves and contingent resources summary (unaudited) working interest basis

Year ended 31 December 2011

	West and North Africa		South and East Africa		Europe, South America and Asia		Total		
	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Petroleum mmboe
Commercial reserves									
1 January 2011	245.9	22.0	–	–	1.7	258.5	247.6	280.5	294.4
Revisions	8.1	(0.8)	–	–	–	8.7	8.1	7.9	9.4
Acquisitions	9.0	–	–	–	0.1	79.4	9.1	79.4	22.3
Additions	–	–	–	–	–	–	–	–	–
Production	(20.6)	(2.2)	–	–	(0.2)	(43.9)	(20.8)	(46.1)	(28.5)
31 December 2011	242.4	19.0	–	–	1.6	302.7	244.0	321.7	297.6
Contingent resources									
1 January 2011	120.7	798.1	772.5	301.7	–	98.9	893.2	1,198.7	1,093.1
Revisions	2.6	(7.0)	14.3	79.3	–	–	16.9	72.3	29.0
Acquisitions	25.1	393.3	–	–	–	94.0	25.1	487.3	106.3
Additions	60.3	146.4	113.7	–	36.6	–	210.6	146.4	235.0
Disposals	(18.2)	–	–	–	–	–	(18.2)	–	(18.2)
31 December 2011	190.5	1,330.8	900.5	381.0	36.6	192.9	1,127.6	1,904.7	1,445.2
Total									
31 December 2011	432.9	1,349.8	900.5	381.0	38.2	495.6	1,371.6	2,226.4	1,742.8

1 Proven and Probable Commercial Reserves are based on a Group reserves report produced by an independent engineer. Reserves estimates for each field are reviewed by the independent engineer based on significant new data or a material change with a review of each field undertaken at least every two years.

2 Proven and Probable Contingent Resources are based on both Tullow's estimates and the Group reserves report produced by an independent engineer.

3 The Europe, South America and Asia commercial and contingent resources acquisition in 2011 relates to the purchase of the Nuon assets from the Vattenfall Group.

4 The West and North Africa Asia commercial and contingent resources acquisition in 2011 relates to the purchase of EO Group Limited Ghanaian interests and increased equity levels in Mauritania.

5 The total Commercial Reserves and Contingent Resources of 1,742.8 mmboe at 31 December 2011 include Tullow's working interest in Blocks 1, 2 and 3A in Uganda pre completion of the farm-down transaction. Post completion of the farm-down, total Commercial Reserves and Contingent Resources are expected to reduce to 1,139.0 mmboe.

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 260.6 mmboe at 31 December 2011 (31 December 2010: 231.6 mmboe).

Contingent Resources relate to resources in respect of which development plans are in the course of preparation or further evaluation is underway with a view to development within the foreseeable future.

Current exploration, development and production interests

Licence	Fields	Area sq km	Tullow interest	Operator	Other partners
WEST & NORTH AFRICA					
Congo (Brazzaville)					
M'Boundi	M'Boundi	146	11.00%	ENI	SNPC
Côte d'Ivoire					
CI-26 Special Area "E"	Espoir	235	21.33%	CNR	PETROCI
CI-103		1,884	45.00%	Tullow	Anadarko, PETROCI
CI-105		1,551	22.37%	Anadarko	PETROCI, Al Thani
Equatorial Guinea					
Ceiba	Ceiba	70	14.25%	Hess	GEPetrol
Okume Complex	Okume, Oveng, Ebano, Elon, Akom North	192	14.25%	Hess	GEPetrol
Gabon					
Arouwe[1]		4,414	35.00%[2]	Perenco	
Avouma	Avouma, South Tchibala	52	7.50%	Vaalco	Addax (Sinopec), Sasol, Sojitz, PetroEnergy
DE7		2,188	28.60%	Perenco	
Ebouri	Ebouri	15	7.50%	Vaalco	Addax (Sinopec), Sasol, Sojitz, PetroEnergy
Echira	Echira	76	40.00%	Perenco	
Etame	Etame	49	7.50%	Vaalco	Addax (Sinopec), Sasol, Sojitz, PetroEnergy
Gwedidi	Gwedidi	5	7.50%[3]	Maurel & Prom	AIC Petrofi
Kiarsseny Marin		5,442	52.78%	Tullow	Addax (Sinopec)
Limande	Limande	10	40.00%	Perenco	
Mbigou	Mbigou	5	7.50%[3]	Maurel & Prom	AIC Petrofi
Niungo	Niungo	96	40.00%	Perenco	
Nziembou		1,027	40.00%	Perenco	Total
Oba	Oba	44	5.00%[3]	Perenco	AIC Petrofi
Obangue	Obangue	40	3.75%[3]	Addax (Sinopec)	AIC Petrofi
Omko	Omko	16	7.50%[3]	Maurel & Prom	AIC Petrofi
Onal	Onal, Maroc Nord	46	7.50%[3]	Maurel & Prom	AIC Petrofi
Tchatamba Marin	Tchatamba Marin	30	25.00%	Perenco	Oranje Nassau
Tchatamba South	Tchatamba South	40	25.00%	Perenco	Oranje Nassau
Tchatamba West	Tchatamba West	25	25.00%	Perenco	Oranje Nassau
Tsiengui	Tsiengui	26	3.75%[3]	Addax (Sinopec)	AIC Petrofi
Turnix	Turnix	18	27.50%	Perenco	
Back-In Rights [4]					
Dussafu Marin		2,780	5.00%[5]	Harvest Natural Resources	Pan-Petroleum
Etame Marin		2,972	7.50%	Vaalco	Addax (Sinopec), Sasol, Sojitz, PetroEnergy
Etekamba		773	5.00%[5]	Maurel & Prom	
Maghena		631	3.75%[5]	Addax (Sinopec)	
Nyanga Mayombe		2,831	3.75%[5]	Maurel & Prom	
Omoueyi		4,133	7.50%[5]	Maurel & Prom	
Ghana					
Deepwater Tano	Jubilee, Tweneboa, Enyenra, Ntomme	831	49.95%	Tullow	Kosmos, Anadarko, GNPC, Sabre[6]
West Cape Three Points	Jubilee, Mahogany	701	26.40%	Kosmos	Anadarko, GNPC, Sabre[6]
Jubilee Field Unit Area[7]	Jubilee		35.48%	Tullow/Kosmos[8]	Anadarko, GNPC, Sabre[6]

Licence	Fields	Area sq km	Tullow interest	Operator	Other partners
WEST & NORTH AFRICA continued					
Liberia					
LB–15		3,400	25.00%	Anadarko	Repsol
LB–16		3,225	25.00%	Anadarko	Repsol
LB–17		3,150	25.00%	Anadarko	Repsol
Mauritania					
Block 1		2,624	40.00%[9]	Dana	GDF Suez, Roc Oil[9]
Block 2		4,898	89.27%[9]	Tullow	Dana, Roc Oil[9]
PSC C–10		10,725	59.15%	Tullow	Premier, Kufpec, Petronas, SMH
PSC A (Banda East)		110	67.30%[9]	Tullow	Premier, Kufpec, Petronas, Roc Oil[9]
PSC B (Banda West, Tiof, Tevet)		403	64.14%[9]	Tullow	Premier, Kufpec, Petronas, Roc Oil[9]
PSC B (Chinguetti EEA)	Chinguetti	29	22.25%[9]	Petronas	SMH, Premier, Kufpec , Roc Oil[9]
Block 6		4,023	27.42%[9]	Petronas	Roc Oil[9]
Block 7		6,676	21.15%[9]	Dana	Petronas, GDF Suez, Roc Oil[9]
Senegal					
St Louis		2,807	60.00%	Tullow	Dana, Petrosen
Sierra Leone					
SL-07B-11		5,081	20.00%	Anadarko	Repsol
SOUTH & EAST AFRICA					
Ethiopia					
South Omo		29,465	50.00%	Tullow	Africa Oil, Agriterra
Kenya					
Block L8		5,115	15.00%[10]	Apache	Origin, Pancontinental
Block 10A		14,747	50.00%	Tullow	Africa Oil, EAX (Afren)
Block 10BA		16,205	50.00%	Tullow	Africa Oil
Block 10BB		12,491	50.00%	Tullow	Africa Oil
Block 12A		15,389	50.00%	Tullow	Africa Oil
Block 12B		7,103	50.00%	Tullow	Swala Energy
Block 13T		8,429	50.00%	Tullow	Africa Oil
Madagascar					
Mandabe (Block 3109)		11,050	100.00%	Tullow	
Berenty (Block 3111)		9,050	100.00%	Tullow	
Namibia					
Production Licence 003	Kudu	4,567	31.00%	Tullow	Gazprom/NAMCOR JV, Itochu
Tanzania					
Lindi[11]		7,315	25.00%	Aminex	Solo
Mtwara[11]		5,045	25.00%	Aminex	Solo
Uganda					
Exploration Area 1		3,066	33.33%	Total	CNOOC
Exploration Area 1 (Jobi-Rii)	Jobi-Rii	598	33.33%	Total	CNOOC
Exploration Area 2	Mputa, Waraga, Kasamene	1,527	33.33%	Tullow	CNOOC, Total
Exploration Area 3A (Kanywataba)		171	33.33%	CNOOC	Total
Exploration Area 3A (Kingfisher)	Kingfisher	344	33.33%	CNOOC	Total

Notes:
1 Tullow has 'Back-In Rights' on this licence as well as a working interest.
2 Tullow has the option to acquire an additional interest in this licence through its 50% holding in Tulipe Oil SA.
3 Tullow's interest in this licence is held through its 50% holding in Tulipe Oil SA.
4 Back-In Rights: Tullow has the option, in the event of a development, to acquire varying interests in these licences.
5 Tullow has the option to acquire an interest in this licence through its 50% holding in Tulipe Oil SA.
6 Kosmos has agreed to acquire Sabre's interests. Completion expected by mid 2012.
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. Kosmos is the Technical Operator for Phase 1 of the Jubilee Development.
9 Roc Oil is in the process of selling its Mauritanian interests to Tullow Oil. Interest shown is Tullow's % on completion of this deal.
10 Tullow has the option to acquire a further 5% in this licence.
11 Tullow is in the process of withdrawing from the Lindi and Mtwara licences.

Current exploration, development and production interests continued

Licence / Unit Area	Blocks	Fields	Area sq km	Tullow interest	Operator	Other partners
EUROPE, SOUTH AMERICA & ASIA						
EUROPE						
United Kingdom						
CMS Area						
P450	44/21a	Boulton B & F	77	9.50%	ConocoPhillips	GDF Suez
P451	44/22a	Murdoch	89	34.00%	ConocoPhillips	GDF Suez
	44/22b	Boulton H[12]				
P452	44/23a (part)	Murdoch K[12]	48	6.91%	ConocoPhillips	GDF Suez
P453	44/28b	Ketch	85	100.00%	Tullow	
P516	44/26a	Schooner[13]	99	100.00%	Tullow	
P1006	44/17b	Munro[14]	48	20.00%	GDF Suez	ConocoPhillips
P1058	44/18b		46	22.50%	ConocoPhillips	GDF Suez
	44/23b	Kelvin				
P1139	44/19b	Katy (formerly Harrison)	60	22.50%	ConocoPhillips	GDF Suez
	44/19b part (Cameron)			60.00%	Tullow	ConocoPhillips, GDF Suez
CMS III Unit[15]	44/17a (part) 44/17c (part) 44/21a (part) 44/22a (part) 44/22b (part) 44/22c (part) 44/23a (part)	Boulton H, Hawksley, McAdam, Murdoch K		14.10%	ConocoPhillips	GDF Suez
Munro Unit[15]	44/17b 44/17a	Munro		15.00%	ConocoPhillips	GDF Suez
Schooner Unit[15]	44/26a 43/30a	Schooner		93.10%	Tullow	Faroe Petroleum
Thames Area						
P007	49/24aF1 (Excl Gawain)		163	100.00%	Tullow	
	49/24aF1 (Gawain)	Gawain[16]		50.00%	Perenco	
P037	49/28a 49/28b	Thames, Yare, Bure, Deben, Wensum	90	66.67%	Perenco	Centrica
	49/28a (part)	Thurne		86.96%	Tullow	Centrica
P039	53/04d	Wissey	29	62.50%	Tullow	First Oil, Faroe Petroleum
P105	49/29a (part)	Gawain[16]	17	50.00%	Perenco	
P786	53/03c	Horne	8	50.00%	Tullow	Centrica
P852	53/04b	Horne & Wren	17	50.00%	Tullow	Centrica
P1715	49/29d		25	100.00%	Tullow	
P1716	49/29e 49/30b		41	65.00%	Tullow	Atlantic Petroleum
Gawain Unit[15]	49/24F1 (Gawain) 49/29a (part)	Gawain		50.00%	Perenco	

Licence / Blocks	Fields	Area sq km	Tullow interest	Operator	Other partners
EUROPE, SOUTH AMERICA & ASIA continued					
Netherlands					
E10		401	32.00%	Tullow	XTO, GTO, EBN
E11		401	30.00%	Tullow	XTO, EBN
E13a		234	50.00%	Tullow	EBN, Gas Plus
E14		403	32.00%	Tullow	XTO, GTO, EBN
E15a	F16-E[17]	39	4.69%	Wintershall	Dana, GDF Suez, EBN
E15b	E18-A[17]	21	21.12%	Wintershall	Dana, EBN
E15c		343	30.00%	Tullow	XTO, GTO, Gas Plus, EBN
E18a	E18-A[17], F16-E[17], K3-A[17]	212	17.60%	Wintershall	Dana, GDF Suez, EBN
E18b		192	32.00%	Tullow	XTO, GTO, EBN
F13a	F16-E[17]	4	4.69%	Wintershall	Dana, GDF Suez, EBN
K8, K11		820	22.50%	NAM	Oranje Nassau, Wintershall, EBN
L12a		119	22.50%	GDF Suez	Oranje Nassau, Wintershall, EBN
L12b, L15b	L12b-C, L15b-A	92	15.00%	GDF Suez	Wintershall, EBN
L12c		30	45.00%	Tullow	EBN, Wintershall
L12d		225	52.50%	Tullow	EBN, Wintershall
L13		413	22.50%	NAM	Oranje Nassau
L15d		62	45.00%	Tullow	EBN, Wintershall
Q4	Q4-A, Q1-B[17]; Q4-B[17]	417	19.80%	Wintershall	Dyas, EBN
Q5d		21	10.00%	Wintershall	Dyas, EBN
Joint Development Area (JDA)[18] K7, K8, K11, K14, K15, L13	Over 20 fields		9.95%	NAM	Oranje Nassau, Wintershall, EBN
SOUTH AMERICA					
French Guiana					
Guyane Maritime		24,100	27.50%	Shell	Total, Northpet Investments
Guyana					
Georgetown Block		8,400	30.00%	Repsol	YPF, CGX Resources
Suriname					
Block 47		2,369	70.00%	Tullow	Statoil
Coronie[19]		2,592	40.00%[20]	Paradise Oil	
ASIA					
Bangladesh					
Block 9	Bangora	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	Shekhan	1,107	40.00%	OGDCL	MGCL, SEL
Kohlu		2,459	30.00%	OGDCL	MGCL
Sara D&PL	Sara[21]	83	38.18%	Tullow	OGDCL, POL, Attock
Suri D&PL	Suri[21]	24	38.18%	Tullow	OGDCL, POL, Attock

Notes:
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 These fields are unitised – interests are as follows: F16-E 4.147%; E18-A 18.357%; K3-A 10.384%; Q4-B 17.105%; Q1-B 4.95%;
18 Interests in blocks K7, K8, K11, K14, K15 and L13 have been unitised. The six blocks are known as the Joint Development Area.
19 Tullow will acquire its interests on completion of work programme.
20 Tullow has a 40% title interest (36.5% economic interest).
21 Sara and Suri fields have been shut in.

Shareholder enquiries
All enquiries concerning shareholdings including notification of change of address, loss of a share certificate or dividend payments should be made to the Company's registrars, Computershare Investor Services PLC or, for shareholders whose shares are held on the Ghana branch register, enquires should be made to Computershare Pan Africa Limited. Contact details for both registrars are as follows:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Telephone number – UK shareholders: 0870 703 6242
Telephone number – Irish shareholders: 00 353 1 216 3744
Telephone number – overseas shareholders: 00 44 870 703 6242
Contact: www.investorcentre.co.uk/contactus

Computershare Pan Africa Ghana Limited
P.O. Box CT2215 Cantonments
23 Eleventh Lane, Osu R.E.,
Accra, Ghana

Telephone number – Ghana shareholders: 00 233 302 770507
Contact: panafrica@computershare.co.za

A range of shareholder frequently asked questions and practical help on transferring shares and updating details is available online in the Shareholder Services section located in the Investors area of the Tullow website: www.tullowoil.com.

Computershare online enquiry service
Computershare provides a range of services through its online portal, Investor Centre, which can be accessed free of charge at www.investorcentre.co.uk. This service, accessible from anywhere in the world, enables shareholders to check details of their shareholdings or dividends, download forms to notify changes in personal details, and access other relevant information.

Payment of dividends
Shareholders can have their dividends paid directly into a UK sterling or Irish euro bank account and have the tax voucher sent directly to their registered address. You can register your account details in Investor Centre or, alternatively download a dividend mandate form.

Overseas shareholders who wish to have their dividends paid in a local currency can use the Global Payments Service that Computershare has established. Details of the service can be accessed in the Shareholder Services section of the Investors area of the Tullow website: www.tullowoil.com.

Holders on the Ghanaian Branch Register may also receive dividends directly into a bank account in Ghana. Such payments are only made in Ghanaian Cedis.

Share dealing service
A telephone share dealing service has been established for shareholders with Computershare for the sale and purchase of Tullow Oil shares. Shareholders who are interested in using this service can obtain further details by calling the appropriate telephone number below:

UK shareholders: 0870 703 0084
Irish shareholders: 00 353 1 447 5435

If you live outside the UK or Ireland and wish to trade you can do so through the Computershare Trading Account. To find out more or to open an account, please visit www.computershare-sharedealing.co.uk or phone Computershare on +44 (0) 870 707 1606.

Electronic communication
Shareholders have the option to receive shareholder communications including annual reports and notices of meetings electronically. Tullow actively supports Woodland Trust, the UK's leading woodland conservation charity. Computershare, together with Woodland Trust, has established eTree, an environmental programme designed to promote electronic shareholder communications. Under this programme, the Company makes a donation to eTree for every shareholder who registers for electronic communication. To register for this service, simply visit www.etreeuk.com/tullowoilplc with your shareholder number and email address to hand. Once registered, shareholders will be e-mailed when an annual report or notice of meeting is available for viewing on the Tullow website.

Shareholder security
Shareholders are advised to be cautious about any unsolicited financial advice; offers to buy shares at a discount or offers of free company reports. More detailed information can be found at www.moneymadeclear.fsa.gov.uk and in the Shareholder Services section of the Investors area of the Tullow website: www.tullowoil.com.

ShareGift
If you have a small number of shares whose value makes it uneconomical to sell you may wish to consider donating them to ShareGift. Any shares donated to ShareGift will be aggregated and sold when possible with the proceeds donated to a wide range of UK charities. The relevant share transfer form may be obtained from Computershare. Further information about the scheme is available at www.ShareGift.org.

Financial calendar
Financial year end 31 December 2011

2011 Full-year results announced	14 March 2012
Annual General Meeting	16 May 2012
Interim Management Statement	16 May 2012
2011 Final dividend payable	24 May 2012
2012 Half-yearly results announced	25 July 2012
2012 Interim dividend payable	November 2012
Interim Management Statement	November 2012

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Glossary

A	
AGM	Annual General Meeting
AFS	Available for sale
B	
bbl	Barrel
bcf	Billion cubic feet
boe	Barrels of oil equivalent
boepd	Barrels of oil equivalent per day
bopd	Barrels of oil per day
C	
¢	Cent
CMS	Caister Murdoch System
CMS III	A group development of five satellite fields linked to CMS
CR	Corporate Responsibility
CSO	Civil Society Organisation
CNOOC	China National Offshore Oil Corporation
D	
D&O	Development & operations
DD&A	Depreciation, Depletion and Amortisation
DLT	Development Leadership Team
DoA	Delegation of Authority
DoO	Development and operations
DSBP	Deferred Share Bonus Plan
E	
EA	Exploration Area
E&E	Exploration and evaluation
E&A	Exploration and appraisal
E&P	Exploration and production
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EHS	Environment, Health and Safety
EITI	Extractive Industries Transparency Initiative
EMS	Environmental Management System
ERC	Energy Resource Consultants
ESOS	Executive Share Option Scheme
F	
FEED	Front End Engineering and Design
FPSO	Floating Production Storage and Offloading vessel
FRC	Financial Reporting Council
FRS	Financial Reporting Standard
FTG	Full Tensor Gravity Gradiometry
FTSE 100	Equity index whose constituents are the 100 largest UK listed companies by market capitalisation
FVTPL	Fair Value Through Profit or Loss
G	
GARP	Growth at a reasonable price
GELT	Global Exploration Leadership Team
GNPC	Ghana National Petroleum Corporation
Group	Company and its subsidiary undertakings
GSE	Ghana Stock Exchange
H	
HIPO	High Potential Incident
HR	Human Resources
I	
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFC	International Finance Corporation
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IMS	Information Management System
IR	Investor Relations
ISO	International Organization for Standardization
J	
JUA	Jubilee Unit Area
K	
km	kilometres
KPI	Key Performance Indicator
L	
LIBOR	London Interbank Offered Rate
LTI	Lost Time Injury
LTIFR	LTI Frequency Rate measured in LTIs per million hours worked

M

mmbbl	Million barrels
mmboe	Million barrels of oil equivalent
mmscfd	Million standard cubic feet per day
MoU	Memorandum of Understanding
MTM	Mark To Market

N

NGO	Non-Governmental Organisation

P

p	pence
P10	Reserves and/or resources estimates that have a 10 per cent probability of being met or exceeded
P50	Reserves and/or resources estimates that have a 50 per cent probability of being met or exceeded
PAYE	Pay As You Earn
PoD	Plan of Development
PRT	Petroleum Revenue Tax
PSA	Production Sharing Agreement
PSC	Production Sharing Contract
PSP	Performance Share Plan

R

RBM	Regional Business Manager

S

SCT	Supplementary Corporation Tax
SIP	Share Incentive Plan
SOP	Share Option Plan
SPA	Sale and Purchase Agreement
sq km	Square kilometres
SRI	Socially Responsible Investment

T

TEED	Tullow Education and Enterprise Development Fund
TEN	Tweneboa - Enyenra - Ntomme
TGSS	Tullow Group Scholorship Scheme
toes	Tullow Oil Environmental Standards
TSR	Total Shareholder Return

U

UK GAAP	UK Generally Accepted Accounting Principles
URA	Ugandan Revenue Authority

V

VAT	Value Added Tax

W

WAEP	Weighted Average Exercise Price

STAY UP TO DATE

This report is complemented by a range of online information and resources.

SUPPLIER CENTRE

In 2011, Tullow launched an online supplier centre to provide all companies, but particularly local suppliers, with the opportunity to register their interest to become a supplier.

Visit: **www.tullowoil.com/supplier_centre**

WWW.TULLOWOIL.COM

This is our main corporate site. Key sections include our business, investors, media, corporate responsibility and our people. There is also information on our major projects and links to our other websites. Site tools include alert services, social media, and a mobile site. My Tullow is a facility where you can customise the site to suit your preferences and information needs.

WWW.TULLOWOIL.COM/REPORTS

We have a central hub for financial calendar events such as results and the AGM and for our corporate reports. Results webcasts, presentations and fact books are also available here.

2011 Annual Report and Accounts

Visit: **www.tullowoil.com/ara2011**

2011 Corporate Responsibility Report

Our 2011 Corporate Responsibility Report will be published in June 2012. This will also be available online.

Visit: **www.tullowoil.com/reports**

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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